

# Inspector General

United States  
Department *of* Defense



## Semiannual Report to the Congress

October 1, 2008 - March 31, 2009

Required by Public Law 95-452



DEPARTMENT OF DEFENSE  
INSPECTOR GENERAL  
400 ARMY NAVY DRIVE  
ARLINGTON, VA 22202-4704

# Message from the Inspector General



I am pleased to provide the Department of Defense Inspector General Semiannual Report to Congress for the reporting period October 1, 2008 to March 31, 2009. We have been productively working on the behalf of the warfighters and taxpayers to identify fraud, waste, and abuse in the operations and programs of the Department.

In 2009, the Department prepared for anticipated shifts in strategies and addressed a need to re-shape and re-balance its direction. The Department remains focused on taking care of its people, prevailing in the current conflicts, and shaping the force.

Managing a Department with over 3 million employees and a budget of over \$500 billion is a remarkable challenge. The Department is making significant progress in addressing its management challenges, although there are weaknesses that still need to be addressed.

For example, the Department has committed to improving its management of taxpayer's money by eliminating programs that are over budget and implementing new acquisition guidelines. The DoD IG provides oversight of the Department's spending, and has issued 11 audits during this reporting period related to acquisition processes and contract management.

The Department has been responsive and has benefited from the collection of work provided by the DoD IG. We have produced special assessments in the area of foreign military sales, logistics sustainability, and the accountability of night vision devices. Our Intelligence component supported both Operation Enduring Freedom and Operation Iraqi Freedom by conducting a review of intelligence resources at the Joint Intelligence Task Force Combating Terrorism and the Special Operations Command.

During this reporting period, the Defense Criminal Investigative Service, working closely with counterpart law enforcement agencies, was responsible for returning \$1.1 billion in fines, restitutions, and recoveries to the U.S. government. Investigations resulted in 183 indictments and 108 convictions. Our auditors issued 66 reports and identified \$115.5 million of funds put to better use. Additionally, we achieved \$161.7 million in identified funds put to better use from reports issued in previous years. Our Defense Hotline handled over 6,000 contacts resulting in the recovery of an additional \$1.5 million.

Our field offices in Afghanistan, Iraq, Qatar, and Kuwait are well established and are conducting a series of key reviews that will have a real impact on the Department's operations in Afghanistan and Iraq.

This semiannual report focuses on major challenge (risk) areas faced by the Department during the reporting period: Acquisition Processes and Contract Management; Weapons and Equipment Accountability; and Technology Protection and Cyber Security. The report also focuses on protecting the warfighter by ensuring that they have reliable equipment and quality health care.

The insert accompanying this report highlights our strategic alignment with the Combatant Commands. We emphasize utilizing joint or collaborative reviews as a tool to provide effective oversight in future dynamic environments.

In closing, I want to express my appreciation for the accomplishments of all DoD IG employees and commend them on their professionalism, dedication, and devotion to service. I am honored to note that the DoD has 147 employees eligible for the Secretary of Defense Medal for the Global War on Terrorism as of March 31, 2009. I also want to express my appreciation to Congress and the Department for their continued support in improving DoD operations and programs.

A handwritten signature in dark ink, reading "Gordon S. Heddell". The signature is fluid and cursive, with the first name "Gordon" being the most prominent.

Gordon S. Heddell  
Acting Inspector General



Department of Defense  
Inspector General  
Semiannual Report to the Congress  
October 1, 2008 to March 31, 2009



Inspector General Act of 1978,  
as amended  
Title 5, U.S. Code, Appendix

2. Purpose and establishment of Offices of Inspector General;  
departments and agencies involved

In order to create independent and objective units--

- (1) to conduct and supervise audits and investigations relating to the programs and operations of the establishments listed in section 11(2);
- (2) to provide leadership and coordination and recommend policies for activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations; and
- (3) to provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action;



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# DoD IG Reporting Requirements

The Inspector General Act of 1978, as amended, states that each inspector general shall no later than April 30 and October 31 of each year prepare semiannual reports summarizing the activities of the office during the immediately preceding six-month periods ending March 31 and September 30.

The IG Act specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the applicable pages.

IG Act References	Reporting Requirements	Page
Section 4(a)(2)	"review existing and proposed legislation and regulations...make recommendations..."	N/A
Section 5(a)(1)	"description of significant problems, abuses, and deficiencies..."	11-48
Section 5(a)(2)	"description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies..."	11-48
Section 5(a)(3)	"identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed..."	138-139
Section 5(a)(4)	"a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted."	11-48
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.	86-94
Section 5(a)(7)	"a summary of each particularly significant report..."	11-48
Section 5(a)(8)	"statistical tables showing the total number of audit reports and the total dollar value of questioned costs..."	96
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..."	96
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..."	96
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..."	97
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..."	97
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..."	100-137
Section 8(f)(1)	"information concerning the number and types of contract audits..."	98

## DoD IG MISSION & EXECUTIVE SUMMARY





# SERVING THE CONGRESS AND THE DEPARTMENT

## DEPARTMENT OF DEFENSE INSPECTOR GENERAL

The Department of Defense Inspector General is an independent, objective agency within the U.S. Department of Defense that was created by the Inspector General Act of 1978, as amended. We are dedicated to serving the warfighter and the taxpayer by conducting audits, investigations, and inspections that result in improvements to the Department. We provide guidance and recommendations to the Department of Defense and the Congress.

### MISSION

Promote integrity, accountability, and improvement of Department of Defense personnel, programs and operations to support the Department's mission and serve the public interest.

### VISION

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

### CORE VALUES

*Accountability • Integrity • Efficiency*

#### SERVING THE WARFIGHTER



#### SERVING THE TAXPAYER



#### Goal 1

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

#### Goal 2

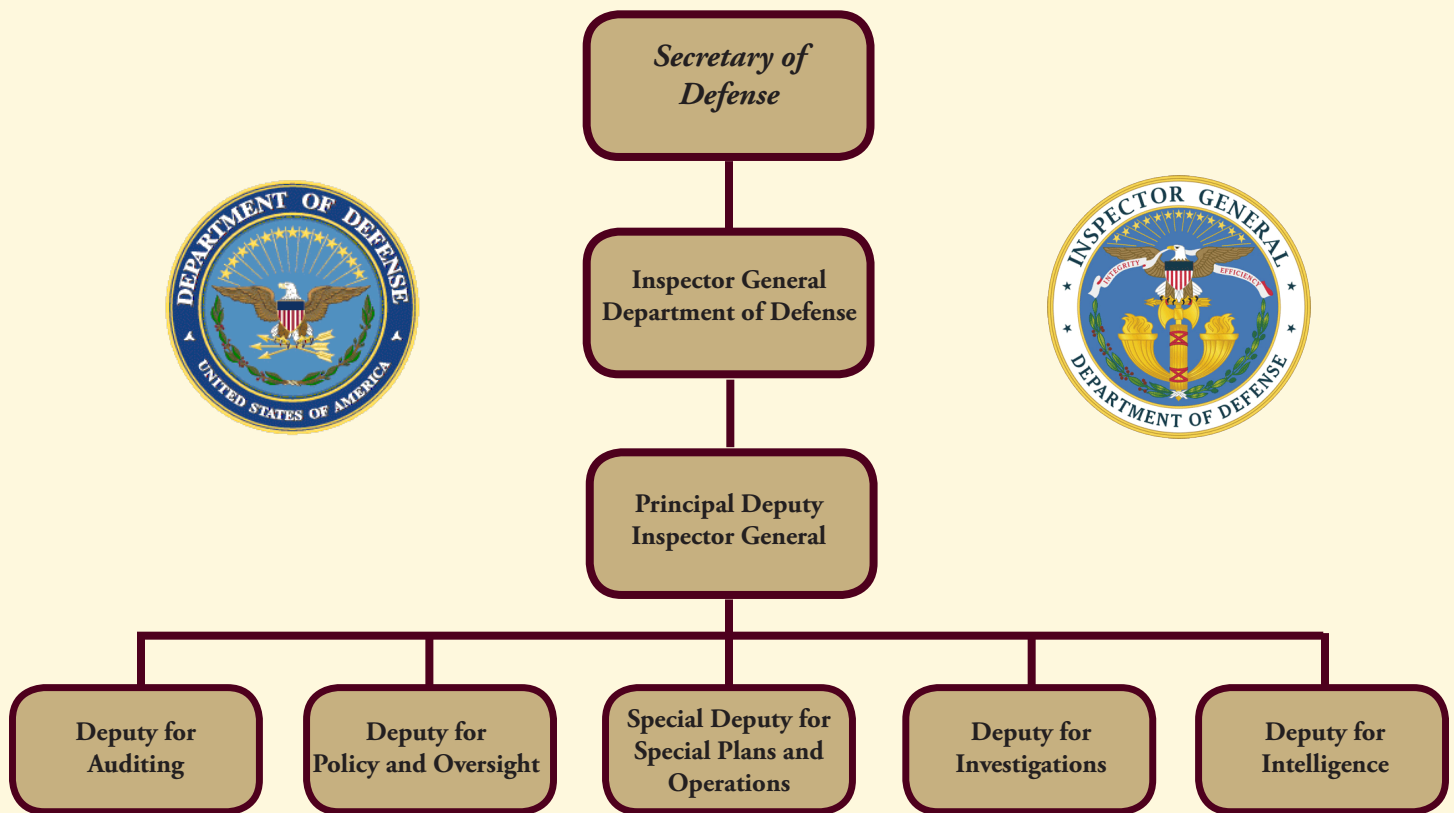
Eliminate fraud, waste, and abuse in the programs and operations of the Department.

#### Goal 3

Ensure the efficiency and effectiveness of DoD IG products, processes, and operations.



# ORGANIZATION AND MISSIONS OF THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL



## AUDITING

The Office of the Deputy Inspector General for Auditing conducts audits on all facets of 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 policy.

## POLICY AND OVERSIGHT

The Office of Deputy Inspector General for Policy and Oversight provides oversight and policy for audit, investigative, and hotline activities within the DoD; conducts inspections and evaluations of DoD programs; provides technical advice and support to IG projects; and monitors corrective actions taken in response to IG and GAO reports.

## SPECIAL PLANS AND OPERATIONS

Special Plans and Operations facilitates decision-making by senior leaders of the Department of Defense, U.S. Congress, and other government organizations by providing timely, high-value assessment reports on strategic challenges and issues, with special emphasis on the Global War on Terror and Southwest Asia.

## INVESTIGATIONS

The Office of the Deputy Inspector General for Investigations 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, the Directorate for Military Reprisal Investigations, and the Directorate for Civilian Reprisal Investigations.

## INTELLIGENCE

The Office of the Deputy Inspector General for Intelligence provides oversight (audits, evaluations and inspections) across the full spectrum of programs, policies, procedures and functions of the Intelligence Community, Special Access Programs, Nuclear Enterprise and related security issues within the Department of Defense.

# Department of Defense

## Where We Are Today

### ADDRESSING DOD CHALLENGES



The United States has been engaged in combating terrorism now for over seven years. Over 170,000 troops have been deployed around the globe in support of a prolonged, worldwide campaign. The Department is undergoing shifts in strategy, as well as dealing with an increasingly challenging security environment.

The DoD IG is performing audits, investigations, and inspections to support the Department's mission. The Department is pursuing the following objectives:

- Prioritizing support to warfighters and their families, particularly ensuring the best care for those wounded in combat;
- Prevailing in the current conflicts, with an emphasis on providing troops in the field what they need to be successful; and
- Shaping the Department's strategy, resources, capabilities and processes to effectively balance the requirements of current threats and future challenges and contingencies.

The Department of Defense Inspector General identifies the most serious management and performance challenges facing the Department and assesses the progress in addressing those challenges in the DoD Performance and Accountability Report. The PAR can be viewed at [www.defenselink.mil/comptroller/par](http://www.defenselink.mil/comptroller/par)



## DoD IG: Providing Oversight & Focusing on Critical Areas

### Looking Forward

The DoD IG is focusing its resources and manpower in critical areas for the Department to improve its programs and operations. Independent oversight of the Department is essential to ensure the public's confidence and protect the warfighters. The Department continues to make progress in addressing management challenges that will position it for success in meeting the goals of supporting the troops and their families; reshaping the forces; and modernizing capabilities.

#### Acquisition Processes & Contract Management

- Over \$350 billion in annual procurements
- Adequately staffing the government acquisition team
- Contract procurement fraud

#### Protecting the Total Force

- DoD military health system
- Reliable equipment and vehicles
- Taking care of people

#### Weapons & Equipment Accountability

- Accountability of munitions
- Control of sensitive items
- Iraq and Afghanistan security forces

#### Technology Protection & Cyber Security

- Illegal purchasing of military technology
- Conspiracy to export illegal goods
- Protecting DoD information



To learn more about the Department of Defense Inspector General, please visit us on the Web at [www.dodig.mil](http://www.dodig.mil)

DoD contracting procurement fraud comprises over 60 percent of the DCIS case inventory. These crimes have a significant impact on the Department and the warfighter. For example, shortly after this reporting period began, an investigation involving DCIS and other members of the National Procurement Task Force and the International Contract Corruption Task Force resulted in a former Defense contractor pleading guilty in a scheme to steal approximately \$39.6 million worth of fuel from the U.S. Army in Iraq.

## Acquisition Processes & Contract Management

The Department has faced tremendous challenges providing oversight over large amounts of spending for many years and was heightened in recent years because of large spending increases associated with the war effort. We continue to identify issues with the acquisition process and contract management. Attempts by the Marine Corps to quickly field an expeditionary vehicle led to program management and contracting problems.

We continue to find problems with the oversight of large contracts for information systems and information technology services. Contracts for these services have been awarded for billions of dollars and are often decentralized and not closely managed. We identified significant issues on an Air Force information systems contract. In addition, DoD did not effectively manage a public affairs program in support of the war effort.

The Deputy Assistant Secretary of Defense for Internal Communications and Public Liaison (Deputy Assistant Secretary) conducted the America Supports You program (created in 2004) in a questionable and unregulated manner. Also, the American Forces Information Service, working under the authority of the Deputy Assistant Secretary, inappropriately transferred \$9.2 million of appropriated funds to Stars and Stripes through uniform funding and management procedures to finance ASY program expenses through its nonappropriated fund.

The Department continues to face challenges with providing effective oversight of the Department's acquisition and contract management processes. In the last six months, we identified issues with contract pricing, decentralization and management of information systems and information technology services, management and funding and inappropriate practices related with a public affairs program. We also identified issues with the extensive reliance on the contractor support workforce has led to instances where contractors are performing inherently governmental functions.

### Acquisition Workforce

The extensive reliance on the contractor support workforce has led to instances where contractors are performing inherently governmental functions. The Federal Acquisition Regulation defines inherently governmental as a function that is so intimately related to the public interest as to mandate performance by government employees. These functions include activities that require either the exercise of discretion in applying government authority, or the use of value judgments in making decisions for the government. Additionally, these functions involve interpretation and execution of the laws of the United States so as to bind it to take or not to take some actions by contract, policy, regulation, authorization, order, or otherwise. Examples include determining what services to order, administering contracts, and performing investigations.



# Military Health System

The Department of Defense faces an enormous hurdle in improving the health care of its employees, soldiers, sailors, airmen and marines.

The DoD military health system has been moving forward on improving health care while attempting to control costs. DCIS, assisted by the DoD IG Office of Auditing and other federal agencies, were recognized for their role in the investigation of the largest fraud in TRICARE history and received the award for the Investigation of the Year by the National Health Care Anti-Fraud Association for 2008.

This 5-year investigation into the largest overseas TRICARE fraud in the history of the program resulted in a 75-count indictment against the defendants for defrauding TRICARE of over \$100,000,000 and, ultimately, their guilty pleas. The investigation began when DCIS and U.S. Attorney's Office investigators, while in the Philippines investigating other fraud matters, received complaints of apparent excessive billings. Wisconsin Physicians Service Program Integrity Staff, a TRICARE contractor, identified increased claims from the Republic of the Philippines through a Philippine company that functioned as a health care provider, third-party biller and supplemental insurer. A review of thousands of documents involving claims submitted to TRICARE showed a pattern indicating that the defendants consistently increased the dollar amount on claims by over 200 percent before submitting them for payment.

## Protecting the Total Force



# Protecting the Warfighter

One of the most important issues that the Department has to face is the challenge of providing our warfighters with the proper equipment to ensure their safety. This includes providing them with the proper body armor, and mine resistant vehicles, in order for their protection against insurgent and terrorist attacks. The DoD IG conducted two audits to assist the Department in this critical area.

A DoD IG audit found that first article testing of body armor procured under an Army contract was not consistently conducted or scored in accordance with contract terms, conditions, and specifications. We recommended that the Army immediately identify and facilitate the return of about 16,400 sets of certain ballistic inserts purchased under the contract, and remove those certain ballistic inserts from inventory. Although the Secretary of the Army disagreed with the finding, he agreed to order the identification and collection of the ballistics inserts designs.

An audit on the "Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistant Ambush Protected Vehicles" found that DoD was aware of the threat posed by mines and improvised explosive devices in low-intensity conflicts and of the availability of mine-resistant vehicles years before insurgent actions began in Iraq in 2003. Yet DoD did not develop requirements for, properly fund, or acquire MRAP-type vehicles for low-intensity conflicts that involved mines and IEDs. As a result, the Department entered into operations in Iraq without having taken available steps to acquire technology to mitigate the known mine and IED risk to soldiers and Marines.

## Afghanistan & Iraq Security Forces

The DoDIG performed assessments in Afghanistan and Iraq in May 2008 on the management of weapons accountability and control in Afghanistan and Iraq, among other issue areas.

- The primary issues in Afghanistan were the lack of written policies and procedures for munitions accountability at the U.S. Central Command and DoD organizations located in Afghanistan. In addition, we determined chains-of-custody were not maintained, weapons were not properly inventoried, serial numbers were not recorded and reported, and captured weapons were not addressed.
- In Iraq, we determined that 29 of the 45 recommendations made during our first assessment directed to DoD management and field commanders had been completed and closed, while 16 were open with corrective actions ongoing. In addition, we determined that serial numbers were not accurately recorded at Iraqi warehouses and that the Ministry of Defense captured weapons policy had not been fully implemented.

## Weapons Accountability



The DoD IG has completed a series of four assessments and has one ongoing assessment that include issues regarding accountability and control of munitions and sensitive items transferred or being transferred to the security forces of Afghanistan and Iraq. The four completed reports contained 69 observations and 206 recommendations and included accountability issues as a primary topic in those reports.

The DoD IG deployed a team to Iraq in October 2007. We first made visits of approximately one week each to Afghanistan and Kuwait to gain a theater-wide perspective of the arms and ammunition accountability and control situation in Southwest Asia. The primary issues in Iraq were the lack of written policies and procedures for weapons and ammunition accountability. In addition, we determined chains-of-custody were not maintained, weapons were not properly inventoried, serial numbers were not recorded and reported, turnover procedures to ISF were not established, and captured weapons were not addressed.

## Controls Over Sensitive Items

The DoD IG deployed a team to Iraq in October-November 2008 to evaluate the management of Night Vision Devices and determined that continuing and significant weaknesses in the management of NVDs existed.

- The Multi-National Security Transition Command-Iraq had procured 50,740 NVDs for ISF since 2004. In its log book, the Multi-National Security Transition Command-Iraq could account for 46,876 NVDs by quantities issued to major ISF organizations (e.g., the Ministries of Defense and Interior), due-ins, and items in storage but could not account for 3,864 NVDs. Of the 46,440 NVDs delivered to ISF organizations, the Multi-National Security Transition Command-Iraq could not provide issue documentation for more than 21,000, could not provide serial numbers for more than for 26,000, and could seldom identify specific ISF units receiving the devices.
- In addition, U.S. forces' policies and standard operating procedures were not always issued, complete, or implemented and in some cases were contradictory. Furthermore, ISF had not issued policies and standard operating procedures for the management, accountability, and control of NVDs. Additionally, the Multi-National Security Transition Command-Iraq had not developed procedures for the execution of the Department of State Blue Lantern Program (an end-use monitoring program), or provided monitoring guidance for equipment procured through pseudo-Foreign Military Sales cases.

The DoD IG team once again deployed to Afghanistan in March 2009 to follow-up on the management of weapons accountability and control in Afghanistan, among other issue areas.

# Technology Protection

Military conflict presents unique and consequential challenges to the Department of Defense. Among the most significant is the enhanced need to guard the American warfighter's supremacy on the battlefield by protecting our technology and weapons advantage. While the locations and foes we face may change, the nature of this threat does not.

Regardless of where the conflict is being waged, our technological advantages are constantly targeted by our adversaries who seek to neutralize them or to divert them to their use, and thereby place our men and women in uniform at greater risk. These attempts come in many forms including illegal purchases of major aircraft parts, theft of night vision technology, to compromise of networks and exploitation of protected software.

Here are just a few of the results of investigations conducted by DCIS, along with counterpart law enforcement agencies during this reporting:

- An Iranian man and his company were charged in March 2009 for attempting to supply Iran with helicopter engines and aerial cameras for fighter bombers.
- In February 2009, a Chinese national admitted to conspiring to export military-grade night vision technology from the U.S. to the Republic of China.
- That same month, two brothers pleaded guilty to steal optics from the Marine Corps and export them to purchasers in Hong Kong, Japan and Taiwan.
- In January 2009, the vice president of a company in Los Angeles, CA, was charged with exporting restricted integrated circuits to China. The circuits, considered to be "dual use" technology, had a variety of potential applications including use in sophisticated communications and military radar systems.

## Defense Criminal Investigative Service



# Cyber Security

The Department is continually challenged to maintain a cyber security barrier, not only for the defense of DoD's Global Information Grid but also the protection of sensitive data on Defense contractor networks. Currently, there are no requirements compelling DoD contractors to report the loss of sensitive but unclassified Defense information. While the Department has begun to form ad hoc agreements with contractors asking that they voluntarily report intrusion and data loss in exchange for classified cyber threat data from the Department to be used to better protect contractor networks, this is occurring on a case-by-case basis.

This reporting usually ends up in intelligence channels, where access to it is restricted. As a result, the Department frequently does not have the opportunity to pursue the hackers and data thieves using the traditional criminal investigative means. Nor does the Department have the opportunity to provide for the oversight of contracts with Information Assurance provisions that may not have been implemented by the victim contractors – a situation that could result in contract fraud and further susceptibility to data loss.

# Summary of Performance

During this reporting period, the DoD IG continued directing its resources towards those areas of greatest risk within the Department. We addressed a variety of issues by conducting audits of programs, investigating criminal activity, and assessing key operations. Audits focused on management challenges related to the following programs:

- Financial Management
- Acquisition Processes and Contract Management
- Joint Warfighting and Readiness
- Information Assurance, Security, and Privacy
- Health Care

Investigations focused resources on the following areas of criminal activity:

- Corruption and Fraud, especially in Southwest Asia
- Technology Protection
- Cyber Security
- Terrorism

In addition, the DoD IG focused attention on a broad array of challenging issues affecting the safety, health, and well-being of U.S. troops, such as body armor testing requirements and TRICARE controls. The DoD IG has conducted assessments and inspections to address issues of national and international significance, such as the review of electrocution deaths in Iraq and munitions accountability in Afghanistan. The DoD IG has responded to requests from Congress to review challenges to the Department and conducted work pursuant to several significant statutory mandates.

## Results Attained

### AUDIT

Reports Issued	66
Potential funds put to better use	\$115.5 million
Achieved monetary benefits	\$161.7 million

### INVESTIGATIONS

Indictments	183
Convictions	108
Suspensions	33
Debarments	28
TOTAL RECOVERIES	\$1.1 billion

## DoD IG Profile

### Staffing and Budget

As of March 31, 2009, our workforce totaled 1,530 employees. The fiscal year 2009 budget is \$271.8 million.

### Office Locations

The DoD IG is headquartered in Arlington, VA. Field audit and investigation offices are located across the United States including California, Missouri, Texas, Ohio, Pennsylvania, and Florida. In addition, the DoD IG has offices across the world including Germany, Korea, Afghanistan, Iraq, Qatar, and Kuwait.

### About Our People

The DoD IG is a knowledge driven organization, and its employees are experts in fields such as auditing, criminal investigations, computer security, intelligence, hotline complaints, military reprisals and many others. As of March 31st, 147 employees or 10 percent of our total workforce are eligible for the Secretary of Defense Medal for the Global War on Terrorism.





## ACCOMPLISHMENTS OF THE DOD IG



# ABOUT THE DOD IG SEMIANNUAL REPORT

The Inspector General Act of 1978, as amended, states that the IG will conduct and supervise audits and investigations relating to the *operations* and *programs* of the establishment. Accordingly, the significant accomplishments of the Department of Defense Inspector General are listed in this semiannual report under “Oversight of DoD Operations” and “Oversight of DoD Programs.” The oversight of DoD operations are reported according to the current overseas conflicts in Afghanistan and Iraq. The oversight of DoD programs are reported by management challenge areas.

## REPORTS ISSUED DURING THE REPORTING PERIOD

The following reports relating to the conflicts in Afghanistan and Iraq were completed during the reporting period. A complete list of reports are available in Appendix A and on the Web at [www.dodig.mil](http://www.dodig.mil).

### Audit Reports Issued

1. D-2009-063 Funds Appropriated for Afghanistan and Iraq Processed Through the Foreign Military Sales Trust Fund, March 24, 2009
2. D-2009-061 Controls Over Reporting Transportation Costs in Support of the GWOT, March 12, 2009
3. D-2009-058 DoD Cost of War Reporting of Supplemental Funds Provided for Procurement and Research, Development, Test, and Evaluation, February 27, 2009
4. D-2009-054 Identification of Classified Information in Unclassified DoD Systems During the Audit of Internal Controls and Data Reliability in the Deployable Disbursing System, February 17, 2009
5. D-2009-052 Controls Over Excess Defense Articles Provided to Foreign Governments, February 13, 2009
6. D-2009-050 Distribution of Funds and the Validity of Obligations for the Management of the Afghanistan Security Forces Fund Phase II, February 5, 2009
- 7 D-2009-047 DoD Testing Requirements for Body Armor, January 29, 2009
8. D-2009-046 Procurement and Delivery of Joint Service Armor Protected Vehicles, January 29, 2009
9. D-2009-042 Hiring Practices Used To Staff the Iraqi Provisional Authorities, January 16, 2009
10. D-2009-041 Expeditionary Fire Support System and Internally Transportable Vehicle Programs, January 14, 2009
11. D-2009-033 Controls Over Billing Customers and Collecting Revenue for Work Performed at Corpus Christi Army Depot, December 16, 2008
12. D-2009-031 Afghanistan Security Forces Fund Phase III-Air Force Real Property Accountability, December 29, 2008
13. D-2009-030 Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistant Ambush Protected Vehicles, December 8, 2008
14. D-2009-027 Combat Search and Rescue Helicopter, December 8, 2008
15. D-2009-007 Procurement and Use of Nontactical Vehicles at Bagram Air Field, Afghanistan, October 31, 2008
16. D-2009-006 Small Arms Ammunition Fund Management in Support of the Global War on Terror, October 20, 2008
17. D-2009-005 Controls Over the Contractor Common Access Card Life Cycle, October 10, 2008
18. D-2009-003 Internal Controls Over Army General Fund, Cash and Other Monetary Assets Held Outside of the Continental United States, October 9, 2008

### Intelligence Reports Issued

19. 09-INTEL-03 Review of Intelligence Resources at the Joint Intelligence Task Force Combating Terrorism and Special Operations Command in Support of Operation Enduring Freedom and Operation Iraqi Freedom
20. 09-INTEL-04 Review of Intelligence Systems Support Office Programs
21. 09-INTEL-05 Audit of the Management of Signals Intelligence Counterterrorism Enterprise Analysts

### SPO Assessment Reports Issued

22. SPO-2009-001 Assessment of Arms, Ammunition, and Explosives Control and Accountability; Security Assistance; and Sustainment for the Afghan National Security Forces
23. SPO-2009-002 Assessment of Arms, Ammunition, and Explosives Accountability and Control; Security Assistance; and Logistics Sustainment for the Iraq Security Forces
24. SPO-2009-003 Assessment of the Accountability of Night Vision Devices Provided to the Security Forces of Iraq



Acting Inspector General Gordon S. Heddell touring a facility in Afghanistan.

# OVERSIGHT OF DOD OPERATIONS

The Department of Defense is currently involved in two of the longest-running military engagements in U.S. history, Operation Enduring Freedom and Operation Iraqi Freedom. The DoD IG has positioned its resources and personnel to provide effective oversight of these operations in Southwest Asia.

As of March 31, 2009, the DoD IG had 372 audit personnel, 90 special agents, 14 inspectors, and 10 intelligence analysts assigned to OEF and OIF projects. There were 18 completed and 63 ongoing audits related to the conflicts in Afghanistan and Iraq. There were 190 ongoing and 20 closed investigations related to OEF and OIF. Intelligence issued three reports and has three ongoing projects involving OEF and OIF. In addition, the Special Plans and Operations teams issued three reports and currently have four ongoing assessments.

The DoD IG strategically positioned field offices in-theater to address critical needs. Field offices supporting OEF and OIF are located in Afghanistan, Iraq, Qatar, and Kuwait.



DoD IG audits addressed challenges in the compilation and reporting of financial transactions for overseas contingency operations, acquisition processes for assets required to support the deployed warfighters, contract administration, contractor oversight, accountability and control of sensitive items.

The Defense Criminal Investigative Service is actively investigating fraud, theft, and corruption in Afghanistan, Iraq, and Kuwait. DCIS recoveries related to OEF and OIF are identified through contract fraud, corrupt business practices, and theft of critical military equipment destined for Afghanistan and Iraqi security forces.

DoD IG intelligence examined intelligence missions and resources at the Joint Intelligence Task Force Combating Terrorism and the Special Operations Command; evaluated the management of signals intelligence counterterrorism analysts; and reviewed the policies and procedures for conducting oversight of sensitive programs.

The DoD IG has deployed assessment teams to numerous locations including Afghanistan, Iraq, and Pakistan. These reports address challenges in the accountability and control of weapons, ammunition, and other sensitive equipment; security assistance processes that provide equipment to the security forces of Afghanistan, Iraq, and Pakistan; train and equip missions for the Afghan National and Iraqi security forces; and building logistics and medical sustainment capabilities for ISF and ANSF.

The following DoD IG projects are listed by the categories “Protecting the Warfighter” and “Protecting the Taxpayer,” and relate to both OEF and OIF.

## PROTECTING THE WARFIGHTER

The DoD IG is committed to supporting the warfighter to ensure that the Department provides them with the type of high quality, reliable equipment that will not only enable them to complete their mission, but also survive in hostile environments around the world.

### BODY ARMOR TESTING REQUIREMENTS

A DoD IG audit issued on January 29, 2009, found that first article testing of body armor procured under an Army contract was not consistently conducted or scored in accordance with contract terms, conditions, and specifications. Consequently, we believe three of the eight ballistic insert designs that passed first article testing actually failed. We had concerns about another first article test, but insufficient test data precluded us from determining the impact of the inconsistent testing and scoring processes. We recommended that the Army immediately identify and facilitate the return of about 16,400 sets of certain ballistic inserts purchased under the contract, and remove those certain ballistic inserts from inventory. Although the Secretary of the Army disagreed with the finding, he agreed to order the identification and collection of the ballistics inserts designs.

Additionally, the contracting officer technical representative made an unauthorized change to the contract by instructing the testing facility officials to deviate from the Contract Purchase Description without approval from the contracting officer. We also identified that Army and U.S. Special Operations Command officials developed separate ballistic testing criteria for body armor. The criteria differed significantly, even when testing against the same threats. Differences included the number of plates tested (sample size), the shot pattern, the environmental conditions, the type of tests, and the pass/fail guidelines.



An auditor observes testing of body armor.

### EXCESS DEFENSE ARTICLES

A DoD IG audit issued on February 13, 2009, found that the Defense Reutilization and Marketing Service and the DoD transportation offices reviewed did not fully account for over 7,000 line items of excess defense articles requiring demilitarization that were provided to 19 foreign governments. A line item is a single-line entry on a reporting form or sales document that indicates a quantity of property having the same description, physical condition, and cost per item.

On the basis of our statistical sample, we estimated that as many as 7,259 of 7,373 line items of excess defense articles, including M-16 rifles, M-60 machine guns, and armored personnel carriers, were not properly tracked, safeguarded, accounted for, or reconciled. In addition, as many as 291 of 7,373 line items of excess defense articles, including M-16 rifle parts, were shipped to foreign governments not authorized to have those items. Also, as many as 960 of 7,373 line items of excess defense articles shipped were turned in with incorrect information on how the articles should be demilitarized to prevent potential misuse.

### FELONY CHARGES ON WATER CONTRACTS FOR U.S. TROOPS

The Defense Criminal Investigative Service partnered with Army CID and the U.S. Attorney's Office Northern District of Georgia in a case relating to water contracts for U.S. military personnel serving overseas and in desert areas. On February 19, 2009, two men were convicted on multiple felony charges. One of the defendants was convicted on 38 counts of bribery, 15 counts of wire fraud, and one count of money laundering, while the other defendant was convicted on 18 counts of bribery, 6 counts of wire fraud, and 1 count of money laundering.



## MINE RESISTANT AMBUSH PROTECTED VEHICLES

### URGENT UNIVERSAL NEEDS PROCESS

An audit on the “Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistant Ambush Protected Vehicles” issued on December 8, 2008, found that DoD was aware of the threat posed by mines and improvised explosive devices in low-intensity conflicts and of the availability of mine-resistant vehicles years before insurgent actions began in Iraq in 2003. Yet DoD did not develop requirements for, properly fund, or acquire MRAP-type vehicles for low-intensity conflicts that involved mines and IEDs. As a result, the Department entered into operations in Iraq without having taken available steps to acquire technology to mitigate the known mine and IED risk to soldiers and Marines.

### MRAP PROCUREMENT

A DoD IG audit issued on January 29, 2009, found that MRAP officials took effective actions to accelerate delivery of MRAP vehicles and addressed material shortfalls. In addition, Army and Marine Corps officials developed MRAP requirements and up-armored HMMWV requirements based on theater commander assessments. However, Marine Corps Systems Command officials did not properly determine that contract prices were fair and reasonable when they awarded nine firm-fixed-price indefinite delivery, indefinite-quantity contracts in January 2007 for MRAP vehicles. Also, subsequent to the award of the nine contracts, MCSC contracting officials did not attempt to obtain cumulative quantity pricing discounts from one of the contractors. Contracting officials’ acceptance of offered prices without attempting to obtain appropriate volume discounts may have resulted in potential lost savings of \$45.6 million.

### CORRUPTION AND FRAUD INVESTIGATION

Congressional and media attention generated by reports of problems with the vehicles in Iraq resulted in increased attention by investigative agencies. On December 23, 2008, the Department of Justice announced that a Michigan company specializing in the manufacturing of emergency and military vehicles agreed to pay a \$1.7 million settlement resulting from kickback charges involving chassis for U.S. Army and Marine Corps mine resistant ambush protected vehicles.

This case was prosecuted as part of the National Procurement Fraud Initiative, which was established by the Department of Justice in October 2006 to promote the early detection, identification, prevention and prosecution of procurement fraud associated with the increase in government contracting activity for national security and other government programs. The operating body of the initiative, the Procurement Fraud Task Force, is chaired by the Assistant Attorney General for the Criminal Division and includes the Civil Division, the U.S. Attorneys’ Offices, the FBI, the U.S. inspector general community, and a number of other federal law enforcement agencies.



## PROTECTING THE TAXPAYER

The DoD IG is committed to ensuring that the American taxpayer gets the most for their hard-earned dollars. The DoD IG's oversight of the Department's operations and activities makes sure that there is accountability of government dollars and performance.

### FUNDS FOR AFGHANISTAN AND IRAQ

A DoD IG audit issued on March 24, 2009, found problems with the administration of the Foreign Military Sales Trust Fund. The fund is a single Treasury account designed to manage funds received from the Foreign Military Sales Program and was not designed to manage expiring funds. The Defense Security Cooperation Agency's transfer of \$6.5 billion of appropriated funds for the support of Afghanistan and Iraq military and security forces into the FMS Trust Fund did not meet the requirements of the Economy Act. The transfer of the funds was not in the best interest of the government, was not the most economical use of the funds, and was not in accordance with the requirements in the DoD Financial Management Regulation. Additionally, DSCA improperly collected administrative fees on Iraq and Afghanistan cases funding contingency operations.

From FY 2005 through FY 2007, DSCA collected more than \$155 million in administrative fees to manage non-FMS cases for the Iraq Security Forces Fund and the Afghanistan Security Forces Fund processed in the FMS Trust Fund. DSCA did not agree with our recommendations that it discontinue charging administrative fees on non-FMS cases funded by the Iraqi Security Forces Fund and Afghanistan Security Forces Fund even though it is DSCA policy not to collect administrative expenses on funds placed in the FMS Trust Fund for contingency operations. DSCA further did not agree to directly cite the DoD appropriated funds for future purchases of support for Iraq and Afghanistan, which would avoid co-mingling U.S. appropriated funds with foreign government funds in the FMS trust fund.

### OEF AND OIF TRANSPORTATION COSTS

A DoD IG audit issued on March 12, 2009, found that Army organizations did not accurately record and report FY 2007 transportation costs incurred in support of Operations Enduring and Iraqi Freedom. Specifically, Operating Agency 22 exceeded its FY 2007 Operation and Maintenance, Army appropriation funding by \$100.7

million, potentially violating the Antideficiency Act. Furthermore, the Army's Cost of War report understated obligations incurred for transportation services by about \$147.5 million and included about \$1.1 billion of transportation costs in the wrong cost breakdown structure subcategory.

### COST OF WAR REPORTING

A DoD IG audit issued on February 27, 2009, found that DoD had challenges in the accuracy, integrity, and support for its Cost of War report. The Office of the Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer needs to improve its controls over the DoD Components' cost of war reporting process to provide reasonable assurance regarding the reliability of obligation information reported in the "Department of Defense Supplemental and Cost of War Execution Report" for procurement and research, development, test, and evaluation funds. Specifically, the USD(C)/CFO did not ensure that the DoD components and subordinate reporting entities developed and issued standard operating procedures and other supplemental guidance on contingency cost reporting; verified reported cost data; and submitted affirmation statements. DoD management was proactive in improving the controls over the cost of war reporting and undertook many related initiatives, including establishing a GWOT Cost of War Program Management Office. The initiatives are further captured in the DoD IG summary report on challenges impacting Operations Iraqi Freedom and Enduring Freedom.

### CONTRACTOR BILLING FRAUD

A joint investigation by DCIS and Army CID found that a DoD contractor knowingly overcharged and double-billed the DoD's Military Surface Deployment and Distribution Command for transporting containers from ports to inland delivery destinations in Iraq and Afghanistan. The company and its principal agreed to pay the United States and the qui tam relators a total of over \$26 million in restitution to settle all actions.

## OPERATION ENDURING FREEDOM

The ability of the Afghanistan government to assume more control over its country's security, combined with increased activity by al-Qaeda and other insurgent groups in Afghanistan and the northwestern area of Pakistan has resulted in a shift in emphasis and resources to Operation Enduring Freedom. In response to these changes, the DoD IG has aligned its resources and efforts accordingly to meet the needs of the Department of Defense. The DoD IG has three field offices located in Afghanistan to provide oversight of OEF.



A DoD IG assessment team in Afghanistan.

## AUDITS IN SUPPORT OF OEF

### PROCUREMENT OF VEHICLES AT BAGRAM AIR FIELD

A DoD IG audit issued on October 31, 2008, found problems with the oversight and leasing of nontactical vehicles. From March 2006 until January 2008, the number of leased nontactical vehicles at Bagram Air Field Afghanistan increased from 102 to 1,548. Combined Joint Task Force-82 did not comply with provisions of the DoD Regulation 4500.36-R, "Management, Acquisition, and Use of Motor Vehicles," dated March 16, 2007. The documentation for the justification of the leases of nontactical vehicles ranged from providing specific purposes to citing the words "vehicle lease," or a justification was not provided.

Additionally, documentation for lease justifications did not consider the local DoD bus service. The DoD IG estimated the additional annual cost of the growth of leased nontactical vehicles from March 2006 until January 2008 was approximately \$16 million. The Combined/Joint Task Force -101 (CJTf-101 took command from CJTF-82 on April 10, 2008) has taken action to improve oversight of nontactical vehicles in use on Bagram Air Field.



## CONTROLS OVER CASH AND OTHER MONETARY ASSETS

A DoD IG audit issued on October 9, 2009, determined that, overall, security plans and physical controls over Army General Fund Cash and Other Monetary Assets were adequate. Semiannual security reviews were performed, Statement of Accountability documents were determined to generally be accurate, and observed cash counts agreed with cash balances reported on the Statement of Accountability. However, deputy disbursing officers in Afghanistan did not record disbursements and collections on a timely basis and the June 30, 2007 balance sheet COMA line was overstated by approximately \$114 million. The DoD IG is performing additional reviews on the controls over cash and other monetary assets in Southwest Asia.

## AFGHANISTAN SECURITY FORCES PROPERTY ACCOUNTABILITY

A DoD IG audit issued on December 29, 2008, found that while the Air Force Center for Engineering and the Environment and Combined Security Transition Command-Afghanistan maintained sufficient documentation and records to track accountability of real property constructed to support the Afghanistan National Army, it lacked a formal process to transfer possession of buildings (valued at about \$253.4 million) built using Afghanistan Security Forces funds from CSTC-A to the ANA. Instead, CSTC-A relied on the DD Form 1354 for property transfer of real property, a form normally used for the transfer of real property between services, commands, and installations.

There appears to be no mandated formal process or procedures for transferring real property to Afghanistan. Transfer procedures that were in use at the time of the audit only addressed the transfer of real property from the construction contractor to CSTC-A. Therefore, no specific dates exist or are planned for the ANA to take the responsibility for the operations and maintenance of the buildings being built for their use. The ANA may use completed facilities with CSTC-A funding the operations and maintenance of the buildings for years to come. U.S. Central Command, on behalf of CSTC-A agreed to develop and implement standard operating procedures for the transfer of real property and real property management to the ANA.

### AFGHANISTAN

A DoD IG senior executive addresses the Combined Security Transition Command - Afghanistan.



## MANAGEMENT OF THE AFGHANISTAN SECURITY FORCES FUND

A DoD IG audit issued on February 5, 2009, determined whether DoD obligated \$1.3 billion from the Afghanistan Security Forces Fund in accordance with legal provisions for assisting the Afghan Security Forces and with appropriations law.

We validated that DoD obligated \$1.3 billion in accordance with legal provisions to assist the Afghan Security Forces included in Public Laws 109-13, 109-234, and 109-289. These three public laws make funds available to the Secretary of Defense or the Secretary's designee (currently, the Combined Security Transition Command-Afghanistan) to provide equipment, services, construction, and other assistance to the Afghan National Army and the Afghan National Police, the two forces that form the Afghan Security Forces. Six DoD commands obligated the \$1.3 billion primarily using contracts with commercial vendors or military interdepartmental purchase requests that complied with appropriations law.



## ASSESSMENT IN SUPPORT OF OEF

### ASSESSMENT OF ARMS, AMMUNITION, AND EXPLOSIVES CONTROL AND ACCOUNTABILITY; SECURITY ASSISTANCE; AND SUSTAINMENT FOR AFGHAN NATIONAL SECURITY FORCES

A DoD IG assessment issued on October 24, 2008, reviewed issues involving the accountability and control of arms, ammunitions, and explosives; foreign military sales; logistics sustainability; and medical sustainability.

#### AFGHANISTAN

A DoD IG team inspects weapons provided to the Afghan National Security Forces.



#### ARMS, AMMUNITION, AND EXPLOSIVES

An assessment by the DoD IG found that implementing instructions or procedures governing the accountability, control, and physical security of arms, ammunition and explosives provided to Afghan National Security Forces had not been issued. The mission of the DoD AA&E logistics supply chain is to provide an effective end-to-end system that delivers materiel to the war-fighter, while maintaining the security and safety of the materiel and the public. Inherent in that mission is the requirement to implement procedures and mechanisms throughout the supply chain that ensure accountability and control of AA&E while enabling mission execution.

CSTC-A had not clearly defined the missions, roles, and responsibilities of U.S. training teams and senior mentors engaged in advising ANSF and the Afghan Ministries of Defense and Interior on the accountability, control, and physical security of U.S.-supplied AA&E.

Although CSTC-A had continued to make progress on weapons accountability, it needed to issue command policy guidance and implementing instructions or procedures for the accountability, control, and physical security of AA&E. Further, it was critical that CSTC-A develop a formal mentoring strategy with detailed implementing guidance for mentoring Ministry of Defense, Ministry of the Interior, and ANSF and on the accountability, control, and physical security of U.S.-supplied AA&E. In addition, CSTC-A needed to ensure that serial numbers and associated information in its data systems used to track the weapons were accurate, and they also need to report the serial number information to the DoD Small Arms Serialization Program.

#### FOREIGN MILITARY SALES

The FMS program has historically functioned primarily as a peacetime security assistance program. However, a SPO assessment found that the U.S. was using the FMS program as the principal means to equip, expand, and modernize ANSF during wartime conditions. To be successful in executing this strategic decision, the \$7.4 billion (at the time of the assessment) FMS program in Afghanistan needed to be fully supportive of the wartime equipping requirements of CSTC-A and ANSF. Responsive support beyond the norm is essential for rapid ANSF force generation, replacement of combat losses, and force modernization.

Commanders noted that progress had been made improving FMS program responsiveness. However, FMS case processing time standards were developed in peacetime and were still inadequate for meeting the wartime train and equip requirements of CSTC-A and ANSF. Further, the CSTC-A security assistance office was not adequately staffed with sufficient numbers of personnel and those personnel that were assigned did not possess the requisite rank, security assistance skills, and experience required to successfully execute the mission. As a result, the ability of the FMS program and the CSTC-A security assistance office to responsively and effectively accomplish the train and equip mission for ANSF may have been impaired.

A wartime standard for FMS case processing times needed to be established to support U.S. strategic objectives in Afghanistan. In addition, the number of personnel in the CSTC-A security assistance office and the rank level of its leadership needed to be increased commensurate with the mission, size, and scope of the FMS program in Afghanistan.

### LOGISTICS SUSTAINABILITY

The ultimate ability of the ANSF to operate independently relies on developing adequate logistical support for fielded military and police units. This support includes standardized logistics policies and processes; a logistics organization that is able to procure, receive, store, distribute, maintain, and re-supply its forces; maintenance of a sufficient logistical infrastructure; and support of professional logistics training and mentoring activities. CSTC-A had the responsibility to help ANSF build these capabilities and develop logistics sustainability.

#### AFGHANISTAN

Members of a DoD IG assessment team inspect storage containers.



However, a SPO assessment indicated that the various U.S. plans for development of ANSF logistics sustainment were not clearly linked in a single integrated plan; did not provide a time-phased, conditions-based approach for accomplishing end-state objectives; and generally did not identify a specific person or office responsible for the execution of specific tasks. Moreover, it was not clear the extent to which the Ministries of Defense and Interior and ANSF were directly engaged in the process of planning the establishment of their own logistics sustainment base.

There were insufficient numbers of logistics mentors assigned to ANSF and CSTC-A had not prepared or issued a strategy to its mentors advising MOD, Afghan National Army General Staff, and MOI logistics organizations on achieving a sustainable logistics capability.

A single, integrated logistics sustainment plan needed to be developed in coordination with MOD, MOI, and ANSF that links tasks, milestones, and metrics, and identifies specific accountable offices of primary responsibility for each action. Further, it is critical that a formal mentoring strategy with detailed implementing guidance for achieving ANSF logistics sustainability capability also be developed. In addition, logistics mentors needed to receive the requisite training to successfully execute their mentoring mission.

## MEDICAL SUSTAINABILITY

Independent, effective ANSF operations depend on an ANSF health care delivery system that provides acceptable field-level combat casualty care, evacuation of casualties, restorative surgery and rehabilitation, and long-term care for disabled ANSF personnel. A sustainable ANSF health care system also depends on an integrated Afghan civil-military-police health care system in which civilian clinical services, medical education, and medical logistics support ANSF needs. The complexity of medical stabilization and reconstruction challenges in Afghanistan calls for robust U.S. interagency and international efforts to assist deployed medical personnel in developing and implementing a detailed, multi-year, strategy and reconstruction plan.

### AFGHANISTAN

Members of the DoD IG assessment team reviewing medical sustainability.



However, a SPO assessment identified a lack of coordinated long-term planning and engagement by the U.S. Central Command, CSTC-A, the North Atlantic Treaty Organization-International Security Assistance Force, and the U.S. Mission-Kabul limited the development of key Afghan civilian health care system capabilities needed to support ANSF. Further, there was confusion among the ANSF medical leadership as to MOD, MOI, and CSTC-A goals and policy strategy with respect to integration of the Afghan military and police medical functions into a common ANSF medical corps, or even whether this was a desirable goal.

Many U.S. and NATO-ISAF medical mentoring teams were not sufficiently staffed, particularly those assigned to work with the Afghan police, and the development of ANSF medical personnel was seriously hampered by the mentors' inadequate training. Further, restrictive personnel practices for U.S. Navy and U.S. Air Force medical personnel assigned to CSTC-A reduced its ability to relocate those personnel to meet changing work requirements in Afghanistan. Moreover, specific, prioritized medical objectives that had been synchronized with the appropriate levels of ANSF medical leadership had not been developed for providing mentoring support to ANSF.

An integrated Afghan civil-military-police health care system is required which progressively develops a sustainable ANSF health care system. Until and unless an effective ANSF health care system is developed, U.S., Coalition and other NATO-ISAF countries would have to provide prolonged combat casualty care assistance due to the ANSF's inability to operate independently.

The U.S. Central Command, in coordination with U.S. Mission-Kabul, Afghan medical leadership, NATO-ISAF, and multiple interagency and international partners, needed to develop a comprehensive, integrated, multi-year plan to build a sustainable ANSF health care system. DoD and NATO-ISAF medical mentoring teams needed to be fully resourced with adequately trained personnel and supported by an interagency reach back capability that coordinates all U.S. government health sector reconstruction activities in Afghanistan. Comprehensive pre-deployment training and in-country orientation programs were needed to significantly boost the effectiveness of medical mentoring personnel.



## INVESTIGATION IN SUPPORT OF OEF

### AFGHANISTAN

Aerial view of Bagram Air Field. DCIS has two offices in Afghanistan, at Bagram Air Field and Camp Eggers.



DCIS in conjunction with USACIDC initiated an investigation at Bagram Air Force Base, Afghanistan, after a report that several U.S. military personnel may have committed the offenses of bribery, conspiracy, and fraud by conspiring with five corporate entities to illegally obtain U.S. government contracts. The investigation revealed that an Army major may have inflated the quantities of items delivered to U.S. government contractors and services performed; wrote excessive damage reports for U.S. government leased vehicles pocketing the difference in value; accepted inappropriate gifts from contractors; and arranged for favored contractors to be paid in U.S. currency. The major mailed funds received from contractors to members of his family and a fellow co-worker while stationed in Afghanistan. On August 21, 2008, the major, an Air Force sergeant, and several individuals associated with the above companies were arrested and were awaiting trial.

## SUPPORT TO AFGHANISTAN INSPECTORS GENERAL

Senior members of the inspectors general community from Afghanistan visited with Acting DoD Inspector General Gordon S. Heddell, who provided them with an organizational briefing and a tour of the DoD Hotline facilities.

The group was led by the Afghanistan Ministry of Defense Inspector General, and the Deputy Inspector General for the Afghanistan National Army General Staff, Office of Inspector General. The visit allowed the members of the group to see where their respective organizations are in comparison with the U.S. organizations and programs upon which their agencies are modeled.



Acting Department of Defense Inspector General Gordon S. Heddell is presented with a plaque bearing the seal of the Afghanistan Ministry of Defense Inspector General.



## OPERATION IRAQI FREEDOM

Although there has been a shift in emphasis to Afghanistan, the United States still has approximately 135,000 service men and women still on duty in Iraq. Current projects related to OIF focus on contracting, munitions accountability, and the safety and welfare of U.S. warfighters.



DoD IG inspectors in Iraq.

## AUDIT IN SUPPORT OF OIF

### STAFFING THE IRAQI PROVISIONAL AUTHORITIES

A DoD IG audit issued on January 14, 2009 titled “Hiring Practices Used to Staff the Iraqi Provisional Authorities” found inconsistencies in the process used by DoD to hire civilians early in the war. Rapidly staffing a temporary interagency organization in the war zone in Iraq was a unique and urgent task.

DoD used the appropriate employment and compensation authority established in 5 U.S.C. 3394 and 5 U.S.C. 3161 for staffing the Office of Reconstruction and Humanitarian Assistance and its successor, the Coalition Provisional Authority.

However, the Department did not fully account for these civilians. DoD can better prepare for future contingencies by establishing a framework to document hiring actions to ensure civilians are promptly assigned, deployed, and accounted for.

DoD staffed ORHA and CPA with approximately 2,300 members of the military, detailed civilians, contractors, and newly hired civilians. Using an inconsistent process, DoD relied largely on senior DoD officials and on the CPA Administrator and senior advisory staff to recruit and select civilians.

## INVESTIGATIONS IN SUPPORT OF OIF

### MONEY LAUNDERING

In March 2009, the sister of U.S. Army Major John Cockerham pled guilty to conspiracy and money laundering. Cockerham and his wife pled guilty in 2008 to charges stemming from an investigation in which it was revealed that while he was serving as a contracting officer in Camp Arifjan, Kuwait, he accepted \$9.6 million in bribes through a bid rigging scheme. Cockerham pled guilty to bribery, conspiracy, and money laundering, and his wife pled guilty to money laundering.

As a contracting officer, Cockerham was responsible for soliciting and reviewing bids for DoD contracts in support of Operation Iraqi Freedom. Through the extensive investigation, it was revealed Cockerham's scheme was a complex web of corruption that extended to a number of DoD members and his family.

### BRIBES INVOLVING CONTRACTS IN IRAQ

A joint investigation by DCIS and the FBI revealed that a U.S. Air Force master sergeant was accepting money in exchange for steering contracts to certain companies while he was on active duty in Iraq.

In November 2008, case agents documented that the master sergeant received a \$10,000 bribe from two Iraqi nationals in London, England.

The master sergeant subsequently pled guilty to accepting bribes and is awaiting sentencing. The two Iraqi nationals pled guilty to paying the bribes. Each was sentenced to serve 80 days in prison; one was ordered to pay a \$500,000 fine and the other a \$50,000 fine.

#### IRAQ

DCIS special agents in Alexandria, VA, review documentation relating to a case in Iraq.



### BRIBERY SCHEME AT CAMP ARIFJAN, KUWAIT

A recently retired U.S. Army major pled guilty in January 2009 to participating in a bribery scheme at Camp Arifjan, Kuwait, where he accepted approximately \$225,000 in bribes from DoD contractors while in his position as a contracting specialist in the small purchases branch.

Upon his return to the United States in the fall of 2006, the major accepted an additional \$20,000 in bribes from a DoD contractor in exchange for the award of a construction contract. In the course of the investigation, agents were able to determine that the major lied to federal investigators, and he subsequently pled guilty to four counts of bribery and one count of making false statements. He faces up to 50 years in prison when sentenced. Extensive efforts by DCIS have resulted in numerous other investigative leads being followed as a result of this investigation.

## ASSESSMENTS IN SUPPORT OF OIF

A DoD IG assessment issued on December 12, 2008, reviewed issues involving the accountability and control of arms, ammunitions, and explosives; foreign military sales; logistics sustainability; and medical sustainability.

### ASSESSMENT OF ARMS, AMMUNITION, AND EXPLOSIVES ACCOUNTABILITY AND CONTROL; SECURITY ASSISTANCE; AND LOGISTICS SUSTAINMENT FOR THE IRAQ SECURITY FORCES

#### IRAQ

A Special Plans and Operations assessment team inspects arms provided to the Iraq Security Forces.



#### ARMS, AMMUNITION, AND EXPLOSIVES

In a follow-up to an earlier assessment on arms, ammunition and explosives accountability, the DoD IG commended DoD management and the field commanders for taking aggressive actions to implement the 45 recommendations contained in that report. DoD management and field commanders completed actions and closed 29 recommendations while 16 remained open with corrective actions ongoing.

The DoD IG noted that Multi-National Force-Iraq, Multi-National Corps-Iraq, and Multi-National Security Transition Command-Iraq had made significant progress in improving the U.S. military's system for controlling and accounting for weapons and ammunition being supplied to ISF. However, we formulated seven new recommendations in the areas of weapons accountability and control and captured enemy weapons.

The DoD IG counted a total of 915 weapons at three Iraqi warehouse storage locations and identified 16 serial numbers inaccurately recorded. There was no warehouse management system at Baghdad Police College and Taji National Army Depot to readily link the location of a particular lot or serial number sequence of weapons to a specific bin or location within a particular warehouse. MNSTC-I needed to advise and assist the Iraqi Ministries of Defense and Interior in the development and direct implementation of, or contracting for, an Arabic-based warehouse management system to manage their stored materiel. MNSTC-I also needed to help MOD and MOI implement management quality controls at their warehouses to ensure the accurate recording of weapons serial numbers, as well as a schedule of sample inventories, to verify weapons quantities on-hand and the serial numbers of those weapons.

The handling of captured enemy weapons remained a concern. The MOD captured weapons policy had not been fully implemented at Iraqi Army national depots and regional location commands. Thousands of captured weapons were in containers stored at Taji National Army Depot and the Kirkush Military Training Base Location Command. These weapons had not had their serial numbers recorded and had not been inspected for serviceability and placement into the Iraqi military weapons inventory. Further, MOD and MOI did not have procedures in place to demilitarize any captured, confiscated, abandoned, recovered, and turned-in weapons found to be unserviceable or otherwise inappropriate for military use, or to repair those that were deemed reparable.



MNSTC-I needed to assist MOD in implementing its policy on captured enemy weapons, as well as completing the inspection and serial number recording of the captured enemy weapons stored at the Taji National Army Depot and the Iraqi Army Location Commands. Further, MNSTC-I needed to ensure that the serial numbers for all captured enemy weapons were recorded and forwarded to the DoD Small Arms and Light Weapons Serialization Program. Moreover, MNSTC-I needed to assist MOI to complete and issue its formal policy for captured enemy weapons.

### FOREIGN MILITARY SALES

A DoD IG assessment found that the FMS case processing time standards developed in peacetime were still inadequate for meeting the wartime train and equip requirements of MNSTC-I and ISF.

We determined that MNF-I and MNSTC-I had not developed and implemented a compliance plan in coordination with the government of Iraq to implement the requirement for FMS End-Use Monitoring of sensitive equipment items supplied to ISF, such as night vision devices, and had not developed standard operating procedures for site-specific security assistance operations. Although substantial progress had been made in 2008 in upgrading the MNSTC-I security assistance office, the security assistance office still was not adequately staffed with personnel who possessed the requisite security assistance skills and experience required to successfully execute the mission.

A wartime standard for FMS case processing times needed to be established to support U.S. strategic objectives in Iraq. Further, an End-Use Monitoring Compliance Plan needed to be developed and implemented for all sensitive equipment items that the U.S. government intended to supply to ISF, as well as standard operating procedures for site-specific security assistance operations. In addition, personnel assigned to security assistance positions needed to receive adequate security assistance training and have the requisite experience before deployment. At a minimum, tour lengths needed to be established at a minimum of one year for personnel assigned to the security assistance office in Iraq.

### LOGISTICS SUSTAINABILITY

The ability of ISF to operate independently relies on developing adequate logistical support for fielded military and police units. This support includes standardized logistics policies and processes; a logistics organization that is able to procure, receive, store, distribute, maintain, and re-supply its forces; maintenance of a sufficient logistical infrastructure; and support of professional logistics training and mentoring activities. MNF-I and its subordinate commands, MNC-I and MNSTC-I, have responsibility for assisting ISF through mentoring and other actions to build these capabilities and develop logistics sustainability.

#### IRAQ

A DoD IG assessment team examines a munitions storage facility.



The DoD IG found that notable progress had been made in developing Iraq logistics sustainability in the past year. Although joint Iraqi-U.S. efforts to plan and organize ISF logistics systems were in an early stage of development, they began to receive focused attention. Logistics sustainment experts from MNF-I, MNC-I, and MNSTC-I were



achieving unity of coalition and Iraqi efforts through the Iraqi Logistics Development Committee. Significant facility improvements were evident at the Taji Army National Depot. Despite problems in resources and distribution, ISF had demonstrated the capability to generate “Iraqi” solutions to meet their logistics needs, as was evident from recent security operations in Basra and Mosul, and in Iraqi Army transition to life support self-reliance.

MNSTC-I needed to advise and assist MOD and Iraqi Army to develop and publish logistics policies, processes, and procedures for establishing self-sustaining logistics functions. Inefficient logistics distribution practices were evident among MOI, Iraqi Police Service, National Police, Border Police, and Facilities Protection Service. The significant lack of third-line maintenance capability and a ground transportation capacity in support of MOD and MOI were among the issues that also needed to be addressed. Iraqi Army Location Commands suffered from shortages in resources, personnel, and equipment and ill-defined responsibilities and authorities. Furthermore, critically needed equipment, such as computers, monitors, laser printers, and medical supplies had been stored in the Abu Ghraib warehouse for up to two years without apparent requirements providing for their further disposition.

As U.S. forces are projected to draw down in the near future, it is essential that planners and policy makers retain a sufficient cadre of logistics trainers and advisors in Iraq to ensure achievement of ISF logistics sustainment capability.

### MEDICAL SUSTAINABILITY

Independent, effective ISF operations depend on an ISF health care delivery system that provides acceptable field-level combat casualty care, evacuation of casualties, restorative surgery and rehabilitation, and long-term care for disabled ISF personnel. The Iraqi Police obtained their medical care from civilian sources, so the medical section of this report focuses on the Iraqi Army. A sustainable Iraqi Army health care system depends on an integrated Iraqi civil-military health care system, where civilian clinical services, medical education, and medical logistics adequately support Iraqi Army needs. The complexity of medical stabilization and reconstruction challenges in Iraq call for robust interagency and international effort driven by a detailed, multi-year strategy and reconstruction plan.

A DoD IG assessment found that the MNF-I surgeon had reinvigorated an interagency, civil-military coordination forum with the U.S. Mission-Iraq to synchronize U.S. health sector reconstruction activities. Intensive mentoring of Iraqi Air Force aero-medical personnel by a coalition Air Force Training Team paid dividends in successful ISF casualty evacuation during the Basra operations in the spring of 2008. In addition, a strong relationship among MNSTC-I, the Iraqi Army Surgeon General, and the Iraqi Army Support and Services Institute had set the conditions for effective, comprehensive training of Iraqi Army medical staff.

However, there were still significant challenges ahead in assisting and mentoring the development of the Iraqi Army’s medical capability to achieve the end-state of a self-reliant, self-sustaining medical care system. The Iraqi Army Health Care System was unable to support its combat operations but rather was dependent on the U.S. and coalition for casualty care.

In order to achieve the goal of health care self-reliance and sustainability, with U.S. and Coalition support, the Iraqi Army needed to develop a comprehensive, multi-year strategy, with supporting doctrine and defined end-states, as well as build stronger partnerships with coalition forces to develop Iraqi Army medical care through mentoring and other assistance.

U.S. and other coalition military forces needed to develop a comprehensive, phased, integrated multi-year medical mentoring plan to assist the Iraqi Army achieve an operationally sustainable health care delivery system. To implement such a plan, coalition medical mentoring needed significant reinforcement.

In addition, U.S. interagency medical mentoring of Iraqi Army suffered from a lack of synchronized planning based on specific, prioritized medical objectives. Moreover, the U.S. interagency effort needed to include in its planning building strategic partnerships among U.S. government agencies, non-government organizations, academic partners, and with key Iraqi ministries to develop a sustainable Iraqi Army health care system. Lastly, strategic planning, coordinated with the government of Iraq, needed to include developing components of the civilian health care system that already complement the Iraqi Army health care system.

## ASSESSMENT OF THE ACCOUNTABILITY OF NIGHT VISION DEVICES PROVIDED TO THE SECURITY FORCES OF IRAQ

A DoD IG assessment issued on March 17, 2009, reviewed the accountability for NVDs during this reporting period. NVDs use image intensification technology to capture ambient light and amplify it thousands of times by electronic means. The U.S. military uses NVDs to see the battlefield at night, enabling personnel to maneuver and fight on a 24-hour basis. NVDs are small, lightweight and look like binoculars, monoculars, or rifle scopes. Military applications include night-time infantry, flight, surveillance, and sniper operations.

The Defense Security Cooperation Agency lists NVDs as one of 16 critical defense articles that require Enhanced End-Use Monitoring and increased physical security and accountability procedures. This monitoring is essential to ensure that ISF are complying with the requirements imposed by the U.S. government as a condition for the use, transfer, and security of NVDs.

One of the pillars of U.S. government strategy in Iraq has been to build an ISF that can plan, conduct, and sustain independent operations. This will enable not only a secure and stable Iraq, but also a more rapid draw down of U.S. forces. In support of this train and equip mission, MNSTC-I had transferred NVDs to ISF since 2004. MNF-I and MNSTC-I were advised by the SPO team of potentially significant weaknesses in the management of NVDs during its assessment visit in April-May 2008. Considerable progress had been made by those commands since that visit in establishing oversight of NVDs. However, we determined during the SPO assessment visit in October-November 2008 that there were still additional improvements needed.

We identified continuing and significant weaknesses in the management of NVDs by the U.S. military in Iraq during its October-November 2008 assessment fieldwork.

- MNSTC-I had procured 50,740 NVDs for ISF since 2004. In its log book, MNSTC-I could account for 46,876 NVDs by quantities issued to major ISF organizations (e.g., MOD), due-ins, and items in storage but could not account for 3,864. Of the 46,440 NVDs delivered to ISF organizations, MNSTC-I could not provide issue documentation for more than 21,000, could not provide serial numbers for more than 26,000, and could seldom identify specific ISF units receiving the devices.
- U.S. forces' policies and standard operating procedures were not always issued, complete, or implemented and in some cases were contradictory. Further, for the most part, ISF had not issued policies and standard operating procedures for the management, accountability, and control of NVDs. In addition, MNSTC-I had not developed procedures for the execution of the Department of State Blue Lantern Program (an end-use monitoring program), or

provided monitoring guidance for equipment procured through pseudo-FMS cases.

The lack of any accountability for 3,864 NVDs and the lack of serial number accountability for more than 30,000 NVDs more could lead to misappropriation and theft, ultimately putting U.S. service members at risk by providing our enemies a capability they might not have otherwise had. Lack of serial number accountability can also hinder criminal prosecutions and administrative actions against those involved in misappropriation and theft.



### IRAQ

A DoD IG assessment team conducts an inventory of equipment in Iraq.

## SUPPORT TO IRAQ INSPECTORS GENERAL

In October 2008, the Iraqi Army Joint Headquarters Inspector General met with Department of Defense Acting Inspector General Gordon S. Heddell while in the United States to meet with senior DoD officials to discuss issues such as Iraqi force structure, adequacy of facilities, transportation and logistics support.

The DoD IG is engaged with the Multi-National Security Transition Command-Iraq through the placement of a Senior DoD IG advisor detailed to the Multi-National Security Transition Command-Iraq to assist in advising and mentoring the Iraqi Ministries of Interior and Defense.

The advisor's current efforts are directed, in part, to supporting an internal Ministry of Interior Inspector General initiative to develop inspection and audit capabilities for Ministry assessment of the adequacy



Acting Department of Defense Inspector General Gordon S. Heddell met with the Iraqi Army Joint Headquarters Inspector General.

of accountability and controls for munitions issued to the Iraqi police throughout Iraq. The effort involves mentoring the development of specific plans and criteria to be used in accomplishing those inspection and audit reviews.

## HIGHLIGHT: CONTROLS OVER COMMON ACCESS CARDS

A DoD IG audit of the life cycle of the contractor Common Access Card found that weaknesses pose a potential national security risk that may result in unauthorized access to DoD resources, installations, and sensitive information worldwide.

For example, DoD IG auditors found that better Army oversight is required for a KBR Real-time Automated Personnel Identification System site that issued 25,428 CACs to contractors deploying to Southwest Asia. According to the audit, a KBR subcontractor did background checks with no Army oversight; a contractor facilitated a CAC approval process that bypassed Contractor Verification System; and nearly half of revoked CACs were not recovered.

Furthermore, contractors were misclassified as government employees on their CACs. Specifically, 40,055 contractor CACs indicated the holders had General Schedule pay grades, and 211,851 had e-mail addresses that improperly identified the holders as U.S. government employees. Also, contractors could become CVS sponsors, and sponsors who left government service may have been approving CACs.





## INSPECTION IN SUPPORT OF OIF

On January 2, 2008, a U.S. Army staff sergeant was electrocuted while showering in his Iraqi-built quarters in the Radwanayah Palace Complex, Camp Victory, Baghdad, Iraq. The Deputy Under Secretary of Defense for Acquisition and Technology requested the DoD IG to review the relevant management, contracting, and maintenance actions prior and subsequent to the incident. Following a July 30, 2008, House Committee on Oversight and Government Reform hearing, the team expanded the project to include reviewing the criminal investigations in eight additional electrocution cases involving possible equipment faults or malfunctions that caused or contributed to the electrocutions. (Nine additional electrocutions that involved accidentally touching live electrical wires or cables presented no basis for further investigation.)

Our review included examination of documents and interviews of officials connected to the January 2, 2008, electrocution. We also reviewed non-criminal investigations in the matters, including command-directed investigations, safety mishap investigations, and autopsies. These reviews were to identify inconsistencies in the investigations that might impact the criminal investigation, and to aid accountability determinations. They identified possible factual or other inconsistencies in some investigations, and responsibility for equipment involved in some, but not all the electrocutions.

In response to congressional concerns, early in our review, we asked the Armed Forces Medical Examiner to reassess its November 8, 2004, cause of death determination for a Navy Petty Officer First Class who died in a wooden outdoor shower at Camp Iskandariyah, Iraq on September 11, 2004. Also in August 2008, the Armed Forces Medical Examiner determined the Navy Petty Officer's death could have resulted from either (or both) heart disease or electrocution. As a result, in September 2008, the Navy reopened its criminal investigation in that case.

In August 2008, the Army reopened its criminal investigation into the January 2, 2008, electrocution. Later, following review, we returned three cases to the Army for additional investigation to determine whether negligence contributed to the deaths. These actions will delay any accountability determination in the electrocutions. In the remaining four cases, we determined that the deaths resulted from tragic accidents.

In October 2008, we visited and conducted interviews at the sites in Iraq that still existed in conditions similar to when the other electrocutions occurred. Our site visit included a briefing to the Commander, Multi-National Forces-Iraq regarding the DoD IG review, and was followed by a memorandum from the DoD IG advising the Commander, Multi-National Force-Iraq about specific observations concerning ongoing efforts to rectify electrical hazards during our visit to the sites.



### IRAQ

A DoD IG inspection team at the Radwanayah Palace Complex, Camp Victory, Baghdad, Iraq.



# OVERSIGHT OF DOD PROGRAMS AUDITS

## ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

### TRANSPARENCY AND ACCOUNTABILITY

Transparency, accountability and urgency are key watch words as the new administration transitions to power. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act into law. This law allocates nearly \$800 billion to fund government run programs that promise to put Americans to work and stimulate the economy. While the influx of such a large amount of money will provide a significant challenge to many of the smaller federal agencies, the DoD continues to face challenges in improving and mitigating risks in financial and contract management of its annual appropriations, which was about \$735 billion for FY 2008.



The Department has faced tremendous challenges providing accountability for large amounts of spending for many years which has been heightened in recent years because of large spending increases associated with the war effort. Spending for goods and services in FY 2008 exceeded \$380 billion. This level of spending is almost two and a half times the level of spending in FY 2001. Adding to the oversight difficulties has been the weakening of the acquisition corps after years of staffing reductions.

The DoD IG, from FY 2004-2008, issued 47 reports that directly addressed the Department's surveillance and oversight of contracts. During that same period, the DoD IG issued 128 reports were issued that identified a variety of other contracting issues that needed improvements. Through these reports, we made 866 recommendations and identified \$1.8 billion in potential monetary benefits. This same level of scrutiny and oversight continued within the past six months. During this period, the DoD IG also issued a series of reports that identified a wide range of contracting issues including:

- Procurement of Mine Resistant Ambush Protected vehicles, (see the Oversight of DoD Operations section for specific discussion);
- Acquisition process;
- Interagency acquisitions;
- Contract oversight; and
- Inherently governmental functions.

### ACQUISITION PROCESS

Attempts by the Marine Corps to quickly field an expeditionary vehicle led to program management and contracting problems. The Marine Corps Milestone Decision Authority approved the entrance of the Expeditionary Fire Support System and Internally Transportable Vehicle programs into the Production and Deployment Phase before the systems had demonstrated acceptable performance in developmental test and

evaluation. As a result, the schedule for initial operational capability slipped 22 months for the EFSS and 17 months for the ITV, while the average unit cost rose by 86 percent for the EFSS and by 120 percent for the ITV. However, the Marine Corps corrected most EFSS and ITV technical problems as reflected in 2008 operational test and evaluation effectiveness determinations.

The Marine Corps Systems Command did not award the EFSS and ITV contract in accordance with the Federal Acquisition Regulation. In November 2004, the Marine Corps awarded a contract on an indefinite-delivery, indefinite-quantity basis to procure 66 EFSSs and up to 650 ITVs at an average unit cost of over \$578,000 and \$94,000, respectively.

Additionally, command source selection personnel did not adequately document and disclose all technical evaluation criteria in the solicitation and did not prepare a price negotiation memorandum. As a result, the Command's source selection decision did not meet Federal Acquisition Regulation tests of fairness, impartiality, and equitable treatment.

## ACQUISITION PROCESS

Expeditionary Fire Support System and Internally Transportable Vehicles are shown in the field.



## INTERAGENCY ACQUISITIONS

The DoD IG issued two audit reports required by the National Defense Authorization Act for FY 2007 that reviewed DoD procedures for making purchases through Department of Veterans Affairs and the National Institutes of Health. The VA contracting officials and DoD management officials showed some improvement, but still did not consistently comply with procurement regulations when making assisted acquisitions through VA. Specifically, the review disclosed problems with acquisition planning, sole-source justifications, price reasonableness determinations, contract administration, and the bona fide needs rule. As a result, DoD organizations making purchases through VA had no assurance that the purchases were based on best value or that VA used effective and efficient acquisition procedures, and DoD continued to incur potential Antideficiency Act violations. Additionally, the VA Office of Acquisition and Logistics decided to terminate its assisted acquisition support to the Air Force. This effectively ended DoD use of VA for assisted acquisitions as the VA Office of Acquisition and Logistics worked on 94 percent of purchases made by DoD organizations. We believe that DoD should continue to use VA to purchase goods and services, when in DoD's best interest.

DoD and NIH officials have also improved some interagency practices. NIH discontinued advance funding. DoD and NIH signed a memorandum of agreement outlining the responsibilities of each party. We believe that these steps will improve the NIH acquisition process and that DoD should continue using NIH to purchase goods and services. However, DoD contracting officers continued to provide insufficient competition and inadequate documentation for direct acquisitions of goods. Also, DoD contracting officers and contracting officer's representatives provided inadequate contract surveillance. For assisted acquisitions, DoD program and NIH contracting officials:

- favored the incumbent contractor;
- did not verify price reasonableness;
- awarded a task order for a requirement too large to be managed as a single task order; and
- did not accept a contractor's proposal to reduce the price of a task order.

## CONTRACT OVERSIGHT

The DoD IG also continues to find problems with the oversight of large contracts for information systems and information technology services. Contracts for these services have been awarded for billions of dollars and are often decentralized and not closely managed. We identified significant issues on an Air Force information systems contract. Air Force Program Management Office officials for the Second Generation Wireless program did not appropriately manage the program as a major automated information system or adequately plan the program's acquisition. The PMO had not identified the final cost of the Second Generation Wireless program's implementation.

Additionally, the Program's contracting officer did not implement internal controls over the Second Generation wireless program. The contracting officer potentially limited competition, accepted supplies and services valued at \$38.1 million that were not inspected for quality or quantity by a government representative, approved nearly \$800,000 in potential overcharges on contractor travel costs, and did not ensure the task order was fully funded at award. The PMO incorrectly funded \$4.3 million of the task order with procurement funds rather than research, development, test, and evaluation funds and funded over \$143 million in modifications with incorrect FY funds.

## INHERENTLY GOVERNMENTAL FUNCTIONS

The extensive reliance on the contractor support workforce has led to instances where contractors are performing inherently governmental functions. The Federal Acquisition Regulation defines inherently governmental as a function that is so intimately related to the public interest as to mandate performance by government employees. These functions include activities that require either the exercise of discretion in applying government authority, or the use of value judgments in making decisions for the government. Additionally, these functions involve interpretation and execution of the laws of the United States so as to bind it to take or not to take some actions by contract, policy, regulation, authorization, order, or otherwise. Examples include determining what services to order, administering contracts, and performing investigations.

On the audit of the Second Generation Wireless program, we identified that contractor personnel were used as contracting officer representatives for the contract. During the same audit, we identified a potential Anti-Deficiency Act violation and, in a "For Official Use Only" draft report, recommended that the Air Force perform a preliminary investigation to determine if a statutory funding violation occurred. The Air Force Materiel Command provided our draft report to a contractor and directed the contractor to perform the investigation. Contractors that perform an investigation of a potential violation of statute clearly breach the principles of inherently governmental functions. We requested the Air Force terminate the contract for the investigation.

Another audit completed on the contractor common access cards identified that contractors could become government sponsors and sponsors who left government service may have been approving contractors to obtain common access cards. Once this was identified, the Department took action to ensure that contractors were no longer government sponsors. We also determined that government sponsors could not document the affiliation of an estimated 33,000 cards to a contract and did not have the card expiration linked to contract completion for an estimated 35,000 cards.

## FINANCIAL MANAGEMENT

### FINANCIAL STATEMENTS

Unless the Department achieves its goals of providing timely, reliable, accurate, and relevant information and of sustaining improvements through an effective internal control program, DoD will not achieve the goal of unqualified audit opinions in its annual financial statements. These three goals were outlined in the September 2008 DoD Financial Improvement and Audit Readiness Plan. The DoD IG issued 13 opinion and other related reports on internal control and compliance with laws and regulations, on the FY 2008 DoD Agency-wide financial statements and seven other component FY 2008 financial statements, as required by the Office of Management and Budget. Due to the limitations on the scope of work, DoD received a disclaimer audit opinion.

Financial Statement	DoD IG Issued Opinion
DoD Agency-wide	Disclaimer
Army General Fund	Disclaimer
Army Working Capital Fund	Disclaimer
Navy General Fund	Disclaimer
Navy- Working Capital Fund	Disclaimer
Air Force General Fund	Disclaimer
Air Force Working Capital Fund	Disclaimer
Marine Corps General Fund	Disclaimer
Marine Corps Working Capital Fund	Disclaimer
U S. Army Corps of Engineers, Civil Works	Unqualified
<hr/>	
Financial Statement	DoD IG Endorsed Opinion (Contractor)
Military Retirement Fund	Unqualified (Acuity Consulting, Inc.)
Defense Finance and Accounting Service Working Capital Fund	Unqualified (Urbach Kahn & Werlin LLP)
Medicare-Eligible Retiree Health Care Fund	Qualified (Kearney & Company)

In the DoD agency-wide financial statement opinion report, we reported 13 material internal control weaknesses:

- Financial Management Systems;
- Fund Balance with Treasury;
- Accounts Receivable;
- Inventory;
- Operating Materials and Supplies;
- General Property, Plant, and Equipment;
- Government-Furnished Material and Contractor-Acquired Material;
- Accounts Payable;
- Environmental Liabilities;
- Statement of Net Cost;
- Intra-governmental Eliminations;
- Other Accounting Entries; and the
- Reconciliation of Net Cost of Operations to Budget.

Of these 13 material weaknesses, 11 have been identified since FY 2003; Accounts Payable and Accounts Receivable were first identified as material weaknesses in FY 2006 and FY 2007, respectively.

## EQUIPMENT BASELINE VALUATIONS

The DoD IG issued three reports that assessed the effectiveness of internal controls over the valuation, rights and obligations, and completeness of military equipment programs to determine whether military equipment baselines were adequate. Overall, the Property and Equipment Policy Office in the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Navy, Air Force, and Marine Corps did not have adequate internal controls in place over their military equipment baseline.

Navy management did not properly classify assets, use the asset's correct useful life, and value accurate program acquisition values; improperly classified assets and used the asset's incorrect placed-in-service date; and improperly included assets as military equipment and granted waivers. In addition, Marine Corps valuation, rights and obligations, and completeness assertions were unsupported; military equipment valuation had \$2.1 billion, of \$5.9 billion, in unsupported acquisition costs and a potential \$12 million understatement in the valuation as of September 30,



2006; and military equipment programs had 116 unsupported waivers of 148 judgmentally selected waivers. Air Force internal controls did not ensure that all Air Force military equipment assets and programs were included in the military equipment baseline; program waivers were appropriately granted and supported; and equipment previously reported as General Property, Plant, and Equipment was excluded from the reported military equipment value.

## OTHER FINANCIAL MANAGEMENT CONTROLS

**Controls over Collections and Returned Checks:** DFAS could not ensure it fully accounted for all collections and returned U.S. Treasury checks. DFAS internal controls did not adequately ensure they properly recorded and safeguarded \$316.8 million of collections and \$43.5 million of returned U.S. Treasury checks in FY 2007. Further, DFAS was not properly accepting accountability for undeposited negotiable instruments. As a result, the government unnecessarily incurred an estimated \$202,000 in interest on debt or other obligations, \$15.8 million in collections lacked deposit evidence, and improperly returned \$7.5 million in checks to the debtors. In addition, the lack of internal controls increased the risk that collections and returned U.S. Treasury checks could be lost or stolen.

**Obligation of Funds for Ship Repair and Maintenance:** The U.S. Pacific Fleet maintenance activities inappropriately obligated funds without identifying a specific, definite need for contingent liabilities on ship maintenance and repair contracts. Because of the inappropriate obligations, approximately \$94.8 million of U.S. Pacific Fleet operation and maintenance funds were not available for other ship maintenance and repair needs. Existing Department of the Navy guidance does not prohibit the obligation of funds without a specific, definite need on ship maintenance and repair contracts.

**Aviation Into-Plane Reimbursement Card:** The DoD IG identified that the Air Force internal controls over the U.S. government Aviation Into-Plane Reimbursement Card® were inadequate for:

- verifying and reconciling \$14.4 million in charges;
- retaining receipts; and
- accounting for cards.

As a result, Air Force units did not: investigate at least \$284,000 in questioned billings and request applicable credits; incurred questioned fuel and ground service charges, totaling about \$457,000, for retired aircraft no longer in service; and paid \$1.6 million in questioned noncontract fuel purchases in excess of contract fuel prices at locations with existing Defense Energy Support Center Into-Plane fuel contracts.

## HEALTH CARE

The DoD Military Health System must provide quality care for approximately 9.2 million eligible beneficiaries within fiscal parameters while facing growth pressures, legislative imperatives, and inflation that make cost control difficult in both the public and private sectors. The DoD challenge is magnified because the Military Health System provides health care support for the full range of military operations. The increased frequency and duration of military deployment further stresses the Military Health System in both the active and reserve components. Part of the challenge in delivering health care is combating fraud.

A major challenge to the Department is sufficient oversight of the growing cost of health care for its beneficiaries. During a hearing with the Senate Appropriations Subcommittee on Defense, the Secretary of Defense stated the cost of health care is a concern that must be controlled. The DoD budget for health care costs was approximately \$45 billion in 2009, a 45 percent increase since FY 2005 (\$31 billion). Included in the above funding are supplemental funds of \$800 million for the Global War on Terror and \$300 million for traumatic brain injury and psychological health. In addition, the American Recovery and Reinvestment Act of 2009 provides \$400 million for facilities sustainment, restoration and modernization, and \$1.3 billion for construction of hospitals. Another of the Department's challenges is to effectively transition to the next generation of TRICARE contracts.

The ability to support and develop the people in the Military Health System continues to be a challenge. Maintaining medical readiness of the medical staff and units includes ensuring that medical staff can perform at all echelons of

operation and that the units have the right mix of skills, equipment sets, logistics support, and evacuation and support capabilities.

Strengthening medical care from accession through active service to rehabilitation and transition to VA care is a major challenge for the Department. The number of wounded warriors associated with Southwest Asia and other such conflicts significantly impact the health care resources within the Department and can result in such issues as the unsatisfactory conditions that were raised at Walter Reed Army Medical Center. Another related challenge to medical readiness are the issues inherent in providing efficient processes for post-deployment health care and benefits to severely injured and ill service members. Transitioning wounded, ill, or injured service members to post-deployment care will continue to grow as a challenge while OIF and OEF continue. Increased numbers of returning service members with mental health complaints, along with a shortage of uniformed and civilian mental health workers, will require examination of automated screening tools and improved diagnostics to provide earlier detection and intervention.

Providing information to the right people so they can make more informed decisions continues to be a challenge in the health care community. Along with the benefits of expanding automation efforts comes the increased risk to security and privacy of information. Information assurance relating to sensitive medical information is a challenge for the public and private sectors of the health care community. Implementing recommendations resulting from the 2005 Base Realignment and Closure process will continue to be a challenge. In addition to improving the readiness and cost efficiency associated with realigning base structure, a primary objective of the process was to examine and implement opportunities for greater joint activity among the military departments. Recapitalization of the physical infrastructure is a challenge. Military treatment facilities are aging and in need of replacement. Maximizing the benefit of construction and sustainment funds provided by the American Recovery and Reinvestment Act will be a challenge in FY 2009. The Department's expanded role in providing humanitarian assistance and disaster relief to support U.S. strategic objectives and promote human dignity through better health will provide financial and organizational challenges. One of the first challenges will be developing plans and budgets to support the expanded role.

### TRICARE CONTROLS OVER CLAIMS BY THIRD PARTY BILLING AGENCIES

While most of our audit efforts addressed medical support to our troops involved in OIF and OEF, we completed an audit on TRICARE controls over claims by third-party billing agencies. Contrary to the federal regulations and the TRICARE Operations Manual, the TRICARE Management Activity sent payments to billing agencies rather than to providers and also paid claims prepared by billing agencies that were excluded by the Department of Health and Human Services from participating in federal health care programs. The TRICARE Management Activity made these payments because it did not identify relationships between providers and billing agencies, and when sending payments, it used the billing agency's address instead of the providers' address. Further, TRICARE Management Activity officials believed they lack the authority to exclude billing agencies that are involved in preparing or submitting improper health care claims. Therefore, the TRICARE Management Activity needs to improve controls over payments for health care claims prepared by billing agencies for care provided in the United States. Additionally, we supported investigations of health care fraud, including support to the investigation selected as the 2008 National Health Care Anti-Fraud Association Investigation of the Year.

### MILITARY PERSONNEL FINANCIAL SERVICES PROTECTION ACT

The DoD IG issued the second in series of three reports that discuss the reforms contained in Public Law 109-290 "Military Personnel Financial Services Protection Act," September 29, 2006, and the impact of revised DoD Instruction 1344.07 "Personal Commercial Solicitation on DoD Installations," March 30, 2006. The report states that the impact of mandated reforms on the suitability of financial products marketed to service members at three European Command installations and two stateside military installations found no instances of sales of inappropriate life insurance or financial products to service members while on base. In fact, DoD and some state insurance regulators were identifying and taking actions against inappropriate sales practices to service members off base. For example, during our review while following up on the possible sale of inappropriate life insurance products at the Naval Air Station Pensacola, we identified that inappropriate sales were taking place off base. Discussions with U.S. Navy Region Legal Service Office

determined that it had investigated and issued a report on February 15, 2008. The report concluded that a financial agency was in direct violation of Florida's Military Sales Practice Rule. It recommended actions be taken immediately to lessen the harm being done to the sailors and Marines on Naval Air Station Pensacola.

## INFORMATION ASSURANCE, SECURITY, AND PRIVACY

### INFORMATION ASSURANCE

An information assurance soldier scanning the network at Camp Taji, Iraq.



The DoD IG has annually reported to OMB and the Congress that the Department continues to face a daunting challenge in providing a strong and responsive information security and privacy program. In particular, the Department has to balance security and privacy of its system operations and the storage, processing, and transmission of data with the need for information sharing and interoperability. In both the business and warfighting domains, the twin imperatives of security and information sharing and exchange are in daily contention. Further complicating this challenge is the need to address that portion of its data, systems, operations, and initiatives in the hands of the Defense Industrial Base and other non-DoD mission partners. Progress needs to be made to better resolve these conflicting requirements. The Deputy Secretary of Defense acknowledged these concerns in his December 22, 2008, transmittal of the Department's Federal Information Security Management Act and Privacy Management Report for FY 2008 to the Office of Management and Budget, but added: "I have concluded that, within existing operational and budgetary constraints, the Department of Defense is making satisfactory progress in resolving the issues." The DoD Inspector General does not agree that satisfactory progress has been made because there has yet to be established a structured reporting mechanism to ensure that our DIB and non-DoD mission partners share in providing the level of assurance needed for the security and privacy of DoD systems and data under their purview.

The Department continues to lack mandatory contract requirements for the protection of DoD information in the hands of contractors and other non-DoD mission partners, thereby both endangering the confidentiality, availability and integrity of that data, and impeding prosecution of non-DoD contractors and mission partners when data breaches occur. The DoD continues to lack a comprehensive, enterprise-wide inventory of information systems, to include warfighting mission area systems and those containing DoD information systems operated by contractors, thereby impeding management oversight of the DoD information enterprise for portfolio management, information assurance, and budgetary purposes. Further, DoD implementation of the 2004 Presidential Directive on physical and logical access to federal installations and information continues to fall short. Better progress needs to be made in overcoming obstacles that hamper the ability of the DoD to protect operational information for the warfighter and privacy data for all employees.

### CLASSIFIED MATERIAL

Weak controls over the identification and protection of classified information resulted in classified information being posted on two unclassified DoD systems: the Deployable Disbursing System and the Electronic Data Access/Voucher Processing System. Marine Corps personnel had not taken adequate measures to prevent unauthorized disclosure of classified information in unclassified systems. Based on the report, the Marine Corps conducted an investigation and confirmed that a compromise in classified information did occur and took immediate actions to correct and purge the two unclassified systems of the inappropriately entered classified information.

## INVESTIGATIONS

The following are highlights from some of the cases investigated during this reporting period involving the Defense Criminal Investigative Service, the criminal investigative arm of the DoD IG, and its federal law enforcement partners. Other cases are highlighted in this chapter.

- A major pharmaceutical company agreed to pay a \$1.4 billion settlement for off-label drug marketing.
- A Michigan company specializing in the manufacturing of emergency and military vehicles agreed to a \$1.7 million settlement resulting from kickback charges involving chassis for U.S. Army and Marine Corps mine resistant ambush protected vehicles – otherwise known as MRAPs.
- A Chinese national pled guilty to conspiring to export sensitive night vision technology to the People’s Republic of China.
- An Irish Trading Firm and its officers were charged in a scheme to supply Iran with helicopter engines and other aircraft parts.
- A retired Army major pled guilty in a bribery scheme in which he admitted receiving \$225,000 in bribes from contractors.



While the DCIS will continue to focus on “protecting America’s warfighters,” especially in overseas operations, it will also be taking on additional priorities as it begins to oversee and investigate issues of possible fraud and other criminal activities associated with \$7.4 billion in DoD stimulus funding.

DCIS’ top priorities include combating fraud and corruption; investigating defective, substituted, and substandard products; stopping the illegal transfer of technology, systems, and equipment critical to the Department of Defense; providing dynamic investigative support to the war on terrorism; and focusing on cybercrime and computer intrusion investigations.

## CORRUPTION AND FRAUD

Millions of dollars intended for DoD people and programs are lost annually because of financial crime, public corruption, and major thefts. Further, the failure to stem these crimes undermines public confidence in government and those who are charged with ensuring the protection of national resources. DCIS investigative efforts target abuses in the procurement process such as overcharges, bribes, kickbacks, and cost-mischarging. Additionally, DCIS partners with acquisition and financial agencies to proactively identify areas of vulnerability.

Similarly, DCIS is a key member of the ongoing national effort to combat fraud through the multi-agency National Procurement Fraud Task Force. Examples of DCIS efforts to combat financial threats include the following.



### SENIOR CIA EXECUTIVE CONVICTED

On February 26, 2009, Kyle Dustin “Dusty” Foggo, former Executive Director, Central Intelligence Agency, was sentenced to 37 months incarceration and 24 months supervised probation after pleading guilty earlier to one count of Honest Services Wire Fraud. As the Executive Director of the CIA, Foggo served in the third highest ranking position at the agency and is the highest ranking CIA executive ever convicted of a felony. The adjudication was the result of a joint investigation conducted by the FBI, DCIS, CIA, and the Internal Revenue Service-Criminal Investigations Division.

Foggo, along with Brent Wilkes, the owner of a defense contracting company, was initially indicted on multiple felony charges in February 2007. The indictment charged that Foggo had a standing offer for a high-level, high paying position in Wilkes’ company. Foggo admitted he allowed Wilkes to conceal his close friendship and used “straw men” and shell companies to conceal Wilkes’ interest in lucrative CIA contracts. Foggo admitted that he steered CIA contracts to Wilkes at inflated prices. Various DoD entities administered the CIA contracts, many of which were concealed within DoD contracts.

Wilkes was separately convicted of bribing former Representative Randall “Duke” Cunningham and is currently serving a 12 year sentence.

### SUBMITTING FALSE CLAIMS

A joint DCIS and U.S. Army Criminal Investigation Command investigation revealed the representatives of a water purification company submitted false claims relating to water purification training contracts. Loss to the government was approximately \$421,000. In March 2007, the company pled guilty to one count of submitting false claims, and in October 2007 was sentenced to five years probation and ordered to pay over \$420,000 in restitution and \$700,000 in fines.

A company corporate officer and a U.S. government program manager were also tried in U.S. District Court, Northern District of Georgia. On February 19, 2009, a jury found the program manager guilty of 38 counts of bribery, 15 counts of wire fraud, and one count of money laundering. The jury also found a corporate officer guilty of one count of conspiracy, eighteen counts of bribery, six counts of wire fraud, and one count of money laundering.

### OVERCHARGING DOD FOR TRANSPORTATION OF PARTS

A joint DCIS and Army CID investigation found that C&D Distributors in South Carolina, invoiced and received payment for unauthorized transportations costs from 2000 to 2006. This case received extensive media attention for the charging of nearly \$1 million to ship two washers valued at \$0.19 each. On April 4, 2008, a Preliminary Order of Forfeiture was entered against C&D in the amount of \$20.5 million. On March 2, 2009 C&D and its owner pleaded guilty to the charges in U.S. District Court. The judge ordered payment of \$15.5 million in restitution for the company and the owner for a total recovery of over \$31 million.

## DEFECTIVE, SUBSTITUTED, AND SUBSTANDARD PRODUCTS

Investigations of the introduction of defective, substituted, and substandard products and parts into the procurement system continue to be DCIS’ highest priority for the protection of the warfighter and to enhance readiness. These products and parts often involve safety of flight issues or other mission-critical applications. DCIS special agents work hard to ensure fraud and abuses in the procurement process are exposed, investigated, and prosecuted. Examples of DCIS product substitution investigations are included below.

### NON-CONFORMING METALS USED IN MILITARY AIRCRAFT

A federal grand jury handed up an eight-count indictment charging a DoD subcontractor and four of its executives with Fraud involving aircraft or space vehicle parts and conspiracy to commit fraud. The indictment charges the

executives repeatedly issued false and fraudulent certifications for titanium they sold that was used to make engine mounts for the F-15, F-22, and F/A-18 fighter jets and the Air Force C-17. The false certifications were also issued for titanium used to make parts installed in the spider hub assembly, which holds the telescope for the NASA Kepler Spacecraft. The indictment alleges that the defendants falsely certified that the titanium they sold was tested and met the specific stringent testing requirements, when in fact it did not. As a result, DCIS issued four Notification of Potentially Defective Titanium alerts.

### FAILURE TO PERFORM TESTING ON AIRCRAFT PARTS

A DCIS investigation was initiated upon receiving information from the Defense Contract Management Agency. DCMA claimed a subcontractor to a DoD contractor agreed to pay the U.S. Government nearly \$3 million as a result of a referral from the Defense Contract Management Agency quality assurance representative that initiated a joint investigation involving DCIS. Based on information from the QAR, the contractor had directed a subcontractor to ship Blackhawk helicopter armored wing assemblies even though required ballistic testing had not been conducted.

### NON-CONFORMING FABRIC USED ON BODY ARMOR

The Body Armor Civil Fraud Task Force continues to negotiate civil settlement agreements against companies regarding alleged nonconforming Zylon fabric used by American manufactures to produce body armor. Two DoD subcontractors signed civil settlements with the Department of Justice, Civil Division, Commercial Litigation Branch. The subcontractors paid the U.S. Government over \$31 million to settle their disputed claims.

### TRICARE FRAUD

On January 26, 2009, a doctor in Florida was convicted of Health Care Fraud and Controlled Substance Act violations in connection with his prescribing of medically unnecessary drugs which were connected to the death of two patients. He was subsequently sentenced to over 24 years incarceration and fined \$1 million. The conviction was the result of a joint investigation by DCIS, the FBI and the Florida Department of Law Enforcement.

TRICARE records provided thus far indicate that from January 4, 2001, to December 15, 2005, the doctor billed for over 2500 office services totaling nearly \$200,000 of which almost \$66,000 was paid. According to records of the Department of Defense Pharmacy Operations Center, from July 1, 2001, to March 24, 2006, the doctor prescribed 12,860 prescriptions to 175 TRICARE beneficiaries totaling nearly \$540,000 of which over \$500,000 has been paid. Approximately half of that amount was for controlled substances.

### AWARD IN OVERSEAS TRICARE FRAUD CASE

DCIS was recognized for its role in the investigation of the largest fraud in TRICARE history and received the award for the Investigation of the Year by the National Health Care Anti-Fraud Association for 2008. DCIS and U.S. Attorney's Office investigators, while in the Philippines investigating other fraud matters, received complaints of apparent excessive billings to TRICARE. Wisconsin Physicians Service Program Integrity Staff, a TRICARE contractor, began data mining that subsequently identified increased claims from the Republic of the Philippines through a Philippine company that billed itself as a "one-stop-shop" for health care and operated as a health care provider, third-party biller and supplemental insurer. The company and its President/CEO inflated the bills of health care providers by 100 percent or more before submitting the bills for payment by the United States Government. The defendants also created a sham insurance program to circumvent TRICARE's requirement that beneficiaries pay a deductible and cost share, and they also submitted fictitious and fraudulent TRICARE claims falsely claiming that beneficiaries had been hospitalized and had been rendered services when, in fact, they had not.

The exhaustive five year investigation required frequent travel to the Philippines, coordination with the Philippine National Police in locating numerous documents and witnesses, and arranging for special visas so witnesses could travel to the United States to give testimony.

The President/CEO was arrested in Manila by the Philippine National Police and removed to the United States. After pleading guilty, he was sentenced on June 17, 2008, to 5 years' imprisonment. Based on a guilty plea by the corporation, it was sentenced on April 24, 2008, to pay nearly \$100 million in restitution, a \$500,000 fine, and to forfeit \$900,000. The company was ordered to liquidate its assets in order to pay these amounts. In addition, all of its officers, directors and employees agreed to permanent exclusion from TRICARE and other government programs.

### CYBER CRIME AND COMPUTER INTRUSION

The DCIS Cyber Crime Program continues to adapt to the Department's needs. The threat to DoD networks has transitioned from individual hackers seeking publicity to highly sophisticated intrusions by foreign governments attempting to negate DoD's technological advantage and by international organized criminal groups trying to steal personally identifiable information for financial gain.

To meet the demands brought about by this shift in threats, DCIS has partnered with national cyber crimes task forces such as the Joint Task Force-Global Network Operations, the lead DoD agency responsible for the direction and protection of the Global Information Grid. Further, partnerships were strengthened with other investigative fields such as Technology Protection, Counterintelligence, and Counterterrorism. The DCIS Cyber Crime Program, along with cyber crimes investigators from other federal and state law enforcement agencies, brings special skills capable of meeting this new threat.

### CYBER SECURITY BREACH

In August 2007, DCIS initiated an investigation based upon notification from the Defense Information Systems Agency that it discovered a computer intrusion originating from an internet protocol address in China with total access to the root network of a DoD contractor located in Falls Church, Virginia.

After identifying and locating the vulnerable system at the company, evidence was seized and analyzed using computer forensic tools. Personnel responsible for the security and architecture of the network were also interviewed. It was determined that the company and a sub-contractor failed to perform and deliver proper network security and information assurance services to the government as required by the DoD Information Technology Security Certification and Accreditation Process requirements in the statement of work involving the Military Health System Expense Assignment System IV contract. There was also no indication that network security or information assurance was implemented during the period of performance from November 2004 through November 2007.

On September 30, 2008, a government contracting officer letter of demand was served on the company. The demand letter stated the government performed an inspection of services on the contract, and based on contract reviews, performance reviews, and the DCIS investigation, the company failed to perform and deliver proper network security and information assurance services to the government. As a result, the government sought \$1.3 million for services that were never performed. On February 18, 2009, the company provided a signed bilateral modification to the Department of Defense Task Order and a certified check in the amount of \$1.3 million payable to the U.S. Treasury.

### IDENTITY THEFT

The FBI and the Air Force Office of Special Investigations contacted DCIS and requested investigative assistance by the DCIS Cyber Crime Program. The investigation involved a former Marine lance corporal who had stolen DoD employees personal identification information and engaged in an internet scheme to defraud other U.S. service members and the Army and Air Force Exchange Service. The former Marine opened Military Star Credit Card accounts using the names, identities, and Social Security numbers of the service members.

After 13 victims were identified, search warrants were served on the former Marine's residence. Based on the evidence seized, a criminal complaint was filed and arrest warrant issued by the Federal District Court of the Middle District of Florida. He was arrested in February 2007.

The former Marine was indicted in October 2007 by a grand jury of the same District on 16 charges, pled guilty to charges of identity theft and access device fraud in August 2008, and was sentenced in November 2008. His sentence included 432 days incarceration, 60 months probation, and an order to pay restitution of \$76,281. Additionally, a forfeiture monetary judgment of \$113,954 was ordered.

## ILLEGAL TRANSFER OF TECHNOLOGY, SYSTEMS AND EQUIPMENT

The DCIS Technology Protection Program is the agency's fastest growing program in addition to being one of its most critical due to the direct threat posed to the warfighter and the nation by loss of critical technology. Investigations under this program involve the illegal theft or transfer of technologies and U.S. Munitions List items to proscribed nations, criminal enterprises, and terrorist organizations. This illicit trans-national trafficking, which includes weapons of mass destruction components, presents a serious danger to the United States and its allies and threatens America's warfighters deployed around the world.

DCIS has investigated cases involving the illegal export of missile technology, military night vision equipment, fighter jet components, and helicopter technical data. Fostering a multi-agency approach has been and continues to be critical to the success of these investigations and prosecutions. DCIS conducts non-proliferation and technology transfer investigations with Immigration and Customs Enforcement, the military criminal investigative organizations, and other law enforcement partners. As a result of these joint investigations, numerous cases have been successfully prosecuted.

To augment these efforts, DCIS has also teamed with the Department of Justice and spearheaded the formation of the Technology Protection Enforcement Working Group in 2007. The TPEG is comprised of Technology Protection decision makers from various agencies in the law enforcement community.

### THEFT OF SENSITIVE OPTICAL EQUIPMENT

On February 11, 2009, a former Navy lieutenant was sentenced in U.S. District Court to 21 months imprisonment and 3 years supervised release, to include psychiatric evaluation and visits, resulting from his plea of guilty to conspiracy to steal and sell U.S. Government property including Infrared Aiming Lights manufactured by Insight Technology, rifle scopes, machine gun parts, and other optical equipment.

The former Navy lieutenant, who had been assigned to a mine hunter, the U.S.S. Shrike, pled guilty on October 17, 2008, following an investigation by DCIS. The plea was the result of an investigation that disclosed that former lieutenant conspired with others to steal DoD property and sell the property on the Internet. He requisitioned the property from the Defense Reutilization Management Office while assigned to the U.S.S. Shrike and diverted it on the dock for his own use.

On December 12, 2008, as part of the same investigation, a Taiwanese national pled guilty to conspiracy to commit unlicensed exporting of Munitions List items and unlicensed export of Munitions List items in violation of the Arms Export Control Act. The investigation disclosed that the Taiwanese national conspired with others to illegally export munitions list items including a helmet mounted cueing system, heavy thermal weapon sight, and infrared laser aiming devices from the U.S. to Taiwan and Hong Kong. The Taiwanese national was arrested in December 2007 in Hong Kong by the Hong Kong authorities at a meeting with an undercover agent pursuant to a Mutual Legal Assistance Treaty agreement and was extradited to the United States on August 16, 2008.

### CONSPIRACY TO ILLEGALLY EXPORT MILITARY COMPONENTS TO IRAN

This case was initiated based on information referred to DCIS by ICE. The investigation disclosed that as late as 2003, Thomas McGuinn, an Irish citizen and owner of MAC Aviation Limited, a Republic of Ireland-based company, and two other individuals solicited U.S. based aerospace companies for the purchase and diversion of F-14 fighter aircraft parts, military helicopter engines, and military aviator night vision goggles for export to Iran. All of these items are United States Munitions List components.



They were charged with purchasing USML components and illegally exporting them to Iran using companies in Malaysia and the United Arab Emirates. Among the alleged recipients of these U.S. goods was an Iranian military firm that has since been designated by the U.S. for being owned or controlled by entities involved in Iran's nuclear and ballistic missile program. The 25 count indictment that was unsealed on March 24, 2009, charged each of the defendants with two counts of conspiracy, 19 counts of violating the International Emergency Economic Powers Act and Iranian Transactions Regulations, four counts of false statements, and forfeiture allegations. If convicted, the defendants face a maximum sentence of 10-20 years in prison for each of the IEEPA counts, 5-20 years in prison for each of the conspiracy counts, and five years in prison for each of the false statement counts.

### CONSPIRACY TO VIOLATE THE ARMS EXPORT CONTROL ACT

On November 7, 2008, the owner of an aviation company located in Pompano Beach, Florida, was sentenced in the U.S. District Court for the Southern District of Florida to 51 months imprisonment, concurrent with prior sentencing, upon his guilty plea to one count of Conspiracy to Violate the Arms Export Control Act. The company's owner was a DoD contractor who sells aircraft components domestically and abroad. The actions of this contractor were discovered during a joint DCIS and ICE investigation of a foreign firm attempting to procure and export USML parts for the F-14, F-5, and C-130 aircraft without a valid Department of State Office of Defense Trade Controls License. The investigation determined the foreign firm was working with the aviation company to accomplish the scheme.

### ATTEMPT TO EXPORT MILITARY EQUIPMENT TO A TERRORIST ORGANIZATION

On March 30, 2004, ICE notified DCIS that a representative of an Indonesian business was attempting to purchase third generation night vision devices and other sensitive military equipment without obtaining required export licenses. A joint DCIS/ICE investigation revealed the firm's representative conspired with a man from Singapore and others to export state-of-the-art firearms, machine guns and ammunition, surface to air missiles, night vision goggles, and other military weapons to the Liberation Tigers of Tamil Eelam (Tamil Tigers) operating within Sri Lanka.

All coconspirators pled guilty to charges stemming from the investigation. In 2007, the man from Singapore pled guilty to conspiracy to provide material support to a designated terrorist organization and money laundering. On October 30, 2008, he was sentenced to 37 months confinement.

### CHINESE NATIONAL PLEADS GUILTY TO CONSPIRACY

On October 22, 2007, DCIS received information from ICE regarding a possible conspiracy to violate U.S. export laws. Specifically, ICE reported that Everbright Science & Technology and its employees attempted to acquire third generation Night Observation Device technology. This technology is on the USML and requires an export license. EST arranged for the company manager, Bing Xu to come to the U.S. to finalize negotiations for the transfer of the export controlled items. Xu was arrested by DCIS and ICE agents and charged with conspiracy to violate the Arms Export Control Act. On February 24, 2009, Xu pled guilty before U.S. District Court for the District of New Jersey to conspiring to export military-grade night vision technology from the United States to the Republic of China.

### TWO BROTHERS CONVICTED OF CONSPIRING TO STEAL OPTICS

On February 2, 2009, two brothers who had served in the Marine Corps pled guilty to conspiring to steal military optics and export them from the United States. At a hearing, one of the brothers admitted that while on active duty with the Marines he stole high-grade optics from his station in Kings Bay, Georgia, and transported them to his brother, a Marine Reservist, who sold them on the Internet. The convictions stem from a joint investigation by DCIS and ICE. The stolen optics were USML items specially designed for military purposes and prohibited from export without a special license. Neither brother had a license. The investigation revealed that they sold and shipped the stolen optics to purchasers in Hong Kong, Japan, and Taiwan.

## HOMELAND SECURITY/TERRORISM

DCIS is a major supporter of the FBI's Joint Terrorism Task Forces throughout the country. The mission of the JTTF is to detect, prevent, and respond to domestic and international terrorist threats against United States citizens or interests. DCIS currently helps staff 40 JTTFs on a full-time or part-time basis. DCIS JTTF participation ranges from major metropolitan areas, such as New York City, Los Angeles, Washington D.C., and Chicago, to smaller cities, such as Covington, KY, and Springfield, MA. A full-time DCIS representative is also assigned to the National Joint Terrorism Task Force located at the National Counterterrorism Center. DCIS participation on JTTFs has resulted in the referral of multiple national security investigations. Each of these cases had a strong DoD nexus and concerned security violations or threats against U.S. Armed Forces, DoD civilians, or military installations.

### CONSPIRACY TO WAGE WAR AGAINST THE UNITED STATES

On March 6, 2009, a man was convicted of conspiracy to levy war against the United States and sentenced to 16 years in federal prison as the result of an investigation by the Long Beach JTTF. That investigation was initiated after Torrance Police Department, CA, developed information of possible terrorist activities after arresting two other men, Levar Washington and Gregory Patterson, in a string of armed robberies.

Washington and Patterson were members of a domestic terrorist cell, Jam'iyyat Ul-Islam Is-Shaheen, and used the proceeds from the bank robberies to purchase weapons and bomb making components. Search warrants executed at their apartment uncovered plans to conduct a violent jihad against the United States. Their plans, specifically, were to attack various Department of Defense facilities and personnel including United States military recruiting stations, California National Guard installations, and civilian targets.

Further investigation disclosed Washington, Patterson, and the man conspired to commit these acts against the U.S. Government. Washington and Patterson were previously found guilty of conspiracy to levy war against the United States through terrorism and of conspiracy to possess and discharge firearms in furtherance of criminal violence. Washington was sentenced to 22 years imprisonment, and Patterson was sentenced to more than 12 years imprisonment.

### CONSPIRACY TO USE WEAPONS OF MASS DESTRUCTION

On February 26, 2009, a man was sentenced to 20 years imprisonment and 5 years probation upon release for conspiracy to use weapons of mass destruction. The conviction was the result of a DCIS case that derived from a FBI JTTF.

The investigation disclosed that the man provided material support to al Qaeda and that he fought in Afghanistan and Bosnia in the early 1990s. The man, who was born in the United States, later returned to the Central Ohio area, where he operated in a circle of Islamic militants with similar views, recruiting and preparing them to fight in overseas conflicts. By the late 1990s the man was suspected of traveling to Germany where he worked with radical Islamists exhorting them to commit violence, instructing them on the use of explosives. The man also provided information regarding potential targets in the United States.

## DCIS INITIATIVES

### ASSET FORFEITURE PROGRAM

The DCIS asset forfeiture program has expanded to seven asset forfeiture investigators and one auditor. In addition, two contractors, a senior professional and a project director, are assigned to headquarters. The program's budget, which is approved by DoJ, has increased more than 64% percent within this reporting period in order to meet the agency's forfeiture-related investigative needs. Also, within this reporting period, DCIS obtained court orders of final forfeiture in the amount of over \$100 million, most of which was derived from a judgment ordered against Eli Lilly and Company.

The settlement was the result of a joint criminal investigation that found a man illegally promoted the sale and use of Zyprexa to psychiatrists, physicians, and other health care professionals for uses other than those approved by the FDA. The case was investigated by the DoJ Civil Division, the DoJ Office of Consumer Litigation, DCIS, the Food and Drug Administration Office of Criminal Investigations, and the Department of Health and Human Services Office of the Inspector General. The forfeiture was part of an overall \$1.4 billion, the largest amount paid by a single defendant in DOJ history.

Additionally, during this reporting period, Charlene Corley, owner of C&D Distributors, was sentenced to 6 1/2 years in prison for defrauding the Pentagon out of approximately \$21 million dollars by inflating the shipping costs of military equipment. For example, the company invoiced the military almost \$1 million to ship two 19-cent washers and almost \$500,000 to ship an \$11 dollar threaded plug. Corley pled guilty of conspiracy to commit wire fraud and conspiracy to commit money laundering. A preliminary monetary judgment in the amount of over \$20 million was ordered against the defendant; the final order for the forfeiture for \$8 million is pending.

Since this program's inception in May 2007, DCIS has obtained court orders of final forfeiture totaling over \$120,000 and more than \$11 million in additional pending seizures. The assets forfeited consist of monetary judgments, real property, watercraft, and vehicles, involving investigations of public corruption, product substitution, theft, false claims, healthcare fraud, and technology protection.

### DEFENSE FINANCE AND ACCOUNTING SERVICE - ROME

DCIS initiated a project at the Defense Finance and Accounting Service in Rome, New York, to review hundreds of thousands of documents to analyze over \$14 billion in payment vouchers related to U.S. Army purchases in Iraq, Kuwait and Afghanistan for evidence of theft and bribery. The information reviewed by DCIS, the Office of the Deputy Inspector General for Audit, and DCAA to refer potential criminal activity to the field for investigation has generated approximately 30 investigative leads and provided over 1,000 vouchers to support ongoing investigative efforts by DCIS and affiliated task force investigations.

## INVESTIGATIONS OF SENIOR OFFICIALS

On March 31, 2009, there were 267 ongoing investigations into senior official misconduct throughout the Department, representing an increase from September 30, 2008, when we reported 227 open investigations. Over the past 6 months, the Department closed 163 senior official cases, of which 18 (11 percent) contained substantiated allegations.

## MILITARY REPRISAL INVESTIGATIONS

During the reporting period, MRI and the military department IGs received 323 complaints of whistleblower reprisal. We closed 226 reprisal cases during this period. Of the 226 cases, 202 were closed after preliminary analysis determined further investigation was not warranted and 24 were closed after investigation. Of the 24 cases investigated, 4 contained one or more substantiated allegations of whistleblower reprisal (17 percent). MRI and the military departments currently have 430 open cases involving allegations of whistleblower reprisal.

### EXAMPLES OF SUBSTANTIATED WHISTLEBLOWER REPRISAL CASES

A Navy lieutenant alleged he was given an unfavorable evaluation, reassigned, referred for an involuntary mental health evaluation, and threatened with discharge in reprisal for contacting an inspector general after his chain of command denied his request for captain's mast. A Navy investigation substantiated he was reassigned and threatened with discharge in reprisal for making a protected communication. Corrective action is pending.

A Navy petty officer alleged he received non-judicial punishment and an unfavorable fitness report in reprisal for contacting an inspector general about alleged fraternization within the unit. A Navy investigation substantiated the allegations. Corrective action is pending.

An Army sergeant alleged his first sergeant recommended him for an Article 15 in reprisal for reporting unsafe conditions during a field exercise to an inspector general. An Army investigation substantiated reprisal against the first sergeant. Corrective action is pending.

An Army Reserve staff sergeant alleged he was referred for an involuntary mental health evaluation in reprisal for reporting allegations to an inspector general that a supervisory administrator created a hostile work environment. An Army investigation substantiated that the administrator reprised against the staff sergeant by providing misleading information about the sergeant, which instigated the referral for an involuntary mental health evaluation. Corrective action is pending.

## REFERRALS FOR MENTAL HEALTH EVALUATIONS

The DoD IG closed 17 cases involving allegations of improper referrals for mental health evaluation during the reporting period. In 11 (65 percent) of those cases, we substantiated that command officials and/or mental health care providers failed to follow the procedural requirements for referring Service members for mental health evaluations under DoD Directive 6490.1, “Mental Health Evaluations of Members of the Armed Forces.” We substantiated that one of the mental health referrals was influenced by officials in reprisal for a service member’s protected communications.

## CIVILIAN REPRISAL INVESTIGATIONS

Civilian Reprisal Investigations hired two additional investigators in its continued aggressive promotion of civilian whistleblower protection. During the first half of FY 2009, CRI advised on twenty-five intakes not going to full investigation, closed three investigations, and is actively working sixteen cases open at the end of the first half of the fiscal year. The DoD IG was also recertified as 5 U.S.C. Section 2302 (c) compliant for the next three years and advised the Office of the Inspector General, Naval Research Laboratory, on its initial certification.

## EXAMPLE OF SUBSTANTIATED CIVILIAN WHISTLEBLOWER REPRISAL CASES

A civilian supervisory transportation management specialist alleged that management officials suspended him and failed to promote him in reprisal for his protected disclosure concerning fraud, waste, abuse, and gross mismanagement associated with a criminal investigation into transportation contract fraud. A CRI investigation substantiated reprisal. Corrective action is pending.

## INVESTIGATIVE POLICY AND OVERSIGHT

Investigative Policy and Oversight produces policy concerning criminal investigations that impact the DoD law enforcement community; administers the DoD IG Subpoena and DoD Contractor Disclosure Programs; conducts Department-wide oversight affecting the investigative and law enforcement community; conduct oversight evaluations of DoD investigative organizations or individual investigations to including command directed investigations upon request. IPO accomplishments this period include:

- Issuing 110 subpoenas issued with an average processing time of 12.6 days, below the 15 day metric. Five subpoena training classes conducted for the Defense Criminal Investigative Organizations.
- Launching the DoD IG Contractor Disclosure Program that requires federal contractors report violations of criminal law for overpayments in connection to the award or performance of any contracts or subcontracts in an amount greater than \$5 million and of more than 120 days duration. Contractors made nine disclosures.
- Facilitating the transition from the Voluntary Disclosure Program to one requiring disclosure. The Voluntary Disclosure Program, which provided incentives to federal contractors under the False Claims Act and Federal Sentencing Guidelines for voluntarily disclosing to Government authorities potential civil or criminal violations within their own operations, was rescinded in November 2008; over \$3 million was recovered this period from previously reported disclosures.



# INSPECTIONS

## EVALUATION OF THE DOD SAFETY PROGRAM AND SAFETY PERCEPTION SURVEYS

Accidents cost the military departments the lives of 700 service members per year and an estimated \$21 billion in direct and indirect costs. In an effort to identify opportunities to prevent accidents and improve the DoD safety program, the DoD IG partnered with the National Safety Council, the Defense Safety Oversight Council, and the Defense Management Data Center and administered a series of safety perception surveys in 2005 and 2007. These surveys solicited responses from four population groups--DoD senior leaders (2005 only), active duty personnel, civilian employees, and Guard and Reserve members. The 2005 surveys established an empirical safety climate baseline for measuring program improvements. The surveys are repeated every 2 years (every 4 years for senior leaders). We published the results of the 2007 surveys on December 12, 2008, and compared the results to the 2005 baseline. Overall, the data shows positive trends in management's efforts to improve safety awareness. The survey reports are available at <http://www.dodig.mil/Inspections/IE/Reports.htm>.

## ALLEGATIONS CONCERNING THE ACQUISITION OF PUMPS FOR NEW ORLEANS FLOOD CONTROL BY THE ARMY CORPS OF ENGINEERS

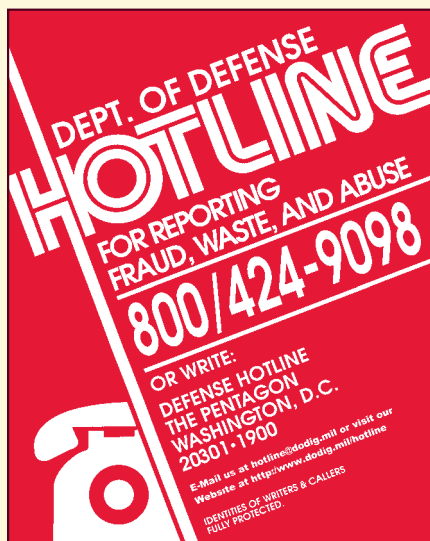


On February 27, 2009, the DoD IG received the independent engineering assessment of the pumping system acquired by the Army Corps of Engineers for New Orleans flood control. The independent assessment was conducted by the Parsons Infrastructure and Technology Group under contract with the DoD IG. The Parsons assessment concluded that the pumps were adequately tested for their intended purpose and that there are no immediate vulnerabilities to catastrophic failure.

We previously examined allegations concerning the pumping system that were referred to us by the Office of Special Counsel in October 2007. The Special Counsel took exception to the conclusions of our May 2008 report and, in a letter to the President of August 4, 2008, recommended that an impartial investigation be conducted by independent professional engineers.

Because we believed the concerns expressed by the Special Counsel warranted further consideration, we obtained a contract with Parsons to determine whether the pumping system at issue was adequately tested and to evaluate the risk of system failure in the event of a hurricane.

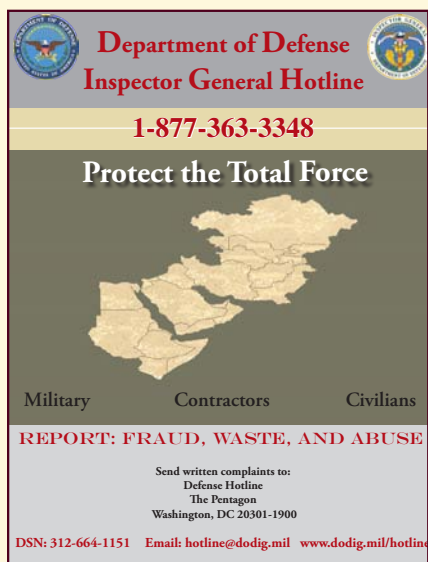
## DEFENSE HOTLINE



The Defense Hotline continues its primary mission of providing a confidential and reliable vehicle 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.

The Defense Hotline is operational Monday through Friday from 7:00 a.m. to 5:00 p.m., and is staffed by 14 full-time DoD IG employees, who receive, examine and evaluate allegations pertaining to Department of Defense programs and operations. Complaints may also be submitted to the hotline 24 hours a day via the Internet and email.

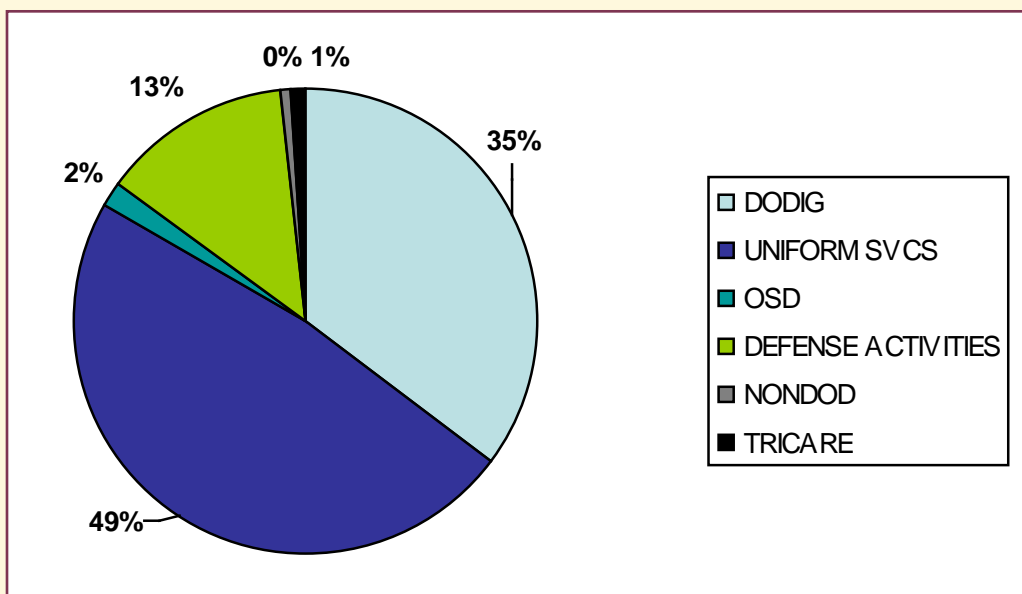
During this reporting period, the Defense Hotline received 6,329 contacts from the public and members of the DoD community and initiated 922 cases: 33 percent by U.S. mail, 27 percent received by email, 22 percent via the Hotline's web page, 12 percent from the Government Accountability Office, 4 percent by telephone, and 2 percent via Congressional inquiries.



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 has a toll-free Defense Hotline number for the exclusive use of personnel stationed in the region: 1-877-363-3348.

The hotline closed 894 cases this reporting period. Investigations initiated exclusively by the Defense Hotline returned \$1.5 million to the federal government during this reporting period.

### DISTRIBUTION OF REFERRALS



## OTHER DEPARTMENT OF DEFENSE OVERSIGHT



# ARMY

## ARMY AUDIT AGENCY

To accomplish its mission, U.S. Army Audit Agency relies on a work force of highly trained professional auditors, many with advanced degrees and professional certifications. USAAA's staff consists of approximately 600 employees and is organized into 17 functional audit teams that provide audit support to all aspects of Army operations.

USAAA also maintains a significant presence in the Central Command area of responsibility assisting Army commanders. At the beginning of October 2008, it had 28 deployed auditors in Iraq, Kuwait, and Afghanistan. Overall, USAAA has deployed over 130 auditors since 2002 and have issued more than 100 reports on Operation Enduring Freedom/Operation Iraqi Freedom.

USAAA's goal is to be a highly sought after and integral part of the Army by providing timely and valued services that improve the Army by doing the right audits at the right time and achieving desired results. To ensure its audits are relevant to the needs of the Army, USAAA prepared its Strategic Audit Plan to align its audit resources with the Army's four imperatives and three enabling initiatives:

- Sustain the Army's soldiers, families, and civilians;
- Prepare soldiers, units, and equipment to succeed in complex 21st century security environments;
- Reset forces and rebuild readiness for future deployments and contingencies.
- Transform and meet the needs of combatant commanders;
- Secure financial resources and legislative authorities to meet requirements for the Army's compelling needs;
- Implement business transformation; and
- Enhance strategic communications.

During the first half of FY 2009, USAAA published 80 reports, made over 240 recommendations, and identified over \$900 million in potential monetary benefits agreed to by Army activities. USAAA reported another \$2.9 billion in potential benefits that DoD agencies non-concurred with; the Office of the DoD Inspector General is coordinating the resolution of these reports. A few of USAAA's significant reports are described below.



Army auditors at ARCENT headquarters.

### ASSESSING FUTURE BASE BUDGET REQUIREMENTS

USAAA conducted a multi-location audit of the Army's process for developing its future base budget. USAAA reviewed each of the Army's six Program Evaluation Groups to determine if the PEGs adequately considered enduring requirements when projecting future base budget requests. Specifically, USAAA evaluated the PEG process for building the FYs 2010 to 2015 Program Objective Memorandum to determine if the process was consistent, in accordance with DoD and Army guidance, and effective in communicating requirements to Army decision makers. Additionally, USAAA determined if the PEGs considered enduring requirements from the FY 2009 supplemental request during the FYs 2010 to 2015 POM build. USAAA found that most PEGs had a consistent and transparent process for validating requested base budget requirements; however, the determination of critical requirements was not entirely transparent and may unnecessarily reduce or eliminate validated requirements for various systems that were funded by the supplemental. By not fully identifying critical requirements, the Army's senior leaders may not have a clear picture of the base budget shortfalls. As of March 31, 2009, USAAA published reports for two of the six PEGs.



## MANAGEMENT OF SHIPPING CONTAINERS IN SOUTHWEST ASIA

At the request of the Office of the Deputy Chief of Staff, G-4, USAAA audited the Army's visibility over shipping containers related to the Southwest Asia theater of operations. USAAA completed the series of audits in the first half of FY 2009, and published a report on operations in Afghanistan and a summary report.

**Management of Shipping Containers in Southwest Asia—Afghanistan:** USAAA identified visibility issues existed with the data in the automated system used to manage and track shipping containers in Afghanistan. These issues were primarily attributable to shortfalls in command emphasis and the absence of the actions needed to ensure the visibility data was accurate and complete. The Afghanistan theater of operations lost visibility nearly 8,000 containers valued at about \$24 million. USAAA made recommendations to the Combined Joint Task Force – 82 and Combined Security Transition Command – Afghanistan to improve container management and asset visibility. Both commands agreed with our recommendations and started corrective actions.

**Management of Shipping Containers in Southwest Asia—Summary:** This report summarized audits USAAA performed in Iraq, Afghanistan, and Kuwait. Audit results showed visibility over shipping containers were systemically problematic in Southwest Asia and in the continental United States. USAAA found three overarching factors the Army should address to improve visibility over shipping containers: Army's continued use of containers beyond their intended purpose; categorization and treatment of containers as expendable assets; and absence of sufficient container management education and training at logistics schools. Inadequate visibility of containers contributed to the unanticipated cost of \$513 million in detention fees and container buyouts. Our recommendations would mitigate future container management challenges and could result in a future cost avoidance of \$263 million. The Office of the Deputy Chief of Staff, G-4 agreed with the recommendations and stated it would take corrective actions.

## FY 2009 MANNING REQUIREMENTS FOR CONTRACT SECURITY GUARDS IN EUROPE

Garrisons in Europe account for about half of the Army's contract security guard costs. USAAA followed up on a prior audit of manning requirements for contract security guards in Europe and evaluated FY 2009 manning requirements. The audit showed that U.S. Army, Europe and Seventh Army implemented prior recommendations, saving about \$36 million in FY 2008. USAAA also identified opportunities to further reduce contract requirements by about \$2.8 million. USAAA's recommendations will help USAREUR right-size contract requirements without compromising force protection.

## PRE-MOBILIZATION TRAINING REQUIREMENTS, U.S. ARMY RESERVE AND U.S. ARMY NATIONAL GUARD

These two reports were the first reports in a series of audits reviewing mobilization training for the Reserve Component. USAAA found that Army Reserve and National Guard units effectively identified their pre-mobilization training tasks by attending joint planning meetings with First Army. They also identified specific training requirements necessary to complete agreed-to pre-mobilization training tasks. However, Reserve and Guard units often did not complete their pre-mobilization training tasks prior to mobilization because they couldn't stabilize unit staffing with sufficient numbers of deployable personnel and did not obtain equipment necessary for training. Additionally, units did not execute training tasks efficiently between the pre-mobilization and post-mobilization phases. As a result, units had increased post-mobilization training requirements, had to repeat some training tasks, and one unit had decreased deployed time in theater. USAAA made six recommendations to improve the pre-mobilization training processes for the Reserve and National Guard. The third audit in the series is of post-mobilization training and will start in March 2009.

## FOLLOWUP AUDIT OF INSTALLATION PREPAREDNESS FOR WEAPONS OF MASS DESTRUCTION

USAAA followed up on corrective actions the Office of the Deputy Chief of Staff, G-3/5/7 took to implement a recommendation addressed to them previously in a 2003 effort. The original audit showed that the office's efforts to validate \$181 million in equipment and training

requirements with major commands and installations were not fully effective because some installations did not submit requirements and some installations submitted questionable requirements totaling about \$15.6 million. As a result, Army had no assurance that requirements identified for FYs 2004-2009 were valid. USAAA concluded that the actions the office took fixed the previously reported problem and realized monetary benefits. The office established the Installation Preparedness Branch which used a top-down approach to develop the Installation Preparedness Program. This approach developed the requirements in accordance with guidance from the Secretary of Defense and delivered those requirements to specific installations. The branch scrubbed the requirements and eliminated the five projects valued at \$15.6 million identified in the previous audit.

#### TRAUMA SERVICES COOPERATIVE AGREEMENT, BROOKE ARMY MEDICAL CENTER

USAAA conducted this engagement as part of a requested audit of patient billing services at Brooke Army Medical Center. USAAA reported that BAMC provided medical treatment to non-DoD civilians beyond the emergency care authorized by regulations. This occurred as a result of BAMC entering into a cooperative agreement with two other trauma centers (Air Force medical center and a civilian medical facility) to provide emergency trauma care to all civilians in the local metropolitan area without requiring full reimbursement for the medical services it provided. During FYs 2004-2006, BAMC incurred annual costs of about \$30 million as a result of the emergency medical services it provided under this agreement while only collecting associated costs of about \$10 million. U.S. Army Medical Command provided BAMC supplemental funds of about \$20 million annually to offset the shortfall in collections. Despite the offset funds and partial collections, BAMC accumulated about \$70 million in unpaid medical claims during this three-year period. USAAA made two recommendations to correct the conditions found by having BAMC renegotiate the cooperative agreement to include full reimbursement provisions and requesting that MEDCOM review the new agreement for legal sufficiency and compliance with DoD/DA regulations.

#### TRANSPORTATION CHARGES

USAAA performed a series of audits on transportation charges at the request of the Vice Chief of Staff, Army as part of the Army's intensive review of the cost of doing business. Most of the audit work was performed at the United States Transportation Command and the Military Surface Deployment and Distribution Command. USAAA coordinated its transportation charges audits with the DoD IG; the Office is coordinating the resolution of the three published reports discussed below.



Army auditors on assignment.

#### Customer Billing Rates – Liner Business Shipments:

This audit addressed concerns that the Army was overpaying for liner business shipments to support the Global War on Terrorism. USAAA found that customer billing rates were not based on appropriate costs for FY 2006 through FY 2008. The Transportation Command established rates for war shipments that were significantly higher than shipping costs—almost doubling customer rates for war shipments and generating about \$650 million in profits by the end of FY 08. This was in addition to eliminating a \$268 million accumulated operating loss (that included costs not associated with the liner business area) and subsidizing other shipping lanes that were priced to operate at a loss for FY 2006. Because of the Transportation Command's billing policy, the Army was

overcharged about \$382 million during FY 2006 and FY 2007 and could be overcharged another \$2.1 billion over the Program Objective Memorandum. USAAA also identified a possible Purpose Act Violation and potential Antideficiency Act violation, of as much as \$321 million, that should be reported as required by the Financial Management Regulation. USAAA recommended revision of customer billing rates, development of detailed billing policies and procedures, and implementation of a management control program for customer billing rates.

**Container Detention Billing for the Global War on Terrorism:** This audit was requested based on concerns that the Army was paying for container detention penalties incurred by non-Army activities. The audit showed that Military Surface Deployment and Distribution Command did not bill the activity responsible for container detention and it did not have a system in place to identify and bill the responsible activity. Instead, it billed the Army for all detention based on informal agreements. The Army paid at least \$67 million of detention charges for non Army activities (this included about \$47 million for commercial vendors) and another \$183 million of detention where the activity responsible was not determined. The proper authority did not authorize the use of Army funds to pay for detention incurred by non-Army activities. Consequently, a violation of the Purpose Statute and a potential Antideficiency Act violation occurred. If recommendations in this report are implemented, potential monetary benefits of about \$329 million could accrue to the Army.

**Administrative Fees for Direct Bookings:** This audit addressed concerns that the Army was overpaying for Army and Air Force Exchange System direct booking fees. The audit showed that Surface Deployment and Distribution Command overcharged its direct booking customers. Although the program was designed to reduce shipping costs by cutting out the middleman, SDDC established a fee that was about twice the overhead costs charged to its larger scope, full-service booking customers. SDDC did not know how much it cost to provide direct booking services and it did not make an effort to establish an equitable fee structure. While the Defense Commissary Agency paid a much lower fee because of legislation, its fee was also overstated. The inappropriate fee structure continued because SDDC did not periodically review

the methodology used to calculate the fees. If USAAA recommendations to develop and publish detailed guidance and to identify and use incremental costs for the fee determination process are implemented, the Army will realize transportation cost savings of about \$123 million.

## ENERGY CONSUMPTION

The Army spends over \$1.2 billion annually for energy operating costs at its installations. Executive Order 13423 (Strengthening Federal Environmental, Energy, and Transportation Management) requires federal agencies to improve energy efficiency and reduce greenhouse gas emissions by 3 percent annually or 30 percent by the end of 2015. The Order requires agencies to report energy consumption and progress towards meeting energy reduction goals to the Department of Energy. This audit focused on the effectiveness of the Army's methods for tracking and reporting energy consumption data and the measures taken to achieve energy savings.

USAAA reported that the Army did not use effective methods to track and report energy consumption data. USAAA found that 69 of 231 activities shown in the Army Energy and Water Reporting System with a reporting requirement for FY 2007 did not report and were not contacted to determine why they did not report. Further, AEWRS had limited analysis capabilities and interfaces with other systems which affected the ability of Army managers to conduct trend analysis to measure progress towards meeting energy goals. Because all activities did not report energy usage or used varying methods to report, the Army had little assurance that data reported in FY 2007 was complete and accurate. USAAA also found that the Army generally used effective measures to reduce energy consumption and achieve energy savings. However, the Army did not consistently use energy reduction initiatives and sometimes did not take advantage of energy saving measures recommended in energy assessments. Based on our review of six energy assessments, the Army could potentially achieve at least \$10.6 million in savings over FY 2010-2014 by implementing energy assessment recommendations for four installations in FY 2009.

## ORGANIZATIONAL CLOTHING AND INDIVIDUAL EQUIPMENT

To protect soldiers from evolving threats, the Army is rapidly developing and fielding new organizational



clothing and individual equipment. USAAA evaluated the Army's processes for managing OCIE and reported that the OCIE fielding process did not consider items that soldiers already had in their possession as a result of previous fielding of new OCIE. USAAA estimated the Army could save about \$79 million by revising its fielding procedures to consider items soldiers had on hand. In addition, USAAA reported the Army did not allocate funding for sustainment of OCIE based on priorities. In some cases, commands used this funding to purchase modernized OCIE, competing with the Army's Rapid Fielding Initiative that was intended to provide these items. USAAA estimated that revising procedures would enable the Army to put at least \$20 million to better use. USAAA also identified inefficiencies in the infrastructure Army in Europe activities used to manage OCIE. These inefficiencies included redundant levels of inventory, duplicate handling of material, and multiple layers of personnel. Reorganizing this infrastructure could save over \$13 million.

#### NO-COST ECONOMIC DEVELOPMENT CONVEYANCE MANAGEMENT AND COMPLIANCE - PHASE II

USAAA conducted this audit in response to Army's interest in whether the sources and uses of proceeds from local redevelopment authorities' activities on former Army property conveyed at no-cost complied with legislation and guidance and were properly supported. USAAA also evaluated the effectiveness of Army oversight on LRAs activities. The sources and uses of proceeds for all 15 LRAs complied with the legislation and guidance and were properly supported. Redevelopment at all 15 LRAs was progressing to achieve economic prosperity and job growth. However, the Bayonne Local Redevelopment Authority required greater Army scrutiny because the Army did not have reasonable assurance that BLRA would reinvest about \$70 million of residual proceeds into the no-cost property as agreed to. The Army effectively oversaw the redevelopment activities of LRAs, but it could make additional improvements to ensure focus and consistency on providing oversight and implementing guidance. USAAA made four recommendations: extend the reporting requirement with BLRA, discontinue oversight of five LRAs whose reporting period expired, continue oversight of 9 LRAs whose reporting period hasn't yet expired, and assign adequate resources to

oversee redevelopment activities. The Army agreed with our recommendations and initiated corrective action, which included agreeing to maintain its relationship with BLRA.

#### MANAGEMENT OF RELOCATABLE FACILITIES

The Assistant Secretary of the Army (Financial Management and Comptroller) asked USAAA to review management of relocatable buildings across the Army. In the first half of FY 2009, USAAA issued its final summary report on this audit, which was the culmination of work at Department of the Army and at five sites (Forts Riley, Stewart, Drum, Huachuca, and Bragg). Although DA policies and procedures existed to acquire, manage, and dispose of relocatable facilities, implementation of the guidance needed improvement. Also, the Army initially did not have a comprehensive exit strategy in place to ensure it would dispose of relocatable facilities once they were replaced by a permanent facility or their term of use expired. These conditions occurred because the Army used a decentralized process that allowed inconsistent interpretation and implementation of the guidance. As a result, the Army had limited visibility and control over the acquisition, inventory, and disposal of relocatable facilities. Army agreed with USAAA's recommendations to correct these issues.

#### MILITARY AND FAMILY LIFE COUNSELING SERVICE CONTRACT

USAAA performed this multi-location audit which focused on the value added to counseling services provided to soldiers and their families as a result of hiring Military and Family Life Consultants. The Army received informal counseling services from MFLCs under a DoD contract valued at about \$300 million. During the first quarter of FY 2009, USAAA published reports for Forts Hood and Lewis. These reports are discussed below.

**Military and Family Life Counseling Service Contract—Fort Hood:** Counseling services improved for soldiers and their families at Fort Hood with the hiring of MFLCs. MFLCs worked directly with Army Community Service to provide deployment and reintegration support to soldiers and their families. MFLCs complemented the other counseling services offered at Fort Hood by their proactive efforts to provide timely, confidential, and convenient counseling services on a real-time



basis. They worked extremely well with ACS, Military OneSource counselors, and chaplains to ensure non-medical counseling services were available to soldiers and their families when and where needed. Soldiers and their families were generally aware of non-medical counseling services available to them.



Army auditors at the Forward Operating Base WarEagle.

**Military and Family Life Counseling Service Contract—Fort Lewis:** Counseling services improved for soldiers and their families at Fort Lewis with the hiring of MFLCs. Fort Lewis made extensive use of the MFLCs and embraced the program by sending them referrals. MFLCs' ability to offer "walk-around" (not confined to an office or classroom setting) services provided an additional measure of support for soldiers and family members faced with deployment and military lifestyle stressors. In addition, MFLCs provided more confidentiality than other services due to decreased reporting and non-attribution requirements and also provided the service at locations on- or off-post. They worked extremely well with counselors from ACS, Military OneSource, and the Family Life Chaplain's Office to ensure non-medical counseling services were available to soldiers and their families when and where needed. Soldiers and their families were generally aware of non-medical counseling services available to them.

## RETROGRADE OPERATIONS IN SOUTHWEST ASIA—CLASS VII THEATER PROVIDED EQUIPMENT, IRAQ

USAAA found that Army faced retrograde challenges over Class VII theater provided equipment. For instance, USAAA found 10,900 wheeled vehicles were not processed for reset; 18 percent of vehicle turn-ins lacked proper documentation; and personnel resources from Redistribution Property Assistance Teams were not utilized to their full capacity. In addition, Army commands did not maintain accurate accountability and visibility over theater provided equipment. USAAA also found about \$420 million of unaccounted for equipment, and \$17 million of equipment previously identified as lost. USAAA's recommendations to the Assistant Secretary of the Army (Acquisition, Logistics, and Technology), U.S. Central Command, and the 402nd Army Field Support Brigade were made to improve accountability and visibility over newly fielded equipment, and theater provided equipment. Commands have agreed with our recommendations and are working on corrective actions.

## RETROGRADE OPERATIONS IN SOUTHWEST ASIA—MULTI-CLASS RETROGRADE, IRAQ

USAAA identified that Army did not manage retrograde and redistribution operations in Iraq in the most effective and efficient manner. Although the Army had processes in place, operations were not fully synchronized, which contributed to a buildup of excess materiel. Specifically, Mobile Redistribution Teams formed to clean up battle space and assist supply activities in collecting, identifying, storing, moving, and reissuing excess supplies were under used. In addition, supply activities supporting retrograde and redistribution operations created process work arounds, which inadvertently created inefficiencies in the process and directly led to the accumulation of about \$91 million of unnecessary procurements. USAAA developed recommendations to institutionalize retrograde and redistribution processes, prevent process work arounds, measure effectiveness of operations, and determine best practices. Commands have agreed with our recommendations and are taking corrective actions.

## U.S. ARMY CID

The U.S. Army Criminal Investigation Command provides continuous worldwide criminal investigative support to all U.S. Army elements, conducts protective services for senior members of the Department of Defense and foreign nations, provides actionable criminal intelligence, provides forensic laboratory support to all DoD, conducts logistic security operations in support of Army Operations and the GWOT, and maintains Army criminal records.

Army CID provides investigative support to combatant commanders for Iraq and Afghanistan. It remains the primary investigative agency within the U.S. Central Command's theater of operations, responsible for conducting all felony crime investigations. The traditional criminal investigative and intelligence missions have expanded to include war crimes and crimes against coalition and host nation personnel, along with developing countermeasures to combat subversive activities on the battlefield.

### ARMY CID SUPPORT TO OEF/OIF

The Army CID plays a vital role in the U.S. Army's mission against terrorism through traditional felony investigative support, actionable criminal intelligence, logistics security, and protective services for senior members of the DoD and counterparts from foreign nations when traveling to the United States.

The Army CID continues as the executive agency for the DoD Criminal Investigation Task Force (comprised of agents from Army CID, NCIS and the AFOSI) that conducts criminal investigations to substantiate or refute alleged war crimes and acts of terrorism committed against the U.S. and/or U.S. interests by non-U.S. citizens. CITEF successes this period include:

- Worked with the DoD Office of Military Commissions to support President Obama's transition team in their study of how to close the Guantanamo detention facility;
- Continued criminal investigations of Guantanamo detainees, including Khalid Sheikh Mohammad, the self-confessed mastermind of the 9/11 terrorist attacks;
- Assisted prosecutors and testified against Ali Hamza Ahmad Suliman al-Bahlul of Yemen, a former propaganda chief for al-Qaeda responsible for the

two-hour propaganda video, "The Destruction of the American Destroyer USS Cole," soliciting people to commit terrorist attacks and provide material support for al-Qaeda. During the trial, al-Bahlul told the jury he had volunteered to be the 20th hijacker in the September 11, 2001, terrorist attacks. On November 3, 2008, al-Bahlul was convicted of terrorism charges and sentenced to life in prison; and

- Continued criminal investigations of suspected terrorists in Afghanistan to support the OMC and expanded its focus on interdicting international threat financing, narco-terrorism and foreign fighters traveling to Afghanistan to fight on the side of al Qaeda and the Taliban. To date, more than 3,700 criminal investigations and more than 1,900 interviews of detainees were conducted.

Among the many issues facing CID in Afghanistan are persistent violations of Logistics Security. Organized criminal elements and terrorist groups conduct attacks against U.S. and NATO supply lines, resulting in the loss of tens of millions of dollars of various classes of property. CID agents have initiated joint investigations with Afghanistan law enforcement to improve LOGSEC and recover stolen property. Working through the Afghan Ministry of Interior, CID agents partnered at all levels with the Afghan National Police, the Counter-Terrorism Police, the National Directorate of Security, and the Directorate of Intelligence. CID provided criminal intelligence and targeting information to Afghan organizations, which were able to seize property and return it through CID to U.S. forces, and to effect arrests and successful prosecutions of Afghan criminals. These efforts resulted in the recovery of over \$7 million in stolen U.S. property in 2008, including vital aviation components (e.g., helicopter engines and targeting parts), combat support equipment (e.g., generators and HMMWV parts), and the personal property of soldiers.

Another on-going CID effort to support commanders is the Law Enforcement Program, which embeds experienced law enforcement professionals to deploying Army units from Corps to Battalion level. The mission of the LEP is to assist commanders with enhanced expertise and methodology to understand, identify, penetrate, interdict, and suppress international insurgent and criminal-like network enterprises to include their employment of improvised explosive devices.

LEP personnel are former law enforcement

professionals with criminal enterprise investigative and analytical skills developed working for a federal/state agency or large metropolitan police force with federal task force experience. LEP personnel have an average of 20-30 years of analytical and investigative experience. To effectively combat extremist/insurgent groups there must be an understanding of international organizations; their intent, motives, structure and methods of movement of personnel, money and arms. LEP personnel: respond to requests for information; conduct real time training to enhance the unit's skills in the areas of forensic materials collection and exploitation; tactical site exploitation procedures; detainee prosecution packet assembly and intelligence collection capabilities; open and close cases of IED instances; participate in/on patrols; conduct tactical questioning events; assist in coordination and execution of TSEs; and assist in evidence collection missions.

In Iraq, CITF opened three new investigative field offices to supplement the one it had, and developed processes for obtaining warrants and detention orders for high value targets after the Status of Forces Agreement was enacted. The SOFA established an end-date for the withdrawal of U.S. troops at December 31, 2011, and a series of binding provisions for U.S. troops in the interim, including a new requirement that arrest warrants be obtained before American troops arrest or detain suspected criminals. To meet this requirement, CITF, traditionally devoting most of its efforts to investigating suspects after their capture, is getting out in front of the battlefield captures by conducting preliminary investigations that lead to arrest warrants and detention of suspected terrorists.

A major CITF success for this period in Iraq included identifying people and organizations involved in financing terrorist networks which led to an arrest warrant for Abu Ghadiyah, a top al Qaeda operative in charge of a network that smuggled terrorists into Iraq, ending the operation.

CITF continued its support to the Central Criminal Court of Iraq through its criminal investigations and has, to date, referred cases against more than 1,610 detainees involved in kidnappings, murders, mass slaying, insurgency and the financing, sometimes with millions of dollars, of al-Qaeda networks. Those investigations resulted in trials held with a 75 percent conviction rate.

Among the many issues facing Army CID in Afghanistan are persistent violations of Logistics Security. Organized criminal elements and terrorist groups conduct attacks against U.S. and NATO supply lines, resulting in the loss

of tens of millions of dollars of various classes of property. Through joint investigations and working through the Afghan Ministry of Interior, Army CID agents partnered at all levels with the Afghan National Police, the Counter-Terrorism Police, the National Directorate of Security, and the Directorate of Intelligence. Army CID provided criminal intelligence and targeting information to Afghan organizations, which were able to seize property and return it through Army CID to U.S. forces, and to effect arrests and successful prosecutions of Afghan criminals. These efforts recovered over \$7 million in stolen U.S. property in 2008, including vital aviation components (e.g., helicopter engines and targeting parts), combat support equipment (e.g., generators and HMMWV parts), and soldiers' personal property.



U.S. Army Criminal Investigation Command special agent hands out American flags to local children.

In April 2008, the Law Enforcement Program, a Joint IED Defeat Organization initiative transitioned to the Army CID. The LEP mission is to support commanders through embedding contracted former law enforcement professionals with an average of 20-30 years of analytical and investigative experience into deploying Army units from corps to battalion level. With skills developed working for federal/state agencies or large metropolitan police forces with federal task force experience, this program provided commanders expertise to understand, identify, penetrate, interdict, and suppress international



insurgent and criminal-like network enterprises, including the employment of IEDs. These contractors responded to requests for information; conducted real time training to enhance the unit's skills in forensic materials collection and exploitation, tactical site exploitation procedures, and detainee prosecution packet assembly and intelligence collection capabilities. They opened and closed cases of IED instances, participated on patrols, conducted tactical questioning events, assisted in coordination and execution of tactical site exploitation, and assisted in evidence collection missions.

The Army CID continued to combat fraud and corruption related to OEF and OIF funding. As a founding member of the International Contract Corruption Task Force, Army CID worked with member agencies that include DCIS, NCIS, AFOSI, DOS-IG, FBI, SIGIR, and USAID, under the Department of Justice International Contract Corruption Initiative. With forward operating investigative offices in Afghanistan, Kuwait and Iraq. The investigative activities are primarily focused on contingency fund contractual fraud and in support to the various military operations, the Army CID has initiated 46 reports of investigation with \$2.5 million in total recoveries and an additional \$12.6 million identified as cost avoidance.

The Army CID conducted continuous worldwide protective services for designated senior DoD JCS, and Army officials and their foreign counterparts on sponsored Senior Foreign Official Visits to the United States. Since October 2008, Army CID conducted seven OEF and four OIF travel missions, 67 travel missions to other OCONUS locations, 174 CONUS missions excluding the principals within the National Capital Region, and provided direct support to the 2009 Presidential Inauguration. Additionally, numerous Personal Security Vulnerability Assessments were conducted for deployed Combatant Commanders supporting OIF and OEF Chiefs of Military Cooperation Offices in contingency areas; and other senior DoD Officials.

In response to the increasing and rapidly emerging asymmetric threats in the form of cyber intrusions and malicious network activities, Army CID continued to support the Army through its "Virtual Community Policing" approach to fighting cyber crime. One noteworthy example is Army CID's partnership with the Army Chief Information Officer (CIO/G-6) to conduct proactive vulnerability assessments of the Army's

LandWarNet (the collective reference for the Army's computer networks). This effort identifies and remediates vulnerabilities before cyber criminals or other adversaries can access and damage Army systems, steal or alter sensitive information, or disrupt network operations. During this reporting period, Army CID's vulnerability assessment program identified \$54.5 million in cost avoidance to the Army, exceeding the entire FY 2008 cost avoidance of \$48 million. Following the mandatory remediation of identified vulnerabilities, no computer network compromises occurred at assessed installations for the remainder of this reporting period. In November 2008, as a testament to its innovative approaches to crime prevention, the International Association of Chiefs of Police selected Army CID for one of two Community Policing Awards (Special Recognition in Homeland Security).

The Army CID's Laboratory provided support to the warfighter and expanded the Joint Expeditionary Forensic Facilities capabilities by leveraging capabilities and expertise. The Laboratory's successes this period include:

- Processed over 5,500 Iraqi records containing fingerprints of Integrated Automated Fingerprint Identification System quality for search within the Automated Biometric Identification System resulting in 1,943 matches, including three percent containing derogatory information.
- Processed over 150 ABIS searches and 347 IAFIS searches resulting in five ABIS hits and 73 manual identifications. Over 16,500 latent print examinations were accomplished in support of cases.
- Completed 43 Integrated Ballistics Identification System entries.

The joint task force established by Army CID and Army Internal Review in late 2007 continued to operate throughout 2008 in response to a number of U.S. Army Reserve soldiers activated in support of OIF/OEF operations who were committing fraud while in a temporary change of station or temporary duty status. To date, the task force has investigated 493 suspects with a potential fraud of over \$21 million. From that, investigations of 365 subjects were provided to commanders for possible prosecution involving fraud of nearly \$19 million. The total fines and recoveries due to the U.S. Army at this time is approximately \$13.5 million.





U.S. Army Criminal Investigation Command special agents conduct raid operations.

### ARMY CID SIGNIFICANT CASE NARRATIVES: NON-OEF/OIF

A joint Army CID and Department of Veterans Affairs, U.S. Postal Service OIG, and DCIS contract fraud investigation disclosed a contractor submitted false claims in the form of inflated invoices to Army hospitals and to numerous other government and private hospitals. Further investigation disclosed the company used a billing methodology which inflated the number of lines billed to the government through use of a factor, ratio or multiplier instead of adhering to the prescribed method called for under the respective contracts. On November 25, 2008, the U.S. Attorney's Office, Boston, MA reached a \$6.6 million civil agreement with the company.

An Army CID environmental crime investigation disclosed a U.S. Army Corps of Engineer contract violation of the Clean Water Act by clearing approximately four miles of vegetative land in Southern Pinai County, AZ, without an USACOE permit. The unlawfully cleared vegetation then washed into the Santa Cruz River causing a diversion that changed the course of the river and damaged government power structures. On December 10, 2008, a settlement agreement was reached between the DoJ and the contractor wherein the contractor agreed to pay the U.S. government \$1 million in civil penalties for violating the Clean Water Act, as amended.

A joint Army CID and IG GSA, contract fraud investigation disclosed a U.S. Army contractor failed to provide prescribed equipment to deploying units from Fort Gordon, GA. The contract directed the contractor to assemble "modular emergency response kits" using equipment and items produced in the United States in accordance with the "Buy America Act". Investigation determined the contractor assembled the MERKs using improper and insufficient items and using some equipment produced in China. On January 28, 2009, the contractor agreed to pay the U.S. government \$1.6 million to settle the claim.

An Army CID fraud investigation disclosed an Army Air Force Exchange Sales concessionaire in Germany failed to report approximately \$77,000 in food sales over a three year period from 2006 – 2009. Investigation disclosed the concessionaire deliberately neglected to ring up food sales and transactions and kept the unreported fees for their own personal use. When confronted the concessionaire admitted failing to report approximately \$670 in weekly sales from September 2006 – January 2009. Prosecution by German authorities is anticipated.

## NAVY

### NAVAL AUDIT SERVICE

The mission of the NAVAUDSVC is to provide independent and objective audit services to assist Naval leadership in assessing risk to improve efficiency, accountability, and program effectiveness. Working collaboratively with senior Department of the Navy officials, the NAVAUDSVC develops a risk-based annual audit plan that addresses critical areas that officials feel merit additional oversight. In the past six months, our audits have addressed such important, and at times high-profile, DON issues as the Navy's anti-terrorism strategy and the preparedness of Navy installations to respond to chemical, biological, radiological, and nuclear incidents; controls over communications security equipment (which is used to securely transmit information related to national security); and DON's efforts during weapons systems development to mitigate the systems' potentially hazardous levels of noise.

Our assist reports for the Naval Criminal Investigative Service identified over \$100,000 in potential fraud, as well as a significant case of potentially fraudulent use or abuse of overtime by multiple personnel, and will be used as evidence in court cases. We are continuing our audit work, undertaken at the request of the Secretary of the Navy, to assess controls over overseas acquisition in such locations as Djibouti, Dubai, and Bahrain, and are also continuing our series of audits on the Department's accountability over small arms. We have worked and will continue to work with senior DON officials to provide them with an expert and impartial assessment of critical DON issues, risks, and opportunities.

### GLOBAL WAR ON TERROR

NAVAUDSVC supports the DON GWOT goals by auditing selected policies, procedures, and activities to assure that they achieve the stated objectives and maximize efficiencies. In support of the DON GWOT goals and risk assessments, NAVAUDSVC's efforts during this reporting period include ongoing and completed audits in the areas of acquisition and disbursing internal controls, anti-terrorism/force protection, medical health, safety, intelligence and security, and small arms and ammunition. NAVAUDSVC oversight includes Navy-wide programs as well as functions performed specifically in Southwest Asia, including Bahrain, Dubai, and Djibouti. NAVAUDSVC is also working with the SWA Joint Planning Group and its members to ensure that the full spectrum of DoD oversight is engaged in support of DoD's SWA effort.

**Navy Antiterrorism Program Execution:** NAVAUDSVC completed audit work in the six Continental United States Navy regions and a judgmental sample of 22 subordinate installations. NAVAUDSVC analyzed how effectively selected installations within the six Navy Regions have complied with 15 of the 35 sub-objectives of the AT strategic plan which, in the auditor's opinion, were most pertinent to the execution of a robust AT program for an installation. NAVAUDSVC also analyzed the accuracy and adequacy of information installation officials entered into the Core Vulnerability Assessment Management Program database (in accordance with DoD guidelines). NAVAUDSVC determined that all six Navy in the Continental United States regions were reporting the status of their installations compliance with AT Strategic Plan sub-objectives and associated DoD/Navy

AT Standards; however, the Navy has not established a process to verify installation compliance. As a result, NAVAUDSVC identified discrepancies between the reported and actual levels of compliance. Additionally, NAVAUDSVC found that CVAMP had generally been populated with some of the identified vulnerabilities at the majority of the 22 Navy installations audited. However, 32 percent of identified vulnerabilities within the sample had not been entered. Further, mitigation actions had not been entered for approximately half of the vulnerabilities observed within CVAMP. Management concurred with all recommendations, and all planned and completed corrective actions met the intent of the recommendations.

**The United States Marine Corps Critical Infrastructure Program:** NAVAUDSVC found that opportunities exist to improve the overall critical asset identification process, such as improving command participation, using authoritative sources for mission essential tasks, and implementing uniform training. Additionally, the NAVAUDSVC concluded that: there is insufficient assurance that all commands have fully participated in the formal identification process and utilized official HQMC critical asset identification guidance; the current funding strategy may not be sufficient to ensure the continuity of this DoD-mandated program; and without adequate controls to ensure that complete and reliable information is being captured and validated, USMC may not be able to fully plan for, protect against, and mitigate the effects of attacks against critical infrastructure. Management concurred with all recommendations, and all planned and completed corrective actions met the intent of the recommendations.

**Notice of Ammunition Reclassification Program Utilization:** NAVAUDSVC reviewed nine ammunition cognizance areas and nearly 12,000 National Item Identification Numbers for which ordnance condition code changes and disposition of unsafe or unreliable ordnance items (NAR messages) during the period under review were issued. NAVAUDSVC found that the process for initiating and issuing NARs was sufficient. However, the Navy has not fully implemented an effective and efficient process for verifying that commands are complying with NARs once they are issued. As a result, the Navy does not have the ability to accurately assess a portion of its

ordnance inventory for various conditions, such as timely implementation to restrict or prevent the use of unsafe, defective, unserviceable, and/or obsolete ammunition. Implementation was incomplete, in part, because the Navy's current verification of the NAR compliance process lacks enforceability because accountability for reporting and enforcing compliance throughout the Fleet has not been defined in Navy criteria. Management concurred with all recommendations, and all planned and completed corrective actions met the intent of the recommendations.



The Naval Audit Service conducted an audit regarding preparedness against CBRN attacks.

**Selected Navy Installations' Preparedness Against Chemical, Biological, Radiological, and Nuclear Attacks:** NAVAUDSVC determined that the Joint Project Manager Guardian successfully provided the required IPP Lite equipment and associated new equipment training to the five installations reviewed. However, NAVAUDSVC also found that the five installations may not be fully prepared to respond to CBRN attacks using the JPMG Installation Protection Program Lite equipment. Specifically, NAVAUDSVC found that the Navy installations reviewed needed improvement in the areas of emergency management training, mask fit testing, and JPMG IPP Lite equipment accountability and storage before they could fully respond to a CBRN attack. Management concurred with all recommendations, and

all planned and completed corrective actions met the intent of the recommendations.

**Consideration of Hazardous Noise in the Acquisition of Selected Programs:** NAVAUDSVC identified several weaknesses in the acquisition process that, if allowed to continue, may contribute to a hazardous environment of high noise exposure. According to the Naval Safety Center, that environment can lead to permanent hearing loss. In addition to the personal cost to sailors and marines, the economic consequences of hearing impairment and bodily injury to the DON include: lost time and decreased productivity; loss of qualified workers through medical disqualification; military disability settlements; retraining; and expenses related to medical treatment.

**Consideration of Hazardous Noise and Vibration in the Acquisition of the Expeditionary Fighting Vehicle:** NAVAUDSVC found that during the acquisition process of the EFV, the Program Office followed the system safety design order of precedence when mitigating the identified noise and vibration hazards and established risk categories that complied with required guidance. However, risk assessment codes were incorrectly reduced and guidance relating to risk acceptance authority levels was not followed. In addition, while a comprehensive database to identify, track, and monitor hazards and their mitigation efforts were maintained, there were opportunities for improvement. Management concurred with all recommendations, and planned and completed corrective actions met the intent of the recommendations.

**Consideration of Hazardous Noise in the Acquisition of the F/A-18E/F Super Hornet and EA-18G Growler Strike Fighter Variants:** NAVAUDSVC found that there was an appropriate process for evaluating the risk assessment codes for the flight-line/deck jet noise hazard and the hazard was identified as a "serious" risk. However, there was no attempt made to mitigate the jet noise hazard in the initial design and development of the aircraft. Additionally, required guidance relating to risk levels and risk acceptance authority levels was not followed, and flight-line/deck jet noise hazard and its residual mishap risk was not tracked.



**Consideration of Hazardous Noise in the Acquisition of the Joint Strike Fighter:** The NAVAUDSVC found that although the JSF aircraft could emit noise at decibel levels well above the level considered hazardous to hearing, there was no evidence that a formal noise waiver had been granted to the contractor, or that one was required. Conversely, there was no noise standard referenced in the operational requirements document, other than a statement that noise should be minimized, or in the contract. Additionally, there was no evidence that there was an attempt to mitigate the maintainer noise hazard early in the program acquisition through design selection as required by guidance. NAVAUDSVC also found that: a “very low” risk assessment code was created for rating hazards, and the RAC for the JSF was inappropriately reduced to that category; and a current log of mitigation efforts that included an assessment of the residual mishap risk associated with the maintainer noise hazard was not maintained.

## HUMAN CAPITAL

**Internal Controls for Overtime Procedures at Navy Region Mid-Atlantic:** The NAVAUDSVC determined that the Office of the Commander, Navy Region Mid-Atlantic did not have adequate controls over the overtime approval and review process. NAVAUDSVC determined that overtime was not consistently approved in a timely manner; timekeepers, and not supervisors, were approving overtime; documentation was not retained as required; and supervisors often did not review overtime to ensure that it was actually needed or worked. Overtime is an area that, if not properly controlled, is very susceptible to fraud and abuse. It is essential that clear guidelines are established and communicated to all personnel, that appropriate management approves the need to work overtime, and that overtime claimed is checked by managers against supporting documentation before authorization to pay is approved. Management concurred with all recommendations, and all planned and completed corrective actions met the intent of the recommendations.

## ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

**Management of Special Tooling and Special Test Equipment at Space and Naval Warfare Systems Command.** Special Tooling and Special Test Equipment is a subset of Government Furnished Equipment: The FY 2008 Risk Assessment reported a risk that DON does not have an accurate inventory of GFE. The Office of the Secretary of Defense estimated that the total value of DoD GFE, including ST/STE assets, to be in excess of \$30 billion. According to the FY 2006 Risk Assessment, OSD valued DON ST/STE at more than \$4 billion. NAVAUDSVC found that, with few exceptions, Space and Naval Warfare Systems Command ST/STE was fully accounted for (e.g., all of the ST/STE audited that should be at contractor locations, per available inventory records, was at those locations). SPAWAR achieved this accountability through its delegation of contract oversight to the Defense Contract Management Agency.

SPAWAR’s delegation of contract oversight to DCMA is in compliance with DoD Directive 5105.64. NAVAUDSVC determined that DCMA performs reviews of the contractor property control information systems; conducts physical inventories of Navy tooling and equipment; and investigates lost, stolen, damaged, and destroyed items.

Additionally, NAVAUDSVC was able to account for 99 percent of statistically sampled ST/STE located at contractor facilities. However, SPAWAR did not have an ST/STE inventory management process that provides timely reporting (relaying useful and accurate information in a reasonable period of time) and complete visibility (being able to see clearly what one is responsible for) of its portion of Navy ST/STE.

This occurred because SPAWAR did not develop and implement an efficient and effective management process to provide visibility of ST/STE inventory.

Also, SPAWAR needed to establish a central office within SPAWAR with responsibility for management and oversight of ST/STE inventory, and include assessable units for GFE in SPAWAR Program Executive Offices, and System Centers’ Managers’ Internal Control Programs.



## FINANCIAL MANAGEMENT

**Navy Marine Corps Intranet Contract Performance Measures for Incentive Payments:** The audit covered all incentive payments made to the NMCI contractor from October 6, 2000 (inception of the NMCI contract) through September 25, 2007, which amounted to about \$156 million. NAVAUDSVC found that the processes, procedures, and performance measurement criteria used for evaluating NMCI contractor performance for incentive payments were appropriate. Also, NAVAUDSVC found that the NMCI Program Office maintained sufficient documentation to justify and support 33 of the 40 incentive payments, totaling approximately \$140 million. However, the NMCI Program Office did not maintain sufficient documentation to support and justify seven of the 40 incentive payments totaling approximately \$15.3 million. Specifically, NAVAUDSVC found insufficient supporting documentation for the one-time payment incentive of \$10 million, and five Customer Satisfaction for End Users incentive payments totaling \$3.3 million. In addition, NAVAUDSVC identified one questionable IA incentive payment of \$2 million. These conditions were due to insufficient oversight and management of the NMCI contract by the NMCI Program Office during the prior years, and inadequate documentation. As a result, there is no assurance that the NMCI contractor met the criteria for earning the applicable incentives. Management concurred with all recommendations, and all planned and completed corrective actions met the intent of the recommendations.

**Bureau of Medicine and Surgery Management of Sustainment Funds to Repair and Maintain Real Property Facilities:** NAVAUDSVC found that BUMED activities and regions were not effectively using the facility inspection results and management information systems BUMED provided for activities to use in managing real property facilities. As a result, critical sustainment requirements at BUMED facilities were not being accurately and adequately identified by BUMED activities and critical and non-deferrable sustainment requirements were not being budgeted and executed in a timely manner. As of March 18, 2008, the database created by the contractor contained 622 critical outstanding sustainment deficiencies estimated to cost \$84.7 million to repair for 15 activities selected for audit, of which 354 uncorrected

deficiencies estimated to cost \$53 million to repair had remained uncorrected for an average of 48 months. The remaining 268 critical sustainment deficiencies with an estimated repair cost of \$31.7 million were corrected, but were shown as uncorrected in the database. As a result, BUMED and its regions were not aware of the true condition of their real property facilities, and the resource requirements to correct the deficiencies and reports prepared using the data from the requirements database may be significantly inaccurate and misleading. Management concurred with all recommendations, and all planned and completed corrective actions met the intent of the recommendations.

## NAVAL CRIMINAL INVESTIGATIVE SERVICE

## NCIS SUPPORT TO OEF/OIF

The Naval Criminal Investigative Service supported efforts aimed at detecting, deterring, and disrupting terrorism against DoD and Department of Navy personnel and assets worldwide. The NCIS brings to bear 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.

NCIS personnel deployed around the globe to support combating terrorism efforts. The following activities and accomplishments for NCIS were reported this period:

- Deployed to the Multi-National Forces Strategic Counterintelligence Directorate – Iraq, to fulfill operational and strategic counterintelligence requirements and provided counterintelligence support to the unified and special commands. Accomplishments include:
- Produced 283 intelligence reports and is conducting 70 counterintelligence operations;
- Developed intelligence that enabled 20 MNF-I operations against High Value Targets, weapons caches, and disruption of terrorist/insurgent operations directed against MNF-I assets;

- As an integral part of the Multi National Security Transition Team - Iraq, NCIS supported the intelligence transition team at the Iraqi National Information and Investigation Agency. Transition Team accomplishments include:
  - Provided guidance and training to the MNF-I Law and Order Task Force Baghdad improving the detention hearing process and “speeding up” the criminal justice system. The process produced an immediate 30 percent drop in the inmate population at the NIIA Counterterrorism Detention Cell; Also, NCIS is the Acting Program Manager for the “Gryphon” Project that utilizes lessons learned from fighting terrorism in Northern Ireland and other countries with indigenous terrorist problems. This project is being conducted throughout Iraq and will play a significant role in the continuing effort to defeat terrorism in Iraq.
  - Provided criminal investigative and counterintelligence support for the I/II Marine Expeditionary Forces – Iraq, which resulted in developing counterintelligence collection operations for the I/II MEF staff that enabled three threat-specific initiatives. These initiatives resulted in mitigating foreign intelligence and security service attempts to gain access to MNF-I facilities.
  - Provided criminal investigative and counterintelligence support for the USMC Joint Prosecution and Exploitation Center, Iraq, which resulted in the following:
  - Initiated 94 investigations, closed 98 cases, produced eight criminal intelligence reports, and recruited 11 criminal sources. The investigations included death, bribery, narcotics, counterfeiting, and stolen government property;
  - Performed 20 criminal investigative missions in hostile areas outside secure USMC facilities.
  - Developed criminal intelligence that enabled undercover narcotics suppression operations to identify military and civilian contractor as suspects;
  - Investigated the assault and kidnapping of third country nationals by three U.S. contractors and a USMC military policeman. Identified and apprehended the subjects who each, during interrogation, admitted culpability. The subjects were escorted to Baghdad for their initial appearance with a U.S. Magistrate and ultimately turned over to U.S. Marshals in Kuwait.
- Subjects are pending trial in U.S. District Court for the Southeastern District of Louisiana.
- Conducted criminal investigations and analyzed evidence on non-U.S. suspects for prosecution by the Central Criminal Court of Iraq in support of the USMC Joint Prosecution and Exploitation Center. Specifically:
  - Produced 94 prosecution packages for the CCCI against insurgents and Al Qaeda members;
  - Referred 18 detainees to the CCCI for prosecution; they are pending trial;
  - Conducted 14 site exploitation missions in hostile zones to collect evidence and intelligence;
  - Reviewed/assessed 329 detainee packages for presentation to the Iraqi courts for prosecution.
  - Provided 13 training courses for Iraqi police and judges.
  - Provided CI/Human Intelligence support to the Naval Expeditionary Combatant Command, Iraq for Navy Riverine Squadrons One and Two operations in theater.
  - Conducted 16 site exploitation missions to collect evidence on insurgent and terrorist activities and to recover weapons caches;
  - Trained Iraqi Army and police officers on evidence collection.
  - Provided counterintelligence support to the Unified and Specified commands as part of the MNF Strategic Counterintelligence Directorate. Provided cyber forensic support to eight counterintelligence operations targeting the Taliban and other insurgents; one unilateral operation exploited over 1000 pieces of media.
  - Provided polygraph examiners as support to Special Operations Forces in Iraq and Afghanistan and the Operation Iraqi Freedom/government of Iraq vetting team in Baghdad.
  - Provided CI/HUMINT and force protection support to the CJTF HOA. Produced 79 intelligence reports and employed numerous sources who provided intelligence on foreign intelligence service activity, piracy, and terrorist activity in the Horn of Africa. Also provided force protection and criminal investigative support for the commanding officer of Camp Lemonier.

- NCIS provided intelligence and information sharing analytical support to investigations and operations, supported NCIS force protection efforts, brokered partnerships, and provided finished intelligence. It produced and published 248 Threat Assessments directly to U.S. Navy and Marine Corps deployed assets to assist in force protection planning, and also published 1792 Intelligence Information Reports and 120 Daily Threat Summary Articles.



NCIS served as the Law Enforcement Advisor to Combined Task Force 151, a multi-national task force conducting counterpiracy operations to detect and deter piracy in and around the Gulf of Aden, Arabian Gulf, Indian Ocean and Red Sea.

## NCIS SIGNIFICANT CASE NARRATIVES - NON-OEF/OIF

Conducted a joint NCIS/DCIS investigation with support from the DCMA that revealed allegations that a DoD contractor failed to perform critical tasks on U.S. Navy P-3 aircraft specified under three U.S. Navy contracts. The contractor falsified inspection records associated with required manual propeller rotations on the engine. Failure to perform the rotations could have resulted in cracks in

the shaft causing critical engine failure. Sixteen Navy P-3 aircraft were impacted by the contractor's action. The U.S. Attorney's Office, Northern District of Texas, and the contractor reached a civil settlement in which the contractor absorbed over \$350,000 in costs to rectify problems. In total, the contractor paid over \$400,000, of which nearly \$69,000 went to the U.S. Navy.

A joint child sexual abuse investigation with the Camden County Sheriff's Office, GA, revealed a USN petty officer had engaged in indecent activities with children on Naval Submarine Base Kings Bay, GA. The petty officer admitted to numerous indecent acts with victims and an analysis of his computer revealed images of child pornography. The petty officer pled guilty to 13 counts of child molestation and was sentenced to 100 years in prison and awarded an other than honorable discharge. His wife pled guilty to two counts of child molestation and was sentenced to a mandatory five years in prison followed by 15 years probation.

A joint homicide investigation with the Jacksonville Sheriff's Office, Jacksonville, FL, implicated a civilian male in the shooting death of a USN enlisted sailor. Investigation revealed the victim was in the process of terminating a relationship with a civilian female at the time of his death and that he had been threatened by a friend of the female shortly before the shooting. Interviews led to the identification of the civilian suspect who was arrested in September 2008 for the murder. He is pending trial.

An investigation at the Naval Air Station, Patuxent River, MD, revealed improper asbestos abatement procedures used by two companies. One company was awarded the demolition contract based on its status as an 8(A) minority-owned, small, disadvantaged business. The investigation determined that both companies are minority-owned in name only, but not financially or operationally. Interviews with company employees and subcontractors, as well as document reviews, revealed improper business conduct with government employees and subcontractors including bid-rigging, bribes/kickbacks/gratuities, mail fraud, wire fraud, money laundering, and structuring. Individuals were sentenced to a total of nearly 23 months of incarceration, and the court ordered payment of \$895,000, with \$595,000 in fines and \$300,000 in restitution.

A joint undercover narcotics trafficking operation with NCIS, Bureau of Alcohol Tobacco, Firearms, and Explosives and the San Diego, CA, Police Department, targeted the sale of methamphetamine, cocaine, oxycontin, and marijuana in off-base Navy housing communities. Approximately eighty undercover narcotics purchases were made leading to the arrest of 45 individuals, including two active duty military members and one DoD civilian employee, for military and state violations of drug trafficking. Approximately \$55,000 worth of illegal drugs, three handguns, and \$5,600 in cash were seized.

A double homicide investigation jointly conducted with the Riverside County, CA, Sheriff's Department led to the identification of four Marines in the murder of a Marine and his wife in their off-base residence. The victims were bound and shot to death. Search warrants served on and off-base surfaced evidence implicating each of the Marines, and during interrogation all four Marines were implicated in the murders. The suspects were arrested and are awaiting trial in Riverside County.

## AIR FORCE

### AIR FORCE AUDIT AGENCY

The Air Force Audit Agency provides all levels of Air Force management with independent, objective, and quality audit services by reviewing and promoting the economy, effectiveness, and efficiency of operations; evaluating programs and activities and assisting management in achieving intended results; and assessing and improving Air Force fiduciary stewardship and accuracy of financial reporting. Organized into three line directorates, the AFAA conducts centrally directed audits in 12 functional areas that provide support to Air Force senior leaders. The Agency also has audit teams at over 50 locations providing audit services to installation commanders.

Financial and Systems Audits Directorate, headquartered at March ARB CA, directs audits related to financial management, financial support, information systems development, communications systems, and system security. AFAA/FS also manages the Financial and Systems Audits Region located at March ARB CA with five area audit offices at 19 Air Force installations and five operating locations.

Support and Personnel Audits Directorate, headquartered at Brooks City-Base TX, directs audits related to operational support, personnel, training, engineering support, support services, environmental issues, intelligence operations, and health care. AFAA/SP also manages the Support and Personnel Audits Region located at Brooks City-Base TX with five area audit offices at 14 Air Force installations and 6 additional operating locations.

Acquisition and Logistics Audits Directorate, headquartered at Wright-Patterson AFB OH, directs audits related to procurement, maintenance, supply, transportation, and weapon systems acquisition. AFAA/QL also manages the Acquisition and Logistics Audits Region located at Wright-Patterson AFB OH with five area audit offices at five Air Force installations and two additional operating locations.

In the last six months, audit efforts were focused in key management challenge areas: Joint War Fighting and Readiness, Information Security and Privacy; Acquisition Processes and Contract Management; Financial Management; and Health Care. These efforts have resulted in more than \$2.1 billion in potential monetary benefits.

Following are examples of audit coverage performed by the Air Force Audit Agency related to the following DoD Management Challenge areas:

### JOINT WARFIGHTING AND READINESS

**Theater Deployable Communications Program Management:** Theater Deployable Communications is a ground-to-ground communications system designed to transmit and receive voice, data, and video communications securely in deployed environments. Using commercial off-the-shelf equipment, theater deployable communications provides transmission from deployed locations to the continental United States and supported combatant command, local line of sight transmission, and secure and non-secure network connectivity. The program office utilizes contractor logistics support for spare part management and repair. Since 1997, the Air Force fielded over 200 satellite terminals and 20,000 modules and invested over \$1 billion to provide a communications computer and phone network to deployed units worldwide. The audit disclosed



Air Force personnel could improve theater deployable communications program management. Specifically, the Theater Deployable Communications Program Office did not effectively implement configuration management or provide necessary technical documentation.

Additionally, the program office did not accurately compute equipment spares requirements. As a result, spares requirements may be overstated and funds expended for excess quantities of equipment that could become obsolete before being used.

Lastly, the Theater Deployable Communications Program Office did not have an effective contract property management system. As a result, the government did not have reasonable assurance that over \$37 million in theater deployable communications spares and equipment purchased since program inception had proper accountability, maintenance, and safeguards.

#### **Unmanned Aerial System Pilot Force Management:**

The MQ-1 Predator and MQ-9 Reaper Unmanned Aerial Systems are medium-altitude, long-endurance, remotely piloted aircraft. The MQ-1 provides interdiction and armed reconnaissance against critical, perishable targets and the MQ-9 serves as a persistent hunter-killer of emerging targets. Both aircraft fly combat air patrols, a tactical pattern around or screening a defended target while looking for incoming attackers. Air Combat Command is responsible for training unmanned aerial system pilots at Creech AFB Nevada. In FY 2008, Air Combat Command officials allocated over 14,000 flying hours for unmanned aerial system graduate pilot training.

This audit concluded Air Force planners did not develop an effective long-term strategy to manage the unmanned aerial system pilot force. Specifically, officials did not establish a sustainable unmanned aerial system-specific career path to meet increasing unmanned aerial system requirements or efficiently train unmanned aerial system pilots.

Instead, officials used experienced pilots from other weapon systems on temporary assignments to meet unmanned aerial system pilot requirements and provided unmanned aerial system pilots advanced flying training in other weapon systems not required to operate unmanned aerial systems aircraft.

Further, developing a unmanned aerial system-specific career path and eliminating unnecessary training will

allow the Air Force to use more than \$1.5 billion over the 6-year Future Years Defense Program for other flying training or war effort requirements.



The Air Force Audit Service conducted an audit on unmanned aerial system pilot force management.

#### **United States Air Forces Central War Reserve Materiel:**

War reserve materiel assets are acquired, positioned, and maintained to meet the Secretary of Defense Strategic Planning Guidance objectives. As such, war reserve materiel assets support wartime activities reflected in the Air Force War and Mobilization Plan for requirements over and above primary operating stocks and deployed equipment. As of November 2007, United States Air Forces Central personnel maintained 115,000 war reserve materiel equipment and vehicle authorizations totaling \$1.7 billion, as well as an additional operating stock of 43,000 equipment items and vehicles on hand valued at almost \$1 billion. This audit concluded Air Force personnel could improve war reserve materiel management. Specifically, United States Air Forces Central personnel used war reserve materiel for appropriate purposes; however, personnel overstated war reserve materiel requirements by more than 17,000 assets totaling \$240.4 million, and misstated associated asset authorizations by more than 34,000 items valued at nearly \$600 million. As a result, United States Air Forces Central officials did not identify and cancel unnecessary war reserve materiel

buy requirements totaling over \$155 million, or identify and fill 3,800 unfilled critical equipment authorizations. Additionally, an inventory of 294 line items (9,159 equipment, vehicle, and consumable assets) identified more than 55 line items (1,831 assets) not on custodial records and 53 line items (429 assets) missing, with an overall accountability error rate of 37 percent. Although we did not identify fraud, inadequate inventory controls increased the risk for undetected lost assets or fraud, waste, and abuse for \$1 billion in assets.

**Pallets:** Pallets are crucial components of the airlift portion of the Defense Transportation System. System 463L pallets maximize available airlift capability and reduce aircraft ground time by allowing for load build-up prior to aircraft arrival during routine operations. Pallet availability at the right place and time can be the determining factor in a mission's success or failure during contingencies. During FY 2007, Air Mobility Command reported 179,000 pallet authorizations, valued at approximately \$230 million. The audit disclosed Air Force logistics managers could more effectively manage pallets. Specifically, logistics managers did not compute accurate requirements for either buy or repair of pallets. To illustrate, program management personnel overstated buy and repair requirements by approximately 224,000 and 93,000 pallets, respectively. Reducing pallet buy and repair requirements would allow the Air Force to put \$384 million to better use. Additionally, installation pallet managers did not identify accurate requirements, record correct pallet inventories, timely submit pallet revalidation letters, and properly report pallet activity. Finally, pallet managers did not track pallet recovery, and personnel at 8 of 23 installations used pallets for unauthorized purposes. Utilizing pallets for unauthorized uses resulted in 730 pallets valued at over \$930,000 which were not available for the mission.

## INFORMATION SECURITY AND PRIVACY

**Combat Information Transport System Technical Order Compliance Process:** The Combat Information Transport System is a \$4.7 billion Air Force program to modernize worldwide fixed base communications infrastructure. Time Compliance Technical Orders

document all permanent modifications, updates, and retrofit changes to the Combat Information System architecture and baseline configurations. The time compliance technical orders provide instructions including time lines for modifying the systems, initiating special "one time" inspections, or imposing temporary restrictions on systems. As of February 1, 2008, personnel released 109 active time compliance technical orders with compliance dates between January 2006 and January 2008. The audit determined the Air Force did not effectively mitigate security vulnerabilities in Combat Information Transport System equipment. Specifically, Program Office personnel did not issue time compliance technical order security updates in a timely manner, and effectively track time compliance technical order compliance, but did not report non-compliant major commands and installations to Air Force Network Operations for enforcement action. The Federal Information Security Management Act, as codified in Title III of the E Government Act of 2002, Public Law 107-347, requires that each chief information officer report material weaknesses in policies, procedures, or practices annually to the Office of Management and Budget. In our opinion, the material weaknesses identified meet the requirement for establishing an Air Force Plan of Action and Milestones.

## ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

### **Air Force Contract Augmentation Program Execution:**

The Air Force Contract Augmentation Program allows the Air Force to expedite the acquisition process and quickly provide contractor support during contingencies and military operations other than war. The augmentation program contract capabilities are generally aligned with Air Force combat service support furnished by civil engineer, logistics, and services personnel to include construction, professional engineering, power production, physical plant, fire protection, and lodging management. As of June 14, 2008, the Air Force had awarded 112 task orders valued at \$446 million to the six Air Force Contract Augmentation Program III contractors. This audit disclosed management of the Air Force Contract Augmentation Program was generally effective. Air Force personnel properly reviewed and approved task orders and effectively implemented Air Force Contract

Augmentation Program Post Award Management Plan. Although personnel appropriately accounted for and monitored the Air Force Contract Augmentation Program funds, Program Office personnel improperly assessed Air Force and Army customers a 2.5 percent service fee. As a result, during FY 2005 through FY 2008, customers paid nearly \$8 million in service fees that were not authorized and appropriate which could result in an Anti-Deficiency Act violation.

**A-10 Wing Replacement Program:** The primary mission of the A-10 is to provide day and night close air combat support and to act as forward air controller in support of land forces. The original A-10 aircraft design included thin-skin wings and a service life of 8,000 hours. Beginning in 1981, A-10 production changed to thick-skin wing panels to compensate for cracking in the thin-skin wing panels. A-10 production ended in 1986 and currently 114 of 356 aircraft in inventory have thick-skin wings, while the remaining 242 aircraft have a combination of thick- and thin-skin wing panels. The A-10 Program Management Directive authorized actions to increase the aircraft service life to 16,000 hours which will keep the A-10 in the Air Force inventory until 2028. The A-10 Wing Replacement Program will produce new wings for the remaining 242 aircraft through an indefinite-delivery indefinite-quantity, firm-fixed-price contract. The A-10 Wing Replacement Program is expected to cost approximately \$1.2 billion. The audit concluded management of the A-10 Wing Replacement Program was generally effective. Specifically, Program Office personnel documented decision processes and followed acquisition guidelines for planning this sustainment effort. However, the A-10 Systems Program Office did not have an effective risk management process to capture and report all program risks. As a result, unexpected increases in program cost or schedule delays that lead to grounded aircraft could occur.

**Air Force Value Engineering Program:** Value Engineering is a management tool that promotes reduction of contract program and acquisition costs while improving productivity and quality. Contracts that include a value engineering clause allow contractors to develop, prepare, and submit value engineering change proposals. These change proposals identify opportunities to reduce future costs through investment in new

equipment or processes. When acquisition program officials approve a value engineering change proposal, the government funds development and implementation costs and shares the resulting savings with the contractor. The audit concluded Air Force personnel at the product and air logistics centers could improve implementation and administration of the value engineering program for Air Force weapon systems. Specifically, personnel did not effectively implement and maintain a value engineering program and did not track and report value engineering savings. While we did not find evidence the Air Force had implemented other cost savings initiatives in lieu of value engineering on the contracts we reviewed, we are aware that program managers have implemented producibility improvement programs, reliability and maintainability programs, and other programs designed to reduce costs on large weapon system contracts. However, without an effective value engineering program, the Air Force may be losing opportunities for reducing weapon systems' life cycle costs or improving quality.

## FINANCIAL MANAGEMENT

**Air Force Smart Operation for the 21st Century:** In November 2005, the Secretary and the Chief of Staff directed Air Force organizations to implement and institutionalize strategic continuous process improvement initiatives. The Air Force implementation of this initiative is called Air Force Smart Operations for the 21st Century. The initiative empowers airmen participation in maximizing value and minimizing waste and applies to all processes associated with the Air Force mission. The principles and tools provide Air Force members the day-to-day operating style needed to integrate continuous improvement into all facets of Air Force operations. As of May 2008, Air Force organizations reported 980 active and 5,134 completed projects to DoD. The audit disclosed program personnel realized continued progress in implementing the program; however, we noted several areas where management action is needed to ensure the program realizes its objective. Specifically, management officials must take action to: report all events in the Continuous Process Improvement-Management Tool; use the Financial Reporting Template; effectively staff major commands and installations with certified personnel; effectively implement processes to sustain efficiencies; and

establish an Air Force-wide framework to disseminate best practices throughout the Air Force, and; maintain audit trails and supporting documentation for data. As a result, events with estimated cost savings/avoidance of over \$650 million was not supported, and therefore, could not be validated.

**Depot Maintenance Labor Standards:** Depot maintenance direct labor standards describe the time it should take a trained worker, working at a normal pace, to produce a set unit of work that conforms to technical requirements and standard methods under specific working conditions. Depot labor standards serve as a basis for a work measurement program to oversee the effectiveness and efficiency of depot maintenance operations. Air Logistics Center personnel also use labor standards to define and cost specific workload and to develop the Depot Maintenance Activity Group labor budget. The FY 2007 Depot Maintenance Activity Group budget estimated depot labor costs for Air Force organic customer exchangeable asset workload totaled approximately \$363 million (9 million direct labor hours). The audit concluded Air Force personnel could improve the accuracy of labor standards used to plan exchangeable asset repair and overhaul requirements. Specifically, depot maintenance planners did not always develop and maintain accurate labor standards for 364 (69.5 percent) of 524 operations reviewed. As a result, Air Logistics Center officials overstated the FY 2007 anticipated direct labor expenditures by approximately \$6.7 million and understated the expenditures over \$1.4 million resulting in a net overstatement of approximately \$5.3 million. Correcting this condition would more accurately reflect anticipated future Depot Maintenance Activity Group labor expenses by over \$590 million for FYs 2008 through 2013. Additionally, maintenance wing personnel did not document labor standard reviews as required. Lastly, Air Logistics Center personnel improperly classified production overhead tasks and personnel as direct labor. As a result, the logistics centers overstated anticipated direct labor expenses by over 1.1 million hours valued at \$43.7 million and gave the appearance that the logistics centers required more direct laborers.

**Base Realignment and Closure Environmental Liabilities:** The Air Force Real Property Agency manages

environmental cleanup activities at former Air Force installations closed or realigned under the Base Closure and Realignment Act of 1988 and the Defense Base Closure and Realignment Act of 1990. In FY 2006, Air Force Real Property Agency personnel changed from site specific to project specific management of base realignment and closure environmental liabilities. The change provided personnel oversight of base realignment and closure environmental liabilities and established annual reviews of environmental projects for valid requirements, support documentation, and financial record accuracy. The Air Force provides details of Base Realignment and Closure fund environmental liabilities in the financial statements, Note 14, Environmental Liabilities and Disposal Liabilities. For FY 2007, the Air Force reported \$1.4 billion in Base Realignment and Closure environmental liabilities. The audit disclosed Air Force Real Property Agency personnel correctly recorded and properly supported Base Realignment and Closure environmental liabilities reported in FY 2007 financial records. Specifically, personnel correctly recorded and properly supported environmental liabilities, including noncurrent liabilities related to undelivered orders outstanding and accrued expenditures unpaid, reported in FY 2007 financial records, and reported noncurrent environmental liabilities to Defense Finance and Accounting Service for inclusion in the FY 2007 financial statements. Although Air Force Real Property Agency managers inadvertently reported the noncurrent environmental liability amount as \$149.4 million instead of the correct amount of \$149.8 million, the difference was immaterial.

## HEALTH CARE

**Air Force Fitness Program:** The Air Force Fitness Program policy requires airmen to meet fitness standards by maintaining a healthy lifestyle and through participation in unit physical activity. The program goal is to motivate airmen to participate in physical conditioning emphasizing total fitness, including aerobic conditioning, strength, and flexibility training. Further, in January 2008, the Air Force Chief of Staff and the Chief Master Sergeant of the Air Force made fitness assessment results a mandatory element of Airman Performance Reports. In FY 2007, the Air Force spent approximately \$100 million on fitness activities, base gymnasiums, and health and



wellness centers to support the fitness program. The audit disclosed, at the 13 locations reviewed, unit commanders did not consistently implement the fitness program and unit-based fitness programs did not effectively promote a healthy lifestyle. Specifically, commanders did not consistently allow individual physical fitness activity during duty hours, take administrative action for members not meeting standards, adequately support exemptions, or properly perform fitness assessments. Furthermore, unit-based fitness programs did not effectively influence airmen to make fitness a year-round commitment. Of 321 airmen recently completing a fitness assessment, 35 percent had a significant increase in abdominal circumference and weight within 60 days of the assessment.

**Environmental Resources Program Information Management System:** The Comprehensive Environmental Response Compensation and Liability Act, requires the Air Force to collect environmental contamination data to identify releases of hazardous substances that threaten human health or the environment and monitor restoration progress. The Air Force developed the Environmental Resources Program Information Management System to centrally store and manage restoration data collected from installations. The system currently contains over 65 million contamination sampling results collected at 161 locations from 1980 to the present. The Air Force spent \$456 million in FY 2008 for environmental restoration and an average of \$1.1 million annually since FY 1999 for system hardware, software, and personnel to manage the system, analyze data, and operate a help desk. This audit determined the system database did not effectively support environmental remediation decisions. Specifically, the system did not contain environmental data for 89 contaminated Air Force sites, and 48 percent of sampling data were submitted more than 90 days after sampling was completed. Further, more than 70 percent of environmental restoration managers did not use or rely on system data, opting to develop and use other “ad hoc” systems. As a result, the Air Force has no assurance that its environmental cleanup data is adequately protected; and cannot accomplish effective, efficient analyses or provide timely, complete information to installations, the DoD, the United States Environmental Protection Agency and the Congress. In addition, the Air Force expended time and funds for duplicate systems instead of enhancing

system capabilities and promoting wide-spread use of a single Air Force system.

## AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

### AFOSI SIGNIFICANT CASE NARRATIVES - OEF/OIF

The Air Force Office of Special Investigations is combat-ready military organization that provides the Air Force a wartime capability to conduct, in hostile and uncertain environments, counter-threat operations to find, fix, track, and neutralize enemy threats. It also performs as a federal law enforcement agency with responsibility for conducting criminal investigations, counterintelligence, and specialized investigative activities, protective service operations, and integrated force protection for the Air Force.

Successful OEF/OIF operations by Direct Action Units based on AFOSI Target Packages Military Source Operations follow: include:

- **Threats Identified:** 2,270 (Individuals linked to insurgent groups, terrorist groups, or intelligence services, which represent a threat to USAF installations/resources).



An AFOSI special agent searches for a suspected Taliban weapons cache.

- **Target Packages:** 109 (Targeting information provided by AFOSI to Direct Action authorities Army, SOF, Coalition Forces, Host Nation Police/Army, etc ... for exploitation).
  - **Captured/Neutralized:** 203 (Individuals captured/neutralized by Direct Action Units based on AFOSI Target Packages).
    - 13 were known high value targets
    - 4 were identified as al Qaeda in Iraq
    - 30 were known Taliban Insurgents
  - **Weapons Caches:** Fifteen different weapons caches were actioned and netted approximately four tons of weapons and explosives to include IEDs, hand grenades, projectile grenades, a suicide vest, detonator cord, TNT, blasting caps and anti-personnel mines.
  - **Narcotics Caches:** AFOSI direct CI-Source reporting and targeting led to the discovery and destruction of over of 82,000 pounds of hashish.
- Threats detected but not linked to a specific Military Source Operations follow:
- Threats Identified: 40
  - Target Packages: 2
  - Captured/Neutralized: 5
- Significant AFOSI cases are described below.
- At Joint Base Balad, Iraq, on November 1, 2007, three AFOSI special agents were killed when an IED detonated under their vehicle. At the time of the incident, the agents were enroute off-base to meet with an AFOSI source. Subsequent to the attack, extensive investigative efforts led to the source's confession to his involvement in arranging the attack. Between November 2007 and October 2008, the source identified several insurgents reportedly involved in carrying out the ambush. To date, six insurgents have been apprehended.
  - JBB command authorities rely heavily on AFOSI to help identify and defeat enemy networks operating in the area of JBB. In one instance, AFOSI obtained the first post-Security Agreement warrants, leading to the detention of over 10 terrorists wanted by Iraqi Police. In another instance, AFOSI at JBB worked with other in-country AFOSI agents to develop a target package for the second "most wanted" terrorist sought by the local Iraqi police. The operation resulted in the arrest of the individual, as well as the capture of another individual sought by the police for involvement in terrorist activities.
  - AFOSI at JBB obtained information related to an attempted assassination of a high ranking member of the Iraqi Parliament and a second person targeted for assassination. The information was provided to security personnel who prevented the assassinations. In another instance, AFOSI obtained critical source information leading to a complex air assault operation that resulted in the capture of a six-man al-Qaeda in Iraq weapons trafficking and smuggling cell. Numerous illegal weapons and hundreds of rounds of ammunition were seized during the operation.
  - AFOSI at Al Udeid, Qatar, launched an inquiry into the recovery of stacks of detailed building plans for multiple sensitive facilities found in a third country national's worksite. The inquiry led to identifying and ultimately mitigating numerous vulnerabilities, especially in the handling and searching of third country nationals. It also disclosed gaps in the contracts' security clauses which were requiring lower operations security and security requirements for vendors than those imposed on the installation for which the buildings were being constructed.
  - Existing and new contracts are being modified to ensure these requirements are contractually enforceable. The lessons learned from this inquiry have the potential to alter contracting methodologies for all deployed locations.
  - At Kirkuk Regional Air Base, AFOSI identified and captured insurgent cell members following a rocket attack that killed two and wounded seven individuals on KRAB. Working with local Iraqi police and Iraqi Army personnel, AFOSI aided in the arrest of 23 insurgents and neutralized rockets and IEDs during a raid in the vicinity of KRAB. In January 2009, agents conducted a raid with Iraqi police resulting in the arrest of a known al-Qaeda in Iraq member wanted for IED attacks against U.S., coalition, and Iraqi forces.
  - In Saudi Arabia, AFOSI's extensive source network led to the identification of a terrorist plan to attack a named compound housing DoD contractors, U.S. civilians, and numerous citizens from other western countries. No other U.S. or western agency had uncovered the information on the threat. This was the first exposed late-cycle operational planning towards western targets in Saudi Arabia since 2006.

- In Afghanistan, AFOSI published 192 Intelligence Information Reports responsive to theater and national level collection requirements. Several of these products contributed to the capture or killing of 52 Anti-Coalition Force members and significantly contributed to maintaining a high level of security in the area of Kandahar Airfield. In addition, AFOSI, U.S. Special Forces, the U.S. Drug Enforcement Administration, and Afghan National Army Commandos raided a compound and seized over 40 tons of hashish. Discovered documents linked the hashish to a senior Taliban Commander. The seizure, with an estimated value of \$400 million, is credited with diminishing a significant source of Taliban funding. The operation received international media attention.
- At Manas Air Base, Kyrgyzstan, AFOSI teamed with Air Force Security Forces investigators to identify tens of thousands of dollars in thefts from a U.S. contractor dining facility. The stolen food items were taken by host nation employees and sold on the open market in Bishkek. Those responsible for the thefts were identified and fired.
- AFOSI activities at Ali Air Base enabled a successful raid against a high value target with direct ties to a Shi'a extremist insurgent leader in northern Iraq. The entire operation, from initial collection to capture, took three days and also netted the extremist's brother, wanted by a Task Force in Baghdad for assassination and IED operations.
- AFOSI acquired information at Sather Air Base, Baghdad that was used to identify a previously unknown Zarqawi's Al-Qaeda in Iraq cell within three kilometers of Camp Victory. This cell is believed to be responsible for multiple IED placements targeted against Coalition Forces, four within a ten-day period. A large weapons cache consisting of over 700 items including deadly RKG-3EM grenades were located and neutralized.

#### AFOSI SIGNIFICANT CASE NARRATIVES - NON-OEF/OIF

A joint AFOSI and FBI investigation determined a DoD contractor employee had numerous highly classified documents stored on his unclassified cleared defense contractor issued laptop computer. The contractor kept

the computer in his personal possession outside of the CDC facility where he worked. Investigation disclosed the contractor was issued an unclassified laptop computer, but due to repeated security incidents of computer misuse, the CDC seized the computer. Analysis of the laptop revealed 42 documents classified at various levels, some as high as "TOP SECRET/SCI" and special access program material, were stored on the computer. Further computer forensic analysis uncovered the contractor employee's off-shore banking correspondence and association with a London-based "chat room." During the course of the investigation, investigators determined the contractor employee retained thousands of classified documents on various pieces of media and took steps to conceal these media devices from the U.S. government. In addition, he backed-up the information from the laptop to removable media. When confronted with the evidence, the contractor employee admitted to mishandling classified information; however, he claimed he never provided classified information to any foreign government and only took the classified information home to work on projects. The contractor was found guilty; received three years probation, and a \$25,000 fine. Additionally, his personal computers are subject to FBI monitoring during the term of his probation, he cannot possess or apply for a U.S. passport during probation, and he can be debriefed by investigative agencies at anytime.

A joint AFOSI and Army CID involuntary manslaughter investigation disclosed an Air Force non-commissioned officer and nine civilians and active duty members participated in an assault of a U.S. Army member that resulted in that member's death. The assault was determined to be a gang initiation and the victim later died in his barracks room as a result of injuries received during the assault. The NCO was tried and convicted of involuntary manslaughter and sentenced to two years confinement and a dishonorable discharge.

A joint child sexual assault investigation with the Perry Police Department, Perry, GA, disclosed a NCO sexually assaulted nine children at Pope AFB, NC, and Perry, GA. The investigation determined the NCO raped, sodomized, and sexually assaulted the children. Additional investigation and computer forensic analysis uncovered more than 10,000 files and images of confirmed child pornography and an additional 37,946 images and 131 videos of suspected child pornography. The NCO was



tried and convicted of rape and indecent assault of a child under 16, forfeited all pay and allowances, dishonorably discharged from the Air Force, and confined for life. As part of the NCO's plea agreement, his incarceration was capped at 60 years.

A joint AFOSI and FBI investigation of an Air Force contractor and two subcontractors disclosed they violated numerous provisions of the International Traffic in Arms Act and the Arms Export Control Act. Investigation disclosed the contractors knowingly took steps to circumvent technology transfer restrictions and export control procedures.

While performing work on an Air Force Research Laboratory/Munitions Directorate Contracting Division contract to augment UAV flight performance using non-thermal plasma actuators, the contractors were required to obtain an export license before assigning any foreign source to perform work under the contract or before granting access of foreign persons to any equipment and technical data. Investigators determined that the contractors knowingly took steps to circumvent technology transfer restrictions and export control procedures.

Through a separate contract, the contractors allowed a third contractor to use a piece of export-controlled equipment, obtained for the original contract, on a USAF Academy contract, failed to notify the USAFA the equipment was "export-controlled", and allowed approximately twelve foreign USAFA cadets and one foreign instructor to view the equipment. All three contractors were found guilty of violating ITAR and Arms Export Control Act provisions and will be sentenced in future court proceedings.



AFOSI special agents conducting a raid (above) and a AFOSI special agent with Iraqi children (below).





## CONGRESSIONAL BRIEFINGS & TESTIMONY



# WORKING WITH CONGRESS

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. During this reporting period, the DoD IG testified three times before Congress or congressionally mandated commissions.

On February 26, 2009, the Honorable Gordon S. Heddell, Acting Inspector General, Department of Defense, testified before the House Appropriations Committee, Subcommittee on Defense regarding “Department of Defense Outsourcing.” Also testifying at the hearing were Mr. Thomas F. Gimble, Principal Deputy Inspector General Department of Defense; Ms. Mary L. Ugone, Deputy Inspector General for Audit; and Mr. Charles W. Beardall, Deputy Inspector General for Investigations. During his testimony, Mr. Heddell emphasized that the Department of Defense Office of the Inspector General has been and continues to be a strong supporter of improving acquisition and contracting processes. Additionally, the IG wants to ensure that the Department and America’s warfighters are provided materiel and services that are safe, superior in performance and quality, sufficient in quantity, and within the time frames needed by the warfighter while balancing taxpayer

concerns. He also discussed the historical context and issues the government has faced regarding contracting for goods and services and highlighted that because of the magnitude of the DoDs purchasing power and the global presence of its personnel and resources, the Department still faces particular challenges regarding fair and reasonable pricing, contract oversight and administration, and the dangers of outsourcing functions which are inherently governmental.



Department of Defense Acting Inspector General Gordon S. Heddell testifies before the U.S. House of Representatives Committee on Appropriations Defense Subcommittee on “Department of Defense Outsourcing.”



On February 12, 2009, Mr. Thomas F. Gimble, Principal Deputy Inspector General Department of Defense, testified before the House Committee on Oversight and Government Reform Subcommittee on National Security and Foreign Affairs regarding the “DoD IG Assessment of Arms, Ammunition, and Explosives Control and Accountability; Security Assistance; and Sustainment for the Afghan National Security Forces.” In addition to detailing the findings and recommendations in the IG report, Mr. Gimble also discussed lessons learned in Iraq that can and should be applied to Afghanistan. Additionally, the subcommittee was informed that the Special Plans and Operations division was planning to send another assessment team to Afghanistan in March 2009, to determine the status of corrective actions being implemented as a result of the recommendations in our October 2008 report. Mr. Gimble also gave a brief overview of other oversight initiatives within the DoD IG related to the Department’s ongoing efforts in Southwest Asia.



Department of Defense Principal Deputy Inspector General Thomas F. Gimble testifies before the House Committee on Oversight and Government Reform Subcommittee on National Security and Foreign Affairs on the “DoD IG Assessment of Arms, Ammunition, and Explosives Control and Accountability; Security Assistance; and Sustainment for the Afghan National Security Forces.”





On February 2, 2009, Mr. Thomas F. Gimble, Principal Deputy Inspector General Department of Defense, testified before the Commission on Wartime Contracting in Iraq and Afghanistan regarding “Lessons from the Inspectors General: Improving Wartime Contracting.” Ms. Mary L. Ugone, Deputy Inspector General for Audit and Mr. Charles W. Beardall, Deputy Inspector General for Investigations also testified at the hearing. Mr. Gimble discussed historical trends in contingency contracting, the importance of coordination between oversight organizations, observations pertaining to contracting in a war zone, lessons learned, and areas that continue to need attention. Mr. Gimble provided details related to our ongoing coordination efforts to include the Southwest Asia

Joint Planning Group, the Comprehensive Audit Plan for Southwest Asia, and our coordinated investigative efforts through the Joint Operations Center and the International Contract Corruption Task Force. Mr. Gimble testified that issues specific to contracting in a war zone, which have resulted in enhanced potential for fraud, waste, and abuse included inexperienced and insufficient contracting personnel, lack of adequate oversight, and a predominance of crimes involving military members. He finished his statement by informing the Commission that property and cash accountability, oversight of the Commanders’ Emergency Response Program, and controls over common access cards areas requiring increased attention.



Department of Defense Acting Inspector General Gordon S. Heddell meets with Representative James P. Moran after a hearing.

## OFFICE OF COMMUNICATIONS AND CONGRESSIONAL LIAISON

### CONGRESSIONAL REQUESTS AND BRIEFINGS

The Office of Communications and Congressional Liaison 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.

From October 1, 2008 through March 31, 2009, OCCL received 107 new congressional inquiries and closed 117 cases. New inquiries involved issues such as electrical safety in Iraq and a request from the Senate Armed Services Committee to review concerns with the Logistics Civil Augmentation Program contract. In addition, 39 meetings were held with members of Congress and/or their staff on issues such as IG efforts in Iraq and Afghanistan, body armor, electrocutions, reprisal investigations, and CAC cards.



## COMPONENT OVERVIEW

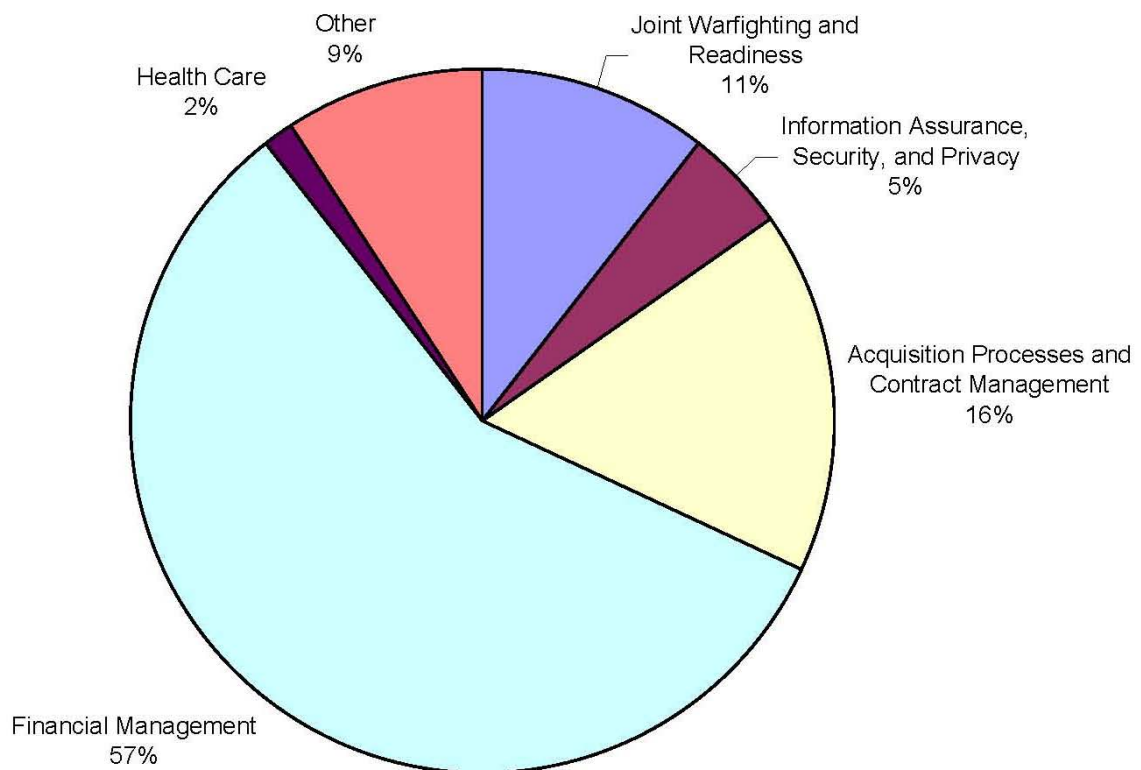


# AUDIT

The Office of the Deputy Inspector General for Auditing, with over 700 auditors dispersed world-wide, promotes the economy and efficiency of DoD operations and programs and detects and deters fraud, waste, and abuse within the Department of Defense through audits, assessments, and other services. To accomplish our mission, we plan our audit coverage each year to provide coverage of DoD organizations, programs, activities, and functions as an integral part of the DoD management system, taking into consideration high-risk areas as identified by our prior audits, the Department's top priorities, and GAO high-risk areas.

During the period of October 1, 2008 through March 31, 2009, we issued 66 audit reports and identified \$132 million in potential monetary benefits. Additionally, we achieved \$162 million in identified funds put to better use from reports issued in previous years. Our reports addressed deficiencies and internal control weaknesses in DoD's business operations, military programs, national security, compliance with laws and regulations, and the effectiveness, safety, and care of the service members. The oversight performed is derived from congressionally and management requested projects, statutory requirements, DoD hotlines and self-initiated audits of high-risk areas such as overseas contingency operations, financial management, contracting, health care, disaster recovery preparation and assistance, force management, information assurance, and DoD physical security.

## AUDITS ISSUED BY CATEGORY



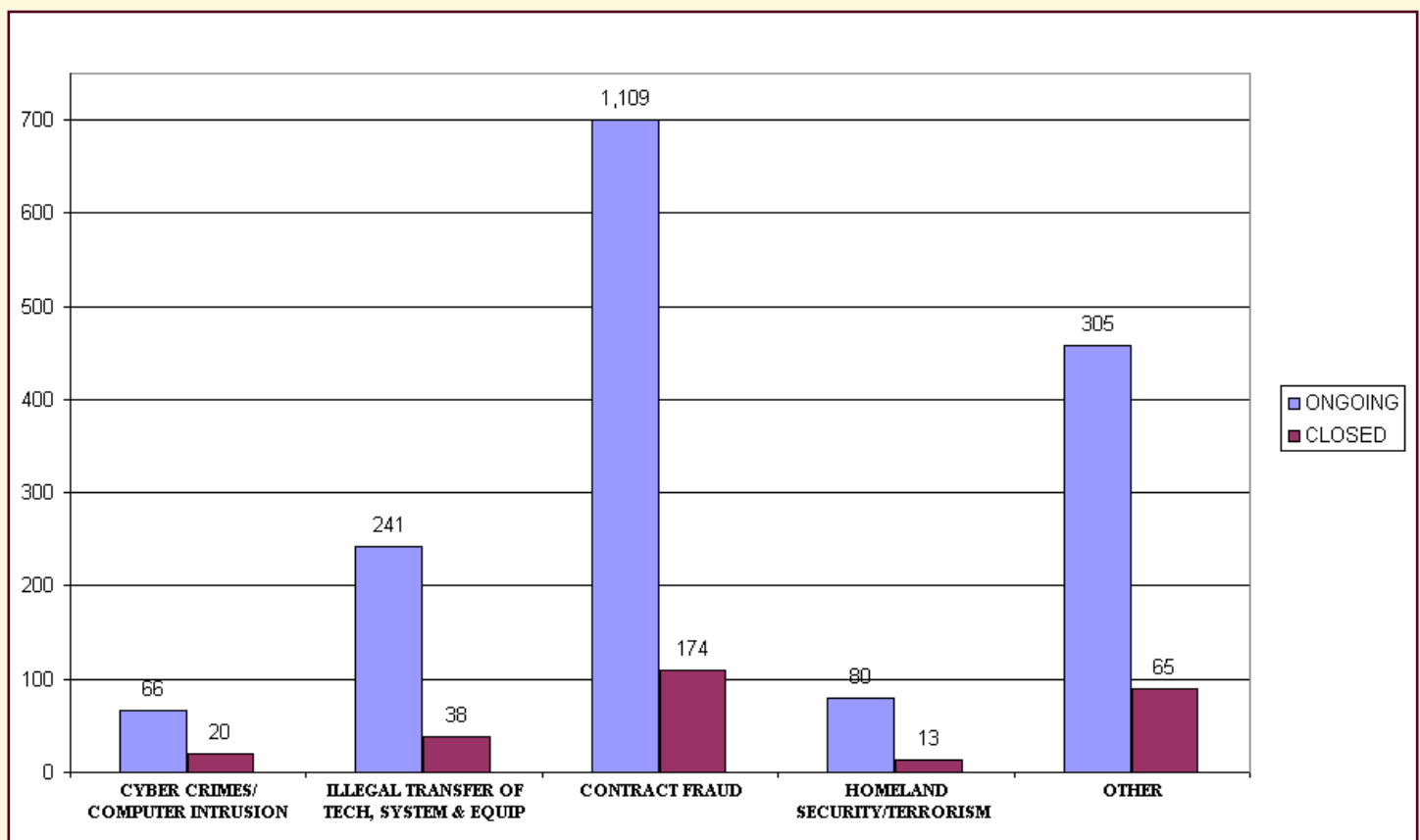
# INVESTIGATIONS

The Office of the Deputy Inspector General for Investigations is divided into two basic components, criminal and administrative investigations.

The Defense Criminal Investigative Service is the criminal investigative arm of the DoD IG and conducts criminal investigations of fraud, corruption, and theft related to Department contract spending. As the chart demonstrates, during this reporting period, nearly 62 percent of DCIS' case inventory was in the area of contract fraud. Additionally, the investigation closure rate was approximately 56 percent. During this reporting, DCIS investigations resulted in 183 federal criminal charges, 108 convictions, 33 suspensions, and 28 debarments. Additionally in this reporting period, this agency recouped \$1.1 billion for the U.S. government. Of these, 17 federal criminal charges, 11 convictions, 12 suspensions, and the recoupment of \$40 million were the result of DCIS' investigations of fraud, corruption, and theft related to the Global War on Terror and the agency's efforts in Southwest Asia.

Administrative Investigations is comprised of three distinct directorates: Investigations of Senior Officials, Military Reprisal Investigations, and Civilian Reprisal Investigations. Administrative Investigations promotes public trust and confidence by independently investigating allegations of misconduct involving senior DoD officials, both civilian and military, and protecting whistleblowers from reprisal after reporting alleged fraud, waste, and abuse within the Department. During this period, Administrative Investigations resolved over 400 cases. Of those cases, 163 involved allegations against a senior official. The remaining cases involved allegations of whistleblower reprisal. In approximately 17 percent of those cases, allegations were substantiated resulting in administrative or disciplinary action.

## DCIS INVESTIGATIONS ACTIVE AND CLOSED BY CATEGORY





# INTELLIGENCE

The Office of the Deputy Inspector General for Intelligence provides oversight (audits, evaluations and inspections) across the full spectrum of programs, policies, procedures and functions of the Intelligence Community, Special Access Programs, Nuclear Enterprise and related security issues within the Department of Defense. 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 Deputy Inspector General for Intelligence, the Defense Criminal Investigative Service, the inspectors general of the Departments of the Army and 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 91 audits, evaluations, inspections, investigations, or special projects on intelligence-related classified and sensitive matters throughout DoD from October 1, 2008 through March 31, 2009. The reports are categorized into the Department of Defense management challenge areas and the Global War on Terror. A listing and a summary of each report is included in the Classified Annex to this report.

## INTELLIGENCE RELATED AND OTHER CLASSIFIED REPORTS

DoD Management Challenge Area	DoD IG	Defense Agencies	Military Departments	Total
Joint Warfighting and Readiness	0	26	1	27
Human Capital	0	19	1	20
Information Security and Privacy	1	3	2	6
Acquisition Processes and Contract Management	2	5	5	12
Financial Management	0	8	3	11
Health Care	0	0	0	0
Significantly Improve Intelligence Capabilities	0	0	0	0
Equipping and Training ISF & ANSF	0	0	0	0
Nuclear Enterprise	1	0	0	1
Other	0	4	2	6
Global War on Terror	3	0	5	8
<b>Total</b>	<b>7</b>	<b>65</b>	<b>19</b>	<b>91</b>

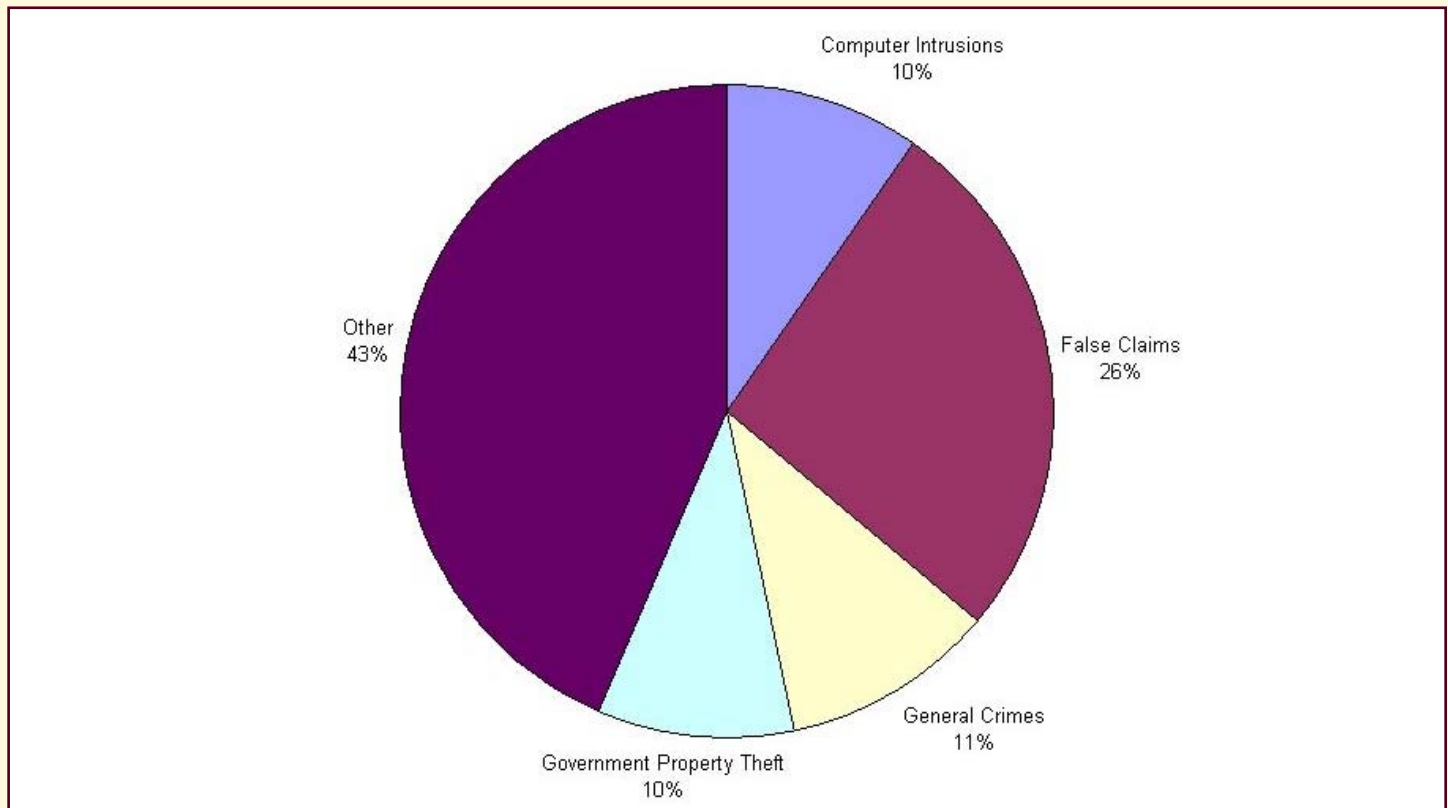
# POLICY & OVERSIGHT

The Office of the Deputy Inspector General for Policy and Oversight is unique in that it has varied responsibilities including establishing audit and investigative policy, performing oversight of DoD auditors and investigators, performing inspections and evaluations of DoD programs, serving as liaison between DoD and GAO for all GAO work that involves the Department, conducting follow up on DoD IG and GAO audit recommendations, and providing engineering support to the DoD IG and other Defense and federal agencies. The Deputy Inspector General for P&O is also responsible, per the IG Act, for coordinating all draft DoD policy issuances. The following are highlights of work accomplished by P&O during the reporting period.

Policy and Oversight participated in, and/or lead, various audit and investigative oversight commissions/groups such as the DoD Procurement Fraud Working Group, the Office of Management and Budget Single Audit Roundtable, and the DoD Sexual Assault Advisory Council. Additionally, P&O provided final corrective action on 98 reports and 392 recommendations, with \$1,001 million in savings documented on DoD IG recommended actions and facilitated the successful resolution of 2 reports with 13 disputed recommendations referred for mediation, and assisted in obtaining responsive management comments to recommendations in 1 report. We coordinated 104 GAO reviews and processed 147 GAO draft and final reports, as well as 198 draft DoD and federal policies. Finally, Policy and Oversight published an article in the Defense Acquisition, Technology and Logistics Magazine on Fraud, Waste, and Abuse, as well as launched the DoD IG “Fraud Indicators in Procurement and Other Defense Activities” Web site. The Web site is intended to be used by DoD auditors and others to assist in detecting fraud. The Web site contains information related to fraud guidance, statistics, and resources; and best practices for auditors.

During the reporting period, IPO issued 134 subpoenas with an average processing time of 12.6 days, below the 15 day metric. The chart below shows the breakout of subpoena crime type for the reporting period.

## SUBPOENAS PROCESSED BY CATEGORY



# SPECIAL PLANS & OPERATIONS

The Office of Special Plans and Operations issued three assessment reports and as of March 31, 2009, had four ongoing assessment projects. All SPO completed and ongoing projects were performed in Southwest Asia, to include numerous locations in Afghanistan, Iraq, and Pakistan. The three completed SPO projects (Report No. SPO-2009-001, Report No. SPO-2009-002, and Report No. SPO-2009-003) contained a total of 55 Observations and 161 recommendations in the final assessment reports issued for those projects. Those recommendations were made to various levels of senior DoD management in the United States and Southwest Asia.

The DoD IG established SPO in 2007 to focus on high-value, high-visibility missions, and to rapidly provide assessments of these key issues for senior leaders. As such, SPO has provided timely, high-value assessment reports on strategic challenges and issues, with a special emphasis on the Global War on Terror and Southwest Asia, to facilitate informed decision-making by senior leaders of DoD, the U.S. Congress, and other government organizations.

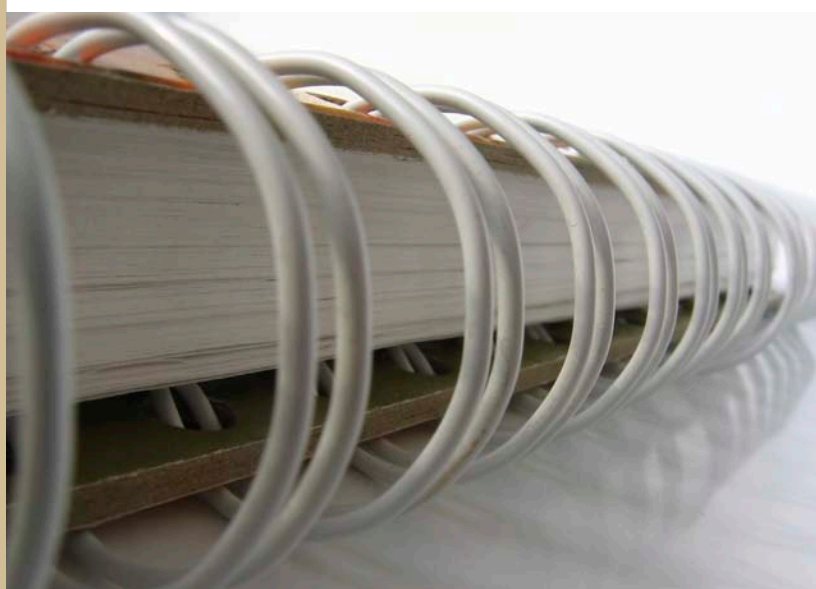
The completed and ongoing projects address challenges in the accountability and control of weapons, ammunition, and other sensitive equipment items; security assistance processes that provide equipment to the security forces of Afghanistan, Iraq, and Pakistan; train and equip missions for ISF and ANSF; and building logistics and medical sustainment capabilities for ISF and ANSF. The issue areas evaluated are key to building and sustaining the security forces of Iraq and Afghanistan.

## ASSESSMENTS ISSUED BY AREA OF FOCUS

	Iraq	Afghanistan	Pakistan	Theater	Global
Munitions Accountability and Control	X	X	X	X	
Logistics Sustainment	X	X			
Military health Care Sustainment	X	X			
Security Assistance (FMS, Coalition Support Funds, Section 1206, etc.)	X	X	X		X



## APPENDICES



# Appendices

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## APPENDIX A

### AUDIT, INSPECTION AND EVALUATION REPORTS ISSUED<sup>1</sup>

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

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

Army Audit Agency  
(703) 693-5679  
<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  
<https://www.my.af.mil>

### NUMBER OF REPORTS BY MANAGEMENT CHALLENGE AREA OCTOBER 1, 2008 - MARCH 31, 2009

	DoD IG	Military Depts.	Total
Joint Warfighting and Readiness	12	57	69
Information Security and Privacy	3	8	11
Acquisition Processes/Contract Management	12	24	36
Financial Management	39	42	81
Health Care	1	7	8
Other	17	6	23
Total	84	144	228

<sup>1</sup> Including audit reports issued by other DoD internal audit organizations.

## JOINT WARFIGHTING AND READINESS

### DOD IG

D-2009-005 Controls over the Contractor Common Access Card Life Cycle (10/10/08)

D-2009-007 Procurement and Use of Nontactical Vehicles at Bagram Air Field, Afghanistan (10/31/08)

D-2009-030 Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistant Ambush Protected Vehicles (12/8/08)

D-2009-031 Afghanistan Security Forces Fund Phase III – Air Force Real Property Accountability (12/29/08)

D-2009-042 Hiring Practices Used To Staff the Iraqi Provisional Authorities (1/16/09)

D-2009-047 DoD Testing Requirements for Body Armor (1/29/09)

D-2009-059 Air Force Management of the U.S. Government Aviation Into-Plane Reimbursement Card® Program (3/6/09)

SPO-2009-001 Assessment of Arms, Ammunition, and Explosives Accountability and Control; Security Assistance; and Sustainment for the Afghan National Security Forces (10/24/08)

SPO-2009-002 Assessment of Arms, Ammunition, and Explosives Accountability and Control; Security Assistance; and Logistics Sustainment for the Iraq Security Forces (12/19/08)

SPO-2009-003 Assessment of the Accountability of Night Vision Devices Provided to the Iraq Security Forces (03/17/09)

IE-2009-003 DoD Guard & Reserves Safety Survey (12/12/08)

IE-2009-001 DoD Active Duty Safety Survey (12/12/08)

### ARMY AUDIT AGENCY

A-2009-0015-ALR Followup Audit of the Ammunition Supply Point, U.S. Army Garrison, Fort Lewis, Washington (11/20/2008)

A-2009-0017-ALE Residual Value of Real Estate in Europe, U.S. Army Installation Management Command, Europe Region (FOR OFFICIAL USE ONLY) (11/20/2008)

A-2009-0018-ALR Property Accountability in the Army National Guard, Oklahoma Army National Guard (12/04/2008)

A-2009-0019-FFD Staffing for Installation Access Control Points, Office of the Provost Marshal General and U.S. Army Installation Management Command (FOR OFFICIAL USE ONLY) (01/06/2009)

A-2009-0023-ALM Excess Theater Provided Equipment Disposition Request Process (FOR OFFICIAL USE ONLY) (12/16/2008)

A-2009-0026-ALR Container Detention Billing for the Global War on Terrorism, Military Surface Deployment and Distribution Command (01/15/2009)

A-2009-0027-FFE Followup Audit of Installation Preparedness for Weapons of Mass Destruction (12/17/2008)

A-2009-0030-ALE Military Construction Requirements at U.S. Army Garrison Vicenza (02/02/2009)

A-2009-0032-ALO No-Cost Economic Development Conveyance Management and Compliance - Phase II, Assistant Secretary of the Army (Installations and Environment ) (12/19/2008)

A-2009-0033-ALL Audit of the Management of Shipping Containers Southwest Asia – Afghanistan (01/22/2009)

A-2009-0034-ALR Administrative Fees for Direct Bookings, Military Surface Deployment and Distribution Command (01/15/2009)

A-2009-0035-ALR Customer Billing Rates – Liner Business Shipments, United States Transportation Command (03/25/2009)

A-2009-0036-ZBI Property Accountability for Controlled Cryptographic Items, 902nd Military Intelligence Group (01/28/2009)

A-2009-0049-FFS U.S. Army Reserve Pre-Mobilization Training Requirements (02/20/2009)

A-2009-0050-FFP Real Property Master Planning – Alaska, U.S. Army Garrisons-Alaska (FOR OFFICIAL USE ONLY) (02/10/2009)

A-2009-0054-ALI Base Realignment and Closure 2005 Construction Requirements, 16th Cavalry Regiment Complex, Phase 1, Fort Benning, Georgia (03/18/2009)

A-2009-0055-ALI Base Realignment and Closure 2005 Construction Requirements: 16th Cavalry Regiment Complex, Phase 2, Fort Benning, Georgia (03/18/2009)

A-2009-0057-FFS Army National Guard Pre-Mobilization Training Requirements (02/19/2009)

A-2009-0058-ALI Base Realignment and Closure 2005 Construction Requirements, General Instruction Complex, Fort Benning, Georgia (03/18/2009)

A-2009-0065-ALO Management of Relocatable Facilities (03/04/2009)

A-2009-0066-ALR Property Book Unit Supply Enhanced System – Property Accountability and Management, 10th Mountain Division (03/30/2009)

A-2009-0067-FFP Real Property Master Planning, U.S. Army Garrison, Hawaii (FOR OFFICIAL USE ONLY) (03/04/2009)

A-2009-0069-ALL Management of Shipping Containers in Southwest Asia, Kuwait, Iraq, Afghanistan, and CONUS, Summary Report (FOR OFFICIAL USE ONLY) (03/19/2009)

A-2009-0071-ALM Automatic Reset Induction Criteria (FOR OFFICIAL USE ONLY) (03/23/2009)

A-2009-0072-ALI Base Realignment and Closure 2005 Construction Requirements, Addition/Alteration, Armed Forces Reserve Center, Lafayette, Indiana (03/18/2009)

A-2009-0074-ALM Automatic Reset Induction Transportation from Southwest Asia (FOR OFFICIAL USE ONLY) (03/23/2009)

A-2009-0077-ALM M88A1 Recovery Vehicle FY 09 Reset Maintenance Requirements (FOR OFFICIAL USE ONLY) (03/23/2009)

A-2009-0080-ALL Retrograde Operations in Southwest Asia, Multi-class Retrograde – Iraq, Camp Victory, Iraq (FOR OFFICIAL USE ONLY) (03/31/2009)

A-2009-0082-ALM Field Level Reset Requirements, U.S. Army National Guard (03/31/2009)

A-2009-0083-ALR Overseas Shipping Rate for Privately Owned Vehicles, United States Transportation Command (03/26/2009)

A-2009-0085-ALL Retrograde Operations in Southwest Asia, Class VII Theater Provided Equipment, Camp Victory, Iraq (FOR OFFICIAL USE ONLY) (03/26/2009)

A-2009-0086-ALA Body Armor Testing (03/30/2009)

## NAVAL AUDIT SERVICE

N-2009-0002 Consideration of Hazardous Noise and Vibration in the Acquisition of the Expeditionary Fighting Vehicle (10/16/08)

N-2009-0004 Navy Antiterrorism Program Execution (10/22/08)

N-2009-0006 The United States Marine Corps Critical Infrastructure Program (10/29/08)

N-2009-0007 Notice of Ammunition Reclassification Program Utilization (10/30/08)

N-2009-0008 Interim Report – Consideration of Hazardous Noise in the Acquisition of the F/A-18A/F Super Hornet and EA-18G Growler Strike Fighter Variants (10/31/08)

N-2009-0012 Selected Navy Installations' Preparedness Against Chemical, Biological, Radiological, and Nuclear Attacks (11/26/08)

N-2009-0013 Interim Report - Consideration of Hazardous Noise in the Acquisition of the Joint Strike Fighter (12/15/2008)

N-2009-0022 Consideration of Hazardous Noise in the Acquisition of the CVN 78 Aircraft Carrier (3/19/09)

## AIR FORCE AUDIT AGENCY

F-2009-0002-FC3000 Theater Deployable Communications Program Management (12/15/2008)

F-2009-0001-FC4000 Support Equipment Requirements (10/1/2008)

F-2009-0002-FC4000 Secondary Item Budget Adjustments (11/10/2008)

F-2009-0003-FC4000 Follow-up Audit, Low Speed Vehicle Management (11/17/2008)

F-2009-0004-FC4000 One-Way Interchangeable Stock Numbers (12/11/2008)

F-2009-0005-FC4000 Excess Spare Parts (1/5/2009)

F-2009-0006-FC4000 Pallets (2/4/2009)

F-2009-0001-FD1000 United States Air Forces Central - Area of Responsibility Civil Engineer Materials (10/6/2008)

F-2009-0003-FD2000 Air Force Claims Service Center (2/20/2009)

F-2009-0001-FD3000 Use of Individual Mobilization Augmentees (10/9/2008)



F-2009-0002-FD3000 Survivability of Space Assets (CLASSIFIED) (10/16/2008)

F-2009-0003-FD3000 United States Air Forces Central War Reserve Materiel (1/7/2009)

F-2009-0001-FD4000 Enlisted and Civilian Personnel Entry-Level Training (10/1/2008)

F-2009-0002-FD4000 Foreign Language Proficiency Pay (10/9/2008)

F-2009-0003-FD4000 Follow-up Audit, Family Member Programs Personnel Background Investigations (12/5/2008)

F-2009-0005-FD4000 Unmanned Aerial System Pilot Force Management (12/17/2008)

F-2009-0006-FD4000 Diversity in Professional Development (12/29/2008)  
D-2009-001 Information Assurance Controls for the Defense Civilian Pay System (10/7/08)

## INFORMATION SECURITY & PRIVACY

### DOD IG

D-2009-001 Information Assurance Controls for the Defense Civilian Pay System (10/7/08)

D-2009-051 Controls Over Time and Attendance Reporting at the National Geospatial-Intelligence Agency (2/9/09)

D-2009-054 Internal Controls and Data Reliability in the Deployable Disbursing System (2/17/09)

## ARMY AUDIT AGENCY

A-2009-0002-FFI Training and Developing the Civilian Information Technology Management Workforce (10/14/2008)

A-2009-0010-ZBI Army Research and Technology Protection Program, U.S. Army Communications-Electronics Research, Development and Engineering Center (FOR OFFICIAL USE ONLY) (10/31/2008)

A-2009-0014-ZBI Army Research and Technology Protection Program, Program Executive Office, Intelligence, Electronic Warfare and Sensors (FOR OFFICIAL USE ONLY) (11/14/2008)

A-2009-0037-FFI Information Technology Contingency Plans, Chief Information Officer/G-6 (01/26/2009)

## NAVAL AUDIT SERVICE

N-2009-0005 Department of the Navy's Internal Controls over Communications Security Equipment (10/29/08) (CLASSIFIED)

N-2009-0014 Control over Wireless Devices at Selected Commander, Navy Installations Command and Naval Facilities Engineering Command Activities (12/17/08)

## AIR FORCE AUDIT AGENCY

F-2009-0001-FB4000 Combat Information Transport System Technical Order Compliance Process (10/3/2008)

F-2009-0002-FB4000 Plan of Action and Milestone Program Management (FOR OFFICIAL USE ONLY) (11/5/2008)

## ACQUISITION PROCESSES/ CONTRACT MANAGEMENT

### DOD IG

D-2009-026 Small Business Contracting Under the Navy DDG-1000 Program (11/26/08)

D-2009-027 Air Force Combat Search and Rescue Helicopter (12/8/08)

D-2009-032 The America Supports You Program (12/12/08)

D-2009-034 DoD Inspector General Report to Congress on Section 325 of the "National Defense Authorization Act for Fiscal Year 2008" (12/15/08)

D-2009-036 Acquisition of the Air Force Second Generation Wireless Local Area Network (1/16/09)

D-2009-041 The Expeditionary Fire Support System and Internally Transportable Vehicle Programs (1/14/09)

D-2009-043 FY 2007 DoD Purchases Made Through the U.S. Department of Veterans Affairs (1/21/09)

D-2009-045 Security Guard Services Contract at Naval Weapons Station Earle (1/23/09)

D-2009-046 Procurement and Delivery of Joint Service Armor Protected Vehicles (1/29/09)

D-2009-048 DoD Small Business Innovation Research Program (1/30/09)

D-2009-064 FY 2007 DoD Purchases Made Through the National Institutes of Health (3/24/09)

D-2009-6-003 Key Strategies and Practices for Oversight of DoD Contracted Audit Services (03/03/2009)

## ARMY AUDIT AGENCY

A-2009-0003-ALE Organizational Clothing and Individual Equipment, U.S. Army, Europe and Seventh Army (10/22/2008)

A-2009-0005-ALA Technology Readiness Assessments, Program Executive Office, Missiles and Space (10/22/2008)

A-2009-0006-FFD Followup of Contracting for Installation Preparedness, Office of the Deputy Chief of Staff, G-3/5/7 and U.S. Army Training and Doctrine Command (FOR OFFICIAL USE ONLY) (10/30/2008)

A-2009-0013-ALE FY 09 Manning Requirements for Contract Security Guards in Europe, U.S. Army, Europe and Seventh Army (FOR OFFICIAL USE ONLY) (11/14/2008)

A-2009-0016-FFH Acquisitions Made Using Military Interdepartmental Purchase Requests, U.S. Army Medical Command (11/17/2008)

A-2009-0022-ALC Followup Audit of HR solutions Program – Contract Procedures (12/12/2008)

A-2009-0024-FFH Attestation Examination – Army MWR External Contract Services (01/07/2009)

A-2009-0028-FFI Followup of Airtime Requirements for Fixed Commercial Satellite Communications Bandwidth, Office of the Chief Information Officer/G-6 (01/05/2009)

A-2009-0038-ALM Followup Audit of the Impact of Warranties on Weapon System Maintenance Costs (01/27/2009)  
A-2009-0040-ALA Audit of Technology Readiness Assessments, Program Executive Office, Aviation (02/10/2009)

A-2009-0042-ALM Contracts for Field Level Reset, U.S. Army Sustainment Command (01/27/2009)

A-2009-0047-ALC Flat Fees for Contracting and Contract Management Services (02/23/2009)

A-2009-0053-ALR Followup Audit of Project Manager Assets – Aviation (Cargo Helicopter), Office of the Program Executive Officer, Aviation (03/04/2009)

A-2009-0061-ALE Billing Operations, U.S. Europe Regional Medical Command (03/31/2009)

A-2009-0064-ALE Job Order Contracting, U.S. Army Garrison Wiesbaden (03/05/2009)

A-2009-0070-ALL Applying Agreed-Upon Procedures to Review Invoices for Housing Maintenance Contracts, Camp Arifjan, Kuwait (FOR OFFICIAL USE ONLY) (03/10/2009)

A-2009-0089-ALA Technology Readiness Assessments, Program Executive Office, Command, Control, and Communications Tactical (03/31/2009)

## NAVAL AUDIT SERVICE

N-2009-0016 Management of Special Tooling and Special Test Equipment at Space and Naval Warfare Systems Command (12/23/08)

N-2009-0021 Acquiring Services through the Center for Naval Analyses (3/18/09)

## AIR FORCE AUDIT AGENCY

F-2009-0001-FC1000 Air Force Contract Augmentation Program Execution (12/17/2008)

F-2009-0002-FC1000 High Performing Organizations (12/17/2008)

F-2009-0001-FC3000 Systems Engineering Planning (10/27/2008)

F-2009-0003-FC3000 A-10 Wing Replacement Program (2/20/2009)

F-2009-0004-FC3000 Air Force Value Engineering Program (3/2/2009)

## FINANCIAL MANAGEMENT

## DOD IG

D-2009-002 Attestation of the Department of the Navy's Environmental Disposal for Weapons Systems Audit Readiness Assertion (10/10/08)

D-2009-003 Internal Controls Over Army General Fund Cash and Other Monetary Assets Held Outside of the Continental United States (10/9/08)

D-2009-004 Agreed-Upon Procedures for Reviewing the FY 2008 Civilian Payroll Withholding Data and Enrollment Information (10/8/08)	D-2009-015 Endorsement of the Qualified Opinion on the Fiscal Year 2008 DoD Medicare-Eligible Retiree Health Care Fund Financial Statements (11/10/08)	D-2009-033 Controls Over Billing Customers and Collecting Revenue for Work Performed at Corpus Christi Army Depot (12/16/08)
D-2009-006 Small Arms Ammunition Fund Management in Support of the Global War on Terror (10/20/08)	D-2009-016 Independent Auditor's Report on the Air Force General Fund FY 2008 and FY 2007 Basic Financial Statements (11/8/08)	D-2009-038 Defense Finance & Accounting Service Working Capital Fund Financial Statement (12/22/08)
D-2009-008 Internal Controls Over the Department of the Navy Military Equipment Baseline Valuation Effort (10/31/08)	D-2009-017 Independent Auditor's Report on the Air Force Working Capital Fund FY 2008 and FY 2007 Basic Financial Statements (11/8/08)	D-2009-039 Endorsement of the Disclaimer of Opinion on the Fiscal Year 2007 Financial Statement for the Chemical & Biological Defense Program (12/22/08)
D-2009-009 Endorsement of the Unqualified Opinion on the FY 2008 DoD Military Retirement Fund Financial Statements (11/7/08)	D-2009-018 Independent Auditor's Report on the Army General Fund FY 2008 and FY 2007 Basic Financial Statements (11/8/08)	D-2009-040 Internal Controls Over the Completeness of the Air Force Military Equipment Baseline (1/6/09)
D-2009-010 Independent Auditor's Report on the Department of the Navy General Fund FY 2008 and FY 2007 Basic Financial Statements (11/8/08)	D-2009-020 Independent Auditor's Report on the Army Working Capital Fund FY 2008 and FY 2007 Basic Financial Statements (11/8/08)	D-2009-044 Defense Finance and Accounting Service Indianapolis Compilation of Other Defense Organizations General Fund Financial Data (1/23/09)
D-2009-011 Independent Auditors Report on the Department of the Navy's Environmental Disposal for Weapon Systems Audit Readiness Assertion (11/12/08)	D-2009-021 Independent Auditor's Report on the Department of Defense FY 2008 and FY 2007 Basic Financial Statements (11/12/08)	D-2009-049 Internal Controls over the United States Marine Corps Military Equipment Baseline Valuation Effort (2/9/09)
D-2009-012 Independent Auditor's Report on the Department of the Navy Working Capital Fund FY 2008 and FY 2007 Basic Financial Statements (11/8/08)	D-2009-023 Independent Auditor's Report on the Department of Defense Special-Purpose Financial Statements for Fiscal Years Ending September 30, 2008 and 2007 (11/17/08)	D-2009-050 Distribution of Funds and the Validity of Obligations for the Management of the Afghanistan Security Forces Fund Phase II (2/5/09)
D-2009-013 Independent Auditor's Report on the United States Marine Corps General Fund FY 2008 and FY 2007 Basic Financial Statements (11/8/08)	D-2009-024 Independent Auditor's Report on the U.S. Army Corps of Engineers, Civil Works, FY 2008 and FY 2007 Basic Financial Statements (11/17/08)	D-2009-053 Independent Auditor's Report on the DoD FY 2008 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities (2/10/09)
D-2009-014 Independent Auditor's Report on the Department of the Navy Working Capital Fund-Marine Corps FY 2008 and FY 2007 Basic Financial Statements (11/8/08)	D-2009-025 Obligation of Funds for Ship Maintenance and Repair at the U.S. Pacific Fleet Maintenance Activities (11/26/08)	D-2009-057 Controls over Collections and Returned Checks at Defense Finance and Accounting Service, Indianapolis Operations (2/27/09)
	D-2009-029 Audit of Internal Controls Over the Department of the Navy Cash and Other Monetary Assets Held in the Continental United States (12/9/08)	D-2009-058 DoD Cost of War Reporting of Supplemental Funds Provided for Procurement and Research, Development, Test, and Evaluation (2/27/09)

D-2009-060 Endorsement of the Management Letter on Internal Controls Over Financial Reporting for the FY 2008 Defense Finance and Accounting Service Working Capital Fund Financial Statements Opinion Audit (For Official Use Only) (3/4/09)

D-2009-061 Controls Over Reporting Transportation Costs in Support of the Global War on Terror (3/12/09)

D-2009-062 Internal Controls Over DoD Cash and Other Monetary Assets (3/25/09)

D-2009-063 Funds Appropriated for Afghanistan and Iraq Processed Through the Foreign Military Sales Trust Fund (3/24/09)

D-2009-065 Navy Reporting of Financing Payments for Shipbuilding on the Financial Statements (3/26/09)

D-2009-068 Independent Auditor's Report on the FY 2007 Defense Information Systems Agency Working Capital Fund Balance Sheet (3/27/09)

D-2009-069 Independent Auditor's Report on the FY 2007 Defense Information Systems Agency General Fund Balance Sheet (3/27/09)

D-2009-6-004 Defense Contract Management Agency Actions on Audits of Cost Accounting Standards and Internal Control Systems at DoD Contractors Involved in Iraq Reconstruction Activities (04/08/2009)

## ARMY AUDIT AGENCY

A-2009-0001-FFM The Army Managers' Internal Control Program for FY 07, Office of the Assistant Secretary of the Army for Manpower and Reserve Affairs (12/19/2008)

A-2009-0011-FFM Independent Auditor's Report for FY 08 American Red Cross Financial Statements (10/31/2008)

A-2009-0021-ALO Audit of DOD Support to 2009 Presidential Inaugural – Notification of Potential Antideficiency Act Violation (12/02/2008)

A-2009-0025-FFH Nonappropriated Fund Capital Asset Valuations, U.S. Army Garrison, Fort Lewis, Washington (01/07/2009)

A-2009-0031-ALE Execution of Force Protection Funding in Europe (01/23/2009)

A-2009-0039-FFM Army's Transition Strategy for the Defense Integrated Military Human Resource System (DIMHRS) (03/17/2009)

A-2009-0041-FFM Agreed-Upon Procedures Attestation of the FY 04 Administrative Fees Collected by the HR solutions Program Office (01/21/2009)

A-2009-0043-ALL Agreed-Upon Procedures Attestation to Determine the Accuracy of Financial Records of the 101st Financial Management Company, Contingency Operating Base Speicher, Iraq (FOR OFFICIAL USE ONLY) (02/02/2009)

A-2009-0044-FFH Nonappropriated Fund Capital Asset Valuations, U.S. Army Garrison, Fort Drum, New York (02/02/2009)

A-2009-0045-FFH Nonappropriated Fund Capital Asset Valuations, U.S. Army Garrison, Fort Lee, Virginia (02/02/2009)

A-2009-0046-ZBI Emergency and Extraordinary Expense Funds (Intelligence Contingency Funds—Limitation .0017) Multi-National Corps – Iraq (02/04/2009) (CLASSIFIED)

A-2009-0048-FFM Review of Business Process Plan – Reporting Accounts Receivable for the Army General Fund (02/10/2009)

A-2009-0052-FFM Review of the Business Process Plan – Reporting Accounts Receivable for the Army Working Capital Fund (02/10/2009)

A-2009-0056-FFH Nonappropriated Fund Capital Asset Valuations, U.S. Army Garrison, Fort Stewart, Georgia (02/17/2009)

A-2009-0059-ZBI Audit of Intelligence Funds – Site A (02/25/2009) (CLASSIFIED)

A-2009-0060-FFS Potential Antideficiency Act Violations, Funds Executed for the Office of the Under Secretary of the Army (Business Transformation) (03/16/2009)

A-2009-0062-FFM Assessing Future Base Budget Requirements, Manning Program Evaluation Group (FOR OFFICIAL USE ONLY) (03/03/2009)

A-2009-0073-ALA Assessing Future Base Budget Requirements, Equipping Program Evaluation Group (FOR OFFICIAL USE ONLY) (03/26/2009)



A-2009-0075-FFM Agreed-Upon Procedures Attestation of the FY 07 Administrative Fees Collected by the HRsolutions Program Office (03/16/2009)

A-2009-0078-ALE Access Control Point Project at Patrick Henry Village, U. S. Army Garrison Baden-Wurttemberg (03/19/2009)

A-2009-0081-FFH Nonappropriated Fund Capital Asset Valuations, U.S. Army Garrison, Fort Jackson, South Carolina (03/24/2009)

## NAVAL AUDIT SERVICE

N-2009-0003 Disbursing Checks and Balances at the Commander, Navy Region Southwest Asia Commercial Bill Paying Office (10/17/08)

N-2009-0011 Special Operations Fund (11/18/08) (CLASSIFIED)

N-2009-0015 Verification of Department of the Navy's Fiscal Year 2007 Reporting of Depot Maintenance Workload Distribution Between Public and Private Sectors (12/22/08)

N-2009-0017 Navy Marine Corps Intranet Contract Performance Measures for Incentive Payments (2/12/09)

N-2009-0020 Bureau of Medicine and Surgery Management of Sustainment Funds to Repair and Maintain Real Property Facilities (2/26/09)

## AIR FORCE AUDIT AGENCY

F-2009-0001-FB1000 Air Force Smart Operations for the 21st Century Implementation (10/6/2008)

F-2009-0002-FB1000 Air Force Office of Special Investigations Confidential Investigative Contingency Funds (12/5/2008)

F-2009-0003-FB1000 Centrally Managed Allotment - Second Destination Transportation (2/20/2009)

F-2009-0001-FB2000 Mechanization of Contract Administration Services System Controls (10/3/2008)

F-2009-0002-FB2000 System Controls for the General Accounting and Finance System - Rehost (10/14/2008)

F-2009-0003-FB2000 General Accounting and Finance System - Rehost Accounting Requirements (2/4/2009)

F-2009-0004-FB2000 Defense Enterprise Accounting and Management System Controls (2/20/2009)

F-2009-0001-FB3000 General Fund Accounts Payable - Integrated Accounts Payable System Transactions (12/11/2008)

F-2009-0002-FB3000 Base Realignment and Closure Environmental Liabilities (12/15/2008)

F-2009-0003-FB3000 Working Capital Fund General Equipment (12/17/2008)

F-2009-0004-FB3000 Working Capital Fund Real Property (12/18/2008)

F-2009-0005-FB3000 General Fund Real Property (3/2/2009)

F-2009-0001-FC2000 Depot Maintenance Labor Standards (10/16/2008)

F-2009-0002-FD1000 Iraq Reconstruction Program Task Order Closeout (10/14/2008)

F-2009-0001-FD2000 Interim Report, Management of Global War on Terror Funds for Medical Support (12/2/2008)

F-2009-0002-FD2000 Medical Expense and Performance Reporting System (1/2/2009)

## HEALTH CARE

## DOD IG

D-2009-037 TRICARE Controls Over Claims Prepared by Third-Party Billing Agencies (12/31/08)

## ARMY AUDIT AGENCY

A-2009-0007-FFH Followup Audit of Contracts for Medical Goods and Services, Southeast Regional Medical Command (11/03/2008)

A-2009-0008-FFH Trauma Services Cooperative Agreement, Brooke Army Medical Center, Fort Sam Houston, Texas (10/29/2008)

A-2009-0009-ALO Military and Family Counseling Services Contract, Fort Hood, Texas (10/31/2008)

A-2009-0020-ALO Military and Family Counseling Services Contract, Fort Lewis, Washington (12/01/2008)

## NAVAL AUDIT SERVICE

N-2009-0018 Controls Over Medical Supplies and Equipment (2/19/09)

## AIR FORCE AUDIT AGENCY

F-2009-0003-FD1000 Environmental Resources Program Information Management System (12/15/2008)

F-2009-0004-FD4000 Air Force Fitness Program (12/11/2008)

## OTHER

## DoD IG

D-2009-022 Base Realignment and Closure 2005 Military Construction Project To Consolidate and Relocate Service Media Activities to Fort Meade, Maryland (11/14/08)

D-2009-028 Organizational Structure and Managers' Internal Control Program for the Assistant Secretary of Defense (Public Affairs) and American Forces Information Service (12/10/08)

D-2009-035 Review of Physical Security of DoD Installations (1/14/09)

D-2009-052 Controls over Excess Defense Articles Provided to Foreign Governments (2/13/09)

D-2009-055 Base Realignment and Closure 2005 for the Pensacola Undergraduate Navigator Training Relocation (2/13/09)

D-2009-056 Personal Commercial Solicitation of Military Personnel: Impact of DoD Actions and Public Law 109-290 (2/23/09)

D-2009-6-001 Quality Control Review of Naval Audit Service's Special Access Program Audits (10/09/2008)

D-2009-6-002 External Reviews of the Quality Control Systems of the Military Department Audit Agencies (11/07/2008)

IE-2009-002 DoD Civilian Safety Survey (12/12/08)

IE-2009-004 Examination of Allegations Involving DoD Public Affairs Outreach Program (01/14/09) Withdrawn

IE-2009-005 2008 Evaluation of the DoD Voting Assistance Program (04/30/09)

Contract No. GS-00F-0005R Independent Engineering Assessment of the New Orleans Temporary Outflow Canal Pumps (Parsons Project No. 746558) (02/27/09)

09-INTEL-01 Review of an Under Secretary of Defense for Intelligence Program (10/31/2008)

09-INTEL-02 Oversight of the Nuclear Surety Inspections Conducted in the Aftermath of the B-52 Incident (12/04/2008)

09-INTEL-03 Review of Intelligence Resources at the Joint Intelligence Task Force Combatting Terrorism and Special Operations Command in Support of Operation Enduring Freedom and Operation Iraqi Freedom (02/13/2009)

09-INTEL-04 Review of Intelligence Systems Support Office Programs (3/11/2009)

09-INTEL-05 Audit of the Management of Signals Intelligence Counterterrorism Enterprise Analysts (3/24/2009)

## ARMY AUDIT AGENCY

A-2009-0068-FFE Energy Consumption (03/12/2009)

A-2009-0079-FFE Civil Works Dam Management, U.S. Army Corps of Engineers (03/24/2009)

## NAVAL AUDIT SERVICE

N-2009-0001 Contracting for Bachelor Housing Furnishings (10/3/08)

N-2009-0009 Department of the Navy Fisher Houses (11/4/08)

N-2009-0010 Internal Controls for Overtime Procedures at Navy Region Mid-Atlantic (11/7/08)

N-2009-0019 Auditor General Advisory – Service Contracts for the Communications-On-the-Move Network Digital Over-the-Horizon Relay (CONDOR) Project (2/24/09)

## 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-2009-007 Procurement and Use of Nontactical Vehicles at Bagram Air Field, Afghanistan (10/31/2008)	\$16,000,000 Questioned	
D-2009-022 Base Realignment and Closure 2005 Military Construction Project to Consolidate and Relocate Service Media Activities to Fort Meade, Maryland (11/14/2008)	\$833,000 Questioned	
D-2009-025 Obligation of Funds for Ship Maintenance and Repair at the US Pacific Fleet Maintenance (11/26/2008)	N/A	\$95,000,000
D-2009-026 Small Business Contracting Under the Navy DDG-1000 Program (11/26/2008)	N/A	\$548,619
D-2009-032 The America Supports You Program (12/12/2008)	\$17,345 Questioned	\$16,900,000
D-2009-036 Acquisition of the Air Force Second Generation Wireless Local Area Network (1/16/2009)	N/A	\$798,000
D-2009-057 Controls over Collections and Returned Checks at Defense Finance and Accounting Service, Indianapolis Operations (02/27/2009)	N/A	\$1,200,000
D-2009-064 FY 2007 DoD Purchases Made Through the National Institutes of Health (03/24/2009)	N/A	\$1,072,206
Totals	\$16,850,345	\$115,518,825

\*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

**DECISION STATUS OF DOD IG 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.	39	\$146,242
B. Which were issued during the reporting period.	66	\$132,369
Subtotals (A+B)	105	\$278,611
C. For which a management decision was made during the reporting period.		\$245,804
(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.	74	\$245,804 <sup>2</sup>
D. For which no management decision has been made by the end of the reporting period.	31	\$32,807
Reports for which no management decision was made within 6 months of issue (as of March 31, 2008).	10 <sup>3</sup>	\$12,820

1. DoD IG audit reports issued during the period involved \$16.9 million in “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 IG Report Nos. D-2006-112, “Selected Controls over the Military Personnel, Army Appropriation”; D-2007-003, “Internal Controls over the Army General Fund, Note 3, “Fund Balance With Treasury,” Disclosures”; D-2007-6-001, “Reimbursement of Settlement Costs at DCMA Melbourne,” D-2008-5-003, “Review of Threat Assessment Guidance Regarding Nuclear Weapons Located Outside the Continental United States”; D-2008-080; “Accounting to Support DoD Personnel During Times of Civil Emergency”; D 2008-082, Summary Report on Potential Antideficiency Act Violations Resulting from DoD Purchases Made Through Non-DoD Agencies”; D-2008-104, “DoD Implementation of Homeland Security Presidential Directive 12”; D-2008-108, “Agreed-Upon Procedures Related to the 10th Edition of the Army Chief Financial Officers Strategic Plan”; and, D-2008-121, “Internal Controls for Air Force General Funds Cash and Other Monetary Assets”; had no management decision as of March 30, 2009, but action to achieve a decision is in process. D-2008-026, “Management of the Iraq Security Forces Fund in Southwest Asia – Phase III,” had no management decision as of March 31, 2009, but was decided April 3, 2009.

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



STATUS OF ACTION ON CENTRAL INTERNAL AUDITS Period ending March 31, 2009 (\$ in thousands)		
Status	Number	Funds Put to Better Use <sup>1</sup>
DoD IG		
Action in Progress - Beginning of Period	262	\$2,100
Action Initiated - During Period	74	\$245,804
Action Completed - During Period	98	\$161,696
Action in Progress - End of Period	238	\$2,100 <sup>2</sup>
Military Departments		
Action in Progress - Beginning of Period	567	\$3,012,509
Action Initiated - During Period	143	\$2,504,235
Action Completed - During Period	133	\$491,427
Action in Progress - End of Period	577	\$4,522,133
<sup>1</sup> DoD IG audit reports opened during the period involved \$16.8 million in “questioned costs.” <sup>2</sup> On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$1,393 million, we agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.		

\* 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, 2008 THROUGH MARCH 31, 2009

TYPE OF AUDIT <sup>2</sup>	Assignments Completed	EXAMINED	QUESTIONED COSTS <sup>3</sup>	FUNDS PUT TO BETTER USE
Incurring Costs, Ops Audits, Special Audits	5,758	\$36,415.4	\$393.0	\$69.6 <sup>4</sup>
Forward Pricing Proposals	3,168	\$131,745.4	---	\$9,336.9 <sup>5</sup>
Cost Accounting Standards	584	\$509.3	\$60.0	---
Defective Pricing	78	(Note 6)	\$12.3	---
Totals	9,588	\$168,670.1	\$465.3	\$9,406.5

### NOTES

1. This schedule represents Defense Contract Audit Agency contract audit assignments completed during the six months ended March 31, 2009. Some completed assignments do not result in a report issued because they are part of a larger audit, so the number of audit reports will be less than the number shown above. This schedule 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.

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).

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

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.

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

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, 2009 (\$ IN MILLIONS)

	Number of Reports	Costs Questioned	Disallowed Costs <sup>6</sup>
Open Reports:			
Within Guidelines <sup>2</sup>	328	\$664.2	N/A <sup>7</sup>
Overage, greater than 6 months <sup>3</sup>	672	\$ 1,525.6	N/A
Overage, greater than 12 months <sup>4</sup>	491	\$101.4	N/A
In Litigation <sup>5</sup>	150	\$ 1,646.3	N/A
Total Open Reports	1,641	\$3,937.5	N/A
Closed Reports	348	\$329.7	\$223.1 (67.7%)
All Reports	1,989	\$4,267.2	\$223.1 (5.2%)

1 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, Defense Intelligence Agency, Defense Logistics Agency, National Geospatial-Intelligence Agency, National Security Agency and TRICARE Management Activity. Contract audit follow-up is reported in accordance with DoD Instruction 7640.02, "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.

2 These reports are within the timeframes established by OMB Circular A-50, "Audit Follow-up", and DoD Instruction 7640.02 as described in footnotes 3 and 4 below.

3 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.

4 DoD Instruction 7640.02 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.

5 Of the 118 reports in litigation, 30 are under criminal investigation.

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

7 N/A (not applicable)

## APPENDIX F

**STATUS OF DOD IG REPORTS MORE THAN 12 MONTHS OLD  
WITH FINAL ACTION PENDING  
(AS OF MARCH 31, 2009)**

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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
97-134, Disposal of Munitions List Items in the Possession of Defense Contractors, 4/22/1997	Change regulations to advance the identification of munitions list items to the early stages of the acquisition process.	Revisions are necessary to conform to changes in DoD Publication formatting.	USD(AT&L), DLA
98-067, Access Reciprocity Between DoD Special Access Programs, 2/10/1998	Standardize Special Access Program eligibility implementing criteria and develop a centralized SAP database.	Decision to transfer primary responsibility for Special Access Program policy from USD(I) to the DoD SAP Central Office delayed revisions to and coordination of DoD publications related to management, administration and oversight of SAPs. Funding constraints delay the remaining server set installation.	USD(I)
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.	Revisions to DoD policy guidance on hold pending ongoing Reform Initiatives set forth in Executive Order 13467. Decisions to pursue a new quality review tool underway, pending testing results. Extensive time required for coordination and approval of DoD adjudication and certification program.	USD(I)



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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.	Lack of management attention.	Army
D-2000-111, Security Clearance Investigative Priorities, 4/5/2000	Develop criteria and determine the highest priority mission-critical and high-risk positions based on their impact on mission-critical programs. Develop a process for relating specific clearance requests to mission-critical and high-risk positions.	Revisions to DoD policy guidance on hold pending ongoing Reform Initiatives set forth in Executive Order 13467.	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.)	The decision to implement new software, funding constraints, as well as perform modifications to an existing system, have delayed implementation of the recommendation.	DSS
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.	Remaining differences between Army and Air Force comments have to be resolved and incorporated into the joint instruction.	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.	Selected system for use as the patient safety reporting program did not demonstrate to be effective, suitable or survivable for limited deployment. Replacement system is being sought.	ASD(HA)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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. Establishment of continuing education standards to facilitate the certification of professional adjudicators. Issue guidance on professional certification and continuous training program for all adjudicators.	Revisions to DoD policy guidance on hold pending ongoing Reform Initiatives set forth in Executive Order 13467.	DSS, USD(I)
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.	USD(AT&L)
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 due to current Reform Initiatives.	USD(I)
D-2001-153, Pentagon Reservation Maintenance Revolving Fund, 7/2/2001	Develop processes 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-2001-158, 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.	Implementation has been delayed by higher management priorities.	DFAS
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, and Defense Courier Service assets. Create electronic interfaces between the logistics and the accounting systems for transferring data.	Implementation has been delayed by higher management priorities.	TRANSCOM

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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 exchange.	Delays caused by personnel turnover and competing management priorities.	USFK
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 upgrade. Also, establish procedures to ensure effective deployment of those DBSS upgrades.	Extended time needed to FDA approval for upgrade and deployment of the upgraded DBSS system.	Army, 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 is awaiting requirements from PACFLT.	Navy, PACOM
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 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)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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 attention.	Army
D-2002-117, Review of FY 2001 Financial Statement for the Defense Intelligence Agency (U), 6/25/2002	Report is classified.	Extensive time needed for system development.	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.	Delays were caused by broadening the scope of the draft instruction, extensive revisions and coordination issues.	USD(P&R)
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.	Initial delays were caused by technical difficulties and contract issues. The reasons for recent delays are unknown because WHS did not provide an update.	WHS
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 remaining Army plan was previously on hold pending the resolution of an internal disagreement within the U.S. Fish and Wildlife Service. Current delays are due to contracting and coordination issues.	Army
D-2003-018, Validity of Registration in the Central Contractor Registration 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



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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.	Long-term corrective actions are on schedule.	USD(AT&L)
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.	Extensive time needed for system development.	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.	Long term corrective actions are in process.	DIA
D-2003-106, Administration of Performance-Based Payments Made to Defense Contractors, 6/25/2003	The Director, Defense Procurement and Acquisition Policy, 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)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-128, The Chemical Demilitarization Program: Increased Costs for Stockpile and Non-Stockpile Chemical Disposal Programs, 9/4/2003	Issue policy to specify Army authorities and responsibilities as DoD's Executive Agent for the Recovered Chemical Warfare Materiel Program.	Extended time required to obtain and review Army's proposed implementation plan for DoD.	USD(AT&L)
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, validate the canceled balances and report any potential Antideficiency Act violations.	Extensive time required for changes to financial policies.	USD(C), DFAS
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. Revisions to DoD policy guidance on hold pending ongoing Reform Initiatives set forth in Executive Order 13467.	USD(I)
D-2004-007, Force Protection in the Pacific Theater (U), 10/14/2003	Report is classified.	Army and USMC are in process of updating their guidance based on DoD guidance published on 10/30/06 and incorporation of other related changes.	Army, MC

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-008, Implementation of Interoperability and Information Assurance Policies for Acquisition of Army Systems, 10/15/2003	Update Army Regulations 70-1 and 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 continues.	Army
D-2004-012, Sole-Source Spare Parts Procured From an Exclusive Distributor, 10/16/2003	Report is FOUO.	Lack of management emphasis.	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' guidance update was put on hold pending the revision of a higher level Army regulation, but is currently on track for publication by October 31, 2009.	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 so the Milestone Decision Authority can review document status from development to document approval. Army Regulations will be updated to reflect new reporting procedures.	Extensive time required for coordination and publication of DoD document.	Army
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

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-061, Export Controls: Export Controlled Technology at Contractor, University and Federally Funded Research and Development Center Facilities, 3/25/2004	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 Buildings and Other Structures, 3/26/2004	Improve the financial accountability for buildings and other structures owned by USACE.	Implementation has been delayed by higher management priorities.	Army
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.	Publication of AF Instruction was delayed to include pending revision of DoD guidance and then other related guidance.	AF
D-2004-079, Reliability of the Defense Intelligence Agency FY 2003 Financial Statements (U), 4/29/2004	Report is classified.	Long term corrective actions are in process.	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.	Normal time to develop and implement new guidance and procedures.	USD(AT&L)
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 and also require MTFs to use a pharmaceutical returns company.	Extended time needed for update of Air Force publication.	Army, AF
D-2004-099, Reliability of National Security Agency FY 2003 Financial Statements (U), 7/15/2004	Report is classified.	Long term corrective actions are in process.	NSA



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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.	Extensive time needed to revise guidance.	Army
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.	Lack of management emphasis; slow system development process.	USD(C), DFAS
D-2005-020, Defense Logistics Agency Processing of Special Program Requirements, 11/17/2004	DLA is identifying cost savings realized as a result of the DLA Customer Collaboration project.	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.	Closeout work continues.	DFAS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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.	Delays have been due to litigation, additional standard competitions, and guidance development.	USD(AT&L)
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.	DBO needs to confirm that USACE has taken appropriate corrective actions.	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-going.	Army
D-2005-054, Audit of the DoD Information Technology Security Certification and Accreditation Process, 4/28/2005	Report is FOUO.	Coordination is ongoing to promulgate three policies.	ASD(NII)
D-2005-074, Support for Reported Obligations for the National Security Agency (U), 6/28/2005	Report is classified.	Corrective actions are being implemented.	NSA
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, Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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, and assisted acquisitions.	Corrective actions are on-going	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.	Corrective actions are being implemented.	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-going.	Navy
D-2006-003, Security Controls Over Selected Military Health System Corporate Database, 10/7/2005	Report is FOUO.	Extended time required for revision and coordination of guidance.	Army, Navy, AF, USD(I), ASD(HA)
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.	Normal time for DCAA to plan and conduct a 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

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-010, Contract Surveillance for Service Contracts, 10/28/2005	The Army will develop management controls to ensure contract surveillance is adequately performed and documented. Of 15 recommendations contained in the report, 14 of the recommendations have been implemented and are complete.	Normal time to develop and implement new guidance and procedures.	Army
D-2006-026, Air Force Operational Mobility Resources in the Pacific Theater (U), 11/17/2005	Report is classified.	Implementation is moving forward now that the necessary guidance has been published.	AF
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-2006-030, 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-2006-039, Internal Controls Over the Compilation of the Air Force, General Fund, Fund Balance With Treasury for FY 2004, 12/22/2005	The USD(C) will update the FMR and DFAS will rescind an old instruction and update and formalize other SOPs to improve internal controls over the compilation of the Air Force, General Fund, Fund Balance with Treasury.	Report had been in mediation and has been recently resolved.	USD(C), DFAS



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-041, Operational Mobility: Gap-Crossing Resources for the Korean Theater, 12/26/2005	Report is Classified.	Corrective actions were initially delayed due to changes in force structure in Korea and a new commander. Actions are now on schedule.	Army, USFK, MC
D-2006-042, Security Status for Systems Reported in DoD Information Technology Databases, 12/30/2005	Ensure information in DoD information technology database is accurate and complete	Examinations of the IT compliancy processes continue; to streamline them and ensure maximum accuracy of information.	ASD(NII)
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-2006-046, Technical Report on the Defense Property Accountability System, 1/27/2006	Report is FOUO.	Corrective actions are on schedule.	USD(AT&L)
D-2006-050, 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-2006-053, Select Controls for the Information Security of the Ground-Based Midcourse Defense Communications Network, 2/24/2006	Update the Ground Based Midcourse Defense Communications Network configuration to include: Automated monitoring of the unencrypted and encrypted communications and monitoring systems; and Individual user passwords to access the unencrypted communications system.	Long-term corrective actions are on schedule.	MDA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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-2006-055, Spare Parts Procurements From TransDigm, Inc., 2/23/2006	The DLA will issue guidance to strengthen contracting policies and procedures and training.	Corrective actions are on-going.	DLA
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.	Normal time to revise and implement new guidance and training.	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-2006-060, Systems Engineering Planning for the Ballistic Missile Defense System, 3/2/2006	Report is FOUO.	Significant organizational changes have delayed issuance of policy. Continued system development on hold pending results of planned test.	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)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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 of this material weakness involves a long-term effort.	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.	Required coordination efforts for discontinued research are taking longer than expected.	DFAS
D-2006-071, Acquisition: Capabilities Definition Process at the Missile Defense Agency, 4/5/2006	Finalize and approve mutually supportive directives outlining each organizations roles and responsibilities with respect to capability-based requirements.	Extensive time needed to establish policy and implement changes to directives.	STRATCOM, MDA
D-2006-072, Internal Controls Related to Department of Defense Real Property, 4/6/2006	The Department is working to improve internal controls at the installation level for real property offices. The Air Force is working to: identify which FY they can prove existence, completeness, and valuation and use that FY as their baseline for real property; and maintain an audit trail that supports the real property values reported on the financial statements.	Corrective actions and efforts to verify corrective actions are on-going.	Army, Navy, AF, USD(AT&L), USD(C)
D-2006-073, Human Capital: Report on the DoD Acquisition Workforce Count, 4/17/2006	Develop and implement written standard operating procedures and guidance for counting the acquisition workforce to include definitions of workforce count and methodologies and procedures used to perform periodic counts, and requirements to maintain and support related documentation. Revise DoD guidance to update information requirements for automated data files.	Completion has been delayed due to the extensive nature of supporting initiatives and changes involved in implementing these recommendations. This is the first major data management improvement effort since the 1991 Defense Acquisition Workforce Improvement Act.	USD(AT&L)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-077, DoD Security Clearance Process at Requesting Activities, 4/19/2006	Updating policies for the DoD Personnel Security Clearance Program to include various information including program management and investigative responsibilities, security clearance systems, submission processes, types and levels of security clearances, and training requirements for security personnel.	Revisions to DoD policy guidance on hold pending ongoing Reform Initiatives set forth in Executive Order 13467. Other service issuances are dependent upon that updated version of that Regulation.	USD(I), DISA, AF
D-2006-078, Information Systems Security: Defense Information Systems Agency Encore II Information Technology Solutions Contract, 4/21/2006	Report is FOUO.	Recommended language was included in DoDI 5000.02. Awaiting subsequent revisions to additional guidance. New estimated completion date is July 2009.	ASD(NII)
D-2006-079, Review of the Information Security Operational Controls of the Defense Logistics Agency's Business Systems Modernization-Energy, 4/24/2006	Update Business Systems Modernization Energy (Fuels Automated System) plan of action and milestones to include all security weaknesses based on the current system configuration.	New deployment schedule developed because of delays caused by the military services' internal coordination processes.	DLA
D-2006-080, Use of Environmental Insurance by the Military Departments, 4/27/2006	Identify practices, processes, and strategies for effectively using environmental insurance; establish milestones for issuing overarching guidance on the Department's position on the use of environmental insurance; establish a process to evaluate whether DoD is achieving the anticipated benefits of risk reduction, cost savings, timely completion of cleanup projects, and increased used of performance-based contracting for environmental cleanup services, as it relates to environmental insurance.	Lack of management attention in fully implementing corrective actions.	USD(AT&L)



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-081, Financial Management: Recording and Reporting of Transactions by Others for the National Security Agency, 4/26/2006	Report is Classified.	Corrective actions are on schedule.	NSA
D-2006-083, Report on Information Operations in U.S. European Command (U), 5/12/2006	Report is Classified.	Corrective actions are on schedule for JS and USD(I). STRATCOM actions have been delayed due to a changed focus in the performance of advocacy activities from Information Operations to Cyber.	JS, STRATCOM, USD (I)
D-2006-085, Vendor Pay Disbursement Cycle, Air Force General Fund: Funds Control, 5/15/2006	The Air Force will strengthen internal controls on the coordinated efforts of receiving officials, resource managers, and funds holders who oversee the status of funds.	Corrective actions are on schedule	AF
D-2006-086, Information Technology Management: Report on General and Applications Controls at the Defense Information Systems Agency, Center for Computing Services, 5/18/2006	Report is FOUO.	Corrective actions are on schedule.	DISA
D-2006-087, Acquisition: Acquisition of the Objective Individual Combat Weapon Increments II and III, 5/15/2006	Report is FOUO.	Change in requirements and competing priorities.	Army
D-2006-096, Information Technology Management: Select Controls for the Information Security of the Command and the Control Battle Management Communications System, 7/14/2006	Report is FOUO.	Long-term corrective actions are on schedule.	MDA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-100, Procurement Procedures Used for Next Generation Small Loader Contracts, 8/1/2006	The Air Force will develop a plan to improve the collection, analysis, and reporting of maintenance data for the Halvorsen fleet; and transition from a base level funded sustainment construct to ICS, and then to a CLS contract to improve readiness. Also, the Air Force agreed to review the basing plan for all loaders to ensure optimum usage, and ensure that future FAR Part 12 and Part 15 acquisitions adequately meet operational requirements.	Extensive time required to coordinate the transition from ICS to CLS and issue the basing plan review results for all loaders.	AF
D-2006-101, Acquisition: Procurement Procedures Used for C-17 Globemaster III Sustainment Partnership Total System Support, 7/21/2006	Complete a thorough BCA that evaluates multiple sustainment options for the C-17 Globemaster III aircraft. Also, develop policy that will require future Air Force public-private partnership contracts to identify the resources being procured with private investment.	Extensive time required to complete a Business Case Analysis and issue revised policy guidance.	AF
D-2006-106, Allegations Concerning Mismanagement of the Aerial Targets Program, 8/4/2006	Issue guidance to mitigate frequency interference risks and emphasize Joint Tactical Radio System reporting requirements.	Delays continue due to personnel and procedural changes and re-combinations of guidance documents.	AF
D-2006-107, Defense Departmental Reporting System and Related Financial Statement Compilation Process Controls Placed in Operation and Tests of Operating Effectiveness for the Period October 1, 2004, through March 31, 2005, 8/18/2006	Report is FOUO.	Corrective actions are on schedule.	USD(AT&L), DTSA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-108, Providing Interim Payments to Con- tractors in Accordance With the Prompt Payment Act, 9/1/2006	AT&L will establish a Defense Federal Acquisition Regulation Supplement case to evaluate the costs and benefits of revising the DoD policy of paying cost reim- bursable service contracts on an accelerated basis(14 days). Also, the USD (C) will revise the DoD Financial Manage- ment Regulation, Volume 10, Chapter 7, entitled “Prompt Payment Act”, to reflect the list of contract financing payments identified in the Federal Acquisition Regula- tions, Part 32.001.	Corrective actions are on schedule. Normal time re- quired to update the DFARS.	USD(AT&L), USD(C), DFAS
D-2006-111, Expanded Micro-Purchase Authority for Purchase Card Transactions Related to Hurricane Katrina, 9/27/2006	Revise contingency-related purchase card guidance and improve efforts to disseminate and implement guidance. Also, establish a robust oversight presence and significantly strengthen internal controls to mitigate the risk of fraud, waste, and abuse.	Extensive time required to coordinate and issue policy.	USD(AT&L), AF, DISA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-114, Budget Execution Reporting at Defense Finance and Accounting Service Indianapolis, 9/25/2006	Develop and execute SOPs to: record and report obligations incurred against category codes that are consistent with the apportionment category codes; adjust the amounts submitted to the Treasury and reported on the Army Report on Budget Execution and Budgetary Resources; perform a quarterly reconciliation on those amounts; notify the Treasury when amounts on the OMB Report on Budget Execution and Budgetary Resources are not accurate; and disclose the existence of material unrecconciled differences in budget execution data as part of the footnote disclosures to the Army financial statements.	Long-term corrective action on schedule.	DFAS
D-2006-115, Acquisition: Commercial Contracting for the Acquisition of Defense Systems, 9/29/2006	DoD is in the process of clarifying the term "Commercial Item" in appropriate DoD guidance.	Extensive time required for approval process to update DoD guidance.	USD(AT&L)
D-2006-117, American Forces Network Radio Programming Decisions, 9/27/2006	Update DoD Regulation 5120.20-R to provide written policies, controls, and procedures for the radio programming decision-making process.	Guidance update delayed by BRAC consolidation of American Forces Information Service and internal communications functions of the services.	ASD(PA)
D-2006-118, Financial Management: Financial Management of Hurricane Katrina Relief Efforts at Selected DoD Components, 9/27/2006	Processing the closeout of Hurricane Katrina mission assignments and return of reimbursable funding authority to the Federal Emergency Management Agency. Revise DoD FMR to reflect changes in financial management responsibilities.	USD (C) actions contingent on revision of ASD (HD) guidance; corrective actions predicated upon actions by outside agencies.	USD(C), NORTHCOM
D-2006-123, Program Management of the Objective Individual Combat Weapon Increment I, 9/29/2006	Report is FOUO.	Change in requirements and competing priorities.	Army



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-002, Logistics: Use of DoD Resources Supporting Hurricane Katrina Disaster, 10/16/2006	Revise DoDD 3025.1, Military Support to Civil Authorities, to identify ASD (HD) as executive agent for defense support of civil authorities and the USNORTHCOM as the supporting combatant command for defense support of civil authorities.	Normal time needed for implementation of recommendations.	ASD(HD)
D-2007-008, Acceptance and Surveillance of F-16 Mission Training Center Simulation Services, 11/1/2006	The Air Force and the DCMA will develop quality assurance surveillance plans for the follow-on F-16 Mission Training Center simulation service contract. The Air Force will revise AFI 36-2251 to more clearly define the roles and responsibilities of personnel who manage and administer simulation service contracts throughout all major commands.	Extensive time required to coordinate and issue policy.	AF
D-2007-010, Army Small Arms Program that Relates to Availability, Maintainability, and Reliability of Small Arms Support for the Warfighter, 11/2/2006	Army is following up on the findings and recommendations of the Soldier Weapons Assessment Team Report Number 6-03.	Additional time needed for implementation of recommendations.	Army
D-2007-023, DoD Purchases Made Through the National Aeronautics and Space Administration, 11/13/2006	The USD(AT&L) will develop and implement policy guidance to strengthen DoD contracting procedures and training requirements. The Navy will develop training for contracting personnel on proper acquisition planning and administration of interagency acquisitions. The DISA will strengthen contracting procedures in the proper use of non-DoD contracts.	Corrective actions are on schedule.	USD(AT&L), Navy, DISA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-024, Management and Use of the Defense Travel System, 11/13/2006	USD(P&R) will establish a process to collect complete, reliable, and timely DoD travel information and establish necessary improvements to maximize benefits of Defense Travel System. DFAS will develop, document, and implement a reconciliatory process from disbursing systems to work counts in e-Biz.	Long-term corrective actions on schedule.	USD(P&R), DFAS
D-2007-025, Acquisition of the Pacific Mobile Emergency Radio System, 11/22/2006	Report is FOUO.	Extended time needed to analyze costs and complete required program documents.	PACOM
D-2007-029, Auditability Assessment of the Defense Intelligence Agency Business Processes for the Identification, Documentation, and Reporting of Property, Plant, and Equipment (U), 11/30/2006	Report is classified.	Corrective actions are on schedule.	DIA
D-2007-039, Information Assurance of Missile Defense Agency Information Systems (FOUO), 12/21/2006	Report is FOUO.	Corrective actions are on schedule.	MDA
D-2007-040, General and Application Controls Over the Financial Management System at the Military Sealift Command, 1/2/2007	Improve the reliability of financial information by strengthening the general and application controls over the Military Sealift Command's Financial Management System. Specifically, improve internal controls over entity-wide security program planning and management, access controls, software development and change controls, system software, segregations of duties, service continuity, authorization, and accuracy.	Long-term corrective action on schedule.	Navy

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-041, Navy General Fund Vendor Payments Processed By Defense Finance and Accounting Service, 1/2/2007	Update the DoD FMR to be in full compliance with Statement of Federal Financial Accounting Standards Number 1; improve the recording of DoN accounts payable (A/P) transactions; identify the accounts payable recording as an assessable unit and develop procedures to test compliance with Navy General Fund; strengthen procedures to ensure that supporting documentation for all non-Electronic Data Interchange vendor payment transactions is maintained and supports proper disbursements; improve payment and operating procedures used to make vendor payments; require all certifying officials to provide supporting documents.	Corrective actions are on schedule.	USD(C), DFAS, Navy
D-2007-043, Controls Over the Army, Navy, and Air Force Purchase Card Programs, 1/10/2007	The Army and Air Force will issue purchase card guidance and improve efforts to disseminate and implement guidance.	Extensive time required to coordinate and issue policy guidance.	Army, AF
D-2007-044, FY 2005 DoD Purchases Made Through the Department of the Interior, 1/16/2007	The U.S. Army will revise its internal policy guidance on the proper use of non-DoD contract instruments.	Extensive time required to coordinate and issue policy guidance.	Army
D-2007-048, Navy Sponsor Owned Material Stored at the Space and Naval Warfare Systems Centers, 1/26/2007	The Navy is working to improve controls over the financial reporting of sponsor-owned material and inventory controls over sponsor-owned materials.	Corrective actions are on schedule.	Navy
D-2007-049, Equipment Status of Deployed Forces Within the U.S. Central Command, 1/25/2007	Report is Classified.	Awaiting publication of pending guidance.	USD(P&R)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-054, Quality Assurance in the DoD Healthcare System, 2/20/2007	ASD (HA) will revise DoD 6025-13-R, "Military Health System Clinical Quality Assurance Program Regulation," dated 6/11/04 to help Military Health System managers monitor and improve the quality of medical care in the MHS and mitigate the risk of financial loss. Upon revision of the DoD regulation, the Services will revise Service-level guidance as necessary.	Normal time required for implementation of recommendations.	ASD(HA), Army, Navy, AF
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, 2/5/2007	The USACE Ordering Districts will monitor timeliness of bottled water deliveries and each contracting office and their internal review offices will review processes to ensure enforcement of contract time delivery parameters. The USACE will issue guidance addressing contract requirements for properly supported invoices and proper recordkeeping and process actions to recoup disbursements associated with government-ordered delay of work and unsupported payments to contractors.	USACE review results currently being verified by the DoD IG.	Army
D-2007-057, Use and Controls Over Military Interdepartmental Purchase Requests at the National Geospatial-Intelligence Agency, 2/13/2007	Report is FOUO. Modify the Dashboard database to distinguish different increments for evolutionary acquisition programs. Resolve outstanding suitability deficiencies in the AN/SPY-1D(V) Radar Upgrade System.	Corrective actions are on schedule.	NGA



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-062, Department of the Navy Purchases for and From Governmental Sources, 2/28/2007	The DUSD Installations and Environment is to update DoDI 4000.19 to include the requirements of the DoD Financial Management Regulation, Volume 11A, Chapter 3. Also, the DoN will update the Funds Usage Documents Course and the Financial Management Policy Manual to include more detailed procedures associated with MIPRs to both DoD and Non-DoD providers.	Extensive time required to revise policy guidance and develop new training course.	USD(AT&L), Navy
D-2007-065, Controls Over the Prevalidation of DOD Commercial Payments, 3/2/2007	Implement more effective internal controls to ensure that DoD matches each commercial payment request to the corresponding obligation and that, once prevalidated, the disbursement transaction correctly posts in the official accounting records without manual intervention.	Management corrective actions on schedule.	USD(C), DFAS, BTA, Army
D-2007-066, Navy Acquisition Executive's Management Oversight and Procurement Authority for Acquisition Category I and II Programs, 3/9/2007	Modify the Dashboard database to distinguish different increments for evolutionary acquisition programs. Resolve outstanding suitability deficiencies in the AN/SPY-1-D(V) Radar Upgrade System.	Extended time needed to complete database modifications and to fully resolve acquisition program deficiencies.	Navy
D-2007-067, DoD Initiatives for Combating Weapons of Mass Destruction, 3/30/2007	Report is FOUO.	Extensive time needed to conduct DoD-wide assessment and analyze results.	USD(AT&L), JS, STRATCOM

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-073, Financial Data Processed By the Medical Expense and Performance Reporting System, 3/21/2007	Develop appropriate accounting, measurement, and recognition methods for the data used in the MEPRS allocation process at the military treatment facilities.	Management corrective actions on schedule.	USD(C), ASD(HA), Army, Navy, AF
D-2007-078, Audit Practices for the C-17 Globemaster III Sustainment Partnership Contract, 4/9/2007	The C-17 program officials will ensure that the contractor complies with the requirements of FAR 15.403-4 and provides Certified Cost or Pricing Data to support the priced proposal for FY 2009-FY 2011. Additionally, the CCPD will be examined and confirmed to be current, accurate, and complete in accordance with the Truth in Negotiations Act.	Implementation has been delayed by budget reductions and requirement revisions.	AF
D-2007-079, Performance-Based Service Contract for Environmental Services at the Navy Public Works Center, 4/3/2007	NAVFAC SW will expand the workload fluctuation language in future environmental services contracts to address amount limits exceeded and any changes to pricing, and will gather lessons learned and best practices and incorporate into future contracts. Also, the NAVFAC SW will evaluate the technical workload required by the contract and will provide two additional technical personnel to the residual organization.	Long-term corrective actions on schedule.	Navy

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-081, Financial Management of Hurricane Katrina Relief Efforts at the U.S. Army Corps of Engineers, 4/6/2007	Revise Engineering Pamphlet 37-1-6 to include the Standard Operating Procedure for the new Intra-Governmental Payment and Collection System procedures for streamlining the billing process between the USACE and FEMA.	Extensive time needed to update guidance.	Army
D-2007-084, Acquisition of the Navy Rapid Airborne Mine Clearance System, 4/11/2007	Report is FOUO.	Delays caused by identified hardware/software issues and required fixes.	Navy, DCMA
D-2007-085, Reporting of Navy Sponsor Owned Material Stored at the Naval Systems Command Activities, 4/24/2007	The Navy is working to improve financial reporting and controls over sponsor-owned material.	Corrective actions are on schedule.	Navy
D-2007-086, Audit of Incoming Reimbursable Orders for the National Security Agency (U), 4/24/2007	Report is classified.	Corrective actions are on schedule.	NSA
D-2007-087, Internal Controls Over Army General Fund Transactions Processed by the Business Enterprise Information Services, 4/25/2007	DFAS will implement policy to maintain documentation of any off-line filter transaction corrections; reconcile combinations listed in the Filter Criteria Table with applicable guidance and document the justification for any differences; and document the BEIS transaction processing to include explanations for exceptions to normal processing.	Corrective actions will be verified during an up-coming audit.	DFAS
D-2007-094, Consolidation of Lockheed Martin Pension Accounting Records for Selected Business Acquisitions, 5/14/2007	Report is FOUO.	Management corrective actions on schedule.	DCMA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-095, Consolidation of Raytheon Pension Accounting Records for Selected Business Acquisitions, 5/14/2007	Report is FOUO.	Management corrective actions on schedule.	DCAA, DCMA
D-2007-098, The Use and Control of Intragovernmental Purchases at the Defense Intelligence Agency, 5/18/2007	The DIA will establish procedures and controls over receiving of incoming customer orders, payments and deobligations of funds, and reimbursements to the services for details of military personnel outside of DoD.	Corrective actions are on schedule.	DIA
D-2007-099, DoD Privacy Program and Privacy Impact Assessments,	Modify DoD Directive 5400.11, "DoD Privacy Program," November 16, 2004; and Assess the DoD Privacy Program.	Corrective actions are on schedule.	ASN(NII), DA&M
D-2007-100, Audit of the Special Operations Forces Support Activity Contract, 5/18/2007	Report is FOUO.	Management corrective actions on schedule.	USD(AT&L), USD(C), SOCOM
D-2007-109, Special Operations Command Governmental Purchases, 7/9/2007	The USSOCOM will revise Regulation 37-4, Military Interdepartmental Purchase Request Process, to place added responsibilities on all players involved in the MIPR process and ensure MIPRs are processed correctly.	Extensive time required to revise policy guidance.	SOCOM
D-2007-110, Identification and Reporting of Improper Payments Through Recovery Auditing, 7/9/2007	DoD will direct the Components with telecommunications contracts to conduct pilot programs to determine the feasibility of awarding a recovery audit contract similar to the Navy's contract. The DoD will continue to work with the Navy to identify and disseminate lessons learned from its recovery audit.	Corrective actions are on schedule.	USD(C)



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-114, DoD Garnish- ment Program, 7/19/2007	Take steps to improve the accuracy and completeness of amount garnished from current and retired DoD employees to pay debt obligations.	Management corrective actions on schedule.	DFAS
D-2007-115, Audit of the Army Information Technology Enterprise Solutions-2 Services Contract, 9/9/2007	Improve small business participation in indefinite-delivery, indefinite-quantity contracts for information technology services by creating a small business set-aside, complying with consolidation and bundling requirements, and improving internal controls.	Coordination issues within the Army continue to cause delays.	Army
D-2007-118, Contract Administration of the Ice Delivery Contract Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers During the Hurricane Katrina Recovery Effort, 8/24/2007	Perform reconciliation of ice/water delivery invoices against USACE ticket receipts and contractor GPS data to determine accuracy of automated tracking system data.	Extensive time needed to perform reconciliation of ice/water delivery invoices.	Army
D-2007-119, Procurement of Propeller Blade Heaters for the C-130 Aircraft, 8/27/2007	The DSCR will address the issue of changing the contracts deletion of items provision with Hamilton Sundstrand.	Corrective actions are on schedule.	DLA
D-2007-121, Emergency Supplemental Appropriations for DoD Needs Arising From Hurricane Katrina at Selected DoD Components, 9/12/2007	Update DoD FMR to address issues related to domestic contingencies and seek reimbursement from FEMA for funds expended on the FEMA mission assignments related to Hurricane Katrina.	Extensive time required to coordinate and revise guidance and closeout FEMA mission assignments.	USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-122, Report Of Marine Corps Internal Controls Over Military Equipment Funds, 9/11/2007	Revise the Marine Corps Order P7300.21 to include the DoD Financial Management Regulation, volume 3, chapter 8 requirement that funds be obligated and deobligated no more than 10 calendar days after being incurred and within the same month incurred for obligations of \$100,000 or more.	Management corrective actions on schedule.	MC
D-2007-124, Audit of Purchases Made Using USJFCOM Limited Acquisition Authority, 9/27/2007	Revisions to USJFCOM Instruction 4200.1 and to develop memorandum of agreements that identify roles and responsibilities for all participants for limited acquisition authority purchases. Also to adopt the practice of identifying funding documents for limited acquisition authority purchases.	Corrective actions contingent on reauthorization of Limited Acquisition Authority for joint urgent needs.	JFCOM
D-2007-128, Hotline Allegations Concerning the Defense Threat Reduction Agency Advisory and Assistance Services Contract, 9/26/2007	The DTRA will develop its acquisition strategy for future A&AS contracts with the goal of maximizing competition, and will determine whether a multiple award Indefinite-Delivery, Indefinite-Quantity contract is in the best interest of the government.	Corrective action is on schedule	DTRA
D-2007-130, Contracting Practices at Air Force Laboratory Facilities, 9/28/2007	Revision of Air Force Instruction 63-101 to include guidance that each Air Force Laboratory develop a quality assurance surveillance plan for each contract to reduce the risk of overpayment for services received and ensure surveillance responsibilities are carried out.	Extensive time needed to update guidance.	AF

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-131, Report on Followup Audit on Recommendations for Controls Over Exporting Sensitive Technologies to Countries of Concern, 9/28/2007	Establish followup procedures to ensure that timely and responsive actions are taken to implement all audit recommendations.	Management corrective actions on schedule.	USD(AT&L)
D-2007-132, Army Use of and Controls Over the DoD Aviation Into-Plane Reimbursement Card, 9/28/2007	Revise Army Regulation 170-2 to update requirements and appropriate use of the Aviation Into-Plane Reimbursement Card.	Corrective action is ongoing.	Army
D-2007-6-004, Defense Contract Management Agency Virginia's Actions on Incurred Cost Audit Reports, 4/20/2007	DCMA is working to assess and collect penalties as appropriate, improve internal controls over unresolved costs, and improve processes for taking timely and proper actions on audit report findings, including holding contracting officers accountable for their actions.	Corrective actions and efforts to verify corrective actions are on-going.	DCMA
D-2008-002, DoD Salary Offset Program, 10/9/2007	Develop replacement systems or make modifications to existing systems to properly compute salary offsets for military members, retirees, and annuitants.	Extensive time required to develop replacement systems or make modifications to existing systems.	DFAS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-003, Auditability Assessment of the Defense Intelligence Agency Fund Balance with Treasury and Appropriations Received, 10/16/2008	DIA is working to: improve its' ability to identify the DIA share of DoD undistributed disbursements and collections; decrease the materiality of the undistributed balance for DIA at the suballotment level; and establish processes to ensure all DIA limits are captured in DFAS monthly reports and the Cash Management Report process. In addition, DIA is working to ensure that: it reports funding authorization documents in the proper accounting period; the DFAS accounting and reporting system contains complete voucher data for reconciliation purposes; and the DFAS plan of actions and milestones and the service level agreement with DIA are specific enough to meet DIA needs.	DIA has not responded to requests for the status of corrective actions taken in response to the report.	DIA, DFAS
D-2008-005, National Security Agency Accounts Payable (U), 10/23/2007	Report is classified.	Corrective actions are on schedule.	NSA
D-2008-007, Task Orders on the Air Force Network-Centric Solution Contract, 10/25/2007	The DoD will issue new policy on the use of assisted acquisitions when a non-DoD agency places an order for a DoD customer using a DoD contract. The Air Force will investigate the circumstances behind Air Force generated GSA task orders and corrective actions will be based on the finding.	Corrective actions are on schedule.	USD(AT&L), AF



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-008, Defense Finance and Accounting Service Columbus Processes for Consolidating and Compiling Other Defense Organizations Financial Data, 10/30/2007	Transition of Other Defense Organizations to an accounting system that has internal logic to crosswalk financial data to the United States Standard General Ledger.	Extensive time required to complete transition.	DFAS
D-2008-022, FY 2006 DoD Purchases Made Through the National Institutes of Health, 11/15/2007	Issue comprehensive policy on Interagency Acquisitions to strengthen contracting procedures.	Comprehensive policy addresses recommendations in multiple audits, legislative requirements, and policy changes.	USD(AT&L)
D-2008-030, Management of the Defense Security Assistance Management System Training Module, 12/6/2007	Oversee the Defense Security Assistance Management System cost, schedule, performance, and testing until the system is fully operational and the system's computer language is converted; Require the system to meet initial and operational test and evaluation requirements; Implement a strategic pause until seven specific actions are completed.	Corrective actions are on schedule.	ASD(NII), DOT&E, DSCA
D-2008-032, Acquisition of the Surface-Launched Advanced Medium Range Air-To-Air Missile, 12/6/2007	Report is FOUO.	Extensive time needed to coordinate and approve revised program documents.	Army
D-2008-034, Financial Management at the Defense Security Service, 1/3/2008	Complete preliminary review of potential Antideficiency Act violations for FY 2005. Improve financial management oversight. Update policy and procedures for financial management training.	Lack of management attention. in fully implementing corrective actions.	USD(I), DSS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-036, Follow-Up on FY 2006 DoD Purchases Made Through the Depart of Veterans Affairs, 4/15/2008	Establish a Memorandum of Agreement with the U.S. Department of Veterans Af- fairs that addresses the roles and responsibilities regard- ing contract administration and surveillance procedures.	Additional time needed for coordination of memoran- dum of agreement.	USD(AT&L)
D-2008-041, Management of the General Fund En- terprise Business System, 1/14/2008	Improve the Army's justification, planning, and acquisition of the General Fund Enterprise Business System.	Corrective actions will be verified during an up-coming audit.	USD(AT&L), USD(C), ASD(NII), Army, DFAS
D-2008-042, Reporting of Contract Financing Interim Payments on the DoD Financial Statements, 1/31/2008	Update DoD Financial Management Regulation to include consistent policy for when to capitalize Research, Development, Test, and Evaluation expenses.	Extensive time required to revise and coordinate regu- lation.	USD(C)
D-2008-043, Identification and Reporting of Improper Payments - Refunds From DoD Contractors, 1/31/2008	Improve process to more ac- curately identify, report, and reduce improper payments.	Extensive coordination needed between DoD Com- ponents.	USD(C)
D-2008-044, Adequacy of Procedures for Reconciling Fund Balance with Treasury at the National Geospa- tial-Intelligence Agency, 1/31/2008	Improve the reconciliation of transactions posted to the Fund Balance with Treasury general ledger account; de- velop effective and efficient processes for identifying disbursement and collec- tion transactions through all phases of processing.	Long term corrective actions are on-going.	DFAS
D-2008-045, Controls Over the TRICARE Overseas Healthcare Program,	ASD (HA) will implement recommendations to further control health care costs provided to overseas DoD beneficiaries.	Normal time needed for implementation of recom- mendations.	ASD (HA)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-047, Contingency Planning for DoD Mission-Critical Information Systems, 2/5/2008	DoD Component CIOs implement controls to verify that system owners developed and tested system contingency plans as required or support the assertions in their CIO Certification Memorandums about the completeness and accuracy of their information in the DoD Information Technology Portfolio Repository.	Corrective actions are on schedule.	13 Component CIOs
D-2008-048, Procuring Noncompetitive Spare Parts Through an Exclusive Distributor, 2/6/2008	The report is FOUO.	Corrective actions are on schedule.	DLA
D-2008-050, Report on FY 2006 DoD Purchases Made Through the Department of the Treasury, 2/11/2008	Review and deobligate expired funds. Identify and facilitate the return of expired or excess funding from the Department of Treasury.	Corrective actions are ongoing.	USD(C)
D-2008-052, Disbursing Operations Directorate at Defense Finance and Accounting Service Indianapolis Operations, 2/19/2008	DFAS is working to improve internal controls over: the processing of Intra-Governmental Payment and Collection System transactions, adjustments to IPAC suspense accounts, and the reconciliation of the "Statement of Differences-Deposits" report.	Corrective actions are on schedule.	DFAS
D-2008-053, Defense Finance & Accounting Service Kansas City Federal Managers' Financial Integrity Act, Federal Financial Management Improvement Act, & Federal Information Security Management Act Reporting for FY 2005, 2/19/2008	Review financial management processes and systems to identify material weaknesses and develop necessary remediation plans. Issue annual guidance on Federal Information Security Management Act and update procedure on record retention.	Long term corrective actions are on schedule.	DFAS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-057, Contractor Past Performance Information, 2/29/2008	Require formal training on writing past performance assessment reports. Reconcile active contracts with contracts registered in the Contractor Performance Assessment Reporting System, then register and begin reporting on unregistered active contracts and newly awarded contracts.	Corrective actions are on-going.	USD(AT&L)
D-2008-059, Supplemental Funds Used for Medical Support for the Global War on Terrorism, 3/6/2008	Establish procedures for determining and documenting incremental costing of Global War on Terrorism transactions.	Normal time required for implementation of recommendations.	ASD(HA)
D-2008-061, Controls Over Funds Used by the Air Force and National Guard Bureau for the National Drug Control Program, 3/7/2008	Include requirements for gathering and including transaction-level data in guidance, and correct the causes for the inaccurate leave balances and ensure that the same deficiencies will not occur in the scheduled replacement system.	Management corrective actions on schedule.	DFAS, NGB
D-2008-063, Vendor Pay Disbursement Cycle, Air Force General Fund, 3/12/2008	Establish and maintain adequate and effective internal control over the Air Force vendor pay disbursement cycle. Determine whether the Government should be recording the third-party liability for subcontractors work on certain kinds of contracts.	Management corrective actions on schedule.	AF
D-2008-066, FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior, 3/19/2008	Improve contracting and funding for DoD procurements made through an outside agency.	Time needed to update guidance, improve independent government cost estimates, and improve pre-award procedures.	Army, Navy, AF



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-067, DoD Procurement Policy for Body Armor, 3/31/2008	Revise the Army's internal policy on the proper use of non-DoD contract instru- ments.	Extensive time required to coordinate and issue policy guidance.	Army
D-2008-069, Controls Over Army Working Capital Fund Inventory Stored by Organi- zations Other than Defense Logistics Agency, 3/28/2008	The Army is working to im- prove controls in the timeli- ness of physical inventories, separation of duties, imple- mentation of location audit programs, and inventory adjustment research at the audited storage activities.	Corrective actions are on schedule.	Army
D-2008-070, Management of Noncombatant Evacua- tion Operations Within the U.S. Pacific Command (U), 3/25/2008	Report is classified.	Corrective actions are on schedule.	PACOM
D-2008-071, Management of Noncombatant Evacu- ation Operations in Japan (U), 3/28/2008	Report is classified.	Corrective actions are on schedule.	PACOM
D-2008-072, Controls Over Army Real Property Finan- cial Reporting, 3/28/2008	The Army is working to ensure compliance with the new costing methodology for assigning costs to the real property users and to correct misstatements in the Army financial statements. The Army is also working to implement a common business process for creating a subsidiary ledger file to support the property management and financial reporting of AWCF and AGF real property assets. Further, the Army is work- ing to improve the accuracy and efficiency of the transfer of construction-in-progress costs between accounting and property management systems.	Corrective actions are on schedule.	USD(C), Army, DFAS

## APPENDIX G

## SIGNIFICANT OPEN RECOMMENDATIONS

Managers accepted or proposed acceptable alternatives for 98 percent of the 382 DoD OIG audit recommendations rendered in the last 6 months of FY 2008. 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 1087 open actions on DoD OIG audit reports being monitored in the follow-up system are on track for timely implementation, there were 185 reports more than 12 months old for which management has not completed actions to implement the recommended improvements.

The following significant open recommendations have yet to be implemented:

- Recommendations from multiple reports on financial management and accounting issues, which involve making numerous revisions to the DoD Financial Management Regulations to clarify accounting policy and guidance, have resulted in initiatives that are underway to publish and implement improved guidance. In addition, recommendations to improve accounting processes and internal controls over financial reporting and related financial systems have resulted in initiatives that are underway to correct financial systems deficiencies. Implementation of these corrective actions will enable the Department to provide accurate, timely, and reliable financial statements. In 2004, the OIG DoD reported on significant unresolved abnormal balances in both the proprietary and budgetary accounts used in compiling the Army General Fund financial statements. The auditors recommended that DFAS identify the abnormal balances and research the causes for the differences. DFAS agreed pending the implementation of the Business Enterprise Information Services (BEIS). However, the system is yet to be fully deployed. Based on the most recent audit of the Army General Fund financial statements, the auditors concluded that the issue of abnormal balances in accounting records continues to be an issue. In addition to the financial data compilation and abnormal balance issues impacting the Department's financial statements, other on-going issues include those relating to budget execution, cash management, and financial system development and deployment.
- Recommendations from multiple reports in the high-risk area of personnel security. Some of the most significant of these 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 IT systems; establishment of policy on access reciprocity and a single, integrated database for Special Access Programs; development of DoD-wide backlog definitions and measures; and improvement of the projections of clearance requirements for industrial personnel. Progress on the unprecedented transformation of the personnel security program is slow. Implementation of multiple report recommendations is pending the issuance of revised DoD Regulation 5200.2-R.
- Recommendations made in 2004 to clarify guidance on the differences between force protection and antiterrorism in DoD policies and procedures and revise existing antiterrorism plans in accordance with DoD policy. DoD revised its applicable guidance in October 2006. The Army and Marine Corps are now in process of updating their corresponding guidance.
- Recommendation made in 2005 to develop guidance regarding information systems security, to include addressing the requirements of the Federal Information Security Management Act and related OMB guidance. Although action has been initiated, the three policies are still in development to adequately incorporate the policy revisions of the information security certification and accreditation process for various DoD systems.
- Recommendations from several reports involve: clarifying and improving DoD policy guidance and procedures covering the roles and responsibilities of contracting personnel. In addition, recommendations from several other reports involve: developing and implementing requirements for obtaining cost or pricing data; conducting price analysis; determining price reasonableness; fulfilling competition requirements; and using multiple-award contracts. Finally, other recommendations involve monitoring contractor performance and maintaining past performance data on contractors. Corrective actions are underway to improve DoD contracting procedures related to source selection, interagency acquisitions, contract surveillance and reporting, and sole-source procurements of spare parts.
- Recommendations from several reports address issues regarding improvement in oversight responsibilities and management controls relating to the purchase card program. These recommendations include: ensuring all cardholders and approving officials receive the required initial and refresher purchase card training; effectively managing the span of control over purchase card accounts; conducting

oversight reviews of approving official accounts to verify compliance with DoD purchase card guidance; ensuring proper retention of documents for all accounts; and adequately enforcing existing controls throughout the purchase card process. The Services are now in the process of updating their guidance to conform to corresponding DoD policy.

- Recommendations made in three reports in 2008 to improve management of Noncombatant Evacuation Operations (NEO) within the U.S. Pacific Command to protect U.S. citizens in the event they must be removed from harm's way. The reports focused on NEO operations in Japan and Korea because of the presence of U.S. military and U.S. citi-

zens in those countries, and because of the magnitude of DoD involvement in a NEO, if ordered. Actions are underway to improve management and coordination of NEO plans.

## APPENDIX H

### ACRONYMS

(AA&E) Arms, Ammunition, and Explosives	(DA) Department of the Army
(ABIS) Automated Biometric Identification System	(DCIO) Defense Criminal Investigative Organizations
(ACS) Army Community Service	(DCIS) Defense Criminal Investigative Service
(AEWRS) Army Energy and Water Reporting System	(DCMA) Defense Contract Management Agency
(AFAA) Air Force Audit Agency	(DFAS) Defense Finance and Accounting Service
(AFB) Air Force Base	(DIB) Defense Industrial Base
(AFOSI) Air Force Office of Special Investigations	(DoD) Department of Defense
(ANSF) Afghan National Security Forces	(DoN) Department of Navy
(AT) Antiterrorism	(DoS) Department of State
(BAMC) Brooke Army Medical Center	(DSCA) Defense Security Cooperation Agency
(BLRA) Bayonne Local Redevelopment Authority	(EFSS) Expeditionary Fire Support System
(BUMED) Bureau of Medicine and Surgery Management	(EFV) Expeditionary Fighting Vehicle
(CAC) Common Access Cards	(EST) Everbright Science & Technology
(CBRN) Chemical, Biological, Radiological or Nuclear Attacks	(FBI) Federal Bureau of Investigation
(CCCI) Central Criminal Court Iraq	(FMS) Foreign Military Sales
(CIA) Central Intelligence Agency	(FOIA) Freedom of Information Act
(CIGIE) Council of Inspectors General on Integrity and Efficiency	(FY) Fiscal Year
(CITF) Criminal Investigation Task Force	(GAO) Government Accountability Office
(CJTf) Combined Joint Task Force	(GFE) Government Furnished Equipment
(COMA) Cash and Other Monetary Assets	(GSA) General Services Administration
(CONUS) Continental United States	(GWOT) Global War on Terror
(CPA) Coalition Provisional Authority	(HMMWV) High Mobility Multipurpose Wheeled Vehicle
(CRI) Civilian Reprisal Investigation	(HOA) Horn of Africa
(CSTC) Combined Security Transition Command	(HQMC) Headquarters Marine Corps
(CVAMP) Core Vulnerability Assessment Management Program	(IAFIS) Integrated Automated Fingerprint Identification System
	(ICE) Immigration and Customs Enforcement
	(IED) Improvised Explosive Device

(IEEPA) International Emergency Economic Powers Act	(OCIE) Organizational Clothing and Individual Equipment
(IPO) Investigative Policy and Oversight	(OCONUS) Outside Continental United States
(IPP) Installation Protection Program	(OIF) Operation Iraqi Freedom
(ISF) Iraq Security Forces	(OEF) Operation Enduring Freedom
(ITAR) International Traffic in Arms Act	(OMC) Office of Military Commissions
(ITV) Internally Transportable Vehicle	(ORHA) Office of Reconstruction and Humanitarian Assistance
(JBB) Joint Base Balad	(OSD) Office of Secretary of Defense
(JPMG) Joint Project Manager Guardian	(P&O) Policy and Oversight
(JSF) Joint Strike Fighter	(PEG) Program Evaluation Group
(JTTF) Joint Terrorism Task Force	(PMO) Program Management Office
(KBR) Kellog, Brown and Root Inc.	(QAR) Quality Assurance Representation
(KRAB) Kirkuk Regional Air Base	(RAC) Risk Assessment Code
(LEP) Law Enforcement Program	(RAPIDS) Real-time Automated Personnel Identification System
(LOGCAP) Logistics Civil Augmentation Program	(SDDC) Surface Deployment and Distribution Command
(LOGSEC) Logistics Security	(SIGIR) Special Inspector General for Iraq Reconstruction
(LRA) Local Redevelopment Authorities	(SOF) Special Operations Forces
(MCCDC) Marine Corps Combat Development Command	(SOFA) Status of Forces Agreement
(MCSC) Marine Corps Systems Command	(SPAWAR) Space and Naval Warfare
(MEDCOM) U.S. Army Medical Command	(SPO) Office of Special Plans and Operations
(MFLC) Military Family and Life Counseling	(ST/STE) Special Tools and Special Test Equipment
(MNC-I) Multi-National Corps-Iraq	(SWA) Southwest Asia
(MNF-I) Multi-National Force-Iraq	(SWA JPG) Southwest Asia Joint Planning Group
(MOD) Ministry of Defense	(TNT) Trinitrotoluene
(MOI) Ministry of Interior	(UAV) Unmanned Aerial Vehicles
(MPFU) Major Procurement Fraud Unit	(USAAA) U.S. Army Audit Agency
(MRAP) Mine Resistant Ambush Protected Vehicles	(USACIDIC) U.S. Army Criminal Investigation Command
(MRI) Military Reprisal Investigation	(USACOE) U.S. Army Corps of Engineers
(MNSTC-I) Multi-National Security Transition Command-Iraq	(USAF) United States Air Force
(NAR) Notice of Ammunition Reclassification	(USAREUR) U.S. Army Europe
(NATO-ISAF) North Atlantic Treaty Organization-International Security Assistance Force	(USD(C)/CFO) Under Secretary of Defense (Comptroller/DoD Chief Financial Officer)
(NAVAUDSVC) Naval Audit Service	(USMC) United States Marine Corps
(NCIJTF) National Cyber Investigative Joint Task Force	(USML) United States Munitions List
(NIH) National Institute of Health	(USN) U.S. Navy
(NMCI) Navy Marine Corps Intranet	(USPS) U.S. Postal Service
(NSA) National Security Agency	(UUNS) Urgent Universal Needs Statement
(NVD) Night Vision Device	(VA) Veterans Administration
(OCCL) Office of Communications and Congressional Liaison	



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