



INSPECTOR GENERAL

U.S. Department of Defense

SEMIANNUAL REPORT TO THE CONGRESS

APRIL 1, 2015 TO SEPTEMBER 30, 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
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Inspector General
Jon T. Rymer

I am pleased to present the Department of Defense Inspector General Semiannual Report to Congress for the reporting period April 1, 2015, to September 30, 2015, issued in accordance with the Inspector General Act of 1978, as amended.

We support the Department's national defense strategy by conducting timely audits, investigations, and evaluations across the entire spectrum of its programs and operations. Our oversight work enables the Department to reduce expenditures; eliminate fraud, waste and abuse; and improve performance and efficiency. Our audits, investigations, and evaluations routinely return billions of dollars back to the Federal treasury. We also investigate criminal acts that impact the Department and result in criminal, civil, and administrative actions.

Our emphasis continues to be those areas that support national security concerns such as insider threats, the defense intelligence enterprise, and cyber security. We evaluated and investigated programs that ensure the readiness and safety of the Warfighter, including sexual assault prevention and response, suicide prevention and response, as well as overall force readiness. A significant number of our reports focus on the state of the Department's financial management and audit readiness efforts.

During this reporting period, we issued 80 reports, identifying \$348.4 million in questioned costs and \$1.8 billion in funds put to better use. We achieved \$180.8 million in financial savings based on management-completed corrective actions to reports issued during this and previous reporting periods. The Defense Criminal Investigative Service reported 54 arrests, 123 criminal charges, 156 criminal convictions, 124 suspensions and 179 debarments, as well \$392.1 million in investigative receivables. Our work resulted in an additional \$12 million in assets being seized, orders of forfeiture totaling \$45 million, and monetary judgments in the amount of \$54 million.

Our Administrative Investigations Component closed 425 senior official investigations and 555 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 three overseas contingency operations (OCO). As of the end of the reporting period, two OCOs – Operations Inherent Resolve and Freedom's Sentinel—remain ongoing and require Lead IG oversight and reporting. 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 contingency operations.

I would like to thank the dedicated OIG employees and members of the Defense Accountability Community who contributed to the work contained in this report. I also thank the Department and Congress for their commitment to supporting this office.

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 April 1, 2015, through September 30, 2015, the DoD IG issued 80 reports that identified \$384.4 million in questioned costs and \$1.8 billion in funds put to better use. The DoD IG also achieved \$180.8 million in financial savings based on management-completed corrective actions to reports issued during this and previous reporting periods.

Auditing issued 57 reports with over 200 recommendations, identifying potential cost savings and funds that could be put to better use; ensure the safety of service members; address improvements in DoD operations, financial reporting, and accountability; ensure the Department complied with statutory mandates; and identify 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 (DCIS) opened 268 cases, closed 282 cases, and has 1,625 ongoing investigations. Cases resolved in this reporting period primarily addressed criminal allegations of procurement fraud, public corruption, product substitution, illegal transfer of technology, health care fraud, and computer crime. Additionally, DCIS seized assets totaling \$12 million, had final orders of forfeiture totaling \$45 million, and monetary judgments in the amount of \$54 million. Assets that have been seized include cash/currency, financial instruments, real property, and vehicles.

Administrative Investigations (AI) received a total of 322 senior official and 643 whistleblower reprisal/restriction complaints in the during the reporting period; and closed a total of 425 senior official and 555 whistleblower reprisal/restriction complaints. The DoD Hotline received 5,932 contacts, opened 2,250 cases, and closed 2,797 cases.

The DoD Whistleblower Ombudsman received 154 contacts and the Whistleblower Protection Rights and Protections webpage received 11,311 visits. AI issued a progress report to the Deputy Secretary of Defense regarding the timeliness of senior official investigations.

Intelligence and Special Program Assessments (ISPA) issued 9 reports that addressed acquisition processes and contract management, intelligence, and the DoD nuclear enterprise.

Policy and Oversight (P&O) issued 9 evaluation reports that addressed its oversight of audit, investigative, and technical deficiencies in DoD. P&O also issued two Department-wide policies that addressed investigative policy and two that addressed audit policy. P&O also coordinated 228 existing and proposed DoD policy issuances, issued 381 IG subpoenas, and received 104 contractor disclosures.

Special Plans and Operations (SPO) issued 6 assessment reports with 51 recommendations that addressed a wide range of issues and accomplishments. Two of these reports were Southwest Asia related (Assessment of Afghan National Defense Forces' Fuel and Ammunition; Assessment of Train, Advise and Assist the Iraqi Army to Defeat ISIL). One report supported the Lead Inspector General's Operation United Assistance Contingency Operation (Evaluation of DoD's Force Health Protection Measures) and three reports focused on DoD personnel world-wide (Rights of Conscience Protections for Armed Forces Service Members and Their Chaplains; Assessment of Electronic Absentee System for Elections Grants; Assessment of DoD Suicide Prevention Processes Report). SPO continues to provide the highest performance standard for excellence in inspection reporting within the oversight community.

Overseas Contingency Operations (OCO) supports Lead IG responsibilities and oversight coordination related to named OCOs. This office coordinates with the Inspectors General (IGs) for the Department of State (DOS) and the U.S. Agency for International Development (USAID), and other OIGs to fulfill the Lead IG responsibilities set out in Section 8L of the IG Act of 1978, as amended, to develop interagency strategic oversight plans for, and quarterly and biannual reports on, overseas contingency operations.

This DoD IG office is also responsible for coordinating and making public the annual compilation of the scheduled and ongoing audits, evaluations, and inspections for Southwest Asia. This plan, the *FY 2016 Comprehensive Oversight Plan for Overseas Contingency Operations (COP-OCO)*, was effective October 1, 2015, and will be made public on each OIG's website.

STATISTICAL HIGHLIGHTS

Summary of Activities	Total for the Reporting Period
AUDIT ACTIVITIES	
Reports Issued	57
Recommendations Made with Questioned Costs	\$384.4 million
Recommendations Made on Funds Put to Better Use	\$1.8 billion
Achieved Monetary Benefits	\$180.8 million
DEFENSE CRIMINAL INVESTIGATIVE SERVICE ACTIVITIES	
Total Investigative Receivables and Recoveries ¹	\$392.1 million
Recovered Government Property	\$892,400
Civil Judgments/Settlements	\$264.9 million
Criminal Fines, Penalties and Restitution Ordered (does not include Asset Forfeitures)	\$67.7 million
Administrative Recoveries ²	\$58.4 million
Investigative Activities	
Arrests	54
Criminal Charges	123
Criminal Convictions	156
Suspensions	124
Debarments	179
Asset Forfeiture Results	
Seized	\$12 million
Final Orders of Forfeiture	\$45 million
Monetary Judgments	\$54 million

¹ Includes investigations conducted jointly with other law enforcement organizations.

² Includes contractual agreements and military non-judicial punishment.

STATISTICAL HIGHLIGHTS (CONT'D)

Summary of Activities	Total for the Reporting Period
ADMINISTRATIVE INVESTIGATIONS	
Reports Issued	0
Complaints Received	965
Senior Official	322
Whistleblower Reprisal/Restriction	643
Complaints Closed	980
Senior Official	425
Whistleblower Reprisal/Restriction	555
SUMMARY OF DoD HOTLINE ACTIVITIES	
Contacts	5,932
Cases Opened	2,250
Cases Closed	2,797
SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES	
Existing and Proposed Regulations Reviewed	228
Evaluation Reports Issued	9
Inspector General Subpoenas Issued	381
Contractor Disclosures Received	104
INTELLIGENCE AND SPECIAL PROGRAM ASSESSMENTS ACTIVITIES	
Reports Issued	9
SPECIAL PLANS AND OPERATIONS ACTIVITIES	
Assessment Reports Issued	6



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 that:

- 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, 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.

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

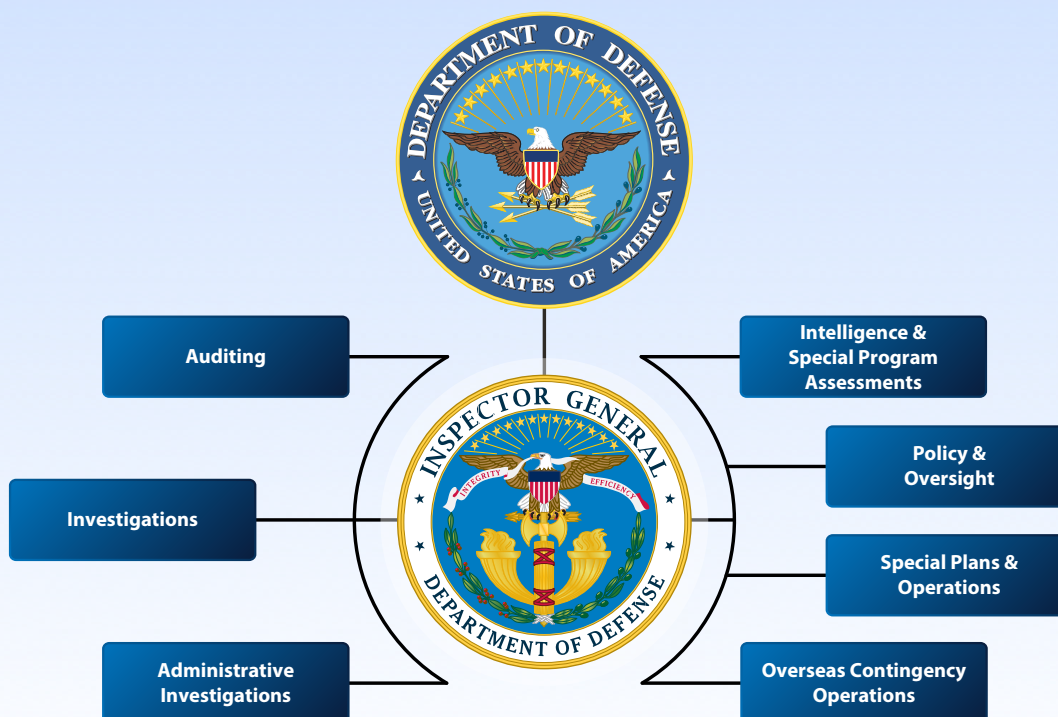
- Integrity
- Efficiency
- Accountability
- Excellence

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 headquartered in Alexandria, Va. and is supported by seven components with more than 80 field offices located across the United States, Germany, South Korea, and 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 protects America's warfighters by conducting criminal and civil investigations in support of crucial national defense priorities.

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 and 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 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 oversight assessments of priority DoD national defense, military health care and congressionally-mandated issues to enable informed, timely decision-making by senior leaders 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, under Section 8L, "Special Provisions Concerning Overseas Contingency Operations," of the IG Act (5 U.S.C. App.), as amended. It is responsible for coordinating joint strategic oversight plans to carry out comprehensive oversight over all aspects of designated overseas contingency operations.

PRIORITIES

The Department of Defense (DoD) Inspector General (IG) prioritizes oversight efforts to ensure projects are timely, relevant, and responsive to the dynamic environment within the Department. In determining specific oversight projects to perform during Fiscal Year (FY) 2015, the DoD IG balanced the needs and requests of both the Department and Congress.

To determine the DoD IG priorities the DoD IG reviewed DoD strategic documents such as the *2014 Quadrennial Defense Review*,¹ *2012 Defense Strategic Guidance*,² and the DoD FY 2015 Budget. Additionally, the DoD IG reviewed IG-identified management and program challenges, Government Accountability Office (GAO) high-risk areas, other organizations' oversight reporting, and information gathered during audit, evaluation, and investigative efforts. This information helps identify and plan oversight of the existing systemic challenges and challenges the Department will most likely face in the future.

The DoD IG supports the Department's defense strategy by conducting audits, investigations, and evaluations 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 laws, regulations, and policies.

Each fiscal year, the DoD IG identifies a set of priorities to focus its oversight and investigative activities.

For FY 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
- Health Care
- 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, the 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
- Health care Fraud
- Illegal Technology Transfer

¹ 2014 Quadrennial Defense Review, www.defense.gov/Portals/1/Documents/pubs/2014_Quadrennial_Defense_Review.pdf

² 2012 Defense Strategic Guidance, "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," January 2012.



LEAD INSPECTOR GENERAL

Pursuant to Section 848 of the FY 2013 National Defense Authorization Act a Lead Inspector General for an overseas contingency operation (OCO) shall be designated by the Chair of the Council of Inspectors General on Integrity and Efficiency (CIGIE) not later than 30 days after the commencement or designation of the military operation as an overseas contingency operation that exceeds 60 days. The Lead IG for an OCO shall be designated from among the IGs for the Department of Defense, the Department of State and the U.S. Agency for International Development.

The IGs for DoD, DOS, and USAID are responsible for staffing and supporting the Lead IG in ensuring that comprehensive oversight is conducted and reporting is provided 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 boundaries and provide results to help Congress and agency leadership make informed program, policy, and funding decisions.

As of the end of the reporting period, two of the three named OCOs are ongoing and require continued Lead IG oversight and reporting. The third OCO was terminated, effective June 30, 2015, but coordinated oversight is continuing. The three OCO's are:

Operation Inherent Resolve (OIR) is the U.S. strategy, with coalition partners, to degrade and destroy the terrorist group known as the Islamic State of Iraq and the Levant (ISIL). On October 17, 2014, the Secretary of Defense designated OIR as a contingency operation. Pursuant to Section 8L of the IG Act of 1978, as amended, the CIGIE Chair designated the DoD IG as the Lead IG, who then appointed the DOS IG as the Associate IG.

Operation United Assistance (OUA) is the U.S. Government response to help combat the Ebola virus in West Africa. On October 16, 2014, the President issued an Executive Order to authorize the Secretary of Defense authority to order Reserve units and Individual Ready Reserve Members to active duty in support of OUA. Pursuant to Section 8L of the IG Act of 1978, as amended, the CIGIE Chair designated the DoD IG as Lead IG, who in turn, appointed the Acting Deputy IG for USAID OIG as Associate IG. On May 27, 2015, the President directed the termination of OUA, effective June 30, 2015.

Operation Freedom's Sentinel (OFS) provides the framework for continued U.S. support to Afghanistan to help it build and sustain an enduring security capability. OFS has two complementary missions: U.S. forces will continue counterterrorism efforts to prevent the resurgence of al-Qaeda and its remnants and will also conduct a train, advise, and assist program to improve the capabilities of the Afghan National Defense and Security Forces under NATO's Resolute Support mission. The OFS overseas contingency operation began on January 1, 2015. Pursuant to section 8L of the Inspector General Act of 1978, as amended, the CIGIE Chair designated the DoD IG as the Lead IG, who then appointed the DOS IG as Associate IG.

A discussion of each OCO and the respective Lead IG responsibilities and results, along with the coordination of the Southwest Asia oversight activities can be found starting on page 51.

HOTLINE

Lead IG Hotline operations began in Kuwait in May 2015. This is the first DoD IG-supported hotline to deploy to a forward location. In June 2015, the Inspectors General for DoD, DoS, and USAID signed a memorandum of agreement to codify the reporting processes and procedures for the Lead IG Hotline.

From April 1, 2015, through June 30, 2015, the Lead IG Hotline received the following contacts and complaints.

- DoS OIG—1 complaint
- DoD IG—4 complaints
- USAID OIG—31 complaints

The Lead IG Hotline conducted the following activities since arriving in Kuwait.

- performed outreach to brief contracting support personnel on the Lead IG Hotline at 15 commands, including commanders and staffs in Kuwait and Qatar,
- placed 35 Lead IG Hotline posters advertising fraud, waste, and reporting procedures at various bases in Kuwait, Iraq, and Qatar,
- briefed more than 200 DoD civilians, contractors, and service members involved in pre- and post-contract award work on the Lead IG and risks for fraud, waste, and abuse, particularly in the use of Government purchase cards,
- established briefings on reporting wrongdoing to the Lead IG for all incoming contractors, service members, and DoD civilians arriving in Kuwait to support the OIR mission,
- developed a Lead IG Hotline screen saver that displayed randomly on all DoD computer monitors in Southwest Asia,
- began translating the DoD IG complaint form and the DoD IG informational tri-fold into Pashto, Hindi, and Tagalog to inform foreign workers who may be unable to speak, read, or write English about how to report wrongdoing, and
- provided Lead IG briefs at weekly tenant meetings in Kuwait.

Complaint boxes are being constructed by Camp Arifjan personnel to be placed around the base to allow for confidential and anonymous reporting.



Camp Arifjan, Kuwait

Source: www.msc.navy.mil



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CORE MISSION AREAS



AUDITING

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

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

ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

Naval Air Systems Command Needs to Improve Management of Waiver Requests

The DoD IG determined that the Naval Air Systems Command needed to improve management of waiver requests to allow the program executive officer to better determine program readiness for entering testing to support the full-rate production decision. Also, weapon system sponsors did not fully define the aircraft system characteristics most critical for providing an effective military capability and designate them as primary requirements when writing system requirements documents. Because the requirements documents did not capture the most critical system characteristics as primary requirements, program managers accepted production units with diminished mission effectiveness. For example, at the time of the full-rate production decision, the program manager for the P-8A Poseidon had accepted 13 aircraft for \$2.6 billion that could not fully perform primary missions for Anti-Submarine and Anti-Surface Warfare and Intelligence gathering.

Report No. DODIG-2015-122

Naval Sea Systems Command Needs to Improve Management of Waiver and Deferral Requests

The DoD IG identified two Naval Sea Systems programs, Identity Dominance System and the Standard Missile 6, that received a final production decision from April 14, 2012 through April 14, 2014.

The DoD IG evaluated the process for justifying, reviewing, and approving waiver and deferral requests from operational test requirements. The DoD IG determined that the Naval Sea Systems Command program managers and system sponsors within the Office of the Chief of Naval Operations did not fully implement Navy and Joint Chiefs of Staff policy on requesting waivers and deferrals and certifying program readiness for Initial Operational Test and Evaluation. As a result, the Identity Dominance System entered and completed Initial Operational Test and Evaluation with unresolved deficiencies and reduced mission effectiveness. Additionally, the Standard Missile 6 completed Initial Operational Test and Evaluation without demonstrating primary system requirements for increased missile range, launch availability, and interoperability. At final production decision, the program managers purchased 32 Identity Dominance System tactical kits and 16 support kits valued at \$1.1 million and 41 Standard Missile 6s valued at \$148.3 million. While Chief of Naval Operations staff stated that the systems improved existing capability, the systems did not demonstrate that they could fully perform their assigned missions.

Report No. DODIG-2015-172

Defense Logistics Agency Did Not Obtain Fair and Reasonable Prices From Meggitt Aircraft Braking Systems for Sole-Source Commercial Spare Parts

The Defense Logistics Agency Aviation did not obtain fair and reasonable prices for 51 of 54 statistically sampled sole-source commercial spare parts purchased from Meggitt Aircraft Braking Systems companies. The DoD IG determined that the Defense Logistics Agency potentially overpaid the Meggitt Aircraft Braking Systems companies about \$8.5 of \$17 million more than fair and reasonable prices for 32 sole-source commercial spare parts reviewed. In addition, the Defense Logistics Agency may overpay as much as \$70.5 million on 47 of 51 parts over the remaining term of the contract. When projected across the contract for all 5 years, the Defense Logistics Agency will overpay approximately \$106.8 of \$294.9 million.

Report No. DODIG-2015-120



V-22 Ospreys in Flight
Source: U.S. Air Force

Opportunities Exist to Improve the Inventory Management for Defense Logistics Agency Aviation C-130 Spare Parts

The Defense Logistics Agency Aviation is the U.S. military's integrated materiel manager for more than 1.1 million repair parts and operating supply items in support of all fixed- and rotor-wing aircraft, including spares for engines on fighters, bombers, transports, and helicopters, all airframe and landing gear parts, flight safety equipment, and propeller systems. This audit determined that Defense Logistics Agency Aviation purchased inventory that Air Force customers forecasted, but the Air Force did not order as expected and missed opportunities to cancel or reduce purchases that exceeded the target quantity for replenishing stock levels through new purchases. Specifically, the Defense Logistics Agency Aviation accumulated \$6.6 million of C-130 inventory that exceeded average annual customer orders and purchased \$2 million in inventory not needed to meet current inventory target quantities.

Report No. DODIG-2015-132

Defense Logistics Agency Aviation Retained Excessive V-22 Osprey Spare-Parts Inventory

As of February 2015, Defense Logistics Agency Aviation managed more than 41,000 unique V-22 Osprey spare parts, valued at approximately \$539 million. This audit determined that the Defense Logistics Agency Aviation did not effectively manage Government-owned V-22 Osprey spare parts. As a result, it retained excessive inventory valued at \$8.7 million and will incur approximately \$0.7 million in holding costs over the next 5 years to store and retain the excessive inventory.

Report No. DODIG-2015-136

Contract Administrative Challenges

In addition to challenges in acquisition and parts reported this period, the DoD IG continues to collectively identify the challenges DoD faces in contract administration including oversight of contractors, competition, and contractor rating. The DoD IG reported the following findings during this period on matters related to DoD's contract administration efforts:

- Space and Naval Warfare Systems Command officials generally provided a fair opportunity to compete, supported price reasonableness, and performed surveillance for the global installation contracts and task orders in the DoD IG's sample, valued at \$39.7 million. However, officials did not properly designate all contracting officer's representatives, verify all contractor employees had the required certifications, or close out task orders in a timely manner.

Report No. DODIG-2015-109

- Air Force contracting personnel properly justified the use of other than full and open competition for all 58 information technology contracts reviewed, with a value (including options) of about \$154.3 million; however, some contract files did not contain documentation in accordance with the Federal Acquisition Regulation (FAR) for noncompetitive awards.

Report No. DODIG-2015-110

- Navy officials did not register contracts in the Contractor Performance Assessment Reporting System (CPARS), prepare timely performance assessment reports, or provide sufficient written narratives to justify the ratings given, as required by the FAR; Under Secretary of Defense for Acquisition, Technology, and Logistics policy; or other guidance.

Report No. DODIG-2015-114

- Naval Special Warfare Command contracting personnel did not award nine service contracts, valued at approximately \$3.4 million, in accordance with FAR Parts 6 and 7. As a result, Naval Special Warfare Command contracting personnel inappropriately limited competition, which may have favored certain contractors.

Report No. DODIG-2015-124

- The Defense Contract Management Agency (DCMA) and 401st Army Field Support Brigade did not provide effective contract oversight at the Redistribution Property Assistance Team yards in Afghanistan. Specifically, the officials from the DCMA and 401st Army Field Support Brigade who performed oversight of the wholesale Redistribution Property Assistance Team contract did not agree on whether the contractor, AC First, performed contract services in accordance with performance work statement requirements. In addition, 401st Army Field Support Brigade personnel did not follow applicable Army regulations to initiate property loss investigations.

Report No. DODIG-2015-126

- Air Force officials did not know whether the approximately \$19 million they spent on the contract to date achieved energy savings; and whether planned future payments of approximately \$115 million for the remaining 16 contract performance years will result in energy savings.

Report No. DODIG-2015-138

- Naval Facilities Engineering Command's policies and procedures to administer modifications, government estimates, and task order files were not adequate to ensure accuracy and completeness of task order work and contract documentation.

Report No. DODIG-2015-141

- U.S. Army Contracting Command–Rock Island (ACC-RI) controls for monitoring contractor performance for seven task orders valued at \$7.6 million, supporting Operation United Assistance, were generally effective. However, the ACC-RI procuring contracting officer did not include contracting officer representative (COR) appointment authority in the administrative contracting officer's delegation letter and did not ensure CORs were properly trained.

Report No. DODIG-2015-147

- For 11 of the 23 Berry Amendment contracts reviewed, valued at \$73 million, Naval contracting personnel did not assess whether suppliers could provide U.S.-produced items and omitted the Berry Amendment contract clause on nine contracts, did not ensure a contractor was stocking compliant items on one contract, and allowed a contractor to substitute non-U.S.-produced items on one contract. Berry Amendment noncompliance resulted in four potential Antideficiency Act violations. Additionally, Naval contracting personnel did not ensure compliance with the Buy American Act for 12 of 32 contracts reviewed valued at \$1.5 million. Contracting personnel omitted required contract clauses or did not ensure items purchased met domestic-content requirements, or both. As a result, suppliers may have provided non-U.S. made items, and Navy contracting personnel could not demonstrate that purchased items complied with the domestic-content requirements. Naval personnel corrected some of the deficiencies identified during the audit.

(Report No. DODIG-2015-161)

FINANCIAL MANAGEMENT

Summary of DoD Office of the Inspector General Audits of DoD Financial Management Challenges

From October 1, 2011, through December 31, 2014, the DoD IG issued 138 reports that discussed weaknesses pertaining to DoD financial management. The most prevalent areas of concern were DoD financial management systems, accounting entries, compliance with laws and regulations, and audit trails. Of the 138 issued reports, 75 contained 668 recommendations to management for corrective action. The majority of the recommendations addressed the need to improve or develop financial management systems, and address deficiencies in accounting entries, compliance with laws and regulations, and audit trails. The weaknesses discussed in these reports, the open recommendations, and DoD management acknowledgments that the basic financial statements did not substantially conform to General Accepted Accounting Principles prevent the DoD IG from obtaining sufficient and appropriate audit evidence to provide a basis for an audit opinion.

Report No. DODIG-2015-144

DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2014, but Improper Payment Estimates Were Unreliable

The Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, met five of the six requirements of Public Law 111-204 Section 3(a), “Improper Payments Elimination and Recovery Act of 2010.” However, DoD did not meet the reduction target for the DoD Travel Pay program. In addition, DoD could not ensure that all required payments were reviewed, which resulted in unreliable improper payment estimates and rates.

Report No. DODIG-2015-121

DoD Cardholders Used Their Government Travel Cards for Personal Use at Casinos and Adult Entertainment Establishments.

The DoD Government Travel Charge Card (GTCC) Program is the primary payment method for official travel expenses incurred by DoD personnel, is mandatory for all DoD personnel who have been issued a travel card, and is for official travel-related use only. This audit determined that DoD cardholders improperly used their Government Travel Charge Card for personal use at casinos and adult entertainment establishments. From July 1, 2013, through June 30, 2014, DoD cardholders had 4,437 transactions totaling \$952,258, where they likely used their travel cards at casinos for personal use and had 900 additional transactions for \$96,576 at adult entertainment establishments.

Report No. DODIG-2015-125

Independent Auditor’s Report on the Attestation of the Existence, Completeness, and Rights of Select Army-Held Operating Materials and Supplies–Ammunition

This examination resulted in an adverse audit opinion. The DoD IG determined that Army-held ammunition was not ready for audit because the Army could not provide a complete September 30, 2014, Operating Materials Supplies–Ammunition universe that reconciled to the financial statements; could not provide rights criteria and supporting documentation necessary to verify which Service owned the assets tested; and did not have effective controls over recording the acquisitions, disposals, and transfers of Ammunition.

Report No. DODIG-2015-165

Independent Auditor’s Report on the Attestation of the Existence, Completeness, and Rights of the Army’s Real Property

This examination resulted in a qualified audit opinion. The DoD IG determined that except for the material deficiencies associated with rights documentation and the universe, the Army’s Real Property assets, as of September 30, 2014, are ready for audit. However, the Army could not support rights for 216 of the 2,345 sample assets tested; incorrectly included 7,674 assets for which the Army did not have rights in the Army Real Property universe; and could not provide a complete reconciliation of the assets in the universe to the Real Property balances on financial statements.

Report No. DODIG-2015-166

Army Needs to Improve Processes Over Government-Furnished Material Inventory Actions

This audit determined that the Army did not correctly record government-furnished material inventory actions in Army financial and accountability records. Specifically, in FY 2014, Army Working Capital Fund activities expensed about \$40.2 million in government-furnished material upon shipment to contractors and Army General Fund activities inappropriately expensed \$85 million in government-furnished material transactions during FY 2014 that originated in Logistics Modernization Program. Additionally, Logistics Modernization Program’s Management Control Activity table did not contain complete and accurate data necessary to maintain visibility or meet reporting requirements of government-furnished material. As a result, Army did not report government-furnished material in the Army General Fund and Army Working Capital Fund financial statements, understating Army assets and overstating expense accounts by at least \$125.2 million. In addition, without proper accountability records to maintain adequate control over government-furnished material, the Army must rely on individual contractors to report the status of government-furnished material in their respective reporting systems.

Report No. DODIG-2015-128

Independent Auditor's Report on the Examination of Existence, Completeness, and Rights of United States Air Force Operating Materials and Supplies-Ammunition and Tactical Missiles

This examination resulted in a qualified audit opinion. The DoD IG determined that except for Air Force significant internal control weaknesses related to rights, the Air Force assertion of audit readiness for the existence and completeness of Air Force possessed munitions as of June 30, 2014, is fairly stated in accordance with DoD Financial Improvement and Audit Readiness Guidance and to the accountable property system of record.

Report No. DODIG-2015-164

Delinquent Medical Service Accounts at David Grant Air Force Medical Center Need Additional Management Oversight

The DoD IG completed a fourth audit in a series to determine whether DoD medical facilities were properly managing delinquent accounts over 180 days by effectively transferring the debt to the appropriate debt collection agency or by actively pursuing collection. The DoD IG determined that David Grant United States Air Force Medical Center Uniform Business Office management did not effectively manage delinquent medical service accounts. Unless the David Grant United States Air Force Medical Center Uniform Business Office management acted to collect \$707,591 in delinquent debt and improve their collection process, it will continue to incur rising delinquent balances for future medical service accounts.

Report No. DODIG-2015-179

Additional Actions Needed to Effectively Reconcile Navy's Fund Balance With Treasury Account

Fund Balance with Treasury (FBWT) is an asset account that reflects the available budgetary spending authority of a Federal agency. As of September 30, 2013, the Department of the Navy (DON) reported \$142.7 billion in FBWT, which represented 26 percent of the \$543.1 billion in total assets reported on the DON's General Fund Balance Sheet. Treasury and DoD established requirements for agencies to perform a FBWT reconciliation, a control that is key to ensuring the DON produces an auditable Statement

of Budgetary Resources and other financial reports. Performing a monthly reconciliation is a key control to ensure the accuracy of the FBWT account. DON's Fund Balance With Treasury reconciliation process for first quarter FY 2014 did not provide reasonable assurance to support the accuracy, timeliness, and completeness of the account's auditability. The Navy's inability to reconcile at the transaction level for current-year appropriations represents a significant obstacle the Navy must overcome to show it has the controls in place to produce a complete universe of transactions for an auditable Schedule of Budgetary Activity.

Report No. DODIG-2015-102

Navy's Contract/Vendor Pay Process Was Not Auditable

The DoD IG identified the Navy could not provide an auditable Contract/Vendor Pay universe, and 17 of 30 transactions for the Naval Facilities Engineering Command were not supported. In addition, the Accounts Payable balance on the Navy's General Fund Balance Sheet may be understated because the Navy did not process its Enterprise Resource Planning transactions timely. The Under Secretary of the Navy asserted that its Statement of Budgetary Activity was audit ready based on assertions of business segments, including Contract/Vendor Pay. The deficiencies the DoD IG identified highlight specific challenges that should be corrected to improve the likelihood of a successful audit. If these deficiencies are not corrected, the Navy Statement of Budgetary Activity audit opinion could be negatively affected.

Report No. DODIG-2015-142

Triannual Review Processes Need Improvement at Three Naval Budget Submitting Offices

The triannual review process is a key control that enables components to use appropriations before they expire and ensure the remaining obligations are fairly stated on the financial statements and valid. The Naval Air Systems Command, U.S. Marine Corps, and Naval Facilities Engineering Command did not support the validity and accuracy of obligations reviewed during the triannual review process. The triannual review process is an internal control practice to assess whether obligations recorded are legitimate needs of the appropriations charged. The audit concluded that

Budget offices did not have documentation to support 200 obligations, valued at \$201.7 million. Therefore, the Navy is at risk of allowing funds to expire that could be used for other valid purposes, the related financial statement balances may be incorrect, and the audit of the Schedule of Budgetary Activity could be adversely affected.

Report No. DODIG-2015-127

HEALTH AND SAFETY

Theater Blood Application Was Not Effectively Developed and Implemented

DoD was in need of an improved automated mechanism for blood-product tracking in theater and replaced the previous system with the Theater Blood Application in 2011. The DoD IG found the Program Executive Officer did not effectively develop and implement the Theater Blood Application. The Program Executive Officer, for the Defense Health Care Management Systems delivered an interim capability that improved the deployed warfighter's ability to track the theater blood inventory. However, the capability may not align with initial requirements identified by users, and the warfighter is at risk of operating without a tool to adequately track the theater blood inventory.

Report No. DODIG-2015-150

Followup Audit: DoD Military Treatment Facilities Continue to Miss Opportunities to Collect on Third Party Outpatient Claims

The DoD IG found that opportunities still exist to increase collections for Military Treatment Facilities because officials generally did not conduct compliance audits to identify discrepancies. Specifically, Military Treatment Facility officials did not consistently conduct follow up, document claim write offs, timely refer outstanding claims to their legal office, or develop a process to obtain any necessary precertification or preauthorization. As a result, Military Treatment Facilities continue to miss opportunities to collect additional payments from outstanding outpatient claims worth \$21.7 million that remain uncollected for FY 2012 through FY 2014. This also increased the risk of health care billing fraud, waste, abuse, and mismanagement.

Report No. DODIG-2015-151

JOINT WARFIGHTING AND READINESS

Controls Over the Al Udeid Air Base Military Construction Cost Estimation Process Need Improvement

The DoD IG identified valid requirements for two planned Al Udeid Air Base, Qatar Military Construction projects; however, the project cost estimates were unsupported. Unsupported costs could also result in U.S. Air Forces Central Command submitting inaccurate budget estimates to Congress for other Southwest Asia Military Construction projects, which could result in projects not being properly funded. During the audit, U.S. Army Corps of Engineers Middle East District and U.S. Air Forces Central Command Civil Engineer Directorate officials took action to validate the project cost estimates for the two projects reviewed and developed guidance to ensure that subsequent Military Construction project cost estimates are formally validated and documented.

Report No. DODIG-2015-169

U.S. Forces Korea Service Components Can Improve Management of Individual Protective Equipment

The DoD IG determined that U.S. forces stationed in Korea were not issued all required individual protective equipment to defend against chemical and biological agents. Further, U.S. forces were not performing required protective mask maintenance checks and services, maintaining serviceable individual protective equipment, or properly storing individual protective equipment. The Army and the Marine Corps have begun taking action to correct the identified deficiencies. The specific results of the audit are classified.

Report No. DODIG-2015-155

CYBER SECURITY

DoD Cybersecurity Weaknesses as Reported in Audit Reports Issued From August 1, 2014 Through July 31, 2015

The DoD IG summarized 20 DoD and Government Accountability Office audit reports and one testimony issued from August 1, 2014, through July 31, 2015, that contained findings on DoD cybersecurity weaknesses. In those reports and testimony, DoD and GAO identified a wide range of cybersecurity weaknesses within DoD systems and networks.

The most frequent weaknesses identified in the DoD IG summary report were risk management, identity and access management, and contingency planning. The summary report also identified that from August 1, 2014, through July 31, 2015, DoD management resolved 92 of 227 unresolved cybersecurity-related recommendations from previously issued audit reports and testimonies. Although the remaining 135 cybersecurity-related recommendations are unresolved, DoD continues to make progress in addressing those recommendations.

Report No. DODIG-2015-180

Air Force Commands Need to Improve Logical and Physical Security Safeguards That Protect SIPRNet Access Points

Effective logical and physical security controls help deter or delay adversary access to networks. The objective of this audit was to determine whether the Air Force had logical and physical controls in place to effectively protect its Secret Internet Protocol Router Network access points. The DoD IG determined that certain controls were ineffective, but that the Air Force took corrective action during the audit to address the identified deficiencies. The specific results of the audit are classified.

Report No. DODIG-2015-168

U.S. Cyber Command and Military Services Need to Reassess Processes for Fielding Cyber Mission Force Teams

DoD developed a cyber-strategy to help combat state and non-state actors that threaten the United States with persistent cyber-related attacks. The purpose of the cyber strategy is to serve as a guide for building DoD's cyber forces to strengthen its cyber defenses and cyber deterrence posture. In support of the strategy, DoD began building four types of cyber mission force teams: National Mission Teams, Cyber Protection Teams, Combat Mission Teams, and Support Teams. DoD's goal is to build a total of 133 cyber mission force teams by the end of FY 2018. The objective of this audit was to determine whether the U.S. Cyber Command and Military Services cyber components effectively built cyber Mission Force teams. The specific results of the audit are classified.

Report No. DODIG-2015-117

EQUIPPING AND TRAINING AFGHAN SECURITY FORCES

Challenges Exist for Asset Accountability and Maintenance and Sustainment of Vehicles Within the Afghan National Security Forces

According to Defense Security Cooperation Agency, from FY 2005 through FY 2014, DoD and Coalition forces purchased approximately 95,000 vehicles at an estimated cost of \$6.5 billion for Government of the Islamic Republic of Afghanistan's Ministry of Defense and Ministry of Interior. The audit determined that DoD did not have effective controls to ensure full accountability of vehicles provided to Afghan National Security Forces. In addition, Ministry of Defense and Ministry of Interior advisors were not confident that Afghan National Security Forces could effectively take over maintenance and sustainment of vehicles provided by DoD and Coalition forces. Additionally, DoD spent at least \$21 million on replacement engines and transmissions for High Mobility Multi-Purpose Wheeled Vehicles that likely could have been avoided.

Report No. DODIG-2015-107

Independent Auditor's Report on the Examination of DoD Execution of Afghanistan National Army Trust Fund Donations to the Afghanistan Security Forces Fund

This examination resulted in an adverse audit opinion. Because of the significance of the material variances in obligations and disbursements, the DoD IG determined management's assertion of the receipts and expenditures was not presented in accordance with generally accepted accounting principles. During the examination, the DoD IG identified an \$0.8 million disbursement on a canceled contract. On February 11, 2015, Defense Finance and Accounting Service issued a debt collection notice to recover the \$0.8 million overpayment.

Report No. DODIG-2015-154

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
- Health care 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. Procurement fraud includes, but is not limited to, cost and labor mischarging, defective pricing, price fixing, bid rigging, and defective and counterfeit parts. The potential damage from procurement fraud extends well beyond financial losses: this crime poses a serious threat to the Department's ability to achieve its operational objectives and can negatively impact the implementation of programs. To protect the welfare of our nation's warfighters, DCIS places the highest priority on investigations that impact safety and operational readiness to protect our warfighters.

Contractor to Pay \$5.9 million to Resolve Allegations of False Claims

OVERVIEW:

A DCIS investigation examined allegations that Siemens Medical Solutions (SMS) overcharged the Federal Government for purchases of medical imaging equipment. From 2002 through 2008, the Defense Supply Center Philadelphia (DSCP) negotiated and entered into contractual agreements with SMS for the purchase of medical imaging equipment and support products. The Department of Veterans Affairs also purchased medical imaging equipment through the DSCP contracts. SMS allegedly failed to provide the best price for certain DoD purchases provided

through the DSCP contract. Specifically, SMS allegedly did not provide the DoD with the largest discount that a private or commercial customer had received for a "like system," and, by doing so, overcharged the Government. SMS also allegedly withheld information about this overcharging and kept money that it was not entitled to retain. Similar overcharging was alleged related to sales to the Veterans Affairs.

RESULT:

On May 13, 2015, SMS entered into a civil settlement agreement with the Department of Justice. SMS agreed to pay over \$5.9 million to settle allegations it violated the False Claims Act, of which DoD received approximately \$3.2 million.

UPS to Pay \$25 million to Resolve False Claims Allegations

OVERVIEW:

A joint investigation with the General Services Administration Office of Inspector General (OIG) examined allegations that, from 2004, the United Parcel Service (UPS) recorded inaccurate delivery times on overnight packages charged to Federal Government accounts. The discrepancy allegedly resulted in packages that appeared to have been delivered on time when they were not delivered as required. It was also alleged that UPS applied inapplicable exception codes to excuse late overnight packages charged to Federal Government accounts, and provided inaccurate on-time performance data for the Federal contracts. As a result, UPS allegedly deprived federal customers of the ability to request guaranteed service refunds for those late packages.

RESULT:

On May 4, 2015, UPS entered into a settlement agreement with the Department of Justice whereby the company agreed to pay the U.S. Government \$25 million to resolve allegations that the company submitted false claims. The relator, a former employee of UPS, will receive \$3.75 million of those funds.



Two T-6A Texan IIs Fly in Formation
Source: U.S. Air Force

DoD Contractors Agree to Pay \$1.65 million to Settle Allegations of False Claims

OVERVIEW:

A joint investigation with the U.S. Air Force Office of Special Investigations (AFOSI) and the Department of Transportation OIG examined allegations that TECT Aerospace Wellington, Inc. (TECT) employees used hammers to improperly form, rework, and eventually force wing spar caps to fit into aircraft check fixtures for the U.S. Air Force and U.S. Navy T-6A Texan II Joint Primary Aircraft Trainer System (JPATS) and King Air aircraft. Both aircraft are produced by Hawker Beechcraft Corporation (HBC). TECT allegedly tried to conceal the forced forming modification practices in order to pass visual inspections. HBC was allegedly aware of these unapproved rework practices and did not prohibit TECT from engaging in the unapproved practices. The Air Force Research Laboratory testing of the wing spar caps concluded that the forming and rework practices allegedly used by TECT did not degrade the mechanical properties of the aircrafts and posed no safety concerns.

RESULT:

On May 7, 2015, TECT and HBC entered into a civil settlement agreement with the Department of Justice and agreed to pay \$1.65 million to the Government to resolve alleged violations of the False Claims Act.

PUBLIC CORRUPTION

The integrity of the procurement system depends on the public officials who oversee the purchase, quality, safety, and security of the equipment and services that warfighters require. Corruption by public officials fundamentally threatens the country's national security and overall safety, and undermines the public trust in the Government. Public corruption wastes tax dollars and negatively affects the Department and the mission of the warfighter. DCIS combats public corruption with the authority, resources, and expertise to conduct undercover operations, court-authorized electronic surveillance, and forensic audits. Using these tools, DCIS pursues those who undermine the integrity of the DoD acquisition system.

Contractor Sentenced to Four Years in Jail for Bribery

OVERVIEW:

A joint investigation with U.S. Army Criminal Investigation Command (CID), Internal Revenue Service—Criminal Investigation, and the Federal Bureau of Investigation (FBI) disclosed that former Army Master Sergeant Lawrence Fenti conspired with Heidi Webster to fraudulently secure multiple Army contracts and subcontracts. Starting in 2007, Fenti, Noncommissioned Officer in Charge of the Radiology Division, Brooke Army Medical Center,

Fort Sam Houston, Texas; and Heidi Webster, Owner/Operator of MRI Resources, Inc., conspired to secure multiple Army contracts and subcontracts for radiology equipment and services. Fenti used his position of influence, took advantage of a prime contractor's non-competitive bidding status, made false statements and fraudulent claims, and bribed Army personnel and Army contractors. The contracts included a \$2 million magnetic resonance imaging (MRI) contract in June 2008; a \$4.9 million MRI contract in July 2008; a \$633,406 staffing contract in September 2008; and a \$336,600 MRI contract in September 2009. Fenti and Webster split the profits obtained from their scheme and laundered the proceeds of the crime to conceal their actions.

RESULT:

Fenti previously pleaded guilty to conspiracy and bribery and was sentenced to 48 months confinement and 3 years supervised release. Additionally, he was ordered to pay \$422,485 in restitution and a \$200 special assessment. Webster previously pleaded guilty to conspiracy and bribery. On May 8, 2015, Webster was sentenced to 72 months confinement and 3 years supervised release. Additionally, she was ordered to forfeit \$613,828 and pay a \$200 special assessment.

U.S. Civilian Employee Solicited \$500K In Bribes In Return For Government Contracts

OVERVIEW:

A joint investigation with the FBI and Army CID disclosed that James Warner, a Pentagon Official, made arrangements to meet with two executives of a private company that held a 5-year contract with the Department of the Army valued at \$120 million. During the meeting, Warner instructed the two executives to communicate with him by typing messages into his cell phone, which was passed around the table. Warner then passed a menu to the two executives. Inside was a piece of paper, which outlined a bribe and extortion solicitation, suggesting that if the company paid Warner \$500,000, it would secure a contract renewal from the Department of the Army and alleged damaging information about the company would be destroyed. The executives declined Warner's solicitation, reported the conduct, and began cooperating with law enforcement agents. Following the direction of law enforcement, one of

the executives then met with Warner on multiple occasions, paying him a total of \$150,000 cash. At the last of these meetings on January 28, 2015, Warner was arrested while in possession of \$100,000 in bribe payments.

RESULT:

On March 12, 2015, Warner pleaded guilty to bribery of public officials. On June 19, 2015, Warner was sentenced to 42 months incarceration, 3 years of supervised probation upon release, and was ordered to pay a \$100 special assessment. Warner also agreed to a forfeiture of \$50,000 in the form of a money judgment. On July 30, 2015, Warner was debarred from Government contracting until January 18, 2029.

Electric Cooperative to Pay \$7.61 million to Settle Allegations of False Claims

OVERVIEW:

A joint investigation with Army CID examined allegations that Gary Meredith, Energy Program Manager, Fort Knox, Kentucky, had inappropriate relationships with Nolin Rural Electric Cooperative Corporation (Nolin RECC). Beginning in 1996, Meredith allegedly steered more than \$200 million in Government energy conservation contracts to Nolin RECC. In 2007, Meredith retired from the Army and began work as a Nolin RECC contractor. However, while still employed with the Army, Meredith allegedly created a \$580,000 contract to fund his current contractor position. Meredith allegedly assisted Nolin RECC and submitted millions of dollars in false claims against numerous Government energy conservation contracts at Fort Knox. The investigation also examined allegations that Matthew Bowman, Procurement Fraud Attorney, Fort Knox, attempted to obstruct the investigation.

RESULT:

On April 9, 2015, Nolin RECC entered into a Non-Prosecution Agreement and civil settlement agreement with the Department of Justice. Nolin RECC agreed to pay \$7.61 million to the Government to resolve alleged violations of the False Claims Act. Of this amount, Nolin RECC agreed to pay \$1.81 million as civil restitution, \$800,089 as credit on pending accounts with the Army, and \$5 million as civil forfeiture. Meredith was previously indicted for conflict of interest, engaging in post-employment activities on behalf of the Government, and wire

fraud. Trial is scheduled for December 1, 2015. Charged individuals are presumed innocent until proven guilty.

Defense Contractor Extradited from Iraq Sentenced to 30 Months in Jail

OVERVIEW:

A joint investigation with the FBI disclosed that from 2006 through 2008, Metin Atilan, President and Chief Executive Officer, PMA Services Ltd., illegally offered bribes and kickbacks in exchange for contracts associated with U.S. military general services and construction project operations in and around Iraq. Atilan was previously indicted in June 2008, for conspiracy to engage in contract fraud, conspiracy to engage in wire fraud, and wire fraud. Atilan was arrested in Las Vegas, Nevada on May 23, 2008. While awaiting extradition from Nevada to Ohio, Atilan fled to his native country of Turkey. In 2014, Atilan was arrested in Erbil, Iraq, based on an International Police (INTERPOL) arrest warrant. In July 2014, Atilan was extradited to the U.S. and placed in custody in Dayton, Ohio.

RESULT:

On March 25, 2015, Atilan pleaded guilty to conspiracy to commit wire fraud, assault of a Federal officer, and failure to appear on pretrial release. On July 1, 2015, Atilan was sentenced to 30 months incarceration, 60 months supervised release, fined \$1 million, and ordered to pay a \$300 penalty assessment.

Retired U.S. Army Lieutenant Colonel Sentenced to 36 months in Jail for Accepting Gratuities

OVERVIEW:

A joint investigation with the FBI, Army CID, and the Internal Revenue Service—Criminal Investigation Division disclosed that Lieutenant Colonel Mark Moss improperly received \$253,000 and other gifts from two Government contractors. Al-Pacific Ltd Est. for Electronics and Makhpiya Project Management (MPM) provided cash and gifts to Moss while he served as the Director of Information Management for Area Support Group, Camp Arifjan, Kuwait. In return, Moss actively endorsed Al-Pacific and MPM by encouraging Government contracting personnel and prime

contractors, who worked under his command authority, to highly consider and favor Al-Pacific and MPM for new Government contracts.

RESULT:

Moss previously pleaded guilty to accepting gratuities. On August 6, 2015, Moss was sentenced to 36 months incarceration, 3 years supervised release, ordered to pay \$253,000 in restitution and a \$100 penalty assessment, and ordered to forfeit personal items of value such as jewelry and numerous vehicles to the Government.

U.S. Army Members Incarcerated for Bribery and Fuel Theft Scheme

OVERVIEW:

A joint investigation with the FBI, Army CID and the Special Inspector General for Afghanistan Reconstruction (SIGAR) disclosed that Army Sergeant First Class James Norris and Sergeant Darnell Hampton illegally accepted bribes from local Afghanistan truck drivers located at Forward Operating Base Gardez, Afghanistan. From January 2013 through April 2013, Norris, Hampton, and other Army soldiers collected approximately \$2,000 cash per day from local Afghanistan drivers in return for government fuel. Norris and Hampton admitted to shipping the monetary proceeds back to the U.S. in ruggedized “tough” boxes.



Forward Operating Base Gardez, Afghanistan
Source: U.S. Air Force

RESULT:

Norris previously pleaded guilty to conspiracy to commit bribery and money laundering. On May 21, 2015, Norris was sentenced to 51 months incarceration and 3 years of supervised release. Norris forfeited a motorcycle to the Government and was ordered to pay a \$200 penalty assessment. Hampton previously pleaded guilty to conspiracy to commit bribery and money laundering. On July 28, 2015, Hampton was sentenced to 24 months incarceration and 3 years of supervised release. Hampton forfeited a vehicle to the Government and was ordered to pay a \$200 penalty assessment. Norris and Hampton were jointly and severally ordered to pay restitution of \$176,100.

Former Fort Drum Employee Sentenced for False Statement

OVERVIEW:

A joint investigation with the FBI and Army CID disclosed that Anthony B. Felder made a false statement regarding prohibited outside employment while employed as a Project Manager by the U.S. Army Corps of Engineers (USACE) at Fort Drum, New York. This false statement was a deliberate attempt to conceal a conflict of interest. In January 2009, Felder incorporated East Coast Mitigation (ECM) and began performing environmental subcontract work at Fort Drum. The following month, Felder submitted a certification form in which he was required to report all positions held outside the U.S. Government. Felder included all positions which did not conflict with his employment at Fort Drum, but did not include his ownership of ECM. As a result, ECM received a \$300,000 second tier subcontract award to evaluate and develop a wetland mitigation plan for a USACE project before his false statement was discovered.

RESULT:

Felder previously pleaded guilty to making a false statement. On April 2, 2015, Felder was sentenced to 2 years of probation and ordered to pay \$35,500 in restitution to USACE and a \$5,000 fine. Felder also resigned from the USACE. On June 17, 2015, Felder, ECM, and two other companies owned by Felder—Great Lakes Conservation Credits, Inc. and Indian River Lakes Engineering—were debarred from Government contracting until April 22, 2019.

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 contract requirements. Nonconforming products compromise 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 they are removed from the 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 contract requirements. DCIS participates in the Defense Supply Center-Columbus Counterfeit Material/Unauthorized Product Substitution Team and partners with the National Intellectual Property Rights Coordination Center to prevent the proliferation of counterfeit parts.

Supplier Provided Counterfeit Parts for Use in the F-16 Jet Fighter

OVERVIEW:

A joint investigation with AFOSI disclosed that Raymond Fautz, owner of Transistor and Electronic Components, Inc. (TEC), supplied counterfeit electronic components for use in the F-16 jet fighter. In June 2013, Korry Electronics discovered that the thyristors, a component used in manufacturing the module warning light assemblies, purchased from TEC were counterfeit. The parts Fautz supplied through TEC did not meet contractual requirements and were accompanied by counterfeit Certificates of Conformance. Misled by the counterfeit documentation, Korry Electronics then incorporated the components into subassemblies and subsequently delivered these non-conforming subassemblies to the Air Force.



F-16 Aircraft

Source: www.af.mil

RESULT:

Fautz previously pleaded guilty to aircraft parts fraud. On August 3, 2015, Fautz was sentenced to 3 months of imprisonment, 9 months home detention with electronic monitoring, 3 years of supervised release, and was ordered to pay restitution on behalf of Korry Electronics in the amount of \$163,115.

DoD Contractor Agrees to Pay \$2.8 Million to Settle Allegations of False Claims

OVERVIEW:

A joint investigation with AFOSI and NCIS examined allegations that PoleZero Corporation, a DoD contractor, submitted false claims to the Air Force for communications equipment. From 2003 through 2013, PoleZero allegedly provided radiofrequency filters and integrated co-site equipment to the Air Force for use on Airborne Warning and Control System aircraft that failed to meet contractual specifications. As a result of the allegedly nonconforming parts, the Air Force incurred extensive repair costs and the availability of the AWACS to fly missions was negatively impacted.

RESULT:

On August 14, 2015, PoleZero entered into an agreement with the Department of Justice to pay \$2.8 million to the Government to resolve alleged violations of the False Claims Act. The relator will receive \$504,000 of the settlement.

HEALTH CARE FRAUD

Rising health care costs are an ongoing national concern. DCIS has identified an associated increase in allegations of health care fraud. Combatting this crime is one of its top investigative priorities. DCIS is particularly concerned with allegations of potential harm to DoD military members and their dependents. In addition to patient harm, typical investigations scrutinize health care providers involved in corruption or kickback schemes; overcharging for medical goods and services; marketing or prescribing drugs for uses not approved by the U.S. Food and Drug Administration; or approving unauthorized individuals to receive TRICARE health care benefits. DCIS continues to proactively target health care fraud through coordination with other Federal agencies and participation in Federal and state task forces.

More Than \$8 million Recovered for the Defense Health Agency Related to Fraudulent Prescriptions

OVERVIEW:

A joint DCIS investigation with the FBI examined allegations of prescription fraud perpetrated by Blanding Health Mart Pharmacy, a compounding pharmacy in Florida. Allegedly, from February 9, 2015, through April 13, 2015, Blanding sought reimbursement for compounding pharmaceutical prescriptions that were not medically necessary and were written by physicians who had allegedly not seen the patients. The allegations indicated that prescriptions were being funneled to Blanding from another pharmacy and filled without an adequate verification of the required physician-patient relationship. Additionally, prescriptions were allegedly shipped to patients in locations where Blanding did not possess the appropriate licenses.

RESULT:

On July 15, 2015, Blanding and the Department of Justice reached a settlement whereby Blanding agreed to pay \$8.44 million to resolve allegations that the company violated the False Claims Act. The entire amount was returned to the Defense Health Agency (DHA).

Medical Device Manufacturer to Pay \$13.5 million to Settle Allegations of False Claims

OVERVIEW:

A joint investigation with the U.S. Department of Health and Human Services Office of Inspector General (OIG), the Office of Personnel Management (OPM), and the U.S. Food and Drug Administration (FDA)–Office of Criminal Investigation examined allegations that, from 2008 through 2013, NuVasive, Inc., a California-based company, promoted the use of its CoRoent System for surgical uses that were not approved or cleared by the FDA. The system was allegedly promoted for use in treating two complex spine deformities, severe scoliosis and severe spondylolisthesis. As a result of this alleged conduct, NuVasive caused physicians and hospitals to allegedly submit false claims to federal health care programs for certain spine surgeries that were not eligible for reimbursement.

The investigation examined allegations that NuVasive knowingly offered and paid illegal remuneration to certain physicians to induce them to use the CoRoent System in spine fusion surgeries in violation of the Federal Anti-Kickback Statute. The allegedly illegal remuneration consisted of promotional speaker fees, honoraria, and expenses relating to physicians' attendance at events sponsored by a group known as the Society of Lateral Access Surgery (SOLAS). SOLAS was allegedly created, funded, and operated solely by NuVasive, despite its outward appearance of independence.

RESULT:

On July 30, 2015, a settlement was reached between NuVasive and the Department of Justice whereby NuVasive agreed to pay \$13.5 million to resolve allegations the company caused health care providers to submit false claims to DHA, Medicare, and other federal health care programs in violation of the False Claims Act. Approximately \$1.87 million of the settlement amount will be paid directly to DHA.

Pharmacy to Pay Defense Health Agency \$3.7 million to Settle False Claims Allegations

OVERVIEW:

A joint investigation with the FBI examined allegations that Medimix Specialty Pharmacy, LLC, a Florida compounding pharmacy, allegedly billed the

government for compounded pain prescriptions that came from an improper referral source in violation of the False Claims Act. From January 1, 2009 through December 2014, Dr. Ankit Desai allegedly sent hundreds of prescriptions to Medimix. These prescriptions were not reimbursable because Dr. Desai was married to a Senior Vice President at Medimix. Health care providers are generally prohibited from referring business to entities where they have a financial interest.

RESULT:

On May 22, 2015, a settlement was reached between Medimix and the Department of Justice whereby Medimix agreed to pay \$3.77 million to resolve alleged violations of the False Claims Act. The entire amount was returned to DHA.

New York Health care Providers to Pay \$1.21 million to Resolve False Claims Allegations

OVERVIEW:

A DCIS investigation examined allegations that, from January 1, 2006 through January 30, 2015, nine health care providers operating in the Watertown, New York area submitted or caused others to submit falsely inflated claims to the DHA. The providers were:

- Pediatric Associates of Watertown, P.C.;
- Northern Radiology Imaging PLLC;
- Pulmonary Associates of Northern New York;
- Northern Radiology Associates P.C.;
- North Country Orthopedic Group P.C.;
- North Country Neurology P.C.;
- Magnetic Imaging Center;
- Upstate Neonatal Care P.C.; and
- Watertown Eye Center.

The providers allegedly added a modifier to their claims and certified to the Federal Government that they were entitled to receive Health Professional Shortage Area (HPSA) bonus payments from the DHA. The HPSAs are geographic areas or populations within geographic areas which lack sufficient health care providers to meet the health care needs of a population. Physicians who provide services in the area designated as geographic HPSAs are entitled

to receive 10-percent bonus payments above the amount ordinarily reimbursed. The investigation determined that the geographic area in which the nine providers were located was not a designated geographic HPSA.

RESULT:

From July 6, 2015, through August 26, 2015, the nine health care providers entered into separate civil settlement agreements with the Department of Justice. The providers agreed to pay a combined total of \$1.21 million to resolve allegations of false claims to DHA in violation of the False Claims Act.

ILLEGAL TECHNOLOGY TRANSFER

DCIS serves a vital role in national security by investigating 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 theft or transfer of defense technology, weapon systems, and other sensitive components and program information. Consistent with its role in protecting America's warfighters, DCIS is an integral participant in the President's Export Control Reform Initiative, as a charter member of the Export Enforcement Coordination Center. This multi-agency center was established to coordinate and enhance U.S. Government export enforcement efforts.

Proliferator Conspired to Illegally Acquire Restricted U.S. Technology for the Islamic Republic of Iran

OVERVIEW:

A joint investigation with Immigration and Customs Enforcement–Homeland Security Investigations (ICE–HSI) determined that Aresh Ghahreman, Koorush Taherkhani, Ergun Yildiz, and TIG Marine Engineering Services conspired to illegally divert sensitive technology from the United States to the Islamic Republic of Iran. The technology included fiber-optic gyroscopes used for maritime navigation and military airborne radar components. The investigation revealed that Ghahreman, a naturalized U.S. citizen and former Iranian national, acted as an agent of an Iranian procurement network that used TIG Marine in Dubai to acquire U.S. goods and technologies for illegal transshipment to, and end use in, Iran. Specifically, Ghahreman and his

co-defendants agreed to purchase four Navigat-2100 fiber optic gyrocompasses and 50 Y-690 units (electron tubes) and wired approximately \$60,000 in partial payment to the sellers. Ghahreman and Yildiz were arrested in 2013 after they attempted to ship some of the items to Iran through third countries.

RESULT:

Each co-defendant, including TIG Marine, was previously indicted for conspiracy to export to an embargoed country, smuggling of goods from the United States, attempt to export to an embargoed country, smuggling of goods from the United States, conspiracy to launder monetary instruments, and laundering of monetary instruments. On April 23, 2015, Ghahreman was found guilty of conspiracy to export to an embargoed country, conspiracy to export goods from the United States, attempt to export to an embargoed country, smuggling of goods from the United States, conspiracy to launder monetary instruments, and laundering of monetary instruments. On August 27, 2015, Ghahreman was sentenced to 78 months incarceration, 3 years of supervised release, and a special assessment of \$700. Yildiz, a German citizen, previously pleaded guilty to conspiracy to export to an embargoed country. On May 8, 2015, Yildez was sentenced to 23 months incarceration and 2 years supervised release. An arrest warrant was issued for co-defendant Taherkhani, an Iranian national. Charged individuals are presumed innocent until proven guilty.

Former Chief of Police Sentenced to Jail for Misuse of the Defense Logistics Agency–Disposition Services Program

OVERVIEW:

A joint investigation with IRS–Criminal Investigation Division disclosed that Timothy Swanson, Chief of Police of City of Countryside, Illinois, illegally used two Government-procured OH-58 Kiowa Helicopters from the Defense Logistics Agency–Disposition Services, Law Enforcement Support Office, for personal financial gain. Swanson created Illinois Regional Air Support Service (IRASS) as a non-profit company to support government and law enforcement operations. From its inception in 2005 through January 2013, IRASS received over \$350,000 in monetary donations from local law enforcement agencies, private companies, and private persons,

which paid for fuel, insurance costs, equipment, and aviation maintenance. Swanson then illegally used \$229,128 of the monetary donations to pay IRASS and personal credit card debt unrelated to IRASS operational expenses; and he purchased a commercial flight school business, Rotors & Wings, LLC, which he owned and operated.

RESULT:

Swanson previously pleaded guilty to mail fraud, money laundering, income tax evasion, and filing a false income tax return. On May 29, 2015, Swanson was sentenced to 27 months incarceration, 3 years of supervised release, ordered to pay restitution of \$55,140 to the Internal Revenue Service for income tax owed, and to pay a \$700 penalty assessment. On July 15, 2015, a U.S. District Judge entered an amended judgment and ordered Swanson to pay additional restitution in the amount of \$229,128 to the donors of IRASS and \$87,458 to the City of Countryside.

DoD Employee and Former U.S. Army Contractor Incarcerated for Theft of Government Property in Excess of \$2.63 million

OVERVIEW:

A joint investigation with the U.S. Army CID, SIGAR, and AFOSI disclosed that David Rodriguez, Director of Logistics at Camp Taji, Iraq, and Stacey Hines, a former Raytheon employee, conspired to defraud the Government in 2012 through the theft of \$2.63 million worth of Government property. Rodriguez and Hines conspired to steal eight cargo containers holding vehicle parts, computers, and communications equipment. The stolen Government property was then illegally sold on the black market in Iraq.

RESULT:

Rodriguez previously pleaded guilty to conspiracy and theft of Government property. He was sentenced to 27 months incarceration and 36 months supervised release. Hines previously pleaded guilty to conspiracy and theft of Government property. On June 18, 2015, Hines was sentenced to 46 months incarceration, 36 months supervised release, and ordered to pay a \$200 special assessment. Rodriguez and Hines were jointly and severally ordered to pay \$2.63 million in restitution.

CYBER CRIME AND COMPUTER NETWORK INTRUSION

DCIS investigates cyber crimes and computer network intrusions, and provides digital exploitation and forensics services in support of traditional investigations. DCIS places emphasis on crimes that involve the compromise and theft of sensitive defense information contained in Government and DoD contractor information systems. DCIS is particularly focused on cases where contract fraud by DoD Information Technology contractors has factored in the penetration of DoD networks or the loss of DoD information. DCIS is also deploying a dedicated wide-area network examination cloud to facilitate the collaborative review of digital media during investigations.

Identity Thief to Pay \$1.75 million After Compromise of myPay System

OVERVIEW:

A joint investigation with the FBI, IRS, U.S. Secret Service, and ICE-HSI disclosed that Oleg Pidtergerya was involved in a conspiracy to compromise online financial accounts, including those in myPay, the Defense Finance and Accounting Service payroll and accounting system. Compromised user credential information was used to access myPay user accounts and insert fraudulent bank routing numbers and account numbers into user profiles. This scheme diverted funds to the accounts of individuals who then withdrew the funds through ATMs, wire transfers, money orders, and other means. Funds stolen from several other U.S.-based payroll service companies were also traced to the same fraudulent accounts.

RESULT:

Pidtergerya previously pleaded guilty to conspiracy to commit wire fraud, conspiracy to commit access device fraud, and identity fraud. On April 15, 2015, Pidtergerya was sentenced to 92 months of imprisonment followed by 36 months of supervised release. He was also ordered to pay a \$200 special assessment and jointly and severally pay \$1.75 million in restitution with his codefendants. Of this amount, \$200,864 will be paid to the Internal Revenue Service and the remainder to nongovernment victims.

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 United States and in Southwest Asia. Since 2007, DCIS has seized \$195 million, had final orders of forfeiture totaling \$96 million, and money judgments in the amount of \$186 million. During this 6-month reporting period, DCIS has seized assets totaling \$12 million, had final orders of forfeiture totaling \$45 million, and obtained money judgments in the amount of \$54 million. Seized assets include cash/currency, financial instruments, real property, and vehicles.

Investigative Examples:

On May 28, 2014, Fractal Systems, Inc. (Fractal) and Mahmoud “Matt” Aldissi (Aldissi), its chief executive officer (CEO), were indicted on charges of conspiracy to commit wire fraud, wire fraud, aggravated identity theft and falsification of records involving Federal investigations. The indictment alleged that Fractal and Aldissi fraudulently obtained approximately \$10.5 million of small business research awards from the Federal government. Fractal and Aldissi submitted proposals using the stolen identities of real people to create false endorsements of and for their proposed contracts. In the proposals, Fractal and Aldissi lied about facilities, costs, the principal investigator on some of the contracts, and certifications in the proposals. On March 20, 2015, a Federal jury convicted Aldissi on all counts listed in the indictment. On June 9, 2015, Fractal and Aldissi agreed to a criminal forfeiture money judgment in the amount of \$10.65 million. On June 18, 2015, the U.S. Government seized a residence owned by Aldissi valued at \$222,295. On August 21, 2015, DCIS special agents seized two vehicles, a 2003 BMW Z8 Roadster valued at \$134,800 and a 2007 Porsche 911 valued at \$47,700, to partially satisfy the forfeiture money judgment.

On January 15, 2015, Glenn Defense Marine Asia PTE, LTD (GDMA) and Leonard Glenn Francis (Francis), its CEO, pleaded guilty to bribery and fraud charges. GDMA and Francis admitted to presiding over a massive, decade-long conspiracy involving U.S. Navy officials, millions of dollars in bribes, as well as routinely overbilling the Government millions of dollars for items from fuel to tugboats to sewage disposal. GDMA and Francis agreed to a \$35 million forfeiture money judgment. On April 17, 2015, GDMA and Francis wire transferred \$5 million to partially satisfy the forfeiture money judgment.

On April 9, 2015, Gary Meredith and Associates, LLC (GMA) and Gary Meredith (Meredith), its CEO, entered into a Non-Prosecution Agreement with the U.S. Government, wherein GMA and Meredith agreed to a forfeiture money judgment in the amount of \$5 million. GMA and Meredith admitted to defrauding the U.S. Government in energy savings projects for the U.S. Army, as well as a conflict of interest issue with Meredith. Meredith had previously participated personally and substantially in the creation of an Energy Conservation Opportunity (ECO) as an employee of the U.S. Army. On April 27, 2015, DCIS special agents seized a cashier’s check from GMA and Meredith in the amount of \$4.88 million, which satisfied the forfeiture money judgment.



Porsche Seized as the Result of a DCIS Investigation
Source: DoD IG

Figure 2.1 Asset Forfeiture Program by Fiscal Year

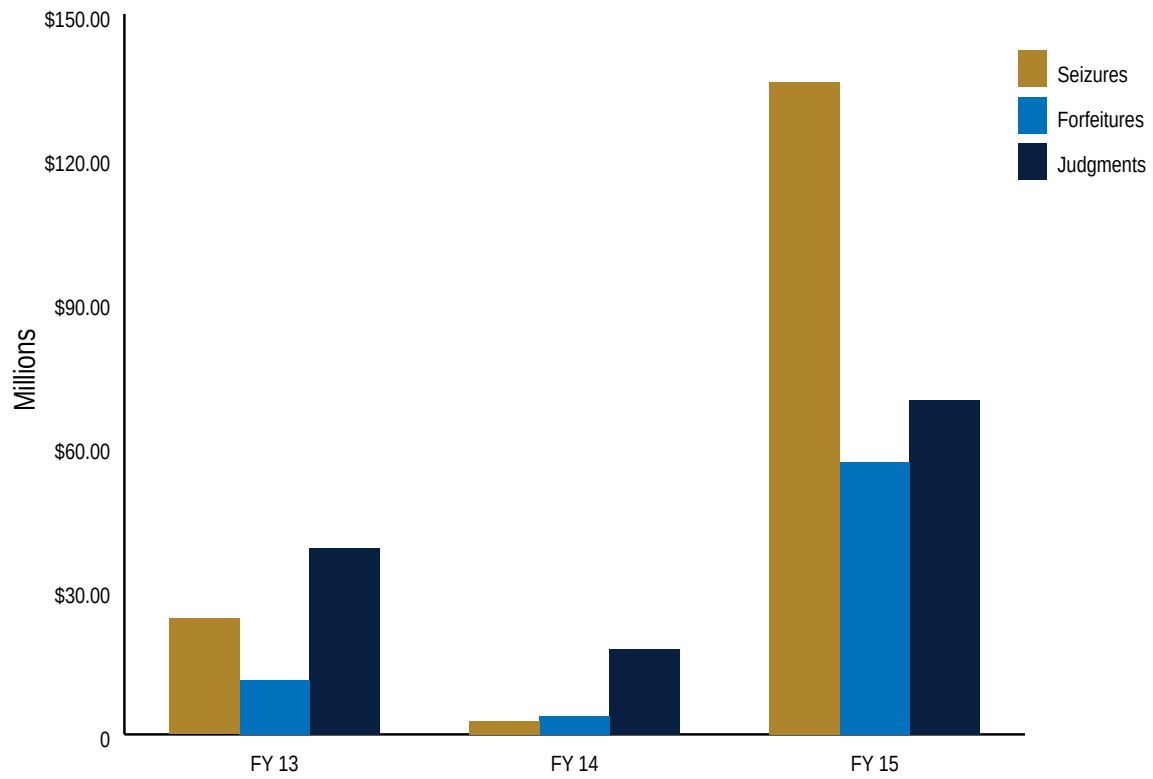
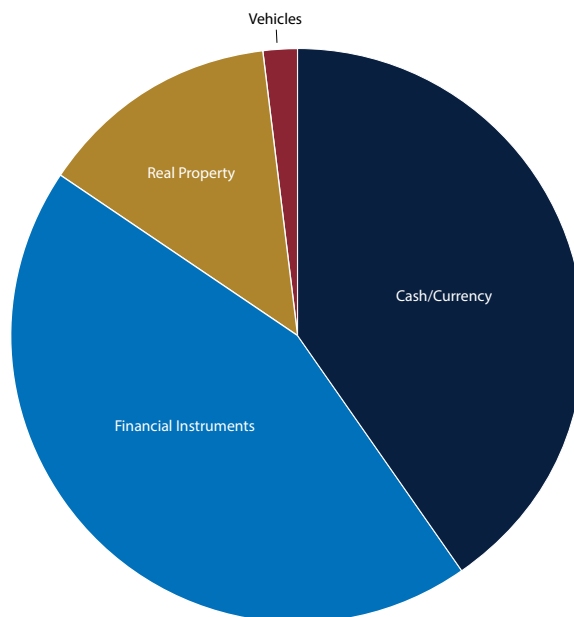


Figure 2.2 Seized Assets by Type (April 1, 2015 - September 30, 2015)



ADMINISTRATIVE INVESTIGATIONS

The DoD IG Office of the Deputy Inspector General for Administrative Investigations (DIG AI) consists of three directorates:

- DoD hotline
- Whistleblower Reprisal Investigations (WRI)
- Investigations of Senior Officials (ISO).

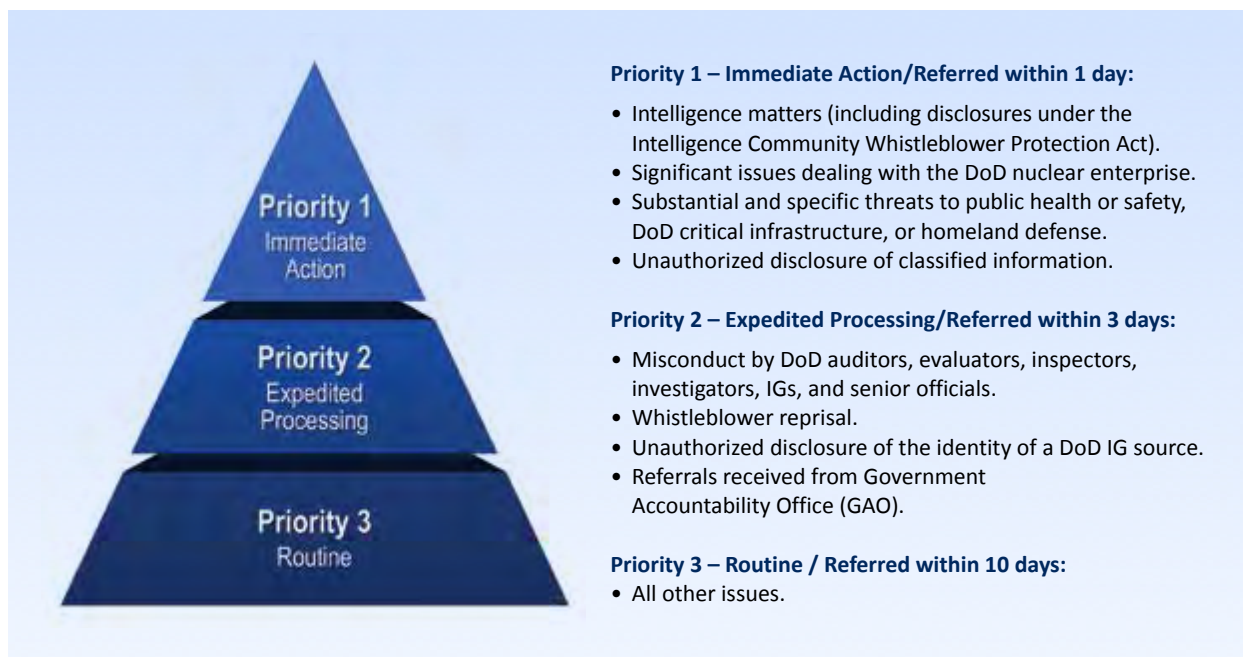
The DoD hotline Director also serves as the DoD Whistleblower Protection Ombudsman as described below.

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 that involve the Department of Defense. The detection and prevention of threats and danger to the public health and safety of the Department and our Nation are an essential element of the Hotline mission.

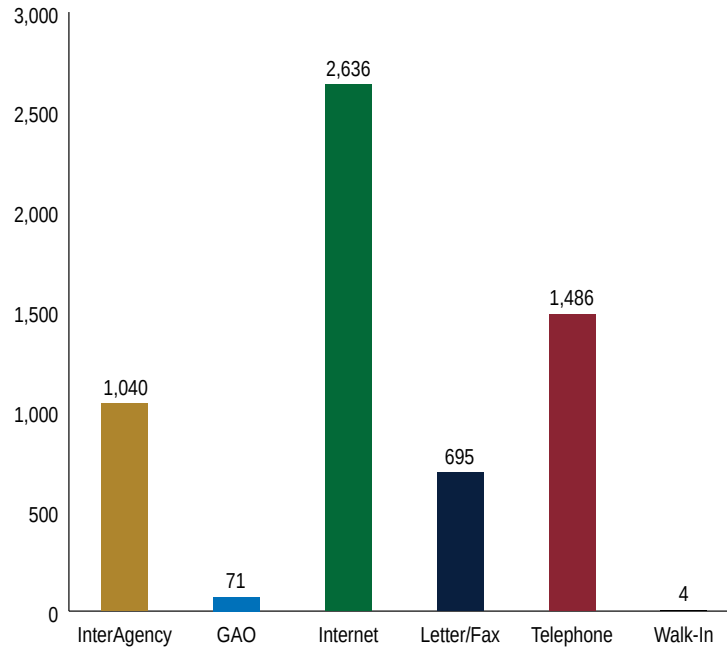
As a result of the Priority Referral Process, the hotline receives, triages, and refers cases based on the following criteria.

Figure 2.3 Priority Referral Process



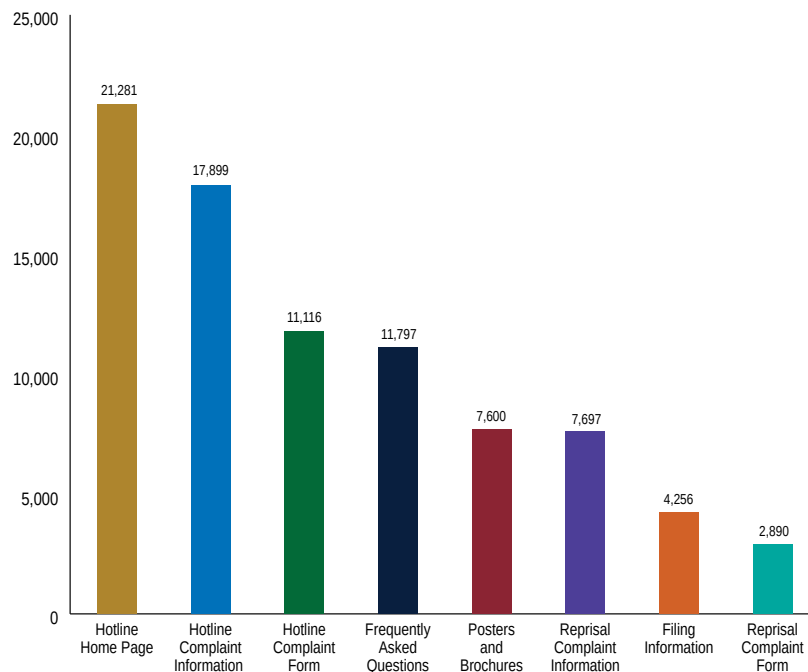
During this reporting period, the hotline received 5,932 contacts. Those contacts were received in the types identified in the chart below.

Figure 2.4 Total Contacts Received by Type of Method



During this reporting period, the hotline's webpages received over 116,402 views. The chart below reflects the number of visits to various fraud, waste, abuse, and reprisal information pages.

Figure 2.5 Most Visited Pages on Hotline Website

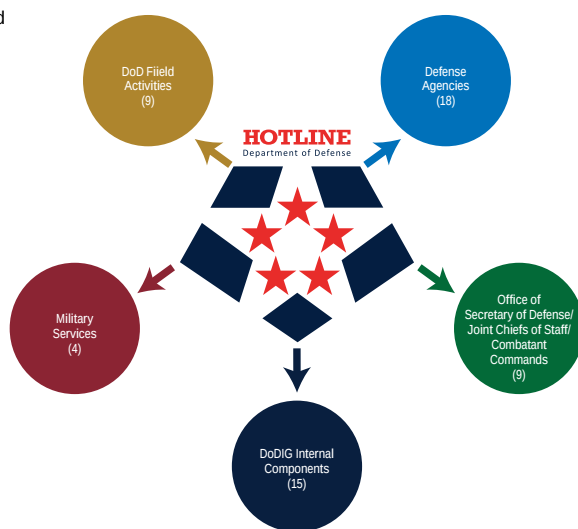


During this reporting period, the hotline referred 2,520 cases and closed 2,797. The following charts show the referrals hotline made to the military services and Defense agencies or activities. The hotline additionally referred 65 cases to non-DoD agencies and closed 63.

As indicated in the graph below, the hotline refers cases to:

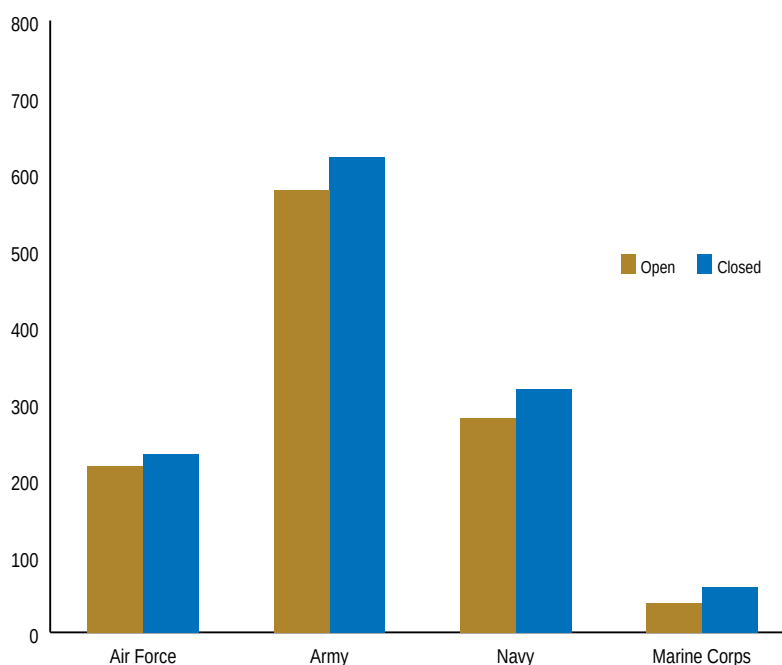
- 4 Military Services (Army, Navy, Air Force, and Marine Corps);
- 9 DoD Field Activities;
- 18 Defense Agencies;
- 9 OSD entities; and
- 15 internal DoD IG subcomponents.

Figure 2.6 Hotline Cases Referred



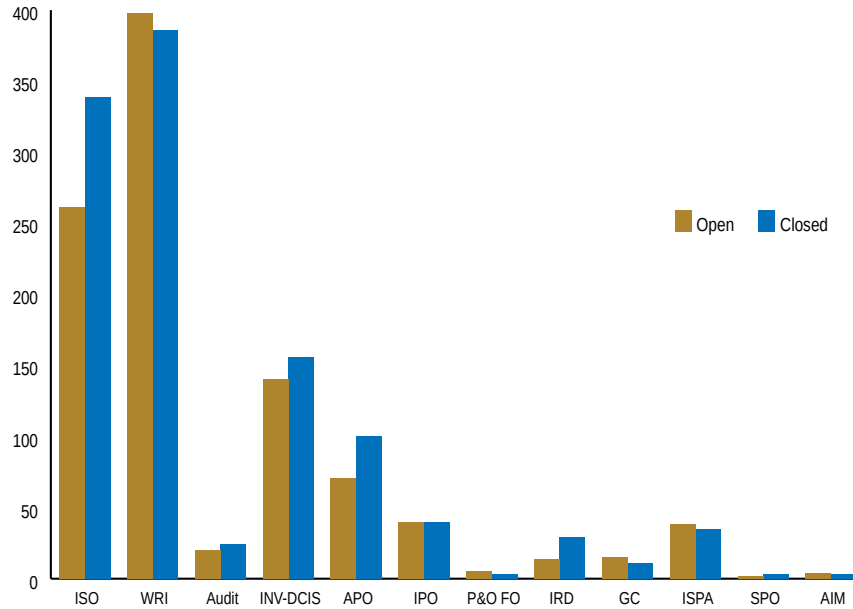
The hotline opened a total of 1,114 cases and closed 1,232 cases referred to the Military Services.

Figure 2.7 Hotline Cases Opened / Closed - Military Services, April 1 – September 30, 2015



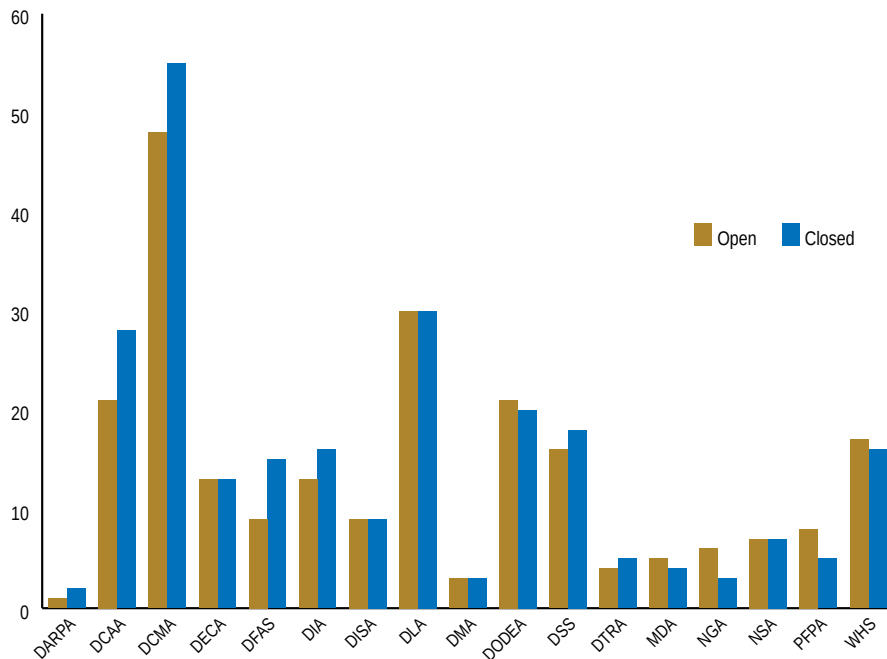
As indicated in the chart below, the hotline opened a total of 1,010 cases and closed 1,131 cases referred to the DoD IG subcomponents.

Figure 2.8 Hotline Cases Opened/Closed – DoD IG Component, April 1 – September 30, 2015



The hotline opened a total of 231 cases and closed 249 cases referred to DoD agencies.

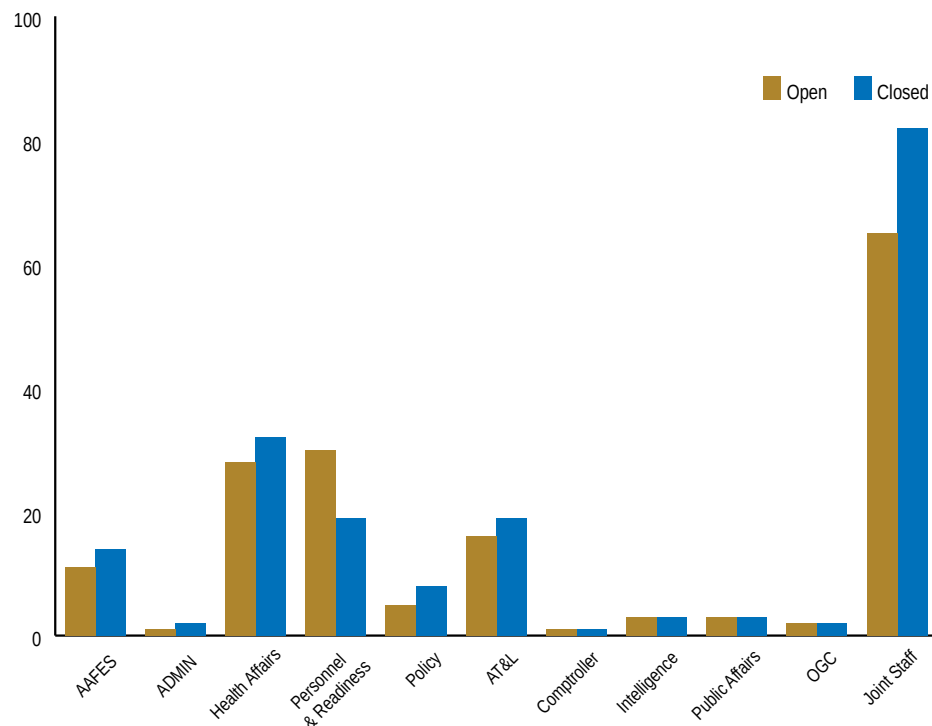
Figure 2.9 Hotline Cases Opened/Closed - DoD Agencies, April 1 – September 30, 2015



CORE MISSION AREAS

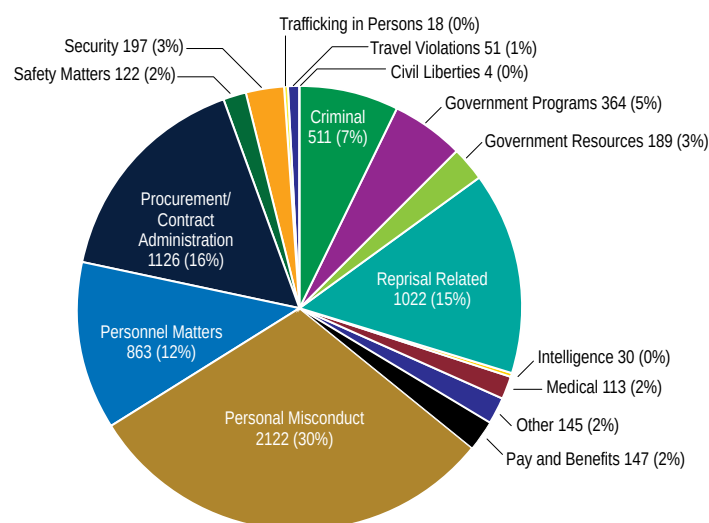
The hotline opened a total of 165 cases and closed 185 cases referred to OSD.

Figure 2.10 Hotline Cases Opened / Closed - OSD, April 1– September, 2015



The majority of those allegations involved personal misconduct, improper procurement or contract administration, and reprisal.

Figure 2.11 Allegations



Note: The number of allegations does not equal the number of cases as there are multiple allegations for each case.

SIGNIFICANT CASES/COST SAVINGS FROM HOTLINE COMPLAINTS

- The hotline received a complaint which alleged the improper obligation of Operations & Maintenance (O&M) funds in excess of \$250,000 for the procurement of SOUTHCOM's Multi-Domain Joint Intelligence Center computer system. The investigation substantiated the violation of the Financial Management Regulation and noted the responsible officials were not been properly trained. The investigation resulted in cancelation of contract execution, adjustment of the funding source, and no Antideficiency Act violation. Corrective actions included recommending procurement training guidelines and the development of checks and balances to prevent repetition.
- Between 2008 and 2012, Christopher Whitman, co-owner of United Logistics, paid more than \$800,000 in bribes to former officials of the Defense Logistics Agency at MCLB-Albany to obtain commercial trucking contracts. Whitman's actions resulted in more than \$20 million in government losses and improper benefit to Whitman. He was convicted of wire fraud, bribery, obstruction of justice, and theft of government property and sentenced to 22 years in prison. A former employee of MCLB-Albany was sentenced to 10 years in prison and a former contractor at MCLB-Albany to 5 years in prison. The court ordered Whitman to forfeit more than \$18 million, the former employee more than \$15 million, and the former contractor \$513,600. Whitman was also ordered to surrender more than \$14 million worth of assets derived from the schemes. Five others pleaded guilty in the schemes and have not yet been sentenced. The case was investigated by NCIS, DCIS, DLA Office of Inspector General, and the Department of Labor Office of the Inspector General.
- An anonymous hotline complaint alleged that Advanced, Medium-Range, and Air-to-Air Missiles produced by Raytheon contained defective microwave sub-assemblies. The missiles produced under a \$562 million dollar contract were used by the Air Force and the Navy, and distributed by Foreign Military Sales (FMS). An investigation concluded the assemblies were defective, and Raytheon agreed to pay \$10,628,000 to remediate the defects.
- The hotline was notified by local law enforcement that a DoD employee was in custody, charged with on-line solicitation of a minor. DCIS provided computer forensics support, and the individual's clearance and building access was suspended. The individual pleaded guilty and was sentenced to 5 years in prison.
- The hotline received allegations of pay and allowance fraud and theft of government funds. The complainant alleged that an Army reservist was placed on mobilization orders, which were canceled 4 days later, but the soldier continued to receive mobilization pay for 1 year. The investigation substantiated the allegation that the reservist fraudulently received \$164,565.08. DFAS recouped \$25,000 before the soldier was discharged. The remaining \$140,000 will be continued as a Federal debt.
- The hotline received a report from an anonymous complainant that individuals were attempting to acquire 100 sets of body armor and kevlar helmets from a Defense Reutilization Management Office yard on Camp Leatherneck in Afghanistan. The complainant also reported there was \$16,000 worth of tools in the same shipment. The investigation substantiated the allegations. Two service members were found guilty of conspiring to commit larceny, larceny of government property, and wrongful appropriation of Government property. The total recovery of Government property was \$10,777. In addition, one service member was sentenced to 17 days confinement and dismissal from Service. The second individual, a sergeant first class (E-7), was reduced to the grade of specialist (E-4), ordered to pay the United States a fine of \$5,000, and serve additional confinement of 2 months if the fine was not paid, and confinement for 1 month.
- The hotline received a complaint alleging mismanagement of funds against Centrally Billed Accounts (CBA) at Fort Campbell, Kentucky. An investigation found the DOL Budget Section failed to make timely payments for the installation's CBA accounts. Prior to the investigation, Fort Campbell implemented changes to its processes to correct the delinquencies. Changes included enacting a Standard Operating Procedure; establishing a CBA accounts tracking register; and establishing a separation of duties by way of a signature sheet

that distinguished between the preparer, certifier, and approver. Lastly, the DOL Budget Office added an additional accounting clerk to the CBA accounts reconciliation staff. As a result of the adjustments, total CBA arrearages were reduced from \$1.69M to \$48K. The IG confirmed that all arrearages were paid.

Whistleblower Protection Ombudsman, Mr. Patrick Gookin, DoD Hotline Director

The DoD Whistleblower Protection Ombudsman (WPO) provides education about protections for current or former military members, civilian employees, and DoD contractor officials who make protected disclosures. During this reporting period, DoD WPO received 154 contacts from individuals seeking information regarding whistleblower issues and rights. Additionally, there were 11,311 visits to the hotline's Whistleblower Rights and Protections page on the website.

WHISTLEBLOWER REPRISAL INVESTIGATIONS

The Whistleblower Reprisal Investigation (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 Service members, nonappropriated fund instrumentality (NAFI) employees and DoD contractor employees under title 10 of the United States Code. NAFI employees are paid from nonappropriated funds generated by

Military Service clubs, bowling centers, golf courses, and other activities that employ NAFI employees. WRI investigates allegations that military members were restricted from communicating with a member of Congress or an IG. WRI also investigates allegations of reprisal filed by DoD appropriated fund civilian employees under the IG Act of 1978, as amended.

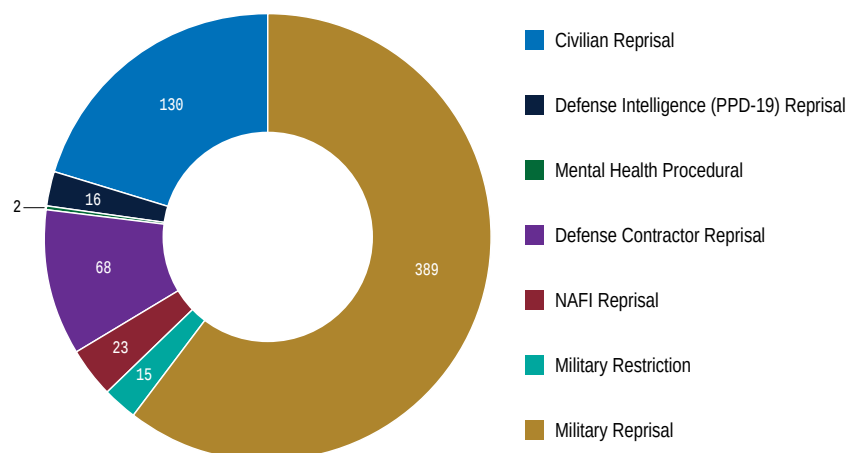
During this reporting period, the DoD IG implemented numerous enhancements to WRI's investigative and oversight functions.

On April 17, 2015, the DoD IG issued an updated DoD Directive 7050.06, "Military Whistleblower Protection," incorporating, among other changes, the December 26, 2013, amendments to section 1034 of title 10, United States Code. The amendments expanded the period to file a complaint to 1 year and broadened the scope of protected communications and activities.

REPRISAL INVESTIGATIONS

During the reporting period, DoD received a total of 643 complaints involving reprisal, restriction from communicating with a Member of Congress/Inspector General (below), and procedurally improper mental health evaluation referrals, and closed a total of 555 complaints (opposite page).

Figure 2.12 643 Complaints Received Department-Wide



The chart below shows the number and type of complaints investigated by the DoD IG and the Service/ Defense Agency IGs during this reporting period. Of the 555 complaints closed this period, 355 were dismissed due to insufficient evidence to warrant an investigation; 51 were withdrawn; and 149 were closed following full investigation. Of the 149 investigations closed, 2 involved procedurally improper mental health evaluation referrals (1 substantiated [50 percent]); 8 involved restriction from communicating with a member of Congress/ inspector general (5 substantiated [63 percent]); and 139 involved whistleblower reprisal 20 substantiated [14 percent]).

Substantiated Whistleblower Reprisal and Restriction Allegations

The following examples describe recent substantiated whistleblower reprisal, restriction, and procedurally improper mental health evaluation allegations.

- An Army first lieutenant threatened to reprise against a specialist and other platoon members and restricted them from making lawful communications to an Inspector General. The first lieutenant threatened and restricted soldiers under his supervision after the specialist made a protected communication to an Inspector General. The DoD IG recommended the Secretary of the Army take corrective action against the lieutenant. Corrective action is pending.
- A Joint Staff Army colonel and lieutenant colonel reprised against a Joint Staff Air Force master sergeant by administering him an adverse enlisted performance evaluation that lowered his points toward promotion and did not submit

Table 2.1 Reprisal, Restriction, and Mental Health Procedural Complaints Closed in FY 2015 (2nd Half)

	Total Closed	Dismissed	Withdrawn	Investigated	Substantiated Cases	Substantiation Rate
Complaint Type	DoD IG Investigation					
Military Reprisal	100	81	12	7	2	29%
NAFI Reprisal	15	5	6	4	0	0%
Defense Contractor Reprisal	59	47	7	5	0	0%
Defense Intelligence (PPD-19) Reprisal	18	14	0	4	0	0%
Civilian Reprisal	128	125	1	2	0	0%
Subtotal FY 15 (2nd Half)	320	272	26	22	2	9%
Military Restriction	0	0	0	0	0	0%
Mental Health Procedural	1	1	0	0	0	0%
Total FY 15 (2nd Half)	321	273	26	22	2	9%
Complaint Type	DoD IG Oversight of Component IG Investigation					
Military Reprisal	213	76	23	114	17	15%
Defense Intelligence (PPD-19) Reprisal	3	1	0	2	1	50%
Civilian Reprisal	1	0	0	1	0	0%
Subtotal FY 15 (2nd Half)	217	77	23	117	18	15%
Military Restriction	13	4	1	8	5	63%
Mental Health Procedural	4	1	1	2	1	50%
Total FY 15 (2nd Half)	234	82	25	127	24	19%
Grand Total FY15 (2nd Half)	555	355	51	149	26	17%

it in time for him to be eligible during his promotion cycle. The colonel and lieutenant colonel reprised against the master sergeant for reporting to his chain of command and the Joint Staff Inspector General that the Army lieutenant colonel had inappropriate sexual contact with a contractor employee. The DoD IG recommended the Secretary of the Army take corrective action against the officers, and the Secretary of the Air Force take appropriate action to correct the master sergeant's records and allow him the opportunity to compete for promotion in a supplemental promotion board. Corrective action is pending.

- An Army National Guard colonel reprised against a major under his command by issuing him a downgraded officer evaluation report. The colonel lowered the major's performance markings because the major filed a complaint with the state Army National Guard IG alleging toxic leadership and a hostile work environment. The DoD IG approved the Army IG report of investigation and the Army IG recommended the state Adjutant General take appropriate action. Corrective action is pending.
- A Marine Corps lieutenant colonel reprised against three captains by administering downgraded fitness reports. The lieutenant colonel lowered markings on their reports because of their involvement with an IG complaint and investigation. The Marine Corps IG recommended the Secretary of the Navy take appropriate action. Corrective action is pending.
- An Air Force major reprised against a staff sergeant by administering a letter of reprimand and recommending a denial of retention. The major took the actions after the staff sergeant made several protected communications to the major and others in the chain of command concerning fraudulent data entries in the Air Force Aeromedical Services Information Management System. The DoD IG approved the Air Force report of investigation and requested the Secretary of the Air Force take appropriate action against the major. Corrective action is pending.
- Two Army sergeants first class and a captain threatened reprisal against a specialist because she filed a complaint with the Equal Opportunity (EO) office that was later substantiated. The reprisal investigation determined the complainant was threatened with an unfavorable annual evaluation and an investigation into her background because of the complaint she had filed with the EO office. The DoD IG approved the Army IG report of investigation. Corrective action is pending.

Corrective/Remedial Actions Taken During Second Half of FY 2015 on Whistleblower Cases Closed in Current and Previous Reporting Periods

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

Remedial Actions to Make Complainants Whole

- In August 2014, the DoD IG substantiated that a Marine Corps chief warrant officer suspended a Marine Corps Community Service (MCCS) employee without pay from his position in reprisal for disclosing to MCCS management officials and the restaurant's headquarters that the restaurant was using expired food items received from the food distribution center. In May 2015, the DoD director of administration and management directed the service secretary to ensure that the employee receives back pay for the time he was suspended and to ensure appropriate action is taken against the chief warrant officer.
- In September 2014, the DoD IG substantiated that an Army and Air Force Exchange Service (AAFES) retail business manager gave a nonappropriated fund instrumentality employee an oral reprimand in reprisal for disclosing to his chain of command, AAFES IG officials, and AAFES finance and accounting officials that his supervisor violated financial internal control procedures. In May 2015, the DoD director of administration and management directed AAFES to remove the reprimand from the employee's personnel file and take appropriate corrective action against the responsible management officials.

- In November 2014, the DoD IG substantiated that an Army and Air Force Exchange Service area food business manager and an area manager/general manager gave a nonappropriated fund instrumentality employee a transfer and written reprimand in reprisal for making protected disclosures. The employee made several disclosures to her chain of command that her supervisor violated operational security procedures. In May 2015, the DoD director of administration and management directed AAFES to return the employee to a position commensurate with her current pay and take appropriate corrective action against the responsible management officials.

Corrective Actions against Responsible Management Officials

- An Army National Guard colonel received a written reprimand for issuing an adverse officer evaluation report to an Army major for reporting hostile work environment, toxic environment, sexual harassment, and gender bias to State IG and EO officials.
- An Army colonel received a written reprimand for redeploying an Army chief warrant officer back to the United States and releasing him from active duty in reprisal for complaints the chief warrant officer made to his chain of command.
- An Army lieutenant colonel received verbal counseling for lowering ratings and comments on a noncommissioned officer evaluation report after a Service member made a protected communication to his chain of command.
- An Army lieutenant colonel received a written counseling for denying a staff sergeant's transition leave after she filed a complaint with EO officials.
- An Army Reserve command sergeant major received a letter of concern for restricting a Service member from communicating with the IG by threatening to take action under the Uniform Code of Military Justice for previous performance deficiencies if she visited the IG.
- A Navy commander was removed from assignment and another commander received a verbal counseling for reprising against another commander by issuing an unfavorable fitness report and directing a subordinate to remove the commander from duties and responsibilities.
- An Army captain and a chief warrant officer were removed from their assignments for making unfavorable ratings and comments in a subordinate's noncommissioned officer evaluation report in reprisal for the subordinate's protected communications. The captain received a written reprimand and was relieved of command. The chief warrant officer received a written reprimand, was removed from his leadership position and from consideration for promotion.
- An Army Captain received a letter of concern for issuing a lowered noncommissioned officer evaluation to a sergeant first class after the sergeant complained to the brigade commander about the captain's integrity and qualifications.
- A major general was removed from his position and issued a letter of reprimand for restricting Air Force members from communicating with members of Congress about the A-10 aircraft. In addition, the Secretary of the Air Force and the Air Force Chief of Staff authored a letter to the Air Force members emphasizing their rights as whistleblowers under Title 10, United States Code, Section 1034.

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 the Office of Inspector General in each Military Service conduct the majority of senior official investigations. ISO investigates

allegations against the most senior DoD officials (three-star and above 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 IG investigations of misconduct involving senior officials.

During this reporting period, the DoD IG received 322 complaints of senior official misconduct and closed 425. Of the 425 complaints closed, 324 were dismissed due to lack of a credible allegation of misconduct and 101 were closed following investigation. Of the 101 investigations closed, 13 were closed by the DoD IG and 88 were closed by component IGs with oversight by the DoD IG. Of the 13 investigations closed, 3 contained substantiated allegations of misconduct.

The DoD IG processed 443 requests for senior official name checks for general/flag officers pending nomination, promotion, retirement, and reassignment for a total of 8,220 names checked during this reporting period.

Examples of Substantiated or Significant Senior Official Cases

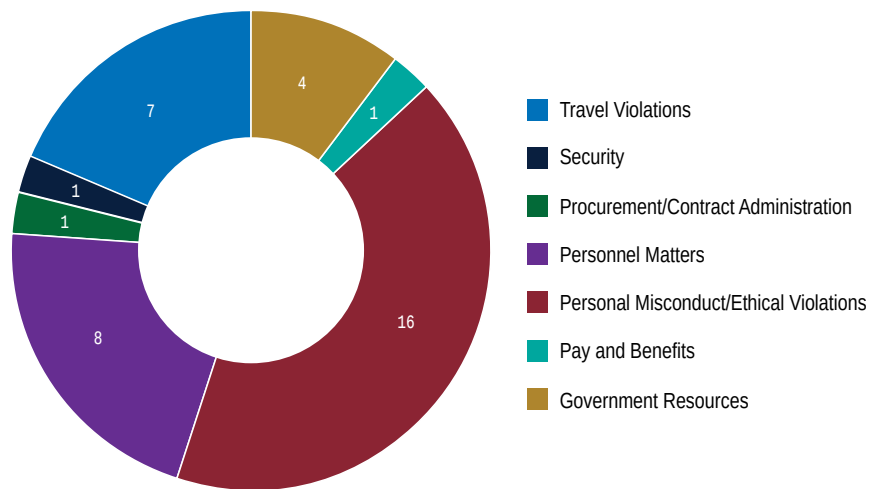
The following is a list of significant senior official cases closed:

- A lieutenant general conducted official travel for predominantly personal reasons, which resulted in a waste of Government resources. Corrective action is pending.
- A Senior Executive Service official improperly conducted temporary duty travel and received \$7,213 in reimbursements from the Government to which the official was not entitled. Corrective action is pending.
- A Defense Intelligence Senior Executive Service official misused a Government-owned vehicle and driver for domicile-to-duty transportation and other unauthorized trips, and failed to use government-contracted air carriers on five occasions. The senior official retired from Government service.

Table 2.2 Senior Official Complaints Closed in FY 2015 (2nd Half)

	Total Closed	Dismissed	Investigated	Substantiated Cases	Substantiation Rate
Service/Agency	Closed by DOD IG				
Air Force	62	61	1	0	0%
Army	123	121	2	1	50%
COCOM/ Defense Agency/Other	115	107	8	1	13%
Marine Corps	8	8	0	0	0%
Navy	29	27	2	1	50%
Subtotal FY 15 (2nd Half) Closed by DoD IG	337	324	13	3	23%
Service/Agency	Closed By Component IG with Oversight by DOD IG				
Air Force	21		21	5	24%
Army	44		44	10	23%
COCOM/ Defense Agency	11		11	5	45%
Marine Corps	2		2	0	0%
Navy	10		10	4	40%
Subtotal FY 15 (2nd Half) Oversight Review by DoD IG	88		88	24	27%
Total FY 15 (2nd Half)	425	324	101	27	27%

Figure 2.13 Types of Substantiated Misconduct (Total of 38 Allegations)



Task Force to Improve Timeliness of Senior Official Investigations

The DoD IG submits quarterly progress reports to the Deputy Secretary of Defense on the status of implementation of recommendations made by the Task Force to improve timeliness of senior official administrative investigations (submitted in November 2014). During this reporting period, the DoD IG and Military Services reviewed, identified, and updated senior official intake processes. Additionally, the DoD IG hosted a Complaint Intake Workshop to train Service IG personnel on new intake processes and best practices. The DoD IG issued guides for 11 different categories of allegations to Service and agency IGs containing best practices for conducting senior official investigations.

The DoD IG established a working group to plan the deployment of the enterprise Defense-Case Activity Tracking System (D-CATSe) to Offices of Inspectors General for the Military Services, Defense Agencies and Combatant Commands. The working group conducted a series of meetings to share information on system capabilities, to perform system demonstrations, and to perform system training sessions.

The DoD IG also submitted an issue paper requesting that the Department approve funding for the deployment and sustainment of D-CATSe for FY17 through FY21. The deployment of D-CATSe will transform the business processes and operations of the Offices of Inspector General for the Military Services and the Defense Agencies. This will have measurable and far-reaching effects to:

- greatly improve the efficiency and timeliness of the transmittal of investigative documents to offices located at posts, camps, and stations around the globe;
- standardize business and investigative processes resulting in improved efficiencies and timeliness;
- standardize data resulting in enhanced data integrity and facilitating reporting in semi-annual reports to Congress;
- provide a common operational picture of the DoD-wide universe of complaints and investigations resulting in enhanced oversight and communications; and
- create a paperless environment that will save money by eliminating unnecessary and duplicate efforts by the Military Services and Defense agencies in IT modernization of their legacy systems.

OUTREACH AND TRAINING

During this reporting period, AI conducted more than 149 hours of external outreach reaching 1,297 personnel. These outreach sessions included training on whistleblower reprisal and senior official investigations for new IGs assigned to joint, Army, Navy, Air Force, and Marine Corps IG billets. AI also conducted a total of 5,888 hours of training internally. Other events included the following.

DoD-wide Hotline Working Group

The DoD Hotline continues to host quarterly meetings of the DoD-wide hotline Working Group. The working group expanded its membership to include hotline personnel below the headquarters level and now has global representation. The working group focuses on the requirements of DoD Instruction 7050.01, “Defense Hotline Program,” and the CIGIE “Recommended Practices for OIG Hotlines.” The working group also focuses on problems that affect the hotline community within the Department as a whole.

Federal Hotline Working Group

Similar to the DoD Hotline Working Group, the Federal Hotline Working Group focuses on the CIGIE 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. The GAO hosted a meeting held during this reporting period. The working group proposed a standardized format and terminology for the semiannual report to the Congress. Adoption of the standard is pending formal coordination.

Hotline Worldwide Outreach

The DoD Hotline hosted the 3rd Annual hotline Worldwide Outreach on July 30, 2015, to coincide with National Whistleblower Appreciation Day. The event was held at the Mark Center in Alexandria, Virginia. More than 260 people, representing 32 Federal agencies 64 DoD organizations, and 3 non-Federal agencies registered for the event. The outreach event allowed participants to share best practices and discuss challenges of operating hotlines.

Basic Whistleblower Reprisal Investigations Course

During this reporting period, WRI offered two basic whistleblower reprisal investigations courses at the Mark Center and two Mobile Training Team classes at Fort Sam Houston, Texas and Fort Belvoir, Virginia. In addition to students from the Service components, other Defense agencies, and the Intelligence Community, WRI continues to receive requests from other Federal agencies to train their personnel in Whistleblower Reprisal Investigations. For example, the DoD IG taught students from Department of Transportation, Department of Homeland Security, Department of Energy, and National Endowment for the Arts, and have received requests from the Federal Trade Commission.

Federal Whistleblower Protection Ombudsman Working Group

During the first-ever meeting between members and staff of the Senate Whistleblower Protection Caucus and the Federal Whistleblower Protection Ombudsman Working Group, the DoD Whistleblower Protection Ombudsman reported on how the DoD addresses the underlying allegations of wrongdoing submitted by whistleblowers.

Annual Administrative Investigations Training Symposium

On May 20, 2015, over 180 participants from the DoD IG, Service components, other Defense agencies, and the Intelligence Community attended the 7th Administrative Investigations Training Symposium. Breakout sessions included training on these topics:

- Moving Toward Standardized Investigation Stages for Military Reprisal Investigations;
- Cases Studies on Travel Misconduct; and
- Issues Appropriate for Hotline/Hotline Completion Reports.

INSPECTIONS AND EVALUATIONS

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

- Intelligence
- Nuclear Enterprise
- Joint Warfighting and Readiness
- Equipping and Training Iraq and Afghan Security Forces
- Financial Management
- Health Care

INTELLIGENCE

Investigative Results of a Possible Questionable Intelligence Activity

The objective of this investigation was to determine whether the use of the Naval Criminal Investigative Service's (NCIS) Law Enforcement Information Exchange by elements of the Defense Intelligence Community was conducted in accordance with provisions of DoD 5240.1-R "Procedures Governing the Activities of DoD Intelligence Components That Affect United States Persons," and procedure 2 (Collection of Information About U.S. Persons); procedure 3 (Retention of Information About U.S. Persons); and procedure 4 (Dissemination of Information About U.S. Persons).

The DoD IG determined that intelligence components of DoD intelligence agencies did not have access to or use the Law Enforcement Information Exchange or law enforcement databases, and that the only users were security and law enforcement entities of DoD intelligence agencies. The investigation confirmed the allegations that NCIS owned and maintained these databases, and that the databases contained many records of U.S. persons not affiliated with DoD. The DoD IG found that only security and law enforcement entities of the DoD intelligence agencies are the users of the Law Enforcement Information Exchange and law enforcement databases. Allegations of a possible questionable intelligence activity were not substantiated.

Report No. DODIG-2015-119

NUCLEAR ENTERPRISE

Evaluation of the Integrated Tactical Warning and Attack Assessment's Mobile Ground System

The DoD IG examined the sustainment risks of the Integrated Tactical Warning and Attack Assessment's Mobile Ground System. The DoD IG also assessed acquisition risks to the Mobile Ground System modernization program. The DoD IG provided recommendations that will increase the probability of both legacy system sustainment and successful acquisition of the replacement system. In response to the DoD IG's findings and recommendations, the:

- Commander, Air Force Space Command, directed a lead program office for both sustainment and modernization;
- Capability Director, Directorate of Space Programs, Office of the Assistant Secretary of Defense of the Air Force (Acquisition), directed a lead program element monitor for interdependent programs;
- Assistant Deputy Under Secretary of the Air Force, International Affairs, concurred with a classified finding and recommendation; and
- Commander, Joint Functional Component Command for Space, submitted a joint plan of action with U.S. Strategic Command following a classified recommendation.

This report is classified.

Report No. DODIG-2015-133

Assessment of the Nuclear Warhead Unsatisfactory Report Process

The DoD IG examined the policies, practices, and processes used for reporting DoD nuclear warhead unsatisfactory reports. The DoD IG assessed the Unsatisfactory Reports notification and transmission procedures, the efficiency of DoD's interface with Sandia National Laboratory, and the extent that training and technical order changes could decrease unsatisfactory reports. The DoD IG provided recommendations to increase engineering responsiveness, improve information system performance, and improve transparency for process stakeholders across DOE and DoD. Management concurred with three of the six recommendations. This report is classified.

Report No. DODIG-2015-157

JOINT WARFIGHTING AND READINESS

Rights of Conscience Protections for Armed Forces Service Members and Their Chaplains

OVERVIEW:

Section 533 of the NDAA FY 2014 required the DoD IG to submit a report to the congressional defense committees setting forth the results of an investigation “into the compliance by the Armed Forces with the elements of such regulations on adverse personnel actions, discrimination, or denials of promotion, schooling, training, or assignment for members of the Armed Forces based on conscience, moral principles, or religious beliefs.” The objectives for this assessment were to determine:

- The extent to which DoD issued and complied with regulations designed to protect the rights of conscience for service members.
- The extent to which DoD issued and complied with regulations designed to protect chaplains’ rights of conscience.
- The number of contacts received by the Inspector General of DoD and the Inspectors General of U.S. Military Departments regarding incidents involving the rights of conscience of a service member or chaplain.

FINDINGS:

As of April 2015, DoD and the Army had issued updates to regulations implementing the protections afforded by Section 533 of the FY 2013 NDAA, while Navy regulations were pending approval and Air Force regulations were partially complete. The DoD IG identified four opportunities for improvement with these regulations.

- The Services did not consistently evaluate religious accommodation requests within established timeframes.
- Approved accommodation for certain requests did not apply for the duration of the military career of the requestor, raising concerns for certain faith practitioners.

- Updates to DoD Instruction 1300.17, “Accommodation of Religious Practices Within the Military Services,” dated January 22, 2014, allowed approval requests for the use of otherwise controlled substances in religious practices by local commanders. This instruction needs clarification.
- Noncommissioned officers handled many requests that did not require a decision by the commander.

The DoD IG recommended that the Army and Navy should evaluate requests for accommodation requiring waivers within required timeframes. The Air Force should track requests for accommodations requiring waivers and update regulations to clarify roles and responsibilities for approval of accommodation requests requiring waivers. The Under Secretary of Defense for Personnel and Readiness (USD (P&R)) should modify DoD Instruction 1300.17 to allow waivers approved by Service Secretaries to remain in effect until revoked and, in coordination with the Office of General Counsel, publish guidance for adjudicating religious accommodation requests that seek the use of controlled substances. Finally, the Army, Navy, and Air Force should include updated religious protections in their programs of instruction for officers and noncommissioned officers.

RESULT:

The DoD IG’s query of DoD and Military Department Inspectors General databases, including combatant command inspectors general, yielded 232 contacts relating to religious rights of conscience for calendar years 2011 to 2014. The DoD IG expanded its review to include databases from the Defense Privacy and Civil Liberties Division and the Equal Opportunity offices of the Military Services, yielding an additional 166 contacts for the same period, for a total of 398 contacts. The DoD IG identified three problems:

- the suitability of contact data to understand departmental compliance with rights of conscience protections,



Shipboard Service

Source: U.S. Navy

- the lack of availability of kosher and halal foods in defense commissaries overseas, and
- commander responses to service member use of social media for reporting concerns about rights of conscience protection.

Within the data the DoD IG examined, in no instance did a commander force or attempt to force a chaplain to perform a service contrary to his or her conscience, moral principles, or religious beliefs.

The DoD IG recommended USD (P&R):

- determine a more efficient and effective means of gauging and reporting the status of rights of conscience protections for service members;
- determine a more effective method to match the availability of kosher and halal foods to demand overseas; and
- develop a response kit that summarizes available resources and potential responses to the use of social media and other nonofficial reporting channels.

Report No. DODIG-2015-148

EQUIPPING AND TRAINING IRAQ AND AFGHAN SECURITY FORCES

Assessment of U.S. and Coalition Efforts to Develop the Sufficiency of Afghan National Security Forces' Policies, Processes, and Procedures for the Management and Accountability of Class III (Fuel) and V (Ammunition)

OVERVIEW:

The DoD IG assessed U.S. and Coalition efforts to develop the effectiveness of Afghan National Security Forces (ANSF) policies and procedures for the management and accountability of both fuel (Class III [Bulk]) and conventional military ammunition and explosives (Class V).

FINDINGS:

Coalition force and ANSF leaders recognized that developing policies and procedures for management and accountability of fuel (Class III [Bulk]) and conventional military ammunition and explosives (Class V) was crucial to long-term ANSF operational success. Coalition force leaders and advisors and ANSF leaders and senior logisticians identified the need for updated policy, procedures, and management controls; improved policy implementation and enforcement; and increased contract oversight.

This report contains 7 observations, resulting in 17 recommendations. The DoD IG identified key problems in the management and accountability of fuel and ammunition by the ANSF in the following four areas.

- Consumption reporting. ANSF units ordered and received fuel and ammunition based on unit allocations instead of operational requirements, and ANSF logisticians did not generate a demand history to accurately forecast future operational requirements within anticipated budgets.
- Management controls. ANSF Ministries and units had inadequate and underdeveloped control measures for the management and accountability of fuel and ammunition, leading to gaps and vulnerabilities that increased the probability of theft and the diversion of fuel and ammunition.
- Training. Neither the Afghan National Army (ANA) leadership nor the Afghan National Police (ANP) leadership were taking full advantage of training opportunities at the ANA Combat Service Support School. The leadership of both organizations lacked awareness and understanding of the need for formal fuel and ammunition management training.
- Contract oversight. ANSF Ministries were not prepared for effective oversight of the bulk fuel contract to ensure that direct financial contributions from the United States were used for the purchase of fuel in support of legitimate activities and operations.

RESULT:

The DoD IG's report recommended that the:

- Ministry of Defense Assistant Minister of Defense for Acquisition, Technology, and Logistics and ANA logisticians, and the Ministry of Interior Deputy Minister for Support and ANP logisticians should enforce the reporting policy for fuel and ammunition consumption to ensure that commodity orders are based on valid consumption data and operational requirements. They should also develop unit logistics operating procedures describing individual responsibilities and tasks for ANSF personnel responsible for the management and accountability of fuel and ammunition.

- Ministry of Defense Assistant Minister of Defense for Acquisition, Technology, and Logistics and the General Staff G4 should require ANA unit logisticians to assume responsibility for the management and accountability of consumption reporting.
- Ministry of Defense and ANA logisticians should develop controls for ordering, distributing, delivering, receiving, and storing fuel and ammunition to ensure accordance with established ANA policy. They should also develop a ministerial internal control program that includes an organizational inspection program to oversee fuel and ammunition management and accountability. And they should promote the independence of Ministry and ANA fuel and ammunition oversight teams through representation by personnel outside the logistics chain of command of the ANA Corps.
- Ministry of Interior and ANP should approve the updated fuel policy and implement internal controls for ordering, distributing, delivering, receiving, and storing fuel and ammunition. They should increase the frequency of ANP unit inspection visits by Ministry and ANP fuel and ammunition oversight teams. And they should establish and implement procedures that monitor contractor fuel deliveries and that ensure that vendors do not deliver quantities of fuel in excess of unit storage capacity.

Report No. DODIG-2015-108

Assessment of DoD/USCENTCOM and Coalition Plans/Efforts to Train, Advise, and Assist the Iraqi Army to Defeat the Islamic State of Iraq and the Levant

OVERVIEW:

The DoD IG evaluated the effectiveness of DoD's U.S. Central Command and Coalition plans, operations, and resources to train, advise, and assist the Iraqi Army to initiate and sustain combat operations to defeat the Islamic State of Iraq and the Levant (ISIL).

FINDINGS:

When the train, advise and assist process is completed, the training and equipment provided to the Iraqi Army (IA) counterattack brigades and divisions could develop their capability to perform

combat operations against ISIL. However, the IA brigades have significant internal deficiencies and will require adequate leadership and support by the Government of Iraq and its Ministry of Defense. They also will require U.S. and Coalition air support.

The DoD IG identified several areas for improvement in the U.S. and Coalition mission to train, advise, and assist the Iraqi Army.

- U.S. and Coalition commands conducting training at the Build Partner Capacity sites and providing advise and assist functions with Iraqi division headquarters reported uncertainty about the follow-on mission once the counterattack brigades were trained.
- Equipment provided by the U.S. and Coalition to the Iraqi Army brigades training at the Build Partner Capacity sites was not always fully mission capable because equipment sometimes arrived incomplete.
- U.S. advise and assist personnel at the Taji National Depot did not know the contents of individual supply warehouses under Iraqi control at that location or at other supply locations throughout Iraq. In some cases, even the Iraqi Army personnel did not know what supplies were present.
- The facilities housing the Iraqi Army trainees at some of the Build Partner Capacity sites visited were inadequate and distracted trainees from training activities.

Two additional observations in a separate classified appendix to this report discuss:

- managing capability expectations of the Build Partner Capacity site-trained Iraqi Army Brigades; and
- leadership concerns.

RESULT:

The DoD IG recommended the:

- Commander, United States Central Command, in coordination with Commander, Combined Joint Task Force–Operation Inherent Resolve and Commander, Combined Joint Force Land Component Command–Iraq, complete the update and publication of the campaign plan and ensure

adequate dissemination and communication throughout the command and, within the constraints of classification, with the Government of Iraq and its Ministry of Defense.

- Director, Defense Security Cooperation Agency, in coordination with the geographic combatant commands and the implementing agencies, establish, through a written external standard operating procedure, a formal quality assurance review process that identifies process errors and omissions during each phase of the pseudo-foreign military sales equipment supply and procurement process.
- Commander, Joint Task Force–Operation Inherent Resolve, in coordination with Commander, Combined Joint Forces Land Component Command–Iraq and the Iraqi Minister of Defense, develop a plan that allows U.S. and Coalition access to the warehouses at Taji National Depot and other supply depot sites within an expedited time period.
- Commander, Combined Joint Force Land Component Command–Iraq advise and mentor the Minister of Defense to use Government of Iraq funds to repair and improve Iraqi Army trainee billeting facilities at the Build Partner Capacity sites.
- Commander, Combined Joint Force Land Component Command–Iraq, work with the Ministry of Defense to devise and implement a plan that clarifies Government of Iraq and U.S. monetary contributions to improve Iraqi Army trainee billeting facilities at the Build Partner Capacity sites.

Additional recommendations that support the observations appear in the separate classified appendix to this report.

Report No. DoDIG-2015-177

FINANCIAL MANAGEMENT

Assessment of Electronic Absentee System for Elections (EASE) Grants

OVERVIEW:

The DoD IG conducted this assessment in response to a June 2014 congressional request from the Chairman and Ranking Member, Military Personnel Subcommittee, House Armed Services Committee.

The DoD IG's objective was to determine whether recipients of Electronic Absentee System for Elections (EASE) 2.0 grants used the funds as intended. The DoD IG also determined how the DoD Federal Voting Assistance Program (FVAP) office accounted for approximately \$85 million in research, development, test, and evaluation (RDT&E) funds received from FY 2009 through FY 2013.

FINDINGS:

The DoD IG did not identify any indicators that EASE 2.0 grant funds were used inappropriately when developing systems that could return a marked ballot electronically. FVAP used the RDT&E funds to execute the EASE and EASE 2.0 grant programs, as well as approximately 10 other RDT&E-funded projects to support FVAP's mission of providing support to military and overseas voters. No RDT&E funds were requested for FY 2009.

Since the DoD IG did not identify instances of inappropriate use of grant funds and FVAP was able to account for RDT&E funds received from FY 2010 through FY 2013, the DoD IG did not make any recommendations.

RESULT:

One report result underlined the performance of Voting Assistance Officers, which was not always commented on in their performance evaluations in accordance with section 1566, title 10, United States Code. This occurred because the Services had varying approaches and understandings related to documenting the performance of voting assistance officers in Service-developed performance evaluation forms. In addition, the discussion draft report highlighted the performance evaluation cycles for Service members assigned as voting assistance officers, noting that they did not always align with voting assistance program inspection cycles. As a result, some Services did not completely and accurately report compliance with this statutory requirement.

Report No. DODIG-2015-135

HEALTH CARE

Assessment of DoD Suicide Prevention Processes

OVERVIEW:

The DoD IG evaluated the DoD processes used to develop suicide prevention policy. The DoD IG also determined what process changes were required to improve suicide prevention, intervention, and postvention policies and programs in the military—including those on resilience, mental health treatment, and substance abuse.

FINDINGS:

- DoD lacked a clearly defined governance structure and alignment of responsibilities for the Defense Suicide Prevention Program. The lack of synchronization between the DoD Directive and DoD committees chartered by the Under Secretary of Defense for Personnel and Readiness USD(P&R) and the Defense Suicide Prevention Office impeded program implementation and resulted in less than effective strategic oversight of DoD suicide prevention program and impeded program implementation.
- The Defense Suicide Prevention Office lacked clear processes for planning, directing, guiding, and resourcing to effectively develop and integrate the Suicide Prevention Program within DoD. Without a fully developed suicide prevention strategic plan, DoD Instruction, and alignment of staff-to-mission priorities, there was no unified and coordinated effort to address suicide prevention across DoD, and the Services continued to create their own Service-specific suicide prevention initiatives.
- The Defense Suicide Prevention Office did not consistently identify, share, or implement evidence-based suicide prevention best practices across DoD. Subject matter experts were not used to prioritize and advise on implementation of evidence-based suicide prevention best practices. As a result, DoD did not standardize best practices across the Department, and the Services did not take advantage of each other's knowledge and experience.

RESULT:

The DoD IG recommended USD (P&R) take the following actions.

- Revise the Department of Defense Directive 6490.14, “Defense Suicide Prevention Program,” to clearly define and integrate the leadership roles and responsibilities of the Assistant Secretary of Defense for Readiness and Force Management, Deputy Assistant Secretary of Defense for Readiness, Defense Human Resources Agency, and Defense Suicide Prevention Office regarding program strategic oversight, decision making, and action execution.
- Revise and synchronize the Suicide Prevention and Risk Reduction Committee and Suicide Prevention General Officer Steering Committee charters with the Department of Defense Directive 6490.14, “Defense Suicide Prevention Program,” to ensure program governance structure and responsibilities are clearly defined and aligned.
- Subsequently, upon revision of the Department of Defense Directive 6490.14, “Defense Suicide Prevention Program,” develop and publish a comprehensive suicide prevention Department of Defense Instruction.
- Expedite the publishing of a directive-type memorandum that provides interim Department of Defense suicide prevention guidance.

The DoD IG recommended the Defense Suicide Prevention Office:

- Develop, publish, monitor, and communicate a comprehensive suicide prevention strategic plan with updated vision, goals, and objectives and with performance measures and timelines.
- Develop a plan that aligns budgetary and personnel resources to meet mission priorities.
- Develop a research strategy using subject matter expertise to report and analyze evidence-based suicide prevention recommendations for applicability to DoD.
- Provide an implementation strategy to translate applicable evidence-based suicide prevention research findings into standard practices across the Department.

Report No. DODIG-2015-182

Evaluation of DoD’s Force Health Protection Measures During Operation United Assistance

OVERVIEW:

The DoD IG evaluated DoD force health protection measures for deployed personnel during Operation United Assistance. The numerous endemic diseases of West Africa presented a force health protection threat to all deployed personnel. The DoD IG examined the force health protection measures for malaria, yellow fever, food and waterborne illnesses, Ebola, and other illnesses and injuries.

FINDINGS:

The DoD IG determined that DoD policies were not consistent with operational capabilities developed during Operation United Assistance for the transportation and treatment of known or suspected highly contagious patients. This placed at risk the necessary training and sustainment of these capabilities for future operations.

The DoD IG also found an unequal disbursement of family separation allowance for Service members required to spend a 21-day quarantine period physically separated from their families following their deployment to Ebola-endemic regions of West Africa. Individuals who returned to their permanent station did not receive family separation allowance, while those who were not at their permanent station received the allowance.

RESULT:

The DoD IG recommended that DoD conduct a comprehensive requirements review to identify the enduring capabilities required to transport and treat highly contagious patients. The DoD IG also recommended that DoD issue policy that clarifies how clinical laboratories transfer or destroy highly infectious patient samples. Finally, the DoD IG recommended that DoD take appropriate steps to address the unequal disbursement of family separation allowance when unusual operational requirements, such as a 21-day quarantine, prevent routine reintegration.

Report No. DoDIG-2015-183

POLICY AND OVERSIGHT

The DoD IG provides policy, guidance, and oversight for Department audits and investigations. The 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
- Audit Policy
- Investigative Policy and Oversight
- Criminal Investigative Policy
- Technical Assessments

AUDIT POLICY AND OVERSIGHT

The DoD IG provides audit policy direction, guidance, and oversight for its audit component and the Military Departments' audit organizations, the Defense Contract Audit Agency (DCAA), other defense audit organizations, and public accounting firms under the Single Audit Act of 1984, as amended by the Single Audit Amendments of 1996 (Public Law 104-156). As such, the 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.

Military Department Audit Agencies: System Review Report

The DoD IG evaluated the system of quality controls for the Military Department audit agencies. The DoD IG issued a rating of "pass" for the fiscal year that ended September 30, 2013, as the system of quality control was suitably designed to provide reasonable assurance of the Military Department audit agencies performing and reporting in conformity with applicable professional standards in all material respects. The DoD IG based its overall opinion for the Military Department audit agencies on their "round-robin" peer reviews and the DoD IG quality control reviews of the Special Access Program audits of the Army Audit Agency and the Air Force Audit Agency

Report No. DoDIG-2015-105

Complaint Regarding the Award of a \$576 million Navy Contract Without Appropriate Consideration of Audit Finding

The DoD IG substantiated a complaint that a Navy contracting officer negotiated a \$576 million contract without appropriately considering DCAA's audit findings regarding unsupported subcontract costs of \$75 million and questioned material costs of \$8.8 million. The Deputy Assistant Secretary of the Navy for Acquisition and Procurement agreed to implement procedures and provide training at the Naval Supply Systems Command Weapon Support facility in Philadelphia, Pennsylvania to ensure that contracting officers comply with FAR requirements for obtaining cost or pricing data and appropriately resolve DCAA audit findings.

Report No. DoDIG-2015-115

Evaluation of Defense Contract Management Agency Contracting Officers Actions on Reported DoD Contractor Estimating System Deficiencies

The DoD IG found that DCMA contracting officers did not take timely or appropriate actions in response to contractor-estimating system deficiencies reported by the DCAA. A contractor's estimating system encompasses the policies, procedures, and practices used by the contractor for generating cost estimates and other financial data used in developing contract proposals submitted to the government. The cost estimates along with other factors serve as basis for awarding contracts. The DoD IG recommended that the Director, DCMA, take appropriate actions to address estimating system deficiencies and implement payment withholds on any disapproved estimating systems. The DoD IG also recommended that DCMA conduct training and improve controls to provide reasonable assurance that contracting officers issue timely determinations and implement payment withholds in accordance with the Defense Federal Acquisition Regulation Supplement. The Director of DCMA agreed with the recommendations and developed a responsive corrective action plan.

Report No. DoDIG-2015-139

AUDIT POLICY

During the reporting period, the DoD IG issued the following two policies that affected DoD.

DoD Instruction 7640.02, “Policy for Follow-Up on Contract Audit Reports,” April 15, 2015.

The Instruction was reissued to update policy, responsibilities, and direction for reporting requirements and follow-up procedures on contract audit reports issued by the DCAA.

DoD Manual 7600.07, “DoD Audit Manual,” August 3, 2015.

This Manual was reissued to update implementing policy, responsibilities, and procedures for DoD audit organizations’ compliance with various audit policies, including Government Auditing Standards and Council of the Inspectors General on Integrity and Efficiency (CIGIE) Standards.

INVESTIGATIVE POLICY AND OVERSIGHT

The 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 the Transfer of International Traffic in Arms Regulations–Controlled Missile Defense Technology to the National Aeronautics and Space Administration (NASA)

As requested in House Report 113-446, which accompanied the Howard P. ‘Buck’ McKeon National Defense Authorization Act for FY 2015, the DOD IG evaluated the transfer of specific International Traffic in Arms Regulations (ITAR)–controlled missile defense technology from the Missile Defense Agency (MDA) to NASA. The DoD IG found that:

- MDA and NASA officials complied with Federal and DoD policies and procedures for transfer of the ITAR-controlled missile defense technology between Federal agencies;

- the transferred ITAR-controlled missile defense technology was not classified;
- subsequent to the completion of the transfer in January 2008, NASA officials allowed two foreign national contractors unauthorized access to ITAR-controlled missile technology, which was in violation of the ITAR; and
- there was insufficient evidence to determine whether DoD ITAR-controlled missile defense technology was retransferred beyond the control of the U.S. Government.

Report No. DODIG-2015-146

CRIMINAL INVESTIGATIVE POLICY

During the reporting period, the DoD IG issued the two following policies that affected the criminal investigative arena.

DoD Instruction 5505.18, “Investigation of Adult Sexual Assault in the Department of Defense,” June 18, 2015.

This instruction was reissued to implement section 538 of Public Law 113-239, which amends the FY12 NDAA and allows return of personal property retained as evidence in a sexual assault investigation after the conclusion of all legal, adverse action, and administrative proceedings. Prior to this change, the policy mandated retention of evidence for 5 years, without exception.

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

This Instruction was reissued to insert a change to implement a portion of section 573 of Public Law 112-239 that requires the Secretaries of the Military Departments to collect data and periodically report on the effectiveness and impact of the investigative portion of Special Victim Investigations and Prosecution Capabilities.

TECHNICAL ASSESSMENTS

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

F-35 Engine Quality Assurance Inspection

The DoD IG inspected the F-35 engine (F135) Program's quality-management system for conformity to the contractually required Aerospace Standard 9100, "Quality Management Systems—Requirements for Aviation, Space and Defense Organizations." The DoD IG determined that based on 61 nonconformities to the Aerospace Standard 9100, systemic issues exist in program management oversight; critical safety item compliance; continuous improvement; risk management; supplier management; and software quality management.

According to the F-35 Joint Program Office, implementation of the corrective actions to address the nonconformities have led to significant progress in delivering a quality, timely, and cost-effective weapon system to the U.S. and its allies.

Report No. DODIG-2015-111

Continental United States Military Housing Inspections—National Capital Region

The DoD IG inspected military housing facilities at Fort Belvoir, Virginia and Joint Base Anacostia-Bolling, Maryland for compliance with health and safety policies and standards. These policies and standards included the Unified Facilities Criteria; National Fire Protection Association codes and standards, including the National Electric Code; and U.S. Environmental Protection Agency standards. The DoD IG found deficiencies at both military installations that resulted from improper installation, insufficient inspection, or inadequate maintenance. The DoD IG identified a total of 316 deficiencies that could affect the health, safety, and well-being of warfighters and their families: 168 electrical system, 131 fire protection system, and 17 environmental health and safety.

Report No. DODIG-2015-162

Continental United States Military Housing Inspections—Southeast

The DoD IG inspected DoD military housing at three installations in the Southeastern region of the United States for compliance with health-and-safety policies and standards: Patrick Air Force Base, Florida; Naval Station Mayport, Florida; and Fort Gordon, Georgia. These policies and standards included the Unified Facilities Criteria; National Fire Protection Association codes and standards, including the National Electric Code; and U.S. Environmental Protection Agency standards.

The DoD IG identified 389 deficiencies that could affect the health, safety, and well-being of warfighters and their families. Of the 389 deficiencies, 212 were related to electrical-system safety, 138 were related to fire protection, and 39 were related to environmental health and safety. Of the total deficiencies, the DoD IG identified 15 critical deficiencies that required immediate action. Additionally, the DoD IG determined that fire protection requirements established by the Unified Facilities Criteria were not implemented in privatized military housing agreements. Also, more thorough periodic inspection and maintenance programs were necessary to ensure all housing facilities complied with the applicable health and safety codes and standards.

Report No. DODIG-2015-181

SUBPOENA PROGRAM

The DoD IG authority to issue subpoenas is based on section 6 of the the Inspector General Act of 1978, as amended. 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, 381 DoD IG subpoenas were issued.

Figure 2.14 DoD IG Subpoenas Issued—FY 2015

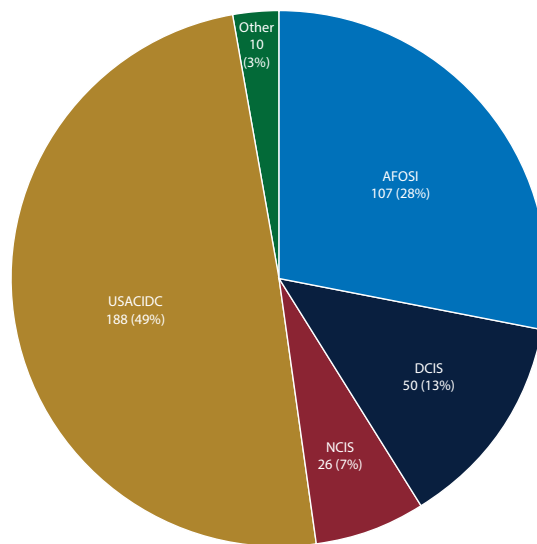
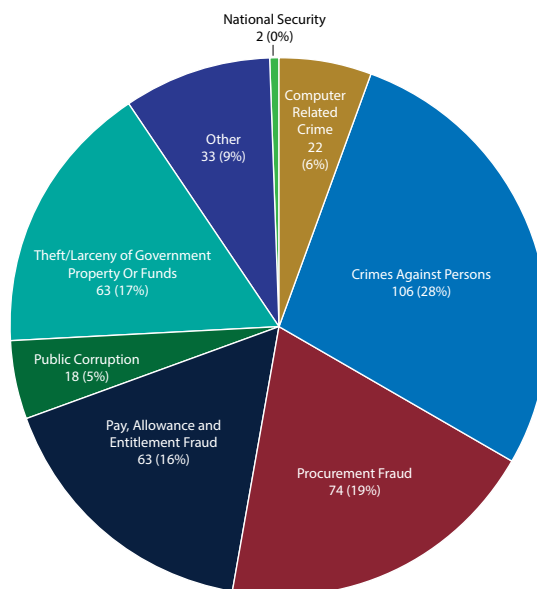


Figure 2.15 Subpoenas Requested by Type of Investigation



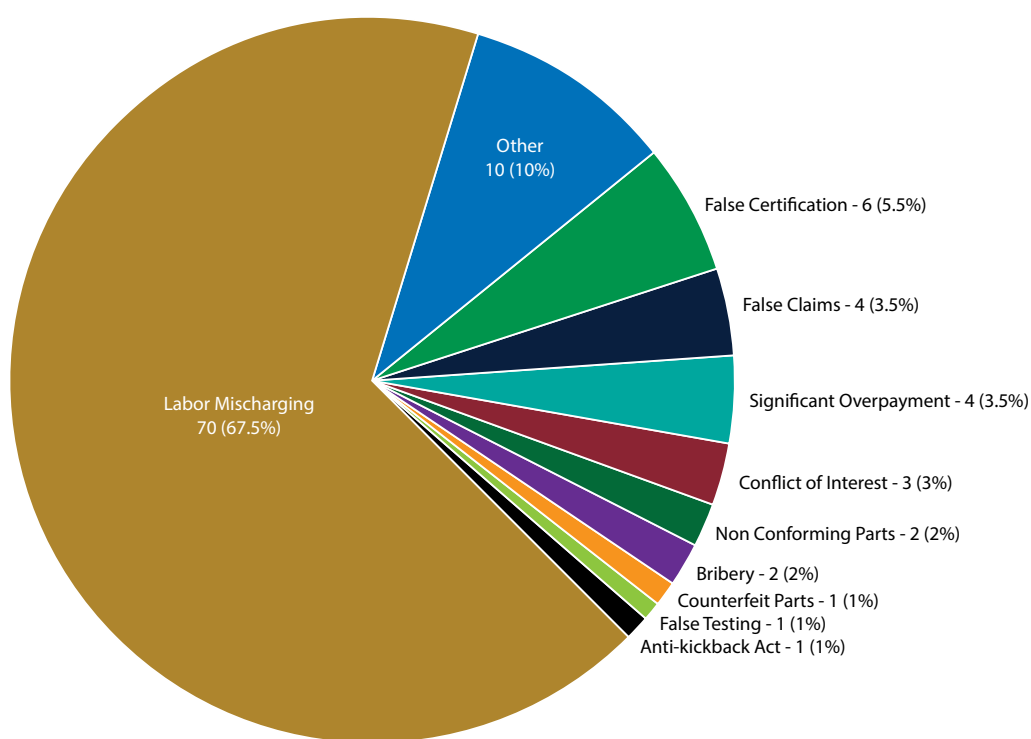
CONTRACTOR DISCLOSURE PROGRAM

All contractor disclosures affecting the DoD made pursuant to the FAR are to be reported to the DoD IG in accordance with the Department of Defense 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 title 18, or title 31, United States Code, in connection with the award, performance, or closeout of a contract or any subcontract.

During this reporting period, the DoD IG received 104 contractor disclosures.

Figure 2.16 Contract Disclosures by Type FY 2016 (April 1– September 30, 2015)



OVERSEAS CONTINGENCY OPERATIONS

The Deputy IG for Overseas Contingency Operations (DIG-OCO) supports Lead IG responsibilities and oversight coordination related to named OCOs. The DIG-OCO coordinates with the senior representatives from IGs for the DOS and USAID, and other OIGs, as appropriate, to fulfill Lead IG responsibilities set out in Section 8L of the IG Act of 1978, as amended. These responsibilities include, among others, to develop interagency strategic oversight plans for, and quarterly and biannual reports on, overseas contingency operations.

The DIG-OCO is also responsible for coordinating and making public the annual compilation of scheduled and ongoing oversight for Southwest Asia. This plan, the *FY 2016 Comprehensive Oversight Plan for Overseas Contingency Operations (COP-OCO)*, was effective October 1, 2015, and will be made public on each OIG's website. The DIG-OCO is also the Chair of the interagency Southwest Asia Joint Planning Group, and hosted briefings by senior military officials regarding Afghanistan during the Southwest Asia Joint Planning Group meetings.

LEAD INSPECTOR GENERAL

Pursuant to Section 848 of the FY 2013 National Defense Authorization Act a Lead Inspector General for an Overseas Contingency Operation (OCO) shall be designated by the chair of the Council of Inspectors General on Integrity and Efficiency (CIGIE) not later than 30 days after the commencement or designation of the military operation as an overseas contingency operation that exceeds 60 days. The Lead IG for an OCO shall be designated from among the IGs for the Department of Defense, the Department of State and the U.S. Agency for International Development.

The permanent IGs for DoD, DOS, and USAID are responsible for staffing and supporting the Lead IG in ensuring that comprehensive oversight is conducted and reporting is provided 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 boundaries 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 are submitted separately and can be accessed online when available at <http://www.dodig.mil/OCO/index.cfm>.

Operation Inherent Resolve

The United States, with its coalition partners, seeks 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 but not limited to denying ISIL safe haven, preventing the flow of funds and fighters to ISIL, addressing humanitarian crises in the region, and exposing ISIL's true nature.

On October 17, 2014, the Secretary of Defense designated Operation Inherent Resolve (OIR) a contingency operation. Accordingly, pursuant to U.S.C. titles 10 and 41, the military operation became an OCO for purposes of section 8L of the IG Act of 1978, as amended. On December 17, 2014, the CIGIE Chair designated the DoD IG as the Lead IG for OIR, who in turn appointed the DOS IG as Associate IG on December 18, 2014.



Since April 1, 2015, under the leadership of the DoD IG, the Lead IG agencies have continued to oversee OIR, and

- made public the *FY 2015 Joint Strategic Oversight Plan (JSOP) for Operation Inherent Resolve*, and continue to plan and coordinate comprehensive strategic oversight to adapt to the changing nature of the operation. The updated OIR JSOP for FY 2016 was effective as of October 1, 2015, and will be made public as part of the COP-OCO.
- coordinated with other OIGs involved in the U.S. strategy to defeat ISIL to encourage their oversight activities.
- issued Lead IG reports in April and August 2015 that provided quarterly updates on OIR. The April report provided the biannual oversight update on the execution of audits, inspections, and investigations by the Lead IG agencies and other OIGs.
- identified staffing needs and began hiring individuals to contribute to the planning, oversight, and reporting responsibilities of the Lead IG.

Operation Freedom's Sentinel

The U.S. renewed its commitment to Afghanistan to help build and sustain an enduring security capability, but has transitioned to a new phase. The new overseas contingency operation that began on January 1, 2015, Operation Freedom's Sentinel (OFS), provides the framework for continued U.S. support. OFS has two complementary missions: U.S. forces (1) continue counterterrorism efforts against the remnants of al-Qaeda in Afghanistan to prevent its resurgence and its plotting against U.S. targets, including the homeland, and (2) conduct a train, advise, and assist program to improve the capabilities and long-term sustainability of the Afghan National Defense and Security Forces under NATO's Resolute Support mission.

On April 1, 2015, pursuant to section 8L of the Inspector General Act of 1978, as amended, the CIGIE Chair designated the DoD IG as the Lead IG for OFS, who, in turn, appointed the DOS IG as Associate IG. The three Lead IG agencies continue to coordinate with the Special Inspector General for Afghanistan Reconstruction (SIGAR) and the other oversight partners of the Southwest Asia Joint Planning Group, as it relates to OFS.

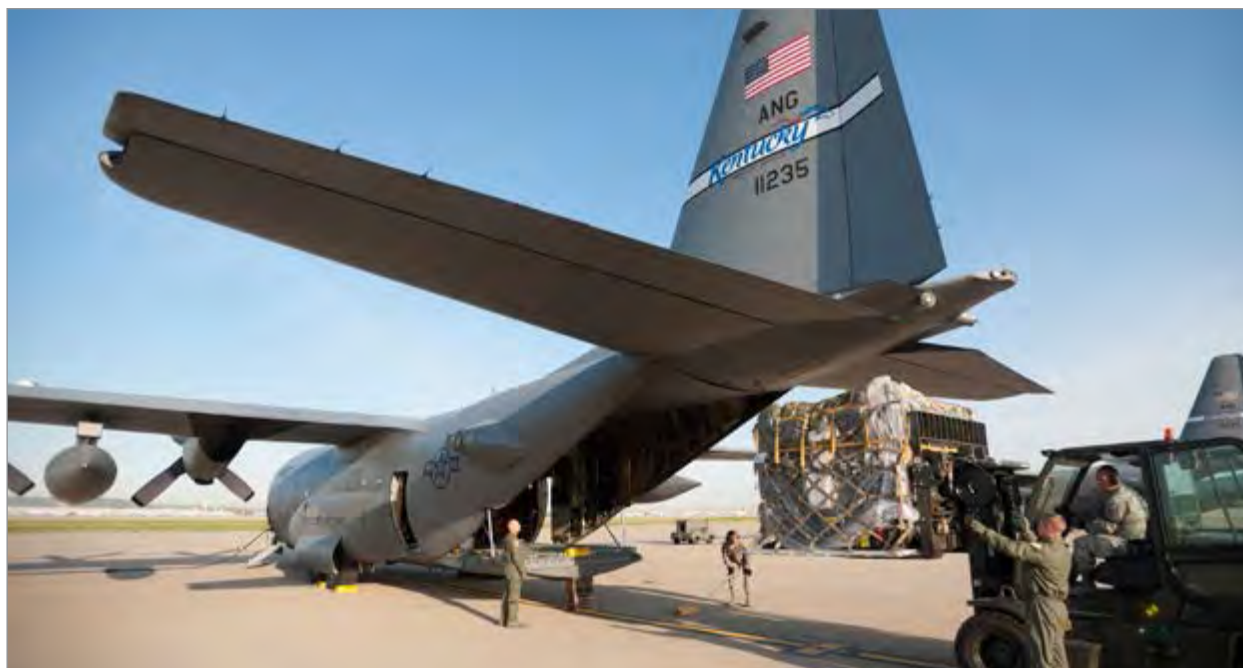
Under the leadership of the DoD IG, the Lead IG agencies built on this partnership and began coordinated oversight of OFS, by

- updating the joint strategic planning process and developing a comprehensive oversight plan to reflect the efforts of various oversight partners in this unstable region. In particular, the Lead IG agencies coordinated with other OIGs, including SIGAR, to provide coordinated oversight in Afghanistan to deter waste, fraud, and abuse and promote effective stewardship of taxpayer dollars. This plan was effective on October 1, 2015, and will be made public as part of the COP-OCO.
- issuing a Lead IG report in August 2015 that provided a quarterly update on OFS.
- hiring individuals to contribute to the planning, oversight, and reporting responsibilities of the Lead IG.

Operation United Assistance

According to public health officials, the Ebola epidemic in West Africa infected more than 28,000 people and led to more than 11,300 fatalities. National health care systems and economies in Liberia, Sierra Leone, and Guinea were severely impacted. As a potential global health threat, 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, including the Department of Health and Human Services (HHS), were 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.



Kentucky Air Guardsmen Deploy to Support Missions in Afghanistan as Part of Operation Freedom's Sentinel
Source: U.S. Air National Guard

Pursuant to Section 8L of the IG Act of 1978, as amended, on February 24, 2015, the CIGIE Chair designated the DoD IG as Lead IG for OUA, who, in turn, appointed the Acting Deputy IG for USAID the Associate IG. The Associate IG engaged the participation of the HHS OIG. Under the primary leadership of the Associate IG, the Lead IG agencies continue to oversee OUA and the international Ebola response and preparedness, actions included:

- issuing Lead IG reports in May and August 2015 that provided quarterly updates on OUA and the Ebola crisis. The August report provided a biannual oversight update on the execution of audits, inspections, and investigations by these IG organizations, and
- undertaking a joint planning effort to ensure strategic, comprehensive oversight of the international response to the Ebola outbreak continues. This plan was effective as of October 1, 2015, and will be made public.

On May 27, 2015, the Department of Defense was informed that the President directed the termination of OUA, effective June 30, 2015.

Lead IG Outreach and Interagency Initiatives

The DoD IG continued to visit commands in the OCO-affected regions as well conduct various informational briefing sessions regarding additional Lead IG responsibilities under Section 8L of the IG Act. During this reporting period, the Principal Deputy IG and DIG-OCO traveled overseas for in-country meetings with military leadership in Kuwait, Qatar, and Jordan, as well as Afghanistan. The DoD IG staff deployed in these locations continue to discuss Lead IG roles and responsibilities.

The IG met with various Congressional committees to discuss Lead IG plans, results, and challenges, and conducted additional briefings throughout the IG community to provide awareness of the whole-of-government aspect of oversight specific to the interagency Lead IG approach.

OCO Planning and Coordination

The DIG-OCO is responsible for coordinating and making public the annual compilation of scheduled and ongoing audits, evaluations, and inspections for Afghanistan and Southwest Asia. The DIG-OCO identifies gaps and overlaps, manages conflicting priorities, and responds to senior leader requests in the planning, execution, and reporting of oversight activities. In addition, the DIG-OCO ensures effective outreach is conducted among the oversight organizations and OCO theater leadership.

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. The resulting plan, the *FY 2016 Comprehensive Oversight Plan for Overseas Contingency Operations (COP-OCO)*, was effective October 1, 2015, and will be made public on each OIG's website.

The DIG-OCO is also the Chair of the interagency Southwest Asia Joint Planning Group, and hosted situational awareness briefings by senior military officials regarding Afghanistan during the Southwest Asia Joint Planning Group meetings.



3

ENABLING MISSION AREAS



CONGRESSIONAL TESTIMONY AND BRIEFINGS

Section 4(a)(2) of the Inspector General Act requires the Inspector General (IG) “to review existing and proposed legislation and regulations relating to the programs and operations of [the Department of Defense].” The IG must 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 provides information to Congress by participating in congressional hearings and briefings.

MEETINGS WITH CONGRESSIONAL MEMBERS AND STAFF

During the reporting period, representatives of the DoD IG held 46 meetings and numerous phone calls with congressional staff and 4 Members of Congress. Topics of discussion included pending legislation, and

- audits of spare parts;
- protection of federal whistleblowers; and
- briefings related to the roles, responsibilities, and oversight activities under the Lead IG for Overseas Contingency Operations.

In addition, the DoD IG Office of External Affairs proactively informs congressional staffers about upcoming IG reports and ongoing reviews.

CONGRESSIONAL REQUESTS

The Office of External Affairs supports the DoD IG by serving as the point of contact for communications with Congress and the media. From April 1, 2015, through September 30, 2015, External Affairs received 83 new congressional inquiries.

During the reporting period, the OIG conducted audits and reviews in response to congressional interest and mandates. Examples of Congressional directed reviews include:

- a review related to service members separated from the Armed Forces after making an unrestricted report of sexual assault,
- initiating a review of the processes and decisions that led to the development of Joint Improvised Explosive Device Analysis Tool (JIST) software as well as the subsequent decision not to field the JIST,
- a review of the requirements for senior DoD officials seeking employment with Defense contractors, and
- a review of the civilian pay and personnel programs at the Service and component level.

In addition, the OIG recently completed a review of noncompetitive IT contract awards as requested in House Report 113-446, which accompanied the Howard P. ‘Buck’ McKeon National Defense Authorization Act for FY 2015.



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 “The Inspector General Reform Act of 2008.” Its purpose is to address integrity, economy, and effectiveness issues, that transcend individual government agencies, and to 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 the CIGIE, serving on the Executive Council, the Professional Development Committee, and as Chair of the Audit Committee.

Defense Council on Integrity and Efficiency

The DCIE is chaired by the DoD IG and meets on a quarterly basis to ensure effective coordination and cooperation between and among the activities of the DoD IG, the Defense Agencies, and the activities of the internal audit, inspection, and investigative organizations of the military departments with a view toward avoiding duplication. The DCIE functions as a forum for discussions among the members of the DCIE regarding opportunities, within the programs and operations of the Department of Defense, 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” (IG Act, Section 2(2)). These opportunities address but need not be limited to audit, inspection, and investigative policies and projects outside the jurisdiction of an individual DCIE member organization. The DCIE has six standing committees: Audit, Administrative Investigations, Criminal Investigations, Information Technology, Inspections & Evaluations, and Intelligence.

Defense Intelligence and Special Programs Oversight Committee

The Deputy IG for ISPA chairs the quarterly Defense Intelligence and Special Programs Oversight Committee, a subcommittee of the DCIE. The committee promotes and furthers collaboration, cooperation, coordination, and information sharing among the IGs and Auditors General of the DoD regarding intelligence strategies and efforts. The committee’s objectives are to support the IGs and Auditors General of the DoD in performing audits, inspections, and evaluations within their respective departments and agencies and to strengthen the effectiveness of their role in supporting the national intelligence strategy. The committee seeks to optimize resources, increase efficiency, and avoid duplicating efforts. The committee also explores opportunities for joint and interagency training and education, and examines defense programs and operations to identify those requiring coverage from more than one member of the committee.

During this period, two quarterly meetings were held. The May 6, 2015, meeting focused on several NSA-related issues of interest to committee members. The August 11, 2015, meeting focused on the annual planning process and the Intelligence Community Whistleblower Protection Act. The committee published two issues of its quarterly newsletter.

Intelligence Community Inspectors General Forum

The 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.

The DoD IG Training of International Partners

In September 2015, DCIS provided fraud, waste, and abuse training to 36 senior Kosovo Government officials in Pristina, Kosovo. Attendees included members of the Kosovo Security Force; the Ministries of Internal Affairs; Finance, Customs, and Public Administrators; and the Justice Pillar. The topics included Corruption in the Defense and Procurement Arenas, Combating Corruption: Management Controls and Organizational Structure, Money Laundering, and Asset Forfeiture. The event was hosted by the Department of State.

Defense Criminal Investigative Organization Agency Working Group

The DCIO Agency Working Group consists of headquarters representatives from DCIS and each of the MCIOs. The Working Group met in July 2015 and September 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 coordinate on and de-conflict local fraud investigations.

International Five Partner Fraud and Anti-Corruption Network Initiative

In July, the Deputy IG for Investigations hosted international partners from Australia, New Zealand, United Kingdom, and Canada to explore the development of a Five Partner Fraud and Anti-Corruption Network (FACNET). FACNET is being explored to strengthen the prevention, detection, and response capabilities of partner entities against global fraud and public corruption. This initiative provides a platform for information sharing and developing opportunities for training, learning and, when appropriate, joint investigations. Future meetings and ongoing dialogue regarding FACNET continue.

2015 Comptroller's Accreditation and Fiscal Law Course

DoD OIG and the Judge Advocate General's Legal Center & School in Charlottesville, Virginia, partnered to present the 2015 Comptroller's Accreditation and Fiscal Law course. The course represented the continuation, since 2007, of a partnership between the DoD OIG's Auditing Component and the Judge Advocate General's Legal Center & School's Contract and Fiscal Law Department to deliver the school's Comptroller Accreditation and Fiscal Law course in the National Capital Region. Nearly 200 students, mainly in the comptroller and resource manager fields, and related personnel, attended this training to enhance their skills in exercising their individual responsibilities for fiscal oversight to DoD resources.

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.



PDIG and International IG Partners



SERVICES



SERVICE AUDIT AND INVESTIGATIVE AGENCIES

The Service audit and investigative agencies are key component of the DoD oversight community. They conduct audits and investigations of activities, programs, functions, and criminal activity solely within their Service. Included in this section are contributions by the Services highlighting significant audit reports issued by the Army Audit Agency, Naval Audit Service, and the Air Force Audit Agency. (Appendix B provides a listing of the audit reports

issued by the DoD IG and the Service audit agencies). Also included in this section are results of significant investigations performed by the Military Criminal Investigative Organizations (MCIOs) which result in criminal, civil, and administrative actions. The MCIOs are the Army Criminal Investigation Command, the Naval Criminal Investigative Service, and the Air Force Office of Special Investigations.



ARMY

U.S. ARMY AUDIT AGENCY

To accomplish its mission, 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 Department of the Army (DA), USAAA aligned its 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 second half of FY 2015, USAAA published 59 reports, made over 234 recommendations, and identified about \$1 billion of potential monetary benefits. A few of USAAA's significant reports are described in the following paragraphs.

Sustainment Systems Technical Support (SSTS)—Funding Execution

OVERVIEW:

USAAA provided a comprehensive review of SSTS funding requirements and execution. This audit focused on U.S. Army Aviation and Missile Life Cycle Management Command's (AMCOM) requirements determination process and procedures for calculating and supporting SSTS requirements submissions to DA.

FINDINGS:

USAAA concluded that AMCOM's SSTS requirements were not properly calculated and supported. Army Regulation 750-1 (Army Materiel Maintenance Policy) and the Resource Formulation Guide provide specific guidance and policy on computing SSTS requirements. However, AMCOM personnel included requirements that were not authorized, and they could not provide documentation to support their requirements. Specifically, they submitted logistics

assistance representative requirements that were not authorized on tables of distribution and allowances or approved concept plans. Also, requirements for the Counter-Rocket, Artillery, Mortar Intercept system were not supported by workload and cost estimates derived from engineering cost estimates, models, or simulations. This occurred because there was no formal review by AMCOM and U.S. Army Materiel Command prior to submitting requirements to DA for approval. As a result, AMCOM personnel overstated SSTS requirements in the FYs 2016 through 2020 program objective memorandum by about \$98 million.

RESULTS:

USAAA recommended that the Office of the Deputy Chief of Staff, G-4, reduce SSTS requirements by about \$98 million and reallocate programmed funds to other higher priority needs and that U.S. Army Materiel Command establish procedures to validate and certify SSTS requirements prior to submitting to DA. The Office of the Deputy Chief of Staff, G-4, and U.S. Army Materiel Command agreed with the proposed requirements reduction and process improvements. It began to take action during the audit by reducing the FYs 2017 through 2021 program objective memorandum by \$45 million for the logistics assistance representative requirements with the remainder to be taken in the following program objective memorandum as appropriate.

Report No. A-2015-0081-ALM

Audit of Sustainment Funding Requirements for Nonstandard Equipment

OVERVIEW:

At the request of the Assistant Deputy Chief of Staff (DCS), G-8, USAAA conducted the audit to verify that the Army has a sufficient process to transition nonstandard equipment (NS-E) funding requirements into the program objective memorandum.

FINDINGS:

USAAA determined that the Army had begun actions to transition NS-E, but did not have sufficient guidance or processes to transition NS-E into the deliberate acquisition process or the program objective memorandum. Project managers' efforts to transition systems were largely unplanned with

varying degrees of success. This occurred because, although project managers established processes to estimate funding requirements, the Army did not establish sufficient guidance to develop estimates or processes to transition NS-E into the deliberate acquisition process. As a result, cost estimates did not accurately classify requirements within correct cost elements or appropriations. Project managers inadvertently attributed second destination transportation and type classification and materiel release costs of about \$7 million and \$84.9 million, respectively, as base funding requirements instead of overseas contingency operations. Project managers also prematurely transitioned NS-E into sustainment and planned for sustainment systems technical support and postproduction software support costs of about \$89.4 million.

RESULTS:

USAAA recommended and DCS, G-8, agreed to develop programming guidance to address the requirements to submit NS-E into the program objective memorandum. Additionally, the Offices of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) and DCS, G-4, agreed to issue guidance that identified the proper appropriation and cost elements for NS-E requirements and reduced program objective memorandum submissions for FYs 2015 through 2017 by about \$178 million. DCS, G-4, also reduced funding of about \$3.5 million for NS-E that prematurely programmed sustainment systems technical support requirements.

Report No. A-2015-0083-ALA

Mobilized Soldiers on Temporary Change of Station Orders

OVERVIEW:

At the request of the Chief of Staff, First U.S. Army, USAAA audited mobilized Soldiers on temporary change of station (TCS) orders. USAAA reviewed entitlements for 146 Army Reserve soldiers to verify that the entitlements were authorized.

FINDINGS:

USAAA determined that policy and procedures governing the transition from 12301(d) permanent change of station voluntary mobilizations to 12302 TCS involuntary mobilizations for U.S. Army Reserve

soldiers were not sufficient to ensure valid travel entitlements and authorizations. Of the 146 First Army Reservists reviewed:

- 100 received unauthorized TCS entitlements because there was not a break in service between their permanent change of station and TCS orders.
- 13 received TCS entitlements in accordance with the strict guidelines of the Joint Travel Regulations. However, because these soldiers remained at the same duty location with less than a 30-day break in service and knew of the follow-on order ahead of time, the intent of the joint travel regulation and Army guidance was not met.
- 33 received appropriate TCS entitlements because of legitimate break in service.

This occurred because guidance was not clearly communicated, mobilization processes lacked key controls and oversight, and entitlements incentivized Soldiers to return to TCS orders. As a result, 100 First Army soldiers received unauthorized TCS entitlements and incurred debt of about \$1.5 million. In addition, the soldiers received incorrect basic allowance for housing and family separation payments of about \$560,000.

RESULTS:

USAAA made recommendations to clarify guidance and strengthen management controls to decrease opportunities for fraud, waste, and abuse of TCS travel entitlements and to help DA meet its audit readiness goals through the retention of key supporting documentation.

Report No. Report A-2015-0087-FMX

Army's Reporting of Sexual Harassment Complaints and Sexual Assault Reports

OVERVIEW:

USAAA reviewed how well four Army subordinate commands entered complete and accurate sexual harassment complaints in the Integrated Case Reporting System (ICRS). USAAA also reviewed the sufficiency of the controls in the Army's process to ensure cases in the Defense Sexual Assault Incident Database (DSAID). Due to congressional reporting requirements for data concerning sexual harassment and sexual assault incidents in the Armed Forces,

it is critical that the Army provides complete and accurate data. This information is important not only for Congress but also for senior Army leadership who uses it to improve and enhance the Army's Sexual Harassment/Assault Response and Prevention (SHARP) program.

FINDINGS:

USAAA determined that the four subordinate commands reviewed did not enter complete and accurate sexual harassment complaints in ICRS and did not consistently document informal complaints. Additionally, subordinate commands did not maintain consistent oversight for sexual harassment complaints entered into the system. Conflicting sexual harassment policy caused the inconsistent documentation of informal complaints in ICRS. Additionally, SHARP Program Office personnel did not clearly communicate all of the data requirements for complaints entered in ICRS. Also, Sexual Assault Response Coordinators did not receive sufficient ICRS user training prior to using the system.

The SHARP Program Office's quality control process over sexual assault reports in DSAID sufficiently identified sexual assault report errors, but the process did not include sufficient controls to ensure errors were promptly and appropriately resolved. Timely resolution of DSAID errors did not occur because the SHARP Program Office didn't develop formal reconciliation guidance for the field. As a result, data for sexual harassment complaints in ICRS and sexual assault cases in DSAID were not fully complete and accurate for reports provided to senior Army leadership, DoD, and Congress.

RESULTS:

USAAA recommended that DCS, G-1, develop and issue interim ICRS policy that identifies recording and data requirements for formal and informal sexual harassment complaints and to codify this policy in developing Army Sexual Harassment/Assault Response and Prevention guidance; to revise ICRS user training to include system functionality and data requirements; to include as a Sexual Assault Review Board mandatory agenda item a review of all sexual harassment complaints; and to develop reconciliation guidance for correcting DSAID errors and to include all DSAID errors as a Sexual Assault Review Board mandatory agenda item.

Report No. A-2015-0091-MTH

Army Controls Over Incapacitation Pay

OVERVIEW:

USAAA performed the audit to verify that the Army had effective controls in place to ensure proper administration of incapacitation (INCAP) pay for the U.S. Army National Guard and U.S. Army Reserve Command. Using statistical sampling techniques, USAAA evaluated the propriety and controls over incapacitation payments (valued at \$17.8 million) that the Army made to 1,088 Reserve Component soldiers from July 2013 through July 2014.

FINDINGS:

USAAA identified that the Army needed both additional and more effective controls over its INCAP pay process to ensure that these payments were proper and sufficiently supported. USAAA determined that the Army did not make sure that INCAP pay applicants met all eligibility requirements for initiation of INCAP pay; properly monitor soldiers and stop payments to soldiers who lacked required supporting documentation; and correctly calculate INCAP payments. These conditions occurred because unit commanders, State National Guard personnel, and regional support command personnel lacked proper training and guidance to make sure soldiers were eligible for INCAP payments; State National Guard and regional support command personnel were not aware of the oversight and reporting requirements for line of duty INCAP pay; and pay personnel lacked proper training and guidance to calculate INCAP payments correctly. As a result, the Army paid INCAP payments of about \$7.8 million to soldiers who were ineligible and overpaid others about \$4 million.

RESULTS:

USAAA recommended that DCS, G-1, direct the U.S. Army National Guard and U.S. Army Reserve Command to immediately recertify all soldiers currently receiving incapacitation pay. Additionally, USAAA recommended strengthening specific controls over the administration of incapacitation pay. Specifically, DCS, G-1, agreed to elevate claims with time lapses greater than 12 months for higher level review and establish a working group to define policy to address training, improve procedures, and compute incapacitation pay amounts. Strengthening the Army's control environment could achieve about \$65.3 million in savings during FYs 2016 through 2021.

Report No. A-2015-0100-FMF

U.S. ARMY CRIMINAL INVESTIGATION COMMAND



Murder of a Soldier

OVERVIEW:

Criminal Investigation Division and Lakewood Police Department, Lakewood, Washington, conducted a joint investigation in October 2013, after a soldier assigned to Joint Base Lewis-McCord (JBLM), Washington was found deceased with a stab wound to the chest. The investigation determined that Private Jeremiah Hill committed the murder of the soldier by stabbing him with a knife following a confrontation.

RESULT:

On April 22, 2015, during a judge only general court martial at JBLM, Hill was convicted of murder. He was sentenced to 45 years confinement, forfeiture of all pay and allowances, and a dishonorable discharge.

Serial Sex Offender

OVERVIEW:

This investigation was initiated by the Criminal Investigation Division on December 25, 2013, after a 16-year-old girl reported that Private Jameson Hazelbower had raped her. Further investigation revealed Private Hazelbower committed multiple unlawful sexual acts with two additional females, ages 14 and 15, on separate occasions and in multiple locations in Kentucky during 2013. The two additional victims were not DoD-affiliated. On January 10, 2014, Private Hazelbower deserted the U.S. Army to avoid prosecution and remained free until his arrest by civilian authorities in Illinois on March 29, 2014.

RESULT:

On May 13, 2015, during a judge only general court martial at Fort Campbell, KY, Hazelbower was convicted of rape, rape of a child, sexual abuse of a child, sexual assault of a child, possession of child pornography, and desertion. He was sentenced to 50 years confinement, forfeiture of all pay and allowances and a dishonorable discharge. He was also required to register as a sex offender.

Serial Unauthorized Computer Access to Steal National Defense Information

OVERVIEW:

This investigation was initiated on October 22, 2013, when the Criminal Investigation Command Computer Crime Investigative Unit received a report of suspicious computer activity by Mr. Christopher Glenn, an Army information technology contractor at Soto Cano Air Base, Honduras. The investigation determined that Mr. Glenn used his system administrator privileges to access a classified Department of Defense network without authorization and remove classified national defense information from the U.S. Southern Command's Joint Task Force – Bravo, including intelligence reports and military plans. Mr. Glenn encrypted the files and placed them on an Internet-accessible network storage device located in his residence in Honduras.

The investigation also revealed that Mr. Glenn conspired with his wife, former Army Specialist Khadraa A. Glenn, to commit naturalization fraud for her benefit by producing fraudulent documents and false statements to submit to U.S. Citizenship and Immigration Services. After she obtained citizenship under false pretenses, Specialist Glenn enlisted in the U.S. Army and applied for a Top Secret security clearance. Based on the results of her background investigation, she was denied a Top Secret clearance and discharged from the military before she completed her initial entry training.

RESULT:

In August 2014, Specialist Glenn pleaded guilty to conspiracy to commit naturalization fraud in U.S. District, Southern District of Florida. On October 7, 2014, she was sentenced to 7 months confinement (time served), 1 year of supervised probation, a \$100.00 assessment, and ordered to cooperate in any deportation proceedings.

In January 2015, Mr. Glenn pleaded guilty to unauthorized access, willful retention and failure to deliver national defense information, exceeding authorized access to a computer obtaining national defense information and willfully retaining that information, and conspiracy to commit naturalization fraud. On July 31, 2015, he was sentenced to 10 years confinement, 3 years of supervised probation and a \$300 assessment.

NAVY

NAVAL AUDIT SERVICE

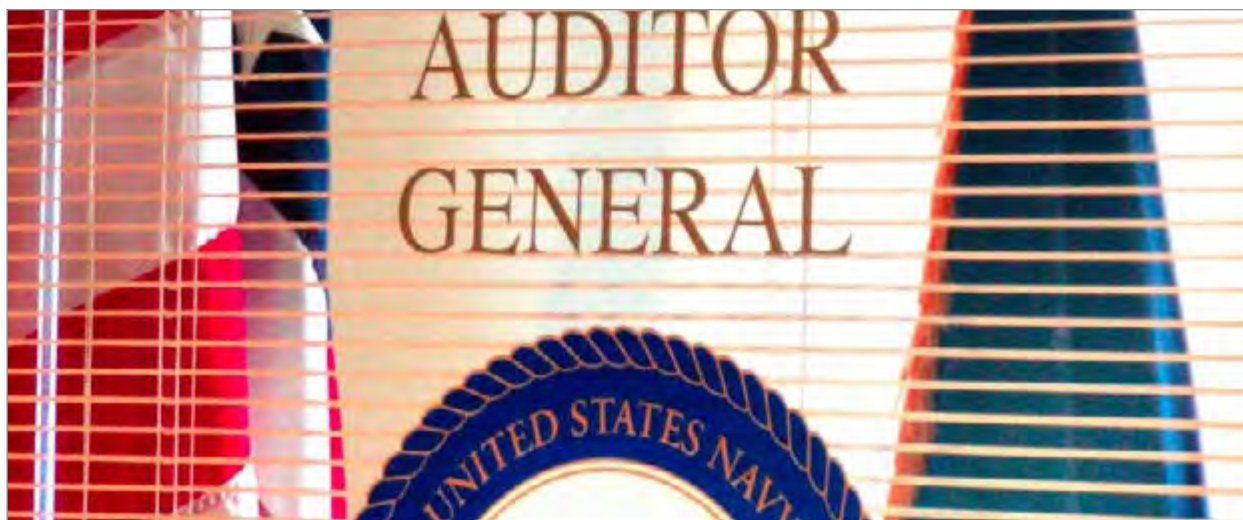
The mission of the Naval Audit Service is to provide independent and objective audit services to assist Department of the Navy (DON) leadership in assessing risk to improve efficiency, accountability, and program effectiveness. The Naval Audit Service (NAVAUDSVC) develops an annual risk-based audit plan based on DON-wide input (from all levels) to the Risk and Opportunity Assessment. The Audit Service also responds to requests from senior DON officials to provide audit work on emergent topics. All NAVAUDSVC audit work is designed to address significant DON topics that merit additional oversight.

In the past 6 months, NAVAUDSVC published audits that addressed such critical areas as personal property and real property management, human capital, and controls over corporate data. NAVAUDSVC published the first in a series of audit reports on the maintenance of ammunition and explosives storage facilities in various regions. NAVAUDSVC-assisted reports for the Naval Criminal Investigative Service identified potential fraud related to housing and travel allowances and embezzlement. In the year ahead, NAVAUDSVC will continue to provide DON commands with an expert and impartial assessment of critical issues, and, when needed, make recommendations to help DON achieve greater efficiency and effectiveness in its operations.

Navy Temporary Disability Retired List

The former Chief of Naval Personnel requested that NAVAUDSVC audit management of the Temporary Disability Retired List (TDRL) verify whether the Navy complied with Federal law relating to the timeliness of medical re-evaluations and whether the Navy processed and liquidated TDRL travel claims in a timely manner. NAVAUDSVC found that the Navy did not manage TDRL as intended and did not comply with Federal law or DoD and DON policy. Specifically, NAVAUDSVC projected that 3,557 (70 percent) of Navy TDRL members were late for or did not attend their required medical re-evaluations but still received TDRL payments. Further, 43 percent of members reviewed were not discharged when required, at an unnecessary cost of \$3.5 million to the Government (11 members simultaneously received active duty and TDRL pay). NAVAUDSVC estimated that the untimely discharge of TDRL members could cost the Navy as much as \$7.2 million in improper overpayments for FYs 2014 through 2019. NAVAUDSVC also found that TDRL travel claims were not processed in a timely manner and liquidated as required, and travel related to TDRL was not monitored. These conditions existed due to significant internal control weaknesses throughout the process, including ineffective tracking and monitoring, insufficient enforcement of policy, and lack of policies and procedures.

Report No. N2015-0024



Naval Audit Service

Source: www.secnnav.navy.mil

Management Controls of Navy Corporate Data

The former Deputy Chief of Naval Personnel/Commander, Navy Personnel Command, requested an audit of the management of Navy corporate data (Personnel Systems, the Navy Manpower and Personnel Distribution System, the Inactive Manpower and Personnel Management Information System, and the Total Force Manpower Management System) on the Mechanicsburg, Pennsylvania, mainframe following a breach of personally identifiable information at Navy Personnel Command. The audit objective was to determine if management controls over Navy corporate data on the mainframe were in place and operating as intended to protect the information from unauthorized disclosure. NAVAUDSVC found that the Bureau of Naval Personnel (BUPERS) could not identify all users, as required, who could and did access the Mechanicsburg mainframe systems. Additionally, the System Authorization Access Request–Navy forms provided by BUPERS were incomplete. This occurred because BUPERS's access management controls were not sufficient and were not operating as required to protect information from unauthorized disclosure. Also, BUPERS did not follow previously established access-control guidance on granting and monitoring access to the Mechanicsburg mainframe systems. As a result, there was, and until corrected, still is, a risk of unauthorized users accessing Navy Information Technology systems.

Report No. N2015-0026

Personal Property Management at Strategic Systems Programs

The audit objectives were to verify that Strategic Systems Programs' personal property was being managed in accordance with laws and regulations and to make sure Strategic Systems Programs activities were accurately accounting for the personal property they were assigned. NAVAUDSVC found opportunities for Strategic Systems Programs to improve personal property management through better compliance with DoD and DON policies. Specifically, NAVAUDSVC determined that: (1) 184 records did not have sufficient supporting documentation; (2) 6 personnel did not have a written delegation of authority letter; (3) 32 personal-property assets were not properly recorded in an Accountable Property System of Record; (4) Strategic Systems Programs Headquarters personnel did not conduct reconciliations for the past

3 years; (5) 7 property custodians did not conduct physical inventories; (6) 17 property custodians did not complete property management training as required; and (7) there were 111 instances of missing or incorrect information within Enterprise Resource Planning. These conditions existed due to insufficient monitoring, oversight, and training. The risk of loss, theft, waste, and abuse increases when supporting documentation and effective internal controls are not maintained and functioning. Improving personal-property document retention and asset accountability will better prepare the DON for financial statement audit readiness and assertion.

Report No. N2015-0029

Navy's Real Property Inventory–Naval Facilities Engineering Command Europe Africa Southwest Asia

This was the fourth in a series of audits requested by Naval Facilities Engineering Command to validate the accuracy and completeness of the Navy's real-property inventory. The objective was to verify that the internet Navy Facility Assets Data Store (iNFADS) was accurate and complete for the Navy's Class 2 real-property inventory within Naval Facilities Engineering Command Europe Africa Southwest Asia. Class 2 property includes buildings, structures, and utilities. NAVAUDSVC reviewed 172 statistically selected property records and determined that at least 1 of the 11 data elements was either inaccurate or could not be verified for all records. Further, of the 164 nonstatistically selected properties used to verify the completeness of iNFADS data, 22 properties did not have a property record card in iNFADS when a record should have existed. These conditions occurred because reporting requirements and business processes for recording data into iNFADS were not clear, or existing guidance was not being followed or enforced. Further, insufficient communication existed between personnel who directly or indirectly affect real-property inventory data. As a result, planners and decision makers did not have an accurate and current real-property inventory from iNFADS, which provided data to approximately 70 applications and was critical to the development of a clean financial statement, the annual military construction program, and determining requirements for facility sustainment.

Report No. N2015-0018

Navy Ammunition and Explosives Storage Facilities Within the Commander, Navy Region Mid-Atlantic Area of Responsibility

The audit objective was to verify that Ammunition and Explosives (A&E) storage facilities within the Commander, Navy Region Mid-Atlantic Area of Responsibility, were maintained effectively and in accordance with applicable explosives safety guidance. NAVAUDSVC determined that A&E storage facilities within the Commander, Navy Region Mid-Atlantic Area of Responsibility, were not managed effectively or maintained in accordance with DoD guidance. NAVAUDSVC statistically sampled 81 of 599 A&E storage facilities located at six installations for detailed review. Based on sample testing, NAVAUDSVC projected that data were not accurately reflected in the iNFADs property records for 226 (38 percent) of the 599 A&E storage facilities; although not required, explosive limits recorded in the Ordnance Information System—Retail did not match the explosive limits approved by the DoD Explosive Safety Board, the Naval Ordnance Safety and Security Activity, or the activity for 179 (30 percent) of the 599 A&E storage facilities; explosive limits were not accurately displayed on facility placards for 82 (14 percent) of the 599 A&E storage facilities; and of the 599 A&E storage facilities, 127 (21 percent) did not meet current safety standards. This occurred due to a lack of sufficient procedures, internal controls, and oversight to make sure iNFADS and Ordnance Information System—Retail data pertaining to the facilities was regularly reviewed and updated as needed, and a lack of management emphasis at the region and installation levels to make sure facilities were maintained in accordance with current criteria, as well as resource limitations within those activities and Naval Facilities Engineering Command. As a result, leadership relying on iNFADS data may make erroneous decisions regarding items such as current storage capability, military construction needs, financial reporting and audit readiness, and sustainment recapitalization and operating funding requirements.

Report No. N2015-0030

NAVAL CRIMINAL INVESTIGATIVE SERVICE

Significant Investigative Cases

Navy Petty Officer Identified as Serial Rapist

OVERVIEW:

This investigation was initiated by Naval Criminal Investigative Service (NCIS) in July 2014, after a female sailor reported she had been raped by Navy Petty Officer Rashad D. Long. Preliminary investigation identified two additional female sailors that were sexually assaulted by Long, leading NCIS to conduct extensive screening interviews for additional victims. Investigation determined through interviews and DNA evidence that Long sexually assaulted a total of six women in the Norfolk, Virginia area. Additionally, Long was provided a written order to have no contact with the victims. Long disregarded the order and contacted one of the victims and engaged in sexual harassment.

RESULT:

On March 5, 2015, during a judge alone general court martial at Norfolk Naval Base, Virginia, Long pleaded guilty to rape, attempted rape, and violation of a lawful order. He was sentenced to 19 years of 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.

Navy Officer Sexually Exploits Children

OVERVIEW:

This investigation was initiated in August 2013 by NCIS after it was informed by the National Center for Missing and Exploited Children that a person likely affiliated with the Navy had downloaded child pornography from a location in San Diego, California. NCIS identified Ensign Mason G. Brock as a Navy member, and a federal search warrant for his social media and email revealed deleted images of child pornography. In addition, NCIS found potentially inappropriate communications between Brock and two minors in Oklahoma. A joint investigation with the Norman Police Department, Norman, Oklahoma determined that Brock had engaged in multiple unlawful sexual acts with the minors and enticed them to produce child pornography.

RESULT:

On February 23, 2015, in U.S. District Court in Oklahoma, Brock pleaded no contest to lewd acts with a child under 16, forcible sodomy, soliciting sexual conduct or communication with a minor by use of technology, and contributing to the delinquency of minors. He was sentenced to 19 years' imprisonment and 5 years of supervision upon release. He was also fined \$500 and was required to register as a sex offender.

One Million in Bribes Used to Secure \$37 Million in Contracts

OVERVIEW:

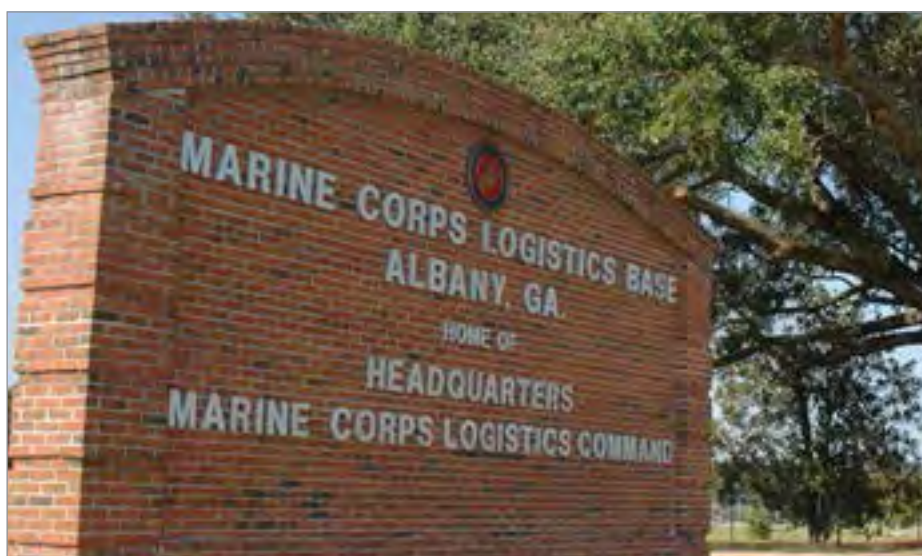
This NCIS investigation was initiated in December 2008, after multiple DoD IG Hotline complaints were received alleging employees of the Defense Logistics Agency (DLA) in Albany, Georgia, had received bribes from commercial carriers in return for favoritism in awarding transportation contracts. A joint NCIS investigation with the DLA Office of the Inspector General and the Department of Labor Office of the Inspector General determined that Christopher Whitman, the co-owner of United Industrial of Georgia, Inc. (ULOC), a freight transportation broker, conspired with Kelli Durham, an employee of ULOC to pay nearly \$1.2 million in bribes to five Marine Corps Logistics Base (MCLB)

Albany employees. The bribes were used to secure approximately \$37 million in transportation contracts loaded with unnecessary premium-priced requirements and to facilitate the theft of heavy engineering equipment from MCLB Albany.

Further investigation determined that Whitman enlisted Carroll Wayne Smith to assist in selling 31 items stolen from the U.S. Government, which included heavy engineering equipment valued at \$1,108,800. The Defense Criminal Investigative Service coordinated the extensive criminal forfeiture of the assets acquired by Whitman as a result of his criminal activity. Approximately \$14 million in property, including real estate, vehicles, and collectables, were seized. The estimated loss to the government as a result of the fraud, theft, and corruption scheme was \$18.9 million.

RESULT:

On March 3, 2015, in the United States District Court for the Middle District of Georgia, Whitman, DLA employee Shawn McCarty, and MCLB Albany contracted employee Bradford Newell were found guilty of bribery, theft, and obstruction charges. In addition to the \$14 million in seized property, the following forfeitures were ordered by the court Whitman: \$18,860,313, to include 105 real properties; Newell: \$513,600; McCarty: \$15,410,151. Their sentencing is pending.



Marine Corps Logistics Base, Albany, Georgia
Source: www.mcieast.marines.mil

On February 13, 2013, in the United States District Court for the Middle District of Georgia, Shelby Janes, former Inventory Control Manager, MCLB Albany, pleaded guilty to bribery for soliciting and receiving approximately \$98,500 in return for, among others, facilitating the unlawful transfer of heavy engineering equipment owned by the U.S. Government to a certain individual and company. Janes, under the plea agreement, was ordered to pay \$1,075,000 in restitution, and assets worth \$98,500 were seized. His sentencing is pending.

On October 27, 2014, in the United States District Court for the Middle District of Georgia, Mitchell Potts, former DLA Traffic Office Supervisor, pleaded guilty to bribery in return for funneling business to a certain individual and company through a variety of schemes to maximize the number of loads for the company, which resulted in millions of dollars in overcharges to the U.S. Government. Potts, under the plea agreement, was ordered to pay \$75,000 in restitution, and assets worth \$209,800 were seized. His sentencing is pending.

On October 27, 2014, in the United States District Court for the Middle District of Georgia, Jeffery Philpot, former DLA Lead Transportation Assistant, pleaded guilty to bribery for receiving cash payments and other things of value, in return for, among others, the award of DLA freight shipment loads. Philpot, under the plea agreement, was ordered to pay \$50,000 in restitution, and assets worth \$50,000 were seized. His sentencing is pending.

On October 10, 2013, in the United States District Court for the Middle District of Georgia, Kelli Durham pleaded guilty to conspiracy and under the plea agreement was ordered to pay \$905,685 in restitution. Her sentencing is pending.

On May 13, 2014, in the United States District Court for the Middle District of Georgia, after being found guilty of theft of government property, Carroll Wayne Smith was sentenced to one year of probation and ordered to pay \$20,000 in restitution.

AIR FORCE

AIR FORCE AUDIT AGENCY



The Air Force Audit Agency (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; evaluating programs and activities; and assisting Air Force managers in achieving program results. AFAA is committed to reaching out to Air Force customers at all levels. To support Air Force decision makers, AFAA has approximately 575 personnel at 50 worldwide locations. AFAA conducts centrally directed, Air Force-wide audits to support Air Force senior leader missions and priorities. Installation-level audit teams provide 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. AFAA prepared the FY 2015 Audit Plan in collaboration with Air Force leaders to help ensure audit efforts were balanced across operational effectiveness, law and policy compliance, and organizational efficiency. As a result, AFAA's ongoing and planned audits address many of the Air Force's most critical programs and initiatives, focusing on the Secretary of the Air Force's top priorities: taking care of people, modernization, and making every dollar count. In addition, the Audit Plan is a living document that accommodates adjustments as customer needs change or new Air Force emergent priorities arise.

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

Overall, during the second half of FY 2015, AFAA published 41 centrally directed audit reports, provided 81 recommendations to Air Force senior officials, and identified \$289.9 million in potential monetary benefits. The following summaries highlight significant reports that AFAA issued during the second half of FY 2015.

Specialized Supply Accounts

DoD personnel are accountable for all acquired property from acquisition through disposition. The DoD uses DoD Activity Address Codes (DoDAAC) to identify the location of each unit, activity, or organization. The Air Force assigns a specialized supply account DoDAAC, known as an FX account, to activities with special equipment or classified missions. An AFAA audit determined that Account administrators did not effectively manage FX accounts. Specifically, personnel did not properly use and report FX accounts and did not properly account for FX assets. As a result, Air Force financial reporting was inaccurate and did not comply with Financial Improvement and Audit Readiness initiatives. In addition, assets valued at \$5.3 billion were not included in any Air Force accountability system, increasing the potential for fraud, waste, and abuse. As some of these assets support sensitive programs, their loss, theft, or misuse could result in a breach of national security. Further, converting FX accounts to nonspecialized accounts would reduce storage costs by \$30.5 million and reduce buy requirements by \$2.3 million over the next 6 years (execution year and the Future Years Defense Program).

Report No. F-2015-0007-L40000

Worldwide Environmental Restoration and Construction Contract Management, Phase I

Air Force Civil Engineer Center and 772nd Enterprise Sourcing Squadron personnel manage the Worldwide Environmental Restoration and Construction contract—a multiple-award, indefinite-delivery indefinite-quantity contract with a \$3 billion ceiling price—for environmental and remediation and related construction efforts. An AFAA audit determined that, although Air Force personnel properly selected contractors for the multiple-award contract, they did not properly define task order requirements for 3 of 15 (20 percent) task orders reviewed. As a result, personnel did not satisfy user needs in the

most cost-effective manner. Improperly defined requirements resulted in unnecessary payments and modifications on three task orders with a combined award value of more than \$27 million. In addition, personnel did not prepare and provide government cost estimates. As a result, contracting officers could not effectively establish price reasonableness on nine task orders valued at almost \$21 million. Also, overly specific magnitude ranges potentially reduced price competition on 10 task orders valued at more than \$128 million. Personnel did not select the most appropriate contract type for 3 of 15 task orders reviewed. As a result, DoD risked paying for work that was not performed or necessary on three task orders with a combined award value of more than \$4 million. Selecting the appropriate type of contract ties contractor profit to performance and increases the likelihood that scarce DoD funds are spent efficiently. Furthermore, personnel did not estimate or incorporate liquidated damages for any of the 15 task orders reviewed. Properly estimating and incorporating liquidated damages can reduce performance delays and would provide DoD with compensation for potential damages on 15 task orders with a combined award value of more than \$135 million.

Report No. F-2015-0007-L30000

Personnel Security Clearances

Air Force personnel requiring access to classified or sensitive information must undergo security investigations. The type of investigation conducted for an individual is based on the level of access and information required by the individual's job position. Personnel requiring top secret (TS) access must undergo a reinvestigation every 5 years, while those requiring secret access must undergo a reinvestigation every 10 years. An AFAA audit determined that Air Force officials designated unnecessary TS clearance requirements for 29 percent of positions reviewed. A statistical projection of these results identified as many as 26,744 TS-designated positions did not require TS clearances. Downgrading incorrectly designated TS positions to secret positions prevents unnecessary access to classified information and reduces the number TS reinvestigations. Such a downgrade could save the Air Force more than \$100 million over 6 years (execution year and the Future Year Defense Program). Officials did not match the

required security clearance to position requirements. Personnel in valid TS positions did not possess TS clearances, and personnel in secret positions held TS clearances. Maintaining the appropriate clearance ensures that personnel are authorized to access the information needed to accomplish the mission and prevents both unauthorized access and costly unneeded investigations. Discontinuing TS reinvestigations for personnel occupying Secret positions would reduce reinvestigation costs by almost \$3 million over 6 years (execution year and Future Years Defense Program). In addition, officials did not accurately document clearance requirements. Although the security access requirement in the personnel systems matched unit manning document requirements, Joint Personnel Adjudication Systems did not accurately reflect classified access levels for 5 percent of personnel reviewed. Accurate security clearance documentation in the personnel system and the Joint Personnel Adjudication Systems is essential to ensure that positions are filled by personnel holding the required security clearances and having access to the appropriate level of classified information.

Report No. F-2015-0005-O40000

Medical Profile Management

Air Force medical providers place injured or ill Airmen on medical profile. Profiles classify Airmen according to physical and functional abilities and long-term availability for worldwide duty. An AFAA audit determined that Air Force medical officials did not process medical profiles in an accurate, complete, and timely manner at all 10 locations reviewed. Properly processing medical profiles is necessary to minimize impact on unit readiness, prevent unfit Airmen from deploying, return Airmen back to duty as soon as possible, and separate Airmen from active duty if they remain unfit. Medical officials did not effectively identify and monitor Airmen who were prescribed psychotropic medications at 9 of 10 locations reviewed. Psychotropic medications can impair motor skills, reduce reaction times, and increase suicide risk. Identifying and monitoring Airmen who are prescribed psychotropic medications prevents deployment until these Airmen can demonstrate a pattern of stable behavior. In addition, medical officials did not properly assign user access to the information system containing medical profile data;

35 percent of personnel reviewed had unauthorized access and 13 percent of units did not assign any system access. As a result, commanders risk unauthorized access to protected health information including data on Airmen's medical condition, fitness, and deployment readiness. Further, lack of assigned system access diminishes a commander's ability to properly assess and manage unit readiness and Airmen on medical profile.

Report No. F-2015-0006-O40000

Depot Maintenance and Production System – Time and Attendance Application Controls

Depot Maintenance and Production System-Time and Attendance (DMAPS-TAA) is a government off-the-shelf software application used by Air Force Materiel Command, Air Logistics Centers, and Kadena Air Base, Japan. DMAPS-TAA is used to collect, validate, process, and distribute employee time and attendance data, which are used by the Defense Industrial Financial Management System, the Defense Civilian Payroll System, and other production support systems as basis for labor and associated production costs. An AFAA audit determined that DMAPS-TAA personnel did not implement information system application controls necessary to achieve financial system audit readiness. Specifically, DMAPS-TAA personnel did not effectively implement application-level general, interface, data management, or business process controls. As a result, application control discrepancies in DMAPS-TAA could impact the reliability of the operational mission data used to track \$2 billion in job order time and attendance data for more than 24,000 employees. While this audit focused on deficiencies in information system internal controls and the impact of these deficiencies on the Air Force financial statements, deficiencies in system controls could also have significant operational impacts. In addition, if independent public accountants cannot rely on the internal controls supporting Air Force financial statements, the independent public accountants must increase substantive testing sample sizes and increase the cost of audits accordingly.

Report No. F-2015-0010-O10000

AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS



Significant Investigations

Aggravated Sexual Assault of Children

OVERVIEW:

In February 2014, the Air Force Office of Special Investigations (AFOSI) at Hulbert Field, Florida was notified that Technical Sergeant Travis Yates had been sexually assaulting his daughters, ages 18 and 21, since 2006. The investigation, and his subsequent confession, confirmed Yates had performed multiple unlawful sexual acts with his daughters at various locations over a period of 7 years.

RESULT:

On May 5, 2015, Sergeant Yates pleaded guilty to child sexual assault and abuse as part of a pre-trial agreement during a judge alone general court-martial at Joint Base San Antonio, Texas. He was sentenced to 37 years confinement, reduction in rank to E-1, reprimand, forfeiture of all pay and allowances, a dishonorable discharge, and was required to register as a sex offender.

Medical Technician Sexually Assaults Patient

OVERVIEW:

This investigation was initiated by AFOSI on June 21, 2013, after a patient recovering from post-surgical anesthesia at Wilford Hall Ambulatory Surgical Center alleged a medical technician sexually assaulted her after an outpatient procedure. AFOSI conducted extensive screening interviews and examined video surveillance archives. The investigation identified two additional victims and determined Airman First Class Michael Lightsey used the effects of anesthesia to fondle victims' breasts and sexually assault patients.

RESULT:

On January 8, 2015, Airman Lightsey was found guilty of the sexual assault of one of the victims during a judge alone general court-martial at Joint Base San Antonio. He was sentenced to 30 months confinement, reduction in rank to E-1, forfeiture of all pay and allowances, dishonorable discharge, and was required to register as a sex offender.

Airman Identified as Serial Rapist

OVERVIEW:

A joint AFOSI and Great Falls Police Department, Great Falls, Montana, investigation was initiated in September 2014, when Staff Sergeant Dorian Owens raped a female in the Great Falls area. The investigation found that, between August 2013 and October 2014, SSgt Owens raped or attempted to rape three female victims.

RESULT:

Sergeant Owens was charged with rape and attempted rape on March 3, 2015, during a general court martial at Malmstrom Air Force Base, Montana. He was convicted and sentenced to 35 years imprisonment, reduction in rank to E-1, forfeiture of all pay and allowances, dishonorable discharge, and was required to register as a sex offender.



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..."	56
Section 5(a)(1)	"description of significant problems, abuses, and deficiencies..."	7–54
Section 5(a)(2)	"description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies..."	7–54
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..."	7–54
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.	75–83
Section 5(a)(7)	"a summary of each particularly significant report..."	7–54
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..."	85
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..."	85
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..."	85
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..."	123–124
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..."	123–124
Section 5(a)(16)	"A list of 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..."	123–124
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..."	86
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...	86
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..."	89–99
Section 5 note	"an annex on final completed contract audit reports...containing significant audit findings..."	100–122
Section 8(f)(1)	"Information concerning the number and types of contract audits"	87
(A)-(B)	"any Department of Defense audit agency that...received a failed opinion from...or is overdue for an external peer review..."	N/A

AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED

DoD IG
www.dodig.mil/PUBS
Naval Audit Service
www.secnave.navy.mil/navaudsvc/Pages/default.aspx
Army Audit Agency
www.hqda.army.mil/aaaweb
Air Force Audit Agency
www.afaa.af.mil

	DoD IG	Military Departments	Total
Acquisition Processes and Contract Management	38	19	57
Administrative Readiness	0	1	1
Cyber Security	3	8	11
Equipping and Training Afghan Security Forces	4	0	4
Financial Management	15	41	56
Health and Safety	6	9	15
Human Capital	0	1	1
Infrastructure and Environment	0	15	15
Intelligence	5	0	5
Investigative Oversight	1	0	1
Joint Warfighting and Readiness	6	30	36
Nuclear Enterprise	3	0	3
Other	0	1	1
Total	81	125	206

ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2015-106	Independent Auditor's Report on Agreed-Upon Procedures for DoD Compliance With Service Contract Inventory Compilation and Certification Requirements for FY 2013	04/15/2015
DoD IG	DODIG-2015-109	Administration of Space and Naval Warfare Systems Command Global Installation Multiple-Award Contracts Can Be Improved	04/23/2015
DoD IG	DODIG-2015-110	The Air Force's Information Technology Contracts Awarded Without Competition Were Generally Justified	04/24/2015
DoD IG	DODIG-2015-111	F-35 Engine Quality Assurance Inspection (For Official Use Only)	04/27/2015
DoD IG	DODIG-2015-112	Quality Control Review of the PricewaterhouseCoopers LLP, and Defense Contract Audit Agency FY 2013 Single Audit of the MITRE Corporation	04/30/2015
DoD IG	DODIG-2015-114	Navy Officials Did Not Consistently Comply With Requirements for Assessing Contractor Performance	05/01/2015
DoD IG	DODIG-2015-115	Complaint Regarding the Award of a \$576 million Navy Contract Without Appropriate Consideration of Audit Findings	04/30/2015
DoD IG	DODIG-2015-116	Program Manager Medium and Heavy Tactical Vehicle Needs to Improve Acquisition Practices	05/05/2015
DoD IG	DODIG-2015-118	Management of the Handheld, Manpack, and Small Form Fit Rifleman and Manpack Radios Program Needs Improvement (For Official Use Only)	05/04/2015

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2015-120	Defense Logistics Agency Did Not Obtain Fair and Reasonable Prices From Meggitt Aircraft Braking Systems for Sole-Source Commercial Spare Parts (For Official Use Only)	05/08/2015
DoD IG	DODIG-2015-122	Naval Air Systems Command Needs to Improve Management of Waiver Requests (For Official Use Only)	05/15/2015
DoD IG	DODIG-2015-124	Improvements Needed for Awarding Service Contracts at Naval Special Warfare Command	05/15/2015
DoD IG	DODIG-2015-125	DoD Cardholders Used Their Government Travel Cards for Personal Use at Casinos and Adult Entertainment Establishments	05/19/2015
DoD IG	DODIG-2015-126	Contract Oversight for Redistribution Property Assistance Team Operations in Afghanistan Needs Improvement	05/18/2015
DoD IG	DODIG-2015-130	Controls Over Cargo Securing and Handling at Military Ocean Terminal Concord Need Improvement (Classified)	05/27/2015
DoD IG	DODIG-2015-131	Defense Health Agency Complied With the Economy Act	06/09/2015
DoD IG	DODIG-2015-132	Opportunities Exist to Improve the Inventory Management for Defense Logistics Agency Aviation C-130 Spare Parts	06/11/2015
DoD IG	DODIG-2015-136	Defense Logistics Agency Aviation Retained Excessive V-22 Osprey Spare-Parts Inventory	06/24/2015
DoD IG	DODIG-2015-137	Improvements Needed on DoD Procurements from Robertson Fuel Systems (For Official Use Only)	06/25/2015
DoD IG	DODIG-2015-138	The Air Force Did Not Monitor the Energy Savings Performance Contract at Joint Base McGuire	06/29/2015
DoD IG	DODIG-2015-139	Evaluation of Defense Contract Management Agency Contracting Officer Actions on Reported DoD Contractor Estimating System Deficiencies	06/29/2015
DoD IG	DODIG-2015-141	Naval Facilities Engineering Command Needs to Improve Controls Over Task Order Administration	07/02/2015
DoD IG	DODIG-2015-143	Patriot Express Program Could Be More Cost-Effective for Overseas Permanent Change of Station and Temporary Duty Travel	07/06/2015
DoD IG	DODIG-2015-147	U.S. Army Contracting Command–Rock Island Needs to Improve Contracting Officer’s Representative Training and Appointment for Contingency Contracts	07/10/2015
DoD IG	DODIG-2015-149	Special Operations Forces Support Activity Effectively Managed the Contractor Logistics Support Services Contract	07/29/2015
DoD IG	DODIG-2015-150	Theater Blood Application Was Not Effectively Developed and Implemented	07/17/2015
DoD IG	DODIG-2015-152	Defense Information Systems Agency and Defense Logistics Agency Information Technology Contracts Awarded Without Competition Were Generally Justified	07/29/2015
DoD IG	DODIG-2015-153	Defense Logistics Agency Aviation Generally Purchased Sole-Source Spare Parts From the General Electric Company at Fair and Reasonable Prices, but Improvements Could Be Made (For Official Use Only)	07/24/2015
DoD IG	DODIG-2015-158	Marine Corps Ground/Air Task Oriented Radar Program Management Met Acquisition Guidelines Intent, but Risks Remain	08/06/2015
DoD IG	DODIG-2015-160	U.S. Army Generally Designed Adequate Controls to Monitor Contractor Performance at the King Abdullah II Special Operations Training Center, but Additional Controls Are Needed	08/07/2015
DoD IG	DODIG-2015-161	Naval Personnel Can Improve Compliance With the Berry Amendment and the Buy American Act	08/12/2015
DoD IG	DODIG-2015-163	Plans for Assessing Contractor Performance for the Camp Lemonnier Base Operations Support Contract Needed Improvement (For Official Use Only)	08/27/2015
DoD IG	DODIG-2015-167	Summary Report: DoD Information Technology Contracts Awarded Without Competition Were Generally Justified	09/09/2015
DoD IG	DODIG-2015-170	Audit of the Acquisition of the Long Range Strike Bomber (Classified)	09/08/2015

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2015-172	Naval Sea Systems Command Needs to Improve Management of Waiver and Deferral Requests	09/14/2015
DoD IG	DODIG-2015-173	Navy Officials Justified the MQ-4C Triton Procurement Quantity	09/16/15
DoD IG	DODIG-2015-174	U.S. Army Corps of Engineers—Alaska District Needs to Improve Competitive Procedures for Cooperative Agreements for Alaska Integrated Natural Resources Management Plans	09/16/2015
DoD IG	DODIG-2015-176	Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the FY 2015 Civilian Payroll Withholding Data and Enrollment Information	09/18/2015
USAAA	A-2015-0053-IEO	Army Dining Facilities Contracting and Operations, U.S. Army Sustainment Command	04/15/2015
USAAA	A-2015-0054-ALS	Management of Lateral Transfers, Assistant Secretary of the Army (Acquisition, Logistics, and Technology)	04/23/2015
USAAA	A-2015-0059-FMP	Acquisition Planning—Logistics and Integrated Range Engineering Support Services, Kwajalein (For Official Use Only)	05/05/2015
USAAA	A-2015-0065-ALC	Followup Audit of Defense Acquisition Workforce Development Fund Tax Payment	05/15/2015
USAAA	A-2015-0067-ALC	Visibility and Oversight of Service Contracts	05/14/2015
USAAA	A-2015-0069-IEX	Management of Armed Contractors--Afghanistan (For Official Use Only)	05/28/2015
USAAA	A-2015-0075-IEX	Contractor Stock Fund Purchases, U.S. Army Central (For Official Use Only)	06/01/2015
USAAA	A-2015-0080-FMP	Contract for Land Development, Utilities, and Infrastructure at U.S. Army Garrison Humphreys, Far East District, U.S. Army Corps of Engineers	08/31/2015
USAAA	A-2015-0084-ALC	Time Sensitive Memorandum: Audit of Contract Oversight, Quality Control, and Accountability--Program Executive Office for Simulation, Training, and Instrumentation (For Official Use Only)	09/16/2015
USAAA	A-2015-0104-FMX	Agreed-Upon Procedures Attestation of U.S. Military Entrance Processing Command's Information Technology Contract Procurement (For Official Use Only)	09/24/2015
USAAA	A-2015-0108-FMX	Agreed-Upon Procedures Attestation of Base Operations Contracting at Fort Wainwright, Alaska (For Official Use Only)	09/30/2015
NAVAUDSVC	N2015-0017	Technology Readiness Assessments at Naval Sea Systems Command and Affiliated Program Executive Offices	04/02/2015
NAVAUDSVC	N2015-0023	Independent Logistics Assessment and Certification Requirements Process at Naval Sea Systems Command	06/10/2015
AFAA	F-2015-0004-L30000	Selected Aspects of Advanced Targeting Pod Program Management	04/03/2015
AFAA	F-2015-0005-L30000	Follow-Up Audit, Air Force Civil Engineer Center Support Services Contract Management	08/26/2015
AFAA	F-2015-0006-L30000	Heavy Engineering, Repair, and Construction Contract Management, Phase I (For Official Use Only)	08/26/2015
AFAA	F-2015-0007-L30000	Worldwide Environmental Restoration and Construction Contract Management, Phase I	08/26/2015
AFAA	F-2015-0008-L30000	Global Positioning System Modernization Programs (For Official Use Only)	08/26/2015
AFAA	F-2015-0007-O20000	Independent Agreed-Upon Procedures Report, DoD Plug-In Electric Vehicle Program Research Phase Financial Analysis	06/18/2015

ADMINISTRATIVE READINESS

Agency	Report Number	Report Title	Date
USAAA	A-2015-FMR-0144.000	Review of the FY 15 Army's Managers' Internal Control Program	09/02/2015

CYBER SECURITY

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2015-117	U.S. Cyber Command and Military Services Need to Reassess Processes for Fielding Cyber Mission Force Teams (Classified)	04/30/2015
DoD IG	DODIG-2015-168	Air Force Commands Need to Improve Logical and Physical Security Safeguards That Protect SIPRNet Access Points (Classified)	09/03/2015
DoD IG	DODIG-2015-180	DoD Cybersecurity Weaknesses as Reported in Audit Reports Issued From August 1, 2014, Through July 30, 2015	09/25/2015
USAAA	A-2015-0076-IET	Time Sensitive Issue, Audit of Army's Mobile Device Policy (For Official Use Only)	05/29/2015
NAVAUDSVC	N2015-0019	Navy Use of the Intelligent Workbook	05/07/2015
NAVAUDSVC	N2015-0026	Management Controls of Navy Corporate Data	07/16/2015
NAVAUDSVC	N2015-0027	Followup on Naval Audit Service Report N2012-0009, "Personally Identifiable Information and Department of the Navy Data on Unencrypted Computer Hard Drives Released from Department of the Navy Control"	07/23/2015
AFAA	F-2015-0009-O10000	Stock Control System Application Controls	04/02/2015
AFAA	F-2015-0010-O10000	Depot Maintenance and Production System—Time and Attendance Application Controls	04/02/2015
AFAA	F-2015-0011-O10000	Command and Control Platform Information Technology Security	09/04/2015
AFAA	F-2015-0007-O40000	Selected Aspects of Air Force Reserve Command Cyberspace Career Field Management (For Official Use Only)	09/04/2015

EQUIPPING AND TRAINING AFGHAN SECURITY FORCES

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2015-107	Challenges Exist for Asset Accountability and Maintenance and Sustainment of Vehicles Within the Afghan National Security Forces (For Official Use Only)	04/17/2015
DoD IG	DODIG-2015-108	Assessment of U.S. and Coalition Efforts to Develop the Sufficiency of Afghan National Security Forces' Policies, Processes, and Procedures for the Management and Accountability of Class III (Fuel) and V (Ammunition)	04/30/2015
DoD IG	DODIG-2015-154	Independent Auditor's Report on the Examination of DoD Execution of Afghanistan National Army Trust Fund Donations to the Afghanistan Security Forces Fund	07/31/2015
DoD IG	DODIG-2015-177	Assessment of DoD/USCENTCOM and Coalition Plans/Efforts to Train, Advise, and Assist the Iraqi Army to Defeat the Islamic State of Iraq and the Levant	09/30/2015

FINANCIAL MANAGEMENT

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2015-102	Additional Actions Needed to Effectively Reconcile Navy's Fund Balance With Treasury Account	04/03/2015
DoD IG	DODIG-2015-105	Military Department Audit Agencies: System Review Report	04/09/2015
DoD IG	DODIG-2015-113	Transmittal of the Disclaimer of Opinion on the United States Marine Corps FY 2014 Statement of Budgetary Activity	04/24/2015

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2015-121	DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2014, but Improper Payment Estimates Were Unreliable	05/12/2015
DoD IG	DODIG-2015-123	External Peer Review Report on the Missile Defense Agency Office of Internal Review	05/14/2015
DoD IG	DODIG-2015-127	Triannual Review Processes Need Improvement at Three Naval Budget Submitting Offices	05/18/2015
DoD IG	DODIG-2015-128	Army Needs to Improve Processes Over Government-Furnished Material Inventory Actions	05/21/2015
DoD IG	DODIG-2015-135	Assessment of Electronic Absentee System for Elections (EASE) Grants	06/30/2015
DoD IG	DODIG-2015-142	Navy's Contract/Vendor Pay Was Not Auditable	07/01/2015
DoD IG	DODIG-2015-144	Summary of DoD Office of the Inspector General Audits of DoD Financial Management Challenges	07/07/2015
DoD IG	DODIG-2015-145	Followup Audit: Additional Actions Needed to Effectively Provide Complete Audit Trails for Air Force Journal Vouchers	07/10/2015
DoD IG	DODIG-2015-164	Independent Auditor's Report on the Examination of Existence, Completeness, and Rights of United States Air Force Operating Materials and Supplies—Ammunition and Tactical Missiles	08/21/2015
DoD IG	DODIG-2015-165	Independent Auditor's Report on the Attestation of the Existence, Completeness, and Rights of Select Army-Held Operating Materials and Supplies—Ammunition	08/28/2015
DoD IG	DODIG-2015-166	Independent Auditor's Report on the Attestation of the Existence, Completeness, and Rights of the Army's Real Property	09/02/2015
DoD IG	DODIG-2015-179	Delinquent Medical Service Accounts at David Grant Air Force Medical Center Need Additional Management Oversight	09/24/2015
USAAA	A-2015-0057-FMR	Audit of the Financial Readiness in the Joint Improvised Explosive Device Defeat Organization	06/01/2015
USAAA	A-2015-0058-ALA	Audit of Munitions Expenditures—Testing at Contractor and Depot Facilities (For Official Use Only)	05/14/2015
USAAA	A-2015-0062-FMR	Audit of Financial Audit Readiness in the Office of the Deputy Chief of Staff, G-1	05/06/2015
USAAA	A-2015-0066-FMX	Financial Operations at the White Sands Missile Range Frontier Club, White Sands Missile Range, New Mexico	05/19/2015
USAAA	A-2015-0071-FMX	Review of Army General Services Administration Advantage Purchases (For Official Use Only)	05/18/2015
USAAA	A-2015-0074-IEE	Agreed-Upon Procedures Attestation of Federal Employee Compensation Act Fraud Investigation (For Official Use Only)	05/27/2015
USAAA	A-2015-0081-ALM	Audit of Sustainment Systems Technical Support—Funding Execution	09/01/2015
USAAA	A-2015-0083-ALA	Sustainment Funding Requirements for Nonstandard Equipment	08/31/2015
USAAA	A-2015-0085-FMX	Housing Allowances for Married Servicemembers, Deputy Chief of Staff, G-1 (Compensation and Entitlements Branch)	08/31/2015
USAAA	A-2015-0087-FMX	Mobilized Soldiers on Temporary Change of Station Orders, First U.S. Army	08/31/2015
USAAA	A-2015-0089-MTP	Special Retirement Coverage for U.S. Army Corrections Command Positions	08/31/2015
USAAA	A-2015-0090-FMF	Audit of Reserve Officers' Training Corps Entitlements	09/01/2015
USAAA	A-2015-0092-IEX	Agreed-Upon Procedures Attestation of U.S. Army Africa's Financial Operations for Operation United Assistance (For Official Use Only)	09/24/2015
USAAA	A-2015-0093-ALA	Audit of Munitions Expenditures—Testing and Training (For Official Use Only)	09/03/2015
USAAA	A-2015-0099-FMR	Audit of the Financial Audit Readiness for the Assistant Secretary of the Army (Acquisition, Logistics and Technology)	08/31/2015
USAAA	A-2015-0100-FMF	Army Controls Over Incapacitation Pay	08/31/2015
USAAA	A-2015-0101-IEE	Time-Sensitive Report—Potential Antideficiency Act Violation, Fort Wolters Dining Facility Repair and Restoration, Audit of Maintaining Energy Savings Devices Installed in Facilities (For Official Use Only)	09/04/2015

Agency	Report Number	Report Title	Date
USAAA	A-2015-0109-ALM	Sustainment Systems Technical Support—Funding Allocation and Execution (For Official Use Only)	09/30/2015
NAVAUDSVC	N2015-0020	Verification of Basic Allowance for Housing Entitlements to Department of the Navy Service Members Married to Other Service Members	05/27/2015
NAVAUDSVC	N2015-0021	Shipment of Personal Property for Navy Civilians	05/28/2015
NAVAUDSVC	N2015-0025	Allocation of Depot Maintenance Workload Between Public and Private Sectors at Naval Air Systems Command	07/10/2015
NAVAUDSVC	N2015-0028	Allocation of Depot Maintenance Workload Between Public and Private Sectors at United States Fleet Forces Command	07/24/2015
NAVAUDSVC	N2015-0029	Personal Property Management at Strategic Systems Programs	08/10/2015
NAVAUDSVC	N2015-0031	Allocation of Depot Maintenance Workload Between Public and Private Sectors at Naval Sea Systems Command	07/24/2015
NAVAUDSVC	N2015-0033	Allocation of Depot Maintenance Workload Between Public and Private Sectors at Commander, U.S. Pacific Fleet	08/24/2015
NAVAUDSVC	N2015-0037	Auditor General Advisory – Naval Audit Service Input for the Fiscal Year 2015 Statement of Assurance	09/15/2015
NAVAUDSVC	N2015-0039	U.S. Pacific Fleet Ship and Submarine Maintenance Funding Controls	09/25/2015
NAVAUDSVC	N2015-0040	Allocation of Depot Maintenance Workload Between Public and Private Sectors at United States Marine Corps	09/29/2015
AFAA	F-2015-0005-L10000	Air Force Line of Accounting Governance - Phase II	04/01/2015
AFAA	F-2015-0006-L10000	Buyer Side Code	04/23/2015
AFAA	F-2015-0008-L10000	Air Force Working Capital Fund Medical/Dental War Reserve Materiel Inventory	05/21/2015
AFAA	F-2015-0009-L10000	Government Purchase Card Miscellaneous Obligation Reimbursement Documents	08/26/2015
AFAA	F-2015-0010-L10000	Base Realignment and Closure Environmental Liabilities Assertion	08/26/2015
AFAA	F-2015-0011-L10000	Air Force Audit Readiness Progress	08/26/2015
AFAA	F-2015-0012-L10000	Reimbursable Budget Authority and Execution	09/18/2015
AFAA	F-2015-0005-O20000	Military Construction Project Management	04/23/2015
AFAA	F-2015-0006-O20000	Environmental Land Use Controls at Closed Installations	06/12/2015
AFAA	F-2015-0009-O20000	Facility Demolition and Consolidation Efficiency Management	09/18/2015
AFAA	F-2015-0003-O40000	Civilian Manpower Reimbursements	04/16/2015
AFAA	F-2015-0005-O40000	Personnel Security Clearances	05/11/2015
AFAA	F-2015-0008-O40000	Air Force Bonus Programs	09/18/2015

HEALTH AND SAFETY

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2015-151	Followup Audit: DoD Military Treatment Facilities Continue to Miss Opportunities to Collect on Third Party Outpatient Claims	07/24/2015
DoD IG	DODIG-2015-159	Followup Audit: More Improvements Needed for the Development of Wounded Warrior Battalion-East Marines' Recovery Plans	08/07/2015
DoD IG	DODIG-2015-162	Continental United States Military Housing Inspections – National Capital Region	08/13/2015
DoD IG	DODIG-2015-181	Continental United States Military Housing Inspections –Southeast	09/24/2015
DoD IG	DODIG-2015-182	Assessment of DoD Suicide Prevention Processes	09/30/2015
DoD IG	DODIG-2015-183	Evaluation of DoD's Force Health Protection Measures During Operation United Assistance	09/30/2015

Agency	Report Number	Report Title	Date
USAAA	A-2015-0055-MTM	Medical Expense and Performance Reporting System, U.S. Army Medical Command, Joint Base San Antonio–Fort Sam Houston, Texas	04/27/2015
USAAA	A-2015-0064-MTM	Traumatic Brain Injury Funding Execution, Office of the Surgeon General	05/08/2015
USAAA	A-2015-0070-MTM	Patient-Centered Medical Homes, U.S. Army Medical Command	05/19/2015
USAAA	A-2015-0095-MTM	Audit of Army Substance Program	09/10/2015
USAAA	A-2015-0106-MTM	U.S. Army Reserve Medical Demobilization Process	09/30/2015
NAVAUDSVC	N2015-0022	Department of the Navy Readjudication Process	05/29/2015
NAVAUDSVC	N2015-0034	Third Party Collection Program	09/08/2015
AFAA	F-2015-0004-O40000	Physical Therapy	04/23/2015
AFAA	F-2015-0006-O40000	Medical Profile Management	09/04/2015

HUMAN CAPITAL

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2015-0032	Navy's Unemployment Compensation for Ex-Servicemembers Program	08/14/2015

INFRASTRUCTURE AND ENVIRONMENT

Agency	Report Number	Report Title	Date
USAAA	A-2015-0056-ALS	Property Accountability at the Directorate of Emergency Services, U.S. Army Garrison, Fort Stewart (For Official Use Only)	05/05/2015
USAAA	A-2015-0063-FMI	Followup Audit of Foreign Language Program Training and Proficiency, Deputy Chief of Staff, G-1 and Deputy Chief of Staff, G-2	05/08/2015
USAAA	A-2015-0068-IEE	Followup Audit of the Army Metering Program	05/26/2015
USAAA	A-2015-0078-MTH	Post Deployment or Mobilization Respite Absence, Deputy Chief of Staff, G-1, Army National Guard, U.S. Army Reserve	06/16/2015
USAAA	A-2015-0079-IEX	Transportation Tenders in Europe (For Official Use Only)	09/16/2015
USAAA	A-2015-0086-FMP	Facilities and Equipment Management, Reagan Test Site, U.S. Army Garrison, Kwajalein Atoll	09/14/2015
USAAA	A-2015-0091-MTH	Army's Reporting of Sexual Harassment Complaints and Sexual Assault Reports	08/31/2015
USAAA	A-2015-0096-MTH	Full-Time Support to the Reserve Components, Office of the Deputy Chief of Staff, G-3/5/7 (For Official Use Only)	08/31/2015
USAAA	A-2015-0098-IET	Arlington National Cemetery–Gravesite Accountability	09/10/2015
USAAA	A-2015-0103-MTH	Third Followup Audit of Management of Reserve Component Non-Participants, U.S. Army Reserve Command	09/17/2015
USAAA	A-2015-0105-IEE	Audit of Large-Scale Renewable Energy Projects–Project Assessment	09/30/2015
NAVAUDSVC	N2015-0018	Navy's Real Property Inventory–Naval Facilities Engineering Command Europe Africa Southwest Asia	04/08/2015
NAVAUDSVC	N2015-0030	Navy Ammunition and Explosives Storage Facilities within the Commander, Navy Region Mid-Atlantic Area of Responsibility	08/12/2015
NAVAUDSVC	N2015-0036	Navy Ammunition and Explosives Storage Facilities Within the Commandant, Naval District Washington Area of Responsibility	09/11/2015
NAVAUDSVC	N2015-0041	Navy Ammunition and Explosives Storage Facilities Within the Commander, Navy Region Southwest Area of Responsibility	09/29/2015

INTELLIGENCE

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2015-119	Investigative Results of a Possible Questionable Intelligence Activity	05/07/2015
DoD IG	DODIG-2015-129	Audit of Hotline Allegations—Managing Appropriations For Foreign Counterintelligence Billets (Classified)	05/20/2015
DoD IG	DODIG-2015-171	Investigative Results of a Questionable Intelligence Activity (Classified)	09/08/2015
DoD IG	DODIG-2015-175	Evaluation of Combined Joint Interagency Task Force-Syria Vetting Process for New Syrian Forces (Classified)	09/15/2015
DoD IG	DODIG-2015-184	Assessment of the Military Services' Insider Threat Programs (Classified)	09/30/2015

INVESTIGATIVE OVERSIGHT

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2015-146	Evaluation of the Transfer of International Traffic in Arms Regulations-Controlled Missile Defense Technology to the National Aeronautics and Space Administration (NASA)	07/13/2015

JOINT WARFIGHTING AND READINESS

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2015-140	Defense Logistics Agency Can Improve Its Product Quality Deficiency Report Processing	07/01/2015
DoD IG	DODIG-2015-148	Rights of Conscience Protections for Armed Forces Service Members and Their Chaplains	07/22/2015
DoD IG	DODIG-2015-155	U.S. Forces Korea Service Components Can Improve Management of Individual Protective Equipment (Classified)	07/31/2015
DoD IG	DODIG-2015-156	Drawdown of Equipment in Afghanistan: Summary of Weaknesses Identified in Reports Issued From August 19, 2011, Through May 18, 2015 (Classified)	08/05/2015
DoD IG	DODIG-2015-169	Controls Over the Al Udeid Air Base Military Construction Cost Estimation Process Need Improvement	09/04/2015
DoD IG	DODIG-2015-178	The Army Did Not Effectively Account for Wholesale Property in Kuwait	09/22/2015
USAAA	A-2015-0050-FMP	Army Prepositioned Stocks-4, Munitions, Korea (For Official Use Only)	04/22/2015
USAAA	A-2015-0051-ALM	Attestation Review of Depot-Level Maintenance Workload Reporting-FY 13	04/14/2015
USAAA	A-2015-0052-FMP	Audit of Army Prepositioned Stocks-4 Munitions, Korea: Phase II; Services for Former War Reserve Stockpile for Allies Munitions (For Official Use Only)	04/27/2015
USAAA	A-2015-0060-FMP	Army Prepositioned Stocks--Munitions, Japan (For Official Use Only)	05/11/2015
USAAA	A-2015-0061-FMX	Agreed-Upon Procedures Attestation of 99 th Regional Support Group (For Official Use Only)	05/05/2015
USAAA	A-2015-0072-FMP	Followup Audit of Equipment Maintenance—Hawaii	05/19/2015
USAAA	A-2015-0073-IEO	Transfer of Logistic Operations to U.S. Army Materiel Command	05/21/2015
USAAA	A-2015-0077-MTP	Biometrics Program (For Official Use Only)	08/31/2015
USAAA	A-2015-0088-ALS	Use of Rechargeable Batteries, U.S. Army Forces Command	09/01/2015
USAAA	A-2015-0097-ALS	Equipping Policy and Processes for Class VII Items	09/01/2015
USAAA	A-2015-0102-ALM	Army Prepositioned Stocks-3—Maintenance Requirements, U.S. Army Materiel Command	09/24/2015
USAAA	A-2015-0107-ALM	Audit of Pass Back Maintenance	09/25/2015

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2015-0024	Navy Temporary Disability Retired List	06/24/2015
NAVAUDSVC	N2015-0035	Internal Controls over Select Processes at Explosive Ordnance Disposal Expeditionary Support Unit One, Civil Engineering Support Equipment Department	09/10/2015
AFAA	F-2015-0007-L10000	Air Force Art Program	05/11/2015
AFAA	F-2015-0002-L20000	Depot Source of Repair Decision Implementation	06/23/2015
AFAA	F-2015-0003-L20000	Distribution of Depot Maintenance Workload, Fiscal Years 2014 Through 2016	08/26/2015
AFAA	F-2015-0009-L30000	Joint Primary Aircrew Training System Logistics Support Contract Management	09/08/2015
AFAA	F-2015-0006-L40000	Follow-Up Audit, Pallets	04/01/2015
AFAA	F-2015-0007-L40000	Specialized Supply Accounts	04/03/2015
AFAA	F-2015-0008-L40000	Mission Capable Parts	05/05/2015
AFAA	F-2015-0009-L40000	United States Air Forces Central Area of Responsibility Mission Capable Parts	05/07/2015
AFAA	F-2015-0010-L40000	Follow-Up Audit, Spare Parts Inductions	06/04/2015
AFAA	F-2015-0011-L40000	Automated Budget Compilation System Non-Program Repair Additive	06/22/2015
AFAA	F-2015-0012-L40000	United States Air Forces Central Area of Responsibility Pallets	08/26/2015
AFAA	F-2015-0013-L40000	Adjusted Stock Levels	08/26/2015
AFAA	F-2015-0014-L40000	Consumable Item Management	09/04/2015
AFAA	F-2015-0004-O20000	Joint Base Support	04/01/2015
AFAA	F-2015-0008-O20000	Boiler Management	06/24/2015
AFAA	F-2015-0004-O30000	Follow-Up Audit, Space Training Systems	09/08/2015

NUCLEAR ENTERPRISE

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2015-133	Evaluation of the Integrated Tactical Warning and Attack Assessment's Mobile Ground System (Classified)	06/18/2015
DoD IG	DODIG-2015-134	Assessment of the U.S. Theater Nuclear Planning Process (Classified)	06/18/2015
DoD IG	DODIG-2015-157	Assessment of the Nuclear Warhead Unsatisfactory Report Process (Classified)	08/05/2015

OTHER

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2015-0038	Background Check Process for Navy Child and Youth Program Childcare Providers	09/16/2015

*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-2015-118 Management of the Handheld, Manpack, and Small Form Fit Rifleman and Manpack Radios Program Needs Improvement (For Official Use Only)	05/04/2015		\$1,800,000,000
DODIG-2015-136 Defense Logistics Agency Aviation Retained Excessive V-22 Osprey Spare-Parts Inventory	06/24/2015		\$713,473
DODIG-2015-138 The Air Force Did Not Monitor the Energy Savings Performance Contract at Joint Base McGuire	06/29/2015	\$232,670,000	
DODIG-2015-152 Defense Information Systems Agency and Defense Logistics Agency Information Technology Contracts Awarded Without Competition Were Generally Justified	07/29/2015	\$151,000,000	
DODIG-2015-154 Independent Auditor's Report on the Examination of DoD Execution of Afghanistan National Army Trust Fund Donations to the Afghanistan Security Forces Fund	07/31/2015	\$800,000	
DODIG-2015-179 Delinquent Medical Service Accounts at David Grant Air Force Medical Center Need Additional Management Oversight	09/24/2015		\$707,591
Total		\$384,470,000	\$1,801,421,064

* 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.	64	\$93,277
B. Which were issued during the reporting period.	81	\$2,185,891 ¹
Subtotals (A+B)	145	\$2,279,168
C. For which a management decision was made during the reporting period. (i) dollar value of recommendations that were agreed to by management. - based on proposed management action - based on proposed legislative action (ii) dollar value of recommendations that were not agreed to by management.	104	\$245,648 ^{2, 3}
D. For which no management decision has been made by the end of the reporting period.	41	\$2,033,520 ⁴
Reports for which no management decision was made within 6 months of issue (as of September 30, 2015).	6 ⁶	\$142 ⁵

¹ DoD IG issued audit reports during the period involving \$384 million in questioned costs.

² On these audit reports management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed.

³ Includes \$152 million in questioned costs.

⁴ Includes \$233 million in questioned costs.

⁵ Includes \$142 thousand in questioned costs.

⁶ DoD IG Report Nos. DODIG-2014-001, "MV-22 Squadrons Could Improve Reporting of Mission Capability Rates and Readiness," October 23, 2013; DODIG-2014-044, "Improvements Are Needed in Contractor Oversight, Mission Security, and Personnel Safety for the Afghanistan Rotary Wing Program Contracts," March 11, 2014; DODIG-2015-066, "U.S. Military Academy, West Point, Controls Over Gift Funds Need Improvements," January 14, 2015; DODIG-2015-069, "The Office of the Deputy Chief Management Officer Needs to Improve Oversight of the DoD Conference Report," January 21, 2015; DODIG-2015-079, "The Navy Has Not Effectively Prepared the Ship-to-Shore Connector for Initial Production," February 12, 2015; and DODIG-2015-082, "The Government of Islamic Republic of Afghanistan's Controls Over the Contract Management Process for U.S. Direct Assistance Need Improvement," February 25, 2015 had no decision as of September 30, 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 September 30, 2015

Status	Number	Funds Put to Better Use (\$ in thousands)
DoD IG		
Action in Progress - Beginning of Period	198	\$0
Action Initiated - During Period	110	\$245,648 ¹
Action Completed - During Period	100	\$180,887 ²
Action in Progress - End of Period	208	\$0 ³
Military Departments		
Action in Progress - Beginning of Period	487	\$7,284,236
Action Initiated - During Period	123	\$1,285,022
Action Completed - During Period	130	\$560,406
Action in Progress - End of Period	480	\$7,174,411

¹ The DoD IG opened audit reports during the period involving \$152 million in questioned costs.

² Included are recouped questioned costs of \$2.5 million.

³ On certain reports with audit estimated monetary benefits of \$33.1 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 ISSUED¹

Type of Audit ²	Reports Issued	Dollars Examined (\$ in millions)	Questioned Costs ³ (\$ in millions)	Funds Put to Better Use (\$ in millions)
Incurring Costs, Operations Audits, Special Audits	2,163	\$152,129.5	\$3,749.5	\$--- ⁴
Forward Pricing Proposals	492	\$30,648.9	---	\$3,217.4 ⁵
Cost Accounting Standards	225	\$144.9	\$108.6	---
Defective Pricing	23	(Note 6)	\$148.3	---
Totals	2,903	\$182,923.3	\$4,006.4	\$3,217.4

¹This schedule represents Defense Contract Audit Agency (DCAA) contract audit reports issued during the 6 months ended September 30, 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 the Congress. "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 are subject to change based on subsequent DCAA authentication. The total number of assignments completed was 9,659 during the 6 months ended September 30, 2015. Some completed assignments did not result in a report issued because they were part of a larger audit or because the scope of the work performed did not constitute an audit or attestation engagement under generally accepted government auditing standards. As a result, the number of audit reports issued was less than the total number of assignments completed.

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

- **Incurring Costs.** Audits of direct and indirect costs charged to Government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and provisions of the contract. Also included under incurred cost audits are operations audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy, and special audits, which include audits of terminations and claims.
- **Forward Pricing Proposals.** Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts, and costs incurred but not yet covered by definitized contracts.
- **Cost Accounting Standards.** A review of a contractor's cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice, or noncompliance with a CAS regulation.
- **Defective Pricing.** A review to determine whether contracts are based on current, complete and accurate cost or pricing data (the Truth in Negotiations Act).

³Questioned costs represent costs that DCAA questioned because they did not comply with rules, regulations, laws, or contractual terms

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

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

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

* 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 CONTRACTS¹

	Number of Reports	Costs Questioned ⁶ (\$ in millions)	Costs Sustained ⁷ (\$ in millions)
Open Reports			
Within Guidelines ²	572	\$4,741.2	N/A ⁸
Overage, greater than 6 months ³	624	\$4,308.3	N/A
Overage, greater than 12 months ⁴	446	\$2,368.2	N/A
In Litigation ⁵	171	\$1,109.6	N/A
Total Open Reports	1,813	\$12,527.3	N/A
Closed Reports	529	\$1,610.9	\$504.4 (31.3%) ⁹
All Reports	2,342	\$14,138.2	

¹ This table represents the status of Defense Contract Audit Agency reports on post-award audits (including reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliance 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 cannot confirm the accuracy of the data reported by the Components.

² Within the timeframes established by 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 of report issuance. An audit is resolved when the contracting officer determines a course of action that 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 of issuance. An audit is dispositioned 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.

³ Not resolved, 6-month OMB Circular A-50 deadline passed.

⁴ Not dispositioned, 12-month DoD Instruction 7640.02 deadline passed.

⁵ Of 171 reports in litigation, 24 are under criminal investigation.

⁶ Amount of audit exception, potential cost avoidance, or recommended price adjustment in the audit report.

⁷ Questioned costs, potential cost avoidance, or recommended price adjustment upheld by the contracting officer.

⁸ N/A (not applicable): when an audit report has been dispositioned during the reporting period it is not applicable when reporting data on open reports.

⁹ Contracting officers sustained \$504.4 million (31.3 percent) of the \$1,610.9 million questioned in significant post-award contract audits during the period. The contracting officer sustention rate of 31.3 percent fell from 32.1 percent for the prior reporting period.

*Fulfills requirement of DoD Instruction 7640.02, Enclosure 2, Section (1)(d).

STATUS OF REPORTS WITH ACTION PENDING (SEPTEMBER 30, 2015)^{1,2}

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. Subsequently, DoD General Counsel asked that Volumes I and II be consolidated. Formal coordination was completed in December 2014. Manual is expected to complete Legal Sufficiency Review by the end of 2015. Air Force guidance underwent staffing but was subsequently required to incorporate current security reform. It will undergo formal staffing and coordination in November 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) [USD(I)], Army, Air Force

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: Extensive coordination is needed between DoD, its Components, the Department of the Treasury, and the Office of Management and Budget (OMB) to accomplish corrective actions.

Principal Action Office: OUSD(C), DFAS

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 For Official Use Only.

Reason Action Not Completed: Extensive time required to coordinate and issue guidance.

Principal Action Office: USD(AT&L)

Report: D-2010-026, Joint Civilian Orientation Conference Program, 12/09/2009

Description of Action: Update DoD Instruction (DoDI) 5410.19 to clarify how to administer and manage the Joint Civilian Orientation Conference program.

Reason Action Not Completed: A rewrite of DoDI 5410.19 is in progress.

Principal Action Office: ASD(PA)

Report: D-2010-028, Rapid Acquisition and Fielding of Materiel Solutions by the Navy, 12/15/2009

Description of Action: Report is For Official Use Only.

Reason Action Not Completed: Long-term corrective actions are ongoing.

Principal Action Office: Navy

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: DFAS

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 Defense Contract Audit Agency 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: The Army Contracting Command and DCAA have not completed reviews of task orders and audits of incurred costs.

Principal Action Office: Army

¹Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(b)(4).

²For this reporting period, there were disallowed costs of \$22.4 billion on reports over 12 months old with final action pending.

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 the small arms accountability guidance in Marine Corps Order 5530.14A to be consistent with Marine Corps Bulletin 4440 and the updates to Marine Corps Order 8300.1C.

Reason Action Not Completed: This action is delayed while the Navy awaits the release of DoD Instruction 5200.08, "Security of DoD Installations and Resources," and DoD Instruction 5200.08-R, "Physical Security Program."

Principal Action Office: Navy

Report: D-2011-089, Reducing Vulnerabilities at the Defense Information Systems Agency Defense Enterprise Computing Centers, 07/22/2011

Description of Action: Report is For Official Use Only.

Reason Action Not Completed: Extensive time required to coordinate and implement corrective actions.

Principal Action Office: DISA

Report: D-2011-096, Improvements Are Needed to the DoD Information Assurance Vulnerability Management Program, 08/12/2011

Description of Action: Report is For Official Use Only.

Reason Action Not Completed: Extensive time needed to obtain legal review.

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: The 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 Defense Contract Audit Agency 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: 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: The Army will develop a plan to improve use of existing inventory and source of supply. The Army will also improve contracts to include incentives for materiel cost reduction. Finally, the Army will purchase supplies from the DLA to save money.

Reason Action Not Completed: Long-term corrective actions are ongoing.

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: USD(AT&L)

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-2012-039, Summary Report on DoD's Management of Undefined Contractual Actions, 01/13/2012

Description of Action: Develop an improved process 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 in a broader effort to review and modify the Department's profit guidelines.

Principal Action Office: USD(AT&L)

Report: DODIG-2012-050, Improvements Needed With Host-Based Intrusion Detection Systems, 02/03/2012

Description of Action: Report is For Official Use Only.

Reason Action Not Completed: Improvements to multiple systems and configuration processes are ongoing.

Principal Action Office: U.S. Strategic Command, DISA

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 confirm that facilities were constructed within the authorized facility sizes and correct any discrepancies.

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 For Official Use Only.

Reason Action Not Completed: Long-term corrective actions are ongoing.

Principal Action Office: ASD (HD&ASA)

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-2012-082, DoD Can Improve Its Accounting for Residual Value From the Sale of U.S. Facilities in Europe, 05/04/2012

Description of Action: Guidance will be revised to accommodate new legislation.

Reason Action Not Completed: Corrective actions are in process.

Principal Action Office: USD(AT&L)

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 For Official Use Only.

Reason Action Not Completed: Long-term corrective actions are ongoing.

Principal Action Office: USD(P&R)

Report: DODIG-2012-098, DLA's Procurement Automated Contract Evaluation System, 06/05/2012

Description of Action: Report is For Official Use Only.

Reason Action Not Completed: One recommendation is under mediation.

Principal Action Office: DLA

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) and to 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: DFAS

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 (NGB)-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 continues to be staffed.

Principal Action Office: NGB

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 to use a reimbursement process or a direct cite when establishing Economy Act Orders with non-DoD agencies, as well as the recommendation to include procedures to monitor interagency acquisitions.

Reason Action Not Completed: Long-term corrective actions are in process.

Principal Action Office: USD(AT&L)

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 (HSPD-12) to provide full oversight and accountability. Require Services and DoD agencies to report to the USD(P&R) on the status of its efforts. Report on facilities' physical access control systems compliance with Federal Information Processing Standard 201. Mandate site surveys that address all mission requirements and infrastructure limitations.

Reason Action Not Completed: The principal action offices are meeting to learn more about implementing Department HSPD-12 physical access control systems. 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: USD(P&R), USD(I), 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: Long-term corrective actions are ongoing.

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: The Army is considering suspension or debarment of a contractor; reviewing the analyses of costs to ensure correctness; and withholding 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) U.S. Pacific Command's Petroleum War Reserve Requirements and Stocks, 09/26/2012

Description of Action: Revise DoD Manual 4140-25-M, "DoD Management of Bulk Petroleum Products, Natural Gas, and Coal," to include a requirement for updating the days of supply planning factors at least biannually.

Reason Action Not Completed: DoD Manual 4140-25 is expected to be issued in the 2nd Quarter 2016.

Principal Action Office: USD(ATL)

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 include Ministry of Defense Advisors' program office responsibilities, including advisor recruiting and training. The framework will establish deployment performance indicators to assess

progress and measure program results.

Reason Action Not Completed: Corrective actions are still ongoing.

Principal Action Office: ASD/SOLIC

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. Progress continues on development of Defense Institution Reform Initiative Program guidance.

Principal Action Office: OUSDP

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

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, 1/14/2013

Description of Action: Report is For Official Use Only.

Reason Action Not Completed: Long-term corrective actions are ongoing.

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: USD(AT&L)

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: Develop and implement an Enterprise Business System alternate chart of accounts that has the capability to report the DoD Standard Chart of Accounts for general fund and working capital fund activities at the transactional level.

Reason Action Not Completed: Long-term corrective actions are still ongoing.

Principal Action Office: DLA

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 ongoing and on schedule.

Principal Action Office: USD(AT&L)

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. 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: OUSD(C)

Report: DODIG-2013-072, Data Loss Prevention Strategy Needed for the Case Adjudication Tracking System, 04/24/2013

Description of Action: Report is For Official Use Only.

Reason Action Not Completed: Long-term corrective actions are ongoing.

Principal Action Office: DLA

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 who 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: Long-term corrective actions are ongoing.

Principal Action Office: USD(P&R)

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: USTRANSCOM

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-2013-097, 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: DLA is awaiting resolution on an Armed Services Board of Contract Appeals case, which remains in litigation.

Principal Action Office: DLA

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 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. The Joint Command, Control, Communications, Computers Coordination Center will track (quarterly) the number of trained Joint Incident Site Communications Capability system operators available in each state or territory National Guard organization with assigned system assets.

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: NGB

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 last aircraft was completed in February 2015 and the Army is completing contract closeout actions. All remaining asset transfers are to be completed by December 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-2013-119, 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: ASD (HD&ASA)

Report: DODIG-2013-123, Army Needs To Improve Mi-17 Overhaul Management and Contract Administration, 08/30/2013

Description of Action: Report is For Official Use Only.

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 ongoing.

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 For Official Use Only.

Reason Action Not Completed: Long-term corrective actions are ongoing.

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: OUSD(C)

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 For Official Use Only.

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: OUSDP, U.S. Africa Command

Report: DODIG-2014-037, Title is For Official Use Only, 02/10/2014

Description of Action: Report is For Official Use Only.

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 For Official Use Only.

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: Air Force

Report: DODIG-2014-048, XM25 Program Management for the Initial Production Decision Needs Improvement, 03/21/2014

Description of Action: Report is For Official Use Only.

Reason Action Not Completed: Corrective actions are ongoing.

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: USD(AT&L)

Report: DODIG-2014-052, DoD Did Not Negotiate Rates With Overseas Health Care Providers and Generally Paid Claims as Billed, 04/01/2014

Description of Action: Initiate action to either establish negotiated rates with high-dollar-volume overseas health care providers or implement other cost containment measures in high-dollar volume locations with significant increases. Additionally, establish procedures to negotiate rates directly with the TRICARE Overseas Program contractor when the contractor provides service as a health care provider.

Reason Action Not Completed: Extensive time required to conduct study and evaluate alternatives.

Principal Action Office: ASD(HA)

Report: DODIG-2014-054, Defense Logistics Agency Land and Maritime Paid Too Much for High Mobility Multipurpose Wheeled Vehicle Repair Parts, 04/04/2014

Description of Action: Provide training to contracting officials on establishing an effective negotiation position that results in fair and reasonable pricing. Additionally, report the total amount of improper payments DLA identifies in its next quarterly report on high-dollar overpayments.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: DLA

Report: DODIG-2014-059, DoD Efforts to Meet the Requirements of the Improper Payments Elimination and Recovery Act in FY 2013, 04/15/2014

Description of Action: Develop quality assurance goals and programmatic corrective action plans to reduce errors related to separation debts.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: OUSD(C)

Report: DODIG-2014-062, Improvements Needed in the Stocking of Air Force Basic Expeditionary Airfield Resources Support and Repair Spare Kits in Guam, 04/17/2014

Description of Action: Report is classified.

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: Air Force

Report: DODIG-2014-064, Improved Management Needed for the F/A-18 Engine Performance-Based Logistics Contracts, 04/25/2014

Description of Action: Issue guidance on the evaluation of risk for the profit or fee rate of the contractor on work performed by a DoD depot workforce as a subcontractor on a performance based logistics contract. Also, prepare a life-cycle business case analysis that discusses the financial impact of the partnership type selected.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: USD(AT&L), Navy

Report: DODIG-2014-066, Logistics Modernization Program System Not Configured to Support Statement of Budgetary Resources, 05/05/2014

Description of Action: Develop procedures for distributing Defense Working Capital Fund budget authority to the budget offices for recording in the Enterprise Resource Planning systems that support the Defense Working Capital Fund.

Reason Action Not Completed: Long-term corrective actions are ongoing.

Principal Action Office: OUSD(C), Army

Report: DODIG-2014-067, Improvement Needed for Management of Commemorative Program Funds, 05/06/2014

Description of Action: Develop guidance for effectively performing Executive Agent responsibilities in accordance with DoD Directive 5101.1.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: Army

Report: DODIG-2014-070, Improvements Needed for Triannual Review Process at Norfolk Ship Support Activity, 05/06/2014

Description of Action: Implement a quality assurance review program to evaluate the triannual review process and examine the validity and sufficiency of supporting documentation in accordance with DoD guidance.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: Navy

Report: DODIG-2014-073, Improvements Needed for Triannual Review Process at Norfolk Ship Support Activity, 05/13/2014

Description of Action: Report is For Official Use Only.

Reason Action Not Completed: Awaiting the completion of a Department of Justice investigation.

Principal Action Office: Army

Report: DODIG-2014-075, Navy Officials Inappropriately Managed the Infrared Search and Track Block II Development, 05/16/2014

Description of Action: Designate the Infrared Search and Track as an Acquisition Category I program.

Reason Action Not Completed: OUSD(AT&L) is currently staffing a memorandum that redesignates the Navy Infrared Search and Track program as an Acquisition Category I program.

Principal Action Office: OUSD(AT&L), Navy

Report: DODIG-2014-076, Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program, 05/21/2014

Description of Action: Improve oversight of overpayments made for service members who exceed their maximum household goods weight entitlements when conducting legacy system multiple shipments.

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: Army

Report: DODIG-2014-081, Army Integrated Air and Missile Defense Program Needs to Improve Software, Test, and Requirements Planning, 06/09/2014

Description of Action: Revise the Capability Production Document to ensure requirements are defined to comply with DoD Instruction 5000.02.

Reason Action Not Completed: Long-term corrective actions are ongoing.

Principal Action Office: Army

Report: DODIG-2014-087, Army's Audit Readiness at Risk Because of Unreliable Data in the Appropriation Status Report, 06/26/2014

Description of Action: Analyze and identify the root causes of the significant adjustments required for General Fund Enterprise Business System data to be reported in the Appropriation Status Report. Additionally, eliminate the need for the automatic adjustment process within the Defense Departmental Reporting System-Budgetary.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: Army

Report: DODIG-2014-088, Defense Logistics Agency Aviation Potentially Overpaid Bell Helicopter for Sole-Source Commercial Spare Parts, 07/07/2014

Description of Action: Perform a review of historical prices, sales data, and requesting "information other than cost or pricing data," to include cost information, when commercial sales are not sufficient to support a market-based pricing approach for determining fair and reasonable prices for sole-source commercial parts.

Reason Action Not Completed: Defense Logistics Agency has contacted the "The Pricing Centers of Excellence" for assistance in pricing of the extension.

Principal Action Office: DLA

Report: DODIG-2014-090, Improvements Needed in the General Fund Enterprise Business System Budget-to-Report Business Process, 07/02/2014

Description of Action: Verify that the General Fund Enterprise Business System posting logic documentation is accurate and complete and use the documentation to validate General Fund Enterprise Business System general ledger account postings.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: Army

Report: DODIG-2014-091, Procedures to Ensure Sufficient Rare Earth Elements (REE) for the Defense Industrial Base Need Improvement, 07/07/2014

Description of Action: Report is For Official Use Only.

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: DLA

Report: DODIG-2014-092, Navy and Marine Corps Have Weak Procurement Processes for Cost-reimbursement Contract Issuance and Management, 07/11/2014

Description of Action: Develop checklists and guides that can be used by contracting personnel regarding the extra planning, approval, and oversight of cost-reimbursement contracts; identify hybrid contracting as a best practice within the contracting competency; update contracting policies; establish better communication channels; and develop controls to ensure that a contracting officer's representative is assigned to each contract at contract award.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: Navy, Marine Corps

Report: DODIG-2014-096, Improvements Needed in Contract Administration of Mi-17 Cockpit Modification Task Order, 07/28/2014

Description of Action: Report is For Official Use Only.

Reason Action Not Completed: Manpower shortages have delayed completion of corrective actions.

Principal Action Office: Army

Report: DODIG-2014-098, The Army Did Not Properly Account For and Manage Force Provider Equipment in Afghanistan, 07/31/2014

Description of Action: Identify and account for all nonexpendable Force Provider components by serial number in the Army accountability systems.

Reason Action Not Completed: Discussions with management are being conducted.

Principal Action Office: Army

Report: DODIG-2014-101, Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight, 08/13/2014

Description of Action: Establish procedures to validate that staff collect accurate and complete demographic and billing patient information before patient discharge. Send dispute letters to Texas Medicaid and Healthcare Partnership for all claims denied for missing the 95-day filing requirement. Provide U.S. Army Medical Command all the Medicaid-eligible claims denied by Texas Medicaid Health Partnership for missing the 95-day filing requirement to identify the value and impact of those claims to Brooke Army Medical Center. Additionally, identify the reimbursed and disallowed amounts, the amounts the beneficiaries now are responsible to pay, and request direction on a course of action to eliminate the debt.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: ASD(HA)

Report: DODIG-2014-102, Government of the Islamic Republic of Afghanistan Needs to Provide Better Accountability and Transparency Over Afghanistan Security Forces Fund Direct Contributions, 08/29/2014

Description of Action: Require the Government of the Islamic Republic of Afghanistan Ministries of Defense and Interior to automate its payroll processes and eliminate manual edits after payroll documents have been approved.

Reason Action Not Completed: Long-term corrective actions are ongoing.

Principal Action Office: USCENTCOM

Report: DODIG-2014-104, Global Combat Support System (GCSS)—Army Did Not Comply With Treasury and DoD Financial Reporting Requirements, 09/03/2014

Description of Action: Formalize and expand the annual review process for GCSS—Army to include a review of the timely compliance.

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: Army

Report: DODIG-2014-106, Military Sealift Command Oversight of Excess Spare-Parts Inventory and Purchases for Sealift Program Roll-On/Roll-Off Ships Needs Improvement, 09/09/2014

Description of Action: Improve oversight to ensure that the contractor complies with the contract provisions related to excess Government property and inventory management.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: Navy

Report: DODIG-2014-110, Ontic Engineering and Manufacturing Overcharged the Defense Logistics Agency for Sole-Source Spare Parts, 09/15/2014

Description of Action: Review of all sole-source spare parts purchased from the contractor from October 1, 2012, to the present, to identify any potential overpricing, and determine whether the requirements for a voluntary refund were met.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: DLA

Report: DODIG-2014-112, Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight, 09/16/2014

Description of Action: Provide the results of the internal review, planned corrective actions, and collection efforts upon completion of the internal review for the remaining open delinquent medical service accounts.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: Army

Report: DODIG-2014-114, Attestation of DoD Compliance With Service Contract Inventory Compilation and Certification Requirements for FY 2012, 09/18/2014

Description of Action: Provide an update on the status, including time frames, for staffing the Total Force Management Support Office and finalizing the service contract review form.

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: USD(P&R)

Report: DODIG-2014-118, Continuation of Audit of Mi-17 Cockpit Modifications Under Task Order W58RGZ-09-D-0130-0102, 09/19/2014

Description of Action: Report is For Official Use Only.

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: Army

Report: DODIG-2014-119, Excess Inventory Acquired on Performance-Based Logistics Contracts to Sustain the Air Force's C-130J Aircraft, 09/22/2014

Description of Action: Perform a 100-percent inventory review and develop a plan that properly manages excess inventory and provides the best value to the Air Force and DoD. Also, revise DoD Manual 4140.01, Volume 6, to require contractors managing Government inventory under performance-based logistics contracts to report, on a biannual basis, inventory requirements for Government inventory, and existing and excess Government inventory data against those requirements.

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: USD(AT&L), Air Force

Report: DODIG-2014-120, Acquisition Practices Used at United States Marine Corps Program Executive Officer Land Systems: Program Manager Medium and Heavy Tactical Vehicles, 09/22/2014

Description of Action: Perform additional testing to identify system configuration and component changes to address the safety risks identified with the Automatic Fire Extinguishing Systems and increase the system's effectiveness before awarding a contract and procuring additional systems.

Reason Action Not Completed: A final decision is pending on an initiative for POM-17 in support of Automatic Fire Extinguishing Systems testing and procurement.

Principal Action Office: Navy

Report: DODIG-2014-123, Air Force Did Not Justify the Need for MQ-9 Reaper Procurement Quantities, 09/30/2014

Description of Action: Perform and document comprehensive analyses to determine the necessary quantity of MQ-9 aircraft.

Reason Action Not Completed: Corrective actions are ongoing.

Principal Action Office: Air Force

Report: DODIG-2014-124, Army Needs to Improve the Reliability of the Spare Parts Forecasts It Submits to the Defense Logistics Agency, 09/29/2014

Description of Action: Develop a plan of action and milestones to improve the accuracy of the spare parts forecasts that Army Life Cycle Management Commands provide to DLA. Also, develop Army-wide policy and controls to consistently monitor and update depot overhaul factors.

Reason Action Not Completed: Long-term corrective actions are ongoing.

Principal Action Office: Army

SECTION 845 ANNEX AUDIT REPORTS WITH SIGNIFICANT FINDINGS

DoD IG

Audit Report No. DODIG-2015-138	Date: June 29, 2015
Subject: The Air Force Did Not Monitor the Energy Savings Performance Contract at Joint Base McGuire	
Report: \$232.6 million in Questioned Costs	
Air Force officials did not know whether the approximately \$19 million they spent on the contract achieved energy savings, and whether planned future payments of approximately \$115 million for the remaining 16 contract performance years would result in energy savings.	

Audit Report No. DODIG-2015-152	Date: July 29, 2015
Subject: Defense Information Systems Agency and Defense Logistics Agency Information Technology Contracts Awarded Without Competition Were Generally Justified	
Report: \$151.0 million in Questioned Costs	
Contracting personnel at the Defense Information Systems Agency and Defense Logistics Agency justified awarding contracts with other than full and open competition for 21 of the 22 sole-source contracts with a value (including options) of about \$505.8 million. However, Defense Information Systems Agency contracting personnel did not justify awarding contracts without full and open competition for one sole-source contract, valued at about \$151 million.	

DCAA

Audit Report No. 2161-2008T10100001	Date: March 23, 2015
Subject: Independent Audit Report on 2008 Incurred Cost Audit	
Prepared For: Defense Contract Management Agency, DCMAHQ-AQKDB Pricing Center	
Report: \$20.9 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$20.9 million questioned costs including the following significant items: \$3.2 million in group insurance costs based on a negotiated settlement; \$2.1 million of allocated corporate or shared costs from assist audits; \$4.3 million of Independent Research & Development/ Bid & Proposal (IR&D/B&P), or selling expenses that were not supported with adequate documentation or that did not comply with the contractor's policies and procedures and exceeded the contractor's funding limitation; \$2.9 million of direct labor because the employees did not meet the contract required education or experience; \$1.6 million of subcontract costs because the contractor did not provide evidence it adequately monitored the labor qualifications of its subcontractors; \$1.0 million of interdivisional direct materials transferred-in at price instead of cost; \$1.1 million of unallowable interdivisional profit; and \$3.4 million of questioned G&A base costs for no-load projects and tasks, pass-thru costs, and prior period adjustments.	

* Fulfills requirements of the National Defense Authorization Act for FY 2008 Section 845.

Audit Report No. 3181-2011S17900005	Date: March 25, 2015
Subject: Independent Audit Report on Other Direct Costs (ODCs) Incurred/Invoiced	
Prepared For: U.S. Department of State	
Report: \$34.3 million Questioned Costs	
The audit of costs invoiced on one contract line item from 2005 to 2011 resulted in \$34.3 million questioned costs. The questioned costs were generally related to illegible invoices, fuel costs not in accordance with subcontract terms, meal costs not invoiced in accordance with contract terms, lack of required subcontract analysis, and unallocable bonuses.	

Audit Report No. 4281-2014I10180001 (Revised)	Date: March 25, 2015
Subject: Independent Audit Report on Direct Costs	
Prepared For: Department of the Air Force	
Report: \$18.3 million Questioned Costs	
The audit of the claimed direct costs on one contract resulted in \$18.3 million of questioned subcontract and material costs that were unreasonable based on analysis of vendor quotes, subcontract documents, construction schedules, the contractor's cost/price analysis or other basis for subcontractor selection, and other information in the contractor's procurement files; or unallowable generally due to lack of documentation supporting price reasonableness.	

Audit Report No. 3181-2009D10100001	Date: March 26, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2009	
Prepared For: Defense Contract Management Agency, Dallas Texas – Corporate Administrative Contracting Officer	
Report: \$130 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$130 million questioned costs including the following significant items: \$2 million of airfare costs due to excess airfare over the lowest customary, standard, coach, or equivalent, duplicated, unsupported, or unallowable costs, use of non-U.S. Flag Air Carrier without a justification, lack of a purpose and/or return date of the trip, and inadequate proof of payment per FAR; \$77 million of direct labor costs because the employees did not meet the specific contract requirements for qualified linguist support in accordance with FAR; \$10 million of subcontract costs billed in excess of amounts recorded and unallowable costs identified in the subcontractor's books and records per FAR; \$24 million of unallowable direct labor and other direct costs in accordance with FAR; \$4 million of direct costs due to inadequate supporting documentation per FAR; unallowable travel costs and inadequate subcontract analysis per FAR.	

Audit Report No. 6341-2008A10100028	Date: March 30, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency, Philadelphia	
Report: \$143.3 million Noncompliant Costs	
Because of scope limitations, DCAA was not able to perform sufficient procedures to express an opinion on whether the incurred cost proposal complied in all material respects with contract terms pertaining to accumulating and billing incurred amounts resulting in a disclaimer of opinion. The limited procedures performed disclosed \$143.3 million of subcontract costs noncompliant with FAR, including: \$141.0 million of subcontract costs for which the contractor failed to maintain sufficient documentation supporting the allowability of the costs; and \$2.3 million of subcontract costs noncompliant with FAR identified in assist audits.	

Audit Report No. 1291-2008F10100001	Date: March 31, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: DCMA Cost and Pricing Center	
Report: \$31.6 million Questioned Costs	
The audit of the indirect cost rate proposal resulted in \$31.6 million questioned costs including the following significant items: \$4.7 million of unreasonable direct labor due to applying premium pay to overtime or for overtime hours worked in excess of the amount prescribed; \$6.2 million of unreasonable or unsupported rental or purchase costs and/or applied mark-ups for vehicles and equipment leased or purchased from affiliated companies; \$2.5 million of materials paid by cash for which the contractor failed to maintain adequate records; \$6.0 million of cash payments for labor of local nationals in Iraq not supported with sufficient documentation such as dual language employment agreements, proof of cash receipt by employee, or documentation of the reasonableness of the hourly labor rates; \$1.6 million of unallowable war-hazard insurance; \$1.2 million of logistics costs not supported by adequate price analysis, not reconciled to intercompany or third party invoices, and/or out-of-period costs; \$2.5 million of subcontract costs due to duplicated costs and inadequate sole source justification; and \$6.0 million of overhead and G&A expenses due to incorporating the results of separate audits of home office and corporate allocations.	

Audit Report No. 02811-2008E10100001	Date: March 31, 2015
Subject: Independent Audit Report on Claimed Amounts on Unsettled Flexibly Priced Contracts for Calendar Year (CY) 2008	
Prepared For: Defense Contract Management Agency , Divisional Administrative Contracting Officer	
Report: \$97.8 million Questioned Costs	
The audit of the indirect cost rate proposal resulted in \$97.8 million questioned costs including the following significant items: \$39 million of IR&D/B&P and related burdens due to lack of supporting documentation; \$1.2 million of indirect labor for unallowable gifts or performance sharing payouts in excess of the Board of Director's authorized maximum allowable payout; \$9.5 million of travel and meal expenses due to lack of supporting documentation, unallowable first/business class airfare, failure to use available airfare discounts, exclusion of airfare refund or credits, lodging and meal costs in excess of the allowable per diem and meal expenses related to unidentified attendees at events or for a retirement dinner; \$1.5 million of out of period legal costs; \$2.8 million of employee morale expenses for gifts and awards presented to contractor personnel due to lack of adequate documentation; \$12.2 million of outside services costs due to missing and incomplete supporting documentation; \$5.8 million of occupancy and rental costs for idle facilities; \$4 million of employee tuition reimbursements due to lack of adequate supporting documentation such as invoices, grade reports, agreements, and cancelled checks; \$7 million of indirect depreciation expense related to capitalized costs to develop, construct and deliver assets that should have been charged directly to the benefiting contract; \$8.8 million of employee relocation costs due to lack of adequate supporting documentation including invoices, employee relocation forms and lump sum request forms, journal entry screen prints, human resources data and other associated supporting documents to determine the allowability of the claimed costs.	

Audit Report No. 3321-2008K10100001	Date: March 31, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency Americas Business Group	
Report: \$45.0 million Questioned Costs	
The audit of the indirect cost rate proposal resulted in \$45.0 million questioned costs including the following significant items: \$34.7 million of Defense Base Act (DBA) insurance for subcontractors because the claimed costs were based on estimated subcontractor payroll instead of actual subcontractor labor costs; \$4.1 million of proposed costs of a legal settlement because it represents a duplication of costs for the same effort since the price for the effort of a follow-on subcontract was not adjusted for work already performed by an earlier subcontractor; and \$4.3 million due to the contractor not including a credit (refund) of medical insurance costs in its proposal.	

Audit Report No. 6221-2006U10100013/6221-2007U10100014	Date: March 31, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FYs Ended December 29, 2006 and December 28, 2007	
Prepared For: Defense Contract Management Agency, Maryland	
Report: \$29.5 million Questioned Costs	
The audit of indirect cost rate proposals resulted in \$29.5 million questioned costs including the following significant items: \$14.1 million of claimed labor under T&M contracts due to claimed hourly rates not specified in the contracts or claimed hours in excess of the contractual ceilings; \$10.8 million of travel costs because the contractor failed to provide adequate documentation supporting the claimed lodging or other costs such as vendor invoices, vouchers, journal entries, or credit adjustments, or claimed daily lodging costs in excess of the contractual ceiling.	

Audit Report No. 6631-2008C10100001	Date: March 31, 2015
Subject: Independent Audit Report on Corporate and Home Office Overhead Incurred Cost Proposal for FY 2008	
Prepared For: DCMA Headquarters	
Report: \$23.2 million Noncompliant Costs	
Because of scope limitations, the audit work was not sufficient to render an opinion on the incurred cost proposal. The procedures performed identified \$23.2 million of costs noncompliant with FAR including the following significant items: \$4.0 million of group insurance costs related to ineligible dependents; \$2.8 million of savings plan costs due to a formula error which added forfeitures instead of subtracting them from company contributions; \$3.7 million of consultant costs not supported by adequate documentation of the services provided; \$2.3 million of salary costs and fringe benefit costs related to unallowable lobbying effort; \$2.4 million of fringe expenses directly associated with noncompliant labor costs; and \$3.9 million of pension costs directly associated with compensation in excess of the FAR compensation cap for the top 5 employees.	

Audit Report No. 06831-2008B10100001	Date: April 1, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FYs 2008 and 2009	
Prepared For: Defense Contract Management Agency	
Report: \$15.5 million Questioned Costs	
The audit of the indirect cost rate proposals resulted in \$15.5 million questioned costs including the following significant items: \$5.2 million of material costs due to lack of adequate supporting documentation including a bill of materials, purchase orders and related invoices, receiving receipt, cancelled checks or other proof of payment, consideration of make-or-buy analysis, or documentation for the development and application of the material scrap rate; \$2.9 million of direct travel costs due to lack of adequate supporting documentation such as a detailed statement of the mission-related purpose of the trip or expense, or lack of expense reports or receipts; \$1.6 million of executive compensation considered unreasonable based on comparison with data from executive salary surveys; \$1.1 million of professional services costs due to lack of supporting documentation such as service agreements, statements of work, or final products; and \$1.8 million of home office allocations from a separate audit.	

Audit Report No. 6831-2008B10100003	Date: April 1, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FYs 2008 and 2009	
Prepared For: Defense Contract Management Agency	
Report: \$26.7 million Questioned Costs	
The audit of the indirect cost rate proposal resulted in \$26.7 million questioned costs including the following significant items: \$14.5 million of travel costs not adequately supported by expense reports, receipts, boarding passes, and/or cancelled checks; \$7.8 million of direct materials and other direct costs not adequately supported with proof of payment, consultant agreements, statements of work, relocation agreements, and/or invoices; \$1.1 million of executive compensation due to the contractor not providing supporting documentation to demonstrate the reasonableness of the claimed compensation, such as market pricing surveys, or other analyses; \$1.2 million of allocated home office costs not adequately supported; \$1.7 million of facilities costs not adequately supported by documentation or other information such as lease agreements, third party invoices for rental payments, number of employees assigned, building floor plans, square feet rented and rate per square foot, or for unreasonable rent for facilities where the average square foot per employee exceeded the industry norm.	

Audit Report No. 6281-2008F10100001;2008G101002; 2008G10100003;2009F10100001; 2009G10100001; 2009G10100002; and 2009S10100001	Date: April 2, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FYs 2008 and 2009	
Prepared For: Defense Contract Management Agency, Cost and Pricing Center	
Report: \$140.9 million Questioned Costs	
The audit of the indirect cost rate proposals resulted in \$140.9 million questioned costs including the following significant items: \$78.3 million due to inadequate support including the failure to provide evidence of Government pre-approval for costs when required by the contract; \$11.7 million because proof of payment could not be verified; and \$11.1 million of consultant costs not supported with adequate consultant agreements or detailed invoices documenting the services provided, or which did not agree with the terms of the consulting agreement.	

Audit Report No. 6321-2007T10100001 and 6321-2008T10100001	Date: April 3, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2007 and FY 2008	
Prepared For: United States Department of State, Office of Acquisition Management, Contracting Officer	
Report: \$14 million Questioned Costs	
The audit of the contractor's incurred cost proposals resulted in \$14 million questioned costs including the following significant items: \$4 million in direct material and other direct costs because the proposed costs were incurred in a prior period, were supported by copies (not original source documents), the contractor did not demonstrate that the costs were allocable to the contract proposed, the types of costs proposed related to firm fixed price contract line items or were included in negotiated T&M labor rates, proof of payment was not provided, or documentation of approval by the Contracting Officers Representative (COR) required by the contract was not provided; \$5 million in hardship and hazard differential pay which was not reimbursable because it was included in the negotiated direct labor rates; and \$5 million of travel costs because the proposed costs were supported by copies (not original source documents) and because of incomplete or missing manifest logs for chartered flights.	

Audit Report No. 06831-2008B10100005	Date: April 8, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FYs 2008 and 2009	
Prepared For: Defense Contract Management Agency, Divisional Administrative Contracting Officer	
Report: \$31 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$31 million questioned costs including the following significant items: \$2 million of Home Office allocations due to inadequate or insufficient documentation to support the costs; \$11 million of direct materials due to lack of adequate support including lack of proof of payment; \$15 million of other direct costs (relocation, professional services and travel) due to the contractor not providing adequate supporting documentation including relocation agreements, proof of payment or invoices, details of the purpose of the trips, or travel vouchers; \$1.8 million of subcontract costs due to the contractor not providing adequate supporting documentation including purchase orders, receiving reports, invoices, proof of payment, and a statement of work.	

Audit Report No. 6631-2013C17900001	Date: April 10, 2015
Subject: Independent Audit Report on Pass Through Costs for Calendar Years 2001 Through 2008	
Prepared For: Defense Contract Manager Agency	
Report: \$45.6 million Questioned Costs	
The audit of the proposed pass through costs resulted in \$45.6 million of questioned costs due to the following reasons: consulting costs for which the contractor failed to provide consulting agreements or provided agreements lacking specific terms and conditions; unallowable mark-ups applied to material costs transferred to other company segments under common control; and costs incorrectly categorized as pass through costs.	

Audit Report No. 6171-2006E10100001	Date: April 13, 2015
Subject: Independent Audit Report on Unsettled Flexibly-Priced Contracts for FY 2006	
Prepared For: Defense Contract Management Agency, Manassas, Virginia, Administrative Contracting Officer	
Report: \$23.9 million of Noncompliant Costs	
Due to the lack of sufficient competent evidential matter to support the contractor's proposed costs, the scope of the work was not sufficient to enable DCAA to express an opinion resulting in a disclaimer of opinion. The limited procedures performed disclosed: \$8.5 million of self-insurance costs because the contractor did not provide documentation that it received the required ACO approval for the program; \$2 million of bonus costs due to lack of supporting documentation; \$5 million of subcontractor labor costs due to lack of adequate supporting documentation such as subcontractor agreements and lack of prior approval from Contracting Officer; \$8.5 million of direct labor costs due to personnel who did not meet qualification requirements established in the contract.	

Audit Report No. 9841-2008C10100001	Date: April 13, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency, Divisional Administrative Contracting Officer	
Report: \$21.6 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$21.6 million questioned costs, including the following significant items: \$12.1 million of unsupported indirect cost; \$5.4 million of unsupported subcontract cost; \$1.8 million of expensed cost that should have been capitalized in accordance with CAS 404, Capitalization of Tangible Assets; \$564 thousand of indirect cost questioned as unallocable; \$349 thousand of questioned interest on sales tax; \$60 thousand of indirect costs questioned as unreasonable; and \$1.3 million of expressly unallowable costs, such as expressly unallowable tax gross up cost and expressly unallowable travel and relocation costs.	

Audit Report No. 06831-2008B10100008	Date: April 15, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Contracts for FYs 2008 and 2009	
Prepared For: Defense Contract Management Agency	
Report: \$30.3 million Questioned Costs	
The audit of the final indirect rate proposals resulted in \$30.3 million questioned costs including the following significant items: \$22.7 million of direct material due to lack of adequate supporting documentation including a bill of materials, purchase orders and related invoices, receiving receipt, cancelled checks or other proof of payment, consideration of make-or-buy analysis, or documentation for the development and application of the material scrap rate; \$2.4 million of direct travel costs due to lack of adequate supporting documentation such as a detailed statement of the mission-related purpose of the trip or expense, or lack of expense reports or receipts; and \$2.8 million of home office allocations from other audits.	

Audit Report No. 1281-2008A10100782	Date: April 16, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency, Hampton, Virginia	
Report: \$13.3 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$13.3 million questioned costs including the following significant items: \$1.7 million of direct travel costs mutually agreed upon to be unbillable between the contractor and the Department of State; \$3.9 million of travel costs due to the contractor not providing adequate documentation to meet one or more of the provisions of FAR; \$7.7 million of unallowable legal costs related to lobbying or public relations work, proceedings brought by the Federal Government where the result was a monetary penalty or conviction, unsupported by adequate documentation, or related to protest of a Federal Government contract award.	

Audit Report No. 06151-2008N10100001	Date: April 17, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency, Hampton, Virginia	
Report: \$28 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$28 million questioned costs including the following significant items: \$1.7 million of bonus accruals over actual cost and lack of documentation to support the costs; \$15 million of subcontract labor, other direct and travel costs due to lack of supporting documentation, including statements of work and purchase orders to support the costs; \$ 4 million of direct travel costs because the contractor failed to provide proof of payment such as cancelled checks, bank statements, electronic funds transfers, etc.; \$6 million of hardware, software, maintenance, materials, and supplies costs because the contractor failed to provide appropriate authorization as required by the contract.	

Audit Report No. 6851-2008A10100001 and 6851-2009A10100001	Date: April 17, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008 and 2009	
Prepared For: Defense Contract Management Agency, Cost and Pricing Center	
Report: \$43 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$43 million questioned costs including the following significant items: \$3 million of recruitment and advertising expenses due to lack of adequate supporting documentation; \$1.5 million of legal costs due to lack of supporting documentation which the contractor stated would constitute a waiver of attorney-client privilege; \$1.2 million of gains and losses on sale of fixed assets because the contractor failed to provide support to substantiate that the costs were incurred and allocable to government contracts; \$33 million of claimed overhead costs because the contractor failed to provide supporting documentation that the costs were allocable to government contracts; and \$3 million of executive compensation in excess of the FAR compensation ceiling.	

Audit Report No. 6171-2008E10100009	Date: April 21, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly-Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency, Manassas, Virginia, Administrative Contracting Officer	
Report: \$23 million of Noncompliant Costs	
Due to the lack of sufficient competent evidential matter to support the contractor's FY 2008 incurred costs, the scope of the work was not sufficient to enable DCAA to express an opinion on whether the FY 2008 incurred and billed costs were in all material respects compliant with contract terms pertaining to accumulating and billing incurred amounts resulting in a disclaimer of opinion. The limited procedures performed disclosed: \$8.6 million of direct subcontractor labor costs because the contractor did not provide adequate supporting documentation such as subcontractor agreements or prior approval from the contracting officer; \$7 million of direct material costs due to lack of adequate supporting documentation; \$8 million of direct labor costs noncompliant with FAR due to personnel who did not meet qualification requirements established in the contract.	

Audit Report No. 6861-2014B17100001	Date: May 6, 2015
Subject: Independent Audit Report on Proposed Amounts in Termination Settlement Proposal	
Prepared For: DCMA Terminations Group	
Report: \$78.9 million Noncompliant Costs	
Because of scope limitations, DCAA was not able to express an opinion on the equitable adjustment proposal. The limited procedures performed identified \$78.9 million of proposed costs noncompliant with FAR, including the following significant items: \$28.9 million of unreasonable direct labor costs because the contractor's direct labor rates were overstated as compared to market level rates; \$39.0 million of subcontract performance costs and \$6.0 million of proposed subcontract settlement expense costs noncompliant with provisions of FAR based on assist audits; and \$3.6 million of settlement expenses based on a comparison of the proposed amount with the actual amount booked plus an estimate of future expenses based on historical data.	

Audit Report No. 6161-2008G10100001	Date: May 7, 2015
Subject: Independent Audit Report on Incurred Cost Proposed Amounts on Unsettled Flexibly Priced Contracts for FYs 2008 and 2009	
Prepared For: Defense Contract Management Agency, Divisional Administrative Contracting Officer	
Report: \$18 million Questioned Costs and \$7 million of Noncompliant Costs	
The audit of the contractor's FY 2008 incurred cost proposal resulted in \$18 million questioned costs including the following significant items: \$1.5 million of direct labor costs due to employees not meeting the education and/or experience requirements contained in the contract; \$8 million of direct consultant and subcontract costs because the contractor failed to provide agreements, provided unsigned and/or expired consultant agreements or provided agreements that were signed years after the inception date of the contract; \$6 million of management bonuses because the contractor failed to support the basis of the awards as required by FAR; \$1.5 million of IR&D/B&P subcontract labor costs because the contractor failed to provide supporting documentation for the transactions. The audit procedures performed on the FY 2009 incurred cost proposal were not sufficient to enable DCAA to express an opinion on whether the proposed FY 2009 indirect amounts on unsettled flexibly priced contracts complied, in all material respects, with contract terms pertaining to accumulating and billing incurred amounts. The limited procedures performed disclosed \$7 million of indirect costs noncompliant with FAR.	

Audit Report No. 06831-2008M10100003	Date: May 14, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency, Divisional Administrative Contracting Officer	
Report: \$12 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$12 million questioned costs including the following significant items: \$5 million of unallowable subcontract costs; \$1 million of relocation costs due to lack of supporting documentation for any of the transactions selected for testing; \$5 million of travel costs due to lack of supporting documentation or inadequate supporting documentation such as meals and incidental expenses greater than the amount allowable per Federal Travel Regulations, lack of hotel receipts or other associated expenses to validate the trips were actually taken, lack of supporting documentation showing the distances traveled for claimed mileage expenses; claimed amounts not reconciling to supporting invoice amounts, and excessive airfare costs.	

Audit Report No. 01751-2007D10100001	Date: May 15, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2007	
Prepared For: Administrative Contracting Officer, US Navy	
Report: \$47.5 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$47.5 million questioned costs including the following significant items: \$9.9 million of allocated corporate costs due to incorporating the results of a separate corporate audit report. Questioned corporate costs included unallowable pension costs; unallowable post-retirement benefits; unallowable corporate office expenses; and unallowable environmental remediation. Questioned segment costs included \$7.8 million of unsupported direct subcontract costs resulting from an assist audit; \$4.1 million of direct subcontract costs due to lack of competitive award and lack of make or buy analysis; \$6.8 million of unreasonable executive compensation; \$5.9 million of professional and consultant service costs because the contractor did not provide adequate supporting documentation; \$9.0 million of inter-company allocations questioned in a separate report; and \$2 million of depreciation expense due to lack of supporting documentation.	

Audit Report No. 2211-2009S10100001	Date: May 22, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Indirect Costs and Direct Charges for FY 2009	
Prepared For: Defense Contract Management Agency, Cost and Pricing Center, New York	
Report: \$12 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$12 million questioned costs including the following significant items: \$675 thousand of audit fees because the contractor did not provide supporting documentation such as expense statements and receipts for the travel costs incurred; \$11 thousand of legal fees because the costs were incurred in prior fiscal years; \$121 thousand of consulting costs because the costs were incurred in prior fiscal years and because the invoices provided showed that the costs were related to political and lobbying activities; \$579 thousand of severance costs because the contractor did not provide adequate supporting documentation; \$53 thousand of travel costs because the costs were incurred in prior fiscal years and because the airfare costs were unreasonable when compared to historical airfares for domestic flights; \$4.7 million of unreasonable labor and fringe expenses; \$19 thousand of travel costs because the costs were incurred in the prior fiscal year; \$4.2 million of medical self-insurance because it was incorrectly calculated; \$1.9 million of segment direct costs incorrectly claimed at the corporate level; \$422 thousand of workers compensation costs that were incorrectly calculated; and \$1.1 million of unsupported restricted stock unit costs.	

Audit Report No. 01241-2008L10100505	Date: May 28, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency, MS	
Report: \$60.7 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$60.7 million questioned costs including the following significant items: \$2.9 million of indirect costs due to incorrectly allocated home office and G&A expenses which were not allocated based on the three factor formula in accordance with CAS; \$38.5 million of direct labor and other direct cost on T&M contracts because of lack of supporting documentation; \$2 million of direct material costs because of an unrecorded credit; \$17.3 million of unallowable direct subcontract costs because of material FAR non-compliances and DFARS deficiencies.	

Audit Report No. 6831-2009B10100004	Date: May 28, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2009	
Prepared For: Defense Contract Management Agency, Divisional Administrative Contracting Officer	
Report: \$22 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$22 million questioned costs including the following significant items: \$8 million of travel costs due to lack of adequate supporting documentation such as documentation showing the purpose of the trips, meals and incidental expenses which exceeded allowable amounts, and airfare costs that exceed the average airfare amount; \$1.6 million of performance bonuses because of inadequate support for the awards; \$1 million of unreasonable executive compensation costs; \$7 million of direct consultant costs because of lack of supporting documentation such as consulting agreements; \$4 million of claimed direct costs due to reconciliation differences between the incurred cost submission and the supporting accounting records.	

Audit Report No. 4141-2008D10100003	Date: May 29, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for CY 2008	
Prepared For: Defense Contract Management Agency, California, Corporate Administrative Contracting Officers' Division	
Report: \$17.8 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$17.8 million questioned costs including the following significant items: \$6.8 million of unallocable business unit costs and \$11 million of firm fixed price subcontract costs due to lack of supporting documentation.	

Audit Report No. 6811-2006U10100001	Date: May 29, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly-Priced Contracts for FY 2006	
Prepared For: Defense Contract Management Agency	
Report: \$74.6 million Questioned Costs	
The audit of the final indirect rate proposal resulted in \$74.6 million questioned costs including the following significant items: \$52.2 million of direct labor, materials, subcontracts and other costs because the costs were not allocable to the contract on which claimed, were unreasonable, were noncompliant with Cost Accounting Standards (CAS), were noncompliant with contract terms, were not supported by adequate documentation, or due to the failure of the contractor to audit subcontractor's costs; \$9.4 million of Independent Research and Development costs due to costs for trade shows not supported by evidence of significant effort to promote export sales or not unsupported by adequate documentation; \$7.8 million of unallowable bonuses; and \$5.2 million of other costs questioned based on various provisions of FAR.	

Audit Report No. 6821-2008F10100001/6821-2009F10100001	Date: June 2, 2015
Subject: Independent Audit Report on Certified Final Indirect Cost Proposal for FYs 2008 and 2009	
Prepared For: Defense Contract Management Agency, Corporate Administrative Contracting Officer	
Report: \$56.8 million Noncompliant Costs	
Due to time constraints and the contractor's failure to provide supporting documentation in a timely manner, DCAA was unable to carry out all appropriate audit procedures necessary to complete an audit of the proposed 2008 and 2009 incurred costs. The limited procedures performed disclosed \$56.8 million of noncompliant costs including the following significant items: \$26.2 million of corporate office expenses because the contractor failed to provide sufficient evidence to determine the nature and scope of the services furnished; \$11.7 million of pension plan costs, \$6.7 million of worker's compensation insurance, and \$10.9 million of post-retirement benefits based on the results of other audits incorporated into the report.	
Audit Report Nos. 9881-2009E10100003, 9881-2009E10100004, 9881-2010E10100002, 9881-2010E10100003	Date: June 4, 2015
Subject: Independent Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FYs 2009 and 2010	
Prepared For: Defense Contract Management Agency, Divisional Administrative Contracting Officer	
Report: \$61.9 million in Noncompliant Costs	
The audit of the contractor's incurred cost proposal resulted in a disclaimer of opinion with reported noncompliant costs. The audit identified \$61 million of reconciliation differences between the incurred cost submission and the contractor's accounting records. The report also noted non-compliances for executive compensation costs of \$771 thousand that were in excess of the FAR compensation limitations, \$48 thousand of subcontract labor billed at prime rates, \$98 thousand due to lack of adequate supporting documentation, and \$45 thousand of costs associated with lobbying expenses.	
Audit Report No. 2361-2008B10100001/2009B10100001	Date: June 5, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Contractor FYs (CFY) 2008 and 2009	
Prepared For: Administrative Contracting Officer, Supervisor of Shipbuilding (SUPSHIP)	
Report: \$15.4 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$15.4 million questioned costs including the following significant items: \$3.4 million of corporate home office allocation costs that were unallowable per FAR; \$3.5 million of lump sum payments because the costs were not allocable in the current accounting period; \$1.6 million of Independent Research and Development (IR&D) costs due to the costs being sponsored by a commercial contract; \$2.0 million of environmental management costs because of lack of support that the amounts were reasonable, were incurred, and were in accordance with the rates negotiated with the vendor; \$1.5 million of other purchased services because the costs were considered unreasonable and because the contractor did not justify the sole source selection.	

Audit Report No. 6321-2008Y10100005	Date: June 12, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency, Cost and Pricing Center	
Report: \$35.3 million Questioned Costs	
The audit of the indirect cost proposal resulted in \$35.3 million questioned cost including the following significant items: \$24.8 million of bonus payments for time spent in theater due to lack of supporting documentation to verify employees were in theater and qualified for the bonuses; \$3.8 million of subcontract labor due to lack of supporting documentation, unreasonable burdens on bonuses, and lack of agreement regarding the rate of compensation; \$1.3 million of lodging expenses not adequately supported by documentation for the purpose of the trip; \$1.7 million of claimed costs for home leave not supported by adequate documentation such as a company policy or evidence supporting computation of the entitlement.	

Audit Report No. 4141-2008E10100001 (Revised)	Date: June 15, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for CY 2008	
Prepared For: Administrative Contracting Officer at Defense Contract Management Agency, Lathrop	
Report: \$96 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$96 million questioned costs including the following significant items: \$85 million of unallowable, unreasonable, and/or unallocable subcontract costs; \$2.3 million of health insurance costs since the contractor did not provide any documentation to demonstrate the eligibility of the dependents of the contractor's employees; \$3.5 million of unreasonable and/or out of period overhead bonus costs; \$1.8 million of unallowable or unreasonable G&A bonus costs; \$1.1 million of noncompliant G&A travel costs; and \$387 thousand of unallowable and/or unallocable legal costs.	

Audit Report No. 2161-2014G10110001	Date: June 23, 2015
Subject: Independent Audit Report of Compliance with Requirements Applicable to its Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 for Fiscal Year Ended September 30, 2014	
Prepared For: Corporate Administrative Contracting Officer, Procuring Contracting Officer – USAF – Enterprise, Acquisition Division	
Report: \$17.7 million Questioned Costs	
The audit of compliance with the requirements applicable to major programs and on internal control over compliance in accordance with OMB Circular A-133 disclosed certain deficiencies in internal control over compliance including lack of adequate segregation of duties in the review and authorization of travel vouchers for higher level managers and the contractor not retaining original records for one year as required by FAR. The audit also disclosed instances of noncompliance with OMB Circular A-133 compliance requirement B (Allowable Costs/Cost Principles) including \$17.7 million questioned costs including the following significant items: \$1.4 million of indirect labor pertaining to an unreasonable and excessive number of hours being charged to project codes designated for use as down time; \$9 million of occupancy costs pertaining to vacancy and underutilization of facilities; \$2 million of Government-related shutdown labor because costs incurred were in excess of the funded amount available under the contract and in advance of receiving authorization from the contracting officer; \$1.6 million of Independent Research and Development (IR&D) costs which were misallocated between segments; and \$1.4 million of excessive travel costs.	

Audit Report No. 2701-2008R10100001	Date: June 25, 2015
Subject: Independent Audit Report on Operating Group Segment's Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency, Divisional Administrative Contracting Officer	
Report: \$23 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$23 million questioned costs including the following significant items: \$ 4.4 million of travel expenses due to the contractor not providing adequate supporting documentation, including invoices to substantiate the allowability of the costs, unused airfare/ lodging due to the changing/canceling of flights, associated travel agent fees and unreasonable mileage, lodging and per diem in excess of maximum allowable, airfares associated with international business class which were in excess of lowest customary standard, coach or equivalent airfare, lack of justification for the use of foreign-flag air carriers, and lack of support to show that the primary purpose of trip was for dissemination of technical data, as specified in FAR; \$3 million of corporate allocations due to the results of an assist audit; \$3.3 million of home office costs which were unallowable per CAS 403 and CAS 410; \$1 million of depreciation costs due to the contractor not providing support for the acquisition costs fixed assets; \$3.8 million of fringe costs due to coverage of ineligible dependents; \$1.8 million of consultant and professional costs due to the contractor not providing supporting evidence of the consultant's work products and related documents such as trip reports and minutes of meetings; \$2.8 million of unreasonable executive compensation as compared to the same or similar executive positions from companies of the same or similar size and in the same or similar industry; \$1.5 million of incorrectly allocated intercompany expenses in accordance with CAS.	

Audit Report No. 1701-2008C10100002	Date: June 26, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Department of Army INSCOM and Defense Contract Management Agency, ACO	
Report: \$22.6 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$22.6 million questioned costs including the following significant items: \$20.4 million of direct labor due to incorrect salary calculations and unqualified employees per contract requirements; \$1.2 of other direct costs due to costs being unallowable and unreasonable; \$1 million of CONUS fringe due to incorrect allocation of healthcare insurance expenses, lack of supporting documentation for claimed vacation and 401K expenses, and miscellaneous payroll expenses allocated to an incorrect account.	

Audit Report No. 3221-2009T10100001	Date: June 29, 2015
Subject: Independent Audit Report on Corporate's Administrative, Centrally Managed and Cost of Money Corporate Allocation Proposals for CY 2009	
Prepared For: Defense Contract Management Agency, Corporate Administrative Contracting Officer	
Report: \$159 million Questioned Costs	
The audit of the contractor's Administrative, Centrally Managed, and Cost of Money Corporate Allocation Proposals resulted in \$159 million questioned costs including the following significant items: \$110 million of Supplemental Executive Retirement Plan (SERP) costs which were based on unallowable compensation benefit payments made to 36 retirees under SERP which are considered directly associated with expressly unallowable costs per FAR; \$27 million of state income and franchise taxes because the contractor did not appropriately reflect adjustments to actuals; \$22 million of corporate liability insurance costs which were in noncompliance with CAS 403, Allocation of Home Office Expenses to Segments.	

Audit Report No. 4601-2009S10100001	Date: June 29, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2009	
Prepared For: Defense Contract Management Agency, Cost and Pricing Center, Divisional Administrative Contracting Officer	
Report: \$10 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$10 million questioned costs of indirect labor from direct employees because the number of hours charged exceeded a reasonable number of indirect hours for a direct employee in a year and because the costs were not adequately supported.	

Audit Report No. 6741-2009Q10100003	Date: July 2, 2015
Subject: Independent Audit Report on Proposed Corporate Allocation Amounts on Unsettled Flexibly Priced Contracts for FY 2009	
Prepared For: Defense Contract Management Agency, Manassas, Virginia, Administrative Contracting Officer	
Report: \$154 million Questioned Costs	
The audit of the contractor's proposed corporate allocations resulted in \$154 million questioned costs including the following significant items: \$4 million of personnel administration expenses due to differences in reconciliation of the contractor's submission to its actual costs, and lack of allocation base support; \$30 million of group medical expense due to lack of adequate supporting documentation; \$120 million of directly chargeable costs including travel, rent, advertising expense which were unallowable per the FAR or lacked adequate supporting documentation.	

Audit Report No. 6321-2014T17200001	Date: July 14, 2015
Subject: Independent Audit Report on Request for Equitable Adjustment	
Prepared For: Department of State	
Report: \$12.2 million Questioned Costs	
The audit of the request for equitable adjustment due to the visa moratorium imposed by the Government of Iraq resulted in \$12.2 million questioned costs, including the following significant items: \$4.5 million of travel costs because they were inadequately supported, unallowable per contract terms, not allocable to the contract, and unrelated to the visa moratorium; \$4.1 million in retainer pay not caused by the visa moratorium; and \$2.5 million of training costs because the identified employees were not assigned to the contract, were not deployable for reasons unrelated to the visa moratorium, graduated prior to or after the end of the moratorium but were not deployed, or the training costs were previously billed by the contractor and paid by the Government; and \$1.0 million of proposed unabsorbed overhead because the method used was unreasonable and did not consider fixed overhead costs.	

Audit Report No. 09871-2008E10100002	Date: July 17, 2015
Subject: Independent Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency, Cost and Pricing Center	
Report: \$17.5 million Noncompliant Costs	
The audit of the contractor's incurred cost proposal resulted in a disclaimer of opinion and reported \$17.5 million of costs noncompliant with FAR, including \$16.5 million of noncompliant direct material cost not adequately supported to determine if materials purchased were required for the contract, used for the contract, purchased in reasonable quantities and prices, and properly accounted for. In addition, there were \$965 thousand of noncompliant costs for indirect expenses comprised of out of period costs; inadequate or no supporting documentation; airfare in excess of coach; and unreasonable per diem, internet expenses, and transportation to/from airport.	

Audit Report No. 09851-2008C10100004	Date: July 22, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency, Administrative Contracting Officer	
Report: \$12.8 million Noncompliant Costs	
The audit of the contractor's incurred cost proposal resulted in \$12.8 million questioned costs, including the following significant items: \$4.6 million of claimed costs not supported by adequate documentation for accounts including software, supplies and equipment, consultants and subcontracts; \$3.9 million claimed out of period software maintenance, licenses, and repair costs; \$1.2 million of FCCOM related to idle facilities; \$1.2 million of unallowable advertising, vacation, and facility costs; \$0.7 million of claimed first class or business travel costs; \$0.5 million of royalty credits not refunded to the government; \$0.4 million of unallowable cafeteria losses claimed; and \$0.3 million of questioned costs related to double counting, errors, and other miscellaneous questioned costs.	

Audit Report No. 6741-2014Q19500002	Date: July 29, 2015
Subject: Independent Audit Report on Proposed General Dollar Magnitude Cost Impact Proposal	
Prepared For: Defense Contract Management Agency, Manassas, Virginia	
Report: \$25.3 million Increased Cost	
The audit of the contractor's general dollar magnitude cost impact proposal for a cost accounting practice change determined that the change resulted in \$25.3 million of increased costs to the Government on flexibly priced, fixed price, and T&M contracts contrary to the contractor's proposal of a net decrease in costs. DCAA took exception to the methodology used by the contractor and also used more current actual cost data in its computation of the impact.	

Audit Report No. 9311-2008M10100002	Date: July 30, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
Prepared For: Defense Contract Management Agency	
Report: \$27.7 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$27.7 million questioned costs, including the following significant items: \$7.5 million of idle facilities; \$7.2 million of directly charged costs from the corporate headquarters for which adequate supporting documentation was not provided; \$2.8 million of depreciation costs that were not adequately supported with the purchase price of the asset or from whom the asset was purchased. Additionally, there were \$1.8 million of new hire relocation, business supplies and business development costs that were not adequately supported; \$1.8 million of consultant and professional services for which either supporting documentation was not provided, the supporting documentation provided was not sufficient to satisfy the regulatory requirement and/or travel costs directly associated with the consultant costs were unallowable; \$1.7 million of miscellaneous business travel costs which were either not supported with adequate documentation, duplicate and/or excessive airfare, excessive lodging and per diem, misclassification of indirect costs, unreasonable rental car and entertainment costs; \$1.3 million of cell phone communication expense for which adequate supporting documentation was not provided; \$531 thousand of other direct costs that exceeded either the regulatory limits for per diem and/or a reasonable amount and was not considered a prudent business expense; and \$519 thousand of patent costs where the contractor did not provide support that established a relationship between the costs and a government contract patent requirement. The remaining \$2.6 million related to multiple smaller miscellaneous areas of cost for multiple noncompliances with FAR.	

Audit Report No. 6741-2009Q10100001	Date: August 4, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2009	
Prepared For: Defense Contract Management Agency, Manassas, Virginia, Administrative Contracting Officer	
Report: \$244 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$244 million questioned costs including the following significant items: \$30 million of fringe benefit corporate allocations as a result of questioned costs identified in DCAA's corporate home office audit report; \$66 million of group medical expenses because we could not determine the allocation of self-insurance and purchased insurance costs options or whether the premium paid to carriers included both employer and employee contributions; \$6 million of pension expenses due to terminated employee pension forfeitures; \$16 million of overhead allocations from the corporate office identified in DCAA's corporate home office audit report; \$52 million of unreasonable executive compensation; \$6 million of professional service costs because the contractor was billing costs outside of the stated contract terms and were out of period costs; \$4 million of office supplies due to out of period costs; \$17 million of travel costs due to unallowable costs related to lodging, travel meals, business meals, airfare, ground transportation and associated expenses; \$17 million of G&A expenses including \$2.5 million of employee travel because of lack of adequate supporting documentation; \$1.6 million of professional services because the contractor was billing costs outside of the stated contract terms; \$3 million of questioned fringe as a result of questioned costs identified in DCAA's corporate home office audit; \$1 million of material and handling expenses including travel costs because of lack of adequate supporting documentation; \$2.2 million of T&M labor because the contractor claimed eleven employees who did not meet the labor qualification requirements as defined by the contract; \$3.2 million of intercompany work orders and subcontract costs because the claimed amounts exceeded the actual cost.	

Audit Report No. 1201-2007L10100404 and 1201-2008L10100404	Date: August 13, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts and Facilities Capital Cost of Money Submissions for CFY 2007 and 2008	
Prepared For: Prepared For: Defense Contract Management Agency, Huntsville, Alabama, Divisional Administrative Contracting Officer	
Report: \$74 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$74 million questioned costs including the following significant items: \$59 million of direct materials because of lack of adequate supporting documents such as support that the costs directly benefitted the contract, statements of work or bills of material, vendor quotes or purchase requisitions; \$1.2 million of paid time off not in accordance with the contractor's own policies and procedures; \$2.2 million of direct travel costs because of inadequate documentation such as support for journal entries, receipts, invoices, purpose of the trips and lack of support for direct versus indirect charging of the costs; \$2.4 million of relocation costs due to unreasonable moving expenses, inadequate support, unallowable tax assistance calculated on unreasonable per diem costs, tax assistance paid to temporarily assigned personnel, and out of period costs; \$5.4 million of intracompany overhead transfers because the contractor did not provide adequate documentation to support the basis of the depreciation expense.	

Audit Report No. 6811-2009U42000001	Date: August 20, 2015
Subject: Independent Audit Report on Certified Cost or Pricing Data Resulting in Price Agreement	
Prepared For: Army Contracting Command – Warren, Combat Contracting Division	
Report: \$30.5 million Recommended Price Adjustment	
The audit of the contractor's compliance with 10 U.S.C. 2306a (Truth in Negotiations Act) resulted in a recommended \$30.5 million price adjustment for overstated material costs and related indirect burdens and fee included in the negotiated price because the contractor did not disclose lower vendor price quotes, misapplied quoted prices, failed to correct pricing errors in the bill of materials that it had agreed to correct, and did not disclose actual indirect rate trend data to the Government.	

Audit Report No. 02191-2009V10100005, 2010V10100004, and 2011V10100002	Date: August 21, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FYs 2009, 2010, and 2011	
Prepared For: Defense Contract Management Agency, Europe – Administrative Contracting Officer	
Report: \$13 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$13 million questioned costs including the following significant items: \$8 million of other direct costs incorrectly charged to the T&M portion rather than the FFP portion of the contract; \$4 million of costs in excess of contract ceilings.	

Audit Report No. 3151-2009U10100001	Date: September 1, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2009	
Prepared For: Defense Contract Management Agency, Divisional Administrative Contracting Officer	
Report: \$93 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$93 million questioned costs including the following significant items: \$83 million of other direct costs because the claimed costs were incorrectly included as cost reimbursable; however were Firm Fixed Priced Costs; \$1.4 million of subcontract costs because the contractor failed to provide adequate supporting documentation; \$3 million of interest income which should have been credited to the contract; \$3 million of unallowable environmental remediation costs lacking adequate supporting documentation; \$2 million of indirect labor associated with executive compensation because the contractor failed to provide supporting documentation to demonstrate the reasonableness of the proposed compensation including market pricing surveys or other analysis and because the compensation was over the compensation limitations per the FAR.	

Audit Report No. 2671-2009A10100001	Date: September 4, 2015
Subject: Independent Audit Report on Corporate Office Proposed Amounts on Unsettled Flexibly Priced Contracts for CY 2009	
Prepared For: Defense Contract Management Agency, Cost and Pricing Center, Corporate Administrative Contracting Officer (CACO)	
Report: \$17.7 million Questioned Costs	
The audit of the final indirect rate proposals resulted in \$17.7 million questioned costs including the following significant items: \$3 million of excess pension costs mainly due to failure to meet the funding requirement of FAR; \$8 million of outside legal costs because the costs are not reasonable based on the provisions of FAR since the contractor's actions were allegedly in violation of state laws; \$3 million of strategic business development because the economic planning costs are not allowable per FAR.	

Audit Report No. 6281-2009H10100001 and 6281-2010H10100001	Date: September 9, 2015
Subject: Independent Audit Report on Proposed Corporate Allocation Amounts for FYs 2009 and 2010	
Prepared For: Defense Contract Management Agency, Corporate Administrative Contracting Officer	
Report: \$194 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$194 million questioned costs including the following significant items: \$8 million of executive compensation due to performance of duties and responsibilities which are unallowable per FAR and due to an unreasonable retention bonus and unreasonable compensation costs; \$9 million of professional services consulting because the contractor could not provide sufficient documentation to support the costs such as vendor invoices, work products or agreements; \$3 million of unallowable employee compensation and professional membership and membership dues; \$136 million of defined contribution pension costs because these costs were incorrectly claimed in the contractor's corporate FY 2009 incurred cost proposal; \$9 million of post-retirement benefits because the contractor mistakenly duplicated the recorded costs; \$10 million of excessive self-insurance costs due to excess costs over purchased insurance costs and due to the contractor's failure to obtain advance contracting officer approval to self-insure; \$6 million of insurance premium costs because the costs were out of period costs; \$5 million of workers' compensation claims due to lack of supporting documentation.	

Audit Report No. 6861-2008C10100375 and 6861-2009C10100375	Date: September 17, 2015
Subject: Independent Audit Report on Proposed Local Amounts on Unsettled Flexibly Priced Contracts for FY 2008 and 2009	
Prepared For: Defense Contract Management Agency	
Report: \$77.5 million Noncompliant Costs	
Due to scope limitations, the work performed was not sufficient to enable the auditor to express an opinion on the proposed costs resulting in disclaimer of opinion. The procedures performed identified \$77.5 million of costs noncompliant with FAR, including the following significant items: \$34.6 million direct labor due to lack of supporting documentation for cost transfers or related to project definitions without associated contract numbers; \$16.3 million of IR&D and \$6.9 million of B&P costs related to projects for which no supporting documentation was provided or for costs exceeding the contractor's approved project budgets; \$11.5 million of costs claimed for intercompany work orders due to differences between the amount claimed by the receiving segment and the amount claimed by the performing segment or costs related to project definitions without associated contract numbers; \$4.3 million of other direct costs due to lack of supporting documentation or related to project definitions without associated contract numbers; and \$3.0 million of material costs related to project definitions without associated contract numbers.	

Audit Report No. 2671-2010A10100001	Date: September 21, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for CY 2010	
Prepared For: Defense Contract Management Agency Cost and Pricing Center	
Report: \$22.8 million Questioned Costs	
The audit of the final indirect rate proposals resulted in \$22.8 million questioned including the following significant items: \$5.6 million of pension costs mainly due to claimed unallowable taxes; \$4.2 million of payments to outside IT providers for unallowable costs related to employing former contractor employees, \$4.2 million of legal fees primarily because the costs are not reasonable based on the provisions of FAR since the contractor's actions were allegedly in violation of state or Federal laws and the costs resulted from an unreasonable act (wrongdoing) and would not have been incurred absent the wrongdoing; \$3.2 million of unallowable costs for planning or executing the organization or reorganization of the corporate structure including planning for potential mergers or acquisitions; \$1.0 million of consultant expenses; \$1.6 million of expenses for unallowable lobbying effort; \$0.7 million of consultant expenses not adequately supported or related to software development that should have been capitalized.	

Audit Report No. 3421-2009C10100001	Date: September 25, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2009	
Prepared For: Defense Contract Management Agency	
Report: \$83.5 million Noncompliant Costs	
Due to scope limitations, DCAA was not able to obtain sufficient evidential matter on which to base an opinion on the contractors final indirect rate proposal and post claim addendum resulting in a disclaimer of opinion. The limited procedures performed resulted in \$83.5 million of costs noncompliant with FAR including the following significant items: \$25.9 million of subcontract costs and \$20.7 million of material costs due to lack of supporting documentation; \$6.1 million of marketing costs due to lack of documentation of the activities performed; and \$30.8 million of allocated costs identified as noncompliant in separate audits of home office or service center proposals.	

Audit Report No. 3421-2010C10100001	Date: September 25, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2010	
Prepared For: Defense Contract Management Agency	
Report: \$108.1 million Questioned Costs	
Due to scope limitations, DCAA was not able to obtain sufficient evidential matter on which to base an opinion on the contractors final indirect rate proposal and post claim addendum resulting in a disclaimer of opinion. The limited procedures performed resulted in \$108.1 million of costs noncompliant with FAR including the following significant items: \$37.9 million of subcontract costs due to lack of supporting documentation to demonstrate that the subcontracted effort was needed for the contract, received by the contractor, and purchased at a prudent price; \$61.2 million of material costs due to lack of supporting documentation to demonstrate that the items were needed and used on the contract; \$9.0 million of marketing costs due to lack of documentation of the activities performed.	

Audit Report No. 3511-2009M10100001	Date: September 25, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for the FY 2009 Incurred Cost Proposal dated December 11, 2012 (Revised December 21, 2012)	
Prepared For: Defense Contract Management Agency	
Report: \$32.1 million Questioned Costs	
The audit of the final indirect rate proposal resulted in \$32.1 million questioned costs, including the following significant items: \$16.5 million of subcontract costs based on assist audits; \$4.5 million of material costs not supported by adequate documentation such as purchase requisitions, purchase orders, vendor invoices, receiving reports, and proof of payment; \$1.5 million of T&M labor because employees did not meet the contractual qualifications for the labor category billed; \$3.6 million of corporate allocations based on a separate audit; and \$2.6 million of travel costs due to lack of supporting documentation such as of the date and place of the trip, the traveler's name and relationship to the contractor, or evidence of trip completion; and \$1.2 million of claimed fringe benefit expenses for which not supporting documentation was provided.	

Audit Report No. 6811-2009U42000002	Date: September 28, 2015
Subject: Independent Audit Report on Certified Cost or Pricing Data Resulting in Price Agreement	
Prepared For: Army Contracting Command – Warren	
Report: \$26.5 million Recommended Price Adjustment	
The audit of the contractor's compliance with 10 U.S.C. 2306a (Truth in Negotiations Act) resulted in a \$26.5 million recommended price adjustment for noncompliant direct material costs, indirect costs, and profit because the contractor failed to disclose a lower priced subcontractor proposal, lower priced vendor agreements, and actual indirect rate trend data.	

Audit Report No. 6811-2008U42000001	Date: September 29, 2015
Subject: Independent Audit Report on Certified Cost or Pricing Data Resulting in Price Agreement	
Prepared For: Army Contracting Command – Warren	
Report: \$11.5 million Recommended Price Adjustment	
The audit of the contractor's compliance with 10 U.S.C. 2306a (Truth in Negotiations Act) resulted in an \$11.5 million recommended price adjustment for noncompliant direct material costs and applied indirect costs, adders, and profit. The contractor submitted certified cost or pricing data for higher cost quotes or vendors when it had lower quotes available, agreements for lower pricing already in place, or was in negotiations for lower prices with vendors; and repriced almost 1,200 items in the bill of material using lower quantities and failed to make the Government aware of the repriced BOM and the impact on pricing.	

Audit Report No. 6811-2015U42098001	Date: September 29, 2015
Subject: Independent Audit Report on Certified Cost or Pricing Data Resulting in Price Agreement	
Prepared For: Army Contracting Command - Warren	
Report: \$11.2 million Recommended Price Adjustment	
The audit of the contractor's compliance with 10 U.S.C. 2306a (Truth in Negotiations Act) resulted in a \$11.2 million recommended price adjustment for overstated material and freight costs, applicable indirect burden, and fee. The contractor had information prior to negotiations showing lower unit prices than proposed for certain materials and data showing that the actual freight rate was significantly lower than proposed.	

Audit Report No. 9841-2009B10100001	Date: September 29, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2009	
Prepared For: Defense Contract Management Agency, Divisional Administrative Contracting Officer	
Report: \$40.9 million Questioned Costs	
The audit of the contractor's incurred cost proposal resulted in \$40.9 million questioned costs, including the following significant items: \$23.6 million of allocation costs questioned for lack of support and unallowable tax and compensation costs; \$14.1 million of indirect cost questioned for lack of supporting documentation; \$2.5 million of unsupported subcontract cost; \$489 thousand of expressly unallowable tax gross up cost; and \$225 thousand of out of period sales tax expense.	

Audit Report No. 2811-2009E10100002	Date: September 30, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for CY 2009	
Prepared For: Defense Contract Management Agency, Cost and Pricing Center	
Report: \$54.2 million Questioned Costs	
The audit of the indirect rate proposal resulted in \$54.2 million questioned costs, including the following significant items: \$8.6 million of unallowable, unallocable, or unreasonable Independent Research & Development or Bid & Proposal costs; \$20.4 million of inter-company costs, \$7.7 million of relocation costs, and \$2.4 million of employee morale expenses because the contractor did not provide adequate supporting documentation; \$2.9 million of unallowable or unsupported travel and meal expenses; \$4.2 million of unallowable or unsupported tuition costs; \$5.3 million of claimed indirect depreciation expense that is allocable to a single subcontract; and \$1.2 million of bonus payments in excess of the maximum authorized by the company's Board of Directors.	

Audit Report No. 3161-2009F10100002	Date: September 30, 2015
Subject: Independent Audit Report on Proposed Amounts of Unsettled Flexibly Priced Contracts for CY 2009	
Prepared For: Defense Contract Management Agency	
Report: \$20.9 million Questioned Costs	
The audit of the incurred cost proposal resulted in \$20.9 million in questioned costs, including the following significant items: \$10.8 million of labor costs for which the contractor did not provide evidence or explanation of the actual effort performed; \$2.7 million of tax preparation costs for overseas employees claimed as an indirect cost, which duplicated costs proposed as direct contract costs; \$2.9 million of service center allocations due to incorporating the results of a separate audit; \$1.7 million of costs for employees on overseas assignment, including unallocable tax assistance and unreasonable housing costs, and \$1.1 million of travel costs for unallowable car leases and other unallocable costs.	

Audit Report No. 3161-2009H10100001	Date: September 30, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2009	
Prepared For: Defense Contract Management Agency	
Report: \$39.8 million Questioned Costs	
The audit of the incurred cost proposal resulted in \$20.9 million questioned costs, including the following significant items: \$10.8 million of labor cost for which the contractor did not provide evidence or explanation of the actual effort performed; \$2.7 million of tax preparation costs for overseas employees claimed as an indirect cost, duplicating costs proposed as direct contract costs; \$2.9 million of service center allocations due to incorporating the results of a separate audit; \$1.7 million of costs related to employees on overseas assignment including unallocable tax assistance and unreasonable housing costs, and \$1.1 million of travel costs for unallowable car leases and other unallocable costs.	

Audit Report No. 4371-2009M10100018	Date: September 30, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2009	
Prepared For: Defense Contract Management Agency	
Report: \$32.8 million Questioned Costs	
The audit of the incurred cost proposal resulted in \$32.8 million questioned costs, including the following significant items: \$15.2 million due to lack of adequate supporting documentation, \$8.3 million of compensation including unallowable bonuses and unreasonable executive compensation; \$3.6 million of T&M labor for employees who did not meet the contractually required education or experience requirements for the labor category billed or for differences between the proposed labor hours and hours recorded in labor records; \$1.1 million of aircraft costs due to lack of support for the purpose of the aircraft and usage data; and \$1.1 million of travel costs for which the purpose of the trip was not adequately documented.	

Audit Report No. 4371-2010C10100001	Date: September 30, 2015
Subject: Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2010	
Prepared For: Defense Contract Management Agency	
Report: \$27.9 million Questioned Costs	
The audit of the incurred cost proposal resulted in \$27.9 million questioned costs, including the following significant items: \$9.9 million due to lack of adequate supporting documentation, \$6.9 million of compensation including unallowable bonuses and unreasonable executive compensation; \$6.7 million of aircraft costs due to lack of support for the purpose of the aircraft and usage data; \$1.1 million of travel costs for which the purpose of the trip was not adequately documented; and \$1.1 million of unreasonable depreciation expense because the contractor assigned unreasonably short asset lives to certain assets.	

Audit Report No. 6161-2009E10100001 6161-2010E10100001	Date: September 30, 2015
Subject: Independent Audit Report on Proposed Amounts on Residual and Direct Charge Allocations for FYs 2009 and 2010	
Prepared For: Defense Contract Management Agency	
Report: \$266.5 million Questioned Costs	
The audit of the corporate incurred cost proposal resulted in \$266.5 million questioned costs primarily because the contractor failed to provide sufficient documentation to support the claimed costs. Significant items questioned included: post-retirement benefits and employee fringe benefits, corporate project costs, property insurance costs, and state income and franchise taxes.	

Audit Report No. 6211-2009C17900006	Date: September 30, 2015
Subject: Independent Audit Report on Labor Charging from April 1, 2006 through January 31, 2014	
Prepared For: Defense Contract Management Agency	
Report: \$16.6 million Questioned Costs	
The audit of the billed labor on one T&M contract from April 2006 to January 2014 resulted in \$16.6 million questioned costs for employees who did not meet the education and/or experience requirements contained in the contract.	

RESULTS OF PEER REVIEWS

Peer Review of DCIS Operations by the Social Security Administration Office of Inspector General

The U.S. Social Security Administration Office of Inspector General (OIG) conducted an external peer review of Defense Criminal Investigative Service's (DCIS) system of internal safeguards and management procedures in effect from July 2011 through July 2014. Since DCIS does not derive its statutory law enforcement authority from the Attorney General or the Inspector General Act, it is not subject to the Council of the Inspectors General on Integrity and Efficiency (CIGIE); thus, DCIS's participation in this peer review was voluntary.

After completing its review of DCIS, the Social Security Administration issued a final report on December 18, 2014. It concluded that the system of internal safeguards and management procedures for DCIS was in full compliance with the quality standards established by CIGIE and the Attorney General guidelines. These safeguards and procedures provide reasonable assurance that DCIS is conforming to the professional standards for investigations established by CIGIE.

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 were no outstanding recommendations. A copy of the external quality control review report can be accessed at 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. The Department of Transportation OIG received a peer review rating of pass. There were no outstanding recommendations. A copy of the external quality control review report can be accessed at 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. The Defense Contract Audit Agency received a peer review rating of pass with deficiency. There were no outstanding recommendations. A copy of the external quality control review can be accessed at http://www.dcaa.mil/external_peer_review.html.

* Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a)(14),(15),(16)

DODIG-2015-105, Military Department Audit Agencies: System Review Report

The DoD IG reviewed the results, conclusions, and recommendations of the Military Department audit agencies' peer reviews in coordination with the DoD IG's reviews of Special Access Program (SAP) audits that addressed the system of quality control for the Military Department audit agencies, in effect for the year ended September 30, 2013. The DoD IG issued a rating of pass as the system of quality control was suitably designed to provide reasonable assurance of the Military Department audit agencies performing and reporting in conformity with applicable professional standards in all material respects. The DoD IG based its overall opinion for the Military Department audit agencies on their "round robin" peer reviews and the DoD IG's quality control reviews of SAP audits of the Army Audit Agency and the Air Force Audit Agency. The report did not contain recommendations.

DODIG-2015-123, External Peer Review on the Missile Defense Agency Office of Internal Review

The DoD IG reviewed the system of quality control for the Missile Defense Agency Office of Internal Review (MDA OIR) in effect for the year ended September 30, 2014, issuing a pass with deficiencies opinion for the period ending September 30, 2014. Deficiencies found in the areas of policy for nonaudit services, documentation of independence for nonaudit services, the lack of monitoring quality on an annual basis, and reporting. MDA OIR agreed with the report recommendation and took corrective action.

ACRONYMS

ACC	Army Contracting Command
ACIP	Aviation Career Incentive Pay
ACSIM	Assistant Chief of Staff for Installation Management
AFOSI	Air Force Office of Special Investigations
AFSAT	Air Force's Subscale Aerial Target
ANA	Afghan National Army
ANP	Afghan National Police
AWACS	Airborne Warning and Control System
BEA	Business Enterprise Architecture
CDA	Contract Disputes Act
CEO	chief executive officer
CID	Criminal Investigation Command
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CIO	Chief Information Officer
CR2	Rapid Response Contract
DCAA	Defense Contract Audit Agency
DASA-FO	Deputy Assistant Secretary of the Army Financial Operations
DCIE	Defense Council on Integrity and Efficiency
DCIO	Defense Criminal Investigative Organization
DCIS	Defense Criminal Investigative Service
DCMA	Defense Contract Management Agency
DCMO	Deputy Chief Management Officer
DCS	Deputy Chief of Staff
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
DIA	Defense Intelligence Agency
DIE	Defense Intelligence Enterprise
DIG-OCO	Deputy Inspector General for Overseas Contingency Operations
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DoD	Department of Defense
DoD IG	Department of Defense Inspector General
DoDSER	Department of Defense Suicide Event Report
DOJ	Department of Justice
DOS	Department of State
FAR	Federal Acquisition Regulation
FBI	Federal Bureau of Investigation
FBWT	Fund Balance with Treasury

FCA	False Claims Act
FDA	U.S. Food and Drug Administration
FEMS	Facilities and Equipment Maintenance System
FIAR	Financial Improvement and Audit Readiness
FSBP	Foreign Service Benefit Plan
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
GFE	Government-Furnished Equipment
GIRoA	Government of Islamic Republic of the Afghanistan
GSA	General Services Administration
HHS	Department of Health and Human Services
IAFIS	Integrated Automated Fingerprint Identification System
ICE-HIS	Immigration and Customs Enforcement-Homeland Security Investigations
IG	Inspector General
iNFADS	Internet Navy Facilities Assets Data Store
IP	Internet Protocol
IPv6	Internet Protocol Version 6
IRS	Internal Revenue Service
ISIL	Islamic State of Iraq and the Levant
ISO	Investigations of Senior Officials
IT	information technology
IWG	Investigations Working Group
JPAC	Joint POW/MIA Accounting Command
Lead IG	Lead Inspector General
LIG-OCO	Lead Inspector General for Overseas Contingency Operations
MEDCOM	Medical Command
MCIO	Military Criminal Investigative Organization
MIA	missing in action
MILCON	Military Construction
MILSTRIP	Military Standard Requisitioning and Issue Procedures
MOI	Ministry of Interior
MUAPO	Military Utility Assessment Program Office
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
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
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
U.S.C.	United States Code
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology and Logistics
WRI	Whistleblower Reprisal Investigations

Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

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