



# INSPECTOR GENERAL

*U.S. Department of Defense*

## SEMIANNUAL REPORT TO THE CONGRESS

OCTOBER 1, 2014 TO MARCH 31, 2015



*Required by Public Law 95-452*

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

## Mission

*Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that: supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.*

## Vision

*Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.*



For more information about whistleblower protection, please see the inside back cover.



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE**  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500



Inspector General  
Jon T. Rymer

I am pleased to present the Department of Defense Inspector General Semiannual Report to Congress for the reporting period October 1, 2014, to March 31, 2015, issued in accordance with the Inspector General Act of 1978, as amended.

Our oversight work enables the Department to reduce expenditures, eliminate fraud, waste and abuse; and improve performance and efficiency. We also investigate criminal acts that impact the Department which result in criminal, civil, and administrative actions. We help the Department to achieve compliance with all laws, regulations, and policies.

During this reporting period, we focused on a number of risk areas within the Department which include defense acquisition programs; contract management; procurement and use of spare parts; and financial management. We remain committed to assisting the Secretary of Defense to reach the auditability goals and statutory deadlines.

We issued 103 reports, identifying \$101.1 million in questioned costs and \$261.6 million in funds put to better use. We achieved \$41.1 million in financial savings based on management-completed corrective actions to reports issued during this and previous reporting periods. Defense Criminal Investigative Service reported 57 arrests, 120 criminal charges, 101 criminal convictions, 121 suspensions and 120 debarments, as well as \$921.9 million in investigative receivables and recoveries. An additional \$123.6 million in assets were seized along with \$12.7 million in monetary judgments.

Our Administrative Investigations Component closed 437 senior official investigations and 617 whistleblower reprisal/restriction cases. The Defense Hotline received 5,932 contacts.

As part of the Lead IG responsibilities, implemented by Section 8L of the IG Act, as amended, we were designated the Lead IG for Operation Inherent Resolve, and again in February 2015 as the Lead IG for Operation United Assistance. In this capacity, we continue to work closely with our partners, the Inspectors General from the U.S. Department of State and the U.S. Agency for International Development, to conduct comprehensive oversight and reporting over all aspects of a contingency operation.

I would like to thank our OIG employees and the Defense Accountability Community who contributed to this report. I also thank the Department and Congress for their commitment to supporting this office.

A handwritten signature in black ink that reads "Jon T. Rymer".

Jon T. Rymer  
Inspector General

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## SUMMARY OF ACTIVITIES

The Inspector General Act of 1978, as amended, requires the Department of Defense Inspector General (DoD IG) to prepare semiannual reports summarizing its activities for the preceding six month periods. The semiannual reports are intended to keep the Secretary of Defense and the Congress fully informed of significant findings, progress the Department has made and recommendations for improvement.

For the reporting period of October 1, 2014, to March 31, 2015, the DoD IG issued 103 reports, identifying \$101.1 million in questioned costs and \$261.6 million in funds put to better use. The DoD IG achieved \$41.1 million in financial savings based on management-completed corrective actions to reports issued during this and previous reporting periods.

**Auditing** issued 62 reports with more than 200 recommendations identifying potential cost savings and funds that could be put to better use, ensuring the safety of service members; addressing improvements in DoD operations, financial reporting and accountability; ensuring the Department complied with statutory mandates; and improving existing or identifying new efficiencies. DoD IG auditing reports addressed deficiencies with the Department's acquisitions, management of contracts, financial management, audit readiness efforts, health and readiness of the total force, cyber operations, and equipping and training Afghan security forces.

**Investigations—Defense Criminal Investigative Service** opened 240 cases, closed 283 cases and has 1,637 ongoing investigations. Cases resolved in this reporting period primarily addressed criminal allegations of procurement fraud, public corruption, product substitution, illegal transfer of technology and healthcare fraud. Additionally, DCIS seized assets totaling \$123.67 million, had final orders of forfeiture totaling \$11 million, and money judgments in the amount of \$12.77 million. Assets that have been seized include art work and collections, cash/currency, financial instruments, heavy machinery, real property and vehicles.

**Administrative Investigations** issued one report on the timeliness of senior official investigations; and received 5,932 contacts, opened 2,717 cases,

and closed 3,244 cases in the DoD Hotline.

The DoD Whistleblower Ombudsman received 184 contacts and the Whistleblower Protection Rights and Protections webpage received 8,328 visits.

Administrative Investigations received a total of 396 senior official and 591 whistleblower reprisal/restriction complaints in the first half of Fiscal Year (FY) 2015; and closed a total of 437 senior official and 617 whistleblower reprisal/restriction complaints.

**Intelligence and Special Program Assessments** issued 11 reports that addressed the intelligence, counterintelligence, nuclear, and security enterprises and other special programs within DoD. The reports fell into the joint warfighting and readiness, intelligence, nuclear enterprise and other categories.

**Policy and Oversight** issued 22 evaluation reports addressing its oversight of audit, investigative, and technical issues in DoD. Policy and Oversight also issued one Department-wide policy addressing the establishment of a special victim capability within the Military Services, coordinated 162 existing and proposed DoD policy issuances, issued 331 IG subpoenas, and received 106 contractor disclosures.

**Special Plans and Operations** issued 7 assessment reports with 105 recommendations that addressed a range of issues, including assessments of DoD-provided healthcare for members of the Armed Forces Reserve components, DoD Prisoner of War/Missing in Action accounting community, the DoD suicide event report data quality, U.S. Government and Coalition efforts to develop the logistics sustainment capability of the Afghan National Army and Afghan National Police, and voting assistance programs. A summary of lessons learned from DoD IG assessment oversight of select U.S. and Coalition operations in Iraq and Afghanistan was also issued.

**Overseas Contingency Operations** coordinated with the Inspectors General (IGs) for the Department of State (DOS) and the U.S. Agency for International Development (USAID) to develop and publish the FY 2015 Joint Strategic Oversight Plan for Operation Inherent Resolve (OIR), pursuant to additional responsibilities of the DoD IG as the designated Lead IG for interagency oversight of this operation. The office also consolidated and provided updated oversight project status and situational awareness briefings regarding Afghanistan during two Southwest Asia Joint Planning Group meetings.

## STATISTICAL HIGHLIGHTS

### SUMMARY OF AUDIT ACTIVITIES

|   |                 |
|---|-----------------|
| Reports Issued                                  | 62              |
| Recommendations Made with Questioned Costs      | \$101.1 million |
| Recommendations Made on Funds Put to Better Use | \$261.6 million |
| Achieved Monetary Benefits                      | \$41.1 million  |

### SUMMARY OF DEFENSE CRIMINAL INVESTIGATIVE SERVICE ACTIVITIES

|  |                 |
|--|-----------------|
| Total Investigative Receivables and Recoveries <sup>1</sup>                            | \$921.9 million |
| Recovered Government Property  | \$69.2 thousand |
| Civil Judgments/Settlements  | \$608.1 million |
| Criminal Fines, Penalties and Restitution Ordered (does not include Asset Forfeitures) | \$267.7 million |
| Administrative Recoveries <sup>2</sup>   | \$45.9 million  |
| Investigative Activities   |                 |
| Arrests  | 57              |
| Criminal Charges   | 120             |
| Criminal Convictions   | 101             |
| Suspensions  | 121             |
| Debarments   | 120             |
| Asset Forfeiture Results   |                 |
| Seized   | \$123.6 million |
| Final Orders of Forfeiture   | \$11 million    |
| Monetary Judgments   | \$12.7 million  |

<sup>1</sup> Includes investigations conducted jointly with other law enforcement organizations.

<sup>2</sup> Includes contractual agreements and military non-judicial punishment.

## STATISTICAL HIGHLIGHTS (CONT'D)

### SUMMARY OF ADMINISTRATIVE INVESTIGATIONS

|                                    |       |
|------------------------------------|-------|
| Reports Issued                     | 1     |
| Complaints Received                | 987   |
| Senior Official                    | 396   |
| Whistleblower Reprisal/Restriction | 591   |
| Complaints Closed                  | 1,054 |
| Senior Official                    | 437   |
| Whistleblower Reprisal/Restriction | 617   |

### SUMMARY OF DoD HOTLINE ACTIVITIES

|              |       |
|--------------|-------|
| Contacts     | 5,932 |
| Cases Opened | 2,717 |
| Cases Closed | 3,244 |

### SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES

|  |     |
|--|-----|
| Existing and Proposed Regulations Reviewed | 162 |
| Evaluation Reports Issued                  | 22  |
| Inspector General Subpoenas Issued         | 331 |
| Contractor Disclosures Received            | 106 |

### SUMMARY OF INTELLIGENCE AND SPECIAL PROGRAM ASSESSMENTS ACTIVITIES

|                |    |
|----------------|----|
| Reports Issued | 11 |
|----------------|----|

### SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES

|                           |   |
|---------------------------|---|
| Assessment Reports Issued | 7 |
|---------------------------|---|





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# OVERVIEW



## SERVING THE CONGRESS AND THE DEPARTMENT

The DoD IG was established in 1982 to serve as an independent and objective office within the DoD.

As an independent agency, the DoD IG:

- conducts, supervises, monitors, and initiates audits, evaluations, and investigations relating to programs and operations of the DoD;
- provides leadership and coordination and recommends policies for activities designed to promote economy, efficiency, and effectiveness in the administration of, and to prevent and detect waste, fraud and abuse in DoD programs and operations;
- keeps the Secretary of Defense and the Congress informed about problems and deficiencies relating to the administration of DoD programs and operations and the need for corrective action; and
- promotes national security by conducting objective and independent audits, investigations, and other activities to prevent, detect, and rectify problems in DoD programs and operations, and identifies opportunities for improving efficiency.

### OUR MISSION

Our mission is to provide independent, relevant, and timely oversight of the DoD that:

- supports the warfighter,
- promotes accountability, integrity and efficiency,
- advises the Secretary of Defense and Congress, and
- informs the public.

### OUR VISION

Our vision is to be a model oversight organization in the Federal government by leading change, speaking truth and promoting excellence; a diverse organization, working together as one professional team, recognized as leaders in our field.

### OUR CORE VALUES

- Integrity
- Efficiency
- Accountability
- Excellence

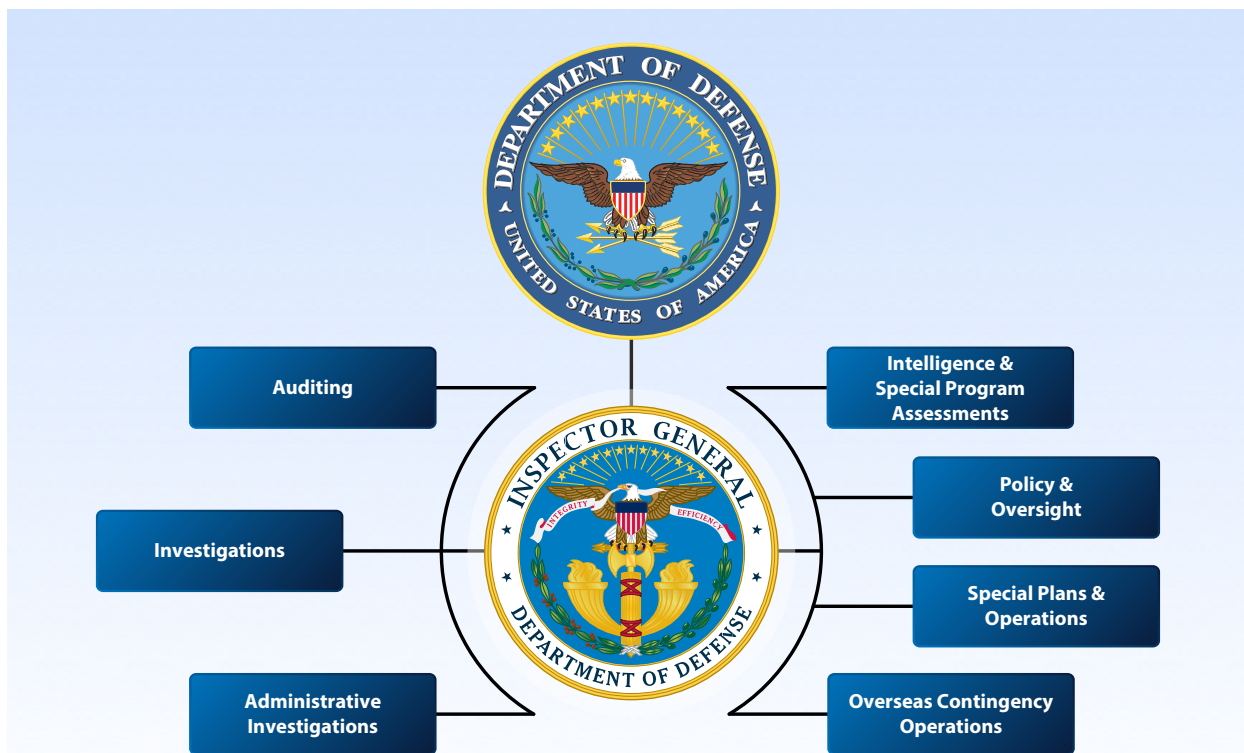
### OUR GOALS

- Promote economy, efficiency and effectiveness.
- Identify, deter and investigate fraud, waste and abuse.
- Engage, enable and empower our people.
- Achieve excellence through unity.

### ORGANIZATIONAL STRUCTURE

The DoD IG is supported by seven components which carry out the mission of the DoD IG. Although headquartered in Alexandria, Va., the DoD IG has 89 field offices located across the United States and has offices in Germany and South Korea. The DoD IG also has offices and personnel located in Southwest Asia.





## AUDITING

The Office of the Deputy Inspector General for Auditing conducts audits within all facets of DoD operations. The work results in recommendations for reducing costs, eliminating fraud, waste and abuse of authority; and improving performance, strengthening internal controls, and achieving compliance with laws, regulations, and policy.

## INVESTIGATIONS

The Office of the Deputy Inspector General for Investigations leads the Defense Criminal Investigative Service, which conducts highly relevant, objective, professional investigations of matters critical to DoD property, programs, and operations that provide for our national security with emphasis on life, safety, and readiness.

## ADMINISTRATIVE INVESTIGATIONS

The Office of the Deputy Inspector General for Administrative Investigations promotes public confidence in the integrity and accountability of DoD leadership by investigating allegations of misconduct by senior DoD officials and whistleblower reprisal/restriction; and by providing a confidential, reliable DoD Hotline for reporting fraud, waste and abuse,

and detecting/preventing threats and danger to the public health and safety of the Department.

## INTELLIGENCE AND SPECIAL PROGRAM ASSESSMENTS

The Office of the Deputy Inspector General for Intelligence and Special Program Assessments provides oversight (audits, evaluations, and inspections) across the full spectrum of programs, policies, procedures, and functions of the intelligence, counterintelligence, nuclear and security enterprises, and other special programs within DoD.

## POLICY AND OVERSIGHT

The Office of the Deputy Inspector General for Policy and Oversight provides oversight and policy for audit and investigative activities, conducts engineering assessments of DoD programs, provides technical advice and support to DoD IG projects, and operates the DoD IG subpoena and contractor disclosure programs.

## SPECIAL PLANS AND OPERATIONS

The Office of the Deputy Inspector General for Special Plans and Operations provides assessment oversight that addresses priority national security objectives to facilitate informed, timely decision-making by the senior leadership of the DoD and Congress.

## OVERSEAS CONTINGENCY OPERATIONS

The Office of the Deputy Inspector General for Overseas Contingency Operations ensures the DoD IG fulfills responsibilities, when designated, under Section 8L, "Special Provisions Concerning Overseas Contingency Operations," of the IG Act (5 U.S.C. App.), as amended. It is responsible for leading effective communication with the Offices of IGs for DOS and USAID to develop and coordinate joint strategic oversight plans to carry out comprehensive oversight over all aspects of a designated overseas contingency operation, and to ensure that requirements for reporting to Congress are met. It is also responsible for interagency coordination of oversight in the larger Southwest Asia area among various DoD and civilian oversight agencies.

## PRIORITIES

The 2014 Quadrennial Defense Review (QDR)<sup>1</sup> sought to adapt, reshape, and rebalance the military in preparation for the challenges and opportunities that lie in the future. The QDR prioritized three strategic pillars:

- Protect the homeland, to deter and defeat attacks on the United States and to support civil authorities in mitigating the effects of potential attacks and natural disasters.
- Build security globally, in order to preserve regional stability, deter adversaries, support allies and partners, and cooperate with others to address common security challenges.
- Project power and win decisively, to defeat aggression, disrupt and destroy terrorist networks, and provide humanitarian assistance and disaster relief.

The DoD IG supports the Department's defense strategy by conducting audits, investigations, and assessments across the entire spectrum of Department programs and operations. The work results in recommendations for reducing costs, eliminating fraud, waste and abuse; improving performance and efficiency, and helping the Department achieve compliance with all laws, regulations, and policies. The DoD IG also serves as a consultant on a variety of key defense initiatives and issues.

Each fiscal year, the DoD IG identifies a set of priorities to focus its oversight and investigative activities. For Fiscal Year 2015, the priorities are:

- Acquisitions and Contract Management
- Chemical, Biological, Radiological, Nuclear, and Explosives
- Cyber, Operations and Information Security
- Counterterrorism and Special Operations
- Financial Management and Audit Readiness
- Healthcare
- Oversight of the Defense Intelligence Enterprise
- Readiness and Safety
- Rebalancing Defense Enterprise
- Whistleblower Protection
- Senior Official Accountability
- Sexual Assault Investigative Oversight
- Suicide Prevention
- Transition in Afghanistan

In addition, DoD IG established the following priorities for investigating criminal acts that impact the Department. These investigations resulted in criminal, civil, and administrative actions.

- Procurement Fraud
- Public Corruption
- Product Substitution
- Healthcare Fraud
- Illegal Technology Transfer



<sup>1</sup> 2014 Quadrennial Defense Review  
[http://www.defense.gov/pubs/2014\\_Quadrennial\\_Defense\\_Review.pdf](http://www.defense.gov/pubs/2014_Quadrennial_Defense_Review.pdf)

## LEAD INSPECTOR GENERAL

Section 848 of the FY 2013 National Defense Authorization Act (NDAA) for FY 2013 redesignated Section 8L to the IG Act of 1978, as amended. Responsibilities for the Lead IG are triggered by the commencement or designation of a military operation as an overseas contingency operation (OCO) that exceeds 60 days. Responsibilities for a Lead IG are established to provide for coordinated and comprehensive execution of oversight during an OCO. Not later than 30 days after the commencement or designation, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Chair shall designate the Lead IG from among the IGs for DoD, DOS, and the USAID.

The permanent IGs for DoD, DOS, and USAID are responsible for staffing and supporting the Lead IG in the discharge of responsibilities to conduct comprehensive oversight and reporting over all aspects of the contingency operation, in accordance with section 8L of the IG Act of 1978. This includes development of a comprehensive strategic oversight plan that identifies the unified oversight of the interagency OCO to be conducted through the execution of audits, inspections, and investigations by these IG organizations. The results of this

comprehensive approach are intended to increase the effectiveness of oversight capabilities across agency jurisdictional divisions and provide results to help Congress and agency leadership make informed program, policy, and funding decisions.

Consolidated reports to Congress for each of OCO and related oversight activities will be submitted separately and can be accessed online when available at <http://www.dodig.mil/>.

## OPERATION INHERENT RESOLVE

The United States, with its coalition partners, has committed to degrade and destroy the terrorist group known as the Islamic State of Iraq and the Levant (ISIL). The U.S. strategy involves several agencies, for a whole-of-Government approach, and multiple lines of effort, including providing military support to coalition partners, preventing the flow of funds and fighters to ISIL, addressing humanitarian crises in the region, and exposing ISIL's true nature.

On October 15, 2014, the U.S. Central Command announced that U.S. military operations in Iraq and Syria against ISIL terrorists be designated as Operation Inherent Resolve (OIR). On October 17, 2014, the Secretary of Defense designated OIR a contingency operation. Accordingly, pursuant to Section 848 of the



U.S. Sailors Support Operation Inherent Resolve  
DoD Photo

2013 NDAA and 10 U.S.C. 101(a) (13), OIR is an OCO for purposes of Section 8L of the IG Act of 1978, as amended.

In consideration of the October 17, 2014, designation of OIR as an OCO, the CIGIE Chair designated the DoD IG as the Lead IG for OIR on December 17, 2014; who in turn, appointed the DOS IG as Associate IG on December 18, 2014.

On March 31, 2015, the *FY 2015 Joint Strategic Oversight Plan for Operation Inherent Resolve* was approved and subsequently posted online by each of the IGs for DoD, DOS, and USAID.

## OPERATION UNITED ASSISTANCE

According to public health officials the continuing Ebola epidemic in West Africa had infected more than 25,000 people and led to more than 10,400 fatalities. National healthcare systems and economies in Liberia, Sierra Leone, and Guinea were severely impacted. As a potential global health threat and a current national priority, the Ebola virus disease

outbreak spurred a U.S. Government response that has been significant in size, scope, and cost. Several Federal departments and agencies are involved in the whole-of-government response strategy for reducing Ebola transmission in West Africa, as well as efforts to address second order effects and better prepare international health systems for future outbreaks of this kind.

On October 16, 2014, the President issued an Executive Order to authorize the Secretary of Defense to order Reserve units and Individual Ready Reserve Members to active duty in support of Operation United Assistance (OUA). The Secretary exercised this authority on November 13, 2014, and, in turn, the U.S. Army issued mobilization orders on November 25, 2014.

Pursuant to Section 8L of the IG Act of 1978, as amended, the CIGIE Chair designated the DoD IG as Lead IG for OUA on February 24, 2015. The Acting Deputy IG for USAID OIG was appointed as Associate IG for OUA on February 27, 2015.



A U.S. Army UH-60 Black Hawk is Unloaded from a U.S. Air Force C-17 Globemaster III during Operation United Assistance  
DoD Photo

## LEAD IG OUTREACH AND INTERAGENCY INITIATIVES

The DoD IG and the Deputy IG OCO conducted various informational briefing sessions regarding additional Lead IG responsibilities under Section 8L of the IG Act, pertaining to OIR.

During this reporting period, the IG traveled overseas for in-country meetings with military leadership at U.S. Central Command, U.S. Southern Command, Combined Joint Task Force, and U.S. military bases in Kuwait and Qatar. Meetings included the following:

- General Lloyd J. Austin III, Commander, U.S. Central Command and other senior military leadership
- Lieutenant General James Terry, Commander, Combined Joint Task Force OIR

Meetings to discuss the implementation status of Section 8L were held with Congressional staff for House Committees on Armed Services, Foreign Affairs, and Oversight and Government Reform;

the House Appropriations Subcommittee on Defense; and the Senate Committees on Armed Services, Foreign Relations, and Homeland Security and Governmental Affairs. An introductory meeting was also held at DOS with retired Marine Corps General John Allen, Special Presidential Envoy for the Global Coalition to Counter ISIL.

Additional briefings were held throughout the IG community to provide awareness of the whole-of-government aspect of oversight specific to the interagency approach of the U.S. strategy for OIR. This wide-ranging outreach is intended to establish information sharing and coordination across agencies for a more comprehensive view of oversight regarding contingency operations. Briefings were conducted for the following:

- Select members of the CIGIE
- Select members of the Defense Council on Integrity and Efficiency (DCIE)
- Intelligence Community IGs



U.S. Army Soldiers from the 101st Airborne Division Arrive in West Africa to Support Operation United Assistance

U.S. Air Force photo by Staff Sgt. Gustavo Gonzalez

## Investigations Working Group

The Investigations Working Group (IWG), under the Lead IG for Operation Inherent Resolve, is a multi-agency consortium of criminal investigative agencies, that is being formed to design and execute an investigations strategy for the Operation Inherent Resolve mission. The IWG model is structured to foster cooperation between participating agencies, and facilitate de-confliction of associated investigations.

The inaugural IWG meeting was held in March 2015. The participants in the meeting included representatives of the Lead IG investigative partners, (DOS OIG, USAID OIG and DCIS), as well as members of the Military Criminal Investigative Organizations (MCIOs) and the FBI. The participants were introduced to the Lead IG legislation and the overarching goals and objectives of the IWG. Follow-on IWG meeting will enable participants to build an investigations construct, draft rules of engagement, and identify specific roles and responsibilities for its members.

## Hotline Working Groups

Two Hotline Working Groups were established in response to DoD IG's designation as Lead IG OCO for OIR. The Lead IG Hotline Working Group includes representatives from DoD, DOS, and USAID.

Meetings were held in February and in March 2015, to discuss the unique missions of each agency and to establish a Lead IG OCO Hotline as a single point of contact for compiling and reporting DoD, DOS, and USAID OIR complaints. DoD, DOS, and USAID are the components of the Lead IG OCO Hotline. While each agency is responsible for processing the OIR complaints they receive, the DoD Hotline has the additional responsibility of collecting, maintaining, and reporting the combined efforts of all three (DoD, DOS and USAID).

Additionally, the combined agency Lead IG OCO Hotline will provide a secure and confidential avenue for reporting OCO OIR complaints, which may include complaints within the jurisdiction of other Federal agencies engaged in the whole-of-government effort to degrade and defeat ISIL.

The Combined Federal and DoD Lead IG Hotline Working Group was formed to coordinate participating Hotlines to implement the whole-of-government concept. The first meeting was held in February 2015, to leverage the knowledge within the DoD and Federal hotline communities, to establish procedures for the timely and efficient processing of OIR complaints, and to develop a concerted, holistic process for responding to OIR complaints.



Hotline Working Group Meeting  
DoD IG photo





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# CORE MISSION AREAS

## AUDITING

The following are highlights of DoD IG audit work during the reporting period. DoD IG performed audits in the following categories:

- Acquisition Processes and Contract Management
- Cyber Security
- Financial Management
- Joint Warfighting and Readiness
- Equipping and Training Afghan Security Forces

### ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

The Department made progress in improving its efforts of acquiring and contracting for goods and services. However, DoD IG continues to identify issues and areas for improvement. During this reporting period, DoD IG issued reports addressing the Department's compliance with statutory and regulatory contracting requirements, oversight and administration of contracts, oversight of the Aviation Into-plane Reimbursement Card Program, and acquisition of information technology assets. Additionally, DoD IG continued its ongoing series of audits of the Department's management of spare parts focusing on two aspects continuing to challenge the Department: inventory management and the negotiation of fair and reasonable prices for spare parts purchases. Finally, DoD IG issued its third iteration report on the Department's contracting issues related to contingency operations based on previously issued DoD IG reports.

#### Army Personnel Complied With the Berry Amendment But Can Improve Compliance With the Buy American Act

Section 1601 of the National Defense Authorization Act for FY 2014, requires the DoD IG to conduct periodic audits of contracting practices and policies related to procurement under section 2533a, title 10, U.S.C., the Berry Amendment. DoD IG determined whether Army personnel complied with the Berry Amendment and the Buy American Act sections 8301 through 8305, title 41, U.S.C when the Army purchased covered items such as food, clothing, tents, textiles, and hand or measuring tools.

Of the 33 Berry Amendment contracts reviewed, valued at \$124.6 million and 50 Buy American Act contracts reviewed, valued at \$4.7 million, Army Contracting Command (ACC) personnel omitted the Berry Amendment and the Buy American Act implementing clauses in 4 of 33 contracts and 4 of 50 contracts respectively, did not differentiate between commercial and commercial off-the-shelf products, and did not complete component assessments. Additionally, ACC personnel issued a contract for and received goods from a non-qualifying country resulting in a potential Antideficiency Act violation.

**Report No. DODIG-2015-026**

#### DoD Needs to Improve Processes for Issuing and Managing Cost-Reimbursement Contracts

This summary report is the fifth and final in a series of reports on DoD compliance with the interim rule for the use of cost-reimbursement contracts. Of the 604 contracts reviewed, valued at about \$82.7 billion, contracting personnel did not consistently implement the Federal Acquisition Regulation (FAR) revisions (the interim rule), for 411 contracts, valued at about \$31.7 billion. Contracting personnel issued contracts that did not follow the interim rule because they were unclear about interim rule requirements or were unaware of the interim rule. As a result, contracting personnel continued to issue cost-reimbursement contracts that may increase DoD's contracting risks because cost-reimbursement contracts provide less incentive for contractors to control costs.

**Report No. DODIG-2015-029**

#### The Army's Information Technology Contracts Awarded Without Competition Were Generally Justified

Full and open competition is the preferred method for Federal agencies to award contracts. In anticipation of the pending FY 2015 NDAA requirements, the DoD IG reviewed DoD noncompetitive information technology (IT) contracts to determine whether they were properly justified as sole source. For this audit, DoD IG determined whether the Army IT contracts issued without competition were properly justified. Army contracting personnel properly justified 35 of the 39 contracts, valued (including options) at about \$146.5 million, as sole-source awards. However, Army contracting personnel did not properly justify four contracts, valued at \$83.3 million, as sole-source

awards. If Army contracting personnel had used these four contracts, the DoD could have saved or received better IT service capabilities using full and open competition.

**Report No. DODIG-2015-096**

## Small Business Contracting at Regional Contracting Office-National Capital Region Needs Improvement

DoD IG determined whether the Marine Corps Regional Contracting Office-National Capital Region provided small businesses adequate opportunities to be awarded prime contracts. In addition, DoD IG determined whether Marine Corps Regional Contracting Office-National Capital Region held prime contractors accountable for meeting small business subcontracting goals. Marine Corps Regional Contracting Office-National Capital Region contracting officials generally provided small businesses an adequate opportunity to compete for prime contracts. However, Marine Corps Regional Contracting Office-National Capital Region contracting officials may have missed an opportunity to recoup potential liquidated damages of up to \$153.5 million, which they may have been entitled to because they did not hold prime contractors accountable for meeting small business subcontracting goals.

**Report No. DODIG-2015-095**

## U.S. Air Force May Be Paying Too Much for F117 Engine Sustainment

DoD IG evaluated whether the Air Force's commerciality determination for F117 engine fleet management program (sustainment) services provided by Pratt and Whitney was supported. A commerciality determination is critical because it affects the type of cost or pricing information needed to support contract negotiations and develop the Government's negotiation position. Air Force contracting officers did not support their determinations that the sustainment services for the F117 engine obtained through the Globemaster III Integrated Sustainment Program contract were, in fact, commercial services. Pratt and Whitney increased its negotiation leverage by refusing to provide critical information that the Air Force needed to evaluate the prices for the F117 engine sustainment services labeled as commercial. Without that information, the Air Force does not



C-17 Globemaster III Aircraft  
DoD photo

know whether the \$1.54 billion already spent on the contract through October 2014 for F117 engine sustainment services, or if the estimated billions of dollars it intends to spend over the next seven years, is a fair and reasonable price.

**Report No. DODIG-2015-058**

## Improvement Needed for Inventory Management Practices on the T700 Technical, Engineering, and Logistical Services and Supplies Contract

DoD IG conducted an audit of the inventory management practices on the Army's T700 Technical, Engineering, and Logistical Services and Supplies contract. ACC and the Corpus Christi Army Depot did not meet goals to reduce and use existing Government-owned inventory on the T700 Technical, Engineering, and Logistical Services and Supplies



T700 Engine  
Photo by U.S. Navy

contract. As a result, excess inventory levels still exist, and Army officials had at least 309,498 spare parts in excess of the contract requirements, valued at \$25.4 million, which may be used to reduce future contract requirements. In addition, ACC can use at least 48,018 Corpus Christi Army Depot T700 spare parts, valued at \$200,308, from the Defense Logistics Agency (DLA) inventory to meet Corpus Christi Army Depot future requirements rather than procuring these items from General Electric. ACC officials could potentially use an additional 267,835 T700 spare parts, valued at \$4.5 million, located at DLA to meet future Corpus Christi Army Depot requirements.

**Report No. DODIG-2015-050**

### Naval Supply Systems Command Needs to Improve Cost Effectiveness of Purchases for the Phalanx Close-In Weapon System

The Phalanx is a radar-guided weapon system that automatically detects, evaluates, tracks, engages, and destroys the target. It provides ships a defense against missiles, aircraft, and other threats that have penetrated other fleet defenses. Naval Supply Systems Command Weapon Systems Support (NAVSUP WSS) awarded the Raytheon Missile Systems Company three performance-based logistics contracts to manufacture and repair spare parts for the Phalanx. NAVSUP WSS contracting officers did not adequately manage the performance-based logistics contracts to make cost-effective purchases for the Phalanx Close-In Weapon System. Therefore, NAVSUP WSS may have



**Phalanx Close-In Weapon System**  
U.S. Navy photo by Mass Communication Specialist  
3rd Class Paul Kelly

overpaid for work performed under performance-based logistics contracts and cannot quantify the work Raytheon performed for the \$69.6 million spent on the current contract.

**Report No. DODIG-2015-053**

### Improved Contract Administration Needed for the Warfighter Field Operations Customer Support Contract at the Joint Multinational Readiness Center

DoD IG determined whether officials from the Program Executive Office (PEO) for Simulation, Training, and Instrumentation properly administered and provided contract oversight for Joint Multinational Readiness Center task orders issued against the Warfighter Field Operations Customer Support contract in accordance with Federal and DoD guidelines. Program Executive Office for Simulation, Training, and Instrumentation officials did not properly administer seven Joint Multinational Readiness Center task orders, valued at approximately \$180.9 million, and awarded \$8.4 million to maintain and deploy the exportable instrumentation system which had not been fully deployed since 2009.

**Report No. DODIG-2015-042**

### Defense Logistics Agency Energy Needs To Improve Oversight of the Aviation Into-Plane Reimbursement Card Program

The Aviation Into-Plane Reimbursement (AIR) Card Program provides the Military Services and Federal civilian agencies a means to procure aviation fuel and non-fuel services for Government-owned aircraft at a substantial cost savings. For FY 2013, DLA Energy reported about 302,000 AIR Card fuel transactions, valued at approximately \$760.6 million. DLA Energy officials could not provide reliable AIR Card transaction data for FY 2013; consequently, DoD IG was unable to test DLA Energy's controls over the use of the AIR Card to assess whether DLA identified and addressed high-risk or questionable transactions. However, DoD IG identified significant concerns related to DLA Energy's lack of oversight of AIR Card transactions.

DLA Energy officials acknowledged the problems and identified actions they plan to take to strengthen controls over AIR Card Program. These actions, if implemented effectively, should help to mitigate the risks associated with the AIR Card transactions.

**Report No. DODIG-2015-032**

### Followup Audit: Enterprise Blood Management System Not Ready for Full Deployment

The PEO for the Defense Health Clinical Systems could not demonstrate after 13 years that officials implemented the necessary actions to mitigate the identified system problems as agreed to in Recommendations A.4. and B.3 from the DoD OIG Report No. D-2002-010, “Armed Services Blood Program Defense Blood Standard System.” Specifically, these were interface problems with the Composite Health Care System and double counting of inventory. The Component Acquisition Executive for Defense Health Agency (DHA) also did not manage the Enterprise Blood Management System or Theater Blood capability as a DoD IT portfolio. As a result, the PEO did not achieve maximum efficiencies for the Department’s blood program and is at an increased risk of not fully reaching the overall blood program’s performance goals.

**Report No. DODIG-2015-008**

### Contingency Contracting: A Framework for Reform—2015 Update

In the third installment of the “Contingency Contract: A Framework for Reform,” DoD IG summarized contracting deficiencies and problems related to contingency operations identified in 40 reports and 21 fraud investigations issued from April 1, 2012, through December 31, 2014. DoD IG identified nine systemic problems relating to contingency contracting processes:

- Oversight and surveillance;
- Requirements;
- Property accountability;
- Financial management;
- Contract pricing;
- Source selection;
- Contract documentation;
- Contract type; and
- Contractor personnel.

The 21 fraud investigations uncovered criminal offenses during contract award and administration, affecting six of the above nine processes.

While DoD has instituted corrective actions in response to 233 of the 304 recommendations contained in the 40 reports; 71 recommendations are still open. The effectiveness of contractor support of U.S. contingency operations could be compromised if DoD officials fail to apply lessons learned from previous problems identified in Iraq and Afghanistan. DoD officials should review the identified problems and develop a framework to achieve better contracting performance for future contingency operations.

**Report No. DODIG-2015-101**

### Summary of DoD Office of Inspector General Spare-Parts Pricing and Inventory Audits: Additional Guidance Needed

DoD IG summarized more than 55 reports on contracting problems with spare parts pricing and inventory management since the late 1990s. DoD IG has identified that the Department did not have adequate processes to obtain fair and reasonable prices for spare parts and did not effectively manage its spare-parts inventory. As a result, DoD overspent approximately \$154.9 million more than fair and reasonable prices for numerous spare parts. At the time of the reports, DoD potentially spent an additional \$282.8 million more than fair and reasonable prices for numerous spare parts based on expected use for future years. Additionally, DoD maintained excess inventory valued at \$1 billion and undervalued the spare-parts inventory in its annual financial statements by more than \$1.65 billion.

**Report Nos. DODIG-2015-103 and DODIG-2015-104**

## CYBER SECURITY

Cyber operations and security is a key part of the Defense strategy. The Department is strengthening its cyber presence to include both defensive and offensive operations, building a cyber workforce to counter cyber threats, operate and defend the DoD networks, and support military operations worldwide. During this reporting period, DoD IG issued reports addressing the Department’s efforts to migrate to Internet Protocol Version 6 (IPv6), DoD cloud computing efforts, protection of Secret Internet Protocol Router Network access points, and joint cyber center operations.

## DoD Needs to Reinitiate Migration to Internet Protocol Version 6

Internet Protocol (IP) is a technical standard that enables computers and other devices to communicate with each other over networks, many of which interconnect to form the Internet. IP provides a standardized “envelope” that carries addressing, routing, and message-handling information, enabling the transmission of a message from its source to its destination over the interconnected networks that make up the Internet. In response to the IP version 4 address shortage, the Internet Engineering Task Force developed IP version 6 (IPv6), which has a vastly expanded address space. IPv6 addresses are composed of 128 bits, which equates to 340 trillion trillion IP addresses. The Department has not met requirements to migrate the DoD enterprise network to IPv6. Consequently, DoD is not realizing the potential benefits of IPv6, including to battlefield operations, and could experience increased costs from further delays and increased vulnerability from adversaries.

**Report No. DODIG-2015-044**

## DoD Cloud Computing Strategy Needs Implementation Plan and Detailed Waiver Process

The DoD Chief Information Officer (CIO) issued the DoD Cloud Computing Strategy to accelerate the DoD adoption of cloud computing and take advantage of its benefits. The strategy provides elements intended to foster adoption of cloud computing and establish a DoD cloud infrastructure. The DoD CIO issued a cloud computing strategy in July 2012, but did not develop a plan to implement the strategy to include assigning roles and responsibilities as well as associated tasks, resources, and milestones. In addition, DoD Components used non-DoD approved cloud service providers without obtaining a waiver from the DoD CIO’s designated review authority.

**Report No. DODIG-2015-045**

## FINANCIAL MANAGEMENT

The Department is working towards its goal of achieving audit ready financial information for the DoD financial statements by September 2017. Audit readiness elevates the Department’s credibility, helps leadership substantiate the need for resources, and reassures Congress and the American people the Department is a good steward of taxpayer funds. The DoD IG continued to assist the Department in its audit readiness efforts with the audits of various DoD financial statements, existence and completeness examinations, review of the Department’s efforts to identify and report on improper payments, development of the enterprise resource planning systems, and reconciliations of Fund Balance with Treasury accounts. DoD IG also completed the last of the three audits; reviewing the Military Academies controls over monetary and nonmonetary gifts, continuing reviews of the Department’s purchase card programs and delinquent medical service accounts, and the review of the DoD reporting of conferences attended.

## DoD Methodologies to Identify Improper Payments in the Military Health Benefits and Commercial Pay Programs Need Improvement

The DoD IG continues its series of oversight of improper payments within the Department. In this current effort, DoD IG determined whether DoD methodologies for determining improper payment rates in the DoD Agency Financial Report capture improper payments because of error, fraud, waste and abuse. In this effort, DoD IG reviewed the Defense Finance and Accounting Service (DFAS) Commercial Pay program and the Military Health Benefits program. The Defense Health Agency (DHA) and DFAS developed methodologies that did not fully capture improper payment estimates and did not fully disclose recovered overpayments in the FY 2013 DoD Agency Financial Report. For example, DHA did not consider all types of healthcare payments, based its risk assessment on statistically invalid estimates, did not consider the risk of medical payment fraud, and used a nonsystematic method to evaluate risk for some payments. The inadequate methodologies resulted in unreliable improper payment estimates and limits DoD’s ability to identify and report improper payments, determine underlying weaknesses that cause the improper payments, and initiate corrective actions to reduce the improper payments.

**Report No. DODIG-2015-068**

### Additional Actions Needed to Effectively Implement the Army Fund Balance with Treasury Reconciliation Tool

Fund Balance With Treasury (FBWT) is an asset account that reflects the available budgetary spending authority of a Federal agency. At the agency level, FBWT is similar to a corporation's cash account. Appropriations and collections increase FBWT, and disbursements reduce FBWT. As of September 30, 2013, the Army reported \$132.4 billion in FBWT, or 41 percent of the \$324.6 billion of total assets reported on the Army's General Fund Balance Sheet. DFAS-Indianapolis, despite developing the Army FBWT Reconciliation Tool to perform a monthly, transaction-level reconciliation of Army FBWT, did not reengineer its processes to integrate Army FBWT Reconciliation Tool. The Army could not use Army FBWT Reconciliation Tool to effectively complete a summary-level reconciliation or support \$173 billion (or 57 percent) of the FBWT net outlays at the transaction level, as of May 31, 2014. As a result, the Army risks being unable to resolve its FBWT material weakness. Although the Army cannot demonstrate an effective FBWT transaction-level reconciliation, the Army asserted to the audit readiness of its Schedule of Budgetary Activity.

**Report No. DODIG-2015-038**

### Defense Health Agency Did Not Have Adequate Controls in the North Region to Detect Improper Payments for claims Submitted by Skilled Nursing Facilities

Prior audit reports from the Department of Health and Human Services (HHS), Office of the Inspector General identified problems with Medicare claims submitted by Skilled Nursing Facilities (SNF), including inaccurate claims, medically unnecessary care, and fraudulent claims. The Defense Health Agency did not have adequate controls to detect improper payments for TRICARE claims submitted by SNFs in the north region. DoD IG review showed 67.4 percent of FY 2013 SNF claims in the TRICARE north region had insufficient documentation to support the claims submitted by the SNFs. Since these payments were made with insufficient or no documentation, they are considered to be improper payments. As a result, the Defense Health Agency lacked assurance that SNF payments were accurate and appropriate. DoD IG estimates that in FY 2013, the Defense Health Agency did not detect 1,322 SNF improper payments, valued

at \$8.8 of \$13.2 million paid by the TRICARE North region contractor. Specifically, DoD IG identified potential monetary benefits totaling \$718,400 for the SNF claims in the audit sample where the SNFs did not provide sufficient documentation.

**Report No. DODIG-2015-040**

### U.S. Military Academy, West Point, Controls Over Gift Funds Need Improvements

The DoD IG assessed the controls over U.S. Military Academy, West Point and the West Point Museum monetary and nonmonetary gift processes for FY 2012 and FY 2013. West Point generally had effective controls in place to accept monetary and nonmonetary gifts and to record monetary gifts. However, the controls for recording nonmonetary, reporting monetary and nonmonetary gifts, and disbursing monetary gifts were not effective. As a result, West Point property books are not complete, assets on the balance sheet are misstated, and disbursing officers made unauthorized gift fund disbursements for which the Army had no oversight.

**Report No. DODIG-2015-066**

### Defense Logistics Agency Did Not Fully Implement the Business Enterprise Architecture Procure-to-Pay Business Process in the Enterprise Business System

The FY 2012 National Defense Authorization Act requires DoD to develop a Business Enterprise Architecture (BEA) establishing an information



U.S. Military Academy, West Point  
DoD photo by Staff Sgt. Sean K. Harp

infrastructure to comply with all Federal accounting, financial management, and financial reporting requirements. DoD IG determined whether the Enterprise Business System Program Management Office implemented the DoD BEA Procure-to-Pay business process to properly support the purchase of DLA goods and services and generate accurate and reliable financial management information. The Enterprise Business System Program Management Office did not implement the DoD BEA Procure-to-Pay business process to properly support the purchase of DLA goods and services and generate accurate and reliable financial management information. Although the DLA has spent \$2.5 billion on the Enterprise Business System, financial managers cannot rely on the trial balance data to prepare financial statements.

**Report No. DODIG-2015-010**

## The Office of the Deputy Chief Management Officer Needs to Improve Oversight of the DoD Conference Report

DoD IG determined whether the DoD Deputy Chief Management Officer (DCMO) reported accurate and complete conference costs in DoD's FY 2013 Conference Report. The DoD DCMO did not report accurate or complete costs in the DoD FY 2013 Conference Report. Specifically, travel costs for five of eight conferences reviewed were based on estimates that could not be verified to actual costs. In addition, the DoD DCMO inconsistently reported conferences by including seven events costing \$1.4 million that did not meet the DoD definition of a conference and, therefore, should have been excluded from the conference report. Furthermore, at least three conferences hosted by DoD, costing \$1.7 million, were not reported because the DoD DCMO used a manual process to compile the conference report; and officials responsible for reporting conferences at the Defense Health Agency misunderstood the new reporting requirements. As a result, Congress cannot rely on the DoD DCMO's report to assess DoD's conference spending.

**Report No. DODIG-2015-069**

## JOINT WARFIGHTING AND READINESS

The Department is working to improve readiness to accomplish key missions, maintain ready and capable forces and ensure full spectrum readiness for the broader mission portfolio. DoD IG reports addressed

the administration and oversight of construction projects for overseas contingency operations, the reset and return of equipment from Afghanistan, and the proper demilitarization of equipment no longer needed.

## The Army Needs to Improve the Processes for Reporting Inventory Losses in Afghanistan

The DoD IG continues its series of oversight of the transfer of equipment from Afghanistan to the United States for reset and redistribution. In this current effort, DoD IG determined the Army did not report FY 2013 inventory losses in Afghanistan in a timely manner. Specifically, the 401st Army Field Support Brigade did not report in a timely manner 15,600 pieces of missing equipment valued at approximately \$419.5 million. During the course of the audit, DoD IG made several suggestions to the 401st Army Field Support Brigade and the 1st Theater Sustainment Command to resolve the reporting and processing problems. Both commands immediately acted upon the suggestions and resolved several of the concerns identified.

**Report No. DODIG-2015-009**

## The Services Need to Improve Accuracy When Initially Assigning Demilitarization Codes

The DoD IG continues its series of oversight of the DoD Demilitarization program. In this current effort, DoD IG determined whether the Services were properly evaluating DoD property and assigning accurate demilitarization codes when property enters the DoD supply system. DoD IG also determined whether the DLA was validating the accuracy of demilitarization codes when property was sent to DLA after being identified as excess. Service personnel did not assign accurate demilitarization codes when initially registering items in the DoD supply system. According to DoD Demilitarization Coding Management Office officials, 8,872 of the 33,364 codes (or 27 percent) assigned during the two-year period ending September 30, 2012, were inaccurate. Resources expended to challenge and correct those codes have limited the Department's ability to reduce a backlog of more than 12 million items needing a demilitarization code review. Such a large backlog increases the risk that sensitive military technology could be improperly released or that funds could be unnecessarily expended by over controlling items that do not require demilitarization.

**Report No. DODIG-2015-031**



### Military Construction in a Contingency Environment: Summary of Weaknesses Identified in Reports Issued From January 1, 2008, Through March 31, 2014

DoD IG summarized reports issued by the DoD OIG and the Air Force Audit Agency between January 1, 2008, and March 31, 2014, that contained findings on military construction projects in Afghanistan and Iraq. The reports identified weaknesses with contingency construction contracts in Afghanistan and Iraq valued at about \$738 million. The weaknesses include inadequate quality assurance and contract oversight, inadequate requirements, acceptance of substandard construction, unclear guidance, lack of coordination between commands, lack of contract files, and funding approval process. Overall, quality assurance weaknesses were cited 15 times in 7 reports and contributed to an increased risk to personnel life and safety on the facilities. The quality assurance weaknesses included insufficient contract oversight and lack of quality assurance documents and procedures. The other weaknesses contributed to additional work to bring newly constructed facilities up to standard.

**Report No. DODIG-2015-059**

### Although U.S. Forces-Afghanistan Prepared Completion and Sustainment Plans for Ongoing Construction Projects for U.S. Facilities, Four Construction Projects at Bagram Faced Significant Challenges

DoD IG determined whether DoD activities established a process to evaluate whether construction projects for U.S. facilities in Afghanistan should be completed or terminated. DoD IG focused on military construction projects for U.S. facilities in Afghanistan. U.S. Forces-Afghanistan routinely coordinated with DoD activities to review ongoing military construction projects for U.S. facilities. As a result, DoD activities realized a cost savings of \$22.7 million through termination and offsets of select military construction projects. In addition, completion and sustainment plans were developed for all seven projects the DoD IG reviewed at Bagram Airfield. However, plans for three projects were negated when the contractor defaulted, and one project will not function as intended until the Bagram Airfield sewer system is operational. DoD IG raised these concerns during the audit to Air Force Central Command and Garrison, Bagram, officials who



Construction of a Taxiway at Kandahar Airfield  
DoD IG photo

addressed the observations identified. The Air Force canceled the three projects on which the contractor defaulted and continued repairs on the Bagram sewer system to make it operational.

**Report No. DODIG-2015-014**

## **Navy Controls Over the Requirements Development Process for Military Construction Projects in the Kingdom of Bahrain Need Improvement**

DoD IG reviewed six Kingdom of Bahrain military construction (MILCON) projects for FY 2014 through FY 2017, which had a total cost of about \$490 million. Specifically, DoD IG determined whether the requirements development and planning process resulted in requirements that met DoD's needs. Although DoD officials identified valid needs for the six MILCON projects DoD IG reviewed, Navy officials could not always provide documentation to fully support the projects' scope of work and costs. In addition, Navy officials over scoped the Ship Maintenance and Support Facility project, and the U.S. Navy Forces Central Command Ammunition Magazine Project was significantly delayed. This occurred because Navy officials either did not validate the accuracy of calculations, rates, and criteria prior to submitting the projects; define specific project requirements during the planning process; or maintain documentation to support primary facilities. As a result of over scoping, about \$2.5 million could be made available for other MILCON projects. Furthermore, the U.S. Navy Forces Central Command Ammunition Magazine Project was delayed because the Government of Bahrain has not provided site approval for the project. Therefore, the Navy cannot use about \$89.3 million authorized for the project. Overall, funds in the amount of about \$91.8 million could be used for other MILCON projects.

**Report No. DODIG-2015-088**

## **EQUIPPING AND TRAINING AFGHAN SECURITY FORCES**

### **The Government of Islamic Republic of Afghanistan's Controls Over the Contract Management Process for U.S. Direct Assistance Need Improvement**

DoD authorized the Combined Security Transition Command-Afghanistan to provide Afghanistan Security Forces Fund resources to sustain the Afghan National Security Forces directly to the Afghanistan ministries. The goal of this support was to develop ministerial capability and capacity in the areas of budget development and execution, payment of salaries, acquisition planning, and procurement. Establishing a formal process to manage these contributions ensures the Afghanistan ministries develop the skills and experience to provide security independently and operate successfully within the Government of Islamic Republic of Afghanistan (GIROA). GIROA's Ministry of Interior and Ministry of Defense did not have effective controls over the contract management process for U.S. direct assistance funding provided to sustain the Afghan National Security Forces. Specifically, the ministries did not adequately develop, award, execute, or monitor individual contracts funded with U.S. direct assistance. The Ministry of Finance did not sufficiently oversee Ministry of Defense and Ministry of Interior's planning, accounting, and expenditure of U.S. direct assistance funding, and did not develop internal compliance functions within the ministries to ensure adherence to the Procurement Law and Bilateral Financial Commitment Letters. Furthermore, the Combined Security Transition Command-Afghanistan has not fully developed the capacity of the ministries to operate effectively, independently, and transparently. Future direct assistance funds are vulnerable to increased fraud and abuse because GIROA had numerous contract award and execution irregularities and Procurement Law and commitment letter violations. Until the Combined Security Transition Command-Afghanistan mitigates these challenges, GIROA will continue to depend on Coalition-provided capabilities.

**Report No. DODIG-2015-082**

## INVESTIGATIONS

The following cases are highlights of investigations conducted by DCIS and its Federal law enforcement partners during the current reporting period. DCIS investigative highlights are listed under the following categories:

- Procurement Fraud
- Public Corruption
- Product Substitution
- Healthcare Fraud
- Illegal Technology Transfer
- Cyber Crime and Computer Network Intrusion

### PROCUREMENT FRAUD

Procurement fraud investigations continue to comprise a major part of the DCIS case inventory. Of all forms of white-collar crime, procurement fraud is probably the least visible, yet the most costly. Procurement fraud includes, but is not limited to, cost or labor mischarging, defective pricing, price fixing, bid rigging, and defective and counterfeit parts. The potential damage resulting from procurement fraud extends well beyond financial losses. This crime poses a serious threat to the ability of the Department to achieve its operational objectives and can have a negative effect on the implementation of programs. DCIS places the highest priority on investigations impacting safety and operational readiness to protect the welfare of warfighters throughout the procurement process.

### DoD Contractor Pleads Guilty to Major Fraud and Pays Nearly \$380 Million to Settle Claims

#### OVERVIEW:

A joint investigation with the FBI and U.S. Army Criminal Investigation Command (CID) determined that Supreme Foodservice GmbH (Supreme) and Supreme Foodservice FZE inflated the price charged for goods sold under the Subsistence Prime Vendor contract for U.S. troops serving in Afghanistan. From July 2005 through April 2009, Supreme and its subsidiaries used a United Arab Emirates company it controlled as a middleman to mark up prices for

locally-produced products, and to obscure the inflated price the Supreme companies were charging the U.S. for bottled water. The fraud resulted in a loss to the Government of \$48 million.

#### RESULT:

On December 8, 2014, Supreme pleaded guilty to major fraud against the U.S., conspiracy to commit major fraud and wire fraud. Supreme Foodservice FZE pleaded guilty to major fraud against the United States. The companies also agreed to jointly pay \$379.36 million in fines, restitution, and administrative recovery costs from the criminal charges and to settle a related civil suit. In addition, a forfeiture money judgment was issued against Supreme in the amount of \$10 million, which was paid in full on December 9, 2014.

### DoD Contractor Agrees to Pay \$20 Million to Resolve Allegations of Fuel Theft in Afghanistan

#### OVERVIEW:

A joint investigation with the CID, the Naval Criminal Investigative Service (NCIS), the Air Force Office of Special Investigations (AFOSI) and Special Inspector General for Afghanistan Reconstruction (SIGAR) examined allegations that Supreme Group Middle East drivers were stealing fuel from Kandahar Air Field and selling the fuel for cash. The majority of fuel was alleged to have been stolen en route by drivers “shorting” generators on the air field then departing with the excess.



Airmen Load Pallets of Fuel  
U.S. Air Force photo

**RESULT:**

On December 8, 2014, the parent company of Supreme Group Middle East, Supreme Site Services GmbH, entered into a civil settlement with the U.S. Government and agreed to pay \$20 million to resolve allegations of overbilling the DLA for fuel that was not delivered.

## DHS Technologies Agrees To Pay \$1.9 Million To Settle Allegations of False Claims Act Violations

**OVERVIEW:**

A joint investigation with General Services Administration (GSA), Office of Inspector General (OIG), and CID disclosed that in 2007, DHS Technologies LLC (DHS Tech) and its subsidiary DHS Systems LLC allegedly violated the False Claims Act (FCA) by failing to disclose to GSA that it offered greater discounts to a private company for the same items during the negotiation for the re-award of a Government contract. The disclosure of the lower price is required by the Federal Acquisition Regulations (FAR). DHS Tech is a provider of mobile shelters and trailer-mounted support systems for military, medical, government and civilian organizations around the world. Between 2007 and 2013, the omission by DHS Tech resulted in Federal agencies, including the Tobyhanna Army Depot, paying more for the products than they should have paid.

**RESULT:**

On December 4, 2014, DHS Tech entered into a civil settlement agreement with the Department of Justice (DOJ) and agreed to pay the U.S. Government

\$1.9 million to resolve the alleged violations of the FCA. Of the U.S. Government's share, the qui tam relator received 19 percent of the \$1.9 million dollars.

## Defense Contractor Agrees to Pay \$27.5 Million to Settle Overbilling Allegations

**OVERVIEW:**

A joint investigation with U.S. Army CID disclosed that from March 2003 through January 2011, Lockheed Martin Integrated Systems (LMIS) allegedly violated the FCA by knowingly overbilling the government for work performed by LMIS employees who lacked job qualifications required by the contracts. The alleged labor mischarging occurred on the Rapid Response Contract (CR2) and the Strategic Services Sourcing (S3) contract, both issued by the U.S. Army Communication-Electronics Command. The purpose of the CR2 and S3 contracts is to provide rapid access to products and services for the U.S. Army in Iraq and Afghanistan. Individual task orders are then separately negotiated based on these contracts. LMIS allegedly violated the terms of the contracts by using under-qualified employees who were billed to the U.S. Government at the rates of qualified employees. The overbilling allegedly resulted in greater profit for LMIS.

**RESULT:**

On December 19, 2014, LMIS entered into a civil settlement agreement with the DOJ and agreed to pay \$27.5 million to the U.S. Government to resolve alleged violations of the Civil FCA, the Program Fraud Civil Remedies Act (PFCRA) of 1986, and the Contract Disputes Act (CDA) of 1978.

## First RF pays \$10 Million in Settlement for Allegedly Overinflated Army Contract

**OVERVIEW:**

A joint investigation with CID examined allegations that in 2005 the First RF Corporation (First RF) provided false cost and pricing data in connection with a \$21.6 million contract with U.S. Army Communication-Electronics Command. The contract was for the acquisition of 6,900 electronic warfare antennas. These antennas were to be used with jamming systems in Iraq and Afghanistan to counter improvised explosive devices. Allegedly, during price negotiations, First RF knowingly misrepresented the costs of manufacturing the antennas to the Army, resulting in inflated contract prices and inflated payments received by First RF.



Expandable Light Air Mobile Shelter  
U.S. Army photo by Sgt. 1st Class Angele Ringo



Counter Radio-Controlled Electronic Warfare Antenna  
U.S. Army photo by Sgt. Jarred Woods

#### RESULT:

On October 23, 2014, First RF entered into a civil settlement with the DOJ and agreed to pay the U.S. Government \$10 million to resolve alleged violations of the FCA.

### Shipping Contractors in Afghanistan Agreed to Pay \$12.95 Million to Settle False Claims Allegations

#### OVERVIEW:

A joint investigation with the U.S. Army CID, the AFOSI, and the SIGAR examined allegations that American President Lines Ltd, Inc. (APL) and Maersk Line Limited (Maersk) submitted false billing documents to the Government for reimbursement of cargo delivery services. APL and Maersk were awarded a U.S. Transportation Command contract to deliver various goods and merchandise to overseas military locations in support of U.S. Forces Afghanistan. APL and Maersk allegedly submitted fictitious and fraudulent delivery documents to the Army and Air Force Exchange Service, the DLA, GSA, Military Cargo and Defense Contract Management Agency (DCMA) for completed deliveries of freight containers from the United States to the intended military outposts in Afghanistan. APL and Maersk claimed the U.S. cargo and its cargo containers reached the intended U.S. Forces Afghanistan military outposts. However, the investigation determined that APL and Maersk cargo shipments were never delivered to the U.S. Forces Afghanistan military outposts or its distribution centers.

#### RESULT:

Previously, APL entered into a civil settlement with the DOJ and agreed to pay \$4.25 million to the U.S. Government to settle allegations of false claims. On October 30, 2014, Maersk entered into a civil settlement with DOJ and agreed to pay \$8.7 million to settle allegations of false claims.

### Defense Contractor Agrees to Pay \$13.7 Million to Settle Allegations of Overbilling

#### OVERVIEW:

A joint investigation with the CID disclosed allegations that DRS Technical Services, Inc. (DRS) billed the U.S. Army Communication-Electronics Command and the Coast Guard for work performed by individuals, whose job qualifications did not meet contract requirements, thereby falsely increasing DRS' billings. From January 1, 2003, through December 31, 2012, DRS billed U.S. Army Communication-Electronics Command for work performed by individuals whose job qualifications did not meet all the qualifications prescribed by the contracts for the labor categories under which their efforts were billed. Similarly, from December 19, 2009, through December 18, 2011, DRS allegedly charged the Coast Guard's Aviation Logistics Center for work performed by individuals whose job qualifications did not meet the qualifications prescribed by the contract, again, thereby inflating the cost of the services provided.

The investigation also disclosed allegations that Engineering Systems Solutions (ESS), Inc., a subcontractor to DRS, billed the Army for work by individuals whose job qualifications did not meet contract requirements and overbilled for materials. DRS, headquartered in Herndon, Va., designs, integrates, operates, and maintains satellite and wireless network solutions and telecommunication services and security systems for DoD, the U.S. Government, and private sector customers. Its subsidiary, DRS C3 & Aviation Company, provides services to Government agencies, including aircraft maintenance, logistics and depot support, and engineering support. DRS and its predecessors were awarded time-and-materials contracts for services and supplies to be provided to U.S. Army Communication-Electronics Command in Iraq and Afghanistan, and to the Coast Guard for aircraft maintenance.



U.S. Coast Guard Aircraft Maintenance  
U.S. Navy photo by Petty Officer 3rd Class Joshua Nistas

## RESULT:

Previously, ESS and its owner, Vishnampet Jayanthinathan, entered into a settlement agreement with the DOJ whereby ESS agreed to pay \$702,000 to settle allegations that it violated the FCA. On October 1, 2014, a settlement was reached between DRS and the DOJ whereby DRS agreed to pay \$13.7 million to settle allegations that it violated the FCA.

## Former Security Contractor CEO Agrees To Pay \$4.5 Million To Settle Civil Claims

### OVERVIEW:

A joint investigation with GSA OIG, the Small Business Administration (SBA) OIG, the NASA OIG, and the Department of Homeland Security OIG disclosed that Keith Hedman, the former chief executive officer (CEO) of Protection Strategies, Inc., (PSI), a security contracting firm, created a front company to obtain contracts through the SBA's Section 8(a) program. From 2004 to 2012, Hedman received more than \$31 million in Section 8(a) contracts through Security Assistance Corporation (SAC), a front company, he otherwise would not have been qualified to receive. The Section 8(a) program allows qualified small businesses to receive sole-source and competitive-bid contracts set aside for minority-owned and disadvantaged small businesses. The investigation revealed PSI was no longer eligible to participate in the Section 8(a) program when the listed president and CEO, an African-American female who resigned from PSI in 2003. Hedman became its sole owner, and the company was no longer Section 8(a)-eligible.

In 2003, Hedman created SAC and misrepresented Dawn Hamilton, an employee, as the owner based on her Section 8(a) eligibility. In reality, the new company was managed by Hedman and PSI senior leadership in violation of Section 8(a) rules and regulations. Hedman exercised ultimate decision-making authority and control over SAC, while maintaining the impression that Hamilton was leading the company. This included forging Hamilton's signatures on documents she had not seen or drafted. Hedman also retained ultimate control over the shell business's bank accounts throughout its existence.

### RESULT:

Previously, Hedman pled guilty to one count of major fraud against the U.S. and one count of conspiracy to commit bribery. He was subsequently sentenced to 72 months in prison, 2 years of supervised release, and ordered to forfeit approximately \$6.1 million jointly and severally with other defendants, and pay a \$15,000 fine. Hamilton pled guilty to one count of major fraud against the U.S. and subsequently was sentenced to 48 months in prison, 36 months of supervised release, ordered to forfeit more than \$1.2 million, and ordered to pay a fine of \$1 million. On December 11, 2014, Hedman entered into a civil settlement with the DOJ and agreed to pay \$4.5 million to resolve alleged violations of the FCA and other related statutory and common law remedies arising from the fraudulent scheme. On February 27, 2015, Hedman paid \$2.96 million to satisfy his portion of the forfeiture money judgment. On February 28, 2015, Hamilton entered into a civil settlement with the DOJ and agreed to pay \$300,000 to resolve allegations of violating the FCA.

## Sacramento Defense Contractor Agrees to Pay \$2 Million to Settle Allegations of Inflating Costs

### OVERVIEW:

A joint investigation with AFOSI disclosed allegations that Composite Engineering, Inc. (CEI) allegedly overstated materials costs and labor hours, resulting in the significant overpayment of CEI by the DoD. The contract at issue was a firm fixed-price contract modification for the procurement of spare parts to meet the requirements of the Air Force's Subscale



BQM-167A Air Force Subscale Aerial Target  
U.S. Air Force photo by Bruce Hoffman

Aerial Target (AFSAT) program. The AFSAT is a remotely-controlled aerial target that serves as a target drone for evaluating air-to-air weapon systems.

#### RESULT:

On January 26, 2015, CEI, entered into a civil settlement agreement with the DOJ. CEI agreed to pay the U.S. Government \$2 million to resolve allegations that it violated the FCA.

### Defense Contractor Agrees to Pay More than \$800,000 to Resolve Allegations of False Claims

#### OVERVIEW:

A joint investigation with GSA OIG disclosed that Agilent Technologies, Inc. (ATI), allegedly violated the FCA by improperly coordinating pricing and bid strategy between its subsidiary Electronic Measurement Group (EMG) and one or more of its licensed distributors and resellers, also known as channel partners. Agilent is a wholly owned group within ATI that manufactures and sells electronic and bio-analytical measurement instruments to commercial, U.S. Government and DoD customers. EMG allegedly colluded with its channel partners on prices submitted to the Government, which contracts each would submit bids, and which contracts they would not submit bids. The act of colluding on pricing and bidding threatens the ideal of open and fair competition.

#### RESULT:

On October 31, 2014, ATI entered into a civil settlement agreement with the DOJ and agreed to pay \$849,678 to settle the allegation of false claims.

## PRODUCT SUBSTITUTION

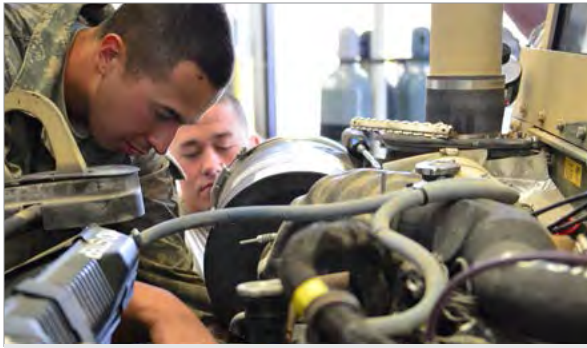
DCIS supports DoD and its warfighting mission through timely, comprehensive investigations of counterfeit, defective, or substandard products, and substituted products that do not conform with the requirements of the contract. Nonconforming products disrupt readiness and waste economic resources. They also threaten the safety of military and Government personnel and other end-users. When substituted products are deliberately provided to DoD, mission critical processes and capabilities can be severely impacted until those products are removed from the DoD supply chain.

DCIS works with Federal law enforcement partners, supply centers, and the defense industrial base to ensure that DoD contractors provide the correct parts and components to meet DoD requirements. DCIS actively participates in the Defense Supply Center-Columbus Counterfeit Material/Unauthorized Product Substitution Team and partners at the national level with the Intellectual Property Rights Coordination Center, to focus on preventing the proliferation of counterfeit parts. Pooling the member agencies' resources allows for more effective detection and removal of inferior goods that threaten the safety of America's soldiers, sailors, airmen, and marines.

### Florida Contractor Illegally Provides Chinese-made Parts to DoD

#### OVERVIEW:

A DCIS investigation disclosed that Component Source Florida, owned and operated by Luis Cantos II, supplied the DoD with parts that did not meet the contract specifications. The investigation showed Cantos was buying Chinese-made parts and unlawfully using them to fill DoD orders requiring original equipment manufacturer parts. The contracts were for the purchase of electrical engine starters, alternator starter assemblies, and generators associated with High-Mobility Multipurpose Wheeled Vehicles (HMMWV), forklifts, and aircraft. Cantos and co-conspirator, Jeffrey Perez, were later identified as employees of Metro Enginetech, Inc., and Cantos was also identified as the owner of LEC Technologies. Both companies provided parts that did not meet DoD specifications and also submitted false traceability documentation to the Defense Supply Center Columbus and the Defense Supply Center Richmond.



Mechanics Replace Parts on an Up-Armed HMMWV  
U.S. Army Photo by Lt. Col. Deanna Bague

## RESULT:

Previously, Cantos pled guilty in U.S. District Court to one count of conspiracy to defraud the U.S. Government with respect to claims, two counts of false claims and one count of conspiracy to commit mail fraud. Perez pled guilty to one count of conspiracy to defraud the Government with respect to claims. As a result, Cantos was sentenced to 21 months incarceration and three years' supervised release, and Perez was sentenced to five months incarceration, 3 years supervised release and ordered to pay \$23,300 jointly with Cantos. In addition, a forfeiture money judgment in the amount of \$143,270 and a restitution order in the amount of \$143,270 were ordered against Cantos and Perez. On December 11, 2014, Cantos and Perez, and five affiliates were debarred from Government contracting. Cantos and affiliates are debarred until April 14, 2022. Perez is debarred until September 17, 2020.

## Defense Contractor Jailed and Debarred for Supplying Defective F-15 Parts

### OVERVIEW:

A joint investigation with the FBI, the AFOSI, and DLA OIG found that Malcolm Robert Markson, former owner of Action Machine, LLC, supplied non-conforming wing pins for military aircraft. Between 2009 and 2012, Markson and Action Machine, obtained a series of contracts to manufacture F-15 wing pins for the Air Force. Wing pins are critical safety parts that are used to secure the wings of F-15 fighter aircraft. The contract specifications require the use of a particular type of hardened steel when manufacturing the wing pins. The contracts

also required the company to subject the wing pins to a particular safety inspection process. Markson manufactured and shipped a total of 212 wing pins to the DoD and supplied certification forms verifying that the wing pins met all of the design specifications. Investigation determined these certifications were fraudulent. Some of the wing pins were made with the wrong type of steel, and some had not been subjected to the required safety testing. In 2013, the DoD determined that the wing pins supplied by Action Machine were defective before any accidents or injuries occurred.

### RESULT:

Markson pled guilty to one count of fraud involving aircraft parts, and one count of obstruction of a Federal investigation. On November 10, 2014, the Air Force debarred Action Machine and Markson from Government contracting for a period of three years. On December 22, 2014, Markson was sentenced to six months confinement and two years of probation. He was also ordered to pay a fine and special assessment of \$1,200 and \$4,532 in restitution to the DLA.

## Former Chief Executive Officer Jailed for Selling Navy Counterfeit Parts

### OVERVIEW:

A joint investigation with Immigration and Customs Enforcement-Homeland Security Investigations (ICE-HSI) determined that Didier De Nier, former President of Powerline, Inc., provided counterfeit batteries to the Navy. From 2004 through 2011, Powerline, which also did business as Birdman Distribution Corp., sold more than 80,000 batteries and battery assemblies which the Navy used for emergency backup power aboard nuclear aircraft carriers, minesweepers, and ballistic missile submarines. The batteries were installed on numerous naval vessels at a cost to the DoD of more than \$2.6 million. De Nier instructed his employees to disguise the non-compliant batteries by affixing counterfeit labels falsely identifying them as originating from approved manufacturers. De Nier also drafted instructional guides on how to assemble the knock-offs. Powerline's employees also used chemicals to remove "Made in China" markings from the counterfeit batteries, and prepared doctored invoices, packing slips, and other paperwork. De Nier used the proceeds of his crime to buy a yacht, pay his home mortgage, and to cover the cost of travel to the Caribbean and the French Riviera. Shortly





U.S. Navy Sailors Aboard a Nuclear-Powered Guided-Missile Submarine  
U.S. Navy photo by Mass Communication Specialist 2nd Class Kimberly Clifford

after Federal agents searched Powerline’s offices in July 2012, De Nier fled the United States to live aboard his yacht near the Caribbean island of St. Martin, a French territory. In October 2013, Federal agents arrested De Nier, a dual French-U.S. citizen, after he had sailed his yacht to the U.S. Virgin Islands.

**RESULT:**

Previously, Lisa De Nier, De Nier’s ex-wife and former Vice President of Powerline, pled guilty to conspiracy to defraud the Government. De Nier was found guilty on five counts of wire fraud and one count of conspiracy to defraud the Government. On October 15, 2014, De Nier was sentenced to 87 months imprisonment, 36 months of supervised release, a \$600 special assessment, and ordered to pay restitution to the DLA in the amount of \$2.67 million, and restitution to non-government entities for a total restitution of \$2.78 million. In addition, De Nier was ordered to pay a final personal money judgment of \$2.67 million. Sentencing for Lisa De Nier is pending.

**Defense Contractor and Four Employees Receive Prison Sentences**

**OVERVIEW:**

A joint investigation with the Internal Revenue Service, the FBI, the CID, and ICE-HSI disclosed that Harold Ray Bettencourt II, owner of Kustom Products, Incorporated (KPI), his sons, and the office manager conspired to commit wire fraud, money laundering, and trafficking in counterfeit goods and services on a DoD contracts. From 2006 to 2010, KPI supplied knock-off vehicle and aviation parts

to the DoD. The DoD sought equipment, supplies, and services that were filled through purchase orders awarded to DoD contractors, including KPI. Some of the products were identified as critical application items — items essential to weapons systems performance or operation, or to preserve the life and safety of military personnel. Each contract solicitation contained specific details regarding part specifications and required the parts to be exact product without exception. Some of the products that KPI supplied were delivered on pallets bearing forged heat treatment stamps. Original equipment manufacturer’s part numbers were affixed to the counterfeit product as if the products were genuine, and trace documents were provided to the DoD in the form of sales orders and quotations bearing the forged corporate logos. While supplying non-conforming parts, KPI bid on DoD contracts at prices as if they were providing genuine parts. For example, KPI supplied truck parts and aviation lock nuts for the Kiowa Helicopter and falsely certified that the parts were genuine and were obtained from an original equipment manufacturer, as required by the contract. KPI and the individual defendants in this case secured more than \$44 million in DoD contracts, of which over \$10.5 million were proven fraudulent. However, the extent of the fraud may have been much greater, and efforts were made by the DoD to inspect and remove all products delivered by KPI from the military supply chain.

**RESULT:**

On December 12, 2014, Harold Bettencourt II, owner of KPI; and his three sons (also KPI employees), Harold “Bo” Bettencourt III, Peter Bettencourt,



Stripped Interior of an Army National Guard OH-58AC Kiowa Helicopter  
U.S. Army photo by Sgt. Jim Greenhill

Nicolas “Nick” Bettencourt; KPI employees Margo “Toni” Densmore, and Joshua Kemp, and the corporation were sentenced in U.S. District Court after pleading guilty to conspiracy. Harold Bettencourt was sentenced to 45 months imprisonment, 36 months of supervised release, and ordered to pay a \$15,000 fine and a \$100 special assessment. Nick Bettencourt was sentenced to 27 months imprisonment, 36 months of supervised release, and ordered to pay a \$10,000 fine, and a \$100 special assessment. Bo Bettencourt was sentenced to 25 months imprisonment, 36 months of supervised release, and ordered to pay a \$10,000 fine and a \$100 special assessment. Pete Bettencourt was sentenced to 12 months and a day imprisonment, 36 months of supervised release, and ordered to pay a \$5,000 fine and a \$100 special assessment. Toni Densmore was sentenced to 12 months and a 1 day imprisonment, 36 months of supervised release, and ordered to pay a \$5,000 fine and a \$100 special assessment. Joshua Kemp was sentenced to 60 months of probation. KPI was sentenced to 60 months of probation and ordered to pay a \$150,000 fine. Restitution was ordered for \$5 million, to be paid jointly and severally by the defendants.

## HEALTHCARE FRAUD

The rising costs associated with healthcare continue to be a national concern. DCIS has experienced an increase in allegations of healthcare fraud, and combatting this crime is one of DoD IG’s top investigative priorities. Of particular concern are allegations of potential harm to DoD military members and their dependents. In addition to patient harm, typical investigations scrutinize healthcare providers participating in corruption or kickback schemes, overcharging for medical goods and services, marketing of drugs for uses not approved by the U.S. Food and Drug Administration (FDA), and approving unauthorized individuals to receive TRICARE healthcare benefits. DCIS continues to proactively target healthcare fraud through coordination with other Federal agencies and participation in Federal and state task forces.

### Dermatology Practice Pays \$3 Million to Settle False Claims Allegations

#### OVERVIEW:

A joint investigation with the HHS OIG and the FBI examined allegations of violations of the FCA.

Allegedly from January 2009 through October 2013, Associates in Dermatology, and Dr. Michael Steppie, the practice’s owner, operated a dermatology practice and used an unlicensed medical assistant to perform radiation therapy without proper supervision. It was also alleged that the clinic performed unnecessary destructions of skin lesions, and that these procedures lacked proper documentation.

#### RESULT:

On January 23, 2015, Dr. Steppie and the Associates in Dermatology entered into a civil settlement agreement with the DOJ in which they agreed to pay the U.S. Government \$3 million, of which the DoD will receive \$238,140.

### Daiichi Sankyo to Pay \$39 Million to Settle Allegations of Kickbacks

#### OVERVIEW:

A joint investigation with the FDA’s Office of Criminal Investigation, the HHS OIG, and the FBI examined allegations that Daiichi Sankyo, Inc. paid kickbacks to induce physicians, including TRICARE providers, to prescribe Daiichi drugs, including Azor, Benicar, Tribenzor, and Welcholimproper. The alleged kickbacks came in the form of speaker fees, meals, and other remuneration as a part of Daiichi’s Physician Opinion & Discussion (PODS) programs. The PODS occurred from January 1, 2005, through March 31, 2011, and other speaker programs from January 1, 2004, through February 4, 2011. Allegedly, payments were made to physicians—even when the physicians were participants in PODS—took turns “speaking” on



TRICARE Representative Hands Out Information Packets  
U.S. Navy photo by Mass Communication Specialist  
2nd Class RJ Stratchko

duplicative topics over Daiichi-funded dinners. It was also alleged that, at times, the recipient spoke only to members of his or her own staff in his or her own office, or the associated dinner was so lavish that its costs exceeded Daiichi's own internal cost limitation of \$140 per person. The investigation stemmed from a complaint filed by a former Daiichi sales representative under the whistleblower provisions of the FCA, which authorize private parties to sue on behalf of the United States, and to receive a portion of any recovery.

**RESULT:**

On January 8, 2015, Daiichi Sankyo, Inc. entered into a civil settlement with the DOJ in which the company agreed to pay the U.S. Government approximately \$39 million to resolve allegations of violations of the FCA. Of this amount, DoD will receive approximately \$4.6 million, and the whistleblower will receive approximately \$6.1 million.

### Wichita Chiropractor Sentenced to Prison in Healthcare Fraud Case

**OVERVIEW:**

A joint investigation with the FBI, the HHS OIG, the IRS-Criminal Investigations, and the FDA's Office of Criminal Investigation disclosed that Jeffrey Fenn, former owner of Fenn Chiropractic, also known as Wichita Health & Wellness, and Wichita Pain Associates, devised and executed a scheme to defraud healthcare benefit programs of more than \$1.3 million. This scheme included using the identities of two medical doctors without authorization and evading the payment of Federal income taxes. From March 2011 to December 2013, Fenn conducted business as a chiropractor which has a limited scope of practice. For example, chiropractors cannot perform injections, dispense drugs or supervise physical therapists. Fenn misrepresented his company to the state of Kansas as an "integrated practice." Integrated practices require partnership or shared ownership between chiropractors and physicians. Without the physician partnership, the clinic was not authorized to provide the services for which Fenn was billing state and Federal healthcare benefits programs. Fenn stole and used the identities of two medical doctors to aid in submitting claims for services that must be conducted or supervised by a

physician. Fenn also submitted claims for procedures not performed, for medically unnecessary ultrasounds and other medically unnecessary treatments. Lastly, Fenn submitted business tax returns where he claimed fictitious business expenses for personal gain.

**RESULT:**

Previously, Fenn pleaded guilty to healthcare fraud, aggravated identity theft and tax evasion. On November 3, 2014, Fenn was sentenced to 60 months of imprisonment, 36 months of supervised release, ordered to pay a \$400 special assessment and \$1.87 million in restitution to the Defense Health Agency and other insurance programs.

### Veteran Sentenced To 40 Months in Prison for \$2.2 Million Healthcare Fraud Scheme

**OVERVIEW:**

A joint investigation with the U.S. Army CID, the Department of Veterans Affairs OIG, the IG for the Office of Personnel Management, and the German government disclosed that Jonathan Hargett, a former DoD employee, submitted fraudulent claims and invoices to the Foreign Service Benefit Plan (FSBP) and the VA-Foreign Medical Plan for approximately five years. In addition to filing false claims for prescription medications from a pharmacy in Germany, Hargett also falsely represented he had received and paid for various healthcare items and services from a doctor located in Germany. Hargett admitted to submitting more than \$2.5 million in false claims for items and services he never received and for which he never paid.

**RESULT:**

Previously, Hargett pleaded guilty to one count of healthcare fraud. On December 18, 2014, Hargett was sentenced to 40 months imprisonment, 36 months of supervised release and was ordered to pay restitution in the amount of \$2.2 million. Additionally, a forfeiture money judgment totaling \$2.2 million was entered against Hargett on December 18, 2014.

## ILLEGAL TECHNOLOGY TRANSFER

DCIS serves a vital role in national security through investigations of theft and illegal export or diversion of strategic technologies and U.S. Munitions List items to banned nations, criminal enterprises, and terrorist organizations. This includes the illegal transfer or theft

of defense technology, weapon systems, and other sensitive components and programs. Consistent with its role in protecting America's warfighters, DCIS is an integral participant in the President's Export Control Reform Initiative. DCIS is also a charter member of the Export Enforcement Coordination Center, a multi-agency center established to serve as a focal point for the coordination and enhancement of government export enforcement efforts.

## Defense Contractor Sentenced for Selling Stolen Military Equipment

### OVERVIEW:

A joint investigation with the ICE-HSI, IRS-Criminal Investigation, and CID examined whether ESM Group Inc.; Eldon Bott, Owner, Innovative Materials And Solutions; and Greg Magness, President, Superior Metal Powders (SMP); and Justin Magness, Vice-President, SMP; and others allegedly entered into a conspiracy to import magnesium powder from China and provide the U.S. Government mislabeled as to its country of origin. Both finely ground and atomized magnesium were utilized by the Kilgore Flares Company, a DoD prime contractor, in manufacturing approximately 1.8 million countermeasure flares for a U.S. Army contract. The total value was approximately \$42 million. Countermeasure flares are dispensed from U.S. military aircraft as decoys for infrared or heat seeking missiles. The Army contract required the process of grinding or atomizing magnesium to be conducted in the U.S. or Canada to preserve a domestic manufacturing base ensuring a stable and steady source of supply in time of war. Additionally, the defendants allegedly concealed the fact that the magnesium delivered to Kilgore was a mixture of both ground and atomized magnesium in violation of the contract specifications. This was a qui tam investigation.

### RESULT:

On January 12, 2015, Gregory Magness pleaded guilty to one count of smuggling goods into the U.S. and one count of conspiracy to launder money. Also on January 12, 2015, Justin Magness pleaded guilty to one count of aiding and abetting in the presentation of a false document to customs officers. On January 13, 2015, Eldon Bott pleaded guilty to one count of conspiracy to launder money. Sentencing for these defendants is pending.

On February 26, 2015, the DOJ entered into a civil settlement agreement with ESM Group Inc., to resolve alleged civil FCA violations. ESM Group agreed to pay the U.S. Government \$2 million plus interest at the rate of two percent per annum from June 1, 2014, to the date of final settlement payment. The U.S. Government will pay the qui tam relator \$400,000 out of the settlement amount.

## CYBER CRIME AND COMPUTER NETWORK INTRUSIONS

DCIS investigates cyber crimes and computer network intrusions as well as provides digital exploitation and forensics services in support of traditional investigations. The DCIS Cyber Crime Program places emphasis on crimes involving the compromise and theft of sensitive defense information contained in government and DoD contractor information systems. In addition, there is a particular focus on instances where contract fraud by DoD IT contractors has been a factor in either the penetration of DoD networks or the loss of DoD information. The DCIS Cyber Crime Program dedicates experienced agents fulltime to cyber-related investigations and the exploitation of digital media seized as evidence during all investigations, and is also deploying a dedicated wide-area network examination cloud to facilitate the collaborative review of digital media during investigations.

## Cyber Criminals Sentenced to Two Years for Hacking Defense Systems

### OVERVIEW:

A joint investigation with NCIS determined that U.S. Navy Petty Officer Third Class Nicholas Knight and Daniel Krueger were leaders of Team Digi7al, a computer hacking group that infiltrated the DoD and other systems. From June 2012 through February 2013, Team Digi7al hacked more than 50 public and private computer systems, including those of the National GeoSpatial-Intelligence Agency and the U.S. Navy Smart Web Move Database. The hackers stole the personally identifiable information of more than 220,000 military members and cost the DoD more than \$500,000 in damages.

### RESULT:

Previously, Krueger and Knight were each convicted on one count of conspiracy to defraud the U.S. On October 22, 2014, Krueger was sentenced to 24-months imprisonment, 36-months of supervised release, and a \$100 penalty assessment. On November 24, 2014, Knight was sentenced to 24-months imprisonment, 36-months of supervised release, and a \$100 penalty assessment. Additionally, Krueger and Knight were jointly-and-severally ordered to pay \$509,465 in restitution to the U.S. Navy.

## Computer Hacker Sentenced to Three Years in Prison

### OVERVIEW:

A joint investigation with the FBI disclosed that Joseph McPeters, also known as the hacker “waistedtime,” operated a botnet impacting DoD and other computers. A botnet is a network of compromised computers remotely controlled by a computer hacker. In addition to stealing financial data and personally identifiable information from the compromised computers, the computer hacker can use a botnet to launch denial of service attacks against other computers, effectively rendering the other computers useless until the attack stops. From March 2009 through August 2010, McPeters offered control of these compromised computers for sale. McPeters’ botnet consisted of more than 50,000 infected computers and was part of the larger Mariposa Botnet dismantled in 2010, which consisted of more than 12 million compromised computers including numerous DoD computers.

### RESULT:

Previously, McPeters was convicted of one count of fraud in connection with a computer. On February 18, 2015, McPeters was sentenced to 87-months imprisonment, 3-years supervised release, and ordered to pay a special assessment of \$100.00.



Sailors Analyze, Detect and Defensively Respond to Unauthorized Activity within U.S. Navy Information Systems and Computer Networks  
U.S. Navy photo

## ASSET FORFEITURE PROGRAM

The DCIS Asset Forfeiture Program continues to effectively provide forfeiture support to DCIS investigations involving fraud, waste and abuse by including forfeiture counts in all indictments, criminal informations and consent agreements when warranted by the evidence. The program deters criminal activity by depriving criminals of property used or acquired through illegal activity both in the U.S. and in Southwest Asia.

During this six-month reporting period, DCIS has seized assets totaling \$123.67 million, had final orders of forfeiture totaling \$11 million, and money judgments in the amount of \$12.77 million. Assets that have been seized include:

- Art Work and Collections
- Cash/Currency
- Financial Instruments
- Heavy Machinery
- Real Property
- Vehicles

### Investigative Examples:

On October 29, 2014, a company and its officers were indicted for their involvement in a multi-million dollar scheme to defraud customers. The company managed the returns of pharmaceutical products for healthcare providers, including the DoD and the VA. The company took a significant portion of

the pharmaceutical products, returned them to the manufacturers and kept the refunds for itself. DCIS seized a total of \$67.24 million in funds from two bank accounts owned by the CEO.

On December 8, 2014, a company and its officers pled guilty to operating a major fraud scheme involving a contract to provide food and water to the U.S. troops serving in Afghanistan. The company and its officers also admitted to inflating claims to the DoD for fuel and transporting cargo to American soldiers in Afghanistan. Between July 2005 and April 2009, the company devised and implemented a scheme to overcharge the U.S. Government in order to make profits over and above those provided in the \$8.8 billion subsistence prime vendor contract. The company agreed to criminally forfeit \$10 million to the U.S. Government, which was subsequently seized by DCIS.

On January 15, 2015, a company and its CEO pled guilty to bribery and fraud charges. The company and its CEO admitted to presiding over a massive, decade-long conspiracy involving Navy officials, millions of dollars in bribes, as well as routinely overbilling the Government millions of dollars for everything from fuel to tugboats to sewage disposal. The company, its CEO, and the Government entered into a plea agreement wherein the company and its CEO would criminally forfeit \$35 million to the Government. A total of \$5 million will be paid at sentencing, with the remainder due within one year.



Figure 2.1 Asset Forfeiture Program

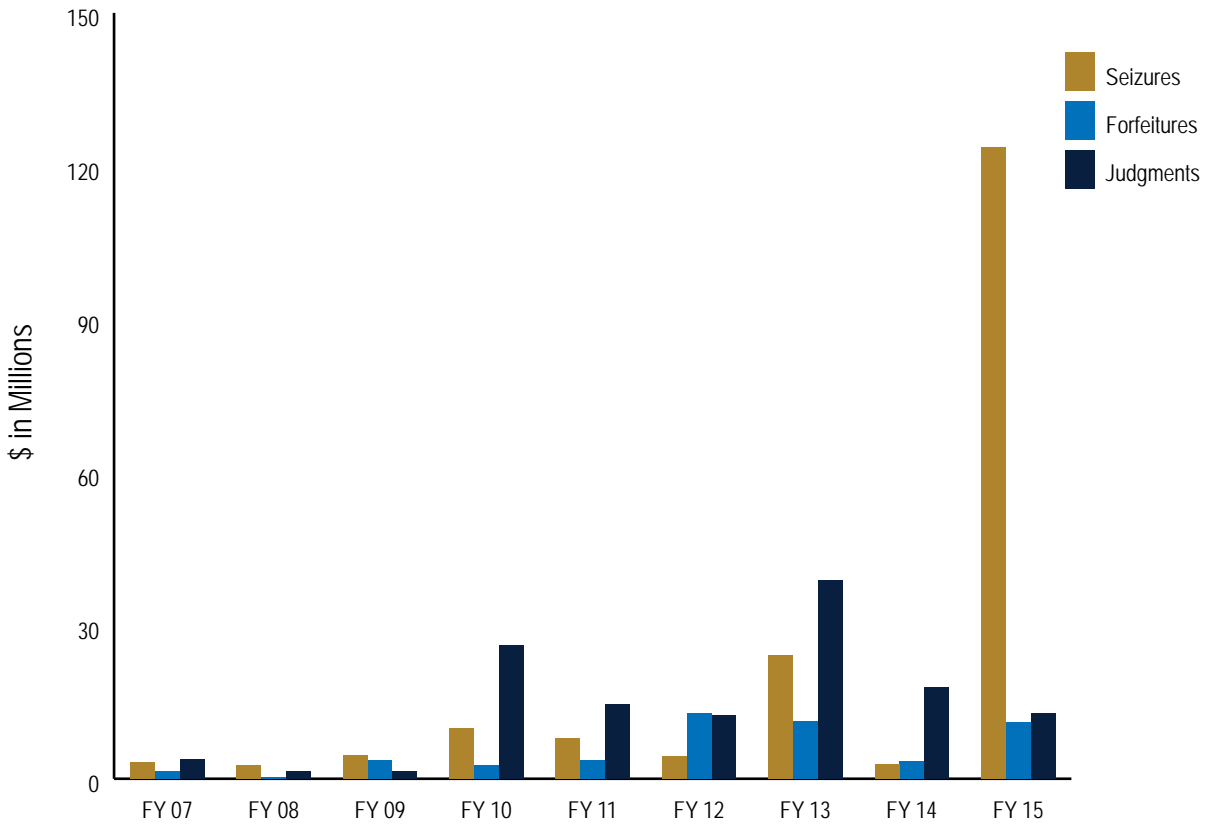
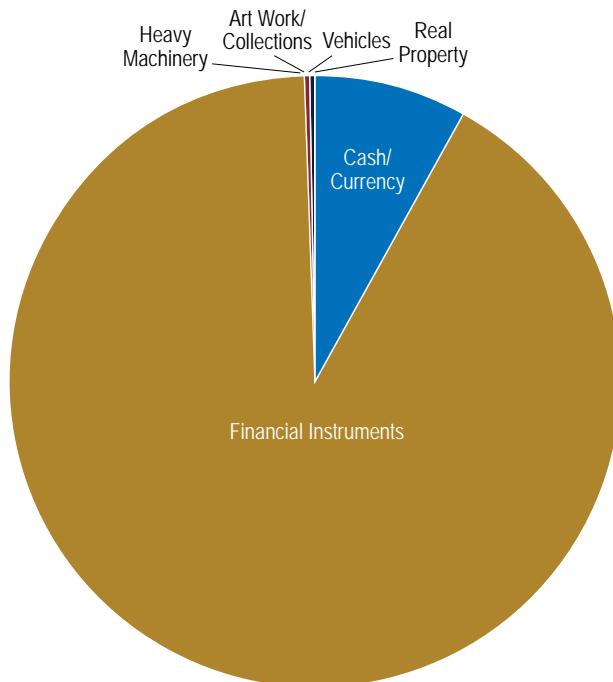


Figure 2.2 Seized Assets by Type



## ADMINISTRATIVE INVESTIGATIONS

The DoD IG Office of the Deputy Inspector General for Administrative Investigations consists of three directorates.

- DoD Hotline<sup>1</sup>
- Whistleblower Reprisal Investigations (WRI)
- Investigations of Senior Officials (ISO).

On November 5, 2014, the DoD IG submitted to the Deputy Secretary of Defense its report on the *Task Force to Improve Timeliness of Senior Official Investigations*. The report described the “as is” state of operations for each Service IG, developed a “to be” state consisting of best practices, and included an action plan to improve the timeliness of senior official investigations.

By memorandum dated January 5, 2015, the Deputy Secretary of Defense forwarded a copy of the report to the Secretaries of the Military Departments endorsing the recommendation that the Secretaries not impose any staffing reductions on their respective IG staffs. The Deputy Secretary also highlighted the recommendation to deploy the Defense Case Activity Tracking System (D-CATS) as a DoD enterprise system across the Department.

<sup>1</sup> The DoD Hotline Director also serves as the DoD Whistleblower Protection Ombudsman.

## DoD HOTLINE

The mission of the DoD Hotline is to provide a confidential, reliable means to report violations of law, rule or regulation, mismanagement, gross waste of funds, abuse of authority, and serious security incidents involving the DoD; as well as the detection and prevention of threats and danger to the public health and safety of the Department and our Nation.

The DoD Hotline aims to be the recognized leader of the Federal Hotline programs. It has taken a leadership role, hosting quarterly DoD hotline working group meetings and participating in the Federal working group it established. These venues continue to provide the opportunity and benefit of sharing best practices and implementing change across government.

In its pursuit to establish a common vision for the Federal hotline community, the working group is collaborating on standardization of common term and definitions and election of officers for the group.

### Policy and initiatives:

Hotline developed and conducted a Hotline Coordinator Training program this reporting period to teach and train those individuals within the Military Service IGs, defense agencies, and field activities (components) that are responsible for managing their respective service or agencies’ hotline program. The training was developed to enhance the understanding of DoD Hotline practices and processes, and to promote greater coordination and communication among DoD personnel at all levels working DoD Hotline cases.

Hotline is developing a DoD Hotline Investigator Training Program to instruct component investigators on best practices for conducting investigations of



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Hotline complaints from receipt through submission of investigative findings submitted to Hotline for oversight. The training will be based on CIGIE Investigative Standards.

Hotline deployed a new telephone system this reporting period which provides automated real-time reporting ability to monitor calls for quality assurance purposes, and provides improved customer service.

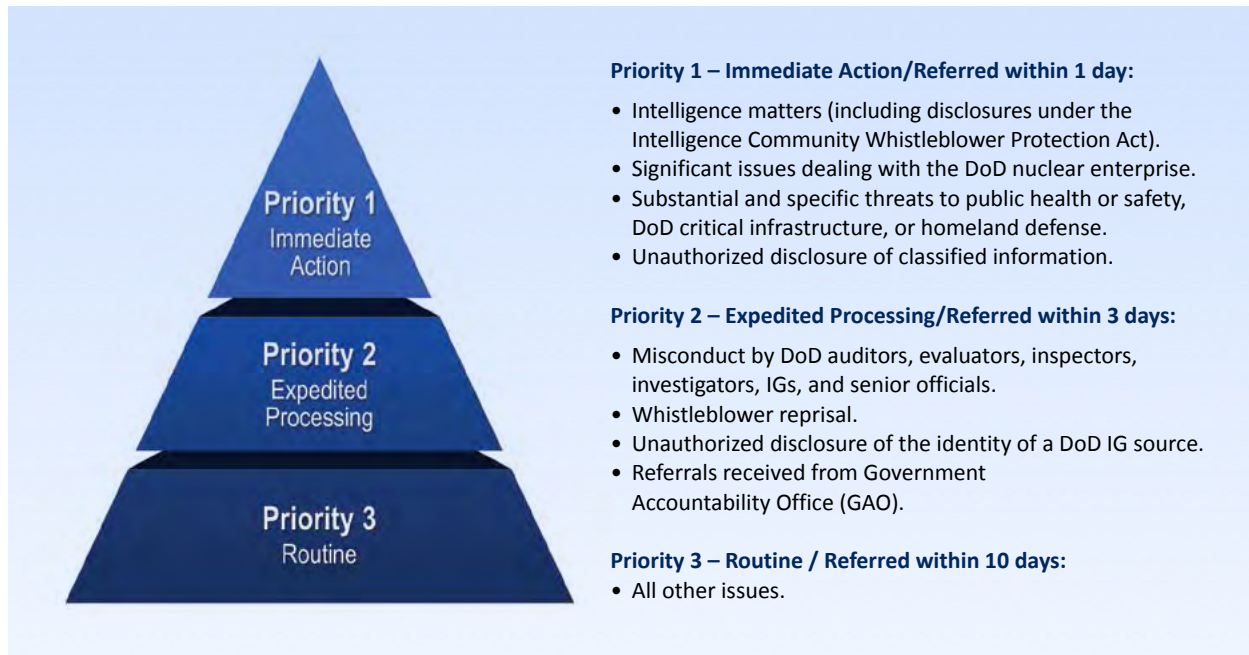
Significant accomplishments of the DoD Hotline during this reporting period include:

- Refined the Quality Control Review process to focus on critical areas to prevent the unauthorized disclosure of complainant identity and ensure the tasked organization does not have an impairment to independence.

- The hotline business decision to no longer accept complaints via email has proven to be very effective. Free-flow email lacked the level of detail required to take action and caused a significant delay in the processing of the complaint. The use of web-form to submit complaint(s) has been in effect for over one year and continues to be one of the most efficient and effective business practices to ensure timely processing of information.

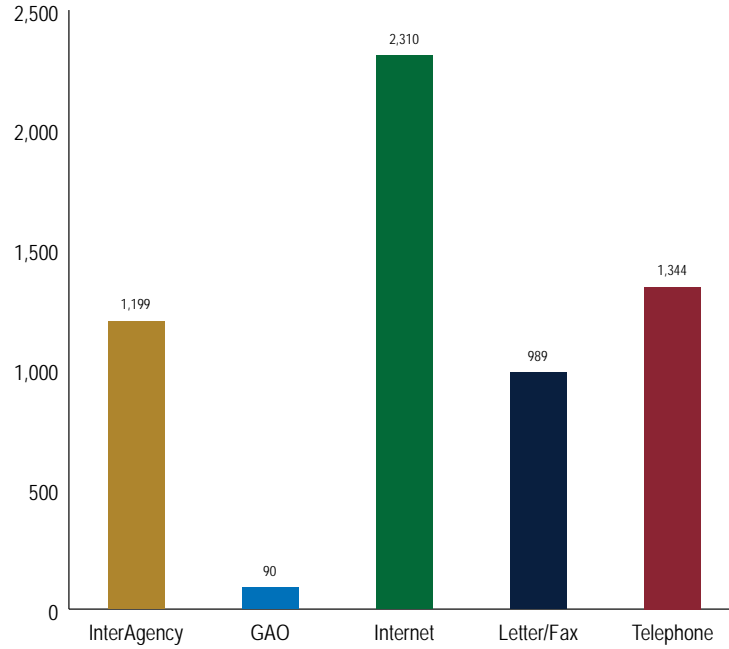
As a result of the Priority Referral Process, Hotline is able to receive, triage and refer cases based on the criteria in Figure 2.3.

Figure 2.3 Priority Referral Process



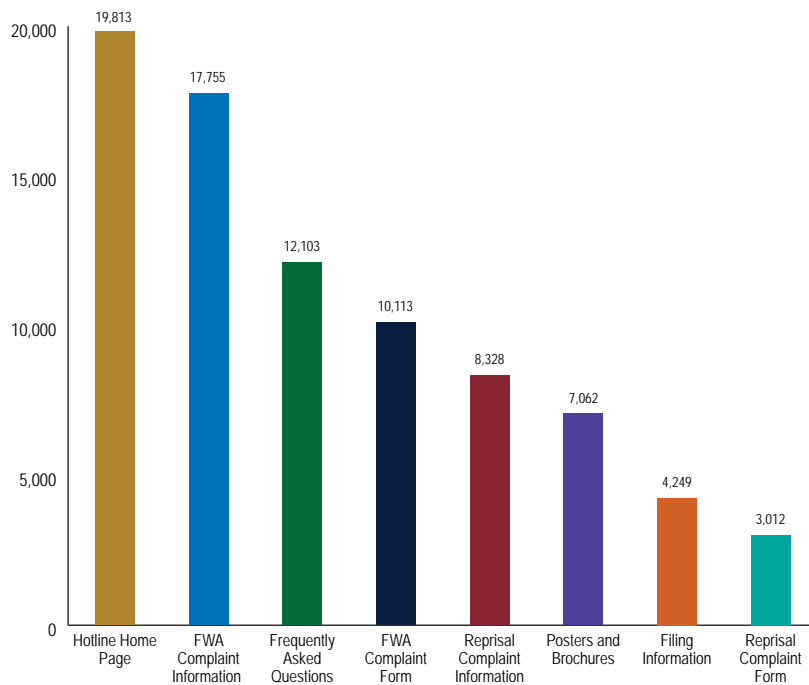
This reporting period the Hotline received 5,932 contacts. Those contacts were received in the types identified in Figure 2.4.

Figure 2.4 Total Contacts Received by Type of Method



During the first half of FY 2015 the Hotline’s webpages received more than 90,000 views. Figure 2.5 below reflects the number of visits to various fraud, waste and abuse, and whistleblower reprisal information pages.

Figure 2.5 Most Visited Pages on Hotline Website



During this reporting period 2,717 cases were opened and 3,244 cases closed. The following charts identify the military services, and defense agencies/activities to which those cases were referred. Additionally, there were 59 cases opened and 64 cases closed to non-DoD agencies.

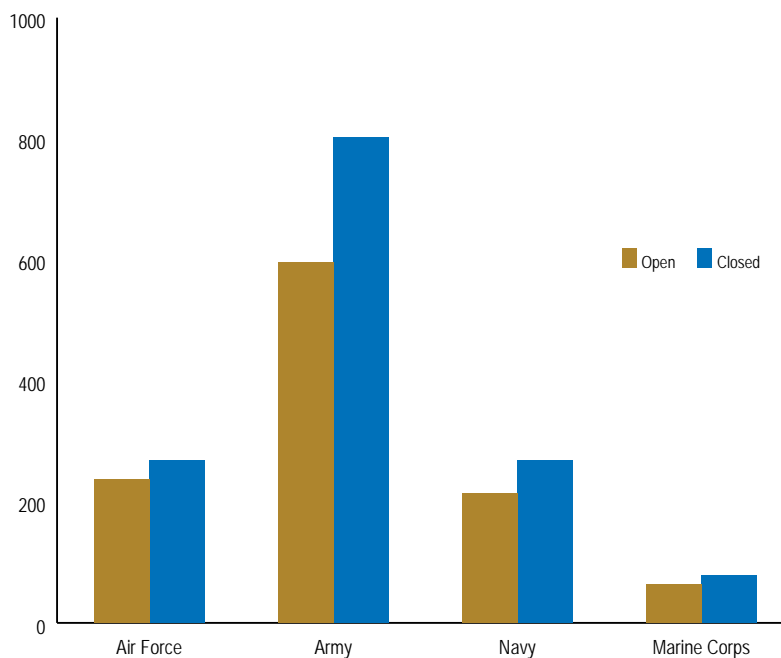
As indicated in Figure 2.6, below, the Hotline refers cases to the four Military Services, nine DoD Field Activities, 18 Defense Agencies, 9 Office of Secretary of Defense entities, and 14 internal components of the DoD IG.

Figure 2.6 Hotline Cases Referred



Figure.2.7 below reflects 1,110 cases opened and 1,417 cases closed to the Military Services.

Figure 2.7 Hotline Cases Opened / Closed - Military Services, October 1, 2014 – March 31, 2015



# CORE MISSION AREAS

Figure 2.8 below reflects the total of 1,113 cases opened and 1,259 cases closed to the DoD IG components.

Figure 2.8 Hotline Cases Opened/Closed – DoD IG Component, October 1, 2014 – March 31, 2015

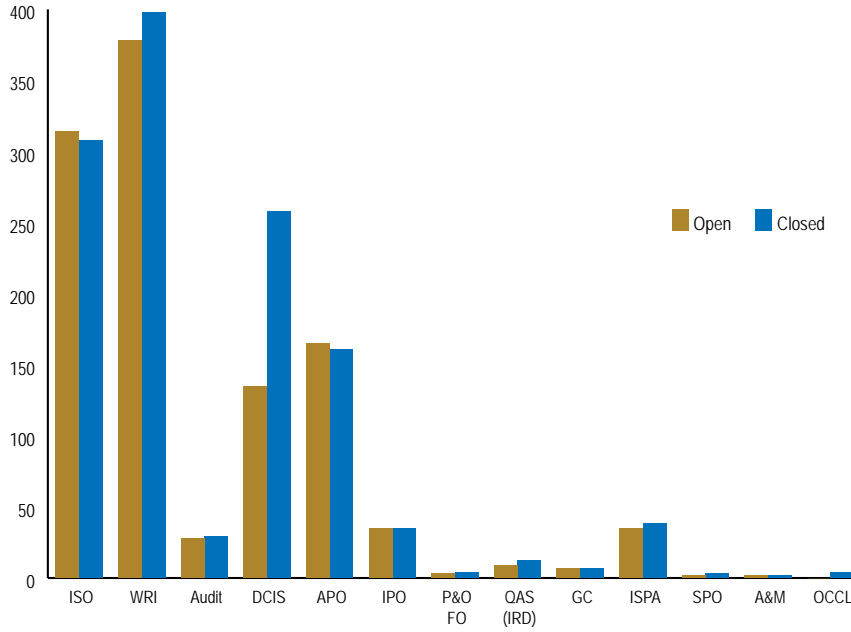


Figure 2.9 reflects a total number of 271 cases opened and 311 closed to DoD agencies during this reporting period.

Figure 2.9 Hotline Cases Opened/Closed - DoD Agencies, October 1, 2014 – March 31, 2015

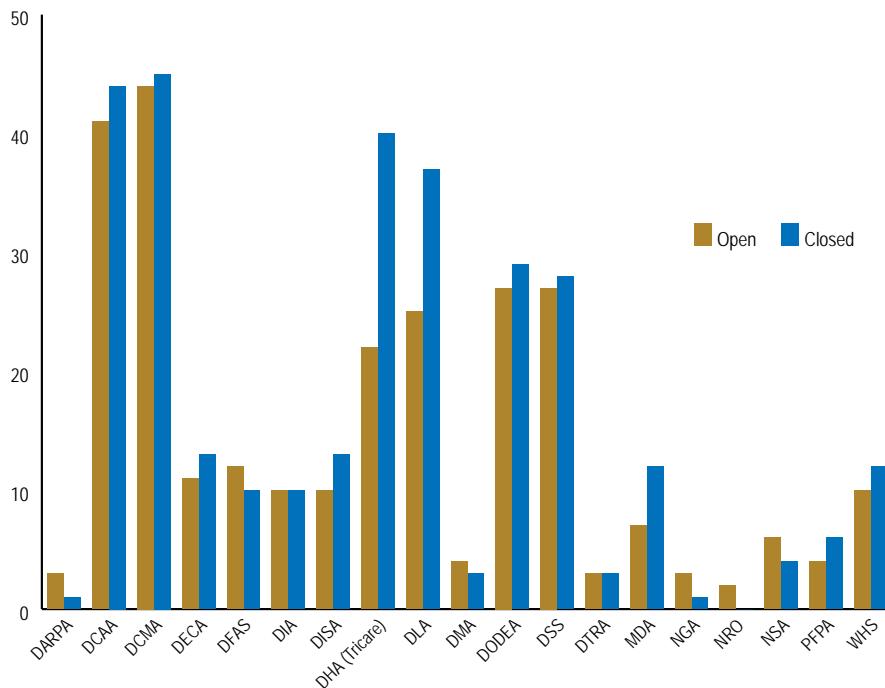
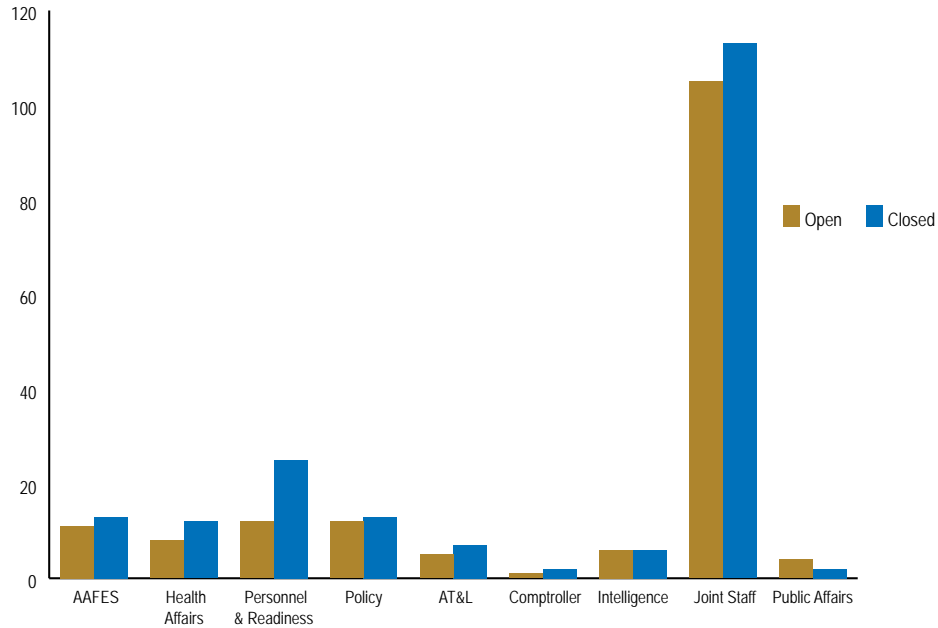


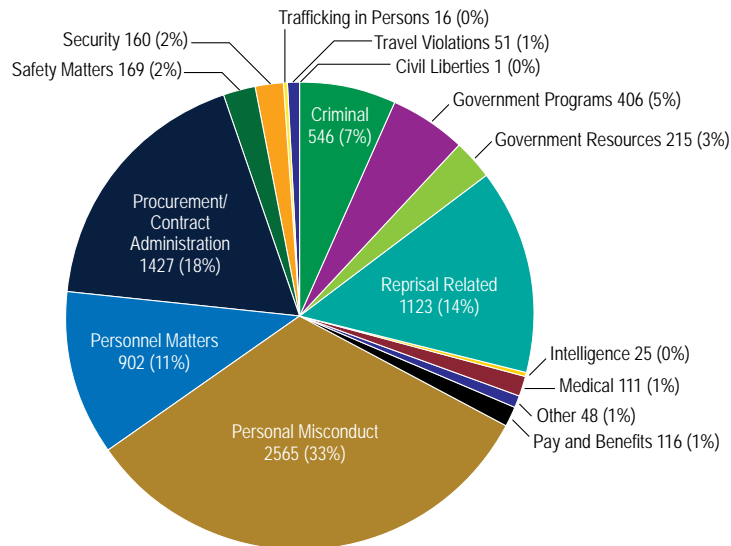
Figure 2.10 below reflects a total number of 164 cases opened and 193 closed to OSD during this reporting period.

Figure 2.10 Hotline Cases Opened / Closed - OSD, October 1, 2014 – March 31, 2015



The cases closed during this reporting period involved a variety of allegations as shown below. The majority of those allegations were personal misconduct, procurement/contract administration, and reprisal related matters.

Figure 2.11 Allegations<sup>2</sup>



<sup>2</sup> The number of allegations does not equal the number of cases as there are multiple allegations for each case.

## Significant Cases/Cost Savings

- Hotline received an anonymous complaint alleging an Army master sergeant submitted fraudulent documents in order to obtain Per Diem and Family Separation Allowances while serving as an Army Reservist on active duty. Investigation by CID substantiated the allegations and also found the sergeant's spouse complicit in the scheme. The sergeant admitted that he signed a lease agreement he knew to be false in order to obtain per diem entitlements. His spouse, an Army captain, admitted to drafting the lease agreements for her spouse. The sergeant was administratively reduced to the rank of E-1 and given a Chapter 10, Other than Honorable discharge. No action was initially taken against the captain through military channels as she was not serving as an Army Reservist on active duty during the time of the incident. The U.S. Attorney's Office declined to pursue criminal prosecution; however, filed for civil litigation under the FCA for the recoupment of monetary loss to the U.S. Government. The U.S. Attorney's Office sought damages totaling approximately \$39,496.93 for the incident and liabilities held by the captain; the sergeant was being held liable for approximately \$67,935.44 in damages. Prior to the conclusion of the litigation, the sergeant filed for bankruptcy which concluded the government's efforts to recoup any losses. The captain entered a settlement agreement to pay \$20,000 in restitution. She elected to retire from the military in lieu of involuntary separation.
- Hotline received allegations that senior Navy enlisted personnel and Navy Seals embezzled money from the command's contingency fund. An investigation into the matter resulted in a petty officer being found guilty of attempted misappropriation of gear; and a logistics specialist was found guilty of fraudulent altering of invoices for unauthorized reimbursement. The petty officer received a written reprimand, forfeiture of one-half pay for two months and transfer to another command. The logistics specialist was suspended for 45 days, forfeited one-half pay for two months, received 45 days extra duties, reduced in rank, not allowed to re-enlist and ordered to pay back \$8,000. Additionally, the command took aggressive oversight actions and conducted refresher training and directed an overhaul of the command's contingency fund disbursement process. The command also updated its instructions for purchasing and acquisition support for deployed operations.
- Hotline received a complaint alleging an inappropriate relationship between a government employee and contract employee at the Missile Defense Agency. An investigation found the Government employee was aware the contractor was frequently absent from the workplace, yet supported maintaining the individual on contract; requested the contractor to fill a vacant civilian position; had a conflict of interest during a task award; and the contractor misrepresented her time and attendance. As a result, the following corrective actions were taken: the contractor was removed from the Missile Defense Agency contract and barred from future Missile Defense Agency contracts and the contracting company agreed to credit MDA a total of \$133,612. The government employee received a suspension.
- Hotline received allegations of military incentive pay fraud by a Reserve Naval officer (pilot) who continued to receive flight pay after being removed from flight status following an air show crash in 2008. The complaint alleged the Department of the Navy improperly paid the pilot Aviation Career Incentive Pay (ACIP) for the past five years after termination of his flight status. An investigation into the allegations determined the pilot was not entitled to ACIP after August 2008. This resulted in the following corrective actions: the incentive pay was stopped and the pilot notified of overpayment and indebtedness of \$52,156.00. Recoupment of indebtedness was initiated. Additionally, an internal review of the ACIP program was initiated to determine if this is a systemic issue or an isolated incident.

## HOTLINE OUTREACH INITIATIVES

### DoD-wide Hotline Working Group

The DoD Hotline continues to host quarterly meetings of the DoD-wide Hotline Working Group. The Working Group focuses on the requirements of DoD Instruction 7050.01 (DoDI 7050.01), “Defense Hotline Program,” and the Council of the Inspectors General on Integrity and Efficiency’s “Recommended Practices for OIG Hotlines,” and issues affecting the hotline community within the Department as a whole.

The Working Group met in October 2014 and February 2015 during this reporting period. The Working Group expanded its membership to include hotline personnel below the headquarter level and now has global representation. The Working Group focused on the following topics over the reporting period:

- Standardization and definition of terms used in preparation for export of the DCATS case activity tracking system across the department
- Update of DoDI 7050.01

### Federal Hotline Working Group

The Federal Hotline Working Group focuses on the Council of the Inspectors General on Integrity and Efficiency’s “Recommended Practices for OIG Hotlines,” and issues affecting the hotline community within the federal government as a whole. The

DoD Hotline Director serves as the Chair of the Working Group. During this reporting period, quarterly meetings were hosted by the Government Accountability Office (November 2014) and the Department of Defense (February 2015).

The Working Group continues to focus on standardizing terminology and data reporting for the Semiannual Report to Congress while sharing best practices.

### DoD Hotline Coordinator Training

DoD Hotline Coordinator Training was developed to enhance the understanding of DoD Hotline practices and processes, and to promote greater coordination and communication among DoD personnel at all levels working DoD Hotline cases. The first training event was offered in November 2014 with over 100 personnel from DoD OIG, Service components, and other defense agencies in attendance.

### Whistleblower Protection Ombudsman, Hotline Director

The DoD Whistleblower Protection Ombudsman provides education about protections for current or former military members, civilian employees, and contractors of the DoD who make protected disclosures. During this reporting period the DoD Whistleblower Protection Ombudsman received 184 contacts from individuals seeking information regarding whistleblower issues and rights.



Hotline Working Group Meeting  
DoD IG photo

Additionally, there were 4,300 visits to the Hotline’s Whistleblower Rights and Protections page on the website.

The Whistleblower Protection Ombudsman continues to participate in the OIG Whistleblower Ombudsman Working Group. This group was established following the enactment of the Whistleblower Protection Enhancement Act of 2012 to assist ombudsmen with implementing the Act’s requirements to educate Federal employees about prohibitions against retaliation for protected disclosures of fraud, waste, and abuse, and their rights and remedies if retaliation does occur.

## WHISTLEBLOWER REPRISAL INVESTIGATIONS

The WRI Directorate investigates and conducts oversight reviews of investigations conducted by the military service and defense agency IGs into allegations of whistleblower reprisal made by DoD military service members, nonappropriated fund instrumentality (NAFI) employees, and DoD contractor employees under Title 10 of the United States Code. WRI additionally investigates allegations that military members were restricted from communicating with a member of Congress or an IG. WRI also investigates, on a discretionary basis, allegations of reprisal filed by DoD appropriated fund civilian employees under the IG Act.

DoD IG is committed to maintaining the Department’s whistleblower protection program as a model for the federal government by improving the timeliness and quality of reprisal investigations. During the reporting period, DoD IG implemented numerous enhancements to WRI’s investigative and oversight functions:

- On October 29, 2014, we released the *Guide to Investigating Military Whistleblower Reprisal and Restriction Complaints* (replacing the cancelled IGDG 7050.6), which describes best practices for conducting military reprisal and restriction intakes and investigations.
- Expanded the DoD IG whistleblower outreach program to include more information about PPD-19 and provided robust whistleblower protection and reprisal training to DoD IG and component IG staff.
- Collaborated and shared best practices with other members of DoD IG and federal whistleblower protection community.

## REPRISAL INVESTIGATIONS

During the reporting period, the Department received a total of 591 complaints involving reprisal, restriction from communicating with a Member of Congress/ Inspector General, and procedurally improper mental health evaluation referrals and closed a total of 617 complaints.

Figure 2.12 591 Complaints Received Department-wide

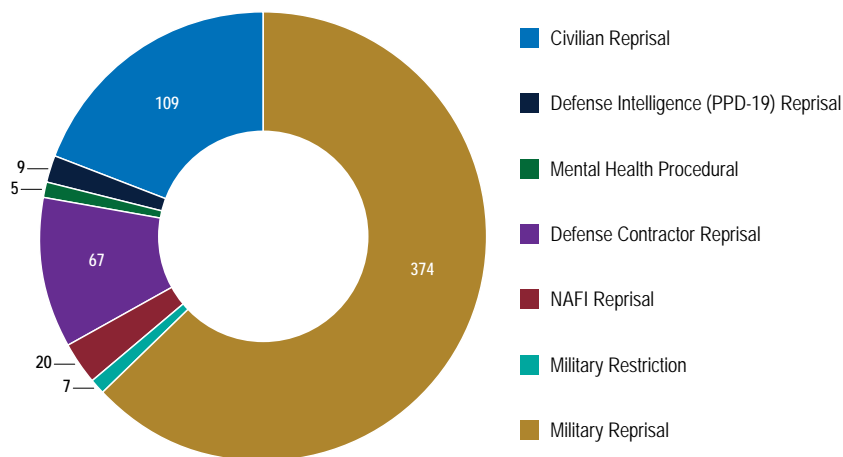




Table 2.1 below shows the number and type of complaints investigated by DoD IG and the component IGs during the first half of FY 2015, along with the total closed during the first half of FY 2015.

Of the 617 complaints closed this period, 376 were dismissed due to insufficient evidence to warrant an investigation; 28 were withdrawn; and 213 were closed following full investigation. Of the 213 investigations closed, 21 involved procedurally improper mental health evaluation referrals (15 substantiated [71 percent]); 15 involved restriction from communicating with a member of Congress/inspector general (4 substantiated [27 percent]); and 177 involved whistleblower reprisal (16 substantiated [9 percent]).

**Substantiated Whistleblower Reprisal/  
Restriction/Procedurally Improper Mental  
Health Evaluation Allegations**

The following are examples of recent substantiated whistleblower reprisal/restriction/procedurally improper mental health evaluation allegations.

- A Navy rear admiral reprised against two civilian appropriated fund employees by administering lowered performance evaluations to the employees, and detailing one of the employees. Additionally, an Air Force colonel proposed disciplinary action against both employees and denied one of the employees a performance award. Finally, an Army colonel detailed one of the employees and administered that employee a lowered performance evaluation. The rear admiral and the colonels perceived the employees as having filed anonymous complaints. DoD IG recommended the Secretary of the Army and the Secretary of the Air Force, respectively, replace the employees’ 2012 annual performance evaluations with the ratings supplied by their original raters, and grant them the commensurate performance awards for 2012. DoD IG additionally recommended the Secretary of the Navy take appropriate action against the rear admiral for reprising against the two employees; the Secretary of the Air Force take appropriate action against the colonel for

Table 2.1 591 Complaints Investigated During FY 2015 (1st Half)

Reprisal, Restriction, and Mental Health Procedural Complaints  
Closed in FY 2015 (1st Half)

|  | Total Closed  | Dismissed  | Withdrawn | Investigated | Substantiated Cases | Substantiation Rate |
|--|---|------------|-----------|--------------|---------------------|---------------------|
| <b>Complaint Type</b>                  | <b>DoD IG Investigation</b>                           |            |           |              |                     |                     |
| Military Reprisal                      | 87  | 74         | 6         | 7            | 0                   | 0%                  |
| NAFI Reprisal                          | 12  | 4          | 1         | 7            | 2                   | 29%                 |
| Defense Contractor Reprisal            | 52  | 49         | 1         | 2            | 0                   | 0%                  |
| Defense Intelligence (PPD-19) Reprisal | 9   | 6          | 0         | 3            | 0                   | 0%                  |
| Civilian Reprisal                      | 112   | 106        | 0         | 6            | 2                   | 33%                 |
| <b>Subtotal FY 15 (1st Half)</b>       | <b>272</b>  | <b>239</b> | <b>8</b>  | <b>25</b>    | <b>4</b>            | <b>16%</b>          |
| Military Restriction                   | 1   | 1          | 0         | 0            | 0                   | 0%                  |
| Mental Health Procedural               | 0   | 0          | 0         | 0            | 0                   | 0%                  |
| <b>Total FY 15 (1st Half)</b>          | <b>273</b>  | <b>240</b> | <b>8</b>  | <b>25</b>    | <b>4</b>            | <b>16%</b>          |
| <b>Complaint Type</b>                  | <b>DoD IG Oversight of Component IG Investigation</b> |            |           |              |                     |                     |
| Civilian Reprisal                      | 0   | 0          | 0         | 0            | 0                   | 0%                  |
| Military Reprisal                      | 298   | 128        | 18        | 152          | 12                  | 8%                  |
| <b>Subtotal FY 15 (1st Half)</b>       | <b>298</b>  | <b>128</b> | <b>18</b> | <b>152</b>   | <b>12</b>           | <b>8%</b>           |
| Military Restriction                   | 23  | 6          | 2         | 15           | 4                   | 27%                 |
| Mental Health Procedural               | 23  | 2          | 0         | 21           | 15                  | 71%                 |
| <b>Total FY 15 (1st Half)</b>          | <b>344</b>  | <b>136</b> | <b>20</b> | <b>188</b>   | <b>31</b>           | <b>16%</b>          |
| <b>Grand Total FY15 (1st Half)</b>     | <b>617</b>  | <b>376</b> | <b>28</b> | <b>213</b>   | <b>35</b>           | <b>16%</b>          |

reprising against the two employees; and the Secretary of the Army take appropriate action against the colonel for reprising against one of the employees. Corrective action is pending.

- A Federal civilian supervisor discharged an NAFI employee in reprisal for the employee reporting violations of rules and regulations to his chain of command and an Inspector General. DoD IG recommended the employee be reinstated with compensation (including back pay), employment benefits, and other terms and conditions of employment applicable to the employee in that position as if the reprisal had not been taken. The report was forwarded to the Director of Administration & Management, Office of the Secretary of Defense, for adjudication.
- Two NAFI management officials transferred a NAFI employee and one NAFI management official administered the employee a written reprimand in reprisal for the employee reporting violations of rules and regulations to agency officials. DoD IG recommended the employee be reinstated in a position commensurate with her current pay and appropriate actions be taken against the management officials. The report was forwarded to the Director of Administration & Management, OSD, for adjudication.

## Corrective/Remedial Actions Taken During Second Half of FY 2014 on Military Whistleblower Cases Closed in Previous Reporting Periods

The following are examples of actions taken on substantiated whistleblower cases closed in previous reporting periods.

### Remedial Actions to Make Complainants Whole

- A Navy lieutenant commander's adverse fitness report that was issued in reprisal was expunged from his Official Military Personnel File.
- An Army first lieutenant was selected for promotion by a special selection board after an investigation found he received a referred officer evaluation report and negative counseling statements in reprisal for making complaints outside the chain of command.

- A Naval Reserve petty officer's adverse fitness report was removed from her official file after an investigation found that the fitness report had been issued in reprisal for the officer's protected communications about receiving military Reserve taskings while in civilian duty status. The responsible management official retired before the investigation closed.

### Corrective Actions Against Responsible Management Officials

- Two responsible management officials received reprimands for administering a letter of reprimand to an Air Force technical sergeant who had reported inappropriate conduct by officials in her chain of command. In an associated case, two responsible management officials received a reprimand and an admonishment, respectively, for restricting their subordinates from contacting members of Congress or an IG.
- Two responsible management officials were relieved of duty for cause and also received adverse counseling for attempting to submit an adverse counseling statement into a military member's official military personnel file in reprisal for the member's protected communication. Remedial action for the complainant was not necessary because the Navy Personnel office rejected the adverse counseling entry as administratively incorrect.
- Responsible management officials received training in the proper procedures to refer Service members for mental health evaluations in two previously reported cases where such referrals were improper.
- Management officials declined to take corrective action against an Air Force colonel who suggested that his subordinates underrepresent the amount of time they spent preparing for an upcoming IG inspection on a pre-inspection survey form. The Air Force IG concluded that the colonel's comments had a "chilling effect" on open and honest communication with the IG and as a result, substantiated alleged restriction of communications with an IG.

## INVESTIGATIONS OF SENIOR OFFICIALS

To promote public confidence in the integrity of DoD leadership, ISO investigates and conducts oversight reviews of investigations conducted by the Military Services and Defense agency IGs into alleged misconduct by senior DoD officials (brigadier general/rear admiral and above (and officers selected for promotion to general/flag officer rank), members of the senior executive service, and senior political appointees). The WRI directorate investigates allegations of reprisal involving senior officials and oversees DoD Component investigations of the same.

Misconduct allegations are noncriminal in nature and typically involve ethics or regulatory violations. Specialized units within each Military Service Office of Inspector General conduct the majority of senior official investigations. ISO investigates allegations against the most senior DoD officials (three-star and above general/flag officers and equivalents),

senior officials in the Joint or Defense Intelligence Community, and allegations not suitable for assignment to Military Services IGs. ISO conducts oversight reviews of all Service/Defense agency Inspector General investigations of misconduct involving senior officials.

During the previous reporting period, the Deputy Secretary of Defense asked the DoD IG to lead a Task Force to improve timeliness of senior official administrative investigations. By memorandum dated September 5, 2014, the Deputy Secretary of Defense asked the Service Secretaries to support the effort. The Task Force submitted its report on November 4, 2014, to the Deputy Secretary of Defense.

### **Report No. DODIG-2015-030**

During the current reporting period, the Processes and Procedures Working Group began implementing the recommendations listed in the Task Force report to increase efficiencies and improve timeliness of senior official investigations.

Table 2.2 Senior Official Complaints Closed in FY 2015 (1st Half)

### Senior Official Complaints Closed in FY 2015 (1st Half)

|   | Total Closed  | Dismissed  | Investigated | Substantiated Cases | Substantiation Rate |
|---|---|------------|--------------|---------------------|---------------------|
| <b>Service/Agency</b>                                       | <b>DoD IG Investigation</b>                           |            |              |                     |                     |
| Air Force   | 54  | 53         | 1            | 0                   | 0%                  |
| Army  | 102   | 101        | 1            | 0                   | 0%                  |
| COCOM/ Defense Agency/Other                                 | 108   | 104        | 4            | 2                   | 50%                 |
| Marine Corps  | 8   | 7          | 1            | 1                   | 100%                |
| Navy  | 31  | 31         | 0            | 0                   | 0%                  |
| <b>Subtotal FY 15 (1st Half) Closed by DoD IG</b>           | <b>303</b>  | <b>296</b> | <b>7</b>     | <b>3</b>            | <b>43%</b>          |
| <b>Service/Agency</b>                                       | <b>DoD IG Oversight of Component IG Investigation</b> |            |              |                     |                     |
| Air Force   | 40  |            | 40           | 6                   | 15%                 |
| Army  | 70  |            | 70           | 18                  | 26%                 |
| COCOM/ Defense Agency                                       | 9   |            | 9            | 7                   | 78%                 |
| Marine Corps  | 5   |            | 5            | 1                   | 20%                 |
| Navy  | 10  |            | 10           | 2                   | 20%                 |
| <b>Subtotal FY 15 (1st Half) Oversight Review by DoD IG</b> | <b>134</b>  |            | <b>134</b>   | <b>34</b>           | <b>25%</b>          |
| <b>Total FY 15 (1st Half)</b>                               | <b>437</b>  | <b>296</b> | <b>141</b>   | <b>37</b>           | <b>26%</b>          |

During the period, the DoD IG received 396 complaints of senior official misconduct and closed 437. Of the 437 complaints closed, 296 were dismissed due to lack of a credible allegation of misconduct and 141 were closed following investigation. Of the 141 investigations closed, 7 were closed by DoD IG and 134 were closed by component IGs with oversight by DoD IG. Of the 141 investigations closed, 37 (26 percent) contained substantiated allegations of misconduct. DoD IG processed 373 requests for senior official name checks for senior officials pending nomination, promotion, retirement, and reassignment for a total of 6,939 names checked in the first half of FY 2015.

### Examples of Substantiated or Significant Senior Official Cases

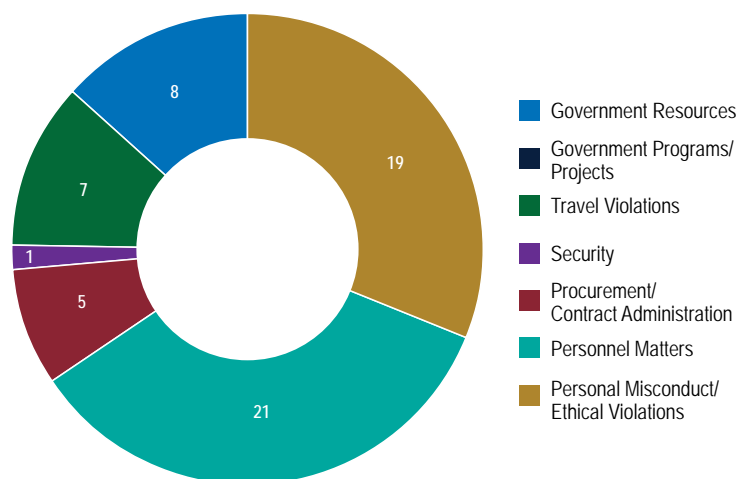
The following is a list of significant senior official cases closed:

- Two lieutenant generals improperly used a government vehicle driven by an enlisted service member to travel a portion of the route between their domiciles and duty locations on multiple occasions. Neither officer was authorized a Government vehicle for domicile to duty travel. The officers asserted they relied on legal advice.

Both officers were administratively cautioned and directed to receive supplemental training about official use of Government property and related ethical standards.

- A Senior Executive Service (SES) official improperly co-sponsored non-Federal entities by not executing co-sponsorship agreements and authorizing funding for those entities through a third-party contractor. The SES was counseled and his authority to execute such functions and activities with a non-Federal entity was suspended.
- An SES misused subordinates' time by soliciting and accepting a ride to the airport and to meetings away from his place of duty; and, by tasking subordinates to escort personal lunch guests in a Government building when such visits served no official purpose. The SES did not properly and accurately account for his official time and attendance while conducting personal travel and attending a baseball game for large portions of the workday. Additionally, the SES routinely performed telework from home without meeting the requirements to conduct telework. Corrective action is pending.

Figure 2.13 Types of Substantiated Misconduct (Total of 61 Allegations)<sup>2</sup>



<sup>2</sup> The number of allegations (61) does not equal the number of substantiated investigations closed (37) during the period as some investigations addressed more than one allegation.

## OUTREACH AND TRAINING

During the reporting period, Administrative Investigations conducted more than 3,823 hours of instruction, training, and outreach. These sessions included training on whistleblower reprisal and senior official investigations for new IGs assigned to joint Military Army, Navy, Air Force, and Marine Corps IG billets. Other events included:

- IG roundtables with the Military Services and defense agency IGs to share best practices and to ensure awareness of recent changes to policies and laws.
- A briefing about whistleblower rights and protections for victims of sexual assault during the Marine Corps Annual Sexual Assault Coordinator/Victims' Advocates training workshop.
- On October 29, 2014, 150 participants from the DoD OIG, Military Services and other defense agencies, and the Intelligence Community IG participated in the 6th Annual Administrative Investigations Training Symposium. Featured topics included a briefing on the Timeliness Task Force, processing electronic evidence, DoD Hotline, and introduction to the Revised Guide to Military Reprisal Investigations.

## INSPECTIONS

The following summaries highlight inspections, assessments and evaluations conducted by DoD IG in the following categories:

- Joint Warfighting and Readiness
- Nuclear Enterprise
- Intelligence
- Administrative Readiness
- Equipping and Training Iraq and Afghan Security Forces
- Federal Voting Assistance Program

### JOINT WARFIGHTING AND READINESS

#### Assessment of Intelligence Support to In-Transit Force Protection

DoD IG assessed the effectiveness of in-transit force protection. DoD IG determined that policies and memorandums of understanding should be updated to adequately address current Force Protection Detachment practices and there is a need for a standardized and consistent training program. In addition, the current validation and prioritization process should be strengthened to continually monitor Force Protection Detachment practices once they have been established. This assessment is a follow on to a 2003 evaluation that DoD IG conducted after the bombing of the USS Cole. This report is For Official Use Only.

**Report No. DODIG-2015-064**



Arleigh Burke Class Guided Missile Destroyer  
USS Cole (DDG 67)  
DoD photo

## NUCLEAR ENTERPRISE

### Air Force Leadership Action is Required to Sustain the Minuteman III Intercontinental Ballistic Missile Through 2030

DoD IG examined the material distribution and asset visibility for Minuteman III Intercontinental Ballistic Missile support equipment. Specifically, DoD IG examined the availability of support equipment and supply chain management's responsiveness to meet operational availability and Public Law 109-364, Section 139 direction, to sustain the Minuteman III Intercontinental Ballistic Missile through 2030. DoD IG provided actionable recommendations that will, if followed, increase supply chain management's responsiveness to meet operational availability, improve maintenance and supply information system performance, and result in better transparency of issues for senior leaders. This report is classified.

**Report No. DODIG-2015-051**

## INTELLIGENCE

### An Assessment of DoD Long-Term Intelligence Analysis Capabilities Phase II

DoD IG assessed whether the degradation in the Defense Intelligence Enterprise's (DIE) long-term intelligence analysis capability, as highlighted in Phase I of this project, specifically affected the analytic intelligence support required for DoD acquisition and campaign planning program requirements. DoD IG determined that the DIE needs a prioritization plan to guide all-source analytic resource allocation for DoD campaign planning requirements. It was also determined that the Joint Intelligence Preparation of the Operational Environment process is not adequately emphasized in DIE analytic training programs. In addition, DoD IG observed that both Target System Analysis expertise and capacity and Intelligence Planning expertise and capacity have been significantly reduced in the DIE. This report is classified.

**Report No. DODIG-2015-004**

## ADMINISTRATIVE READINESS

### Assessment of DoD-Provided Healthcare for Members of the United States Armed Forces Reserve Components

The objectives of this assessment were to determine whether healthcare programs provided by the DoD support pre-deployment medical readiness rates and the efficient and effective post-deployment care of Reserve Component (RC) Service members. The report included DoD-provided healthcare programs that are used to maintain or improve required medical readiness rates and DoD-provided healthcare programs for wounded, ill, and injured members of the RC.

This assessment identified several issues that, if addressed by DoD and the Military Services, will enhance the overall effectiveness of DoD-provided healthcare programs, help improve the RC's medical readiness rates, and improve care and transition services for wounded, ill, and injured RC members not receiving care at military treatment facilities.

**Report No. DODIG-2015-002**

### Assessment of the Department of Defense Prisoner of War/Missing in Action Accounting Community

The objective of this report was to assess the Department's programs and practices concerning the identification and repatriation of the remains of the nation's missing in action (MIA) from past armed conflicts. This included the overall accounting community's organization and effectiveness, issues raised about possible inappropriate official travel, and allegations concerning poor leadership and mismanagement that were made by past and present personnel assigned to the mission. In addition, the DoD IG was asked to identify any other deficiencies related to the administration of programs carried out by the Defense Prisoner of War (POW)/Missing In Action (MIA) Personnel Office, the Joint POW/MIA Accounting Command (JPAC), and other members of the accounting community that have impeded or could impede the DoD's ability to accomplish the identification and repatriation mission.

One key finding of this report was that the POW/MIA Accounting Community has neither been able to reach its full potential to perform effectively and efficiently, nor has it met the long-standing expectations of the surviving family members still hoping for closure on the loss of their loved ones. Subsequently, as part of the impact of this report, the Secretary of Defense directed far-reaching organizational changes to the accounting community.

**Report No. DODIG-2015-001**

### Department of Defense Suicide Event Report Data Quality Assessment

The Department of Defense Suicide Event Report (DoDSER) is the system of record for health surveillance related to suicidal ideations, attempts, and deaths. This assessment focused on decreasing the number of "don't know" responses on suicide death submissions by identifying changes to policy, training, or oversight. The report also examined the sharing of DoD medical information with the Department of Veterans Affairs.

The assessment identified seven topics for DoDSER submissions improvement:

- DoDSERs are submitted prematurely,
- DoDSER data collection is stove-piped,
- Technical questions presented challenges for nontechnical DoDSER submitters,
- User/commander feedback on DoDSER data is limited,
- Military Crisis Line staff lacks access to relevant military healthcare information,
- DoDSER data is not shared with the Department of Veterans Affairs, and
- Military Criminal Investigative Organizations' (MCIOs) participation in the DoDSER process is inconsistent.

**Report No. DODIG-2015-016**

## EQUIPPING AND TRAINING IRAQ AND AFGHAN SECURITY FORCES

### Assessment of U.S. Government and Coalition Efforts to Develop the Logistics Sustainment Capability of the Afghan National Army

The primary objective of this project was to evaluate the progress made by U.S. and Coalition forces to train, advise, and assist in the development of an enduring logistics sustainment capability for the Afghan National Army (ANA). Specifically, the report assessed the planning and execution of logistical processes developed and implemented by the U.S. and Coalition forces in Afghanistan for the ANA.

In general, the report found that while Afghan National Security Forces demonstrated the capability to conduct combat operations, the development of ANA combat support services lagged. The development of the ANA logistics system, especially by organizations above the ANA Corps, remained a work in progress. The report contains 14 observations resulting in 28 recommendations. Observations identified issues requiring attention in four general areas.

- ANA development of a sustainable logistics planning capability. Specific issues identified were outdated and incomplete logistics policy and guidance, underdeveloped capability to forecast and generate logistic requirements, inability to retain trained mechanics, nascent contracting expertise, partial decentralization of logistics training, and inefficient use of information management systems.



Afghan National Army Mechanics  
DoD IG photo

- ANA equipment disposal processes. Specific issues identified were the lack of a process to turn-in and dispose of irreparable equipment; a process to turn-in useable excess equipment, parts, and other supplies; and a plan for vehicle fleet management.
- Coalition forces advisor support to ANA logistic system development. Specific issues were uniting the effort of Coalition subordinate staffs, obtaining the required number of logistics advisors with the right experience and expertise, and planning for post-2014 continued contractor support.
- Coalition forces initial issue of sufficient spare parts to generate authorized stockage and prescribed load lists for major pieces of ANA equipment at the ANA Central Supply Depot and Regional Logistic Support Centers.

**Report No. DODIG-2015-047**

### Assessment of U.S. and Coalition Efforts to Develop the Logistics and Maintenance Sustainment Capability of the Afghan National Police

The objective of this project was to assess the planning and execution of the Afghan National Police (ANP) logistics, supply, and maintenance systems developed and implemented by U.S. and Coalition forces in Afghanistan. Specifically, this assessment evaluated whether:

- U.S. and Coalition forces goals, objectives, plans, guidance, and resources were sufficient to effectively develop, manage, and transition logistics, supply, and maintenance systems to the ANP in 2014;
- U.S. and Coalition forces plans to transition ANP logistics and maintenance processes to Afghan lead included mitigation for the impact of delays in the transition; and
- U.S. and Coalition forces plans and resources would effectively support ANP logistics, supply, and maintenance systems sustainment and continued development beyond 2014.

One of the major findings was that Coalition forces and ANP leaders recognized that development of logistics, including supply and maintenance



capabilities, was crucial to long-term ANP success. Coalition forces advisors identified a need for certain policy updates in support of logistics transition, and encouraged the Ministry of Interior (MoI) and ANP leaders to implement and enforce established logistics policies and processes.

The assessment identified key logistics issues in three areas—resources, policy implementation and enforcement, and emerging logistics processes.

- Resource-related sustainment challenges included Afghan budget laws and procedures that impeded ANP logistics funding, planning, and execution; the inability of the MoI to fund existing ANP infrastructure at a minimal essential level for operations; and insufficient numbers of skilled, experienced candidates available to Coalition forces to serve as ANP logistics advisors.
- Issues with MoI and ANP implementation and enforcement of logistics policies and procedures included core deficiencies in the ANP logistics system, failure to identify supply needs and plan in accordance with ANP logistics requirements, lack of support for Regional Logistics Center, delayed review and revision of required MoI logistics policies and guidance, and failure to take advantage of logistics training offered by the Afghan National Army Combat Service Support School.
- Challenges and opportunities related to emerging logistics processes included implementation of automated processes used to manage inventory, transition of ANP maintenance from contract delivered support, and lack of fleet management plans for vehicles and other major items of equipment.

**Report No. DODIG-2015-067**

## Summary of Lessons Learned – DoD IG Assessment Oversight of “Train, Advise, Assist, and Equip” Operations by U.S. and Coalition Forces in Iraq and Afghanistan

The overall objective of this project was to provide DoD military commanders and other stakeholders responsible for Operation Inherent Resolve a summary of lessons learned from past assessment oversight of U.S. and Coalition forces “Train, Advise,

Assist, and Equip” efforts during Operations Iraqi Freedom and Enduring Freedom. The review included 30 reports issued July 2008 through January 2015, which contained 342 observations related to U.S. and Coalition forces efforts to develop the national security of Iraq and Afghanistan. The analysis uncovered the following five systemic challenges and problem areas:

- Training and equipping of partner nation security forces and ministries,
- Advisory assistance in support of partner nation security forces and ministries,
- Logistics development and sustainment,
- Accountability and control of U.S.-supplied equipment, and
- U.S. contract management.

**Report No. DODIG-2015-093**

## FEDERAL VOTING ASSISTANCE PROGRAM

### Assessment of Voting Assistance Programs for Calendar Year 2014

The objective of this report was to continue the ongoing evaluation of DoD voting assistance programs in accordance with Section 1566, title 10, United States Code, “Voting assistance; compliance assessments; assistance” which requires the DoD IG to regularly assess voting assistance and to report to Congress at least annually on:

- The level of compliance during the preceding calendar year with voting assistance programs of each of the Army, Navy, Air Force, and Marine Corps, and
- The effectiveness, during the preceding calendar year, of voting assistance programs.

One of the primary findings was that Voting Assistance Officers’ performance was not always commented on in their performance evaluations in accordance with the law. As a result, some Military Services did not completely and accurately report compliance with this statutory requirement.

**Report No. DODIG-2015-098**

## POLICY AND OVERSIGHT

DoD IG provides policy, guidance, and oversight for Department audits and investigations. DoD IG also provides analysis and comments on all proposed draft DoD policy issuances, conducts technical assessments of DoD programs, provides engineering support for other assessments, and operates the DoD IG subpoena and contractor disclosure programs.

### AUDIT POLICY AND OVERSIGHT

DoD IG provides audit policy direction, guidance, and oversight for its auditing component; and the Military Departments' audit organizations, the Defense Contract Audit Agency (DCAA) and other defense audit organizations and public accounting firms under the Single Audit Act of 1984, as amended by Public Law 104-156, "Single Audit Act Amendments of 1996" (31 U.S.C. 7501 note). As such, DoD IG provides guidance and oversight for more than 6,700 DoD auditors in 22 DoD audit organizations, which is nearly 40 percent of all auditors in Federal IG audit organizations.

### Policy Changes Needed at Defense Contract Management Agency to Ensure Forward Pricing Rates Result in Fair and Reasonable Contract Pricing.

The DoD IG reviewed the DCMA forward pricing rate policy and practice for indirect rates for compliance with the FAR and DoD policy. The DoD IG found that DCMA policy did not adequately address FAR requirements to (1) perform cost analysis to establish fair and reasonable forward pricing rates, (2) tailor the requests for audit services, or (3) document a contract case file. DCMA revised its policies to require that contracting officers comply with the FAR and negotiate in fair and reasonable pricing on more than \$70 billion in annual Government sales.

**Report No. DODIG-2015-006**

### Quality Control Review of the Defense Finance and Accounting Service Internal Audit Organization

The DoD IG reviewed the system of quality control for the DFAS Office of Internal Review, in effect for the period ending June 30, 2014. The DoD IG found that except for the some noted deficiencies, the system of quality control for the internal audit function of DFAS was designed in accordance with quality standards established by Generally Accepted Government Auditing Standards (GAGAS). Accordingly, DoD IG issued a pass with deficiencies.

In the DoD IG's prior report dated February 28, 2013, it had issued a fail opinion on the DFAS' audit organization's system of quality control used on audits for the review period ending on June 30, 2011.

**Report No. DODIG-2015-043**

### Hotline Complaint Regarding the Defense Contract Audit Agency Examination of a Contractor's Subcontract Costs

The DoD IG evaluated a DoD Hotline complaint alleging that a DCAA field audit office did not comply with professional auditing standards or agency policy when it questioned a DoD contractor's subcontract costs. The DoD IG substantiated the complaint that a DCAA field audit office did not comply with GAGAS or agency policy when it questioned \$6.6 million in contractor-claimed subcontract costs. The DCAA auditor did not obtain sufficient evidence to conclude that the subcontract costs were unsupported, as GAGAS requires. In addition, the field audit office applied an arbitrary and unsupported 20-percent decrement factor to calculate the questioned costs. Use of the decrement was inconsistent with DCAA policy, and the DoD IG noted that other DCAA auditors could be using the decrement inappropriately at other field audit offices.

**Report No. DODIG-2015-061**



Defense Information Systems Agency Location at Fort Meade, Md.  
DoD photo by Donna Miles

### Quality Control Review of the Defense Information Systems Agency Audit Organization

DoD IG reviewed the Defense Information Systems Agency (DISA) OIG audit organization's system of quality control used on audits for the review period ending May 31, 2014. In the DoD IG's opinion, the DISA OIG audit organization's system of quality control for audits was suitably designed in accordance with quality standards established by GAGAS; however, the DoD IG identified significant deficiencies that existed in the audit organization's compliance with its system of quality control. Accordingly, the DoD IG, as a result of the significant deficiencies concerning independence, professional judgement, and supervisory reviews, issued a fail opinion on the DISA OIG audit organization's system of quality control used on audits for the review period ending on May 31, 2014.

**Report No. DODIG-2015-099**

### Follow-Up Quality Control Review of the Grant Thornton, LLP, FY 2011 Single Audit of the Henry M. Jackson Foundation for the Advancement of Military Medicine

The DoD IG originally initiated a quality control review on the Henry M. Jackson Foundation for the Advancement of Military Medicine's FY 2011 single audit in January 2013; however, the review was discontinued after the DoD IG learned a Grant Thornton staff auditor had falsified work papers, and therefore, the report opinion could not be relied on. The DoD IG issued Report No. DODIG-2013-124 on August 26, 2013, which discussed this matter. The Foundation resubmitted the audit report to the Federal Audit Clearinghouse on November 26, 2013,

and the DoD IG began a follow-up review in April 2014. Grant Thornton also provided a copy of its revised sampling policy, and the DoD IG determined that it appropriately included steps for determining and documenting the significance of internal controls. However, Grant Thornton had incorrectly interpreted the table included in the American Institute of Certified Public Accountants "Government Auditing Standards and Circular A-133 Audits" that identifies the minimum sample sizes required. Once the DoD IG notified Grant Thornton, they immediately revised the guidance ensuring it aligned with the sampling tables in the Audit Guide. There was no impact to the Foundation's FY 2011 single audit because Grant Thornton correctly applied the American Institute of Certified Public Accountants guidance when determining the sample sizes necessary to support conclusions.

**Report No. DODIG-2015-076**

## INVESTIGATIVE POLICY AND OVERSIGHT

DoD IG evaluates the performance of and develops policy for the DoD criminal investigative and law enforcement community, as well as the non-Defense criminal investigative organization offices of DoD.

### Evaluation of Matters Related to the Death of a Navy Seaman

This evaluation was initiated in response to a DoD Hotline complaint that questioned the integrity of the investigation into the death of Navy Seaman Kyle Antonacci and specifically alleged that the NCIS and Navy officials conspired to rule the death a suicide. The DoD IG found that the NCIS rape and perjury investigations were not conducted in full compliance with NCIS investigative standards and a threat reported by Seaman Antonacci was not thoroughly investigated when reported. The DoD IG also found that the death investigation was not conducted in full compliance with NCIS standards, but the deficiencies did not materially impact the investigation or the overall Armed Forces Medical Examiner's opinion that the manner of death was suicide. Additionally, the review of the death investigation revealed nothing to suggest a conspiracy between NCIS and Navy officials to rule Seaman Antonacci's death a suicide.

**Report No. DODIG-2015-007**

## Evaluation of the Defense Criminal Investigative Organizations' Defense Incident-Based Reporting System Reporting and Reporting Accuracy

The DoD IG evaluated the Defense Criminal Investigative Organizations' (DCIOs') process for reporting accurate criminal incident data to the Defense Incident-Based Reporting System in accordance with DoD policy. The DoD IG found that the DoD is not reporting criminal incident data to the FBI for inclusion in the annual Uniform Crime Reports to the President, Congress, state governments, and officials of localities and institutions participating in the Uniform Crime Reports Program, as required by Federal law. The FBI uses the data to develop a reliable set of criminal statistics for U.S. law enforcement agencies. The DoD and the Military Services concurred with their respective recommendations concerning providing accurate and complete data, and completing Defense Incident-Based Reporting System error corrections.

**Report No. DODIG-2015-011**

## Evaluation of Military Criminal Investigative Organizations' Child Death Investigations

DoD IG evaluated 82 Military Criminal Investigative Organizations' (MCIOs) investigations of child deaths closed (completed and adjudicated) in FY 2012 and FY 2013 to determine whether the MCIOs completed each investigation as required by guiding DoD, Military Services, and MCIO policies. The DoD IG found that 93 percent (76 of 82 cases) of MCIO investigations met investigative standards. A total of 18 cases had no investigative deficiencies and a total of 58 cases had minor deficiencies. The DoD IG returned six cases which did not meet standards. The MCIOs conducted subject and witness interviews, obtained evidence needed to gather case facts, and used various forensic assets in almost all investigations. Suspect, subject, and witness interviews were well documented and contained detail supporting manner of death determinations

**Report No. DODIG-2015-055**

## Evaluation of the Defense Criminal Investigative Organizations' Compliance with the Lautenberg Amendment Requirements and Implementing Guidance

The DoD IG evaluated the DCIOs' compliance with the requirements in the Lautenberg Amendment (18 U.S.C. 922) as implemented in DoD policy. Specifically, determining whether the DCIOs have adequate procedures and processes to ensure that a qualifying domestic violence conviction can be identified prior to entrance on duty. The DoD IG found that the DCIOs did not comply with the Lautenberg Amendment and DoD policies in such areas as not requiring personnel to certify that they did not have qualifying convictions; clear and consistent policies regarding the disposition of privately owned firearms and ammunition by agents found to have a qualifying conviction; and not periodically informing employees in covered positions that they have an affirmative, continuing obligation to inform their commander or supervisor if they have an existing qualifying conviction or later obtains one. Despite the findings identified, the DoD IG determined that it is unlikely the DCIOs hired or retained anyone with a qualifying conviction because the suitability investigation process is very thorough.

**Report No. DODIG-2015-078**

## Evaluation of Department of Defense Compliance with Criminal History Data Reporting Requirements

The DoD IG evaluated whether the MCIOs and other DoD law enforcement organizations reported offender criminal history data collected from service members convicted of qualifying offenses and submitted the data to the FBI as required by DoD policy. Specifically, the DoD IG determined whether fingerprints and final disposition reports for 1,102 Navy, Air Force, and Marine Corps service members convicted of qualifying offenses between June 1, 2010, and October 31, 2012, were submitted to the FBI for inclusion in the Integrated Automated Fingerprint Identification System (IAFIS) (now called Next Generation Identification) database. The DoD IG did not evaluate Army fingerprints and final disposition reporting and submission compliance due to data validation limitations.

The DoD IG found that fingerprints for 304 Navy, Air Force, and Marine Corps convicted offenders were not in the FBI's IAFIS criminal history database. The

evaluated Military Services had an overall fingerprint collection and submission compliance rate of 72 percent. Final disposition reports for 334 Navy, Air Force and Marine Corps convicted offenders were not in the FBI's IAFIS criminal history database. The evaluated Services had an overall final disposition reporting compliance rate of 70 percent. The DoD IG analysis did not determine the reasons that fingerprints or final disposition reports that should have been included in IAFIS were not.

**Report No. DODIG-2015-081**

### Evaluation of Military Criminal Investigative Organizations' Adult Sexual Assault Investigations.

The DoD IG initiated this project in part to meet its statutory obligation to provide policy, oversight, and performance evaluation of all DoD criminal investigation program activities and in response to an August 14, 2013, Secretary of Defense request for recurring evaluations of closed sexual assault investigations to ensure investigative quality. The evaluation found that 99 percent of MCIO investigations (532 of 536 cases) met investigative standards or had only minor investigative and/or administrative deficiencies. This reflects a 10 percent improvement from our previous evaluation of adult sexual assault investigations with adult victims closed in 2010 (Report No. DODIG-2013-091, July 9, 2013).

**Report No. DODIG-2015-094**

## CRIMINAL INVESTIGATIVE POLICY

During the reporting period, DoD IG issued one policy affecting the criminal investigative arena as follows:

### DoD Instruction 5505.19, "Establishment of Special Victim Investigation and Prosecution (SVIP) Capability within the Military Criminal Investigative Organizations (MCIOs)," February 4, 2015.

This new DoD Instruction establishes policy, assigns responsibilities, and provides procedures for the MCIOs to implement a special victim capability pursuant to Section 573 of the National Defense Authorization Act for Fiscal Year 2013 (Public Law 112-239), "Establishment of Special Victim Capabilities Within the Military Departments to Respond to Allegations of Certain Special Victim Offenses." The instruction implements the investigative portion of Section 573

requiring each Military Service to establish a special victim capability comprised of specially trained MCIO investigators, judge advocates, paralegals, and victim witness assistance personnel to support victims of covered special victim offenses such as unrestricted reports of adult sexual assault and child abuse.

## TECHNICAL ASSESSMENTS

DoD IG conducts technical assessments of DoD programs and provides engineering support for other assessments.

### Military Housing Inspections – Republic of Korea

The DoD IG inspected DoD military housing in the Republic of Korea for compliance with DoD and Federal environmental health and safety policies and standards. These policies and standards included the Unified Facilities Criteria, National Fire Protection Association Codes and Standards, National Electrical Code, and U.S. Environmental Protection Agency standards. The DoD IG identified a total of 646 deficiencies that could affect the health, safety, and well-being of warfighters and their families. Of the 646 deficiencies, 298 were fire protection systems, 279 were electrical systems, 53 were environmental health and safety, and 16 were housing management. Of the total deficiencies, DoD IG identified 11 critical deficiencies requiring immediate action. In the final report, the DoD IG requested additional comments from the Under Secretary of Defense for Acquisition, Technology and Logistics (USD[AT&L]) regarding their disagreement that they provide policy and guidance for the control and remediation of mold and radon.

**Report No. DODIG-2015-013**



Military Housing—Clogged Air Return Registers  
DoD IG photo

## Evaluation of Government Quality Assurance Oversight for DoD Acquisition Programs

The DoD IG evaluated DoD's implementation of its overarching quality management policies and procedures and on Government-performed quality assurance oversight of defense acquisition programs. The DoD IG evaluated top-level DoD Components' policies and procedures regarding quality management of the DoD acquisition programs. Furthermore, DoD IG determined if there were any gaps and weaknesses within the DoD quality management policies and procedures. The DoD IG determined that the USD(AT&L) has not established an overarching quality management policy that is commensurate with the scale, cost, and complexity of the Major Defense Acquisition Programs to ensure the consistency of quality management system requirements across DoD Components. In addition, the DoD and its Components do not currently have effective feedback mechanisms in place in order to affect positive change in quality management policies and processes.

**Report No. DODIG-2015-028**

## C-5 Reliability Enhancement and Re-engining Program Hotline Evaluation.

The DoD IG evaluated a DoD Hotline complaint made against the C-5 Aircraft Reliability Enhancement and Re-engining Program. The DoD IG conducted onsite evaluations at Lockheed Martin in Marietta, Ga., and at both System Program Offices located at Robins Air Force Base in Georgia and Wright-Patterson Air Force Base in Ohio to evaluate the legitimacy of



C-5 Galaxy—Cairo West Air Base, Egypt  
DoD IG photo

the allegations and to determine if they posed any risk to the program. The DoD IG evaluation determined that four of the six allegations were substantiated. The Government failed to discourage repeated tender of nonconforming components, delegated inherently Government functions to Lockheed Martin, accepted non-conformances that were corrected at an additional cost to the Government, and failed to comply with DCMA Instruction for the corrective action process.

**Report No. DODIG-2015-039**

## Evaluation of Aircraft Ejection Seat Safety When Using Advanced Helmet Sensors

The DoD IG evaluated whether DoD aircraft ejection seats meet aircrew survivability and equipment airworthiness requirements for pilots and aircrew wearing helmet-mounted displays, night vision goggles, or both during ejection. The DoD IG determined that the overall risk of ejection is remote and the addition of helmet-mounted displays and/or night vision goggles does not significantly increase the risk of major injury, if the aircrew is following proper ejection procedures described in the flight manual. Additionally, DoD IG found that the Joint Service Specification Guide, "Crew Systems, Emergency Egress Handbook," dated October 1998, has not been updated in accordance with DoD policy.

**Report No. DODIG-2015-090**

## F-35 Lightning II Program Quality Assurance and Corrective Action Evaluation.

The DoD IG evaluated the F-35 Aircraft Lightning II Program for conformity to the contractually required Aerospace Standard 9100, "Quality Management Systems – Requirements for Aviation, Space and Defense Organizations," and to determine whether the program took appropriate actions on findings and recommendations identified in the DoD IG Report No. DODIG-2013-140, "Quality Assurance Assessment of the F-35 Lightning II Program," dated September 30, 2013. The DoD IG determined that the F-35 Program generally conformed to requirements and showed improvement in its quality management system performance with respect to the previous DoD IG evaluation; however, challenges still remain, as evidenced by 57 nonconformities to the Aerospace Standard 9100.

**Report No. DODIG-2015-092**

## SUBPOENA PROGRAM

The DoD IG authority to issue subpoenas is based on Section 6 of the IG Act of 1978 (5 U.S.C. App.), as amended. The Act authorizes the IGs to issue subpoenas to require the production of all information, documents, reports, answers, records, accounts, papers, and other documentary evidence necessary in the performance of the functions assigned by the IG Act. A DoD IG subpoena request must meet three criteria: (1) the subpoena can only be issued for investigations within the statutory

authority of the IG, (2) the information sought must be reasonably relevant to the IG investigation, audit, investigation, or evaluation, and (3) the subpoena cannot be unreasonably broad or burdensome. Using DoD IG subpoenas is a useful procedure for legally obtaining business, personnel, financial, and state and local Government records. Records obtained by DoD IG subpoenas may also be used to locate witnesses, confirm statements made by witnesses or subjects, and provide other relevant information. During this reporting period, 331 subpoenas were issued.

Figure 2.14 DoD IG Subpoenas Issued—FY 2015

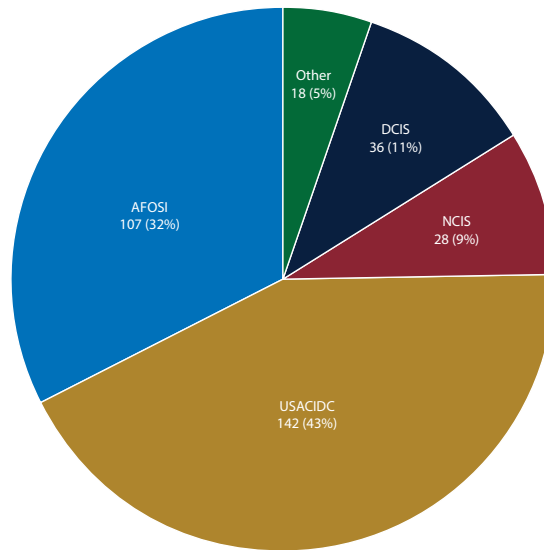
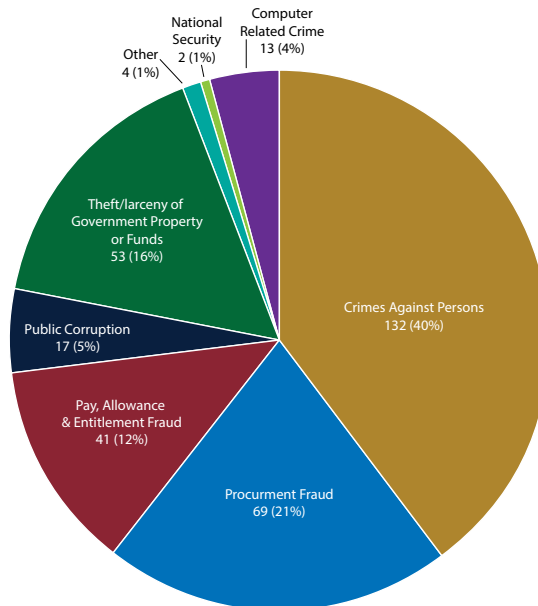


Figure 2.15 Subpoenas Requested by Type of Investigation



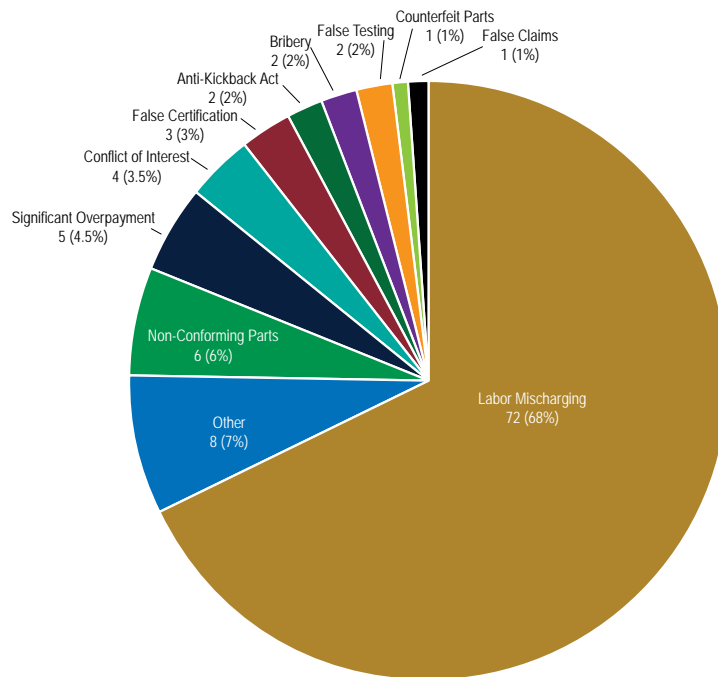
## CONTRACTOR DISCLOSURE PROGRAM

All contractor disclosures affecting the DoD made pursuant to the FAR shall be reported to DoD IG in accordance with the DoD FAR Supplement (DFARs). A contractor disclosure is a written disclosure by a DoD contractor or subcontractor to the DoD IG that there is credible evidence that

the contractor or subcontractor has committed a violation of Federal law, in connection with the award, performance, or closeout of a contract or any subcontract.

During this reporting period, 106 contractor disclosures were received.

Figure 2.16 Contractor Disclosure Received by Type FY 2015 (10/1/2014 – 3/31/2015)



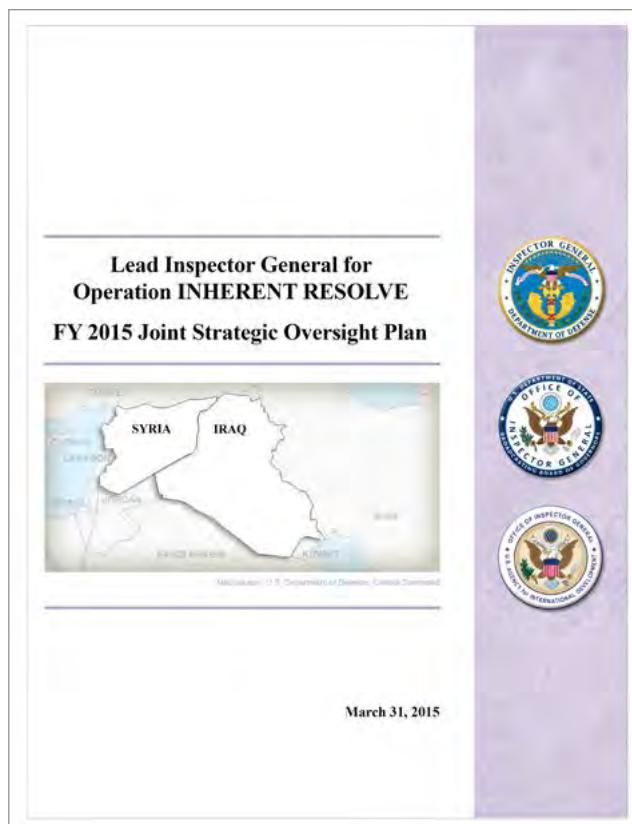


# OVERSEAS CONTINGENCY OPERATIONS

In December 2014, the DoD IG announced the appointment of the Deputy IG for Southwest Asia as the Deputy Inspector General for Overseas Contingency Operations (DIG-OCO) to direct DoD IG’s oversight mission regarding OIR, pursuant to Section 8L of the IG Act, as amended. The DIG-OCO coordinates and develops interagency strategic plans and reports to Congress for overseas contingency operations. The DIG-OCO identifies gaps and overlaps, manages conflicting priorities, and responds to senior leader requests in the planning and execution of oversight activities. In addition, the DIG-OCO ensures effective outreach is conducted among the oversight organizations and theater leadership.

During this reporting period, the DIG-OCO led the development, publication, and launch of the *FY 2015 Joint Strategic Oversight Plan for Operation Inherent Resolve*. This plan identifies audits, inspections, evaluations, and technical assessments to be conducted by the IGs for DoD, the DOS, and the USAID. This comprehensive strategic planning approach is intended to increase the effectiveness of oversight capabilities across agency jurisdictional divisions and provide results to help Congress and agency leadership make informed program, policy, and funding decisions. In addition, allegations of fraud and corruption will be referred to the respective law enforcement component for investigation.

The DIG-OCO is also the Chair of the interagency Southwest Asia Joint Planning Group. For this reporting period, the office of the DIG-OCO consolidated and provided updated oversight project status for two Southwest Asia Joint Planning Group meetings. These meetings included presentations by senior military officials for situational awareness of operations in Afghanistan.







# 3

## ENABLING MISSION AREAS

## CONGRESSIONAL TESTIMONY AND BRIEFINGS

Section 4(a) of the IG Act requires the IG “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 the reporting period, the DoD IG did not testify at any congressional hearings.

## MEETINGS WITH CONGRESSIONAL MEMBERS AND STAFF

During this reporting period, representatives from the DoD IG held 43 meetings with congressional staff members and 7 meetings with members of Congress. During those meetings, a variety

of topics were discussed, including the quality assessment of the DoD’s Suicide Event Report, the inspection of the Armed Forces Retirement Home, whistleblower protections for defense contractors, and the creation of the DIG-OCO to assist with the comprehensive oversight and reporting of overseas contingency operations.

## CONGRESSIONAL REQUESTS

The Office of Communications and Congressional Liaison (OCCL) supports the DoD IG by serving as the point of contact for communications to and from Congress. From October 1, 2014, through March 31, 2015, the Office of Communications and Congressional Liaison received 75 new congressional inquiries and closed 120 requests for information.

Responses to congressional inquiries included the review of whether or not effective controls over contract management was established in Afghanistan; a assessment of the risk-mitigation strategies to manage potential loss of the RD-180 engine; and a review of the F-35 Lightning II production standards. In addition, OCCL continues to proactively reach out to congressional staffers to ensure they are informed about upcoming IG report releases and ongoing project and program reviews.



# OUTREACH

## INTERAGENCY INITIATIVES

### Council of the Inspectors General for Integrity and Efficiency

The CIGIE was statutorily established as an independent entity within the executive branch by the IG Reform Act of 2008, as amended. Its purpose is to address integrity, economy and effectiveness issues that transcend individual government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the inspectors general. The DoD IG is an active participant in CIGIE, serving on the Executive Council and as the Chair of the Audit Committee.

### Defense Council on Integrity and Efficiency

The DCIE is chaired by DoD IG and meets on a quarterly basis to ensure effective coordination and cooperation between and among the activities of the DoD OIG, the defense agencies, and the activities of the internal audit, inspection and investigative organizations of the Military Services to avoid duplication of effort.

The DCIE functions as a forum for discussions among its members regarding opportunities within DoD's programs and operations for "leadership and coordination [in] 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." These opportunities address, but are not limited to audit, inspection, and investigative policies and projects outside the jurisdiction of an individual DCIE member organization. The DCIE also develops initiatives to provide opportunities to develop well-trained and highly skilled audit, inspection and investigative staff.

On March 10, 2015, the DoD IG signed an updated DCIE charter, expanding the membership to 36, which now includes the IG from the Combatant Commands. The new charter also establishes six standing committees:

- Audit
- Information Technology
- Inspections and Evaluations
- Investigations
- Intelligence

Additionally, the new charter aligns many of the existing working groups within the DCIE, to including the Defense-wide Hotline Working Group, the DCIE Public Affairs Working Group, the Defense Investigative Organization Enterprise-Wide Working Group, and the Southwest Asia Joint Planning Group.

### Defense Intelligence and Special Programs Oversight Committee

The Deputy IG for Intelligence and Special Program Assessments chairs the quarterly Defense Intelligence and Special Programs Oversight Committee, which was previously called the Joint Intelligence Oversight Coordination Group. The committee promotes and furthers collaboration, cooperation, coordination, and information sharing among the IGs and Auditors General of the DoD. The committee's objectives are to support the DoD IGs and Auditors General in the performance of audits, inspections, and evaluations within their respective departments and agencies as well as strengthen their collective role and effectiveness to enhance their support of the national intelligence strategy.

Finally, the group seeks to optimize the use of resources, increase efficiency, and avoid duplication of effort among DoD IGs and Auditors General. The group also explores opportunities for joint and interagency training and education, as well as examine defense programs and operations and identify those requiring coverage from more than one member of the group.

During this period, the committee has focused on the annual planning process, specifically a crosswalk with strategic guidance and stakeholder input. The committee also focused on leveraging assets to support the Lead IG for OIR as well as Insider Threat projects. The committee was officially designated as a subcommittee of the DCIE.

## Southwest Asia Joint Planning Group

The Southwest Asia Joint Planning Group was established in 2008 by DoD IG in response to the Global War on Terror, including operations in Iraq and Afghanistan. It is the coordinating body for U.S. Government organizations conducting oversight of U.S. military and civilian activities in Southwest Asia. The group is chaired by the DoD Deputy Inspector General for OCO and meets quarterly to coordinate and de-conflict oversight activities. These meetings include participants located in the continental United States and Afghanistan.

During this reporting period, the Southwest Asia Joint Planning Group chairman presented the following distinguished guest speakers to provide timely situational awareness of ongoing and planned activities in Afghanistan:

- **October 2014:** Major General Jeffrey Colt, Deputy Commander-Support, United States Forces-Afghanistan, presented the status of efforts to close bases, reduce the force, and return, transfer, or dispose/demilitarize of equipment before the January 1, 2015, start of the non-combat NATO-led Train, Advise, and Assist mission, known as Resolute Support.
- **January 2015:** Major General Todd Semonite, Commander, Combined Security Transition Command-Afghanistan/Deputy Chief of Staff, Security Assistance, addressed the Resolute Support mission and the plan forward in calendar year 2015

## Intelligence Community Inspectors General Forum

DoD IG participates in the Intelligence Community IG Forum, which promotes and furthers collaboration, cooperation, and coordination among the IGs of the intelligence community. The forum meets quarterly to discuss issues of common concern and to plan

how to address them collaboratively. During this period, the forum has focused on annual planning, congressional taskings, joint projects, whistleblower protection and IG authorities. The Annual Intelligence Community IGs Conference was March 26, 2015. The DoD IG participated in the IGs panel.

## Nuclear Enterprise Oversight Collaboration Group

The Nuclear Enterprise Oversight Collaboration Group is an informal interagency forum of oversight agencies within the nuclear enterprise. The objectives of the forum are to improve communication, de-conflict projects, and identify potential joint projects for oversight agencies in the nuclear enterprise.

The third meeting of the Nuclear Enterprise Oversight Collaboration Group was held on October 22, 2014, and the list of agencies represented has grown to include the Air Force Audit Agency (AFAA). Returning attendees include OIG representatives from Departments of Defense, Energy, State, Justice, and the GAO, Nuclear Command and Control System Support Staff, Joint Staff, Navy, Air Force, and the Nuclear Regulatory Commission OIG.

## Defense Criminal Investigative Office Agency Working Group

The Defense Criminal Investigative Office Agency Working Group is comprised of headquarters representatives from DCIS and each of the MCIO. The Working Group met in November 2014 and January 2015. The members collaborate regarding best practices and joint agency initiatives, and de-conflict jurisdictional and resource issues. At the local level, DCIS and the MCIOs regularly participate in regional working groups. These groups consist of field supervisors, and serve to coordinate and de-conflict on individual fraud investigations.

## Interagency Coordination Group of Inspectors General for Guam Realignment Annual Report

The DoD IG issued the sixth annual report on the Guam realignment on January 30, 2015. Pursuant to Section 2835 of Public Law 111-84, "Interagency Coordination Group of Inspectors General for Guam Realignment," the DoD IG is the chairperson of the Interagency Coordination Group, and submits to the congressional defense committees, the

Secretary of Defense, and the Secretary of the Interior a report summarizing, for the preceding calendar year, the activities of the Interagency Coordination Group during such year. This report identifies the programs and operations funded with appropriated amounts or funds otherwise made available for military construction on Guam in FY 2014.

Highlights included:

- DoD reported obligations of approximately \$85.1 million and expenditures of approximately \$106.7 million. Other Federal agencies reported obligations of approximately \$44.8 million and expenditures approximately \$15.6 million.
- DoD identified 205 projects and programs, totaling approximately \$112.9 million, with estimated completion costs of approximately \$299.1 million. Other Federal agencies identified

34 projects and programs, totaling approximately \$14.9 million, with estimated completion costs of approximately \$48.8 million.

- The Government of Japan provided revenues of \$9.8 million and earned approximately \$1.3 million in interest associated with revenues.
- DoD identified operating expenses of approximately \$17.6 million. Other Federal agencies identified operating expenses of approximately \$15.3 million.
- DoD identified a total of 53 contracts, grants, agreements, or other funding mechanisms valued at approximately \$62.8 million. Other Federal agencies identified a total of 20 contracts, grants, agreements, or other funding mechanisms valued at approximately \$44.8 million.



An Aerial View of U.S. Naval Base Guam  
U.S. Navy photo





A large, ornate classical building facade, likely a government or institutional structure, featuring a curved portico supported by tall, fluted columns. An American flag is prominently displayed in the foreground, waving in the wind. The sky is a clear, bright blue. The building's architecture is highly detailed, with decorative carvings and a prominent cornice.

4

# SERVICES

# ARMY

## U.S. ARMY AUDIT AGENCY

To accomplish its mission, the U.S. Army Audit Agency (USAAA) relies on a workforce of highly trained professional auditors, many with advanced degrees and professional certifications. USAAA's staff consists of approximately 540 employees and is organized into 17 functional audit teams that provide audit support to all aspects of Army operations.

USAAA's goal is to be a highly sought after and an integral part of the Army by providing timely and valued services that focus on the evolving needs of Army leadership. To ensure its audits are relevant to the needs of the Army, USAAA aligned their audit coverage with the Army's highest priorities and high-risks areas as determined by its enterprise-level risk assessment and from input from Army senior leaders.

During the first half of FY 2015, USAAA published 49 reports, made over 200 recommendations, and identified about \$260 million of potential monetary benefits. A few of USAAA's significant reports are described below.

### Budget Requirements for Child, Youth, and School Services

#### OVERVIEW:

USAAA conducted this audit to verify the accuracy of the funding requirements developed by the U.S. Army Installation Management Command for child, youth, and school services.

#### FINDINGS:

USAAA concluded that the Assistant Chief of Staff for Installation Management (ACSIM) had not established business rules or documented the process to determine budget requirements. Budget personnel could not clearly explain details of the process or provide support for amounts entered in the demand and cost formulas for FYs 2013–2017. Additionally, U.S. Army Installation Management Command had not outlined the process for continuity from year to year. Consequently, the Army did not have assurance of the accuracy of the child, youth, and school services budget requirements in the management decision package.

USAAA also determined the requirements for youth programs may also be overstated for the active component because the requirements included 100 percent of the space demand rather than the 35 percent required by the Army's acceleration plan. As a result, child, youth, and school services budget requirements may be overstated. However, USAAA was unable to estimate any potential overstated amount due to the lack of supporting documentation related to youth program funding execution or participation rates for ages 11 through 18.

#### RESULT:

USAAA recommended that the ACSIM implement changes aimed at improving the budget formulation process. Specifically, the Army agreed to establish formal business rules to support the requirements submission and to maintain the required supporting documentation by age categories for future validation of the requirements. Most importantly, the ACSIM agreed to immediately collaborate with the Deputy Assistant Secretary of the Army for Cost and Economics to validate the demand formulas used in support of the requirements. Combined, these steps provide greater assurance on the accuracy of the Army's requirements in this vital program for Army families.

*Report No. A-2015-0006-IEO*

### Reporting of General Fund Information Technology Assets

#### OVERVIEW:

USAAA evaluated the accuracy of the Army's financial reporting process for General Fund assets to support the Army's efforts to produce auditable financial statements.

#### FINDINGS:

Army organizations did not accurately report General Fund IT assets in the General Fund Enterprise Business System (GFEBS). The GFEBS is the Army's asset and accounting management system by which capitalized assets are reported to the Army's financial statements.

USAAA identified assets reported that did not meet the capitalization threshold, inaccurate asset acquisition values, and duplicate postings. As of September 3, 2013, the Army's IT asset population within GFEBS was valued at \$1.72 billion. USAAA

estimated that the discrepancies found would result in an overstatement to the Army's financial statement of \$826 million. These conditions occurred because the acquisition cost was not closely monitored and system updates to the recorded asset information was not being processed due to a system interface that was not operating as intended.

**RESULT:**

USAAA provided risk-based asset valuation assessments that will help the Army focus its time and resources on the IT assets with the highest valuation error. Also, USAAA recommended that the Army remove all duplicate asset records and accurately value the information technology assets with the highest valuation error before the conversion to Global Combat Support System-Army. As a result, the Army was inflating its property, plant, and equipment and depreciation amounts on its General Fund financial statements.

**Report No. A-2015-0012-IET**

### Audit of Civilian Pay Incentives

**OVERVIEW:**

USAAA performed a risk assessment and audit of civilian pay types in order to reduce and control the potential risk for fraud for the Army. During the assessment, USAAA reviewed civilian pay data for individuals with questionable incentive payments and evaluated pay system controls for inactive individuals. USAAA conducted the audit work at the Civilian Human Resources Agency and the U.S. Army Medical Command (MEDCOM).

**FINDINGS:**

USAAA determined that controls existed in the pay system to prevent fraudulent payments to inactive individuals. USAAA also verified that incentive payments were authorized and generally supported; however, there were potential locality overpayments. With the repeal of the National Security Personnel System in 2010, MEDCOM implemented the Physicians and Dentists Pay Plan (PDPP) for physicians. During FY 2011 and FY 2012, MEDCOM transitioned physicians to this new pay plan. Specifically, MEDCOM converted all eligible General Schedule physicians, without loss in pay, to the new pay plan in order to ensure a competitive pay structure with the private sector and other Federal agencies.

USAAA reviewed each of the 263 physicians who received market and locality or premium payments in FY 2012 and found that 252 received locality or premium pay prior to their conversion to PDPP. The remaining 11 physicians potentially received about \$136,000 in unauthorized locality payments. Due to several transition dates during FY 2012, many physicians received both locality and premium pay before converting to the PDPP.

**RESULT:**

USAAA recommended MEDCOM request the DFAS to perform an audit of market and locality payments for the 11 physicians and take action to recoup any overpayments. The Office of the Deputy Chief of Staff for Personnel and MEDCOM agreed to initiate debt collections where appropriate to recoup any overpayments.

**Report No. A-2015-0018-FMX**

### Asset Management of Hydroelectric Power Services: Appropriated-Funded Facilities

**OVERVIEW:**

USAAA conducted the audit to verify that U.S. Army Corps of Engineers (USACE) plan for managing hydropower assets has effective processes to prioritize maintenance projects and maintain equipment to minimize mechanical breakdowns. The USACE developed several strategies to create a national approach for planning, documenting, and executing maintenance of key assets that will help prioritize maintenance and help the USACE maintain equipment. However, limited funding and inconsistent use of the Facilities and Equipment Maintenance System (FEMS) will prevent the USACE from fully achieving its long-term asset management goals.

**FINDINGS:**

Funding for the USACE's hydropower program was constrained primarily because appropriated operations and maintenance funds were used for mostly critical routine and cyclical activities. As a result, projects in the USACE's long-term investment plan totaling about \$2.9 billion may not be funded, exposing it to asset component failures. In addition, due to limited available appropriations, the USACE will have to increasingly rely on customers to fund

maintenance projects at the customers' discretion. The Water Resources Development Act of 2000 as amended, authorized some USACE hydropower plants to accept customer funding to maintain its hydropower facilities. While customer funding is important, it is not a viable source for the USACE to fully execute its long-term investment plan.

In addition, districts used various methods to prioritize maintenance projects for balance-of-plant components. USAAA's analysis of customer-funded project data showed that \$109 million in funding for balance-of-plant component maintenance projects was not prioritized using a standard, risk-informed decision process. As a result, the USACE had no assurance that some districts selected the highest risk projects for customer funding.

Hydropower plants also did not use the FEMS to record maintenance consistently. Specifically, personnel sometimes did not establish equipment hierarchies and criticality ratings for major assets, closed work orders without recording associated costs, and did not record non-routine work orders.

#### RESULT:

Without sufficient funding to complete vital maintenance projects for hydropower equipment, the USACE won't be able to fully execute its long-term investment plan and could potentially expose it to asset component failures. These failures could result in significant losses in energy production over the next 20 years, placing about 8,000 megawatts of rated capacity (roughly 7.91 million homes) at risk. USAAA recommended that the Commanding General of the USACE request a U.S. Comptroller General decision to allow the hydropower business line to use a portion of funds generated by the hydropower program to fully fund maintenance activities; expand the Hydropower Modernization Initiative to include key balance-of-plant components, and issue guidance establishing a process that requires using available tools to prioritize projects; develop guidance to standardize maintenance practices for using the FEMS; and establish training requirements specific to FEMS user groups and track completed training.

**Report No. A-2015-0020-IEE**

## Civilian Overtime Pay, U.S. Army Materiel Command

#### OVERVIEW:

USAAA audited the U.S. Army Materiel Command's overtime payments to non-deployed civilian employees to verify that appropriate controls were in place to mitigate potential fraud, waste and abuse in those payments. USAAA conducted this audit as a result of the large number of overtime hours and payments to Army Materiel Command civilians despite decreased budgets across the Army.

#### FINDINGS:

USAAA found Army Materiel Command had some controls in place to help mitigate potential fraud, waste, and abuse of overtime payments. While USAAA did not find any potentially fraudulent transactions during the review, USAAA identified several key areas that Army Materiel Command must strengthen to further mitigate risk to include:

- Retaining supporting documentation for overtime hours worked,
- Separating duties in Automated Time Attendance and Production System for timekeeper and certifier roles,
- Supervising off-site personnel charging overtime hours,
- Increasing management of excessive leave and overtime hours worked in the same pay period, and
- Increasing management of aged compensatory time converted to dollars.

#### RESULT:

USAAA made recommendations to strengthen management controls which will decrease opportunities for fraud, waste, and abuse at Army Materiel Command activities and help the Army meet its audit readiness goals through the retention of key supporting documentation. Additionally, if controls are strengthened to manage the expiration of aged compensatory time, Army Materiel Command could reduce funding for paid-aged compensatory time by about \$3.8 million across the program objective memorandum.

**Report No. A-2015-0025-FMX**

## Army Installation-Level Actions to Address Fort Hood Report Recommendations

### OVERVIEW:

The Deputy Chief of Staff, G-3/5/7 asked USAAA to assess the Army's progress toward implementing the recommendations from the DoD and the Army Internal Review Team reports. This was to make sure activities took appropriate steps to meet the intent of recommendations made in those reports. USAAA conducted the audit in two phases to address command's request. During phase I, USAAA focused on headquarters-level actions to address the 78 recommendations from the Fort Hood findings. During phase II, USAAA focused on actions related to 18 of the 78 recommendations as they applied to Army installations.

### FINDINGS:

Overall, USAAA determined that the installations completed actions to implement 1 of the 18 recommendations reviewed. The one recommendation pertained to law enforcement personnel reporting suspicious activities. Installations had begun taking action and were in various phases to implement the 16 other recommendations. However, the installations had not taken sufficient actions to implement the remaining recommendation. Installations had not completed or taken necessary actions because of insufficient Department of the Army-level guidance, resource shortfalls and limitations, and lack of sufficient processes and controls to track training completion at the installation level. As a result, installations did not, or sometimes could not, implement the recommendations. This could increase the risk to personnel, and installations may not sufficiently respond to and recover from traumatic events. Headquarters organizations are aware of some of these issues and have begun taking actions to mitigate them when possible.

### RESULT:

USAAA made 14 recommendations to the offices of primary responsibility to address the findings. Key recommendations included that the Army Deputy Chief of Staff, G-3/5/7 provide guidance to identify solutions to field a common operating picture system (or an alternative system). The Army Deputy Chief of Staff, G-3/5/7 should provide solutions and best practices to improve Emergency Management Modernization Program equipment without capital

expenditures at installations not scheduled to receive updates. USAAA also recommended the Surgeon General and MEDCOM establish an oversight process to enforce the requirement that its activities use the Army Digital Training Management System as the training system of record.

**Report No. A-2015-0026-MTP**

## Recoupment of Select Army Scholarships

### OVERVIEW:

At the request of the Deputy Assistant Secretary of the Army for Military Personnel, USAAA verified that the Army had effective processes, including oversight, to render decisions and recoup funds (or administer an equivalent alternative) upon disenrollment from the U.S. Military Academy (USMA) at West Point, the Reserve Officers' Training Corps (ROTC), and the Health Professions Scholarship Program.

### FINDINGS:

USAAA determined there were effective processes to separate participants from each program, but often these processes did not result in timely decisions about the participants' obligation to the Army resulting from the disenrollment. Specifically:

- USMA and the Assistant Secretary of the Army for Manpower and Reserve Affairs rendered timely decisions for 58 of the 71 USMA cases (82 percent) reviewed,
- U.S. Army Cadet Command, the Army Deputy Chief of Staff, G-1, and the Assistant Secretary of the Army for Manpower and Reserve Affairs rendered timely decisions for only 42 of the 97 cases (43 percent) reviewed, and
- U.S. Army Human Resources Command, Assistant Secretary of the Army for Manpower and Reserve Affairs generally were not timely in processing Health Professions Scholarship Program disenrollment packets and rendering decisions on the outcome of each case. The average processing time of the 6 cases reviewed was 436 days.

Delays were typically most significant at Headquarters, Department of the Army, because of the extensive levels of review, so the Army often did not render final decisions or start the recoupment process in a timely manner. Further, the Army missed its opportunity to recoup costs of education from former participants who were incorrectly directed

to fulfill their obligation to the Army through service in the U.S. Army Individual Ready Reserve or did not fulfill their obligation through military service, as directed.

**RESULT:**

USAAA identified actions for stakeholders to streamline the disenrollment process, eliminate redundant levels of review, reduce processing time, and to inform West Point cadets about military service and financial obligations a cadet may incur if the military service obligation is unfulfilled.

**Report No. A-2015-0041-MTH**

## The Authority for and Implementation of the Reserve Officers' Training Corps Student Loan Repayment Program

**OVERVIEW:**

At the request of the Deputy Assistant Secretary of the Army for Military Personnel, USAAA verified that the Army properly authorized and implemented the ROTC Student Loan Repayment Program (SLRP) and to determine the impact of implementation actions and procedures.

**FINDINGS:**

USAAA determined that the Army Deputy Chief of Staff did not have authority to implement the ROTC SLRP. While the Under Secretary of Defense delegated this authority to the Secretary of the Army; the Army Deputy Chief of Staff, G-1 did not request authorization to implement the ROTC SLRP. Also, Army Deputy Chief of Staff, G-1 did not properly coordinate the program's implementation. Specifically, the coordination process did not:

- Ensure that all necessary Headquarters, Department of the Army activities required to provide input or approval for the program were contacted for required actions,
- Address recommendations made by the Office of the Judge Advocate General, and
- Establish the program's funding or budget responsibilities.

As a result, the Army Deputy Chief of Staff, G-1 did not have the authority to authorize obligation of funds to repay education loans for approximately 2,440 officers who participated in the program for a total program cost of approximately \$67.5 million.

This occurred because the Army Deputy Chief of Staff, G-1 did not have a documented standing operating procedure in place to guide the coordination of the staffing process and oversight was not sufficient to ensure all staffing actions were completed. Analysis of 66 statistically sampled officers' records showed that 11 officers were potentially ineligible for the program. USAAA projected that payments for potentially ineligible participants may total between \$5 million and \$10.8 million.

In addition, Army personnel systems did not contain all the key documents to support the participant's obligated service. For all 66 sampled officers, the ROTC SLRP active duty service obligation was missing from the system used to verify completion of obligated service prior to separation. Absence of this information and other supporting records created a risk that participating officers could separate from service prior to completing their service obligation.

**RESULT:**

USAAA recommended the Assistant Secretary of the Army for Manpower and Reserve Affairs take appropriate action to correct the unauthorized implementation of the ROTC SLRP and to address and ratify loan repayments previously made, and those planned payments contracted to be made, for the ROTC SLRP. USAAA also recommended procedures the Army Deputy Chief of Staff, G-1 needed for the future coordination of staffing actions for any new programs. Finally, USAAA recommended actions to be taken by all parties and stakeholders for the SLRP, should the program be reinstated.

**Report No. A-2015-0042-MTH**

## Joint Review Program

**OVERVIEW:**

At the request of the Deputy Assistant Secretary of the Army Financial Operations (DASA-FO), USAAA audited the Army's Joint Review Program. The audit focused on verifying that the Army performed sufficient reviews of unliquidated obligations during the Joint Review Program. The audit was limited to actions taken by the office of DASA-FO, the U.S. Army Training and Doctrine Command (TRADOC), and MEDCOM.

**FINDINGS:**

USAAA determined that DASA-FO personnel did not have a sufficient Army-wide process in place to ensure that Army commands completed sufficient quarterly Joint Review Program reviews and properly reported that unliquidated obligations were accurate and complete. In addition, there was not a process to ensure that command's resource managers involved contracting officer's representatives in the validation of the Unliquidated obligation amounts reported during the Joint Review Program. This was important because both of the Army commands included in the audit, TRADOC and MEDCOM, completed Joint Review Program reviews and submitted a review checklist. However, USAAA could not verify that TRADOC performed sufficient reviews because it could not provide supporting documentation to support that it reviewed and validated 46 of the 52 Unliquidated obligations (88 percent) sampled. As a result, the Army had limited assurance that the Joint Review Program reviews sufficiently validated Unliquidated obligation balances valued at about \$81.4 million.

USAAA's limited review at MEDCOM showed that it did not include about \$578 million of Unliquidated obligations on their phase two Joint Review Program quarterly review checklist and confirmation statement certifying their review. Further, the GFEBs did not have the functionality to provide a universe of obligation and disbursement amounts at the transaction level due to system record limitations. The lack of this functionality could affect the ability of an independent public accounting firm to audit the FY 2015 Schedule of Budgetary Activity.

**RESULT:**

USAAA made two recommendations to the DASA-FO. By implementing these recommendations, the Army will improve the Joint Review Program process and the ability of the GFEBs to provide a universe of obligation and disbursements at the transaction level.

**Report No. A-2015-0043-FMR**

### Audit of Maintaining Energy Savings Devices Installed in Facilities

**OVERVIEW:**

At the request of the Deputy Commanding General of the USACE, USAAA verified that the Army had sufficient funding programmed to maintain energy savings devices installed in facilities. The Deputy

Commanding General had concerns that energy savings devices installed in newly constructed Base Realignment and Closure 2005 facilities were not being maintained due to reduced sustainment funding. USAAA reviewed 113 Base Realignment and Closure 2005-funded facilities belonging to 17 judgmentally selected projects at 10 sites. USAAA reported that even though Army-wide sustainment funding was less than requirements and DoD's goal, it was sufficient to maintain these devices at the sites visited.

**FINDINGS:**

The Army had processes in place for programming sustainment, restoration, and modernization funds. Although USAAA could not identify specific funding for maintaining energy savings devices, sustainment funding generally was not reduced for FY 2014 as compared to FY 2013 amounts. Even though Army-wide sustainment funding was less than the requirements and DoD's goal to fund sustainment programs at 90-percent of estimated requirements; it was sufficient to maintain these devices at the visited sites. Specifically, the review showed:

- Installed energy savings devices at eight sites were generally operational. USAAA attributed the devices that were not operational or devices with maintenance issues to causes other than the lack of sustainment funding, such as design weaknesses, unauthorized user modifications, and lack of contractor service support in the local area,
- Service and work orders at most of the 10 sites generally did not have energy savings devices in a backlogged status. Also, maintenance work orders for devices in a backlogged status were not caused by insufficient funding. For example, some of these orders were actually complete, but the status had not been updated or orders were awaiting parts that had been ordered.

Consequently, when energy savings devices perform as intended, installations should recover the financial investment and realize planned energy consumption reductions.

**RESULT:**

While USAAA made no recommendations, the Army needs to continue to ensure that future funding is sufficient to maintain these devices.

**Report No. A-2015-0044-IEE**

**Base Operations Support, Reagan Test Site, Kwajalein Atoll**

**OVERVIEW:**

USAAA conducted this audit to verify that U.S. Army Space and Missile Defense Command (SMDC), U.S. Army Contracting Command-Redstone, and U.S. Army Garrison Kwajalein Atoll (formerly U.S. Army Kwajalein Atoll) (USAKA) properly managed and administered the integrated range and logistics support services contract and accounted for government-furnished property at the Reagan Test Site, Kwajalein Atoll. The maximum value of the contract was \$2.8 billion.

**FINDINGS:**

USAAA determined that SMDC, USAKA, and, to some extent, U.S. Army Contracting Command-Redstone didn't sufficiently manage and administer some aspects of the support contract and unnecessarily paid \$9.9 million in award and incentive fees. The commands didn't properly incentivize the contractor to provide superior performance by selecting the right type of contract and incentives; oversee contractor performance; and monitor the cost of operations. In addition, USAKA didn't properly account for government-furnished property in official accountable records.

USAAA couldn't determine why the SMDC contracting office selected a cost-plus type contract instead of a fixed-price type contract, and why it included award terms in addition to other incentives in the contract. This was because the contract was awarded in 2002 and the acquisition strategy plan wasn't in the contract files. Moreover, most of the personnel who created the contract had left the activity.

SMDC and USAKA didn't properly oversee contractor performance and monitor costs because they didn't develop a quality assurance surveillance plan, appoint qualified personnel to oversee the contractor's performance, and ensure that the performance work statement specified some aspects of the contractor's performance requirements. Further, for some operations, they didn't require the contractor to track and provide data needed to evaluate costs.

**RESULT:**

USAAA made 21 recommendations that will help the commands properly manage and administer the support contract. The commands agreed with the report's conclusions and recommendations.

**Report No. A-2015-0005-FMP**



Kwajalein Atoll  
U.S. Army photo



## Army Acquisition Policy and Regulations

### OVERVIEW

At the request of the Principal Deputy to the Assistant Secretary of the Army (Acquisition, Logistics and Technology), USAAA determined whether the Army's processes, policies, and regulations were sufficient to ensure the timely staffing and approval of statutory and regulatory requirements at key program reviews. USAAA reviewed the guidance for the documents required at milestones A, C, and Full Deployment Decision for the Indirect Fire Protection Capability, Paladin Integrated Management, and Global Combat Support System—Army programs.

### FINDINGS:

The Assistant Secretary of the Army (Acquisition, Logistics and Technology) didn't have a sufficient process to manage the development of milestone documentation and DoD and Army policies and regulations sometimes weren't accessible, consistent, or sufficient to support document development. Also, required document content sometimes differed from guidance and document proponents or reviewers sometimes required additional documentation, content, and approvals that weren't supported by statute or DoD policies and regulations.

This occurred because the Army didn't have a sufficient process to maintain current guidance and communicate changes to document requirements. As a result, program managers will require additional time and resources developing milestone documents.

In addition, the Army's development, staffing, and approval of milestone documents weren't synchronized with its implementation of the Joint Capabilities Integration and Development System. Specifically, Army guidance didn't incorporate the Development Request for Proposals Release as a new decision point prior to milestone B. The requirement was recently established within Interim DoD Instruction 5000.02. As a result, the Indirect Fire Protection Capability program's schedule didn't anticipate the requirement and its capability development document wouldn't be approved in time to support the new decision point. Consequently, the program's milestone B decision will be delayed 8 months, preventing the program from obligating about \$131.8 million in FY 2016 and FY 2017 funding and costing \$27.9 million in additional Research, Development, Test, and Evaluation funding in FY 2016 and FY 2020.

### RESULT:

USAAA made recommendations that streamlined the milestone documentation approval process for a more cost-effective and efficient process. The Army agreed to remove unnecessary Army-specific requirements from the approval process and to develop a central repository for Army acquisition policies to help facilitate the timely development of milestone documentation.

The audit also brought the proponents for the various responsible organizations within the DoD and the Army together to negotiate recommendations that allowed Indirect Fire Protection Capability program to adhere to its approved schedule. Additionally, USAAA identified a potential risk that allowed the Army to begin identifying other Army programs adversely affected by the updated guidance.

**Report No. A-2015-0047-ALA**

## Audit of Munitions Expenditures – Operational Load

### OVERVIEW:

At the request of the Deputy Chief of Staff (DCS), G-3/5/7, USAAA conducted this audit to verify that the Army had an effective policy and process to accurately account for operational load expenditures. USAAA audited the process units used to request munitions from local ammunition supply points. Additionally, USAAA evaluated how expended rounds were captured in DCS, G-3/5/7's Total Ammunition Management Information System (TAMIS) and on unit property books.

### FINDINGS:

Though the Army established policy and processes to account for operational load expenditures, the policy often wasn't followed. AR 5-13 (Total Army Munitions Requirements Process and Prioritization System) states that there's no suspense for recording operational expenditures in TAMIS. This is because the Army considers operational load munitions permanent transfers to a unit until cleared from the unit's property accountability records. Additionally, AR 710-2 (Supply Policy Below the National Level) states that a record of operational munitions must be on the unit property books. However, munitions often weren't recorded on property books.

USAAA reviewed the books of three brigade combat teams, one headquarters battalion, and two garrison civilian police units. USAAA identified about 1.2 million rounds of ammunition, valued at about \$108 million, not recorded on unit property books after being issued. This occurred because there was no control in place to ensure units recorded munitions on their property books. To hold units accountable for the munitions they consume and to capture accurate consumption data in TAMIS, munitions must be recorded on property books. Because data wasn't accurate, expenditures in TAMIS were overstated. This impacted the DCS, G-3/5/7's ability to defend munitions requirements, accurately assess munitions readiness, and prioritize munitions authorizations.

#### **RESULT:**

USAAA recommended the DCS, G-4 develop and publish standard controls that units must follow to ensure they capture operational load munitions on unit property books. The DCS, G-4 agreed and stated that a compliance check will occur through the Command Supply Discipline Program by the unit's higher headquarters and down through subordinate commands to ensure units record munitions on their property books.

**Report No. A-2015-0048-ALA**

### **Management of Computing Devices and Wireless Services**

#### **OVERVIEW:**

At the request of the Office of the Chief Information Officer (CIO)/G-6, USAAA conducted this audit to verify that Army commands and organizations implemented controls that would limit computing devices and wireless service costs to the least amount needed for operational requirements. USAAA visited three tactical units and four nontactical organizations to test the accuracy of computing device data recorded on property books and interviewed personnel on their procedures for managing life-cycle requirements. USAAA also visited four commands to evaluate the controls used to mitigate costs associated with unused or underused wireless services.

#### **FINDINGS:**

Army commands didn't have an effective and efficient way for ensuring they had the least amount of computing devices needed in order to meet their mission. USAAA identified excess equipment that was either outdated or over the authorized amounts at the seven locations visited. USAAA also identified devices on general or storage facility hand-receipts purchased more than 2 years earlier at 3 locations. This occurred because the Army didn't have a formal requirements process for nontactical organizations, commanders didn't retain documentation to support the established required quantities of computing devices, and the property management controls didn't provide complete and reliable visibility to headquarters personnel on how subordinate commanders were handling their computing device needs. As a result, commands purchased more than \$4.8 million in excess computing devices.

Additionally, the process Army commanders used to manage and suspend underused wireless services needed improvement. USAAA found the same conditions as they reported in 2010 at other locations despite policy measures enacted by CIO/G-6. The efforts fell short because critical information required to effectively evaluate and hold local commanders accountable wasn't collected. Therefore, the commanders didn't enforce strict adherence to prescribed policies and didn't establish the controls needed to make sure commands weren't paying for unnecessary wireless services. Consequently, the Army continued to pay \$2 million annually for unused and underused wireless services at the four commands visited.

#### **RESULT:**

The CIO/G-6 and Deputy Chief of Staff, G-4 agreed to refine policies and standards for local commands to follow when developing commercial computing device and wireless service requirements and to strengthen property management controls. If the CIO/G-6 carries out the recommendations to manage and suspend underused wireless services, the Army could potentially achieve savings of about \$12.5 million during FY 2015 and FY 2020.

**Report No. A-2015-0049-IET**

## U.S. ARMY CRIMINAL INVESTIGATION COMMAND

### Drill Sergeant Sexually Assaults Trainees

#### OVERVIEW:

The U.S. Army CID at Fort Leonard Wood, Mo., received information that Staff Sergeant Angel Sanchez inappropriately touched a female trainee. The investigation determined that between September 2013 and January 2014, Sanchez, while serving as a drill instructor, committed numerous acts of rape, sexual assault, cruelty, and maltreatment of subordinates upon seven female soldiers at Fort Leonard Wood. Of the seven female soldiers, six were trainees, and one was a fellow drill sergeant. Further investigation revealed that from December 2012 through March 2013, Sanchez, while assigned to Fort Richardson, Alaska, committed the offense of cruelty and maltreatment upon a female soldier assigned to his unit.

#### RESULT:

On September 24, 2014, during a judge-only general court-martial at Fort Leonard Wood, Staff Sergeant Sanchez was convicted of rape, sexual assault, maltreatment of subordinates through sexual harassment, and failure to obey an order or regulation through sexual harassment at or near Fort Leonard Wood. He was also convicted of maltreatment of subordinates through sexual harassment at or near Fort Richardson. He was sentenced to 20-years confinement, reduction in rank to E-1, forfeiture of all pay and allowances; a dishonorable discharge, and was required to register as a sex offender.

### Premeditated Murder of a Child

#### OVERVIEW:

This investigation was initiated by the CID on April 4, 2014, after the three-year-old son of Sergeant Nathaniel E. Ulroan was discovered deceased. Investigation revealed Sergeant Ulroan committed the murder of his son by repeatedly stabbing him with a knife. Further investigation revealed from June 2011 through April 2014 on numerous occasions, Sergeant Ulroan raped, threatened, and sexually assaulted his spouse.

#### RESULT:

On November 3, 2014, during a judge-only general court-martial at Joint Base Elmendorf-Richardson, Alaska, Sergeant Ulroan pleaded guilty and was convicted of premeditated murder, rape, aggravated sexual assault, sodomy, aggravated assault and communicating a threat. He was sentenced to confinement for life without the eligibility of parole, reduction in rank to E-1, forfeiture of all pay and allowances; a dishonorable discharge, and was required to register as a sex offender.

### Aggravated Sexual Assault of Children

#### OVERVIEW:

In July 2013, the CID Office at Fort Sill, Okla., was notified that Sergeant First Class James Hopkins had been sexually assaulting his two step-daughters, ages 11 and 17, since 2008. The investigation confirmed Hopkins had performed multiple unlawful sexual acts with his step-daughters at various locations over a period of five years. Hopkins further solicited a friend of his step-daughter to engage in an unlawful sexual act after providing both her and his step-daughter with alcohol. Forensic examination of digital media revealed that Hopkins attempted to destroy a computer in order to impede the investigation.

#### RESULT:

On November 24, 2014, during a judge-alone general court-martial at Fort Sill, Sergeant First Class Hopkins was convicted of sexual assault, aggravated sexual assault of a child, sexual abuse of a child, contributing to the delinquency of a minor, and obstruction of justice. He was sentenced to 42 years confinement, reduction in rank to E-1, a dishonorable discharge, and was required to register as a sex offender.

## NAVY

### NAVAL AUDIT SERVICE

The mission of the Naval Audit Service (NAVAUDSVC) is to provide independent and objective audit services to assist Department of the Navy leadership in assessing risk to improve efficiency, accountability, and program effectiveness. Each year, NAVAUDSVC works with senior Navy officials to develop a risk-based audit plan that addresses significant areas that merit additional oversight. NAVAUDSVC also responds to requests from senior Navy officials to provide audit work on emergent issues, such as controls within the procurement process.

In the past 6 months, the NAVAUDSVC has published audits that address such critical areas as acquisition (purchase cards, and receipt and acceptance of goods and services) and financial management. The NAVAUDSVC audit of military construction projects identified approximately \$34.7 million in funds that the Navy could put to other use by adjusting over-scoped portions of the projects. NAVAUDSVC assist reports for the NCIS identified approximately \$7.4 million in potential fraud. In the year ahead, NAVAUDSVC will continue to provide Navy commands with an expert and impartial assessment of critical issues, and, when needed, make recommendations to help the Navy achieve greater efficiency and effectiveness in its operations.

### FINANCIAL MANAGEMENT

#### Managing Personally Identifiable Information on Selected Commander, U.S. Fleet Forces Command Ships

##### OVERVIEW:

NAVAUDSVC analyzed whether the internal controls over personally identifiable information (PII) on selected Commander, U.S. Fleet Forces Command ships were in place and operating effectively to protect information from unauthorized disclosure.

##### FINDINGS:

Improvement is needed over internal controls on Navy ships in the areas of the Navy's Privacy Program implementation; PII safeguarding, disposal methods, training, and data on publicly accessible web sites;

and Privacy Act statements on locally generated forms. Additionally, a Managers' Internal Control Program had not been established for one ship. These conditions were due to insufficient monitoring and oversight of the privacy act program, and not fully implementing Navy guidance. When internal controls are not properly implemented and executed, there is an increased risk of information compromise and limited ability to plan for and respond to unintended releases, breaches, or unauthorized disclosures. This could result in identity theft or fraud, which would have a negative impact on the ships, Navy, and the individuals whose PII is compromised.

##### RESULT:

NAVAUDSVC recommended that management establish controls and provide oversight to ensure that a Privacy Act program is fully implemented at all commands, and that PII is properly collected, safeguarded, and disposed of. NAVAUDSVC also recommended establishing a Managers' Internal Control Program at the ship level, and include PII as an assessable unit.

**Report No. N2015-0003**

#### Funeral Honors Duty for Navy Reservists

##### OVERVIEW:

NAVAUDSVC assessed whether funeral honors payments to U.S. Navy Reserve personnel were executed in accordance with applicable laws and regulations, and that internal controls for the Funeral Honors Support Program were in place and working effectively.

##### FINDINGS:

Improvement was needed in the management of Funeral Honors Support Program. Specifically, NAVAUDSVC found internal control weaknesses in the areas of documentation retention, Funeral Honors Duty Allowance payment process, funeral honors training, and travel reimbursements. These control weaknesses occurred because there was insufficient internal controls and oversight to (1) ensure that regional commands and activities complied with laws, regulations, and policies relating to funeral honors records management, training, and travel reimbursements; and (2) prevent excessive funeral honors training. Since the Funeral Honors Support Program did not always function as intended, it was vulnerable to waste and misuse.

**RESULT:**

NAVAUDSVC recommended the Navy strengthen internal controls and oversight to ensure that sufficient documentation exists and is retained for veterans' eligibility and Funeral Honors Duty Allowance payments, guidance defines training requirements, and travel reimbursements are paid in accordance with the Joint Federal Travel Regulations.

**Report No. N2015-0004**

### Financial Management at Naval Facilities Engineering and Expeditionary Warfare Center, Systems Engineering Division

**OVERVIEW:**

NAVAUDSVC analyzed whether Naval Facilities Engineering and Expeditionary Warfare Center's (NAVFAC EXWC's) financial management internal controls at the Systems Experimentation Division's Military Utility Assessment Program Office (MUAPO) were in place and working effectively, and that selected project costs were executed in accordance with applicable laws and regulations.

**FINDINGS:**

There were internal control weaknesses in the areas of financial funds management, labor and travel charging practices, and cost adjustment practices. These conditions occurred because the Systems Engineering Division's MUAPO had insufficient internal controls, and NAVFAC EXWC did not provide sufficient oversight to ensure that: funds were accounted for accurately; labor and travel costs were charged accurately to job order numbers; and cost adjustments were performed in a timely manner.

As a result, the MUAPO could not provide reasonable assurance that: funding was used for intended purposes; funds were expended accurately and in accordance with applicable laws and regulations; and any unused funds were returned to the fund providers. The lack of internal controls and oversight could potentially give rise to inaccurate financial reporting, waste of Government funds, Antideficiency Act violations, and violations of fiscal responsibility and public trust. In addition, NAVAUDSVC found NAVFAC EXWC's Managers' Internal Control Program for FY 2013 and FY 2014 did not include the Systems Experimentation Division's MUAPO as a sub-assessable unit as required by Naval Facilities Engineering Command policy.

**RESULT:**

NAVAUDSVC recommended that NAVFAC EXWC improve internal controls and oversight to ensure that: (1) a quality control planning process for incoming funds is implemented; (2) funds are used for the purpose for which they were provided; (3) training on Working Capital Fund and appropriation law is provided; (4) reimbursable project transactions are reviewed for potential fiscal law violations; (5) labor and travel costs are charged accurately to projects; and (6) cost adjustments are performed in a timely manner. In addition, the Systems Experimentation Division should be designated as an assessable unit in the NAVFAC EXWC's Managers' Internal Control Program.

**Report No. N2015-0007**

### Shipboard Receipt and Acceptance of Goods and Services at Selected U.S. Pacific Fleet Activities and Ships

**OVERVIEW:**

NAVAUDSVC analyzed whether internal controls over shipboard purchases ensured that goods and services were properly received, accepted, and accounted for.

**FINDINGS:**

Commander, U.S. Pacific Fleet did not have assurance that it received and accepted an estimated \$2.6 million worth of goods and services it procured using 1,479 purchase transactions on the 3 ships tested. In addition, of 4,035 purchase card transactions (valued at \$6.2 million), NAVAUDSVC estimate that 2,720 (valued at \$4.6 million) purchase card transactions have one or more errors; and of 745 Military Standard Requisitioning and Issue Procedures (MILSTRIP) transactions (valued at \$2 million), NAVAUDSVC estimate that 726 (valued at \$1.7 million) have one or more errors. A significant portion of the purchase card and DoD Electronic Mall MILSTRIP purchases reviewed had control weaknesses related to receipt and acceptance, separation of duties, missing or incomplete document approvals, and missing or illegible signatures and dates.

Furthermore, a significant portion of the transactions were used to purchase pilferable and IT accountable items that are readily available for commercial resale. NAVAUDSVC was unable to locate 1,951 accountable items (valued at \$572,871) purchased by the ships. This occurred because there was insufficient

oversight to ensure that commands properly managed shipboard purchases and of the receiving and asset tracking processes. Management stated they did not have sufficient staff to inspect the commands. Consequently, they relied on DoD, Navy, and command-level policies and procedures to ensure purchases were properly approved, processed, received, recorded, and tracked. These conditions leave commands vulnerable to potential fraud, waste, and abuse. Also, the lack of an audit trail could impede the Navy's effort to achieve auditable financial statements.

Last, U.S. Pacific Fleet's 86 surface combatant ships were not covered by a Manager's Internal Control Program and its 6 carriers did not have a program in place at the ship-level until program year 2013, at which time they began to provide a statement of assurance.

**RESULT:**

NAVAUDSVC recommended establishing: (1) DoD Electronic Mall MILSTRIP purchase procedures, and training to implement those procedures; (2) standards for tracking information technology and other pilferable material; (3) Manager's Internal Control Programs to assess both Government Commercial purchase card and DoD Electronic Mall MILSTRIP purchase transaction risks; and (4) supply purchase procedures to ensure transactions are properly authorized, received, recorded, and tracked, and applicable documentation is maintained. In addition, it recommended Commander, U.S. Pacific Fleet, establish an oversight inspection process that will test the compliance of these processes.

**Report No. N2015-0008**

**Allocation of Depot Maintenance Workload Between Public and Private Sectors**

**OVERVIEW:**

NAVAUDSVC assessed whether the data in the Navy's FY 2013 Depot Maintenance Workload Distribution Report to the Office of the Secretary of Defense and Congress for selected activities was reasonably accurate and complete.

**FINDINGS:**

NAVAUDSVC found \$282 million in absolute value of FY 2013 depot maintenance data that was inaccurately reported. The types of reporting

discrepancies that NAVAUDSVC found included over- and under-reporting of amounts, and misclassifications between the public and private categories. Organizations did not always follow established guidance and maintain sufficient, appropriate documentation. NAVAUDSVC found that one activity did not: (a) document their internal operating procedures; (b) retain supporting records; (c) identify exact amounts for each obligation record; or (d) identify the data source or system used for each record. Good records, documentation of reporting methodology, and identification of data sources used are important not only for management oversight, but also for auditor validation over the process for capturing and categorizing depot maintenance expenditure data between public and private sources.

**RESULT:**

NAVAUDSVC recommended that the Chief of Naval Operations (N43): (1) correct the discrepancies in the FY 2013 Depot Level Maintenance and Repair Workload Distribution Report, (2) establish procedures to ensure that organizations develop a process to identify and support values given for public workload (labor and material costs) associated with public-private partnership contracts, and (3) establish and implement internal controls to ensure that organizations follow reporting procedures established in the Chief of Naval Operations's (N43) Memorandum, "Depot Maintenance Workload Distribution Report."

**Report No. N2015-0009**

**Government Commercial Purchase Card Program Internal Controls at Fleet Controls at Fleet Readiness Center West**

**OVERVIEW:**

NAVAUDSVC analyzed whether selected Fleet Readiness Center West purchase card transactions were valid and in compliance with Department of the Navy policy.

**FINDINGS:**

Controls over purchase card transactions were not sufficient to ensure that items purchased were mission essential, properly received and accepted, and properly accounted for. Specifically, of the 293 high-risk purchase transactions reviewed, Fleet Readiness Center West made 98 purchases (33 percent) that included non-mission-essential

items, totaling \$208,798. Furthermore, documentation showing independent receipt and acceptance was insufficient for 194 of the 293 (or 66 percent) high-risk purchase transactions reviewed. Finally, of the 288 assets selected for review from the 293 high-risk purchase transactions, Fleet Readiness Center West could not account for 217 assets, totaling \$74,396.60.

These weaknesses occurred because monitoring of documentation for cardholder transactions was not sufficient and procedures for accounting for property purchased with the Government Commercial purchase card were not clearly delineated. Consequently, Fleet Readiness Center West's Government Commercial purchase card program did not function as intended and was vulnerable to fraud, waste, and misuse.

#### **RESULT:**

NAVAUDSVC recommended that Fleet Readiness Center West establish controls to ensure that each purchase card transaction has documentation to support legitimate need and proper approval; independent receipt and acceptance is properly documented on the vendor invoice and shows that the purchased item was received by the department that generated the requirement; procedures are developed for establishing accountability over Information Technology equipment and pilferable property in accordance with directives and formalized purchase card Internal Operating Procedures are developed.

**Report No. N2015-0012**

### **Internal Controls Over Receipt and Acceptance of Goods and Services at Military Sealift Command**

#### **OVERVIEW:**

NAVAUDSVC analyzed whether internal controls and procedures were in place for receipt and acceptance of goods and services, and that goods and services were properly accounted for by Military Sealift Command.

#### **FINDINGS:**

Opportunities existed for Military Sealift Command to improve internal controls over the receipt and acceptance process for goods and services. Internal control weaknesses were found in: (1) maintaining sufficient supporting documentation to validate the

receipt and acceptance process for intragovernmental transactions; (2) using receiving reports to comply with Prompt Payment Act governing the receipt and acceptance of commercial transactions; (3) paying for two mission-critical parts without proper acceptance documentation; and (4) lacking DD Forms 577, (Appointment/Termination Record – Authorized Signature) for personnel performing the certifying functions for the procurement process. These conditions generally occurred because there was insufficient monitoring and oversight of the receipt and acceptance commercial vendor process, and DoD guidance was not established for intragovernmental transactions. Improved internal controls would ensure that receipt and acceptance of goods and services are properly reflected in the financial statements, and reduce the potential for waste, loss, or unauthorized use.

#### **RESULT:**

NAVAUDSVC recommended that Navy management: (1) establish internal controls to ensure sufficient verification and documentation of receipt and acceptance, and proper payments; (2) establish governing criteria over receipt and acceptance for intragovernmental transactions; (3) cancel payment transactions for the for two mission-critical parts missing proper acceptance documentation; and (4) establish controls to ensure that all certifying officers have current signed DD Forms 577 on file pertaining to their specific functions in the procurement process.

**Report No. N2015-0013**

### **Personal Property Accountability at Naval Facilities Engineering Command**

#### **OVERVIEW:**

NAVAUDSVC analyzed whether Naval Facilities Engineering Command's (NAVFAC) procedures, policies, and internal controls provided accountability for its personal property.

#### **FINDINGS:**

NAVFAC did not provide sufficient monitoring, oversight, and internal controls for personal property asset accountability and did not identify the personal property program as a reportable condition in its Managers' Internal Control Program. Inventory reconciliation, independence, and timeliness needed improvements, roles and

responsibilities needed to be clearly defined, and communication among all personal property personnel needed improvement. Furthermore, assets needed to be identified as sensitive, pilferable, and mission critical, as appropriate. Additionally, Inventory Manager (sub-minor property) contained unreliable data, insufficient system controls, and did not provide an efficient means for conducting proper reconciliations as required by DoD guidance. These conditions occurred because NAVFAC internal policies and standard operating procedures were not comprehensive to provide how-to guidance and establish clear reporting requirements. As a result, NAVFAC did not have sufficient accountability over its personal property. Strengthening and enforcing internal controls deters opportunities for fraud and mismanagement. Furthermore, asset accountability can be improved by standardizing data collection and entry, in addition to providing better oversight and monitoring. Enhancing asset visibility and accountability will better prepare the Navy for financial statement audit readiness and assertion.

**RESULT:**

NAVAUDSVC recommended that NAVFAC revise internal guidance to ensure: (1) compliance with Department of the Navy guidance; (2) there are requirements for sufficient oversight from each echelon level to its subordinate commands and establish reporting requirements; (3) sufficient proper inventory and reconciliations are conducted; (4) clarification of roles and responsibilities; and (5) clarification on the methodology for classifying an asset as sensitive, pilferable, and/or mission-critical.

In addition, NAVFAC should identify personal property management as a reportable condition in its Managers' Internal Control Program, and evaluate the assessable units at all NAVFAC locations to determine if it is a material weakness.

**Report No. N2015-0015**

## INFRASTRUCTURE AND ENVIRONMENT

### Summary of Naval Audit Service Real Property Inventory Audits

**OVERVIEW:**

This NAVAUDSVC report summarized the results of three previous audits that reviewed the accuracy and completeness of Navy Class 2 real property inventory within the Internet Navy Facilities Assets Data Store (iNFADS).

**FINDINGS:**

NAVAUDSVC found that some dates in iNFADS were inaccurate and incomplete for the Navy's Class 2 real property. These conditions occurred, in part, due to the systemic issues identified that affect the reliability of the information recorded in iNFADS. Specifically, NAVAUDSVC found that: (1) current roles and responsibilities for real property management and oversight were not clearly delineated; (2) a standardized training program encompassing the recording and reporting of real property inventory and a policy enforcing compliance with the program for all personnel was not fully implemented; (3) a valuation methodology, including the verification of the Cost to Government and Placed-in-Service Date data elements, was not developed; and (4) public private housing inventory data was not sufficiently tracked. As a result, the Navy cannot provide assurance that the Class 2 real property within iNFADS is accurate and complete.

**RESULT:**

A total of 6 recommendations were made to Assistant Secretary of the Navy for Energy Installations and Environment (1), Commander, Naval Facilities Engineering Command (4), and Commander, Navy Installations Command (1).

**Report No. N2015-0002**



## Hazardous Material and Atmosphere Control Program Aboard Submarines

### OVERVIEW:

NAVAUDSVC analyzed whether the Navy is effectively managing and executing the Afloat Hazardous Material and Atmosphere Control Program aboard submarines.

### FINDINGS:

The Navy has management tools in place to execute the Afloat Hazardous Material and Atmosphere Control Program; however, there were opportunities for improvements that could potentially make the program more effective. Specifically, NAVAUDSVC found that hazardous materials discrepancies identified during outside inspections and surveys were not always corrected by submarine personnel that had the discrepancy, or tracked by the entity that performed the survey/inspection. For example, NAVAUDSVC identified 372 hazardous materials discrepancies in the Naval Safety Center Submarine Safety Survey database between FY 2011 and FY 2013. NAVAUDSVC reviewed 59 hazardous materials discrepancies aboard 13 submarines at 4 homeports and determined that 25 discrepancies (or about 42 percent) had not been corrected. NAVAUDSVC also found that for the remaining 313 hazardous materials discrepancies contained in the database, Naval Safety Center personnel were unable to provide the correction status of the discrepancies identified.

NAVAUDSVC also compared the discrepancies reported by the Naval Safety Center for 20 randomly selected submarines to the inspection results reported by the Board of Survey and Inspection and Type Commanders and found that the same or similar discrepancies were identified, but not necessarily shared, by all three commands. NAVAUDSVC concluded that the Navy does not have reasonable assurance that the Afloat Hazardous Materials and Atmosphere Control Program is mitigating as much operational risk inherent to the Navy as it could be per guidance.

### RESULT:

A total of 18 recommendations were made to Commander, Naval Supply Systems Command (1); Commander, Submarine Force Atlantic (6); Commander, Submarine Force Pacific (6); and the Commander, Naval Safety Center (5).

**Report No. N2015-0006**

## Department of the Navy's Military Construction Projects Proposed for Fiscal Year 2016

### OVERVIEW:

NAVAUDSVC determined whether the project scope requirements were sufficiently supported for selected MILCON projects contained in the Navy's proposed FY 2016 MILCON Program.

### FINDINGS:

The audit reviewed 13 (7 Navy and 6 Marine Corps) proposed MILCON projects valued at a total of \$477.004 million. All 13 MILCON projects audited were determined to be needed. However, the 13 projects were not sized in accordance with appropriate criteria and/or included items that were not required or authorized. NAVAUDSVC found 12 of the 13 proposed MILCON projects had items that were over-stated by \$34.731 million. This represents funds that could be made available for use on other MILCON projects. In addition, 12 of the 13 proposed projects had items that were under-stated by \$6.924 million.

### RESULT:

NAVAUDSVC made recommendations to Commander, Navy Installations Command and the Commandant of the Marine Corps to reduce the over-scoped items, and to obtain supporting project documentation for the under-scoped issues.

**Report No. N2015-0010**

## NAVAL CRIMINAL INVESTIGATIVE SERVICE

### Significant Investigative Cases

#### Contractor Convicted of Passing Classified National Defense Information

##### OVERVIEW:

This joint NCIS and FBI investigation was initiated in March 2013 when retired Army Lieutenant Colonel Benjamin Bishop, a civilian defense contractor while working for the U.S. Pacific Command in Hawaii, engaged in an inappropriate relationship with a foreign national. The investigation revealed Bishop willfully communicated classified national defense information to a person not authorized to receive it and unlawfully retained classified national defense information. The NCIS investigation determined that Bishop, who held a Top Secret security clearance and had access to sensitive compartmented information, passed information to his girlfriend, a Chinese national in the U.S. on a student visa, about nuclear weapons, the deployment of U.S. strategic nuclear systems, and the ability of the United States to detect short-range ballistic missiles and medium-range ballistic missiles.

##### RESULT:

On March 13, 2014, in U.S. District Court for the District of Hawaii, Bishop pleaded guilty to communicating national defense information to a person not entitled to receive it and willful retention of national defense information. On September 14, 2014, the court accepted the plea, and Bishop was sentenced to 87 months imprisonment, 3 years supervised release and a \$200.00 fine.

#### Life Sentence for Home Invasion and Rape

##### OVERVIEW:

This investigation was initiated in October 2011 by NCIS after being informed by the Norfolk, Va., police of a violent home invasion and rape of a Navy chief petty officer. In this incident, an unidentified man broke into her home, bound and raped her, stealing a cellphone and two laptops. Latent fingerprints and DNA evidence was recovered from the crime

scene, but no suspects were ever developed. NCIS interviewed the victim and submitted evidence collected by the Norfolk police to the U.S. Army Criminal Investigative Laboratory. In October 2013, The U.S. Army Criminal Investigative Laboratory informed NCIS that the latent fingerprints were matched to a Navy reservist identified as Amin Jason Carl Garcia, who was implicated in a CID investigation in Kuwait, but never charged. To tie Garcia to the 2011 Norfolk crime scene, NCIS located, surreptitiously surveilled, and collected DNA from Garcia. Forensic examination determined that his DNA matched evidence collected from the crime scene in Norfolk, and Garcia was arrested in Brooklyn, N.Y., in January 2014.

##### RESULT:

On August 28, 2014, in the Circuit Court of the City of Norfolk, Va., Garcia was found guilty of rape, robbery, abduction with the intent to extort money, grand larceny, and statutory burglary. On December 12, 2014, Garcia was sentenced to life plus 120 years, with 90 years suspended for a final sentence of life, plus 30 years and fined \$2,498.

#### Navy Intelligence Official, Contractor Convicted for Firearm Suppressors

##### OVERVIEW:

This investigation was initiated in January 2013 by NCIS as a result of analysis of evidence seized during a separate investigation indicating that senior-level government employees assigned to the Office of the Deputy Under Secretary of the Navy for Plans, Policy, Oversight and Integration were involved in the misuse or abuse of a Government contract and the misappropriation of Government funds. Investigation revealed that Lee M. Hall, serving as the director of intelligence within the Office of the Deputy Under Secretary of the Navy for Plans, Policy, Oversight and Integration, was involved in the improper purchase of firearms and firearms suppressors supplied by California businessman Mark S. Landersman. Further investigation determined that from 2011 through 2013, Hall and Landersman were engaged in a scheme to defraud the Navy of at least \$1,657,750.00 through the sale of illegally manufactured firearm suppressors under an unauthorized sole-source contract.

Landersman shipped 349 silencers, priced at \$4,750 per unit, to the U.S. Naval Research Laboratory facility in Chesapeake Beach, Md. The illegal silencers were later determined to be faulty. According to the Bureau of Alcohol, Tobacco, Firearms and Explosives, Landersman was not licensed to make, manufacture, distribute, or sell firearms, including firearm suppressers.

#### RESULT:

On October 29, 2014, in the U.S. District Court for the Eastern District of Virginia, Landersman was found guilty of conspiracy, and Hall was found guilty of conspiracy and theft of Government money. After being found guilty, Hall resigned from his position as the director of intelligence from Office of the Deputy Under Secretary of the Navy for Plans, Policy, Oversight and Integration. No sentencing date has been set.



Seized suppressors/NCIS

## AIR FORCE

### AIR FORCE AUDIT AGENCY

The AFAA mission is to provide all levels of Air Force management timely, relevant, and quality audit services by reviewing and promoting the economy, effectiveness, and efficiency of operations; assessing and improving Air Force fiduciary stewardship and the accuracy of financial reporting; and evaluating programs and activities and assisting management in achieving intended results. The AFAA is committed to reaching out to Air Force customers at all levels. To support Air Force decision makers, the AFAA has more than 580 personnel at approximately 50 worldwide locations. The AFAA conducts centrally directed, Air Force wide audits in numerous functional areas to support Air Force senior leaders. Installation-level audit teams provide additional audit services to installation commanders.

To provide Air Force officials timely, responsive, balanced, and value-added audit services, AFAA audit planning methods include frequent contact with Air Force senior leaders. The FY 2015 Audit Plan was prepared through a highly collaborative effort with Air Force corporate leadership to ensure audit efforts were balanced across operational effectiveness, law, policy compliance, and organizational efficiencies. As such, AFAA ongoing and planned audits address many of the Air Force's most critical programs and initiatives while focusing on the Secretary of the Air Force's top priorities of: Taking Care of People, Modernization, and Making Every Dollar Count. The audit plan is a living document that will accommodate adjustments as customer needs change or new Air Force emergent priorities arise.

In 2013, the Secretary of Defense Hagel called for the Department to achieve audit readiness of the Statement of Budgetary Resources by the end of calendar year 2014 and of all Department financial statements by 2017. Secretary Hagel also called for personnel to increase emphasis on asset accountability and execute a full review over financial controls. Consequently, during the first half of FY 2015, AFAA issued 11 reports directly supporting Air Force Financial Improvement and Audit Readiness efforts.

Overall, the AFAA only issued 29 reports. The 11 are included in the total of 29 reports. AFAA published 29 centrally-directed audit reports, provided more than 68 recommendations to Air Force senior officials, and identified \$797.1 million in potential monetary benefits. The following paragraphs are representative examples of the AFAA's significant reports.

## Low Demand Item Requirements

### OVERVIEW:

Air Force logistics personnel use the Secondary Item Requirements System (D200A) to compute and budget for spare parts requirements, to include low demand items. Low demand items are items with extremely limited demand and, therefore, infrequent buy and repair requirements. To accurately compute these requirements, air logistics complex personnel must ensure each item's D200A data are accurate, realistic, and supported.

### FINDINGS:

Air Force logistics personnel did not accurately compute or support 52 (58 percent) of 90 items reviewed.

### RESULT:

As a result, inaccurate computations overstated requirements \$399 million and understated requirements \$11 million for the 3 years budgeted and reviewed by auditors. AFAA projects correcting the condition would allow the Air Force to make \$776 million of funds available for valid Air Force requirements over the next 6 years (execution year and the Future Years Defense Program).

**Report No. F-2015-0001-L40000**

## Patient Movement Items

### OVERVIEW:

Since September 11, 2001, the Air Force has successfully aeromedical evacuated more than 261,800 patients through the en route care system. En route care personnel use patient movement items (PMI) including ventilators, defibrillators, and litters to support in-transit patients. Although all of the Military Services use PMI during contingency operations, the Air Force is responsible for program management; including initial deployment, accounting, tracking, and maintaining of PMI.



Low Demand Requirements

U.S. Air Force photo by 2nd Lt. Steve Lewis

### FINDINGS:

Air Force medical service officials improperly maintained PMI authorizations for the Air Force's central area of responsibility.

### RESULT:

Reducing excess PMI authorizations will allow Air Force's Central to transfer theater PMI functions from Camp As Sayliyah to the Ramstein Air Base PMI Center, resulting in reduced manpower, preventive maintenance, and purchase costs totaling more than \$20 million (\$12.6 million for the Air Force and \$7.9 million for the Army) over 6 years (execution year and the Future Years Defense Program).

**Report No. F-2015-0001-O40000**

## Operating Materials and Supplies – Government-Furnished Property

### OVERVIEW:

DoD identified Government-furnished property as a material weakness for all Service Components in the FY 2011 Statement of Assurance. As a first step toward rectifying the weakness, the Under Secretary of Defense for Acquisition, Technology, and Logistics required the Services to establish a validated Government-Furnished Equipment (GFE) baseline. In addition, the AFAA Report of Audit F-2010-0005-FB3000, Government-Furnished Equipment Financial Statement Reporting, January 11, 2010, identified GFE as a material weakness due to the lack of accounting data in an Air Force Accountable Property System of Record. This audit revealed Air Force personnel did not effectively mitigate the Government-Furnished Property material weakness.

**FINDINGS:**

Air Force management did not implement the DoD standard methodology designed to establish a validated GFE baseline which is essential for accountability and audit readiness purposes. In addition, Air Force personnel did not develop required Financial Improvement and Audit Readiness (FIAR) documentation which would help ensure the Air Force can meet the current GFE correction target date of second quarter of FY 2016. Finally, Air Force personnel did not close seven of nine recommendations from the prior AFAA audit report.

**RESULT:**

Continued procedural and system deficiencies negatively impacts management's correction target date of second quarter of FY 2016.

**Report No. F-2015-0001-L10000**

**Ground Training Munitions****OVERVIEW:**

Air Force units use ground training munitions for a variety of training activities, ensuring airmen are ready to support peacetime and contingency needs at a moment's notice. The five-year munitions forecast is the primary mechanism to request and allocate ground munitions required for training needs.

**FINDINGS:**

This audit disclosed Air Force munitions personnel did not accurately account for munitions expenditures or compute ground training munitions requirements. As a result, Air Force munitions managers lost visibility over 3.6 million rounds of munitions valued at \$1.8 million due to improper accountability. Further, based on a statistical sample, munitions requirements throughout the Air Force were overstated by at least 55.6 million rounds, valued over \$42.4 million annually.

**RESULT:**

Implementing proper ground training munitions requirements procedures would allow the Air Force to put \$254.4 million to better use across the Future Years Defense Program.

**Report No. F-2015-0002-L40000**



**Ground Training Munitions**

U.S. Air Force photo by Staff Sgt. Edward Eagerton

**Information Technology Asset Management****OVERVIEW:**

IT assets include, but are not limited to, computers, ancillary equipment, software, and support services. The Office of the Secretary of the Air Force, Information Dominance and Chief Information Officer establishes the IT asset management policy. However, implementation of that policy is shared among Air Force Space Command, the Air Force Life Cycle Management Center, the 38th Cyber Readiness Squadron, major commands, and installation-level communications control officers.

**FINDINGS:**

This audit identified that Air Force personnel arbitrarily budgeted, purchased, warehoused, and warrantied IT assets. An effective and deliberate IT asset management strategy is essential to address technological requirements necessary to respond to critical cyberspace operational demands.

**RESULT:**

Developing an effective IT asset life cycle management strategy will reduce near-term, and potentially longer-term, expenditures, allowing the Air Force to put \$228.3 million funds to better use.

**Report No. F-2015-0002-O10000**

### Airborne Warning and Control System Modifications

**OVERVIEW:**

The E-3 Airborne Warning and Control System (AWACS) provides situational awareness of friendly, neutral, and hostile activity within a designated area of responsibility. The Air Force received the first of 33 AWACS aircraft in March 1977, and The Boeing Company delivered the last aircraft in 1984. The Air Force is modernizing the AWACS fleet through modification programs including the Block 40/45 Upgrade, the Next Generation Identification Friend or Foe (NGIFF), and the ARC-169 Filter Band Pass.

**FINDINGS:**

The AFAA concluded Air Force officials did not effectively manage the AWACS modifications review. Specifically, Air Force officials did not adequately accomplish sustainment support planning for the Block 40/45 Upgrade program. Without effective sustainment support planning and timely decisions, the program is at risk of not providing critical maintenance support for the AWACS fleet. In addition, officials did not establish risk mitigation plans for the NGIFF program. As a result, the Air Force is at risk of not fielding the NGIFF capabilities on the AWACS fleet, and Block 40/45 Upgraded aircraft are at risk of not having the NGIFF to provide faster detection of friendly forces. Finally, Air Force officials did not adequately manage the ARC-169 Filter Band Pass program.



Airborne Warning and Control System  
Utah Air National Guard photo by Staff Sgt. Annie Edwards

**RESULT:**

As a result, the Air Force had 524 filters in storage without a plan to flight test and install the filters. Without sufficient oversight, the filters could potentially be installed on aircraft without appropriate testing or may continue to go unused.

**Report No. F-2015-0002-L30000**

### Reparable Item Requirements – Deferred Disposal Items

**OVERVIEW:**

Deferred disposal items occur when item managers determine that some or all of the items identified as excess in the Secondary Item Requirements System (D200A) require retaining in the Air Force inventory. If appropriate, the item managers will assign a deferred disposal code to the item. Logistics personnel use deferred disposal codes to ensure required items are retained in the supply system.

**FINDINGS:**

AFAA identified Air Force logistics personnel did not properly document, justify, and/or retain 145 of 233 (62 percent) stock numbers reviewed.

**RESULT:**

The Air Force retained over \$803 million in excess items. Disposing of the excess items would allow the Air Force to put approximately \$28 million (generated from salvage values and reduced storage costs) to better use.

**Report No. F-2015-0004-L40000**

### Other Government Motor Vehicle Conveyances

**OVERVIEW:**

The Air Force defines Other Government Motor Vehicle Conveyances (OGMVCs) as self-propelled assets providing a basic transportation capability, but do not meet federal motor vehicle safety standards. Examples of OGMVCs include golf carts, utility vehicles, and All-Terrain Vehicles.

**FINDINGS:**

This audit disclosed Air Force personnel did not effectively manage OGMVC authorizations. As a result, units expended nearly \$3.4 million for general purpose OGMVCs without support for mission needs, and spent more than \$3.2 million for special purpose

OGMVCs without assuring uniform configuration and capability. Establishing adequate controls over OGMVC authorizations will help ensure funds are only expended for necessary requirements. In addition, base personnel did not accurately account for OGMVCs.

#### RESULT:

Air Force management did not have total visibility over \$3.8 million of OGMVCs. Accurate accountability helps safeguard these highly desirable assets from theft and misuse, and provides accurate asset inventory data in compliance with the Air Force's FIAR initiative. Finally, commanders and unit personnel did not adequately manage OGMVC maintenance and safety actions. Personnel operated potentially unsafe OGMVCs on base roads. Further, properly complying with a maintenance schedule prolongs the useful life of the OGMVCs, reduces the likelihood of costly unscheduled repairs, and keeps the OGMVCs operational.

**Report No. F-2015-0005-L40000**

### Follow-Up Audit, Individual Body Armor

#### OVERVIEW:

Individual Body Armor (IBA) is protective equipment designed to help Airmen safely and effectively perform mission requirements.

#### FINDINGS:

Further, personnel did not properly purchase and dispose of, differentiate, and store IBA inventories. Specifically, management continued to purchase IBA assets in excess of requirements. Management actions taken in response to a prior AFAA audit report did not correct the issues identified.

#### RESULT:

None of the \$210 million in potential monetary benefits identified in the prior report were achieved. Notwithstanding, their revised guidance directing installations apply a demand-based percentage for computing IBA requirements, management overstated IBA requirements by 49 percent. Accurately determining requirements would reduce IBA assets by 53,891 (\$125 million), and allow the Air Force to cancel IBA buy requirements by \$72.4 million. In addition, Air Force personnel at all 26 locations reviewed did not properly account for IBA assets. Effective inventory controls are critical to ensure immediate availability to operational mission needs,



Other Government Motor Vehicles  
U.S. Air Force photo by Samuel King Jr.

and to prevent risk of fraud, waste, and abuse of these highly sensitive and pilferable assets. Further, improving enterprise-level oversight and management of these assets will allow the Air Force to reduce information technology system costs and put \$3.5 million to better use. Finally, Air Force personnel did not properly purchase, dispose of, differentiate, or store IBA assets at all 26 locations reviewed. Improper inventory management decreases readiness, increases the risk of Airmen being issued or deploying with incomplete or unsafe IBA, and impedes commanders' financial stewardship responsibilities.

**Report No. F-2015-0003-O30000**

## AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

### Significant Investigations

#### Boeing Agrees to Pay \$23 Million to Settle Alleged False Claims Act Violations

#### OVERVIEW:

A joint investigation with the DCIS based on a now unsealed qui tam complaint examined allegations that the Boeing Aerospace Support Center improperly billed the Government on contracts involving the C-17 Globemaster aircraft. These cost type contracts were for depot maintenance and repair work. From 2004-2007, Boeing engaged in labor mischarging,

to include charging hours after work had been completed and charging an individual's hours to more than one work package at the same time.

**RESULT:**

On October 10, 2014, a \$23 million settlement agreement between Boeing and the DOJ was unsealed, thereby resolving the FCA allegations. Of the U.S. Government share, the qui tam relators will receive \$3.9 million.

### Contractor Convicted of Passing Sensitive Military Satellite Information

**OVERVIEW:**

A joint AFOSI and FBI investigation was initiated after information indicated that Brian S. Orr unlawfully retained restricted materials after his 2011 resignation. Orr was a former Air Force contractor working for the U.S. Air Force Research Laboratory in Rome, New York. Prior to his resignation, Orr maintained a Top Secret security clearance and was assigned to work on classified matters related to the Air Force Satellite Control Network, a computer network used to control military satellites. Orr's responsibilities included the identification and evaluation of network vulnerabilities. In 2013, Orr came to the attention of the FBI while seeking foreign employment. The FBI approached him as an individual purporting to be a representative of a Chinese intelligence service, but who was in reality an undercover FBI agent.

During the course of his communications with the undercover agent, Orr stated that he could destroy or disrupt U.S. military satellites on behalf of the People's Republic of China government, who he thought the undercover agent represented. In exchange for \$5,000, Orr provided the undercover agent with training materials and two-thumb drives containing sensitive military technical data he had obtained during his employment at the U.S. Air Force Research Laboratory.

**RESULT:**

On March 17, 2014, in the U.S. District Court, Central District of California, Orr pleaded guilty to theft of government property. He was sentenced to 37 months imprisonment, 3 years of supervised release and a \$10,000 fine.

### Strangulation Murder

**OVERVIEW:**

A joint AFOSI and German Police investigation was initiated on December 14, 2013, when German authorities, while conducting a routine traffic stop of a vehicle operated by Staff Sergeant Sean Oliver, noticed Petty Officer Second Class Dmitry Chepusov's lifeless body in the passenger seat. Oliver was interviewed by AFOSI special agents and admitted to fighting with Chepusov, but denied causing injuries which lead to his death. Both the German and U.S. Armed Forces pathologists concluded from separate autopsies that Chepusov had been strangled. Further investigation led to the identification of a witness who observed Oliver and Chepusov arguing. A physical altercation occurred when Oliver choked Chepusov. Oliver informed the witness he had knowingly killed Chepusov.

During the general court martial, Oliver admitted lying to German and Air Force investigators and affirmed that he choked Chepusov, but did not intend to kill him.

**RESULT:**

Oliver was charged with premeditated murder and assault on January 28, 2015, during a general court martial at Ramstein Air Base, Germany. Oliver was convicted of the lesser included offense of murder with intent to kill, and the lesser included offense of assault consummated by a battery. Additionally, Oliver was convicted of making false official statements and obstruction of justice. He was sentenced to life with eligibility for parole, reduction to the rank of E-1, and a dishonorable discharge.





# 5

## APPENDIXES

# 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 6-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.

| REFERENCES       | REQUIREMENTS  | PAGE    |
|------------------|---|---------|
| Section 4(a)(2)  | “review existing and proposed legislation and regulations...make recommendations...”  | VIII    |
| Section 5(a)(1)  | “description of significant problems, abuses, and deficiencies...”  | 9–58    |
| Section 5(a)(2)  | “description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies...”  | 9–58    |
| Section 5(a)(3)  | “identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed...”   | N/A     |
| Section 5(a)(4)  | “a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted.”   | 9–58    |
| Section 5(a)(5)  | “a summary of each report made to the [Secretary of Defense] under section 6(b)(2)...” instances where information requested was refused or not provided”   | N/A     |
| Section 5(a)(6)  | “a listing, subdivided according to subject matter, of each audit report, inspection report, and evaluation report issued” showing dollar value of questioned costs and recommendations that funds be put to better use.  | 91–100  |
| Section 5(a)(7)  | “a summary of each particularly significant report...”  | 9–58    |
| Section 5(a)(8)  | “statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the total dollar value of questioned costs...”  | 101     |
| Section 5(a)(9)  | “statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management...”   | 101     |
| Section 5(a)(10) | “a summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period...”  | 101     |
| 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 05(b) 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(a)(14) | “An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period...”   | 121–122 |
| Section 5(a)(15) | “A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete...” | 121–122 |
| Section 5(a)(16) | “Any peer reviews conducted by DoD IG of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review...that remain outstanding or have not been fully implemented...”                     | 121–122 |
| Section 5(b)(2)  | “statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of disallowed costs...”  | 102     |
| Section 5(b)(3)  | “statistical tables showing the total number of audit, inspection, and evaluation reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision...”  | 102     |
| 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...”   | 105–114 |
| Section 5 note   | “an annex on final completed contract audit reports...containing significant audit findings.”   | 115–120 |
| Section 8(f)(1)  | “Information concerning the number and types of contract audits”  | 103     |
|                  | “any Department of Defense audit agency that...received a failed opinion from...or is overdue for an external peer review...”   | 121–122 |

# AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED

## DoD IG

[www.dodig.mil/PUBS](http://www.dodig.mil/PUBS)

## Naval Audit Service

[www.secnav.navy.mil/navaudsvc/Pages/default.aspx](http://www.secnav.navy.mil/navaudsvc/Pages/default.aspx)

## Army Audit Agency

[www.hqda.army.mil/aaaweb](http://www.hqda.army.mil/aaaweb)

## Air Force Audit Agency

[www.afaa.af.mil](http://www.afaa.af.mil)

|   | DoD IG     | Military Departments | Total      |
|---|------------|----------------------|------------|
| Acquisition Processes and Contract Management | 32         | 13                   | 45         |
| Administrative Readiness                      | 0          | 2                    | 2          |
| Cyber Security                                | 4          | 9                    | 13         |
| Equipping and Training Afghan Security Forces | 4          | 0                    | 4          |
| Financial Management                          | 32         | 31                   | 63         |
| Health and Safety                             | 5          | 7                    | 12         |
| Human Capital                                 | 0          | 2                    | 2          |
| Infrastructure and Environment                | 0          | 13                   | 13         |
| Intelligence                                  | 3          | 0                    | 3          |
| Investigative Oversight                       | 5          | 0                    | 5          |
| Joint Warfighting and Readiness               | 8          | 17                   | 25         |
| Nuclear Enterprise                            | 1          | 0                    | 1          |
| Other   | 9          | 0                    | 9          |
| <b>Total</b>                                  | <b>103</b> | <b>94</b>            | <b>197</b> |

## ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

| Agency | Report Number  | Report Title  | Date       |
|--------|----------------|---|------------|
| DoD IG | DODIG-2015-005 | Evaluation of Defense Hotline Allegations at the Defense Contract Audit Agency Santa Barbara Suboffice  | 10/08/2014 |
| DoD IG | DODIG-2015-006 | Policy Changes Needed at Defense Contract Management Agency (DCMA) to Ensure Forward Pricing Rates Result in Fair and Reasonable Contract Pricing   | 10/09/2014 |
| DoD IG | DODIG-2015-008 | Followup Audit: Enterprise Blood Management System Not Ready for Full Deployment  | 10/23/2014 |
| DoD IG | DODIG-2015-014 | Although U.S. Forces-Afghanistan Prepared Completion and Sustainment Plans for Ongoing Construction Projects for U.S. Facilities, Four Construction Projects at Bagram Faced Significant Challenges | 11/05/2014 |
| DoD IG | DODIG-2015-026 | Army Personnel Complied With the Berry Amendment But Can Improve Compliance With the Buy American Act   | 11/07/2014 |
| DoD IG | DODIG-2015-027 | Quality Control Review of BDO USA, LLP FY 2013 Single Audit of Advanced Technology International  | 11/03/2014 |
| DoD IG | DODIG-2015-028 | Evaluation of Government Quality Assurance Oversight for DoD Acquisition Programs   | 11/03/2014 |
| DoD IG | DODIG-2015-029 | DoD Needs to Improve Processes for Issuing and Managing Cost-Reimbursement Contracts  | 11/07/2014 |
| DoD IG | DODIG-2015-032 | Defense Logistics Agency Energy Needs To Improve Oversight of the Aviation Into-Plane Reimbursement Card Program (For Official Use Only)  | 11/07/2014 |

| Agency | Report Number   | Report Title   | Date       |
|--------|-----------------|--|------------|
| DoD IG | DODIG-2015-037  | Exoatmospheric Kill Vehicle Quality Assurance and Reliability Assessment-Part B (Classified)   | 11/13/2014 |
| DoD IG | DODIG-2015-039  | C-5 Reliability Enhancement and Re-engining Program Hotline Evaluation   | 11/18/2014 |
| DoD IG | DODIG-2015-042  | Improved Contract Administration Needed for the Warfighter Field Operations Customer Support Contract at the Joint Multinational Readiness Center  | 11/26/2014 |
| DoD IG | DODIG-2015-050  | Improvement Needed for Inventory Management Practices on the T700 Technical, Engineering, and Logistical Services and Supplies Contract  | 12/10/2014 |
| DoD IG | DODIG-2015-052  | Air Force Life Cycle Management Center's Management of F119 Engine Spare Parts Needs Improvement (For Official Use Only)   | 12/19/2014 |
| DoD IG | DODIG-2015-053  | Naval Supply Systems Command Needs to Improve Cost Effectiveness of Purchases for the Phalanx Close-In Weapon System (For Official Use Only)   | 12/19/2014 |
| DoD IG | DODIG-2015-058  | U.S. Air Force May Be Paying Too Much for F117 Engine Sustainment (For Official Use Only)  | 12/22/2014 |
| DoD IG | DODIG-2015-059  | Military Construction in a Contingency Environment: Summary of Weaknesses Identified in Reports Issued From January 1, 2008, Through March 31, 2014  | 01/09/2015 |
| DoD IG | DODIG-2015-061  | Hotline Complaint Regarding the Defense Contract Audit Agency Examination of a Contractor's Subcontract Costs  | 12/23/2014 |
| DoD IG | DODIG-2015-063  | United States Air Forces Central Command Complied With the Economy Act   | 01/07/2015 |
| DoD IG | DODIG-2015-071  | The Navy and Marine Corps' Information Technology Contracts Awarded Without Competition Were Properly Justified  | 01/23/2015 |
| DoD IG | DODIG-2015-075  | Controls Over the Air Force Contract Augmentation Program Payment Process Need Improvement   | 01/28/2015 |
| DoD IG | DODIG-2015-076  | Follow-Up Quality Control Review of the Grant Thornton, LLP, FY 2011 Single Audit of the Henry M. Jackson Foundation for the Advancement of Military Medicine                              | 01/26/2015 |
| DoD IG | DODIG-2015-077  | USSOCOM Needs to Consistently Follow Guidance to Revalidate Capability Requirements and Maintain Supporting Documentation for Special Operations-Peculiar Programs (For Official Use Only) | 02/04/2015 |
| DoD IG | DODIG-2015-079  | The Navy Has Not Effectively Prepared the Ship-to-Shore Connector for Initial Production (For Official Use Only)   | 02/12/2015 |
| DoD IG | DODIG-2015-080  | Some Contracting Controls at Mission and Installation Contracting Command, Fort Polk, Louisiana, Need Improvement  | 02/12/2015 |
| DoD IG | DODIG-2015-086  | Air Force is Developing Risk-Mitigation Strategies to Manage Potential Loss of the RD-180 Engine (For Official Use Only)   | 03/05/2015 |
| DoD IG | DODIG-2015-092  | F-35 Lightning II Program Quality Assurance and Corrective Action Evaluation   | 03/11/2015 |
| DoD IG | DODIG-2015-095  | Small Business Contracting at Regional Contracting Office-National Capital Region Needs Improvement  | 03/20/2015 |
| DoD IG | DODIG-2015-096  | The Army's Information Technology Contracts Awarded Without Competition Were Generally Justified   | 03/25/2015 |
| DoD IG | DODIG-2015-101  | Contingency Contracting: A Framework for Reform—2015 Update  | 03/31/2015 |
| DoD IG | DODIG-2015-103  | Summary of DoD Office of Inspector General Spare-Parts Pricing Audits: Additional Guidance is Needed (For Official Use Only)   | 03/31/2015 |
| DoD IG | DODIG-2015-104  | Summary of DoD Office of Inspector General Spare-Parts Inventory Audits: Additional Guidance is Needed (For Official Use Only)   | 03/31/2015 |
| USAAA  | A-2015-0011-FMP | Followup Audit of Administration of Service Contracts in Alaska—Fort Wainwright  | 11/19/2014 |
| USAAA  | A-2015-0014-ALS | Accountability and Visibility of Equipment Fielded Through Rapid Acquisition Initiatives, Rapid Equipping Force  | 12/04/2014 |
| USAAA  | A-2015-0019-ALC | Service Contract Oversight Material Weakness (For Official Use Only)   | 12/18/2014 |
| USAAA  | A-2015-0021-IEX | Contract Security Guards in Europe—FY 14 (For Official Use Only)   | 01/13/2015 |
| USAAA  | A-2015-0032-ALC | Expeditionary Contracting Capabilities of the Army National Guard and Army Reserve, Arlington, Virginia  | 01/28/2015 |

| Agency    | Report Number      | Report Title  | Date       |
|-----------|--------------------|---|------------|
| USAAA     | A-2015-0047-ALA    | Army Acquisition Policy and Regulations   | 03/24/2015 |
| NAVAUDSVC | N2015-0008         | Shipboard Receipt and Acceptance of Goods and Services at Selected U.S. Pacific Fleet Activities and Ships    | 01/08/2015 |
| NAVAUDSVC | N2015-0014         | Internal Controls for Timekeeping and Procurement Actions at Selected Naval District Washington Fire Stations | 02/24/2015 |
| AFAA      | F-2015-0001-L20000 | Distribution of Depot Maintenance Workload Data Collection Process  | 02/25/2015 |
| AFAA      | F-2015-0001-L30000 | KC-10 Contractor Logistics Support, Phase 1 (For Official Use Only)   | 11/04/2014 |
| AFAA      | F-2015-0002-L30000 | Airborne Warning and Control System Modifications   | 01/21/2015 |
| AFAA      | F-2015-0004-L40000 | Reparable Item Requirements - Deferred Disposal Items   | 02/18/2015 |
| AFAA      | F-2015-0002-O20000 | Design-Build Construction   | 12/30/2014 |

## ADMINISTRATIVE READINESS

| Agency | Report Number   | Report Title  | Date       |
|--------|-----------------|---|------------|
| USAAA  | A-2015-0027-FMZ | Opinion Report on the Fiscal Year 2014 External Quality Control Peer Review of the Air Force Audit Agency (For Official Use Only)     | 01/14/2015 |
| USAAA  | A-2015-0028-FMZ | Letter of Comments on the Fiscal Year 2014 External Quality Control Peer Review of the Air Force Audit Agency (For Official Use Only) | 01/14/2015 |

## CYBER SECURITY

| Agency    | Report Number      | Report Title  | Date       |
|-----------|--------------------|---|------------|
| DoD IG    | DODIG-2015-044     | DoD Needs to Reinitiate Migration to Internet Protocol Version 6 (For Official Use Only)  | 12/01/2014 |
| DoD IG    | DODIG-2015-045     | DoD Cloud Computing Strategy Needs Implementation Plan and Detailed Waiver Process  | 12/04/2014 |
| DoD IG    | DODIG-2015-046     | Navy Commands Need to Improve Logical and Physical Controls Protecting SIPRNET Access Points (Classified)                       | 12/10/2014 |
| DoD IG    | DODIG-2015-048     | Personnel and Support Needed for Joint Cyber Center Operations at Combatant Commands (Classified)                               | 12/09/2014 |
| USAAA     | A-2015-0012-IET    | Reporting of General Fund Information Technology Assets, Assistant Secretary of the Army (Financial Management and Comptroller) | 11/20/2014 |
| USAAA     | A-2015-0022-IET    | Followup Audit of Cellular Telephone Services, U.S. Army Recruiting Command   | 12/23/2014 |
| USAAA     | A-2015-0034-IET    | Audit of Cyber Interactions with Defense Industry Partners (For Official Use Only)  | 02/13/2015 |
| USAAA     | A-2015-0038-IET    | Standard Tails for Military Construction Projects   | 02/20/2015 |
| USAAA     | A-2015-0049-IET    | Management of Computing Devices and Wireless Services, Chief Information Officer/G-6 and Deputy Chief of Staff, G-4             | 03/31/2015 |
| NAVAUDSVC | N2015-0003         | Managing Personally Identifiable Information on Selected Commander, U.S. Fleet Forces Command Ships                             | 10/31/2014 |
| AFAA      | F-2015-0003-L30000 | National Interest Determination Management  | 03/11/2015 |
| AFAA      | F-2015-0002-O10000 | Information Technology Asset Management   | 01/19/2015 |
| AFAA      | F-2015-0002-O30000 | Classified Information Systems Protections - Secret Internet Protocol Router Network (Classified)                               | 02/10/2015 |

## EQUIPPING AND TRAINING AFGHAN SECURITY FORCES

| Agency | Report Number  | Report Title  | Date       |
|--------|----------------|---|------------|
| DoD IG | DODIG-2015-047 | Assessment of U.S. Government and Coalition Efforts to Develop the Logistics Sustainment Capability of the Afghan National Army                                       | 12/19/2014 |
| DoD IG | DODIG-2015-067 | Assessment of U.S. and Coalition Efforts to Develop the Logistics and Maintenance Sustainment Capability of the Afghan National Police                                | 01/30/2015 |
| DoD IG | DODIG-2015-082 | The Government of Islamic Republic of Afghanistan's Controls Over the Contract Management Process for U.S. Direct Assistance Need Improvement (For Official Use Only) | 02/26/2015 |
| DoD IG | DODIG-2015-093 | Summary of Lessons Learned – DoD IG Assessment Oversight of “Train, Advise, Assist, and Equip” Operations by U.S. and Coalition Forces in Iraq and Afghanistan        | 03/31/2015 |

## FINANCIAL MANAGEMENT

| Agency | Report Number  | Report Title  | Date       |
|--------|----------------|---|------------|
| DoD IG | DODIG-2015-003 | Independent Auditor's Report on the Attestation of the Existence, Completeness, Rights and Obligations, and Presentation and Disclosure of the Department of the Navy's Afloat Ordnance | 10/02/2014 |
| DoD IG | DODIG-2015-010 | Defense Logistics Agency Did Not Fully Implement the Business Enterprise Architecture Procure-to-Pay Business Process in the Enterprise Business System                                 | 10/28/2014 |
| DoD IG | DODIG-2015-017 | Independent Auditor's Report on the DoD Military Retirement Fund, FY 2014 and FY 2013 Basic Financial Statements  | 11/07/2014 |
| DoD IG | DODIG-2015-018 | Independent Auditor's Report on the Defense Health Agency Contract Resource Management FY 2014 Basic Financial Statements   | 11/07/2014 |
| DoD IG | DODIG-2015-019 | Independent Auditor's Report on the DoD Medicare-Eligible Retiree Health Care Fund FY 2014 Basic Financial Statements   | 11/07/2014 |
| DoD IG | DODIG-2015-020 | Independent Auditor's Report on the Navy Working Capital Fund FY 2014 and FY 2013 Basic Financial Statements  | 11/07/2014 |
| DoD IG | DODIG-2015-021 | Independent Auditor's Report on the Navy General Fund FY 2014 and FY 2013 Basic Financial Statements  | 11/07/2014 |
| DoD IG | DODIG-2015-022 | Independent Auditor's Report on the Army Working Capital Fund FY 2014 and FY 2013 Basic Financial Statements  | 11/14/2014 |
| DoD IG | DODIG-2015-023 | Independent Auditor's Report on the Army General Fund FY 2014 and FY 2013 Basic Financial Statements  | 11/14/2014 |
| DoD IG | DODIG 2015-024 | Independent Auditor's Report on the Air Force Working Capital Fund FY 2014 and FY 2013 Basic Financial Statements   | 11/07/2014 |
| DoD IG | DODIG-2015-025 | Independent Auditor's Report on the Air Force General Fund FY 2014 and FY 2013 Basic Financial Statements   | 11/07/2014 |
| DoD IG | DODIG-2015-033 | Independent Auditor's Report on the Department of Defense FY 2014 and FY 2013 Basic Financial Statements  | 11/17/2014 |
| DoD IG | DODIG-2015-035 | Independent Auditor's Report on the U.S. Army Corps of Engineers, Civil Works, FY 2014 and FY 2013 Basic Financial Statements   | 11/14/2014 |
| DoD IG | DODIG-2015-036 | Independent Auditor's Report on the Department of Defense FY 2014 and FY 2013 Closing Package Financial Statements (For Officially Use Only)  | 11/17/2014 |
| DoD IG | DODIG-2015-038 | Additional Actions Needed to Effectively Implement the Army Fund Balance With Treasury Reconciliation Tool  | 11/20/2014 |
| DoD IG | DODIG-2015-041 | Independent Auditor's Report on the Attestation of the Existence, Completeness, and Rights of the Army's General Equipment  | 11/25/2014 |
| DoD IG | DODIG-2015-043 | Quality Control Review of the Defense Finance and Accounting Service Internal Audit Organization  | 12/01/2014 |

| Agency    | Report Number   | Report Title   | Date       |
|-----------|-----------------|--|------------|
| DoD IG    | DODIG-2015-049  | Quality Control Review of Air Force Audit Agency's Special Access Program Audits   | 12/09/2014 |
| DoD IG    | DODIG-2015-054  | Quality Control Review of the Defense Logistics Agency Audit Organization  | 12/19/2014 |
| DoD IG    | DODIG-2015-056  | Opportunities to Improve the Elimination of Intragovernmental Transactions in DoD Financial Statements   | 12/22/2014 |
| DoD IG    | DODIG-2015-060  | U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases   | 12/19/2014 |
| DoD IG    | DODIG-2015-066  | U.S. Military Academy, West Point, Controls Over Gift Funds Need Improvements  | 01/14/2015 |
| DoD IG    | DODIG-2015-068  | DoD Methodologies to Identify Improper Payments in the Military Health Benefits and Commercial Pay Programs Need Improvement   | 01/14/2015 |
| DoD IG    | DODIG-2015-069  | The Office of the Deputy Chief Management Officer Needs to Improve Oversight of the DoD Conference Report  | 01/21/2015 |
| DoD IG    | DODIG-2015-072  | Improvements Needed for Navy's Triannual Review  | 01/22/2015 |
| DoD IG    | DODIG-2015-073  | Independent Auditor's Report on the FY 2014 DoD Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities   | 01/30/2015 |
| DoD IG    | DODIG-2015-074  | Independent Auditor's Report on the FY 2014 DoD Performance Summary Report of the Funds Obligated for National Drug Control Program Activities   | 01/30/2015 |
| DoD IG    | DODIG-2015-084  | Quality Control Review of the Defense Intelligence Agency, Office of Inspector General, Audit Division   | 02/26/2015 |
| DoD IG    | DODIG-2015-087  | Delinquent Medical Service Accounts at Naval Medical Center Portsmouth Need Additional Management Oversight  | 03/04/2015 |
| DoD IG    | DODIG-2015-089  | Independent Auditor's Report on the Attestation of the Existence, Completeness, Rights and Obligations, and Presentation and Disclosure of the Department of the Navy's Ordnance Located in Foreign Countries and U.S. Territories | 03/06/2015 |
| DoD IG    | DODIG-2015-091  | Independent Review of the DFAS FY 2012 Working Capital Fund Financial Statement Audit  | 03/12/2015 |
| DoD IG    | DODIG-2015-099  | Quality Control Review of the Defense Information Systems Agency Audit Organization  | 03/23/2015 |
| USAAA     | A-2015-0008-ALA | Reimbursable Support, U.S. Army Communications-Electronics Command   | 11/12/2014 |
| USAAA     | A-2015-0010-FMF | Independent Auditor's Report for FY 14 American Red Cross Financial Statements   | 11/21/2014 |
| USAAA     | A-2015-0016-FMI | Allowances and Differentials, Military Intelligence Civilian Excepted Career Program   | 12/05/2014 |
| USAAA     | A-2015-0018-FMX | Audit of Civilian Pay Incentives   | 12/11/2014 |
| USAAA     | A-2015-0025-FMX | Civilian Overtime Pay, U.S. Army Materiel Command  | 01/05/2015 |
| USAAA     | A-2015-0030-ALM | Post Production Software Support   | 02/17/2015 |
| USAAA     | A-2015-0035-FMF | Audit of Third Party Payment System Carrying Balances  | 02/03/2015 |
| USAAA     | A-2015-0036-FMF | Customer Rates at Army Major Range and Test Facility Base Activities, U.S. Army Test and Evaluation Command  | 03/03/2015 |
| USAAA     | A-2015-0042-MTH | The Authority for and Implementation of the Reserve Officers' Training Corps Student Loan Repayment Program  | 03/06/2015 |
| USAAA     | A-2015-0043-FMR | Joint Review Program   | 02/24/2015 |
| USAAA     | A-2015-0045-ALS | Financial Reporting of Organizational Clothing and Individual Equipment  | 03/13/2015 |
| USAAA     | A-2015-0048-ALA | Audit of Munitions Expenditures – Operational Load   | 03/24/2015 |
| NAVAUDSVC | N2015-0007      | Financial Management at Naval Facilities Engineering and Expeditionary Warfare Center, Systems Engineering Division  | 12/23/2014 |
| NAVAUDSVC | N2015-0009      | Allocation of Depot Maintenance Workload between Public and Private Sectors  | 01/14/2015 |

| Agency    | Report Number      | Report Title   | Date       |
|-----------|--------------------|--|------------|
| NAVAUDSVC | N2015-0011         | Independent Attestation – Agreed-Upon Procedures Attestation Engagement of Strategic Systems Programs Government-Furnished Equipment | 01/30/2015 |
| NAVAUDSVC | N2015-0012         | Government Commercial Purchase Card Program Internal Controls at Fleet Readiness Center West   | 02/18/2015 |
| NAVAUDSVC | N2015-0013         | Internal Controls Over Receipt and Acceptance of Goods and Services at Military Sealift Command                                      | 02/20/2015 |
| NAVAUDSVC | N2015-0015         | Personal Property Accountability at Naval Facilities Engineering Command   | 02/25/2015 |
| AFAA      | F-2015-0001-L10000 | Operating Materials and Supplies - Government-Furnished Property   | 11/25/2014 |
| AFAA      | F-2015-0002-L10000 | Air Force Management of Unmatched Disbursements in the Military Standard Requisitioning and Issue Procedures Process                 | 01/19/2015 |
| AFAA      | F-2015-0003-L10000 | Air Force Working Capital Fund In-Transit Inventory  | 01/21/2015 |
| AFAA      | F-2015-0004-L10000 | Reimbursable Budget Authority and Execution Audit Readiness Assertion  | 02/02/2015 |
| AFAA      | F-2015-0005-L40000 | Other Government Motor Vehicle Conveyances   | 02/25/2015 |
| AFAA      | F-2015-0001-O10000 | Cargo Movement Operations System Application Controls  | 12/15/2014 |
| AFAA      | F-2015-0003-O10000 | Automated Civil Engineering System-Real Property Application Controls  | 03/09/2015 |
| AFAA      | F-2015-0004-O10000 | Automated Contract Preparation System Application Controls   | 03/10/2015 |
| AFAA      | F-2015-0005-O10000 | Contract Writing System Application Controls   | 03/10/2015 |
| AFAA      | F-2015-0006-O10000 | Commander Resource Integration System Application Controls   | 03/10/2015 |
| AFAA      | F-2015-0007-O10000 | Standard Procurement System Application Controls   | 03/10/2015 |
| AFAA      | F-2015-0008-O10000 | Military Personnel Data System Application Controls  | 03/10/2015 |
| AFAA      | F-2015-0003-O20000 | Fiscal Year 2014 Utilities Privatization Economic Analyses   | 01/12/2015 |

## HEALTH AND SAFETY

| Agency    | Report Number      | Report Title  | Date       |
|-----------|--------------------|---|------------|
| DoD IG    | DODIG-2015-002     | Assessment of DoD-Provided Healthcare for Members of the United States Armed Forces Reserve Component   | 10/08/2014 |
| DoD IG    | DODIG-2015-013     | Military Housing Inspections – Republic of Korea  | 10/28/2014 |
| DoD IG    | DODIG-2015-016     | Department of Defense Suicide Event Report (DoDSER) Data Quality Assessment   | 11/14/2014 |
| DoD IG    | DODIG-2015-040     | Defense Health Agency Did Not Have Adequate Controls in the North Region to Detect Improper Payments for Claims Submitted by Skilled Nursing Facilities | 11/25/2014 |
| DoD IG    | DODIG-2015-090     | Evaluation of Aircraft Ejection Seat Safety When Using Advanced Helmet Sensors  | 03/09/2015 |
| USAAA     | A-2015-0004-MTM    | Audit Assist on the DA Inspector General Inspection of Keller Army Community Hospital (For Official Use Only)   | 10/24/2014 |
| USAAA     | A-2015-0017-MTM    | Integrated Disability Evaluation System—Reserve Component Cases   | 12/09/2014 |
| USAAA     | A-2015-0029-IEX    | Audit of Medical Stocks in Europe   | 01/15/2015 |
| USAAA     | A-2015-0033-MTM    | Audit of Telehealth   | 01/28/2015 |
| NAVAUDSVC | N2015-0005         | Navy Bureau of Medicine and Surgery’s Management of Expeditionary Medical Facilities Equipment  | 12/04/2014 |
| AFAA      | F-2015-0001-O40000 | Patient Movement Items  | 10/22/2014 |
| AFAA      | F-2015-0002-O40000 | Yellow Ribbon Reintegration Program   | 12/30/2014 |



## HUMAN CAPITAL

| Agency    | Report Number | Report Title   | Date       |
|-----------|---------------|--|------------|
| NAVAUDSVC | N2015-0004    | Funeral Honors Duty for Navy Reservists                | 11/13/2014 |
| NAVAUDSVC | N2015-0016    | Marine Corps Basic Allowance for Housing Freeze Policy | 03/13/2015 |

## INFRASTRUCTURE AND ENVIRONMENT

| Agency    | Report Number   | Report Title   | Date       |
|-----------|-----------------|--|------------|
| USAAA     | A-2015-0005-FMP | Base Operations Support, Reagan Test Site, Kwajalein Atoll (For Official Use Only)   | 11/13/2014 |
| USAAA     | A-2015-0006-IEO | Budget Requirements for Child, Youth, and School Services, Assistant Chief of Staff for Installation Management                | 11/04/2014 |
| USAAA     | A-2015-0015-FMP | Base Operations Support, Mission Reimbursements, Reagan Test Site  | 12/02/2014 |
| USAAA     | A-2015-0020-IEE | Asset Management of Hydroelectric Power Services: Appropriated-Funded Facilities   | 12/18/2014 |
| USAAA     | A-2015-0024-MTH | Sexual Assault-Related Phone Numbers—Test Rounds Four and Five   | 12/19/2014 |
| USAAA     | A-2015-0026-MTP | Army Installation-Level Actions to Address Fort Hood Report Recommendations (For Official Use Only)                            | 02/04/2015 |
| USAAA     | A-2015-0041-MTH | Recoupment of Select Army Scholarships, Assistant Secretary of the Army (Manpower and Reserve Affairs)                         | 02/19/2015 |
| USAAA     | A-2015-0044-IEE | Audit of Maintaining Energy Savings Devices Installed in Facilities  | 03/03/2015 |
| USAAA     | A-2015-0046-MTP | Measurement and Verification Controls for Energy Savings Performance Contracts   | 03/19/2015 |
| NAVAUDSVC | N2015-0001      | Reliability of Internet Navy Facilities Assets Data Store Data Elements Related to the Navy's Facility Sustainment Requirement | 10/23/2014 |
| NAVAUDSVC | N2015-0002      | Summary of Naval Audit Service Real Property Inventory Audits  | 10/29/2014 |
| NAVAUDSVC | N2015-0006      | Hazardous Material and Atmosphere Control Program Aboard Submarines  | 12/09/2014 |
| NAVAUDSVC | N2015-0010      | Department of the Navy's Military Construction Projects Proposed for Fiscal Year 2016  | 01/28/2015 |

## INTELLIGENCE

| Agency | Report Number  | Report Title  | Date       |
|--------|----------------|---|------------|
| DoD IG | DODIG-2015-004 | An Assessment of DoD Long-Term Intelligence Analysis Capabilities Phase II (Classified) | 10/10/2014 |
| DoD IG | DODIG-2015-083 | Inspection of Department of Defense Detainee Transfers and Assurances (Classified)      | 02/24/2015 |
| DoD IG | DODIG-2015-097 | Evaluation of DoD Use of Unmanned Aerial Systems (For Official Use Only)                | 03/23/2015 |

## INVESTIGATIVE OVERSIGHT

| Agency | Report Number  | Report Title  | Date       |
|--------|----------------|---|------------|
| DoD IG | DODIG-2015-007 | Evaluation of Matters Related to the Death of Navy Seaman Kyle Antonacci  | 10/28/2014 |
| DoD IG | DODIG-2015-011 | Evaluation of the Defense Criminal Investigative Organizations' Defense Incident-Based Reporting System Reporting and Reporting Accuracy        | 10/29/2014 |
| DoD IG | DODIG-2015-055 | Evaluation of Military Investigative Organizations' Child Death Investigations  | 12/22/2014 |
| DoD IG | DODIG-2015-078 | Evaluation of the Defense Criminal Investigative Organizations' Compliance with the Lautenberg Amendment Requirements and Implementing Guidance | 02/06/2015 |
| DoD IG | DODIG-2015-094 | Evaluation of Military Criminal Investigative Organizations' Adult Sexual Assault Investigations  | 03/24/2015 |

## JOINT WARFIGHTING AND READINESS

| Agency | Report Number   | Report Title  | Date       |
|--------|-----------------|---|------------|
| DoD IG | DODIG-2015-009  | The Army Needs to Improve the Processes for Reporting Inventory Losses in Afghanistan (For Official Use Only)   | 10/30/2014 |
| DoD IG | DODIG-2015-012  | Controls Over the Disposition of Equipment at the DLA Disposition Services in Afghanistan (Classified)  | 10/30/2014 |
| DoD IG | DODIG-2015-015  | Evaluation of DoD Intelligence Training and Education Programs for Fundamental Competencies of the DoD Intelligence Workforce (For Official Use Only)               | 10/31/2014 |
| DoD IG | DODIG-2015-031  | The Services Need To Improve Accuracy When Initially Assigning Demilitarization Codes   | 11/07/2014 |
| DoD IG | DODIG-2015-062  | DoD Needs Dam Safety Inspection Policy to Enable the Services to Detect Conditions That Could Lead to Dam Failure (For Official Use Only)                           | 12/31/2014 |
| DoD IG | DODIG-2015-064  | Assessment of Intelligence Support to In-Transit Force Protection (For Official Use Only)   | 01/02/2015 |
| DoD IG | DODIG-2015-088  | Navy Controls Over the Requirements Development Process for Military Construction Projects in the Kingdom of Bahrain Need Improvement (For Official Use Only)       | 03/13/2015 |
| DoD IG | DODIG-2015-100  | Information Operations in a Contingency Environment: Summary of Weaknesses Identified in Reports Issued From October 6, 2006, Through November 7, 2013 (Classified) | 03/27/2015 |
| USAAA  | A-2015-0001-MTT | Virtual Training Simulators and Simulations Usage, Office of the Deputy Chief of Staff, G-3/5/7   | 10/02/2014 |
| USAAA  | A-2015-0002-IEX | Maintenance Operations at Theater Logistics Support Center-Europe (For Official Use Only)   | 10/30/2014 |
| USAAA  | A-2015-0003-FMI | Military Intelligence Program Resourcing-Force Structure Changes, Deputy Chief of Staff, G-2 and U.S. Army Training and Doctrine Command                            | 10/31/2014 |
| USAAA  | A-2015-0007-IEX | Retrograde of Sensitive Equipment and Materiel, Afghanistan (For Official Use Only)   | 11/06/2014 |
| USAAA  | A-2015-0009-ALA | Army Light Tactical Wheeled Vehicle Fleet Size and Mix, Deputy Chief of Staff, G-3/5/7, Deputy Chief of Staff, G-8, U.S. Army Training and Doctrine Command         | 11/07/2014 |
| USAAA  | A-2015-0013-ALA | Audit of War Reserve Stock Requirements for the Husky Mounted Detection System  | 12/01/2014 |
| USAAA  | A-2015-0023-ALS | Management of Lateral Transfers, Program Executive Office, Intelligence, Electronic Warfare and Sensors   | 01/08/2015 |
| USAAA  | A-2015-0031-ALM | Followup Audit of Army Prepositioned Stocks, War Reserve Secondary Items Requirements (For Official Use Only)   | 01/22/2015 |

| Agency | Report Number      | Report Title   | Date       |
|--------|--------------------|--|------------|
| USAAA  | A-2015-0037-FMP    | Storing and Maintaining Missile Defense Systems, Japan (For Official Use Only)                                     | 02/15/2015 |
| USAAA  | A-2015-0039-ALS    | Audit of Property Accountability, Directorate of Emergency Services, Fort Stewart, Georgia (For Official Use Only) | 02/17/2015 |
| USAAA  | A-2015-0040-ALS    | Property Accountability of Government Purchase Card Items  | 02/23/2015 |
| AFAA   | F-2015-0001-L40000 | Low Demand Item Requirements   | 10/21/2014 |
| AFAA   | F-2015-0002-L40000 | Ground Training Munitions  | 12/16/2014 |
| AFAA   | F-2015-0003-L40000 | Air Training Munitions Management  | 02/02/2015 |
| AFAA   | F-2015-0001-O20000 | Personal Protective Equipment  | 11/28/2014 |
| AFAA   | F-2015-0001-O30000 | Unit Readiness Reporting (Classified)  | 12/15/2014 |
| AFAA   | F-2015-0003-O30000 | Follow-Up Audit, Individual Body Armor   | 03/09/2015 |

## NUCLEAR ENTERPRISE

| Agency | Report Number  | Report Title  | Date       |
|--------|----------------|---|------------|
| DoD IG | DODIG-2015-051 | Air Force Leadership Action is Required to Sustain the Minuteman III Intercontinental Ballistic Missile Through 2030 (Classified) | 12/17/2014 |

## OTHER

| Agency | Report Number  | Report Title   | Date       |
|--------|----------------|--|------------|
| DoD IG | DODIG-2015-001 | Assessment of the Department of Defense Prisoner of War/Missing in Action Accounting Community   | 10/17/2014 |
| DoD IG | DODIG-2015-030 | Task Force to Improve Timeliness of Senior Official Administrative Investigations                | 11/04/2014 |
| DoD IG | DODIG-2015-034 | Classified Project (Classified)  | 11/12/2014 |
| DoD IG | DODIG-2015-057 | Audit of a Classified Program (Classified)   | 12/19/2014 |
| DoD IG | DODIG-2015-065 | Evaluation of the Defense Sensitive Support (Classified)   | 01/05/2015 |
| DoD IG | DODIG-2015-070 | Evaluation of Alternative Compensatory Control Measures Program (Classified)                     | 01/28/2015 |
| DoD IG | DODIG-2015-081 | Evaluation of Department of Defense Compliance with Criminal History Data Reporting Requirements | 02/12/2015 |
| DoD IG | DODIG-2015-085 | Classified Report (Classified)   | 03/02/2015 |
| DoD IG | DODIG-2015-098 | Assessment of DoD Voting Assistance Programs for Calendar Year 2014                              | 03/31/2015 |

◆ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a)(6).

# REPORTS WITH QUESTIONED COSTS AND FUNDS RECOMMENDED TO BE PUT TO BETTER USE

| Reports Issued   |            | Questioned Costs     | Funds Put to Better Use |
|--|------------|----------------------|-------------------------|
| DODIG-2015-014 Although U.S. Forces–Afghanistan Prepared Completion and Sustainment Plans for Ongoing Construction Projects for U.S. Facilities, Four Construction Projects at Bagram Faced Significant Challenges | 11/05/2014 |                      | \$11,200,000            |
| DODIG-2015-040 Defense Health Agency Did Not Have Adequate Controls in the North Region to Detect Improper Payments for Claims Submitted by Skilled Nursing Facilities   | 11/25/2014 |                      | \$718,400               |
| DODIG-2015-042 Improved Contract Administration Needed for the Warfighter Field Operations Customer Support Contract at the Joint Multinational Readiness Center   | 11/26/2014 |                      | \$3,500,000             |
| DODIG-2015-053 Naval Supply Systems Command Needs to Improve Cost Effectiveness of Purchases for the Phalanx Close-In Weapon System (For Official Use Only)  | 12/19/2014 | \$17,800,000         |                         |
| DODIG-2015-060 U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases  | 12/19/2014 |                      | \$158,144               |
| DODIG-2015-080 Some Contracting Controls at Mission and Installation Contracting Command, Fort Polk, Louisiana, Need Improvement   | 02/12/2015 | \$105,944            |                         |
| DODIG-2015-087 Delinquent Medical Service Accounts at Naval Medical Center Portsmouth Need Additional Management Oversight   | 03/04/2015 |                      | \$770,746               |
| DODIG-2015-088 Navy Controls Over the Requirements Development Process for Military Construction Projects in the Kingdom of Bahrain Need Improvement (For Official Use Only)                                       | 03/13/2015 |                      | \$91,800,000            |
| DODIG-2015-095 Small Business Contracting at Regional Contracting Office–National Capital Region Needs Improvement   | 03/20/2015 |                      | \$153,500,000           |
| DODIG-2015-096 The Army’s Information Technology Contracts Awarded Without Competition Were Generally Justified  | 03/25/2015 | \$83,266,323         |                         |
| <b>Total</b>   |            | <b>\$101,172,267</b> | <b>\$261,647,290</b>    |

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

## FOLLOWUP ACTIVITIES

Decision status of DoD IG issued audit, inspection, and evaluation reports and dollar value of recommendations that funds be put to better use.

| Status   | Number         | Funds Put to Better Use (\$ in thousands) |
|--|----------------|---|
| A. For which no management decision had been made by the beginning of the reporting period.  | 40             | \$8,818,020                               |
| B. Which were issued during the reporting period.  | 103            | \$362,819 <sup>1</sup>                    |
| Subtotals (A+B)  | 143            | \$9,180,839                               |
| C. For which a management decision was made during the reporting period.<br>(i) dollar value of recommendations that were agreed to by management.<br>- based on proposed management action<br>- based on proposed legislative action<br>(ii) dollar value of recommendations that were not agreed to by management. | 79             | \$9,087,562 <sup>2,3</sup>                |
| D. For which no management decision has been made by the end of the reporting period.  | 64             | \$93,277 <sup>4</sup>                     |
| Reports for which no management decision was made within 6 months of issue (as of March 31, 2015).   | 4 <sup>6</sup> | \$509 <sup>5</sup>                        |

<sup>1</sup> DoD IG issued audit reports during the period involving \$101 million in “questioned costs.”

<sup>2</sup> 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.

<sup>3</sup> Includes \$101 million in “questioned costs.”

<sup>4</sup> Includes \$248 thousand in “questioned costs.”

<sup>5</sup> Includes \$142 thousand in “questioned costs.”

<sup>6</sup> DoD IG Report Nos. DODIG-2014-001, “MV-22 Squadrons Could Improve Reporting of Mission Capability Rates and Readiness,” DODIG-2014-044, “Improvements Are Needed in Contractor Oversight, Mission Security, and Personnel Safety for Afghanistan Rotary Wing Program Contracts,” DODIG-2014-118, “Improvements Needed in Contract Award of Mi-17 Cockpit Modification Task Order,” and DODIG-2014-119, “Excess Inventory Acquired on Performance-Based Logistics Contracts to Sustain the Air Force’s C-130J Aircraft,” had no decision as of March 31, 2015, but action to achieve a decision is in process.

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

## FOLLOWUP ACTIVITIES

Status of action on central internal audits period ending March 31, 2015

| Status                                   | Number | Funds Put to Better Use (\$ in thousands) |
|--|--------|---|
| DoD IG                                   |        |   |
| Action in Progress - Beginning of Period | 170    | \$0                                       |
| Action Initiated - During Period         | 81     | \$9,087,562 <sup>1</sup>                  |
| Action Completed - During Period         | 53     | \$41,161                                  |
| Action in Progress - End of Period       | 198    | \$0 <sup>2</sup>                          |
|  |        |   |
| Action in Progress - Beginning of Period | 494    | \$6,588,324                               |
| Action Initiated - During Period         | 96     | \$1,069,202                               |
| Action Completed - During Period         | 103    | \$950,650                                 |
| Action in Progress - End of Period       | 487    | \$7,284,236                               |

<sup>1</sup> The DoD IG opened audit reports during the period involving \$101 million in “questioned costs.”

<sup>2</sup> On certain reports with audit estimated monetary benefits of \$33.3 billion, 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, Section 5(b)(2) & (3).

## CONTRACT AUDIT REPORTS ISSUED<sup>1</sup>

| Type of Audit <sup>2</sup>                         | Reports Issued | Dollars Examined (\$ in millions) | Questioned Costs <sup>3</sup> (\$ in millions) | Funds Put to Better Use (\$ in millions) |
|--|----------------|-----------------------------------|--|--|
| Incurring Costs, Operations Audits, Special Audits | 1,051          | \$42,634.9                        | \$1,030.0                                      | \$--- <sup>4</sup>                       |
| Forward Pricing Proposals                          | 391            | \$31,907.0                        | ---  | \$2,671.7 <sup>5</sup>                   |
| Cost Accounting Standards                          | 198            | \$26.4                            | \$72.9   | ---                                      |
| Defective Pricing                                  | 3              | \$--- <sup>6</sup>                | \$3.2  | ---                                      |
| <b>Totals</b>                                      | <b>1,643</b>   | <b>\$74,568.3</b>                 | <b>\$1,106.1</b>                               | <b>\$2,671.7</b>                         |

<sup>1</sup>This schedule represents DCAA contract audit reports issued during the six months ended March 31, 2015. 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. The total number of assignments completed during the six months ended March 31, 2015 was 6,056. Some completed assignments do not result in a report issued because they are part of a larger audit or because the scope of the work performed does not constitute an audit or attestation engagement under generally accepted government auditing standards, so the number of audit reports issued is less than the total number of assignments completed.

<sup>2</sup>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 Cost Accounting Standard 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).

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

<sup>4</sup>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.

<sup>5</sup>Represents potential cost reductions that may be realized during contract negotiations.

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

◆ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 8(f)(1).

# STATUS OF ACTION ON POST-AWARD CONTRACTS<sup>1</sup>

|  | Number of Reports | Costs Questioned <sup>6</sup><br>(\$ in millions) | Costs Sustained <sup>7</sup><br>(\$ in millions) |
|--|-------------------|---|--|
| Open Reports                                 |                   |   |  |
| Within Guidelines <sup>2</sup>               | 483               | \$2,626.7   | N/A <sup>8</sup>                                 |
| Overage, greater than 6 months <sup>3</sup>  | 628               | \$4,926.3   | N/A  |
| Overage, greater than 12 months <sup>4</sup> | 440               | \$1,401.0   | N/A  |
| In Litigation <sup>5</sup>                   | 173               | \$2,130.9   | N/A  |
| Total Open Reports                           | 1,724             | \$11,084.9  | N/A  |
| Closed Reports                               | 440               | \$1,271.1   | \$407.5 (32.1%) <sup>9</sup>                     |
| All Reports                                  | 2,164             | \$12,356.0  |  |

<sup>1</sup>This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by DoD Components. The status of action on significant post-award contract audits is reported in accordance with DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports". We have not verified the accuracy of the reported data.

<sup>2</sup>These reports are within the time frames established by Office of Management and Budget (OMB) Circular A-50, "Audit Follow-up", and DoD Instruction 7640.02. 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. 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.

<sup>3</sup>These reports have not been resolved and the 6-month OMB Circular A-50 deadline has passed.

<sup>4</sup>These reports have not been dispositioned and the 12-month DoD Instruction 7640.02 deadline has passed.

<sup>5</sup>Of the 173 reports in litigation, 23 are under criminal investigation.

<sup>6</sup>Cost Questioned represents the amount of audit exception, potential cost avoidance, or recommended price adjustment in the audit report.

<sup>7</sup>Cost Sustained represent the questioned costs, potential cost avoidance, or recommended price adjustment sustained by the contracting officer.

<sup>8</sup>N/A (not applicable). Cost Sustained occurs when an audit report has been dispositioned (closed) during the reporting period and as a result would not be applicable when reporting data on open reports.

<sup>9</sup>Contracting officers sustained \$407.5 million (32.1 percent) of the \$1,271.1 million questioned as a result of significant post-award contract audits during the period. The contracting officer sustention rate of 32.1 percent represents an increase from the sustention rate of 22.8 percent for the prior reporting period.

◆ Fulfills requirement of DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports", Enclosure 2, Section (1)(d).



## STATUS OF REPORTS WITH ACTION PENDING (MARCH 31, 2015)<sup>1,2</sup>

**Report:** D-2006-077, DoD Personnel Security Clearance Process at Requesting Activities, 04/19/2006

**Description of Action:** Update DoD Personnel Security Clearance Program policies to include information on investigative responsibilities, security clearance systems, submission processes, levels of security clearances, and training requirements.

**Reason Action Not Completed:** Volume I of DoD Manual 5200.02 required a second formal coordination due to extended amount of time since completion of initial formal coordination. Volumes I and II have been consolidated per General Counsel request. Formal coordination was completed in December 2014. Manual is expected to enter Legal Sufficiency Review by April 30, 2015 and, upon completion, sent to Office of Management and Budget for interagency coordination and posting in the Federal Register. Air Force guidance delayed due to increased workload supporting new personnel security efforts. Publication is expected in September 2015. The Army Regulation 380-67 revision is on hold by the Army Judge Advocate General pending publication of revised DoD guidance.

**Principal Action Office:** Under Secretary of Defense (Intelligence), Army, Air Force

**Report:** D-2009-030, Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistant Ambush Protected Vehicles, 12/08/2008

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Joint Staff issued revised guidance in January 2012. The Marine Corps has not yet updated their guidance.

**Principal Action Office:** Marine Corps

**Report:** D-2009-062, Internal Controls Over DoD Cash and Other Monetary Assets, 03/25/2009

**Description of Action:** Improve internal controls over cash and other monetary assets by establishing a special control account, developing policies and procedures, and monitoring cash usage. Develop non-cash methods of payment for contingency operations.

**Reason Action Not Completed:** Corrective actions cannot be implemented until coordination with the Office of Management and Budget (OMB) and/or the Department of the Treasury is complete. Extensive coordination needed between DoD and its Components, and with the Treasury and OMB.

**Principal Action Office:** Under Secretary of Defense (Comptroller), Defense Finance and Accounting Service

**Report:** D-2010-015, DoD Civil Support During the 2007 and 2008 California Wildland Fires, 11/13/2009

**Description of Action:** Update DoD guidance to add clarity to the process of staffing Federal Emergency Management Agency mission assignments, on the legal employment of surveillance by DoD assets providing assistance to civil authorities, and on specific events for command and control handoff guidance.

**Reason Action Not Completed:** Extensive time required to develop, coordinate and implement the guidance.

**Principal Action Office:** Under Secretary of Defense (Comptroller)

**Report:** D-2010-024, Contracted Advisory and Assistance Services for the U.S. Army Future Combat Systems, 11/24/2009

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Extensive time required to coordinate and issue guidance.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** D-2010-026, Joint Civilian Orientation Conference Program, 12/09/2009

**Description of Action:** Update DoD Instruction 5410.19 to clarify how to administer and manage the Joint Civilian Orientation Conference program.

**Reason Action Not Completed:** A rewrite of DoD Instruction 5410.19 is underway.

**Principal Action Office:** Assistant Secretary of Defense (Public Affairs)

<sup>1</sup>Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(b)(4).

<sup>2</sup>For this reporting period, there were disallowed costs of \$22.2 billion on reports over 12 months old with final action pending.

**Report:** D-2010-028, Rapid Acquisition and Fielding of Materiel Solutions by the Navy, 12/15/2009

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** D-2010-051, Defense Contract Management Agency Acquisition Workforce for Southwest Asia, 04/08/2010

**Description of Action:** Revise DoD Instruction 5000.66 to require military departments and defense agencies to develop guidance to identify acquisition, technology and logistics workforce requirements in accordance with other DoD instructions and the Financial Management Regulation.

**Reason Action Not Completed:** Extensive time required to revise and coordinate instructions/guidance.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** D-2010-065, Validity and Security of Selected DoD Civilian Employee Accounts, 05/25/2010

**Description of Action:** Report is Classified.

**Reason Action Not Completed:** Extensive time required to establish policies and procedures to conduct periodic assurance reviews for identifying potentially invalid accounts and applying corrections.

**Principal Action Office:** Defense Finance and Accounting Service

**Report:** D-2010-078, Air Force Use of Time-and-Materials Contracts in Southwest Asia, 08/16/2010

**Description of Action:** With DCAA audit assistance, obtain reimbursements for incorrect charges not authorized by task orders.

**Reason Action Not Completed:** Backup documentation provided by the contractor on \$3.3 million of disputed DCAA findings is being reviewed.

**Principal Action Office:** Air Force

**Report:** D-2010-081, Army Use of Time-and-Materials Contracts in Southwest Asia, 08/27/2010

**Description of Action:** The Army Contracting Command will establish a plan for reviewing invoices for cited contracts and task orders.

**Reason Action Not Completed:** Army Contracting Command and DCAA have not completed reviews of task orders and audits of incurred costs.

**Principal Action Office:** Army

**Report:** D-2011-037, Marine Corps Response to Nonlethal Laser Dazzler Urgent Request, 02/09/2011

**Description of Action:** Perform a review of the circumstances that led to the purchase of the 28 Compact High Power Laser Dazzlers and initiate administrative action, if appropriate.

**Reason Action Not Completed:** Competing management priorities.

**Principal Action Office:** Navy

**Report:** D-2011-060, Marine Corps Inventory of Small Arms Was Generally Accurate but Improvements Are Needed for Related Guidance and Training, 04/22/2011

**Description of Action:** Update Marine Corps Order 8300.1C to include additional guidance for small arms accountability.

**Reason Action Not Completed:** Delayed while awaiting the release of DoD 5200.08-R Change 2 and the implementation of Security Defense memorandum, "Final Recommendations of the Washington Navy Yard Shooting Internal and Independent Reviews."

**Principal Action Office:** Navy

**Report:** D-2011-080, DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program, 07/07/2011

**Description of Action:** DCAA will conduct audit work to verify that DynCorp did not double-bill claimed costs under DoD and Department of State contracts from December 30, 2010, through July 15, 2011.

**Reason Action Not Completed:** Corrective actions are on-going and on schedule.

**Principal Action Office:** Defense Contract Audit Agency

**Report:** D-2011-089, Reducing Vulnerabilities at the Defense Information Systems Agency Defense Enterprise Computing Centers, 07/22/2011

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Extensive time required to coordinate and implement corrective actions.

**Principal Action Office:** Defense Information Systems Agency

**Report:** D-2011-090, Cost of War Data for Marine Corps Contingency Operations Were Not Reliable, 07/22/2011

**Description of Action:** Update Marine Corps Order 7300.21B

**Reason Action Not Completed:** The publication of updated Marine Corps Order 7300.21B was delayed to allow for the publication of the Consumer-Level Supply Policy (Marine Corps Order 4400.150).

**Principal Action Office:** Navy

**Report:** D-2011-096, Improvements Are Needed to the DoD Information Assurance Vulnerability Management Program, 08/12/2011

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Extensive time required to revise and coordinate policy guidance.

**Principal Action Office:** DoD Chief Information Officer

**Report:** D-2011-104, Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract With Sikorsky to Support the Corpus Christi Army Depot, 09/08/2011

**Description of Action:** Army will improve contracting procedures for pricing and procurement, and obtain refunds from Sikorsky for pricing and excessive escalation.

**Reason Action Not Completed:** Department of Justice reached a settlement with Sikorsky for \$3.5 million. Additional DCAA activity is ongoing.

**Principal Action Office:** Defense Contract Management Agency, Army

**Report:** D-2011-106, The Department of the Navy Spent Recovery Act Funds on Photovoltaic Projects That Were Not Cost-Effective, 09/22/2011

**Description of Action:** Develop comprehensive policy for planning, prioritizing, selecting, and executing cost-effective shore energy projects in accordance with DoD and Federal requirements.

**Reason Action Not Completed:** The Marine Corps is developing planning and implementation guidance.

**Principal Action Office:** Marine Corps

**Report:** D-2011-111, Guidance for Petroleum War Reserve Stock Needs Clarification, 09/27/2011

**Description of Action:** Report is Classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** D-2011-115, DoD Cannot Ensure Contractors Protected Controlled Unclassified Information for Weapon Systems Contracts, 09/30/2011

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Extensive time required to obtain public comments and issue a final rule.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-004, Changes Are Needed to the Army Contract With Sikorsky to Use Existing DoD Inventory and Control Costs at the Corpus Christi Army Depot, 11/03/2011

**Description of Action:** Army will develop a plan to improve use of existing inventory and source of supply and will improve contracts related to materiel cost reduction incentives and purchases from the Defense Logistics Agency to prevent Sikorsky from making excessive profits.

**Reason Action Not Completed:** Long-term corrective actions are on-going.

**Principal Action Office:** Army

**Report:** DODIG-2012-007, Acquisition of the Multi-Platform Radar Technology Insertion Program Needs Transparency and Accountability, 11/02/2011

**Description of Action:** Update the Acquisition Strategy before Milestone C, and update the Global Hawk Block 40 Test and Evaluation Master Plan.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-017, U.S. Naval Academy Officials Did Not Adhere to Contracting and Gift Policies, 11/07/2011

**Description of Action:** The U.S. Naval Academy will revise guidance, improve controls, and implement computer software systems covering in-kind gifts and sponsorship funds.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2012-036, DoD Needs to Improve Accountability and Identify Costs and Requirements for Non-Standard Rotary Wing Aircraft, 01/05/2012

**Description of Action:** Develop a departmental directive that establishes and implements policy for service and component airworthiness programs.

**Reason Action Not Completed:** Extensive time required to coordinate and issue guidance.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-039, Summary Report on DoD's Management of Undefinitized Contractual Actions, 01/13/2012

**Description of Action:** Develop a transparent means to document incurred costs and reduced cost risk related to substantial incurred costs during undefinitized periods.

**Reason Action Not Completed:** The original Defense Federal Acquisition Regulation Supplement case has been subsumed under a new Defense Federal Acquisition Regulation Supplement case to address a broader effort to review and modify the Department's profit guidelines.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-050, Improvements Needed With Host-Based Intrusion Detection Systems, 02/03/2012

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Improvements to multiple systems and configuration processes are ongoing.

**Principal Action Office:** U.S. Strategic Command, Defense Information Systems Agency

**Report:** DODIG-2012-057, Guidance Needed to Prevent Military Construction Projects From Exceeding the Approved Scope of Work, 02/27/2012

**Description of Action:** Ensure that officials conduct scope verifications to ensure that facilities were constructed within the authorized facility sizes, and take actions to correct discrepancies that occurred.

**Reason Action Not Completed:** Corrective actions are in process.

**Principal Action Office:** Air Force

**Report:** DODIG-2012-064, Vulnerability and Risk Assessments Needed to Protect Defense Industrial Base Critical Assets, 03/13/2012

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Assistant Secretary of Defense for Homeland Defense and Americas' Security Affairs

**Report:** DODIG-2012-066, General Fund Enterprise Business System Did Not Provide Required Financial Information, 03/26/2012

**Description of Action:** Implement corrective actions to address the Standard Financial Information Structure gaps as reported in the General Fund Enterprise Business System.

**Reason Action Not Completed:** Extensive time required to coordinate and implement corrective actions.

**Principal Action Office:** Army

**Report:** DODIG-2012-081, Defense Contract Management Agency Contract Support to the Navy Organic Airborne and Surface Influence Sweep Program, 04/27/2012

**Description of Action:** Navy will review the other programs of Littoral Combat Ship portfolio to determine whether program managers are maximizing the use of Defense Contract Management Agency services.

**Reason Action Not Completed:** Corrective actions are in process.

**Principal Action Office:** Navy

**Report:** DODIG-2012-082, DoD Can Improve Its Accounting for Residual Value From the Sale of U.S. Facilities in Europe, 05/04/2012

**Description of Action:** The Comptroller resolve the unobligated balance in the DoD Overseas Military Facilities Investment Recovery Account. Guidance will be revised to accommodate new legislation.

**Reason Action Not Completed:** Corrective actions are in process.

**Principal Action Office:** Under Secretary of Defense (Comptroller); Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-087, Logistics Modernization Program System Procure-to-Pay Process Did Not Correct Material Weaknesses, 05/29/2012

**Description of Action:** Develop a plan of action and milestones to bring the Logistics Modernization Program system into compliance with the DoD Business Enterprise Architecture Procure-to-Pay business rules.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2012-090, Information Security Controls Over the Defense Enrollment Eligibility Reporting System, 05/22/2012

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense (Personnel and Readiness)

**Report:** DODIG-2012-098, Defense Logistics Agency's Procurement Automated Contract Evaluation System, 06/05/2012

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** One recommendation under mediation.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2012-099, Adequate Contract Support and Oversight Needed for the Tactical Wheeled Vehicle Maintenance Mission in Kuwait, 06/01/2012

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2012-102, Cost-Control Measures Are Needed on the Army's Cost-Reimbursable Services Contract for Logistics Support of Stryker Vehicles, 06/18/2012

**Description of Action:** Conduct a Business Case Analysis of the logistics support approach that will consider the type of support (contractor versus organic) as well as identify potential metrics.

**Reason Action Not Completed:** Extensive time required to complete the Business Case Analysis.

**Principal Action Office:** Army

**Report:** DODIG-2012-107, Data and Processes Supporting the Fund Balance with Treasury Reconciliation for Other Defense Organizations, 07/09/2012

**Description of Action:** Develop a systems infrastructure that will allow retrieval of detailed transactions that support open appropriations; reconciliations between transactions supporting the amounts on the Cash Management Report and Other Defense Organizations' accounting systems; and monthly transaction level reconciliations for the Other Defense Organizations. Also, develop an agreement that designates responsibility for remediating transactions that have remained unmatched since 2007.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Defense Finance and Accounting Service

**Report:** DODIG-2012-110, Better Oversight Needed for the National Guard's Weapons of Mass Destruction Civil Support Teams, 07/02/2012

**Description of Action:** The Director, National Guard Bureau-J3, will develop a written oversight plan that verifies compliance with mission reporting requirements and provides feedback to Weapons of Mass Destruction Civil Support Teams on omissions and errors.

**Reason Action Not Completed:** Policy had to be re-staffed because of the extensive time lapse between the first data call for revisions.

**Principal Action Office:** National Guard Bureau

**Report:** DODIG-2012-117, General Fund Enterprise Business System Project Office Contract Modifications, 08/14/2012

**Description of Action:** DoD Acquisition and Logistics officials established a working group to review acquisition policy related to Economy Act and non-Economy Act interagency acquisitions. The group will address: the recommendation regarding the use of either a reimbursement process or a direct cite when establishing Economy Act Orders with non-DoD agencies; and the recommendation to include procedures for properly monitoring interagency acquisitions.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-119, Combatant Command Disaster Relief Operations, 08/14/2012

**Description of Action:** Implement best practices for disaster relief in key areas, such as command procedures, information sharing, phase-zero activities, and dissemination of lessons learned.

**Reason Action Not Completed:** U.S. European Command will review Disaster Relief Plans from other Combatant Commands and utilize concepts, ideas and best practices from those plans that are compatible and effective into U.S. European Command plans.

**Principal Action Office:** U.S. European Command

**Report:** DODIG-2012-122, DoD Should Procure Compliant Physical Access Control Systems to Reduce the Risk of Unauthorized Access, 08/29/2012

**Description of Action:** Require each office implementing Homeland Security Presidential Directive-12 (HSDP-12) to provide full oversight and accountability. Require Services and DoD agencies to

report to the Under Secretary of Defense (Personnel and Readiness) on the status of their efforts. Report on facilities' physical access control systems compliance with Federal Information Processing Standard 201. Require the completion of site surveys that address all mission requirements and infrastructure limitations.

**Reason Action Not Completed:** Meetings are being held to address visibility into the Department HSPD-12 physical access control systems implementation. Use of the Defense Property Accountability System to inventory and manage physical access control equipment, and promulgation of a memorandum establishing accountability for physical security equipment both have been delayed by changes to overarching guidance. A directive paragraph will be included in the Navy Physical Security and Law Enforcement Policy to include the requirement for installation officials to be included in the site survey. Marine Corps actions have been deferred until a DoD-compliant enterprise access control solution is fielded.

**Principal Action Office:** Under Secretary of Defense (Personnel and Readiness), Under Secretary of Defense (Intelligence), Navy, Marine Corps

**Report:** DODIG-2012-129, General Purpose Forces Enablers Support to Special Operations Forces Works Effectively, but Opportunities Exist for Improvement, 09/13/2012

**Description of Action:** Report is Classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Joint Chiefs of Staff

**Report:** DODIG-2012-135, Counter Narcoterrorism Technology Program Office's Mi-17 Overhaul Contracts, 09/27/2012

**Description of Action:** Army will consider suspension or debarment of a contractor; review analyses of costs to ensure correctness; withhold payments to contractor until costs have been verified as correct.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2012-137, U.S. Pacific Command's Petroleum War Reserve Requirements and Stocks, 09/26/2012

**Description of Action:** Revise DoD Manual 4140-25-M, to include a requirement for updating the days of supply planning factors at least biannually.

**Reason Action Not Completed:** DoD Directive 4140-25 and DoD Manual 4140-25-M are expected to be issued this year.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2013-002, Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts, 10/04/2012

**Description of Action:** Conduct a review to identify single-bid competitive knowledge-based services contracts and develop procedures to monitor the input of single-bid competitive contract data into the Federal Procurement Data System – Next Generation.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-005, Performance Framework and Better Management of Resources Needed for the Ministry of Defense Advisors Program, 10/23/2012

**Description of Action:** Develop a performance management framework to cover Ministry of Defense Advisors' program office responsibilities, including advisor recruiting, training, and deployment performance indicators; and coordinate to connect the performance management framework with the broader ministerial development assessment framework.

**Reason Action Not Completed:** Corrective actions are still ongoing.

**Principal Action Office:** Assistant Secretary of Defense for Special Operations and Low-Intensity Conflict

**Report:** DODIG-2013-019, Defense Institution Reform Initiative Program Elements Need to Be Defined, 11/09/2012

**Description of Action:** Issue guidance that defines the Defense Institution Reform Initiative Program's mission and goals, program strategy, and performance measures; defines defense institution building roles and responsibilities; and implements procedures that require the coordination of the defense institution building program's mission and goals, program strategy, and performance measures with other security cooperation activities.

**Reason Action Not Completed:** Development of DoD instruction on defense institution building was delayed due to extensive informal coordination with the Geographic Combatant Commands, Joint Staff, and other key stakeholders. Guidance is expected in June 2015. Progress continues on development of Defense Institution Reform Initiative Program guidance.

**Principal Action Office:** Under Secretary of Defense (Policy)

**Report:** DODIG-2013-024, U.S. Army Corps of Engineers Needs to Improve Contract Oversight of Military Construction Projects at Bagram Airfield, Afghanistan, 11/26/2012

**Description of Action:** Take steps to assure that quality assurance personnel properly monitor contractor performance and fulfill quality assurance responsibilities for military construction projects.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-035, Better Reporting and Certification Processes Can Improve Red Teams' Effectiveness, 12/21/2012

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Air Force, National Security Agency, U.S. Strategic Command

**Report:** DODIG-2013-036, Improvements Are Needed to Strengthen the Security Posture of USACE, Civil Works, Critical Infrastructure and Industrial Control Systems in the Northwestern Division, 01/14/2013

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-050, Recovering Organizational Clothing and Individual Equipment From Civilians and Contractor Employees Remains a Challenge, 02/22/2013

**Description of Action:** Implement procedures to recover organizational clothing and individual equipment from civilians and contractor employees.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2013-057, Enterprise Business System Was Not Configured to Implement the U.S. Government Standard General Ledger at the Transaction Level, 03/20/2013

**Description of Action:** The Defense Logistics Agency will develop appropriate documentation for verifying DoD Standard Chart of Accounts criteria to be submitted to DoD annually for Investment Review Board certification.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2013-063, Award and Administration of Performance-Based Payments in DoD Contracts, 04/08/2013

**Description of Action:** Issue guidance requiring contracting personnel to determine whether the contractor can obtain private financing at a reasonable rate before allowing Performance-Based Payments financing.

**Reason Action Not Completed:** Corrective actions are on-going and on schedule.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2013-066, Transportation Planning is Sufficient for Retrograde Operations; However, There is an Opportunity to Improve the Efficiency of Management Systems, 04/12/2013

**Description of Action:** Ensure that the Transportation Tracking Number common data field is operational and can be used during the remainder of the Afghanistan equipment drawdown.

**Reason Action Not Completed:** Implementation of the next version of the information system has been delayed and the Army intends to research other potential methods of implementing a Transportation Tracking Number-like capability by leveraging existing data feeds.

**Principal Action Office:** Army

**Report:** DODIG-2013-070, Defense Agencies Initiative Did Not Contain Some Required Data Needed to Produce Reliable Financial Statements, 04/19/2013

**Description of Action:** Revise DoD Financial Management Regulation guidance to require costs of program reported in the Statement of Net Cost to be accounted for by program costs and not by appropriation, enabling the use of the Program Indicator Code attribute.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Under Secretary of Defense (Comptroller)

**Report:** DODIG-2013-072, Data Loss Prevention Strategy Needed for the Case Adjudication Tracking System, 04/24/2013

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2013-077, The Navy Commercial Bill Pay Office, in Naples, Italy, Needs to Identify and Report Improper Payments, 04/30/2013

**Description of Action:** Review potential improper payments identified by the Business Activity Monitoring tool from 2009 to the present to identify if other improper payments were made by the Naples Commercial Bill Pay Office and initiate appropriate corrective actions if improper payments are found.

**Reason Action Not Completed:** Extensive time required to complete the backlog review and apply any appropriate corrective actions.

**Principal Action Office:** Navy

**Report:** DODIG-2013-078, TRICARE Management Activity Needs to Improve Oversight of Acquisition Workforce, 05/01/2013

**Description of Action:** Develop a time-phased plan for all acquisition workforce personnel that did not attain position required certifications within allowed timeframes to obtain certifications, and as appropriate, initiate administrative action to remove them from acquisition related positions.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense (Personnel and Readiness)

**Report:** DODIG-2013-083, Efforts To Minimize Improper Payments for the Shipment of Household Goods Were Generally Effective But Needed Improvement, 05/15/2013

**Description of Action:** Use General Services Administration data to improve compliance and implement automated controls over the input of Household Goods information.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** U.S. Transportation Command

**Report:** DODIG-2013-084, Increased Procurement Quantity for CH-53K Helicopter Not Justified, 05/31/2013

**Description of Action:** Perform a requirements analysis, an affordability assessment, and, before the low-rate initial production, submit any increases in quantity beyond 156 CH-53K aircraft to the Joint Requirements Oversight Council for review and decision.

**Reason Action Not Completed:** The requirements analysis has been completed and the affordability study is expected to be finished early this year.

**Principal Action Office:** Marine Corps

**Report:** DODIG-2013-095, Award and Administration of Radio Contracts for the Afghan National Security Forces Need Improvement, 06/27/2013

**Description of Action:** Two recommendations are disputed.

**Reason Action Not Completed:** The disputed recommendations are in mediation.

**Principal Action Office:** Under Secretary of Defense (Policy)

**Report:** DODIG-2013-097, Improvements Needed in the Oversight of the Medical-Support Services and Award-Fee Process Under the Camp As Sayliyah, Qatar, Base Operation Support Services Contract, 06/26/2013

**Description of Action:** Revise Army Regulation 40-68, Clinical Quality Management, to align the regulation with supervision requirements set forth in Federal Acquisition Regulation 37.4.

**Reason Action Not Completed:** Extensive time required to revise and coordinate policy guidance.

**Principal Action Office:** Army

**Report:** DODIG-2013-100, Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan Improved, but Additional Actions are Needed, 07/02/2013

**Description of Action:** Initiate corrective actions to recover premium transportation fees and provide a refund to the Army after litigation is completed.

**Reason Action Not Completed:** An Armed Services Board of Contract Appeals case remains in litigation.

**Principal Action Office:** Defense Logistics Agency



**Report:** DODIG-2013-102, Improved Oversight of Communications Capabilities Preparedness Needed for Domestic Emergencies, 07/01/2013

**Description of Action:** Establish oversight procedures, including performance metrics, to verify that National Guard units perform regular preventive maintenance procedures for the Joint Incident Site Communications Capability system and report the readiness status of personnel and equipment for the Joint Incident Site Communications Capability system in a timely manner.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** National Guard Bureau

**Report:** DODIG-2013-103, Boeing Overstated Contract Requirements for the CH-47F Helicopter, 07/16/2013

**Description of Action:** Determine a use for the existing CH-47F Government-furnished property stored at New Breed Logistics.

**Reason Action Not Completed:** The review of property remaining on the Multiyear 1 contract could not begin until February 2015.

**Principal Action Office:** Army

**Report:** DODIG-2013-109, Improved Security Needed to Protect Infrastructure and Systems in the Great Lakes and Ohio River Division, 07/29/2013

**Description of Action:** Implement improvements to physical security measures needed to prevent unauthorized access.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-115, The Navy's Management of Software Licenses Needs Improvement, 08/07/2013

**Description of Action:** Issue a memorandum requiring the Navy contracting personnel involved in preparing and awarding software license contracts to take specialized training that ensure software license contracts include appropriate language to protect the best interest of the Government, and develop a plan of action and milestones to ensure that applicable contracting personnel take software licensing training prior to issuing any future software license contracts.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Navy

**Report:** DODIG-2013-119, Better Procedures and Oversight Needed to Accurately Identify and Prioritize Task Critical Assets, 08/16/2013

**Description of Action:** Report is Classified.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Assistant Secretary of Defense for Homeland Defense and Americas' Security Affairs

**Report:** DODIG-2013-120, Army Needs Better Processes to Justify and Manage Cost-Reimbursement Contracts, 08/23/2013

**Description of Action:** Establish procedures for contracting officers to document the possibility of transitioning to firm-fixed-price contracts each time a cost-reimbursement contract is used.

**Reason Action Not Completed:** A policy memo was issued last summer and the Army will assess the extent to which the memo assisted in improving the cited weaknesses.

**Principal Action Office:** Army

**Report:** DODIG-2013-123, Army Needs To Improve Mi-17 Overhaul Management and Contract Administration, 08/30/2013

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2013-130, Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process, 09/13/2013

**Description of Action:** Implement the Army's reengineered Acquire-to-Retire business process by developing standardized procedures and controls that leverage all the capabilities the General Fund Enterprise Business System provides.

**Reason Action Not Completed:** Long-term corrective actions are still on-going.

**Principal Action Office:** Army

**Report:** DODIG-2013-134, Navy Commercial Access Control System Did Not Effectively Mitigate Access Control Risks, 09/16/2013

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Navy

**Report:** DODIG-2013-138, The U.S. Air Force Academy Lacked Effective Controls Over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts, 09/23/2013

**Description of Action:** Revise DoD Financial Management Regulation guidance to clarify the reporting requirement for nonmonetary gifts.

**Reason Action Not Completed:** Extensive time required to revise DoD Financial Management Regulation, Volume 12, Chapter 30.

**Principal Action Office:** Under Secretary of Defense (Comptroller)

**Report:** DODIG-2014-005, Combined Joint Task Force—Horn of Africa Needed Better Guidance and Systems to Adequately Manage Civil-Military Operations, 10/30/2013

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense (Policy), U.S. Africa Command

**Report:** DODIG-2014-009, Missile Defense Agency Can Improve Adherence to Target Process and Transparency of Target Costs, 11/12/2013

**Description of Action:** Revise and implement relevant guidance.

**Reason Action Not Completed:** Draft changes have been made to the guidance, and the final version is awaited.

**Principal Action Office:** Missile Defense Agency

**Report:** DODIG-2014-037, Systemic Physical and Cyber Security Weaknesses Within the U.S. Army Corps of Engineers, 02/10/2014

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2014-038, Air Force Life Cycle Management Center Could Not Identify Actual Cost of F119 Engine Spare Parts Purchased From Pratt and Whitney, 02/10/2014

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Air Force

**Report:** DODIG-2014-039, Authorization of DoD Progress Payments For Ground Combat Vehicle Contracts Needs Improvement, 02/12/2014

**Description of Action:** Review contracts W56HZV-11-C-C001 and W56HZV-11-C-C002 to ensure that the contracting officer's actions comply with Federal Acquisition Regulation requirements for customary contract financing.

**Reason Action Not Completed:** Corrective actions are on-going and on schedule.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2014-048, XM25 Program Management for the Initial Production Decision Needs Improvement, 03/21/2014

**Description of Action:** Corrective actions are ongoing.

**Reason Action Not Completed:** Report is FOUO.

**Principal Action Office:** Army

**Report:** DODIG-2014-049, DoD Considered Small Business Innovation Research Intellectual Property Protections in Phase III Contracts, but Program Improvements Are Needed, 03/27/2014

**Description of Action:** Issue departmental guidance on the standard intellectual property protections and use of the data assertions table; timely Small Business Administration notification requirements; and recording Small Business Innovation Research information in existing databases to increase the accuracy and uniformity of database information.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

## SECTION 845 ANNEX AUDIT REPORTS WITH SIGNIFICANT FINDINGS

### DoD IG

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|--|--------------------------------|
| <b>Audit Report No. DODIG-2015-053</b>   | <b>Date:</b> December 19, 2014 |
| <b>Subject:</b> Naval Supply Systems Command Needs To Improve Cost Effectiveness of Purchases for the Phalanx Close-In Weapon System |                                |
| <b>Report:</b> \$17.8 Million in Questioned Costs  |                                |
| Report Results are For Official Use Only   |                                |

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| <b>Audit Report No. DODIG-2015-088</b>   | <b>Date:</b> March 13, 2015 |
| <b>Subject:</b> Navy Controls Over the Requirements Development Process for Military Construction Projects in the Kingdom of Bahrain Need Improvement  |                             |
| <b>Report:</b> \$91.8 Million in Funds Put to Better Use   |                             |
| DoD IG reviewed six Kingdom of Bahrain military construction projects, for FY 2014 through FY 2017, that had a total cost of about \$490 million. DoD officials identified valid needs for the six Bahrain projects reviewed. However, the Commander, Navy Installations Command, and Naval Facilities Engineering Command officials could not always provide documentation to fully support the projects' scope or costs. In addition, Navy officials over scoped the Ship Maintenance and Support Facility project, and the Navy could not use funds authorized for the U.S. Navy Forces Central Command Ammunition Magazine Project. As a result, funds in the amount of about \$91.8 million could be used for other military construction projects. |                             |

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| <b>Audit Report No. DODIG-2015-095</b>   | <b>Date:</b> March 20, 2015 |
| <b>Subject:</b> Small Business Contracting at Regional Contracting Office-National Capital Region Needs Improvement  |                             |
| <b>Report:</b> \$153.5 Million in Funds Put to Better Use  |                             |
| Regional Contracting Office-National Capital Region contracting officials generally provided small businesses an adequate opportunity to compete for prime contracts. However, Regional Contracting Office-National Capital Region contracting officials may have missed an opportunity to recoup potential liquidated damages of up to \$153.5 million, which they may have been entitled to because they did not hold prime contractors accountable for meeting small business subcontracting goals. |                             |

### DCAA

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| <b>Audit Report No. 3151-2008U10100001</b>   | <b>Date:</b> October 31, 2014 |
| <b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008  |                               |
| <b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center   |                               |
| <b>Report:</b> \$71.6 Million Questioned Costs   |                               |
| The audit of the contractor's incurred cost proposal resulted in \$71.6 million questioned costs, including the following significant items: \$69.7 million of professional services, materials, subcontracts, and other direct costs not adequately supported by purchase orders, vendor invoices, price analysis, consulting agreements or other documentation; and \$1.6 million of pension costs in excess of the amount allocable to the contractor programs covered by the proposal. |                               |

◆ Fulfills requirements of the National Defense Authorization Act for FY 2008 Section 845.

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| <b>Audit Report No. 3161-2008H10100001</b>   | <b>Date:</b> November 14, 2014 |
| <b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008  |                                |
| <b>Prepared For:</b> Defense Contract Management Agency, Divisional Administrative Contracting Officer   |                                |
| <b>Report:</b> \$59.1 Million Questioned Costs   |                                |
| <p>The audit of the contractor's incurred cost proposal resulted in \$59.1 million questioned costs, including the following significant items: \$36.1 million of cost transfers related to Overhead Year 1999 for which the offsetting credit is excluded from the proposal; \$13.0 million of unreasonable costs for purchased labor based on a comparison with the costs of employee labor; and \$7.3 million of indirect costs primarily related to unreasonably high indirect labor charged by direct employees, professional service and consultant costs not adequately documented, and costs charged to indirect accounts that should have been charged directly to commercial programs.</p> |                                |

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| <b>Audit Report No. 3511-2008M10100002</b>  | <b>Date:</b> November 21, 2014 |
| <b>Subject:</b> Independent Audit Report on Proposed Amounts in FY 2008 Incurred Cost Proposal dated August 13, 2012  |                                |
| <b>Prepared For:</b> Defense Contract Management Agency, Corporate Administrative Contracting Officer   |                                |
| <b>Report:</b> \$48.8 Million Questioned Costs  |                                |
| <p>The audit of the contractor's incurred cost proposal resulted in \$48.8 million questioned costs, including the following significant items: \$29.8 million of claimed subcontract costs based on the results of an audit of the subcontractor's incurred cost proposal by another DCAA office which found that the subcontractor did not provide adequate supporting documentation for the costs such as receiving reports, vendor invoices, proof of payment, price analysis, or that the costs exceeded the negotiated prices or funding limitations; \$2.6 million of out of period or inadequately supported other direct costs; \$9.7 million of corporate general and administrative allocation classified as other direct costs; and \$4.4 million of indirect expenses including unsupported consulting fees and employee bonuses, and out of period consulting fees.</p> |                                |

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| <b>Audit Report No. 2671-2008A10100001</b>  | <b>Date:</b> December 19, 2014 |
| <b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for CY 2008   |                                |
| <b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center  |                                |
| <b>Report:</b> \$24.4 Million Questioned Costs  |                                |
| <p>The audit of the corporate incurred cost submission resulted in \$24.4 million questioned costs, including the following significant items: \$7.3 million of unallowable legal costs related to various legal matters; \$4.3 million of travel and meals related to premium airfare or other unallowable airfare, entertainment, gifts, donations, or travel costs in excess of allowable per diem; \$4.3 million of unreasonable executive compensation and directly associated taxes, \$2.1 million of consulting expenses not adequately supported, related to lobbying activities, or for software development activities that should have been capitalized; \$1.8 million of pension expense due to amounts related to taxes, unallowable executive compensation, and other issues; and \$1.2 million of employee compensation related to lobbying.</p> |                                |

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| <b>Audit Report No. 2421-2008R10100001/2009R10100001/2010R10100001</b>  | <b>Date:</b> December 23, 2014 |
| <b>Subject:</b> Independent Audit Report on Proposed Corporate Home Office Allocations for CY 2008, CY 2009, and CY 2010  |                                |
| <b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center  |                                |
| <b>Report:</b> \$183.9 Million Questioned Costs   |                                |
| The audit of the corporate incurred cost submission resulted in \$183.9 million questioned costs including the following significant items: \$155.2 million of group health insurance costs because the contractor did not reduce the expense for employee and retiree contributions; \$8.0 million of pension and other compensation costs associated with unallowable labor; and \$13.9 million of costs not allocable to segments with Government work due to adjustments to the allocation base.  |                                |
| <b>Audit Report No. 3421-2008J10100001</b>  | <b>Date:</b> December 29, 2014 |
| <b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Contractor FY 2008  |                                |
| <b>Prepared For:</b> Defense Contract Management Agency, Divisional Administrative Contracting Officer  |                                |
| <b>Report:</b> \$44.5 Million Noncompliant Costs  |                                |
| The procedures performed disclosed \$44.5 million of costs noncompliant with various provisions of FAR, including: \$19.4 million of repairs and maintenance costs not supported by adequate documentation or unreasonable in amount; \$12.8 million of indirect labor without adequate description of the activities performed; \$5.9 million of costs for studies and improvements which were not supported by adequate descriptions of the work performed, and \$3.5 million of consultant costs not supported by adequate documentation such as consulting agreements or work products.   |                                |
| <b>Audit Report No. 3221-2008I10100001</b>  | <b>Date:</b> December 31, 2014 |
| <b>Subject:</b> Independent Audit Report on Incurred Cost Submission for Contractor Fiscal Year (CFY) 2008  |                                |
| <b>Prepared For:</b> Defense Contract Management Agency, Divisional Administrative Contracting Officer  |                                |
| <b>Report:</b> \$106.7 Million Questioned Costs   |                                |
| The audit of the home office incurred cost submission resulted in \$106.7 million questioned costs including the following significant items: \$29.9 million of employee relocation expenses due to unreasonable relocation incentives, costs not allocable to the home office, costs for which adequate supporting documentation was not provided, and other unallowable costs; \$19.1 million of accrued employee bonuses due to omitting a credit adjustment from the corporate office; \$17.6 million of consultant and professional service expenses primarily due to lack of evidence of the nature and scope of services provided; \$13.9 million of travel costs related to unallowable events or gifts, inadequate documentation, noncompliance with the Fly America Act, unallowable auto lease expenses, premium airfare, and costs in excess of allowable per diem; \$7.2 million of depreciation expense not adequately supported with purchase orders; and \$5.6 million of unallowable labor relating to administering grants, gifts, advertising, marketing, public relations, entertainment, or planning mergers and acquisitions. |                                |

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| <b>Audit Report No. 2801-2008B10100101</b>   | <b>Date:</b> January 28, 2015 |
| <b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008  |                               |
| <b>Prepared For:</b> Defense Contract Management Agency, Divisional Administrative Contracting Officer   |                               |
| <b>Report:</b> \$33.2 Million Noncompliant Costs   |                               |
| <p>The procedures performed disclosed \$33.2 million of costs noncompliant with various provisions of FAR, including the following significant items: \$13.7 million of consultant or vendor costs for which adequate supporting documentation was not provided to determine the nature and scope of the services provided and/or the reasonableness of the vendor/consultant fee, or for unallowable activities such as public relations or lobbying; \$12.6 million of travel costs including air fare in excess of the lowest customary fare, and air fare noncompliant with the Fly America Act; \$3.2 million of state tax refunds not included as a credit in the proposal; and \$3.2 million of allocated corporate costs based on a separate audit of corporate costs.</p> |                               |

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| <b>Audit Report No. 9861-2008R10100001</b>  | <b>Date:</b> January 30, 2015 |
| <b>Subject:</b> Independent Audit Report on Contractor's Proposed Direct Cost Amounts on Unsettled Flexibly Priced Contracts for FY 2008  |                               |
| <b>Prepared For:</b> Contracting Officer  |                               |
| <b>Report:</b> \$30.6 Million Noncompliant Costs  |                               |
| <p>The audit procedures performed identified \$30.6 million of costs noncompliant with various provisions of FAR, including the following significant items: \$1.3 million of direct labor costs related to labor transfers, due to missing management approvals and missing or incomplete cost transfer forms that demonstrate the nature and scope of the labor transfers; \$18.0 million of noncompliant direct material costs due to the lack of supporting documentation required to demonstrate the need for the parts; \$10.7 million of professional and consulting service costs due to inadequate supporting documentation that shows the nature and scope of consulting services performed; and \$0.6 million of other noncompliant costs identified in inter-organizational transfers, time and material direct labor, and direct travel.</p> |                               |

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|---|-------------------------------|
| <b>Audit Report No. 3321-2010K10100001</b>  | <b>Date:</b> February 3, 2015 |
| <b>Subject:</b> Independent Audit Report Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2010  |                               |
| <b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center  |                               |
| <b>Report:</b> \$19.7 Million Questioned Costs  |                               |
| <p>The audit of the final indirect cost rate proposal resulted in \$19.7 million questioned costs, including the following significant items: \$12.3 million of Defense Base Act insurance costs related to subcontractors because the cost was based on estimated instead of actual subcontractor labor costs; and \$4.9 million of equipment lease costs in excess of the equipment's purchase price.</p> |                               |

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| <b>Audit Report No. 1281-2009A10100650</b>   | <b>Date:</b> February 6, 2015 |
| <b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for CFY 2009   |                               |
| <b>Prepared For:</b> Defense Contract Management Agency, Hampton   |                               |
| <b>Report:</b> \$48.8 Million Noncompliant Costs   |                               |
| <p>The procedures performed identified \$48.8 million of costs noncompliant with various provisions of FAR and contract/subcontract terms including: \$43.0 million of costs noncompliant with the Limitations on Subcontracting clause; and \$3.9 million of noncompliant time and material labor costs for employees not meeting the contractually required education or experience, related to labor hours that did not reconcile with employee timesheets, or were based on incomplete timesheets or uncertified timesheets.</p> |                               |

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| <b>Audit Report No. 3121-2008K10100001</b>  | <b>Date:</b> February 13, 2015 |
| <b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts For FY 2008   |                                |
| <b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center  |                                |
| <b>Report:</b> \$42.7 Million Questioned Costs  |                                |
| <p>The audit of the incurred cost proposal resulted in \$42.7 million questioned costs, including the following significant items: \$12.9 million of consultant costs because the costs did not agree with the terms of the agreement or the contractor did not provide adequate supporting documentation such as purchase orders, contracts, detailed invoices, statements of work, or cost/price analysis; \$7.4 million of indirect costs allocable to other segments; \$5.5 million of claimed corporate costs in excess of the amount claimed in the corporate submission; \$4.4 million of direct intercompany charges based on the results of a separate audit; \$1.9 million of time and material labor due to differences in the actual employee skill mix and the skill mix used to determine the negotiated hourly rates, costs previously billed, costs not adequately supported, or intercompany hours billed at the prime segment's contract rates instead of at cost; \$1.8 million of costs allocable to a prior year; \$1.2 million loss on asset disposition because the contractor did not provide adequate evidence to support allocating the cost to the Government; and \$1.1 million of costs previously disclosed by the contractor as unallowable but not excluded from this proposal.</p> |                                |
| <b>Audit Report No. 3541-2008R10100001</b>  | <b>Date:</b> March 11, 2015    |
| <b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008   |                                |
| <b>Prepared For:</b> Defense Contract Management Agency, Twin Cities  |                                |
| <b>Report:</b> \$27.6 Million Noncompliant Costs  |                                |
| <p>The audit procedures performed disclosed \$27.6 million of costs noncompliant with various provisions of FAR, including: \$4.2 million of direct material costs and \$11.7 million of subcontract costs because the contractor failed to provide supporting documentation; \$6.9 million of bid and proposal costs because the contractor failed to provide evidence that the costs met the definition of bid and proposal costs contained in the Cost Accounting Standards; \$3.0 million of corporate allocations from a separate audit; and \$0.7 million of claimed depreciation for which the costs of the capitalized asset were not supported.</p>  |                                |
| <b>Audit Report No. 3151-2008E10100162</b>  | <b>Date:</b> March 16, 2015    |
| <b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts FY 2008   |                                |
| <b>Prepared For:</b> Defense Contract Management Agency, Denver   |                                |
| <b>Report:</b> \$14.0 Million Questioned Costs  |                                |
| <p>The audit of the final incurred cost proposal resulted in \$14.0 million questioned costs, including the following significant items: \$13.1 million of labor and related indirect burdens on one contract because the contractor did not demonstrate that the labor costs complied with labor category rate ceilings contained in the contract; and \$0.6 million of subcontract costs on flexibly priced subcontracts which the contractor did not properly support the allowability of the costs.</p>   |                                |

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| <b>Audit Report No. 4281-2008I10100041</b>   | <b>Date:</b> March 16, 2015 |
| <b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008  |                             |
| <b>Prepared For:</b> Defense Contract Management Agency  |                             |
| <b>Report:</b> \$11.5 Million Questioned Costs   |                             |
| <p>The audit of the final indirect expense rate submission resulted in \$11.5 million questioned costs including the following significant items: \$2.4 million of self insurance costs because the contractor failed to obtain contracting officer approval to self insure; \$4.7 million of subcontract costs due to noncompliance with contract terms requiring contracting officer consent to subcontract, lack of adequate price analysis, lack of actual bids to substantiate competitive award, or lack of support for subcontractor mobilization costs; \$1.7 million of consultant costs because the contractor did not provide consulting agreements or other adequate supporting documentation; and \$1.4 million of other direct costs due to lack of sufficient supporting documentation, airfare not in accordance with the Fly America Act, or for premium airfare.</p> |                             |

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| <b>Audit Report No. 2821-2008U10100001</b>  | <b>Date:</b> March 18, 2015 |
| <b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008   |                             |
| <b>Prepared For:</b> Defense Contract Management Agency   |                             |
| <b>Report:</b> \$20.4 Million Questioned Costs  |                             |
| <p>The audit of the indirect rate proposal resulted in \$20.4 million questioned costs including the following significant items: \$2.4 million of airfare costs due primarily to the use of premium or business class airfare; \$1.3 million of unallowable gifts to employees; and \$16.7 million of indirect costs due primarily to lack of supporting documentation (including \$5.2 million of overtime premium, \$3.3 million of costs paid for by corporate purchase cards, \$3.3 million of meal expenses, and \$2.3 million of lodging costs).</p> |                             |



## RESULTS OF PEER REVIEWS

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### **DODIG-2015-043, Quality Control Review of the Defense Finance and Accounting Service Internal Audit Organization**

The DoD IG reviewed the system of quality control for the internal audit organization, Defense Finance and Accounting Service Office of Internal Review, in effect for the period ended June 30, 2014. The DoD IG found that except for the some noted deficiencies, the system of quality control for the internal audit function of DFAS in effect for the period ending June 30, 2014, was designed in accordance with quality standards established by Generally Accepted Government Auditing Standards. Accordingly, DoD IG issued a pass with deficiencies on the DFAS Office of Internal Review quality control system for the review period ended June 30, 2014. In the DoD IG's prior report dated February 28, 2013, it had issued a fail opinion on the DFAS' audit organization's system of quality control used on audits for the review period ended June 30, 2011.

### **DODIG-2015-049, Quality Control Review of Air Force Audit Agency's Special Access Program Audits**

The DoD IG conducted an external quality control review of the Air Force Audit Agency's Special Access Program (SAP) audits in conjunction with the Army Audit Agency's review of the AFAA non-SAP audits. The DoD IG tested the AFAA SAP system of quality control for audits to the extent considered appropriate. The DoD IG determined that the system of quality control for the audit function of AFAA SAP in effect for the period ended September 30, 2013, was designed in accordance with quality standards established by generally accepted government auditing standards. Accordingly, the DoD IG issued a pass opinion on the AFAA's SAP audit quality control system for the review period ended September 30, 2013. The AFAA concurred with all recommendations.

### **DODIG-2015-054, Quality Control Review of the Defense Logistics Agency Audit Organization**

The DoD IG reviewed the Defense Logistics Agency, Office of the Inspector General audit organization's system of quality control in effect for the period ended September 30, 2013. DoD IG issued a pass with deficiencies opinion. Deficiencies identified in the areas of professional judgment, supervision, planning, and audit evidence and documentation. Also, discussed are findings warranting disclosure in the areas of audit evidence and documentation, reporting, and quality control. Also since their last quality control review, for the period ended May 31, 2010, the DLA OIG audit organization has made substantial changes to improve its audit operations. The report contained four recommendations and the DLA OIG concurred with all of them.

### **DODIG-2015-084, Quality Control Review of the Defense Intelligence Agency, Office of Inspector General, Audit Division**

DoD IG reviewed the Defense Intelligence Agency (DIA), Office of Inspector General, Audit Division, system of quality control in effect for the period January 1, 2011, through April 30, 2014. DoD IG issued a pass with deficiencies opinion on the DIA OIG Audit Division's system of quality control for the period ended April 30, 2014, because the DIA OIG Audit Division did not always comply with the system of quality controls to provide reasonable assurance of compliance with generally accepted government auditing standards. The DIA OIG concurred with and has completed actions on all report recommendations.

◆ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a)(14),(15),(16)

### **DODIG-2015-099, Quality Control Review of the Defense Information Systems Agency Audit Organization**

DoD IG reviewed the Defense Information Systems Agency OIG audit organization's system of quality control used on audits for the review period ended May 31, 2014. In the DoD IG's opinion, the DISA OIG audit organization's system of quality control for audits was suitably designed in accordance with quality standards established by Generally Accepted Government Auditing Standards; however, the DoD IG identified significant deficiencies that existed in the audit organization's compliance with its system of quality control. Accordingly the DoD IG, as a result of the significant deficiencies concerning independence, professional judgement, and supervisory reviews, issued a fail opinion on the DISA OIG audit organization's system of quality control used on audits for the review period ended May 31, 2014. The DISA Director concurred with all recommendations.

### **Peer Review of Department of Defense IG by U.S. Department of Housing and Urban Development Office of the Inspector General**

The Department of Housing and Urban Development Office of the Inspector General conducted an external peer review of DoD IG Office of Audit and issued a final report November 13, 2012. DoD IG received a peer review rating of pass (with a scope limitation). There are no outstanding recommendations. A copy of the external quality control review report can be viewed at [www.dodig.mil/pubs/reviews.html](http://www.dodig.mil/pubs/reviews.html).

### **Peer Review of Department of Transportation Office of Inspector General by U.S. Department of Defense Office of the Inspector General**

DoD IG conducted an external quality control review of Department of Transportation Office of Inspector General, audit organization, and issued a final report August 8, 2013. Department of Transportation OIG, received a peer review rating of pass. There are no outstanding recommendations. A copy of the external quality control review report can be viewed on the Department of Transportation OIG website at [www.oig.dot.gov/about-oig/peer-review](http://www.oig.dot.gov/about-oig/peer-review).

### **Peer Review of Defense Contract Audit Agency by U.S. Department of Defense Office of the Inspector General**

DoD IG conducted an external review of the system of quality control for the Defense Contract Audit Agency in effect from January 1, 2013, through June 30, 2013, and issued a final report on August 21, 2014. Defense Contract Audit Agency received a peer review rating of pass with deficiency. There are no outstanding recommendations. A copy of the external quality control review can be viewed on the Defense Contract Audit Agency website at [http://www.dcaa.mil/external\\_peer\\_review.html](http://www.dcaa.mil/external_peer_review.html).

# ACRONYMS

|         |   |          |  |
|---------|---|----------|--|
| ACC     | Army Contracting Command                                      | FBWT     | Fund Balance with Treasury   |
| ACIP    | Aviation Career Incentive Pay                                 | FCA      | False Claims Act   |
| ACSIM   | Assistant Chief of Staff for Installation Management          | FDA      | U.S. Food and Drug Administration                                    |
| AFOSI   | Air Force Office of Special Investigations                    | FEMS     | Facilities and Equipment Maintenance System                          |
| AFSAT   | Air Force's Subscale Aerial Target                            | FIAR     | Financial Improvement and Audit Readiness                            |
| AIR     | Aviation Into-Plane Reimbursement                             | FSBP     | Foreign Service Benefit Plan   |
| ANA     | Afghan National Army  | FY       | Fiscal Year  |
| ANP     | Afghan National Police  | GAGAS    | Generally Accepted Government Auditing Standards                     |
| AWACS   | Airborne Warning and Control System                           | GFE      | Government-Furnished Equipment                                       |
| BEA     | Business Enterprise Architecture                              | GFEBs    | General Fund Enterprise Business System                              |
| CDA     | Contract Disputes Act   | GIRoA    | Government of Islamic Republic of the Afghanistan                    |
| CEO     | chief executive officer                                       | GSA      | General Services Administration                                      |
| CID     | Criminal Investigation Command                                | HHS      | Department of Health and Human Services                              |
| CIGIE   | Council of the Inspectors General on Integrity and Efficiency | HMMWV    | High-Mobility Multipurpose Wheeled Vehicles                          |
| CIO     | Chief Information Officer                                     | IAFIS    | Integrated Automated Fingerprint Identification System               |
| CR2     | Rapid Response Contract                                       | IBA      | Individual Body Armor  |
| DCAA    | Defense Contract Audit Agency                                 | ICE-HIS  | Immigration and Customs Enforcement-Homeland Security Investigations |
| DASA-FO | Deputy Assistant Secretary of the Army Financial Operations   | IG       | Inspector General  |
| DCIE    | Defense Council on Integrity and Efficiency                   | iNFADS   | Internet Navy Facilities Assets Data Store                           |
| DCIO    | Defense Criminal Investigative Organization                   | IP       | Internet Protocol  |
| DCIS    | Defense Criminal Investigative Service                        | IPv6     | Internet Protocol Version 6  |
| DCMA    | Defense Contract Management Agency                            | IRS      | Internal Revenue Service   |
| DCMO    | Deputy Chief Management Officer                               | ISIL     | Islamic State of Iraq and the Levant                                 |
| DCS     | Deputy Chief of Staff   | ISO      | Investigations of Senior Officials                                   |
| DFAS    | Defense Finance and Accounting Service                        | IT       | information technology   |
| DHA     | Defense Health Agency   | IWG      | Investigations Working Group   |
| DIA     | Defense Intelligence Agency                                   | JPAC     | Joint POW/MIA Accounting Command                                     |
| DIE     | Defense Intelligence Enterprise                               | Lead IG  | Lead Inspector General   |
| DIG-OCO | Deputy Inspector General for Overseas Contingency Operations  | LIG-OCO  | Lead Inspector General for Overseas Contingency Operations           |
| DISA    | Defense Information Systems Agency                            | MEDCOM   | Medical Command  |
| DLA     | Defense Logistics Agency                                      | MCIO     | Military Criminal Investigative Organization                         |
| DoD     | Department of Defense   | MIA      | missing in action  |
| DoD IG  | Department of Defense Inspector General                       | MILCON   | Military Construction  |
| DoDSER  | Department of Defense Suicide Event Report                    | MILSTRIP | Military Standard Requisitioning and Issue Procedures                |
| DOJ     | Department of Justice   | MOI      | Ministry of Interior   |
| DOS     | Department of State   | MUAPO    | Military Utility Assessment Program Office                           |
| FAR     | Federal Acquisition Regulation                                |          |  |
| FBI     | Federal Bureau of Investigation                               |          |  |

|             |   |
|-------------|---|
| NAFI        | Nonappropriated Fund Instrumentality                          |
| NAVAUDSVC   | Naval Audit Service   |
| NAVFAC      | Naval Facilities Engineering Command                          |
| NAVFAC EXWC | Naval Facilities Engineering and Expeditionary Warfare Center |
| NAVSUP WSS  | Naval Supply Systems Command Weapon Systems Support           |
| NCIS        | Naval Criminal Investigative Service                          |
| NDAA        | National Defense Authorization Act                            |
| NGIFF       | Next Generation Identification Friend or Foe                  |
| OCCL        | Office of Communications and Congressional Liaison            |
| OCO         | Overseas Contingency Operation                                |
| OGMVC       | Other Government Motor Vehicle Conveyances                    |
| OIG         | Office of the Inspector General                               |
| OIR         | Operation Inherent Resolve                                    |
| OMB         | Office of Management and Budget                               |
| OUA         | Operation United Assistance                                   |
| PDPP        | Physicians and Dentists Pay Plan                              |
| PEO         | Program Executive Office                                      |
| PFCRA       | Program Fraud Civil Remedies Act                              |
| PII         | personally identifiable information                           |
| PMI         | patient movement items  |
| PODS        | Physician Opinion & Discussion                                |

|           |  |
|-----------|--|
| POW       | Prisoner of War  |
| QDR       | Quadrennial Defense Review   |
| RC        | Reserve Component  |
| ROTC      | Reserve Officers' Training Corps                                     |
| S3        | Strategic Services Sourcing  |
| SES       | Senior Executive Service   |
| SIGAR     | Special Inspector General for Afghanistan Reconstruction             |
| SLRP      | Student Loan Repayment Program                                       |
| SMDC      | Space and Missile Defense Command                                    |
| SNF       | Skilled Nursing Facilities   |
| TAMIS     | Total Ammunition Management Information System                       |
| TRADOC    | Training and Doctrine Command  |
| USAAA     | U.S. Army Audit Agency   |
| USACE     | U.S. Army Corps of Engineers   |
| USAID     | United States Agency for International Development                   |
| USAKA     | U.S. Army Kwajalein Atoll  |
| U.S.C.    | United States Code   |
| USD(AT&L) | Under Secretary of Defense for Acquisition, Technology and Logistics |
| USMA      | U.S. Military Academy  |
| WRI       | Whistleblower Reprisal Investigations                                |

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

*The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD Hotline Director. For more information on your rights and remedies against retaliation, go to the Whistleblower webpage at [www.dodig.mil/programs/whistleblower](http://www.dodig.mil/programs/whistleblower).*

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