

Inspector General

United States
Department *of* Defense



Semiannual Report to the Congress

October 1, 2010 - March 31, 2011

Required by Public Law 95-452

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE MAR 2011		2. REPORT TYPE		3. DATES COVERED 00-00-2011 to 00-00-2011	
4. TITLE AND SUBTITLE Semiannual Report to the Congress. October 1, 2010 - March 31, 2011				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Department of Defense Inspector General, 400 Army Navy Drive, Arlington, VA, 22202-4704				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 118	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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I am pleased to present the Department of Defense Inspector General Semiannual Report to Congress for the reporting period October 1, 2010, through March 31, 2011. We are dedicated to working on behalf of the Nation's warfighters and taxpayers to identify fraud, waste, and abuse; and improve the efficiency and effectiveness of the Department's operations and programs.

In 2010, Secretary of Defense Robert M. Gates announced his efficiency initiatives to move America's defense institutions "toward a more efficient, effective, and cost-conscious way of doing business." In 2011, Secretary Gates directed additional initiatives to reduce duplication, overhead, and excess, and to "instill a culture of savings and cost accountability" across the Department.

To this end, DoD IG exercises its extensive oversight capabilities to perform audits, investigations, inspections, and assessments of key programs and operations. During this reporting period, we issued 85 reports that identified \$193 million that potentially could be put to better use. These reports identified savings and efficiencies in areas such as questionable costs, contract prices, and improper payments. Also during this reporting period we achieved \$572 million in funds put to better use as a result of reports issued during this and previous reporting periods. Further, our investigative efforts led to the seizure and recovery of another \$1.5 million.

In this report, we highlight our most recent efforts related to oversight of Overseas Contingency Operations, health care, and achieving and maintaining efficiencies in the Department. Among our accomplishments:

- We issued 12 audit reports related to Overseas Contingency Operations and identified \$147.3 million of either potential monetary benefits or questioned use of taxpayer funds.
- Our investigations were the basis for 127 indictments, 140 convictions, 87 suspensions, and 99 debarments. The criminal convictions along with civil and administrative settlements resulted in \$1.4 billion returned to the U.S. government.
- We identified weaknesses in testing and quality assurance procedures for warfighter protective equipment and inadequate price analyses for \$2.7 billion in fuel contracts for warfighters in Iraq.

To accomplish our important mission, we work jointly with our counterpart agencies including the Army Audit Agency, Naval Audit Service, Air Force Audit Agency, Army Criminal Investigation Command, Naval Criminal Investigative Service, and Air Force Office of Special Investigations. The services oversight section of this report highlights some of the accomplishments of these agencies.

I want to express my appreciation for the hard work and professionalism of DoD IG employees who carry out our crucial mission. We appreciate the continued support of the Congress and the Department as we work to promote accountability, enhance transparency, and improve the efficiency and effectiveness of DoD programs and operations.

Gordon S. Heddell
Inspector General



The Honorable Gordon Heddell testifies before Congress.

STATISTICAL HIGHLIGHTS

SUMMARY OF AUDIT ACTIVITIES

Reports Issued	64
Monetary Benefits	
Recommendations Made on Funds Put to Better Use	\$187 million
Achieved Monetary Benefits (Funds Put to Better Use)	\$572 million

SUMMARY OF INVESTIGATIVE ACTIVITIES

Total Returned to the U.S. Government	\$1.4 billion
Seizures and Recoveries	\$1.5 million
Civil Judgments	\$705.7 million
Criminal Judgments	\$730.2 million
Administrative Judgments	\$2.9 million
Investigative Cases	
Indictments	127
Convictions	140
Suspensions	87
Debarments	99
Administrative Investigations	
Cases Received	567
Cases Closed	461
Senior Official Investigations	213
Reprisal Cases	248

SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES

Existing and Proposed Regulations Reviewed	174
Evaluation Reports Issued	8
Inspector General Subpoenas Issued	104
Recommendations Made on Funds Put to Better Use	\$6 million

SUMMARY OF INTELLIGENCE ACTIVITIES

Intelligence Reports Issued	7
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SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES

Assessment Reports Issued	6
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SUMMARY OF DEFENSE HOTLINE ACTIVITIES

Contacts	11,062
Cases Opened	1,418
Cases Closed	1,144

1. OVERVIEW	
MISSION & ORGANIZATION	2
EXECUTIVE SUMMARY	4
IG HIGHLIGHTS	10
OVERSEAS CONTINGENCY OPERATIONS.....	10
HEALTH CARE	11
EFFICIENCIES IN THE DEPARTMENT.....	13
2. CORE MISSION AREAS	
AUDITS	16
ACQUISITION PROCESSES AND CONTRACT MANAGEMENT	16
FINANCIAL MANAGEMENT.....	24
HEALTH AND SAFETY	27
INFORMATION ASSURANCE, SECURITY, & PRIVACY	28
JOINT WARFIGHTING & READINESS.....	29
INVESTIGATIONS.....	31
PUBLIC CORRUPTION	31
PROCUREMENT FRAUD	33
PRODUCT SUBSTITUTION	35
TECHNOLOGY PROTECTION	35
HEALTH CARE FRAUD	37
COMPUTER CRIME	39
INSPECTIONS	39
HEALTH AND SAFETY.....	39
JOINT WARFIGHTING AND READINESS.....	41
COMPLIANCE	43
3. ENABLING MISSION AREAS	
HOTLINE	46
WHISTLEBLOWER PROTECTION	48
SENIOR OFFICIALS	50
CONGRESSIONAL TESTIMONY.....	51
OUTREACH ACTIVITIES	52
4. SERVICES	
ARMY	56
ARMY AUDIT AGENCY	56
ARMY CRIMINAL INVESTIGATION COMMAND.....	62
NAVY.....	64
NAVAL AUDIT SERVICE	64
NAVAL CRIMINAL INVESTIGATIVE SERVICE	70
AIR FORCE.....	74
AIR FORCE AUDIT AGENCY	74
AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS.....	84
5. APPENDICES	
A. AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED	88
B. REPORTS CONTAINING POTENTIAL MONETARY BENEFITS.....	97
C. FOLLOW-UP ACTIVITIES	98
D. CONTRACT AUDIT REPORTS ISSUED	100
E. STATUS OF ACTION ON POST-AWARD CONTRACTS	101
F. STATUS OF REPORTS WITH ACTION PENDING	102
G. CONTRACT AUDITS WITH SIGNIFICANT FINDINGS.....	107
H. RESULTS OF PEER REVIEWS.....	110
I. ACRONYMS	111

REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended, states that each inspector general shall no later than April 30 and October 31 of each year prepare semiannual reports summarizing the activities of the office during the immediately preceding six-month periods ending March 31 and September 30. The IG Act specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the applicable pages.

REFERENCES	REQUIREMENTS	PAGE
Section 4(a)(2)	"review existing and proposed legislation and regulations...make recommendations..."	N/A
Section 5(a)(1)	"description of significant problems, abuses, and deficiencies..."	15-44
Section 5(a)(2)	"description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies..."	15-44
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..."	15-44
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.	88-96
Section 5(a)(7)	"a summary of each particularly significant report..."	15-44
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..."	98
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..."	98
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..."	98
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..."	110
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..."	N/A
Section 5(a)(16)	"Any peer reviews conducted by DoD IG of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review...that remain outstanding or have not been fully implemented..."	110
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..."	99
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..."	99
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..."	102-106
Section 8(f)(1)	"information concerning the number and types of contract audits..."	97
5 USC app. 5 note	"an annex on final completed contract audit reports...containing significant audit findings."	107-110

Overview



Mission

Serving the Congress and the Department

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

Mission

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

Vision

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

Core Values

Accountability • Integrity • Efficiency

Goal 1

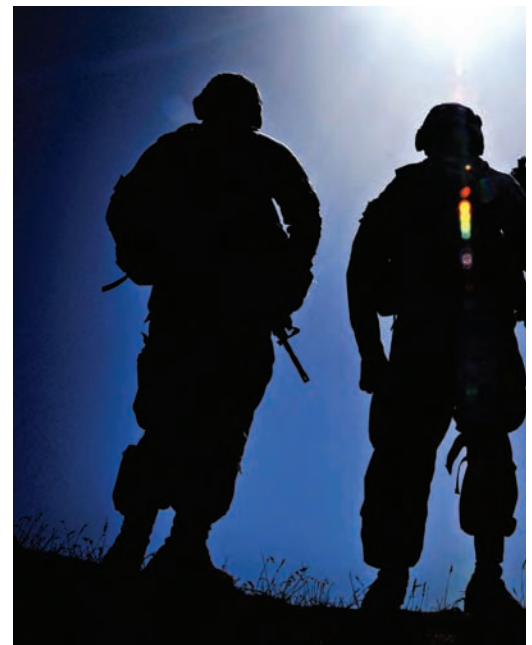
Improve the economy, efficiency, and effectiveness of Department of Defense personnel, programs, and operations.

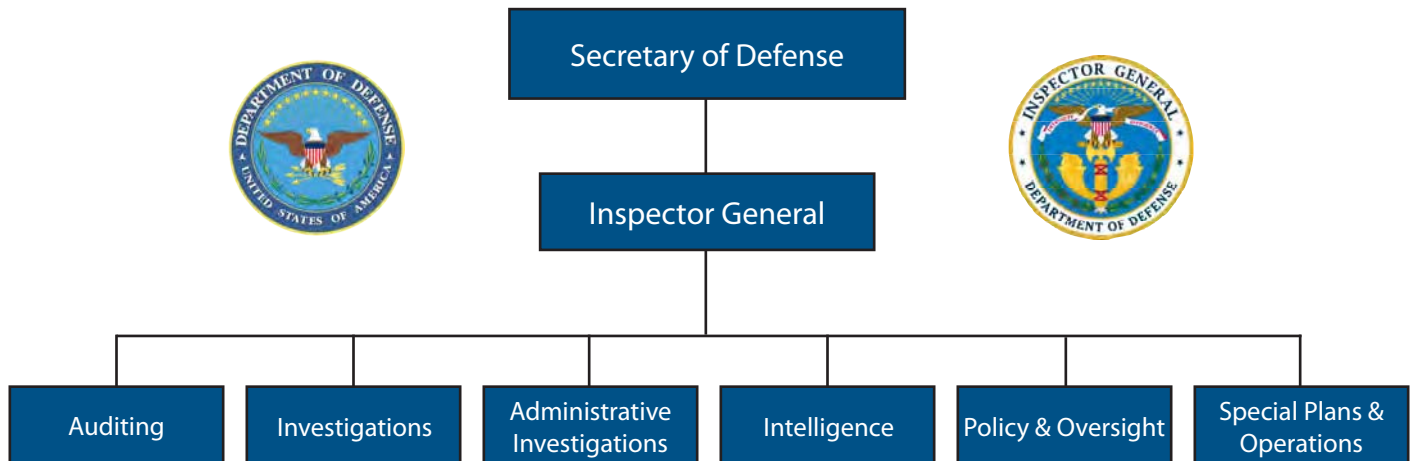
Goal 2

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

Goal 3

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





Auditing

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

Investigations

The Office of the Deputy Inspector General for Investigations is the criminal investigative arm of DoD IG. The Defense Criminal Investigative Service 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 conducts and oversees investigations of allegations regarding: the misconduct of senior DoD officials, civilian and military; whistleblower reprisal against service members, defense contractor employees, and DoD civilian employees (appropriated and non-appropriated fund); and improper command referrals of service members for mental health evaluations.

Intelligence

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

Policy and Oversight

The Office of the Deputy Inspector General for Policy and Oversight provides oversight and policy for audit, investigative, and hotline activities within the DoD; provides technical advice and support to DoD IG projects; and operates the DoD IG subpoena program.

Special Plans and Operations

The Office of the Deputy Inspector General for Special Plans and Operations provides assessment oversight to facilitate informed decision-making by senior civilian and military leaders of the Department of Defense and U.S. Congress in order to accomplish priority national security objectives.

Executive Summary

“Auditing issued 64 reports with 245 recommendations for improving DoD operations.”



Inspector General Heddell addresses oversight needs in Southwest Asia.

Overview

The Inspector General Act of 1978, as amended, states that the inspector general is responsible for conducting audits, investigations, and inspections, and for recommending policies and procedures to promote economic, efficient, and effective use of agency resources and programs that prevent fraud, waste, abuse, and mismanagement. The IG Act also requires the inspector general to keep the Department and Congress fully and currently informed about problems and deficiencies in the Department's operations and the need for corrective action.

DoD IG continued directing its resources toward those areas of greatest risk to the Department of Defense. We are dedicated to serving the warfighter and the taxpayer by conducting audits, investigations, and inspections that result in improvements to the Department. The work of each component as of March 31, 2011 is summarized below:

Auditing issued 64 reports with 245 recommendations for improving DoD operations. Of those reports, 41 percent addressed the American Recovery and Reinvestment Act, 19 percent addressed acquisition processes and contracting issues, 30 percent addressed financial management issues, 6 percent addressed joint warfighting and readiness issues, 3 percent addressed health and safety issues, and 2 percent addressed information assurance, security, and privacy issues.

Investigations opened 309 cases, closed 394, and has 1,564 ongoing investigations. These cases primarily addressed criminal allegations of public corruption, procurement fraud, product substitution, illegal transfer of technology, health care fraud, and computer crimes.

Administrative Investigations reported that the Department received 567 cases, closed 461, and has 770 ongoing cases involving whistleblower reprisal and senior official misconduct. Twenty-seven percent of civilian reprisal, 20 percent of military reprisal and 21 percent of senior official misconduct cases were substantiated.

Intelligence issued seven reports that addressed management challenges of the intelligence enterprise as it supports joint warfighting and readiness and compliance.

Policy and Oversight issued eight evaluation reports primarily addressing its oversight of the Defense Contract Audit Agency. P&O also issued three Department-wide policies, reviewed 174 existing and proposed regulations, and issued 204 IG subpoenas.

Special Plans and Operations issued six assessment reports with 161 recommendations that addressed a wide range of issues, including the development of the logistics sustainment capability of the Iraqi Security Forces; U.S. efforts to train, equip, and mentor the Afghan National Police; allegations concerning traumatic brain injury research integrity in Iraq; and the Warrior Care and Transition program at the Brooke Army Medical Center located on Ft. Sam Houston, Texas.

As of March 31, 2011, the DoD IG workforce totaled 1,606 employees. The FY 2011 budget is \$306.8 million.

Priorities

As a Department-wide priority, the secretary of defense identified the need to improve effectiveness and efficiencies in business operations in order to sustain mission-essential activities. In support of this focus, DoD IG utilizes its extensive oversight capabilities to promote economy, effectiveness, and efficiency throughout the Department. DoD IG performs audits, investigations, and inspections to support the Department's goals to:

- Prevail in today's wars.
- Prevent and deter conflict.
- Prepare to defeat adversaries and succeed in a wide range of contingencies.
- Preserve and enhance the all-volunteer force.

We performed audits, inspections, and assessments of key programs and operations. Our investigations resulted in criminal, civil, and administrative actions. We also consulted on a va-

riety of Department initiatives and issues in order to make improvements. DoD IG is focusing work efforts on preventing and detecting fraud, waste, and abuse; and improving efficiency and effectiveness in critical areas for the Department, such as:

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

The Defense Criminal Investigative Service identified the following investigative priorities for crimes impacting the Department:

- Public corruption
- Procurement fraud
- Product substitution
- Technology protection
- Health care fraud
- Computer crime

Our report highlights three overarching areas of work: Overseas Contingency Operations, health care, and efficiencies in the Department.

Overseas Contingency Operations

As of March 31, 2011, we continued to operate at a high tempo with 50 personnel deployed to Iraq, Afghanistan, Kuwait, and Qatar. In addition, teams of auditors, agents, inspectors, and engineers traveled to Southwest Asia on temporary duty assignments. Inspector General Hed-dell and several members of his senior leadership also visited the region. DoD IG had one senior executive (the special deputy inspector general for Southwest Asia), 33 auditors and evaluators, 12 special agents, and four administrative support personnel deployed to the region.

Matching the Department's current Southwest Asia operational tempo and focus, DoD IG's primary oversight focus is operations in Afghanistan while maintaining necessary oversight in Iraq and its remaining operations and transition to the Department of State. During the reporting period, we issued 12 audit reports related to the

challenges identified in Overseas Contingency Operations including identifying about \$147.3 million of either potential monetary benefits or questioned use of taxpayer funds. We identified weaknesses in testing and quality assurance procedures for warfighter protective equipment, inadequate price analyses for \$2.7 billion in fuel contracts for warfighters in Iraq, contractors performing inherently governmental functions, potential overpayment of a contractor by more than \$124 million in transportation and goods charges, failure to document whether \$454.9 million in airlift costs were fair and reasonable, as well as other contracting administration and oversight challenges impacting theater operations.

Health Care

The DoD budget for health care costs in FY 2010 was approximately \$50 billion, a 61 percent increase from FY 2005 (\$31 billion). With the United States engaged in Overseas Contingency Operations in Iraq and Afghanistan, and other efforts in the Middle East, the medical care required by military personnel is expected to increase over the next several years.

To this end, DoD IG has begun a series of evaluations of the U.S. Army and Marine Corps Warrior Care and Transition programs. In addition, DCIS is holding drug companies accountable for substandard products and misconduct related to illegal marketing of their drugs for unapproved off-label uses. It is critical that we maintain vigorous oversight of the health care challenges facing the Department. One of our top priorities is improving efficiency and effectiveness in the critical area of the health and safety of service members and employees.

Efficiencies in the Department

The secretary of defense announced a series of initiatives designed to reduce overhead, duplication, and excess in the Department, and, over time, instill a culture of savings and restraint in America's defense institutions. The goal is to significantly reduce excess overhead costs and apply the savings to force structure and modern-



DoD IG primary oversight focus is operations in Afghanistan.



DoD IG is focused on health care challenges facing the Department.

Executive Summary

“DCIS investigations were the basis for 127 indictments, 140 convictions, 87 suspensions, and 99 debarments, which resulted in \$1.4 billion returned to the U.S. government.”



Secretary Robert Gates at a press briefing on the efficiency initiative.

ization. These initiatives are intended to balance the priorities of the department and reform the way the Pentagon does business.

As the primary oversight organization for the Department, DoD IG is supporting these initiatives by conducting reviews that identify significant savings and efficiencies in areas such as excess inventory and spare parts, questionable costs and contract prices, and improper payments. We identified \$193 million in potential monetary benefits and seized and recovered another \$1.5 million. Through a series of acquisition and contracts audits and investigations of procurement and health care fraud, we continue to focus on identifying and reducing redundancies and eliminating fraud, waste, and abuse.

Core Mission Areas

During the reporting period, we issued 85 reports that identified \$193 million in funds that could be put to better use. In addition, DCIS investigations were the basis for 127 indictments, 140 convictions, 87 suspensions, and 99 debarments, which resulted in \$1.4 billion returned to the U.S. government.

Below are highlights of reports issued this reporting period that identify inefficiencies and waste within the Department:

Audits

- We reported on the need for the Defense Logistics Agency Troop Support to improve contract management of the subsistence contract for Afghanistan. Since the contract was awarded in 2005, DLA Troop Support paid the prime vendor about \$1.6 billion for food and water and \$1.4 billion for non-food items such as transportation and storage costs. DLA Troop Support overpaid the prime vendor potentially \$98.4 million for transportation costs and approximately \$25.9 million for triwall costs. Additionally, DLA Troop Support paid the prime vendor approximately \$454.9 million for services to airlift fresh fruit and vegetables without incorporating the airlift requirement in the contract or documenting that the air-

lift price was fair and reasonable. Further, DLA Troop Support did not know or validate whether the \$103.6 million in triwall costs were accurate and chargeable to the contract.

- We identified that TRICARE Management Activity and U.S. Army Medical Command personnel did not properly plan and support the cost or scope of the Recovery Act project, “Modernization of Third Floor Utilities—Center for Health Promotion and Preventive Medicine,” at Aberdeen Proving Ground, Md., to ensure appropriate use of Recovery Act funds. Based on our audit findings, TRICARE Management Activity officials canceled the project and made \$15.7 million in Recovery Act funds available for other projects.
- We identified problems with the testing and product quality surveillance related to body armor. We determined that the Army lowered the minimum velocity requirements and waived the lot acceptance testing requirements, which were not documented at the time the decision was made. Also, support contractors approved the lot acceptance test results, an inherently governmental function. Further, the Defense Contract Management Agency Orlando did not use a statistical sampling methodology to ensure a valid representative sample was selected for lot acceptance testing and product quality surveillance records were not retained as required. The Army and DCMA could provide only limited assurance that the vest components acquired through the five contracts met the contract requirements.

Investigations

- We investigated Louis Berger Group, Inc., for intentionally charging inflated overhead rates on reconstruction contracts in Iraq and Afghanistan. As a result, the contractor paid the U.S. government \$50.6 million to resolve the allegations, and paid an additional \$18.7 million in criminal penalties and fines.
- We investigated Chitron Electronics for illegally exporting Department technology related to military radars and satellite com-

munications to affiliate companies in the People's Republic of China. As a result, the company was fined and \$15.5 million was returned to the U.S. government.

- We investigated GlaxoSmithKline for distribution of adulterated and substandard drugs to a variety of users, including TRICARE. GlaxoSmithKline agreed to pay the U.S. government \$750 million to settle the allegations, of which approximately \$51.5 million was returned to TRICARE.

Inspections

- We identified that the Warrior Transition Battalion at the Brooke Army Medical Center did not have an operational definition of a successful transition end-state for warriors who are transitioning to civilian life instead of returning to our military forces. The command concurred with our recommendation to define this end-state, which will have a positive impact on how wounded warriors prepare themselves for life after military service.
- We assessed U.S. government efforts to develop the logistics sustainment capability of the Iraq Security Forces and identified shortcomings in the areas of requirements generation for logistics support, budgeting, for that support, and execution through contracting. Based on our recommendation, U.S. Forces-Iraq planned to address the mobilization of tiger teams to reinforce planning, programming, budgeting, and execution processes at the Iraqi Ministries of Interior and Defense.
- We inspected the DoD release or transfer of detainees to and from the Guantanamo Bay Detention Facility between August 24, 2009, and August 24, 2010, to determine if assurances were obtained that the transferred individuals would not be tortured. We found that DoD has policies and procedures describing humane treatment of detainees while in DoD custody. The inspection was conducted concurrently and coordinated with the Department of State and the Department of Homeland Security OIGs. We determined that policies and procedures are less structured and less formal when trans-

ferring detainees from DoD custody in Afghanistan and Iraq. A total of 4,781 detainees were reported transferred from DoD custody during the inspection time frame.

Areas of Focus

The following categories show where we focused our resources during this reporting period, and highlight information contained in the main body of this report.

Acquisition Processes and Contract Management

Over the last several years, DoD has recognized and taken action to reform how it does business, purchases goods and services, and manages taxpayer dollars. DoD has initiated reforms such as increasing the number of acquisition professionals to support deployed forces, and increasing the emphasis of the Department on obtaining greater efficiency on and productivity in Defense spending, to include targeting affordability and controlling cost growth and promoting real competition. However, even with these reforms and increased emphasis, DoD continues to experience shortfalls in its management of acquisitions and contracts. For example:

- DLA Energy contracting officers did not perform an adequate proposal analysis for three of four contracts valued at about \$2.7 billion to supply fuel to U.S. troops in Iraq. The contracting officer had limited data to support about \$1.1 billion in costs for the non-fuel component (such as transportation), and failed to obtain adequate support to ensure the agreed to fuel prices were fair and reasonable. We estimated that DLA Energy paid approximately \$160 to \$204 million (6 to 7 percent) more for fuel than could be supported by price or cost analysis.
- TACOM awarded a sole-source, time-and-materials contract for instructor services, when a competitive, fixed-price contract was a better alternative. TCC officials inappropriately claimed an urgent and compelling need to circumvent competition and awarded a sole-source contract to a preferred source on a high-risk time-and-materials basis. TCC officials did not adequately plan

“We assessed U.S. government efforts to develop the logistics sustainment capability of the Iraq Security Forces...”



DoD IG reviewed contracts to supply fuel to U.S. troops in Iraq.

Executive Summary

“We are assessing DoD’s weapon systems acquisition processes and contract management...”



DoD IG assesses cybersecurity and privacy efforts of the Department.

for competing the procurement and did not assess the historical data of the contractor’s performance under a prior firm-fixed-price contract. The contract award may not have provided the best value to the government.

We will continue to focus oversight efforts on critical acquisition and contracting to support the Department’s efforts in achieving greater efficiency and productivity in defense spending, to include affordability. We are assessing DoD’s weapon systems acquisition processes and contract management to include requirements definition, contract award, administration, and oversight, vendor payments, and to ensure the contractor actually provided the specified item.

Information Assurance, Security, and Privacy

One of the most daunting challenges DoD faces is defending its information and information systems against mounting cyber threats. On a daily basis, DoD information technology infrastructure is attacked by those wanting to not only steal DoD information but also do harm to DoD programs, operations, and personnel. Cybersecurity is one of the most serious economic and national security challenges we face as a nation. As stated in the Quadrennial Defense Review, “In the 21st century, modern armed forces simply cannot conduct effective high-tempo operations without resilient, reliable information and communication networks and assured access to cyberspace. DoD must actively defend its networks.”

During this reporting period, we determined that DoD did not execute enforcement actions for noncompliance with web site policies and procedures, and components did not fully disseminate required policies and procedures governing publicly accessible web sites. As a result, sensitive information continued to be posted to DoD public web sites, putting DoD missions and personnel at risk. DoD was not maintaining a Department-wide inventory of all its public web sites, as required by law. Individual organizations were not maintaining accurate inventories of web sites and could not ensure that all information posted received proper review.

We will continue to assess DoD cybersecurity and privacy efforts to include controls over DoD information in the possession of non-DoD entities, management of information assurance vulnerabilities, DoD’s efforts to support the president’s cybersecurity initiatives, and the adequacy of physical access controls.

Public Corruption

Public corruption is the breach of public trust by elected or appointed U.S. government officials who ask, demand, solicit, seek, accept, receive, or agree to receive anything of value in return for preferred treatment. Two cases of note, detailed further in the investigations section, resulted in the conviction of a former U.S. Army staff sergeant for accepting bribes to allow a defense contractor to steal U.S. fuel from operational sites in Afghanistan, and the conviction of a Marine Corps captain who benefited from a scheme involving substandard equipment provided to U.S. military contingents in Iraq.

DoD IG remains committed to providing the resources to combat fraudulent schemes impacting warfighter readiness.

Technology Protection

DCIS protects the acquisition process by investigating thefts of sensitive military commodities and the illegal diversion or export of strategic technologies and U.S. Munitions List items to proscribed nations, criminal enterprises and terrorist organizations. Using a variety of tools, including undercover operations, DoD IG partners with Immigration and Customs Enforcement, the Federal Bureau of Investigation, the Department of Commerce, military criminal investigative organizations, and other law enforcement partners to ensure military technologies, sensitive data and information, and components that could potentially be utilized to construct improvised explosive devices or weapons of mass destruction do not fall into the wrong hands. Two cases of note, detailed further in the investigations section, include the conviction of an Orion Telecom employee who conspired to provide digital microwave radios to Iran, and the indictment and suspension of Marsh Aviation Company for conspiring to export T-76 aircraft

engines to Venezuela in violation of a U.S. arms embargo.

Recent investigations highlight the need for continued vigilance, as countries possessing aged U.S. equipment seek to replenish or refurbish their inventories. DoD IG and partner agencies take a proactive stance by initiating undercover operations designed to prevent and deter the illegal export of critical DoD technologies so as to avoid exposing our warfighters to potential harm.

Enabling Mission Areas

Defense Hotline

The Defense Hotline received 11,062 contacts from the general public and members of the DoD community: 44 percent via telephone, 36 percent via e-mail, 10 percent via the internet, 7 percent via mail, 2 percent via the Government Accountability Office, and 1 percent from congressional inquiries. Based on these contacts the Hotline initiated 1,418 cases. The Defense Hotline closed 1,144 cases this reporting period.

Senior Official Accountability

As of March 31, 2011, there were 303 ongoing investigations into senior official misconduct throughout the Department, representing a 3 percent increase from September 30, 2010, when 294 open investigations were reported. Over the past six months, the Department closed 213 senior official cases, of which 45 (21 percent) contained substantiated allegations. Highlights include investigation into the circumstances surrounding a possible violation of the Procurement Integrity Act on the Air Force's \$35 billion procurement of 179 new KC-X aerial refueling tankers, and several substantiated findings against senior officials.

Whistleblower Protection

During the period, we received 354 complaints of whistleblower reprisal through the Defense Hotline and other sources, and closed 248. Of the 248 closed, 60 were full investigations, with 13 complaints substantiated (22 percent). We conducted a total of 29 outreach and training events attended by 496 military and civilian IG representatives. Highlights include a substantiated allegation of reprisal involving an Army employee who provided testimony to the House Armed Services Committee and a substantiated allegation of reprisal involving a Navy officer who reported inappropriate conduct and misuse of government property to his chain of command and congressional representative.

Congressional Testimony & Briefings

During the reporting period, Inspector General Heddell testified before the Subcommittee on Contracting Oversight, Senate Committee on Homeland Security and Governmental Affairs, on "Oversight of Reconstruction Contracts in Afghanistan and the Role of the Special Inspector General."

DoD IG received 140 new congressional inquiries and closed 136 cases. New inquiries involved issues such as requests related to reprisal investigations, concern about the award of the Air Force tanker contract, requests related to reviews of senior DoD officials, and requests for investigations related to defective fuses in grenades and gyroscopes in Blackhawk and Chinook helicopters.

"The Defense Hotline received 11,062 contacts from the general public and members of the DoD community..."



Inspector General Heddell testifies on contracting in Afghanistan.

Overseas Contingency Operations



DoD IG is reviewing Iraqi and Afghan Security Forces training programs.



DoD IG leadership and personnel at the IG field office in Baghdad, Iraq.

Background

In Iraq, the Department continues to plan for the transition of its activities to the Department of State under Operation New Dawn. While the transition of activities will end for the Department of Defense-led activities on December 31, 2011, DoS continues to identify multiple requirements for a successful transition.

The transition is an integral component of the drawdown of U.S. forces from Iraq. The complexity of the transition requires DoS to plan for new and expanded functions to sustain, maintain, engineer, communicate, transport, resource, receive, provide life support, train, and equip staff and contractors. Adding to the complexity, these requirements include a determination of what will remain government activities and what contractor support will be required to achieve the State Department mission after December 31, 2011. While DoD and DoS plan for an orderly transition, the Department continues to reduce its footprint in Iraq and, at the same time, continues to train, equip, and mentor the Iraqi Security Forces. DoD also continues to conduct operations in Afghanistan while training, equipping, and mentoring the Afghan National Security Forces.

As all of this activity is underway, Congress, the Department, and the military departments are asking for increased oversight of about \$27 billion FY 2011 Overseas Contingency Operations funding managed by the U.S. Army Central Command and the Army's estimated \$43 billion worth of property in Afghanistan, Iraq, Kuwait, and Qatar. During the first six months of FY 2011, DoD IG continued its oversight efforts to ensure that U.S.-funded assets were properly accounted for and that there was an effective process for the proper transfer, reset, and disposal of these assets from military units as they were deployed or redeployed.

Consistent with DoD IG oversight responsibilities in reviewing policies, programs, plans, and processes related to Overseas Contingency Operations, DoD IG conducts audits, assessments, inspections, and investigations to ensure:

- Safety and force protection needs of the military, civilians, and contractors are met.
- Fraud, waste, abuse, and corruption are identified.
- Property is properly accounted for and there is visibility over the location of equipment and supplies.
- Contractors are providing quality products and services, contracts are properly written and executed, and there is proper oversight of contractors supporting U.S. government activities.
- Programs related to training and equipping the Iraqi and Afghan security forces are effective, efficient, and sustainable.
- Controls are in place and functioning within the processes and procedures used to manage and expend funds.
- Logistic operations are optimized to achieve effective results and those that need equipment and supplies are receiving the right equipment and supplies when needed to carry out their missions.

Recent Activities

As of March 31, 2011, DoD IG was continuing to operate at a high tempo with 50 personnel deployed to Iraq, Afghanistan, Kuwait, and Qatar. In addition, teams of auditors, agents, inspectors, engineers, and others regularly enter and exit Southwest Asia on temporary duty assignments. Inspector General Heddell and several members of his senior leadership also visited the region. DoD IG has one senior executive (the special deputy inspector general for Southwest Asia), 33 auditors and evaluators, 12 special agents, and four administrative support personnel deployed to the region.

DoD IG's primary oversight focus is operations in Afghanistan while maintaining necessary oversight in Iraq and its remaining operations and transition to the Department of State. During the reporting period, DoD IG issued 12 audit reports related to the challenges identified in Overseas Contingency Operations including identifying approximately \$147.3 million of either potential monetary benefits or questioned use of taxpayer funds.

DoD IG identified weaknesses in testing and quality assurance procedures for warfighter protective equipment, inadequate price analyses for \$2.7 billion in fuel contracts for warfighters in Iraq, performance of inherently governmental functions by contractors, potential overpayment to a contractor of over \$124 million in transportation and goods charges, failure to document whether \$454.9 million in airlift prices were fair and reasonable, as well as other contracting administration and oversight challenges impacting theater operations.

One of the primary missions directly impacting the ability of the Department to achieve national strategic goals in Iraq and Afghanistan is the development of effective security forces in each country. Specific focus areas for DoD IG oversight in Iraq include monitoring the training, mentoring, and equipping of the Iraqi security forces, and the transition of the management of this mission to DoS. In November, DoD IG issued a report identifying challenges related to the U.S. government efforts to develop the logistics capability of the Iraqi Security Forces. DoD IG also monitors the development of the Afghan National Security Forces and issued a report assessing the efforts to train, equip, and mentor the expanded Afghan National Police.

DoD IG conducts investigations in its continuing effort to support the U.S. mission in Afghanistan and Iraq. For example, DoD IG committed criminal investigative resources to Task Force 2010 and Task Force Shafafiyat, which are DoD-led initiatives to combat corruption in Afghanistan. A recent investigation involved an investment company targeting deployed members and defrauding them in a Ponzi scheme. DoD civilians were conned out of more than \$80 million with none of the funds invested as promised. Another investigation resulted in the imprisonment of a DoD contractor for selling the Department expired or nearly expired food for personnel assigned to various locations in the Middle East.

Further, as of March 31, 2011, DoD IG had a total of 235 open investigations related to Overseas Contingency Operations and agents in Southwest Asia were actively working 45 investigative cases or proactive projects in theater. In

addition, DoD IG opened 115 new hotline cases related to Southwest Asia.

Moving Forward

In FY 2011, DoD IG will continue to provide oversight of the U.S. efforts to train, equip, and mentor the Afghan National Security Forces. The United States continues to invest significant resources into these efforts, which are critical to enable U.S. combat forces to start a condition-based drawdown this summer.

DoD IG will continue to focus on protecting the warfighter by investigating significant fraud and corruption impacting crucial DoD operations throughout Southwest Asia. The areas of particular emphasis are schemes that potentially affect the health, safety, welfare, and mission-readiness of U.S. troops assigned to theater.

In addition to continuing oversight of Overseas Contingency Operations contract administration and oversight, other primary areas of emphasis during the remainder of FY 2011 are: in Iraq-- asset accountability, base closure process, and contractor demobilization; and in Afghanistan-- safety and protection of forces, training of the Afghan National Police, management and execution of the approximate additional \$14.2 billion designated for the Afghan Security Forces Fund, logistics challenges in moving goods and supplies into and out of Afghanistan, military construction projects, training Afghans to maintain infrastructure projects, and financial management issues such as the Commander's Emergency Response Program and vendor payments.

Background

The Department's military enterprise, along with its personnel footprint, spans the globe and is a critical foundation of the United States' ability to project power in support of national priorities. Consequently, the DoD Military Health System must be able to provide quality care for approximately 9.5 million beneficiaries. Because the Military Health System provides health care support for the full range of military operations, DoD's challenge is magnified. The increased frequency and duration of military deployment



DoD IG reviewed testing and quality of warfighter protective equipment.



DoD IG leadership at International Security Assistance Force headquarters.

Health Care

IG Highlights



DoD IG provides oversight of health care challenges facing the Department.

“The DoD budget for health care costs in FY 2010 was approximately \$50 billion, a 61 percent increase since FY 2005 (\$31 billion).”

further stresses the Military Health System in both the active and reserve components.

The DoD budget for health care cost in FY 2010 was approximately \$50 billion, a 61 percent increase since FY 2005 (\$31 billion). With the United States engaged in Overseas Contingency Operations in Iraq and Afghanistan, and support to other efforts in the Middle East, the medical care required by military personnel is expected to increase over the next several years.

DoD IG expends resources to ensure the effectiveness of programs designed to protect the health and safety of DoD personnel. This includes focusing on warfighters, civilians, coalition partners, defense contractors, and wounded warrior care, not only during contingency operations, but also in planning for the realignment of forces to Guam and anywhere else the Department has a presence.

In Southwest Asia, DoD IG has issued reports on unauthorized traumatic brain injury research in Iraq. Recent investigations by DoD IG examined the death of military and civilian personnel in Southwest Asia, and the introduction of tainted drugs into the DoD health care system.

While DoD must be actively engaged to be successful in this effort, it must do so during a time of growing fiscal austerity, budget constraints, legislative imperatives, and inflation, all of which make cost control difficult. In this environment, it is critical for DoD IG to maintain vigorous oversight of the health care challenges facing the Department. During this reporting period, the oversight efforts of DoD IG focused on medical support to U.S. troops involved with operations in Southwest Asia and health care fraud investigations.

Recent Activities

The primary focal points of health care investigations are harm to the patient, and health care providers involved in corruption or kickback schemes. Investigations also examine allegations of overcharging for medical goods and services, off-label marketing of drugs, and unauthorized individuals receiving TRICARE health benefits.

DoD IG proactively targets health care fraud through task forces, strike teams, and undercover operations.

Health care fraud costs the country an estimated \$60 billion a year. Health care fraud is a rising threat, with national health care spending topping \$2 trillion and expenses continuing to outpace inflation.

A health care fraud investigation resulted in the return of \$750 million to the U.S. government by GlaxoSmithKline and Roche Holding for violations of current Good Manufacturing Procedures at their manufacturing plant in Puerto Rico. The violations included product mix-ups, sub-potent and over-potent products, inadequate or non-existent calibration of equipment and instruments, and microbial contamination of the products.

Another joint DoD IG investigation determined that Allergan promoted Botox for off-label indications that were not medically accepted and therefore not covered by federal health care programs. Allergan pled guilty to the unlawful promotion of off-label uses and paid the U.S. government \$375 million in fines and forfeited assets.

DoD IG made recommendations to enhance a U.S. Army Warrior Care and Transition Unit program. WTUs, established by both the U.S. Army and the Marine Corps, were designed to manage the care and transition either back to military units or into civilian life of wounded, ill, and injured from Operation Iraqi Freedom and Operation Enduring Freedom. There are 29 Warrior Transition Units in the Army with approximately 10,000 soldiers and two Marine Corps Wounded Warrior Battalions with approximately 1,000 Marines.

DoD IG identified a number of significant challenges in the WTU at Fort Sam Houston that, if addressed by Brooke Army Medical Center management, would increase program effectiveness. These challenges included developing an operational definition of, and measurable criteria for a “successful” end-state for a Warrior; carefully and consistently applying Army eligibility crite-

ria to individuals considered for assignment or attachment to the WTU; and determining case loads by the complexity of Warriors' care and needs, rather than by numerical staffing ratios.

DoD IG also assessed allegations that a military physician conducted sub-standard human subject research on deployed, injured U.S. Service members at Camp Al Taqaddum, Iraq, between December 2008 and March 2009. The U.S. Navy physician appeared to have misled research authorities and executed a defective medical research protocol, which may have injured participating personnel. This research involved potential medical research misconduct, possible sub-standard patient care, and revealed weaknesses in the process used during the review and approval of the medical research in Iraq.

Moving Forward

DoD IG will continue to focus resources on the critical area of providing care for Department personnel. The challenge to DoD resources will remain significant in the near future as increasing numbers of service members return from deployments with psychological health issues and traumatic brain injuries.

The Department will also continue to address the psychological effects of deployment on family members and non-active duty personnel.

DoD IG is planning to assess Warrior Care and Transition programs to manage the care and transition of at Fort Drum, N.Y.; Camp LeJeune, N.C.; Joint Base Lewis-McChord, Wash.; Fort Riley, Kan. and Camp Pendleton, Calif.

Other health care focus areas will include ensuring the efficiency and effectiveness of health care programs in place to support the Guam realignment, and continuing to hold health care professionals and drug companies accountable for actions that detract from the quality of care provided to members of the Department, their families, and other eligible recipients.

Background

The secretary of defense announced a series of initiatives designed to reduce overhead, duplication, and excess in the Department, and, over time, instill a culture of savings and restraint in America's Defense institutions. The purpose is to significantly reduce excess overhead costs and apply the savings to force structure and modernization. These initiatives represent the latest efforts to balance the priorities of the department and reform the way the Pentagon does business. The secretary called on the Department to take a hard, unsparing look at how it is staffed, organized, and operated.

The under secretary of defense for acquisition, technology and logistics, in response, issued guidance for DoD acquisition professionals to obtain greater efficiency and productivity in Defense spending. The guidance dealt with the roughly \$400 billion of the Defense budget spent on goods (weapons, electronics, and fuel) and services (IT, knowledge based, facilities, transportation). The under secretary focused on five target areas: establish affordability and control cost growth, incentivize productivity and innovation in industry, promote real competition, improve tradecraft in services acquisitions, and reduce non-productive processes and bureaucracy.

As the primary oversight organization for the Department, DoD IG is supporting these initiatives by conducting reviews that identify additional, significant savings and efficiencies in areas such as excess inventory and spare parts, questionable costs and contract prices, and improper payments. DoD IG identified \$193 million in potential monetary benefits and seized and recovered another \$1.5 million. DoD IG, through a series of acquisition and contract audits and investigations of procurement and health care fraud, continues to focus on reducing redundancies and eliminating fraud, waste and abuse. Particularly with contingency contracting, audits and investigations have found that the pace and urgency associated with the war effort often leads to shortcuts in contracting controls which leads to fraud and waste of Department and taxpayer dollars. Corrective action based on

Efficiencies in the Department



DoD IG provides oversight of DoD weapons systems acquisitions.



DCIS investigates procurement fraud within the Department.

“DoD IG is focusing resources to assist the Department in improving its efforts to eliminate improper payments.”

DoD IG recommendations will support Department efforts to reduce redundancy and eliminate waste.

Recent Activities

DoD IG focuses oversight efforts on DoD acquisition, contract, and financial management processes to identify risks and vulnerabilities to the operations and programs of the Department. Through previous IG oversight efforts, DoD IG is routinely making recommendations to the Department on how to purchase goods and services more efficiently, how to better manage the taxpayers' money, and how to reform the way it does business in general.

DoD IG continues to report inefficient contracting practices such as limited competition, and failure to determine price reasonableness and appropriate contract oversight. For example, lack of adequate oversight of contract costs and performance by DLA resulted in potential overpayment to the contractor about \$124.3 million for transportation and material costs, and payment of approximately \$454.9 million without incorporating the requirement in the contract or documenting whether the price was fair and reasonable. Ensuring that the Department gets it right in the beginning – accurately defining requirements, selecting the appropriate contract type, allowing competition, obtaining fair and reasonable prices, and then providing appropriate contractor oversight will reduce the occurrences of inefficient contracts and the failure of contractors to provide what the Department required.

DoD IG continues to identify contract administration and oversight issues that, if corrected and a more proactive approach is used, should support the Department efforts to achieve greater efficiencies. For example, reports on contracting identified inadequate review of invoices to ensure contractors are entitled to the payments requested. Also identified were purchases of unapproved equipment and the failure to definitize contract actions in a timely manner, which resulted in DoD assuming greater risk of increased costs and payment of excess profit.

Of all the forms of white-collar crime, procurement fraud investigations are probably the least visible, yet the most costly. In part, procurement fraud is a hidden byproduct of seemingly legitimate transactions often involving millions of dollars. As these crimes are investigated and successfully prosecuted, they also serve as a deterrent for future fraud, contributing to efficiencies and preventing the government from doing repeated business with companies that fail to comply with FAR requirements.

DoD IG is focusing resources to assist the Department in improving its efforts to eliminate improper payments. Improper payments are payments to the wrong person, for the wrong amount, or for the wrong reason. During this reporting period, DoD IG reported that the Department did not review approximately \$167.5 billion of the \$303.7 billion in gross outlays for high dollar overpayments nor did DoD report all overpayments. Unless DoD implements improvements with the data collection methodology and oversight, DoD will continue to understate the Department's high dollar overpayments and error rate.

Moving Forward

DoD IG will continue to support Department initiatives to reduce overhead, duplication, and excess in the Department by focusing oversight on areas where DoD IG can assist the Department to mitigate the risk of financial losses from fraud, waste, and abuse. DoD IG oversight will include reviews of military construction contracts, subsistence, maintenance, and service contracting, material purchases made through partnership agreements, weapon systems acquisition, improper payments, and procurement fraud.

In addition to supporting DoD in identifying efficiencies, DoD IG is reviewing its priorities, staffing, and operations to identify efficiencies and costs savings. DoD IG will continue to monitor and adjust contracts, facilities, and resources as we identify cost reduction opportunities and the most efficient maximization of IG resources.

Core Mission Areas



Audits



DoD IG reviewed the contract for Broad Area Maritime Surveillance program.

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

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

Acquisition Processes & Contract Management

DoD IG continues to focus its efforts on DoD acquisition and contract management processes as well as the risks and vulnerabilities identified by the Department and through previous oversight efforts. Over the last several years, DoD has recognized and taken action to reform how it does business, purchases goods and services, and manages taxpayer dollars. However, even with reforms such as increasing the size of the cadre of acquisition professionals to support deployed forces and humanitarian operations, the Department continues to experience shortfalls in its management of acquisitions and contracts.

During this reporting period, DoD IG issued reports with recommended corrective actions for improving requirements definition, contract selection, price reasonableness, contract administration and oversight, and performance of inherently governmental functions. DoD IG oversight efforts continue to indicate that the pace and urgency associated with Overseas Contingency Operations often leads to shortcuts in contracting controls. Additionally, periodic reviews of interagency contracting and the use and administration of undefinitized contract actions continue to reveal recurring deficiencies and the need for improvements with their use.

Contract Oversight for the Broad Area Maritime Surveillance Contract Needs Improvement

Overview: DoD IG issued the second report on the Broad Area Maritime Surveillance program. The program contract with Northrop Grumman, valued at \$1.8 billion, was in the third year of a 7-year contract and is part of a major acquisition

program worth more than \$19 billion.

Findings: BAMS contracting officials did not review 39 contractor bills or validate whether the contractor was entitled to \$329.3 million in payments; create or maintain a complete government-furnished property listing; or properly plan to share more than 5,000 specialized tools and testing equipment, worth more than \$150 million, with the Air Force Global Hawk program. As a result, the program was at risk for increased costs, schedule delays, and not meeting the needs of the warfighter. Additionally, based on DoD IG inquiries, Northrop Grumman reduced costs on the contract by \$206,000 for unallowable travel expenses. Defense Contract Management Agency officials did not create an adequate quality assurance plan, perform inspections of contractor work, re-validate changes to Earned Value Management systems or perform surveillance of the systems. As a result, contract quality requirements may not be met and Navy and Office of the Secretary of Defense acquisition officials' decisions based on contractor systems that may not be fully reliable.

Result: DoD IG recommended the Defense Contract Audit Agency, DCMA, and Naval Air Systems Command officials:

- Expedite the incurred cost audits.
- Conduct an administrative review of the Broad Area Maritime Surveillance contracting officials.
- Create and maintain a complete and auditable government-furnished property listing.
- Perform contractor surveillance and develop an acceptable quality assurance surveillance plan.
- Re-validate outdated or previously acquired Earned Value Management systems.
- Perform surveillance of the systems.

Report No. D-2011-028

Competition Issues and Inherently Governmental Functions Performed by Contractor Employees on Contracts to Supply Fuel to U.S. Troops in Iraq

Overview: Congressman Henry Waxman, former chairman of the House Committee on Oversight and Government Reform, raised concerns relating to prices paid on a series of fuel supply contracts awarded to the International Oil Trading Company.

Findings: DLA Energy contracting officers did not perform an adequate proposal analysis for three of four contracts valued at approximately \$2.7 billion that were awarded to the company to supply fuel to U.S. troops in Iraq. The proposal analyses for the three contracts were inadequate because the contracting officer for those contracts:

- Primarily used adequate price competition as the justification to support price reasonableness even though the company may have reasonably anticipated no competition because no one else could transport the fuel through Jordan.
- Did not identify the unusual circumstances of these procurements, which dictated that some type of cost or pricing data and appropriate field pricing support were needed to support price reasonableness.

The contracting officer had limited data to support costs for the non-fuel component, such as transportation, of approximately \$1.1 billion and failed to obtain adequate support that the agreed-to fuel prices were fair and reasonable. DoD IG estimated that DLA Energy paid the International Oil Trading Company approximately \$160 to \$204 million (or 6 to 7 percent) more for fuel than could be supported by price or cost analysis. DLA Energy contracting officers inappropriately used the Logistics Civil Augmentation Program contractor to accept fuel at three Defense Fuel Support Points located in Iraq. Although a contractor may be used to receive shipments of government-owned fuel, a contractor may not be used to accept title to fuel on behalf of the government. The LOGCAP contractor was accepting the fuel because DLA Energy contracting officers did not:

- Assign responsibility for acceptance to a contracting officer representative, a cognizant contract administration office, or another agency.
- Adhere to contract terms requiring the use of the DD Form 250 receiving report.
- Negotiate an agreement with the Army Sustainment Command for government acceptance of the fuel that the company delivered to the contractor-operated fuel sites.

Result: DoD IG recommended the commander, DLA Energy, obtain cost or pricing data and appropriate field pricing assistance to support the

reasonableness of the offerors' proposed prices to supply fuel to contingency operations, and designate and use qualified government personnel to accept the fuel.

Report No. D-2011-049

Improvements Needed in Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan

Overview: The director, DLA, is the executive agent for procuring, managing, distributing, and ensuring the wholesomeness of the subsistence products throughout the supply chain. DLA Troop Support which has overall responsibility for providing worldwide dining hall support to authorized customers, to include providing contract administration. To assist them in accomplishing their mission, DLA used the Prime Vendor Program. Prime vendor is a concept of support whereby a single commercial distributor serves as the major provider of products to various federal customers within a geographical region or zone. Usually, the prime vendor is required to deliver the items within a specified period after the order is placed. The prime vendor provides the items either at the cost paid to obtain them or at a price agreed to in advance. As of May 31, 2010, DLA Troop Support personnel paid the prime vendor about \$3 billion, including \$1.6 billion for food and water and \$1.4 billion for nonfood items, such as transportation and storage costs.

Findings: The subsistence prime vendor for Afghanistan provided the food products required by the contract. However, subsistence contracting officials at DLA Troop Support did not provide sufficient oversight of contract costs and performance. Specifically, the contracting officer did not adhere to certain provisions of the Federal Acquisition Regulation and the DoD supplement, or develop a Quality Assurance Surveillance Plan and written procedures to monitor contractor costs and performance. The review showed that troop support personnel:

- Overpaid the prime vendor potentially \$98.4 million in transportation costs.
- Overpaid the prime vendor approximately \$25.9 million for packaging costs.
- Paid \$454.9 million to the prime vendor for airlifting fresh fruit and vegetables without incorporating the airlift requirement in the



DoD IG reviewed contracts to supply fuel to U.S. troops in Iraq.

“The contracting officer....failed to obtain adequate support that the agreed-to fuel prices were fair and reasonable.”

Core Mission Areas



DoD IG found improvements were needed in prime vendor contracts.

contract and without documenting whether the airlift price was fair and reasonable.

- Did not validate whether \$103.6 million in packaging costs was accurate and chargeable to the contract.
- Did not monitor the accountability of government-furnished material.

Also, troop support personnel billed the Army \$56.5 million in transportation, triwall packaging, and storage costs to the incorrect fiscal year appropriation for FYs 2006 through 2009. Correcting the billing problems may cause Antideficiency Act violations.

Result: The commander, DLA Troop Support, should direct responsible officials to:

- Establish fair and reasonable prices for transportation, triwall packaging, and airlift costs; and modify the contract to incorporate those prices.
- Compute and recover overpayments for transportation and packaging costs.
- Refund \$56.5 million to the Army that was not charged to the correct FY appropriations and bill the Army \$56.5 million using the correct FY appropriations.

Report No. D-2011-047

LOGCAP Support Contract Needs to Comply With Acquisition Rules

Overview: DoD IG reviewed the management and administration of the Army Logistics Civil Augmentation Program support contract, valued at approximately \$117 million. The Army determined the government needed an independent planning contractor in order to avoid the real or perceived conflict of having one of the LOGCAP IV performance contractors plan and develop task order performance work statements that would be competed on by all LOGCAP IV performance contractors. According to the LOGCAP IV acquisition plan, the independent contractor would work closely with government staff in developing the plans and coordinate with the performance contractors on those plans.

Findings: Army contracting officials did not properly manage this contract, instructed the contractor to perform work outside the scope of the contract, and did not provide adequate oversight and surveillance. LOGCAP officials instructed the support contractor to provide requirements development assistance for at least

71 non-LOGCAP contract requirements valued at approximately \$1 billion. Further, LOGCAP officials did not appropriately address potential organizational conflicts of interest or the support contractor's access to proprietary information with regard to non-LOGCAP contracts. Army contracting officials allowed the support contractor to assist in developing requirements for non-LOGCAP contracts on which the support contractor could have potentially competed. This could have violated federal regulations by providing support contractors with other contractors' proprietary information. The procuring contracting officer issued a task order for base closure assistance teams, valued at \$9.3 million, that was outside the scope of the support contract. Rock Island Contracting Center and LOGCAP officials concluded that the task order could be executed to support LOGCAP even though the work was to support the Multi-National Corps-Iraq. However, the requirements were not competed. The procurement contracting officer did not provide adequate oversight, and the contracting officer's representative in-theater did not adequately monitor the contractor's performance. The PCO did not develop a requirements-based quality assurance surveillance plan and did not effectively communicate with the representative.

Result: The procurement contracting officer has no assurance that the Army received services in accordance with contract requirements or that a portion of the contractor's \$2.3 million in performance-based award fees was justified. DoD IG recommended:

- The LOGCAP support contract officer compete non-LOGCAP requirements.
- Non-LOGCAP contract officers should also advise bidders that a third-party contractor may have access to their proposals.
- The LOGCAP support contract officers prohibit the support contractor from performing work on any contract resulting from their services, not exercise the option year for the base closure assistance team task order, write acceptable quality assurance-surveillance plans for each task order, and develop and implement a process for communicating more effectively with the contracting officer's representative.

Report No. D-2011-032

Competition Should Be Used for Instructor Services for the Mine Resistant Ambush Protected Vehicles

Overview: This is the second report in a series addressing the maintenance support contracts for the mine resistant ambush protected vehicles. To facilitate the sustainment of the MRAP vehicles and because requirements for the MRAP vehicles were new and unfamiliar, Marine Corps Systems Command contracting officials procured instructor services to provide MRAP vehicle operator and field-level maintainers new equipment training and cross-train other original equipment manufacturer field service representatives, instructors, mechanics and government support personnel.

Findings: The TACOM Contracting Center awarded a sole-source, time-and-materials contract for instructor services, valued at \$55.5 million, when a competitive, fixed-price contract was a better alternative. Specifically, officials inappropriately used an urgent and compelling need to circumvent competition and awarded a sole-source contract to a preferred source on a high-risk time-and-materials basis. This occurred because officials did not adequately plan for competing the procurement and did not assess the historical data of the contractor's performance under a prior firm-fixed-price contract. Further, officials obligated \$23 million for instructor services that were not a bona fide need for FY 2009 because officials obligated FY 2009 Operations and Maintenance funds against a 6-month option for services that were not going to be performed until January 2010. The incorrect obligation caused a potential violation of the Antideficiency Act.

Result: DoD IG recommended that the program manager, Joint Program Office for the MRAP vehicles, perform an analysis of the current instructor services requirements and provide the analysis to the TACOM Contracting Center for use in awarding future contracts for instructor services. DoD IG also recommended that the executive director, TCC, develop a plan that addresses procedures and milestones for competing follow-on contracts for MRAP instructor services and, in addition, perform a review of the contracting officials' actions relating to the circumvention of competition and use of an inappropriate contract type. DoD IG further recom-

mended that the assistant secretary of the Army (financial management and comptroller) initiate a preliminary review of the potential Antideficiency Act violation; and the executive director, TCC, develop procedures and train contracting officials on the requirement to treat option periods as separate contracts from base periods when obligating funds for severable services.

Report No. D-2011-036

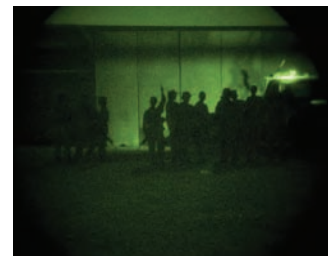
Marine Corps Response to Nonlethal Laser Dazzler Urgent Request

Overview: DoD IG reviewed the Marine Corps decision-making process regarding the urgent need for a nonlethal laser dazzler capability. Marines needed this capability to more effectively secure checkpoints and convoys in Iraq by temporarily obscuring the vision of civilians and deterring those civilians from getting too close and triggering an unnecessary escalation of force incident. However, Marines did not receive a materiel solution for this dazzler capability during their forward deployment in 2006.

Findings: Marine Corps Combat Development Command did not respond to the II Marine Expeditionary Force (Forward) in a timely manner. Marine Corps officials took 15 months to process this urgent request that could have been fulfilled six months earlier had Marine Corps leadership at two commands exercised sufficient oversight and effectively monitored the progress of the urgent request. Nearly four months elapsed because Marine Corps Combat Development Command entertained the I Marine Expeditionary Force (Forward) insistence for an unapproved laser dazzler solution rather than pursue a viable Laser Safety Review Board approved solution. An additional two months elapsed due to administrative processing of the urgent request. As a result, Marines deployed to Iraq in 2006 were left without a nonlethal laser dazzler capability. Further, after the approved lasers were procured, the I Marine Expeditionary Force (Forward) purchased 28 unapproved lasers costing \$323,324, which were not fielded in Iraq.

Result: The Marine Corps issued an order in October 2008 to improve the processing of urgent requests and track their status. To accomplish this goal, the Marine Corps Combat Development Command created the Web-based Virtual

“The TACOM Contracting Center awarded a sole-source, time-and-materials contract for instructor services, valued at \$55.5 million, when a competitive, fixed-price contract was a better alternative.”



DoD IG reviewed the urgent need for nonlethal laser dazzler capability.

Core Mission Areas

Urgent Universal Need Statement system, which provides users with visibility of the review chain and status for urgent requests. The establishment of this Web-based system should improve the efficiency of the urgent needs process. DoD IG recommended that the commandant of the Marine Corps perform a review of the circumstances that led to the purchase of the 28 unapproved lasers and, if appropriate, initiate corrective action.

Report No. D-2011-037

More DoD Oversight Needed for Purchases Made Through the Department of Energy

Overview: As required by Section 804, Public Law 110-417, “Duncan Hunter National Defense Authorization Act for Fiscal Year 2009,” DoD IG reviewed DoD procedures for purchases through the Department of Energy, specifically projects that DOE National Nuclear Security Administration sites performed under the DOE Work for Others program.

Findings: DoD requesting activities continue to use DOE for assisted interagency acquisitions despite the fact that DOE has not certified that it will comply with Defense procurement requirements in accordance with Section 801 of the FY 2008 National Defense Authorization Act. In addition, for all work for others projects that National Nuclear Security Administration sites perform for DoD, National Nuclear Security Administration contracting officers do not record detailed procurement data into the Federal Procurement Data System-Next Generation database, make price reasonableness determinations, obtain certified cost or pricing data, designate contracting officer’s representatives, or designate individuals to review contractor invoices. DOE does not consider Section 801 applicable to reimbursable activities performed by DOE and its contractors. Since November 23, 2009, the director, Defense Procurement and Acquisition Policy, has issued three Section 801 waivers allowing DoD to continue to do business with DOE on an interim basis. The most recent waiver, issued on September 28, 2010, allowed DoD to do business with DOE during FY 2011 for DoD purchases up to \$2.5 billion. The review of 14 Work for Others projects, valued at \$9.7 million, also determined that DoD officials did not adequately review contractor cost estimates for 11 projects,

prepare detailed independent government cost estimates for the 14 projects, or meet DoD funding document specificity requirements for 19 DoD funding documents. These situations occurred because of the lack of DoD contracting officer involvement. DoD IG also identified 31 potential bona fide needs rule violations, valued at \$641,188, due to a lack of defined policy on the financing of all types of contracts using Research, Development, Test, and Evaluation funds.

Result: DoD IG recommended that the under secretary of defense for acquisition, technology, and logistics resolve the Section 801 noncompliance issues identified and acquisition executives for the Army, Navy, and Air Force, and the director, Defense Threat Reduction Agency ensure program and contracting officers are aware of the responsibilities for obtaining and reviewing detail cost information for Work For Others projects.

Report No. D-2011-021

FY 2008 and FY 2009 DoD Purchases Made Through the General Services Administration

Overview: As required by Public Law 110-181, National Defense Authorization Act for Fiscal Year 2008, DoD IG performed an audit of DoD contracting through the General Services Administration to determine whether DoD and GSA improved their interagency purchasing practices since the last audit. DoD IG reviewed 50 purchases valued at \$255 million at 10 DoD organizations and 35 of 50 purchases valued at \$203 million at three GSA Client Support Centers.

Findings: GSA has improved its funding and contracting practices. Specifically, GSA contracting and resource management officials generally complied with the Federal Acquisition Regulation and appropriation law when making the 50 purchases on behalf of DoD. In addition, DoD fund management has improved. However, DoD organizations showed little improvement in other areas since the FY 2005 purchases audit. DoD officials did not perform or inadequately performed acquisition planning for 36 of 50 purchases, did not develop or had inadequate interagency agreements for 31 of 50 purchases, and DoD and GSA officials incurred potential Antideficiency Act violations for three

of 50 purchases. DoD and GSA officials did not ensure that contracting officer's representatives were assigned for 28 of 50 purchases did not have or had inadequate surveillance of contractor performance for 32 of 50 purchases, and did not collect past performance information for 28 of 50 purchases. Finally, GSA contracting officials did not have support for price reasonableness determinations for 14 of 35 purchases reviewed. DoD and GSA officials involved in the purchases did not emphasize acquisition planning and contract administration for the goods and services acquired through interagency acquisition. DoD organizations had no assurance that the purchases resulted in the best value for the government or that the terms and conditions of contracts were met.

Result: DoD IG recommended that:

- The under secretary of defense for acquisition, technology, and logistics should work with GSA officials to enhance Part B of the interagency agreements to address recurring problems identified in the report. The agreements should list the specific DoD and GSA personnel who will be responsible for the areas, and these individuals should sign Part B of the interagency agreements.
- The under secretary of defense (comptroller)/chief financial officer should direct the DoD components to initiate preliminary reviews for the three potential Antideficiency Act violations identified in the report.
- The under secretaries of the Army, Navy, and Air Force and the directors of the Defense agencies should establish a peer review process to ensure that users of interagency contracting adhere to guidance.

Report No. D-2011-018

Marine Corps Systems Command's Use of Undefinitized Contractual Actions

Overview: DoD IG reviewed 88 undefinitized contractual actions with a total not-to-exceed value of about \$2.75 billion awarded by the Marine Corps Systems Command from FY 2004 through 2009 to determine whether MCSC contracting officials complied with section 2326, title 10, United States Code and whether they appropriately justified and definitized UCAs at reasonable prices.

Findings: MCSC contracting officials did not

consistently comply with statutory requirements for managing 80 of the 88 UCAs. Contracting officials did not:

- Prepare adequate requests for authorization to issue 34 UCAs.
- Justify the issuance of 34 UCAs.
- Definitize 57 UCAs within required timeframes.
- Support whether the contractor's reduced risk during the undefinitized period was reflected in profit for 45 UCAs.
- Obligate funds within limits for 54 UCAs.
- Document that the government received a fair and reasonable price on 15 UCAs.

MCSC contracting officials did not consistently comply with UCA restrictions by:

- Failing to follow statutory and DoD regulations for requesting to issue a UCA.
- Issuing unnecessary UCAs because of poor acquisition planning.
- Permitting customers to change requirements after UCA issuance.
- Accepting inadequate proposals from contractors.
- Failing to adequately document the profit determination.
- Being unaware of funding limits.
- Failing to adequately document that the Marine Corps received a fair and reasonable price.

The Marine Corps assumed increased cost risk in the award and negotiation process and may have paid excess profit.

Result: MCSC agreed with DoD IG recommendations and indicated that they already developed a draft Quick Reference Guide and automated tracking tool to be used by MCSC contracting personnel. Additionally, contracting personnel are being instructed to better coordinate with program managers and contractors.

Report No. D-2011-001

Air Force Space and Missile Systems Center's Use of Undefinitized Contractual Actions



Overview: DoD IG reviewed 27 UCAs with a total not-to-exceed value of about \$4.8 billion awarded by the Air Force Space and Missile Systems Center during FY 2004 through September 18, 2009, to determine whether SMC personnel complied with the restrictions of the United States Code and whether they appropriately jus-

“DoD IG reviewed 88 undefinitized contractual actions with a total not-to-exceed value of about \$2.75 billion awarded by the Marine Corps Systems Command...”

Core Mission Areas



DoD IG and DoS OIG are reviewing Afghan National Police training.

“DoD IG and DoS OIG are assessing the cost, performance measures, and planning efforts associated with the transfer to ensure enhanced contract oversight, adequate funding and support, and effective program management.”

tified and definitized UCAs at reasonable prices. **Findings:** SMC officials did not consistently comply with statutory and DoD requirements for managing UCAs for 26 of the 27 UCAs reviewed. SMC personnel did not:

- Properly prepare a request for authorization to issue one UCA.
- Definitize 18 UCAs within 180 days.
- Reflect the contractor's reduced risk during the undefinitized period in negotiated profit for three UCAs.
- Adequately support whether the contractor's reduced risk was reflected in negotiated profit for 11 UCAs.
- Obligate funds within allowable limits for three UCAs.
- Obligate funds according to contractor spending requirements for nine UCAs.

However, SMC contracting personnel adequately justified using all 27 UCAs. DoD IG reviewed and adequately documented their determination of price reasonableness for 26 of the UCAs. SMC personnel did not consistently comply with UCA restrictions by:

- Failing to explain the need to begin performance before definitization within the UCA authorization request.
- Permitting contractors to submit inadequate proposals, the Air Force to change requirements after personnel issued the UCAs, and overly large and complex procurements.
- Inappropriately determining that the weighted guidelines did not provide adequate profit.
- Not adequately documenting the basis for determination of profit.
- Not taking steps to implement the Office of Defense Procurement and Acquisition Policy requirements for obligating funds.

As a result, the Air Force assumed increased risk in the award and negotiation process and may have paid more profit than was necessary.

Result: Air Force officials agreed to develop a metric for measuring contractor responsiveness in preparing qualifying proposals, require better coordination with customers to identify changes in government requirements, and require contracting personnel to adequately document the profit determination for UCAs.

Report No. D-2011-024

Quick Reaction Memorandum “Concerns Identified During the Department of Defense and Department of State Office of Inspectors General Joint Audit of the Afghan National Police Training Program”



Overview: DoD IG and the Department of State OIG are reviewing the Afghan National Police training program to evaluate their efforts to transfer contract administration for the Afghan National Police Program. Specifically, DoD IG and DoS OIG are assessing the cost, performance measures, and planning efforts associated with the transfer to ensure enhanced contract oversight, adequate funding and support, and effective program management.

Findings: DoD IG identified problems that required immediate action by DoD officials. DoD IG issued a memorandum on March 4, 2011, identifying concerns with the transition of the Afghan National Police training program. The memorandum cited concerns with organizational staffing, project management, and policies and procedures for approving purchase requests, inventory receipts, and vouchers. Additional concerns included the progress of DoD in identifying and nominating an appropriate number of contracting officer representatives to provide oversight of the ANP training program contractor.

Result: DoD IG requested that DoD take immediate corrective action to ensure it will be prepared to provide effective management and oversight of the new ANP training program contract. DoD management took action to address concerns identified during fieldwork, to include using military personnel to temporarily fill vacant positions within the Training Program Support Office until permanent civilian staff arrive.

American Recovery and Reinvestment Act—Modernization of Third Floor Utilities—Center for Health Promotion and Preventive Medicine, Aberdeen Proving Ground, Maryland



Overview: DoD IG reviewed the planning and funding for the Recovery Act project, “Modernization of Third Floor Utilities—Center for Health Promotion and Preventive Medicine,” at Aberdeen Proving Ground, Md., to determine whether the TRICARE Management Activity and U. S. Army Medical Command personnel complied with the Recovery Act requirements.

Findings: TRICARE Management Activity and U. S. Army Medical Command personnel did not properly plan and support the cost or scope of the Recovery Act project to ensure appropriate use of Recovery Act funds. MEDCOM personnel originally provided a DD Form 1391, Military Construction Project Data,” August 2007, and other historical studies that did not support the scope of the Recovery Act project or its cost of \$15.7 million.

Result: TRICARE Management Activity officials canceled the Recovery Act project and made \$15.7 million in Recovery Act funds available for other projects.

Report No. D-2011-RAM-003

 American Recovery and Reinvestment Act-“Facility Energy Improvements” and “Wind Turbine and Photovoltaic Panels” at Fort Wainwright, Alaska

Overview: DoD IG reviewed the planning, funding, initial project execution, and tracking and reporting phases for two Energy Conservation Investment Program projects, “Facility Energy Improvements” and “Wind Turbine and Photovoltaic Panels” at Fort Wainwright, Alaska.

Findings: Fort Wainwright Directorate of Public Works and United States Army Corps of Engineers - Alaska District properly planned and supported the “Facility Energy Improvements” project to ensure DoD’s appropriate use of Recovery Act funds. USACE-Alaska District received funds in a timely manner and consistent with Office of Management and Budget guidance. USACE-Alaska District adequately performed initial project execution of the “Facility Energy Improvements” project and properly reduced its scope in order to award the project. Finally, USACE-Alaska District personnel ensured that the contractor maintained transparency. Army personnel did not ensure the “Wind Turbine and Photovoltaic Panels” project was properly planned. Fort Wainwright Directorate of Public Works personnel failed to include all costs necessary to complete the project and to complete necessary wind studies prior to submitting the project for consideration.

Result: The Army Energy Conservation Investment Program canceled the project from the Recovery Act program and a subsequent reprogramming action made \$1.5 million in Recovery

Act funds available for other Army Recovery Act Energy Conservation Investment Program projects.

Report No. D-2011-048

American Recovery and Reinvestment Act-DoD Data Quality Review Processes for the Period Ending December 31, 2009, Were Not Fully Implemented

Overview: DoD IG reviewed whether DoD fully implemented an internal control structure that was effective in ensuring recipient data was reported completely, accurately, and in a timely manner; and that material omissions and significant reporting errors were identified and corrected.

Findings: DoD did not have adequate controls in place to ensure recipient data was accurate and significant errors were identified and corrected. DoD did not fully implement an internal control structure over American Recovery and Reinvestment Act recipient reported data. This occurred because DoD did not:

- Establish a plan for performing data quality reviews that would identify material omissions and significant errors.
- Implement procedures to monitor contracting and fiscal officer data review processes as prescribed by the Office of Management and Budget guidance.

As a result, 1,943 recipient reports with a total award amount of \$1.7 billion contained 2,914 discrepancies on key award information. In addition, DoD did not provide transparency and accountability of expenditures so that the public will know how, when, and where DoD Recovery Act funds were spent.

Result: DoD IG recommended that the deputy under secretary of defense (resource issues):

- Establish a quality assurance plan, including monitoring procedures, to help ensure that recipient data are reported completely, accurately, and timely as stated in OMB Memorandum M-10-08.
- Establish policies and procedures for personnel performing quality control reviews and monitoring contracting and fiscal officer data review processes as required by OMB Memorandum M-10-08.
- Require periodic assessments of data quality review processes to evaluate, on an ongoing



DoD IG reviewed planning and funding for the modernization of utilities.

Core Mission Areas



DoD IG reviewed Missile Defense Agency preparations for BRAC move.

basis, recipient efforts to meet Recovery Act and OMB reporting requirements as stated in OMB Memorandum M-10-08.

Report No. D-2011-052

American Recovery and Reinvestment Act – U.S. Army Corps of Engineers’ Data Quality Review Processes of Civil Works Funding for the Period Ending December 31, 2009, Were Not Effective

Overview: DoD IG reviewed whether USACE fully implemented an internal control structure that was effective in ensuring recipient data was reported completely, accurately, and in a timely manner; and that material omissions and significant reporting errors were identified and corrected.

Findings: USACE did not have adequate controls in place to ensure the accuracy of recipient data and to identify significant errors. USACE internal control structure over recipient reporting of ARRA of 2009 funds for civil works programs for the period ending December 31, 2009, was not effective. The internal control structure was not effective because USACE did not provide key award information to all recipients, perform adequate data quality reviews, accurately validate the number of “jobs retained or created” reported by recipients, and deter future noncompliant recipients. USACE prevented the American public from knowing how, when, and where its Recovery Act funds were spent.

Result: DoD IG recommended USACE implement procedures to ensure compliance with OMB guidance and develop and implement its data quality review processes and procedures to ensure USACE is accurately identifying errors and validating jobs reported by recipients.

Report No. D-2011-055

Report of the National Security Agency Cryptologic Center Construction Project

Overview: DoD IG determined that NSA appropriately leased a facility using operation and maintenance funding for the relocation of a Cryptologic Center. Other methods were used to validate funding and acquisition decisions. However, the United States Code does not state the type of funding used for leasing of facilities nor does it address cases of leasing versus purchasing a facility or land.

Result: There were no recommendations.

Report No. 11-INTEL-02

Audit of the Missile Defense Agency Special Programs Base Realignment and Closure Planning

Overview: DoD IG reviewed the preparations and planning by the Missile Defense Agency for Special Access Programs related to its forthcoming relocation pursuant to the base realignment and closure process. The overall objective was to ensure that the Missile Defense Agency was effectively following all DoD directives, policies and guidelines pertinent to its mission with respect to Special Access Programs. The audit was in response to a request from the director, Department of Defense Special Access Program Central Office.

Result: The director, MDA concurred with each of the recommendations. This report is classified.

Report No. 11-INTEL-04

Financial Management

DoD IG continues to work closely with the Department to address its long-standing financial management challenges and supports the DoD goal of achieving a favorable audit opinion for DoD agency-wide financial statements and for the major DoD components. Over the last six months, DoD IG has continued to provide oversight and address challenges in the areas of financial management and the American Recovery and Reinvestment Act of 2009.

The under secretary of defense (comptroller)/chief financial officer issued the DoD Financial Improvement and Audit Readiness Plan as part of an initiative to improve financial management within the Department. The FIAR Plan outlines the strategy, priorities and methodology of the Department for achieving audit readiness. DoD IG supports the objective of the plan, which is to provide ongoing, cross-functional collaboration with DoD components to yield standardized accounting and financial management processes, business rules, and data that will provide a more effective environment to better support the war-fighting mission. DoD IG also supports the Department’s ongoing efforts to target achievable, incremental change and to initiate the change

necessary for continual, sustainable improvement in financial management and the American Recovery and Reinvestment Act of 2009.

DoD IG issued 10 opinions with related reports on internal control and compliance with laws and regulations on the FY 2010 DoD agency-wide financial statements and seven component financial statements. Additionally, DoD IG endorsed three opinions and related reports on internal control and compliance with laws and regulations. Eleven of these audits are required by OMB while two are included because of their materiality to the DoD agency-wide financial statements. Although the Marine Corps prepares its own financial statements, it is a reporting entity of the Department of the Navy; and therefore is included with Navy financial information. Due to the limitations on the scope of work, DoD received a disclaimer audit opinion.

Regarding the DoD agency-wide financial statements, DoD IG identified 13 material weaknesses within DoD in the areas of:

- Financial management systems
- Fund balance with treasury
- Accounts receivable
- Inventory
- Operating materials and supplies
- General property, plant, and equipment
- Government-furnished material and contractor-acquired material
- Accounts payable
- Environmental liabilities
- Statement of net cost
- Intragovernmental eliminations
- Other accounting entries
- Reconciliation of net cost of operations to budget

Financial system audits are performed to evaluate the adequacy of system controls. The performance of these audits helps to reduce the risk of loss due to errors, fraud, and other illegal acts and disasters that may cause the system to be unavailable. In addition, financial system audits provide invaluable information on DoD efforts to transform its systems and develop the Business Enterprise Architecture. In addition to the financial systems reports, DoD IG conducted several financial-related audits. These audits

focused on providing insight and valuable recommendations to managers as they focus and prepare for audit readiness.

Insufficient Governance Over Logistics Modernization Program System Development



Overview: DoD IG reviewed the Army Working Capital Fund system to determine whether it was compliant with the U.S. Government Standard General Ledger at the transaction level. The Army reported to Congress that the Logistics Modernization Program would be the Army Working Capital Fund system solution for obtaining auditable financial statements.

Findings: After more than 10 years in development and \$1.1 billion in cost, the Army has failed to deliver a system that is USSGL compliant. Army and DoD financial communities did not establish the appropriate senior-level governance needed to develop, test, and implement the financial management requirements and processes needed to record financial data at the transaction level. As a result, the program was not substantially compliant with the Federal Financial Management Improvement Act of 1996. Also, the system did not resolve any of the Army Working Capital Fund internal control weaknesses. Therefore, the Army will need to spend additional funds to comply with USSGL requirements in order to achieve an unqualified audit opinion on its Army Working Capital Fund financial statements.

Result: DoD IG recommended the undersecretary of defense (comptroller)/chief financial officer and the deputy chief management officer request that the OMB select the Logistics Modernization Program as a high-risk system for review. Additionally, further program deployment should be delayed until, at a minimum, the Army demonstrates that funding is available and it has an approved plan in place to comply with the Standard Financial Information Structure requirement as well as update guidance for specific general ledger accounts and transaction codes and validate compliance with these requirements. The assistant secretary of the Army (financial management and comptroller) should assume operational control over developing, approving, and implementing program financial requirements.

Report No. D-2011-015

“DoD IG found that after more than 10 years in development and \$1.1 billion in cost, the Army has failed to deliver a system that is USSGL compliant.”

Core Mission Areas



DoD IG reviewed DFAS methodology for capturing accounts payable balances.

Improving the Accuracy of Defense Finance and Accounting Service Columbus 741 and 743 Accounts Payable Reports

Overview: DoD IG reviewed whether the Defense Finance and Accounting Service Columbus methodology for capturing accounts payable balances to determine whether contracts administered in the Mechanization of Contract Administration Services systems results in accurate and timely accounts payable information. **Findings:** DFAS did not collect accurate and complete accounts payable balances to prepare the 741 and 743 reports. DFAS misstated \$296.9 million of accounts payable because it did not have adequate procedures in place for creating accounts payable reports in the system and ensuring all valid accounts payable were included in the report. DFAS Columbus did not:

- Properly account for some of the contract financing payments that it made.
- Input contract modifications into the system in a timely manner.
- Properly estimate the service invoices.
- Ensure that its methodology used correct contract information to calculate accounts payable.
- Generate an accounts payable balance when a Mechanization of Contract Administration Services receipt record was not created.

Until DFAS Columbus makes improvements to the accuracy of the accounts payable balances, the Military Departments will not be able to fully rely on the 741 and 743 accounts payable balances. In addition, correcting the accounts payable report weaknesses will assist the military departments in their efforts to prepare audit-ready Statements of Budgetary Resources.

Result: DoD IG recommended the director, Defense Finance and Accounting Service Columbus, review procedures for capturing all valid accounts payable on the 741 and 743 reports. DFAS Columbus should establish procedures to reconcile the accounts payable reports to invoiced amounts; develop a process to accurately value accounts payable associated with contract financing payments, general accounts payable balances when a Mechanization of Contract Administration Services receipt record is not created; and document procedures for compiling the accounts payable reports.

Report No. D-2011-022

U.S. Central Command Headquarters' Use of the Government Purchase Card

Overview: DoD IG reviewed whether use of government purchase cards by the U.S. Central Command headquarters complied with applicable laws and regulations. Included in the scope of the review was a universe of 6,934 purchase card transactions totaling \$7.9 million from July 1, 2008 through June 30, 2009.

Findings: The Air Force 6th Contracting Squadron's agency program coordinator did not adequately document the group training administered for approving officials and cardholders. This occurred because the agency program coordinator did not follow Air Force guidance that required the coordinator to document training sessions. Unless training is fully documented, the 6th Contracting Squadron cannot be certain that cardholders have taken all the necessary training to ensure that only proper purchases are made. USCENTCOM cardholders made 10 inappropriate transactions out of the 120 transactions non-statistically selected. Also, eight of the 120 transactions sampled, valued at \$38,081, were purchases of sensitive or pilferable materials that program personnel should have recorded in property record systems. The deficiencies occurred because USCENTCOM personnel did not follow or enforce the purchase card program rules and regulations for property accountability and inventory management. As a result, the USCENTCOM wasted funds by procuring prohibited items and by splitting purchases that did not receive the benefit of contract competition. It also risked financial loss of materials through inadequate property accountability. The USCENTCOM Protocol Office did not properly account for 186 gift items, worth \$5,765, and the gifts available exceeded current FY needs for its inventory of gifts. These conditions occurred because the Protocol Office personnel did not properly implement inventory procedures. The lack of accountability over the gift inventory could result in a diversion of assets from official uses. Additionally, the improper and questionable use of official representation funds for an excessive inventory prevented those funds from being used for more effective purposes.

Result: DoD IG recommended the commander, USCENTCOM, take appropriate actions to dispose of prohibited or excessive items, investigate

selected purchases, and require personnel to comply with policy requiring supporting documentation, property accountability, and inventory management. The commander, 6th Air Mobility Wing, should improve the record-keeping of the training taken by government purchase card approving officials and cardholders.

Report No. D-2011-034



DoD Needs to Improve High Dollar Overpayment Review and Reporting

Overview: DoD IG reviewed DoD compliance with Executive Order 13520, “Reducing Improper Payments,” November 20, 2009. Specifically, DoD IG reviewed DoD’s methodology and support for identifying, recovering, preventing, and reporting high dollar overpayments.

Findings: The First Quarter FY 2010 High Dollar Overpayments Report, issued by the under secretary of defense (comptroller)/chief financial officer was inaccurate and incomplete. Specifically, DoD did not review approximately \$167.5 billion of the \$303.7 billion in gross outlays for high dollar overpayments. Additionally, some overpayments were not reported, and the report did not include sufficient information about recoveries and corrective actions. The report was inaccurate and incomplete because the under secretary of defense (comptroller)/chief financial officer and the director, Defense Finance and Accounting Service, did not develop a sound methodology or perform adequate oversight for collecting and reporting comprehensive data. Unless the under secretary of defense (comptroller)/chief financial officer and director, Defense Finance and Accounting Service, take action to improve the data collection methodology and oversight, DoD will continue to understate the high dollar overpayments and error rate of the Department.

Result: The under secretary of defense (comptroller)/chief financial officer should develop a methodology to ensure adequate coverage and oversight of DoD high dollar overpayments reporting including steps to perform a reconciliation of all DoD outlays reviewed for improper payments to the Statement of Budgetary Resources; develop procedures to ensure that all overpayments are reviewed for high dollar overpayments; and disclosure of payment areas not reviewed for high dollar overpayments. The di-

rector, Defense Finance and Accounting Service should develop procedures to statistically sample commercial pay entitlement systems; and develop internal controls to ensure only entitled individuals with valid Social Security numbers receive travel payments.

Report No. D-2011-050

Audit of a Classified Program



Overview: DoD IG reviewed the audit that was conducted in response to a request from the director, DoD Special Access Program Central Office. The overall objectives were classified.

Result: Managements’ comments were responsive to five of the six recommendations.

Report No. 11-INTEL-07

Health and Safety

America’s men and women in uniform are the Department’s most important resource. A top priority of DoD IG is conducting oversight that assesses DoD efforts to protect the health and safety of U.S. troops. DoD IG is committed to supporting the warfighter to ensure that the Department provides them with the type of high quality, reliable equipment that will not only enable them to complete their mission, but also survive in hostile environments around the world. This includes providing them with the proper body armor, equipment, and safety systems. DoD IG completed two audits to assist the Department in this critical area and issued a quick-reaction memorandum addressing safety concerns related to a construction project.

Live Fire Testing of Light Tactical Wheeled Vehicles was Effective for the Portions Completed



Overview: DoD IG conducted the audit to determine whether the Army effectively planned, executed, and evaluated high mobility multi-purpose wheeled vehicle live fire testing and whether DoD exercised adequate live fire test and evaluation oversight of the Army’s HMMWV Program. This report is the second in a series of reports on the Army’s efforts to develop, test, and acquire armor solutions for light tactical wheeled vehicles.

Findings: The U.S. Army Test and Evaluation Command’s live fire testing of the up-armored

“We assessed U.S. government efforts to develop the logistics sustainment capability of the Iraq Security Forces...”



Testing of the HMMWV program was determined to be effective.

Core Mission Areas



DoD IG reviewed construction of the detention facility in Parwan.

HMMWV was effective for the portions completed. Specifically, the command planned a live fire test strategy for the HMMWV program that identified required documents needed to determine system and crew survivability. ATEC provided the required live fire planning documents to the Office of the Director, Operational Test and Evaluation, for approval and ATEC executed tests in accordance with the approved live fire test plans.

Result: The Office of the Director, Operational Test and Evaluation's live fire test and evaluation oversight of the Army's up-armored HMMWV was effective for the portions of the oversight process completed. Specifically, the director, operational test and evaluation, placed the up-armored HMMWV on the Office of the Secretary of Defense Test and Evaluation Oversight List in 2006 for live fire oversight and has reviewed, as required, the Army's up-armored HMMWV live fire test planning documents.

Report No. D-2011-019



DoD IG found deficiencies in testing and quality assurance of body armor.



Ballistic Testing and Product Quality Surveillance for the Interceptor Body Armor – Vest Components Need Improvement

Overview: This audit is one of a series of interceptor body armor audits conducted in response to a congressional request. This audit covered six contracts valued at \$434 million for vest components. DoD IG determined that the ballistic testing of the interceptor body armor – vest components for five contracts and product quality surveillance for six contracts could only provide limited assurance that the vest components met contract requirements.

Findings: The Army program manager for soldier equipment did not consistently enforce ballistic testing requirements for the five contracts. The Army lowered the minimum velocity requirements and waived the lot acceptance testing requirements, which were not documented at the time the decision was made; accepted lots before a first article test was performed because the materials used were identical to previously approved materials; and support contractors approved the lot acceptance testing results, an inherently governmental function. Further, DCMA Orlando did not use a statistical sampling methodology to ensure a correct representative sample was

selected for lot acceptance testing and product quality surveillance records were not retained as required. As a result, the Army and DCMA could provide only limited assurance that the vest components acquired through the five contracts met the contract requirements.

Result: DoD IG recommended the Army Program Executive Office Soldier require that any waivers of first article tests and lot acceptance tests be approved in writing and perform a risk assessment on 560 lots. Further, DCMA Orlando will provide training on the use of a random sample generator tool and improve quality inspection records. Army Program Executive Office Soldier and DCMA generally agreed to take corrective action.

Report No. D-2011-030

Quick Reaction Memorandum Citing Concerns During the Audit of the Construction of the Detention Facility in Parwan



DoD IG issued a memorandum on November 19, 2010, identifying significant issues with the fire suppression, fire alarm, and sewage systems that posed health and safety risks to the personnel working at the Detention Facility in Parwan, Afghanistan and the detainees housed there. Specifically, the DFIP's automatic fire suppression system was not operational, the fire alarm transmitter and some fire alarm panels had been disconnected, and the sewage lift stations were not pushing sewage outside the facility perimeter for collection as designed. DoD IG requested that the U.S. Army Corps of Engineers require the contractor to expedite repairs of the fire suppression and sewage lift stations and that the local command ensure that the fire alarm transmitter and panels be properly maintained and issue guidance prohibiting personnel from disabling the fire alarm system when the maintenance warning signal begins transmitting.

Information Assurance, Security, & Privacy

One of the most daunting challenges DoD faces is defending its information and information systems against cyber attacks. DoD must protect DoD information, and ensure that its information assurance workforce is properly trained and

certified in today's ever-changing information technology, as the information assurance workforce is responsible for protecting information, and information systems.

DoD Controls Over Information Placed on Publicly Accessible Web Sites Require Better Execution

Overview: DoD IG conducted this audit in response to a September 25, 2008, request by the then deputy secretary of defense to address concerns that sensitive information can be found on DoD public web sites. Audit personnel evaluated the management of public web sites for their compliance with mandatory content and approval procedures and training requirements, and reviewed DoD-identified web sites for public accessibility.

Findings: DoD did not execute enforcement actions for noncompliance with web site policies and procedures, and components did not fully disseminate required policies and procedures governing publicly accessible web sites. As a result, sensitive information continued to be posted to DoD public web sites, putting DoD missions and personnel at risk. Specifically, DoD IG found that a majority of DoD organizations failed to respond to a DoD requirement to certify their web sites; web site administrators failed to implement proper content review and approval procedures; and web site administrators did not receive required Web operations security training. In addition, we found that DoD is not maintaining a Department-wide inventory of all its public web sites as required by law and it had stopped funding and discontinued its central web site inventory system in 2006.

Result: DoD generally agreed to develop and maintain a list of all DoD publicly accessible web sites. In addition, DoD components will certify annually that a documented Web review and approval process has been developed and implemented and all Web administrators have received proper Web operations security training.

Report No. D-2011-020

Joint Warfighting & Readiness

DoD IG continues to provide oversight of joint

warfighting and readiness issues that impact Overseas Contingency Operations and the warfighter. In addition to our significant oversight efforts related to contingency contracting and warfighter safety issues, DoD IG continues to provide oversight of the Department's efforts to reduce its footprint in Iraq and the continuing operations in Afghanistan to include the training, equipping, and mentoring of the Afghan National Security Forces. The withdrawal of forces from Iraq must be monitored to ensure all equipment and personnel are properly accounted for and only items approved for transfer are transferred. The Department must ensure that all units actively participate in the drawdown to ensure accountability and visibility of all equipment, that serviceable material is reused to maximum potential, and that personnel in the field and at receiving activities are protected. Similarly, the continuing operations in Afghanistan must be monitored to ensure forces receive the support required and have the equipment and resources necessary for the mission.

DoD Needs to Improve Management and Oversight of Operations at the Defense Reutilization and Marketing Office-Camp Arifjan, Kuwait

Overview: This audit that was conducted in response to a U.S. Central Command request to focus oversight on U.S.-funded assets to ensure that they were properly accounted for and there was a process for their proper transfer, reset, or disposal. DoD IG reviewed operations at the Defense Reutilization and Marketing Office at Camp Arifjan, Kuwait, which was responsible for managing the receipt and disposition of approximately \$1.2 billion of excess equipment in CY 2009.

Findings: The contracting officer and DRMO officials did not ensure the contractor properly accounted for all items, protected items from the environment, or restricted from reutilization all items that should have been destroyed. DRMO and contractor officials also certified and verified that some items requiring demilitarization were destroyed, when they were not. As a result, items were vulnerable to theft and environmental damage, and items with potential safety or health hazards were improperly re-issued, placing DoD personnel at an increased risk of injury.



DoD IG reviewed DoD controls over information placed on public web sites.

Core Mission Areas

Result: During the audit, DRMO officials took immediate action to address concerns identified during fieldwork, to include requiring additional training and withholding two payments totaling \$70,238 for the contractor's failure to meet receiving requirements. DoD IG recommended that the director, DLA Disposition Services, incorporate appropriate performance measures for receiving and demilitarization, add an export control clause into the contract, and develop and implement procedures to ensure compliance with receiving, demilitarization, physical security, and export control requirements.

Report No. D-2011-033



DoD IG reviewed the ability to conduct information operations in Afghanistan.

DoD Needs Synchronized Communication Activities and an Integrated Information Operations Capability in Afghanistan

Overview: DoD IG reviewed the ability of CENTCOM and U.S. Forces-Afghanistan to conduct information operations in Afghanistan and assessed the support provided by DoD organizations that enable those commands to conduct information operations.

Findings: Overall communication activities at International Security Assistance Force headquarters were synchronized. However, communication efforts at ISAF Joint Command were not optimally synchronized because there were vacancies in key positions in the IO division, cross-functional teams made coordination difficult, and the Combined Joint Psychological

Operations Task Force was not fully integrated into the command.

Result: DoD IG issued a memorandum to the deputy secretary of defense and commander, U.S. Forces-Afghanistan, on September 17, 2010, to provide timely results of fieldwork in Afghanistan. Subsequently, on January 25, 2011, the secretary of defense issued a memorandum detailing the actions to be taken by the Department to reorganize DoD organizational responsibilities for IO. The actions and planned reorganization described in the memorandum addressed concerns regarding DoD IO organizational responsibilities and will help the Department resolve ongoing organizational challenges for IO. DoD IG recommended that USFOR-A adequately staff the ISAF Joint Command IO division and provide coordination support to the regional commands; integrate the Combined Joint Psychological Operations Task Force into IJC operations; and clearly communicate points of contact at IJC to their counterparts at the respective regional commands. The IJC has improved staffing in the IJC IO Directorate, integrated task force into IJC, and improved coordination with the regional commands by creating a communication directorate. This will improve coordination and synchronization of critical communication efforts in Afghanistan, to include IO, among all levels of command.

Report No. D-2011-051

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

- Public corruption
- Procurement fraud
- Product substitution
- Technology protection
- Health care fraud
- Computer crime

Public Corruption

DCIS is at the forefront of DoD corruption investigations. Public corruption within DoD impacts national security, safety, and degrades the overall mission of the warfighter. It undermines public trust and confidence in the U.S. government and wastes billions in tax dollars every year. With the skills and capabilities to run complex undercover operations and surveillance, DCIS is singularly situated to conduct multifaceted corruption investigations. Of particular importance is corruption impacting the health, safety, welfare, and mission-readiness of U.S. troops assigned to theater.

DoD Official Sentenced to 27 Months Incarceration on Fraud Charges

Overview: A joint investigation conducted by Army CID and the IRS Criminal Investigation disclosed that Allen Thrower, a DoD civilian employee at Fort Benning, Ga., who had responsibility for preparing purchase requests and sole source justifications for the services of commercial contractors at the base, used his official position as chief of then-Quality Support Division in the Human Resources Directorate to arrange for and influence the awarding of both sole source and competitive contracts to Military Service Support, LLC, a DoD contractor, for personnel-related services. The DoD employee's sister was president and chief executive officer of MSS. Thrower and his sister concealed their familial relationship from U.S. Army contracting officials and from the contractor's employees in Georgia. During the time in which Thrower was involved in steering the eight contracts to MSS and supervising them, he received at least \$20,000 from MSS in the form of checks, airline

tickets, and lodging at Foxwoods Resort and Casino in Connecticut.

Result: In July 2010, following a 7-day trial in U.S. District Court in Boston, Maine, Thrower was convicted by a jury on nine counts of wire fraud and one count of conspiracy to defraud the United States from 2004 through February 2008. On October 21, 2010, Thrower was sentenced to 27 months incarceration, to be followed by two years of supervised release and a \$20,000 fine. Thrower was debarred from government contracting for three years, to begin upon his release from prison. He was also placed on the excluded parties list. This sentence and subsequent debarment was for violations of 18 USC 1343, Wire Fraud and 18 USC 371, Conspiracy. Thrower's sister pled guilty to 18 USC 1001, False Statement, and was sentenced to two years probation, prohibited from engaging in any government contract work, and forfeiture of property valued at \$330,561.

U.S. Army Contracting Officers Convicted and Sentenced for Smuggling Cash from Iraq

Overview: A joint investigation conducted by DCIS, Army CID, the FBI, and SIGIR disclosed that U.S. Army Major Charles Sublett and other military officers assigned to the contracting office were involved in the acceptance of bribes. Sublett and others accepted bribes from local contractors for preferential treatment in awarding base level contracts in the local Iraqi theater. The investigation further revealed that Sublett, while deployed to Iraq, mailed packages containing proceeds of the bribes in U.S. currency and Iraqi dinar via Federal Express to his girlfriend in the United States.

Result: On October 8, 2010, Sublett was sentenced in the U.S. District Court, Western District of Tennessee, Memphis, to 21 months incarceration for violations of 18 USC 1001, False Statements. In addition, more than \$107,000 of illegal proceeds were forfeited to the government. Overall, this investigation reviewed more than 39 military and contracting officials and 17 companies. The case concluded with three contracting personnel convicted of accepting bribes, and four companies or contracting officials being suspended from contracts for life, based on illegal and intentional violations of the Federal Acquisition Regulations.

Investigations

Core Mission Areas

Army Contracting Officer Sentenced to Five Years in Prison

Overview: A joint investigation conducted by DCIS, Army CID, FBI, and SIGIR disclosed that U.S. Army major Roderick Sanchez, a contracting officer with the U.S. Army stationed in Iraq and Kuwait, accepted bribes from two foreign nationals. In exchange for the bribes, which consisted of two Rolex watches and other items valued at more than \$200,000, the Army major influenced the award of U.S. government contracts to the foreign nationals.

Result: On January 19, 2011, Sanchez was sentenced in the U.S. District Court, Denver, Colo., to 60 months in prison followed by three years of supervised release and a \$15,000 fine. This sentence was for violations of 18 USC 201, Bribery.

Army First Sergeant Pleads Guilty to Accepting \$1.4 Million in Illegal Gratuities Related to Military Dining Contracts in Kuwait

Overview: A joint investigation conducted by DCIS, Army CID, FBI, and IRS-Criminal Investigation disclosed that First Sergeant Ray Scott Chase accepted approximately \$1.4 million in illegal gratuities from private contractors during his deployment to Kuwait in 2002 and 2003. The first sergeant served as the contracting officer's representative and the non-commissioned officer in charge of the military dining facility at U.S. Central Command at Camp Doha, Kuwait. During 2003, Chase also served as the non-commissioned officer in charge for the military dining facility at Camp Arifjan, Kuwait. Chase supervised the food procurement, preparation, and service operations at Camp Doha and Camp Arifjan. As part of his official duties, Chase also coordinated orders for certain blanket purchase agreements the U.S. Army had with various private contractors to provide supplies and services to both of those dining facilities. The first sergeant admitted to receiving approximately \$1.4 million from private contractors for official acts he performed and was going to perform in 2002 through the end of 2003. In addition to accepting the illegal gratuities, Chase admitted that he structured various financial transactions to avoid currency transaction reporting requirement, and made false statements when interviewed by federal authorities in February 2007.

Result: On November 5, 2010, Chase was sen-

tenced to 12 months in prison followed by two years of supervised release. He was also ordered to pay restitution of \$1.4 million to the U.S. government. Additionally, on November 8, 2010, the first sergeant was ordered to forfeit \$40,700.00 in personal property. This sentence and subsequent forfeiture were for violations of 18 USC 201(c), Unlawful Receipt of Gratuities by a Public Official; 31 USC 5324 (a)(3), Structuring a Financial Transaction; and 18 USC 1001, False Statements.

Former U.S. Army Staff Sergeant Receives 90-Month Prison Sentence for Bribery in Fuel Theft Scheme

Overview: A joint investigation conducted by DCIS, Army CID, and the FBI disclosed that between December 2009 and February 2010, Staff Sergeant Stevan Ringo accepted more than \$400,000 in cash payments from a government contractor in exchange for creating and submitting fraudulent paperwork permitting that contractor to steal fuel from Forward Operating Base Shank. The total value of the fuel stolen in the course of the scheme was nearly \$1.5 million. Ringo was stationed at FOB Shank, a U.S. Army installation in the Logar Province of Eastern Afghanistan. FOB Shank supports U.S. military operations in Afghanistan in various ways, including through fuel receipt and redistribution. The staff sergeant's responsibilities at FOB Shank included supervision of that fuel redistribution process.

Result: On January 7, 2011, Ringo was sentenced in the U.S. District Court for the Eastern District of Virginia to 90 months in prison followed by three years of supervised release for violations of 18 USC 201, Bribery. He was ordered to forfeit money and property valued at \$408,495, and was ordered to pay restitution jointly and severally with co-defendants in the amount of \$1,494,985.

Marine Corps Captain Convicted of Skimming \$1.7 Million from Contracts in Iraq

Overview: A joint investigation conducted by DCIS, the Naval Criminal Investigative Service, and SIGIR disclosed that while deployed to Iraq, USMC Captain Eric Schmidt used his position in the contracting process to steer contracts to an Iraqi contractor. Once the contracts were



DCIS investigated a staff sergeant who accepted bribes in a fuel theft scheme.



DCIS investigated the skimming of \$17 million from contracts in Iraq.

awarded, the contractor paid the captain's wife for the goods to be furnished under the contract. Often, Schmidt's wife purchased far fewer or inferior products than those called for under the contract. These items included metal detectors and first aid kits. Once the goods arrived in Iraq, Schmidt falsely certified that the goods received conformed to the contract specifications. Armed with the captain's false certification, the contractor sought and received payment from the United States. Schmidt pled guilty in U.S. District Court for the Central District of California to conspiracy to commit wire fraud and filing a false tax return that concealed the illicit income from the Internal Revenue Service. As a result of their scheme, the Schmidts caused DoD to suffer losses of \$1,692,472 and the IRS to suffer losses of \$458,141.

Result: On February 7, 2011, Schmidt was sentenced to 72 months in prison followed by 36 months of supervised release for violations of 18 USC 1343, Wire Fraud and 26 USC 7206, Fraud and False Statements, Internal Revenue Code. He was also ordered to pay restitution to DoD and the IRS totaling \$2,150,613. Schmidt's wife pled guilty to a tax offense and is awaiting sentencing.

Ponzi Scheme Directed at DoD Members

Overview: A joint investigation conducted by DCIS, the FBI, Army CID, and IRS-Criminal Investigations disclosed that several DoD civilians were defrauded by Chief Warrant Officer Carolyn Lattimore in a Ponzi-style investment scheme. The DoD civilian employees worked at the Installation Property Book Office, on Victory Base Complex, Baghdad, Iraq. The employees invested approximately \$450,000 at the suggestion of the chief warrant officer into the Capital Consortium Group. Civilians and military members alike were approached by Lattimore during duty and non-duty hours to discuss CCG. Employees at IPBO provided copies of the CCG contract, e-mails and other pertinent information which indicated Lattimore and her husband were the primary points of contact for CCG. Preliminary information indicated that approximately \$450,000 had been invested with CCG by multiple individuals through Lattimore. The Ponzi scheme was started by the three principal owners of CCG: Joseph Brunson Sr.,

Timothy McQueen, and Tony Pough, residents of South Carolina. CCG and its parent company, Three Hebrew Boys, received in excess of \$80 million from investors and did not invest any of the money in the foreign currency exchange as advertised.

Result: The three principals of CCG, Brunson Sr., McQueen and Pough, were found guilty of 58 counts of mail fraud and conspiracy to commit mail fraud. The jury ordered the defendants to forfeit the \$82 million bilked from the investors in the CCG Ponzi scheme. On December 14, 2010, the three defendants were sentenced to the highest fraud sentences in the history of the District of South Carolina and ordered to serve between 27 and 30 years imprisonment. The three were also ordered to pay \$82 million in restitution. Joseph Brunson, Jr., was also convicted on one count of making a false statement, sentenced to three years probation and ordered to pay a special assessment of \$100. The chief warrant officer was issued a general officer's memorandum of reprimand and was allowed to retire with no further action being taken. The collective sentences were for violations of 18 USC 1001, False Statements; 18 USC 1349, Conspiracy to Commit Mail Fraud; and 18 USC 1341, Mail Fraud.

Procurement Fraud

Procurement fraud investigations continue to comprise a major part of the DCIS inventory of cases. Of all the forms of white-collar crime, procurement fraud is probably the least visible, yet the most costly. In part, procurement fraud is a hidden by-product of seemingly legitimate transactions often involving millions of dollars. The potential damage relating to procurement fraud extends well beyond financial losses. It poses serious threats to the ability of the Department to achieve its operational objectives and can hamper the implementation of programs and projects. Procurement fraud includes, but is not limited to, cost/labor mischarging, defective pricing, defective parts, price fixing, and bid rigging.

\$69 Million Settlement by Louis Berger Group, Inc. for False Claims

Overview: A joint investigation conducted by



DCIS special agents conduct convoy operations training.



SAC Edward Bradley speaks at a press briefing regarding the LBG investigation.

Core Mission Areas



DCIS agents arrest AGI owner for defrauding the government.

DCIS, FBI, U.S. Agency for International Development, and SIGIR disclosed that the Louis Berger Group, Inc., a New Jersey-based engineering consulting company, charged inflated overhead rates that were used for invoicing on numerous government reconstruction contracts in Iraq and Afghanistan. From at least 1999 through August 2007, LBG intentionally overbilled the U.S. government. The scheme was carried out by two former senior LBG employees, Salvatore Pepe, LBG's former chief financial officer and Precy Pellettieri, the former controller. Both were responsible for ensuring the integrity of LBG's cost data with respect to the calculation of overhead rates that LBG charged the federal government. Pepe and Pellettieri conspired to bill USAID and other federal agencies using falsely inflated overhead rates. The case against LBG was initiated as a result of a whistleblower lawsuit filed in the District of Maryland, which charged LBG with several violations of the civil False Claims Act. In addition to mischarging USAID, the false claims also inflated billings on contracts performed overseas for the U.S. Army and U.S. Air Force.

Result: On November 5, 2010, the two former employees pled guilty in U.S. District Court, Newark, N.J., to conspiring to defraud the government with respect to claims. On the same day, a settlement was reached with LBG to resolve the criminal and civil fraud charges related to its international work. The components of the settlement included a deferred prosecution agreement, wherein LBG agreed to pay \$18.7 million in related criminal penalties; make full restitution to USAID; adopt effective standards of conduct, internal controls systems, and ethics training programs for employees; and employ an independent monitor who will evaluate and oversee the company's compliance with the deferred prosecution agreement for a two-year period. The civil settlement also required the company to pay the U.S. government \$50.6 million to resolve allegations that LBG violated the False Claims Act, 31 USC 3729.

DoD Contractor pays \$15 Million in Civil Settlement and Is Sentenced for Conspiracy to Defraud the Government

Overview: A joint investigation conducted by DCIS, Army CID and the Department of Agri-

culture OIG disclosed that Samir Itani, owner of American Grocers Inc., deliberately purchased expired or near expired foods from food manufacturers at discounted prices and changed the expiration dates on the packages before shipping, resulting in \$20 to \$30 million in gross profits from the sale of foods to DoD. The food was sent to troops and DoD personnel in the Middle East. AGI created inflated invoices with bogus freight charges of \$2.3 million. AGI also concealed discounts from food manufacturers that were not passed on to DoD of approximately \$1.5 million.

Result: On November 8, 2010, Itani agreed to pay \$15 million for violations of 31 USC 3729-3733, False Claims Act. Also, on December 3, 2010, Itani was sentenced to two years imprisonment, three years supervised release, ordered to pay \$2,072,967 million in restitution and a fine of \$100,000 for violations of 18 USC 286, Conspiracy to Defraud the Government with Respect to Claims.

\$1.95 Million Settlement for CDI Aerospace for False Claims

Overview: A joint investigation conducted by DCIS and Air Force Office of Special Investigations disclosed that CDI Aerospace officials, after the loss of a significant DoD subcontract from General Electric Aircraft Engines Evandale, Ohio, ordered overhead employees to randomly charge "direct" time to the remaining GEAE subcontracts and line items. Specifically, CDI Aerospace overhead employees were told to make sure their time charges were "direct" to projects and not to overhead accounts. The relator was uncertain how many CDI Aerospace employees were involved in the mischarging scheme, but estimated the number of employees between 15-30, falsely billing for an excess of two years. This investigation was initiated based upon a qui tam lawsuit, and a January 27, 2006, consultation with auditors from the DCAA Investigative Support.

Result: On November 12, 2010, a settlement agreement was reached between the DoJ, CDI Aerospace, and the relator. CDI Aerospace agreed to pay the U.S. government \$1.95 million for violations of 31 USC 3729, False Claims Act. The U.S. government agreed to pay the relator \$360,750 of the settlement.

Boeing Company Settles Civil Law Suit with U.S. Government in Conjunction with Allegations of Inflating Costs for Air Force B-1 Bomber System

Overview: A joint investigation conducted by DCIS and AFOSI focused on allegations that Boeing had violated the Truth in Negotiations Act in their negotiations with the U.S. Air Force related to the Towed Decoy System. The TDS deploys a decoy that is towed behind an aircraft, in this case the B-1 bomber, and is designed to protect the aircraft from guided missiles. A total of nine DoD IG subpoenas were served on Boeing and its subcontractors.

Result: Boeing agreed to pay \$4 million to settle a civil lawsuit alleging the company unlawfully inflated the price it charged the Air Force to manufacture the TDS for the B-1 in violation of 31 USC 3729, False Claims Act.

DoD Contractor Employee Steals UAV Cables for Scrap Value

Overview: A DCIS investigation disclosed that the U.S. government purchased remote vehicle terminal cables and copper cables for a DoD contractor to install in U.S. property, including unmanned aerial vehicle used in foreign military operations. One of the contractor's employees, Levon Smith, stole the cables and took the property to a recycling company where he sold the stolen material at scrap metal prices, totaling approximately \$340,000.

Result: Smith pled guilty and on February 11, 2011, was sentenced to 15 months incarceration, followed by three years probation and ordered to pay \$342,000 in restitution. This sentence was a result of violations of 18 USC 641, Theft of Government Property.

Product Substitution

Investigations involving the introduction of counterfeit goods, substandard materials, and non-conforming products into DoD's procurement and acquisition system have historically been - and will continue to be - one of DCIS's top priorities. The Department requires very specific, and at times, unique products for its infrastructure and weapons systems. Nonconforming products pollute the DoD supply chain and pose a risk to military operations and both military and civilian personnel. Any products

or component of a product not manufactured, assembled, tested, or inspected in accordance with the terms of the contract specifications are considered nonconforming, and are generally divided into the following investigative categories: counterfeit, substituted, defective, and substandard.

DCIS works with federal law enforcement partners, supply centers, and the defense industrial base to ensure DoD contractors provide the right part or component to meet DoD requirements. DCIS actively participates in the Defense Supply Center Columbus Counterfeit Material/Unauthorized Product Substitution team and partnered with the Intellectual Property Rights Center, focusing on counterfeit parts.

Northrop Grumman Agrees to \$5.2 Million Settlement Relating to Allegations of B-2 Bomber Coating Nonconformance

Overview: A joint investigation conducted by DCIS and AFOSI disclosed failures of the Advanced Topcoat System. ATS is a surface coating used by the Air Force on the B-2 Bomber program. The failures affected multiple aircraft causing considerable delays, impacting the readiness of the vehicles, and costing several million dollars to repair.

Result: Northrop Grumman agreed to pay the U.S. government \$5.2 million and in turn have its liability released under the provisions of 31 USC 3729, False Claims Act and 31 USC 3801, Program Fraud Civil Remedies Act.

Technology Protection

Protection of critical military technologies supporting the warfighter continues to be a DCIS priority consistent with its legacy of investigating public corruption and financial crime within the Department. DCIS actively represents the interests of the Department in multiple inter-agency task forces charged with the enforcement and reform of export policy. Ongoing involvement with the formation of the presidentially-mandated Export Enforcement Coordination Center has ensured DCIS will serve as an engaged advocate of the Department in the future. With an eye to the ever-evolving world of national security threats, the DCIS Technology



DoD IG recovered \$342,000 in restitution from attempted theft of UAV materials.

Core Mission Areas

Protection Program continues to work with federal partners in order to collaborate and minimize duplicative investigative effort. Through this collaborative effort and information sharing, DoD is better able to focus intelligence and procurement efforts to maintain the technological supremacy of the American warfighter.

Chinese Front Companies Supply High-Level Electronics to PRC

Overview: A joint investigation conducted by DCIS, Homeland Security Investigations, and the Department of Commerce disclosed that Chitron Electronics, Inc., a Waltham, Mass., contractor purchased various military and dual-use microprocessors and semiconductors from cleared defense contractors and illegally exported the items to Chitron's affiliate companies located in the People's Republic of China. The items illegally exported by Chinese nationals were primarily used in military phased array radar, electronic warfare, military guidance systems, and military satellite communications. A 5-week trial found several conspirators guilty of illegally exporting controlled electronic equipment from the United States to China.

Result: On January 28, 2011, Chitron Electronics Inc. was fined \$15.5 million with a special assessment of \$10,400 for violations of 18 USC 371, Conspiracy and 22 USC 2778, Arms Export Control Act. On February 3, 2011, a final contempt order was entered against Chitron's parent company, Shenzhen Chitron Electronics Company Limited. Shenzhen was fined \$1,925,000 for failure to appear for an arraignment on the third superseding indictment and for not appearing at its trial, which commenced April 5, 2010.

Slovenian Arms Dealer Convicted and Jailed

Overview: A joint investigation conducted by DCIS and Homeland Security Investigations disclosed that Ruslan Gilchenko and his Slovenia based company, MG-CZ Inc., sought to purchase and export M134 mounted sport utility vehicles to Turkmenistan. The M134 "Minigun," made popular through television and film, is a six barreled electrically driven machine gun capable of firing the 7.62 NATO round at a rate of 3,000 rounds per minute. The M134 "Minigun" is employed on a number of vehicles and aircraft

in the U.S. military's arsenal and units cost over one million dollars each.

Result: On February 4, 2011, Gilchenko was sentenced in the District of Arizona to serve 18 months of incarceration, followed by three years of supervised release for violations of 18 USC 371, Conspiracy and 22 USC 2778, Arms Export Control Act.

Telecom Worker Makes Deal for Iranian Bound Microwave Radios

Overview: A joint investigation by DCIS and ICE disclosed that Vikramaditya Singh, an employee of Orion Telecom Networks conspired to transship digital microwave radios through Austria for a final destination in Iran, a violation of the International Economic Powers Act embargoes against Iran. Singh received customer orders with requirements for the specific desert and mountain environment of Iran and stated that his company could not ship radios to Iran because of the embargoes but was willing to ship to Austria.

Result: On March 2, 2011, as a result of a guilty plea, Singh was sentenced in the U.S. District Court, District of Delaware to serve six months house arrest and three years probation. In addition, Singh was ordered to pay a \$100,000 fine and restitution of \$15,985 for violations of 50 USC Section 1702 and 1705(a), International Economic Powers Act.

Import/Export Company Exported Missile Parts to South Korea Without Approval

Overview: A joint investigation conducted by DCIS and ICE disclosed that Alpine Aerospace Corporation, a New Jersey-based import/export company, illegally exported missile parts to South Korea. From about July 2005 to January 2007, Alpine Aerospace exported Hawk and Nike missile parts to the South Korean Air Force without obtaining approval from DoS in violation of U.S. export laws. Specifically, investigation revealed the company falsely stated on shipper's export declaration forms filed with Customs and Border Protection that the defense articles being exported were aircraft and engine parts. Alpine Aerospace knowingly exported the missile components under U.S. export licenses authorizing the export of aircraft engine parts, not missile parts. These licenses specifically



A arms dealer was convicted of illegally exporting M134 mounted SUVs.

stated that the export of “spare parts and minor components for systems identified under other categories of the U.S. Munitions List, such as Category IV – missiles and bombs...are not authorized under this license.”

Result: On October 27, 2010, Alpine Aerospace Corporation pleaded guilty in U.S. District Court, Newark, N.J., to violating 18 USC 1001, False Statements in regard to the illegal export of Hawk missile parts to South Korea.

Aviation Contractor Attempts to Re-export Aircraft Engines to Venezuela

Overview: A joint investigation conducted by DCIS, Homeland Security Investigations, and the FBI disclosed that the Marsh Aviation Company allegedly conspired to export T-76 aircraft engines to Venezuela. The T-76 engines are components of the OV-10 Bronco Light Armed Reconnaissance Aircraft, a platform commonly used in counter-insurgency and drug interdiction missions. Allegedly, the Venezuelan Air Force contracted with the aviation company to refit and maintain the engines, despite U.S. arms embargoes implemented against Venezuela in 2006. In order to conceal the re-export of the engines back to Venezuela, Marsh Aviation allegedly declared the engines as general aircraft parts.

Result: On October 12, 2010 Marsh Aviation and company owner, Floyd Stilwell, were indicted on two counts in the District of Arizona for violations of 18 USC 371, Conspiracy and 22 USC 2778, Arms Export Control Act. In addition, on January 4, 2011, the aviation company and several alleged co-conspirator companies and individuals were suspended from conducting business with the federal government.

Health Care Fraud

Health care fraud costs the country an estimated \$60 billion a year. Health care fraud is a rising threat with national health care topping \$2 trillion and expenses continuing to outpace inflation. Recent cases also show that medical professionals are more willing to risk patient harm in their schemes.

DCIS has primarily focused health care investigations on those involving harm to the patient

and on health care providers involved in corruption or kickback schemes. Investigations also include overcharging for medical goods and services, off-label marketing of drugs, and unauthorized people receiving TRICARE health benefits. DCIS proactively targets health care fraud through task forces, strike teams, and undercover operations.

\$750 Million Settlement by GlaxoSmithKline to Resolve Distribution of Adulterated Drugs

Overview: A joint investigation conducted by DCIS, the FBI, the Food and Drug Administration's Office of Criminal Investigations, the Department of Health and Human Services OIG, the Department of Veterans Affairs OIG, and the Office of Personnel Management OIG disclosed that between 2001 and 2004, GlaxoSmithKline, GSK subsidiary SB Pharmco Puerto Rico, Inc., and Roche Holding AG violated current Good Manufacturing Procedures at their manufacturing plant in Cidra, Puerto Rico. The cGMP violations included product mix-ups (including drugs of different type or strength found in the same bottles), sub-potent and over-potent products, inadequate or non-existent calibration of equipment and instruments, and sub-standard quality control of the plant's water system, resulting in microbial contamination of the products. From 2001-2004, nearly all of GSK's products entering the U.S. market were manufactured in Cidra.

Result: On October 26, 2010, GSK and its subsidiary SB Pharmco Puerto Rico formally agreed to pay a total of \$750 million to resolve the government's criminal and civil investigations into their manufacturing practices of the following four drugs: Kytril, Bactroban, Paxil CR, and Avandamet. On November 8, 2010, in U.S. District Court, District of Massachusetts, SB Pharmco Puerto Rico pleaded guilty to a one-count information charging violations of 21 USC 331(a), 333(a)(2), and 351(a)(2)(B), Interstate Shipment of Adulterated Drugs. As part of the criminal plea agreement, GSK paid a \$140 million criminal fine and \$10 million in criminal forfeiture. GSK and SB Pharmco Puerto Rico also signed a civil settlement agreement with the U.S. Department of Justice, HHS, TRICARE, the U.S. Department of Veterans Affairs, and the U.S. Office of Personnel Management.



DCIS found a contractor conspired to export OV-10 engines to Venezuela.



DCIS special agents conduct predeployment medical training.

Core Mission Areas



DCIS found that Allergan unlawfully promoted BotoxR for off-label uses.

The total civil recovery was \$600 million, plus interest, of which approximately \$51.5 million was paid to TRICARE.

💙 \$600 Million Settlement by Allergan for Distributing a Misbranded Drug

Overview: A joint DCIS investigation with the FBI and the Department of Health and Human Services OIG disclosed that Allergan promoted BotoxR for off-label indications that were not approved by the Food and Drug Administration and therefore not covered by federal health care programs. Allergan encouraged coding for the on-label use for cervical dystonia indication as a method to claim reimbursement for off-label uses to include pain and headache. This practice increased sales and caused false claims to be submitted to government health care programs, to include TRICARE.

Result: The U.S. District Court, Northern District of Georgia, accepted Allergan's guilty plea for unlawfully promoting BotoxR for headache, pain, spasticity, and juvenile cerebral palsy, none of which were approved by the Food and Drug Administration—from 2000 to 2005. All were violations of 21 USC 331(a) and 352(f)(1), Distribution of a Misbranded Drug. Allergan was fined \$375 million in criminal fines and forfeitures, and agreed to pay an additional \$225 million in civil remedies. Allergan also entered into a corporate integrity agreement with HHS OIG, which requires Allergan's board of directors (or a committee of the board) annually review Allergan's compliance program and certify its effectiveness and comply with other administrative provisions for five years.

💙 Health Care Provider to Pay \$1.2 Million to TRICARE for False Claims

Overview: A DCIS investigation disclosed that Brain D. Lemper, an anesthesiologist and pain medicine management specialist, conducted fraudulent and abusive billing practices through billing for services not rendered. Lemper did so through misrepresentation of services and misrepresentation of provider, and by inappropriately submitting numerous duplicate claims to TRICARE.

Result: On December 10, 2010, a settlement agreement was reached between Lemper and the government, whereby the anesthesiologist

agreed to pay \$1,258,790 to settle the allegations of submitting false claims to the government, in violation of 31 USC 3729, False Claims Act.

💙 \$38 Million Settlement for Abbott Laboratories for False Claims

Overview: A joint investigation conducted by DCIS and HHS OIG was initiated based upon a qui tam filed under seal against Abbott Laboratories, the successor of Kos Pharmaceuticals. The investigation disclosed that four qui tam actions have been filed against Kos. The original qui tam was filed March 19, 2004, pursuant to the provisions of the False Claims Act. The complaint alleges Kos paid kickbacks to physicians in exchange for increasing the number of prescriptions written for Kos' drugs. The second qui tam action was filed against Kos on July 26, 2004, alleging Kos engaged in off-label promotion of its drugs, and paid kickbacks to physicians. On September 15, 2006, a third qui tam was filed against Kos, alleging Kos violated the Anti-Kickback Statute. On December 26, 2007, the fourth qui tam, which this report reflects, was filed against Kos by the Kos former regional director for the Midwest. From October 1, 2002, to February 1, 2008, TRICARE paid Kos, regarding the medications in question in the qui tam, a total of \$54,324,593. ,

Result: The U.S. government and Abbott Laboratories signed a settlement agreement wherein Abbott Laboratories agreed to pay to the United States and the Medicaid participating states \$38,159,742 plus interest of which TRICARE will receive \$7,795,724. This agreement settled alleged violations of 31 USC 3729-3733, False Claims Act.

💙 TRICARE Provider Pays \$2.5 Million to Settle False Claims Allegations

Overview: A joint investigation conducted by DCIS, HHS OIG, and OPM OIG disclosed that Greater Metropolitan Orthopedics, P.A., a TRICARE provider, fraudulently overcharged for patient consultations and/or charged for consultations that did not occur. Specifically, between 2004 and 2008, GMO submitted claims for evaluation and management services not rendered for office visits that either never took place or were not documented in the patients' medical records, billed new or existing patient visits as

consults, and submitted duplicate claims for review and interpretation of x-rays.

Result: On December 16, 2010, GMO agreed to pay \$2.5 million to settle allegations of violations of 31 USC 3729-3733, False Claims Act.

Computer Crime

DCIS continues to combat cybercrime through several proactive initiatives around the country, and maintains an on-site presence within the FBI's National Cyber Investigative Joint Task Force as well as a presence within the Defense Cyber Investigative Coordination Center embedded within the U.S. Cyber Command. The cybercrime program continues to place emphasis on crimes involving the compromise and theft of sensitive defense information contained in government and DoD contractor information systems as well as focusing on instances where contract fraud by DoD information technology contractors has been a factor in the penetration of DoD networks. DCIS responds to traditional computer intrusions against DoD and provides digital forensics services in support of investigations.

Former Military Member Sentence to Four Years in Prison for Stealing Pay and Identities

Overview: A joint investigation conducted by DCIS and the U.S. Postal Inspection Service disclosed that beginning in July 2008 through May 2009, a former military member, Andre Grant, fraudulently gained access to the payroll accounts of specific U.S. service members and changed the payee information to divert more than \$23,500 in wage payments to accounts under his control. In addition, the Grant engaged in identity theft of other individuals. As a result of his schemes, Grant was responsible for \$187,659 in losses to merchants and to the U.S. government for funds diverted from the payroll accounts.

Result: On October 18, 2010, Andre Grant was sentenced to 48 months incarceration, 36 months of supervised release, and to pay restitution of \$158,990. This sentence was for violations of 18 USC 1030(a)(4), Unauthorized Access of a Protected Computer System; 18 USC 1029(a)(2), Identity Theft; and 18 USC 1028(a)(1), Aggravated Identity Theft.

The following are highlights of inspections, assessments, or evaluations conducted by DoD IG. DoD IG inspections are listed under the following categories:

- Health and Safety
- Joint Warfighting and Readiness
- Compliance

Health and Safety

Taking care of our people is one of the major themes of the 2010 Quadrennial Defense Review. DoD IG supports this theme by focusing its oversight efforts on preventing and detecting fraud, waste and abuse, and improving efficiency and effectiveness of the programs affecting the health and safety of service members and employees.

Of special concern is the proper care and support to approximately 35,000 soldiers, sailors, airmen and marines wounded due to combat actions in Operations Iraqi and Enduring Freedom. With the United States engaged in Overseas Contingency Operations in Iraq and Afghanistan, and most recently, support to other efforts in the Middle East, the medical care required by military personnel is expected to increase over the next several years.

It is critical for DoD IG to maintain vigorous oversight of the health and safety challenges facing the Department, not only to ensure that wounded warriors receive high-quality health care but that DoD health care dollars are spent wisely and prudently.

Assessment of DoD Wounded Warrior Matters – Fort Sam Houston

Overview: DoD IG reviewed U.S. Army and Marine Corps Warrior Care and Transition programs, established in 2007 and 2008 to manage the care and transition back to military units or into civilian life of wounded, ill, and injured service members from Operations Iraqi and Enduring Freedom. There are 29 Warrior Transition Units in the Army with approximately 10,000 soldiers and two Marine Wounded Warrior Battalions in the Marine Corps with approximately 1,000 Marines. The Brooke Army Medical Center located at Fort Sam Houston, Texas,

Inspections

Core Mission Areas



DoD IG conducted an assessment of wounded warrior care.

is a modern state-of-the-art, 450-bed health-care facility that provides level-one trauma and graduate medical education. Among the BAMC WTU warriors, were severely burned patients, amputee patients, Traumatic Brain Injury patients, Post Traumatic Stress Disorder patients, and other wounded, ill, and injured patients.

Findings: DoD IG found that BAMC WTU established a number of noteworthy practices for supporting the comprehensive care, healing, and transition of wounded warriors, including developing a high-interest patient database to help with the care and risk management of complex patients. Further, DoD IG observed that the BAMC management and staff were fully dedicated to providing the best available care and services for helping wounded warriors heal and transition. However, a number of significant challenges were identified that, if addressed by BAMC management, would increase program effectiveness.

Result: These challenges included: developing an operational definition of a “successful” end-state for a wounded warrior, including measurable criteria; applying more carefully and consistently the Army eligibility criteria for individuals considered for assignment or attachment to the WTU; and determining case loads by the complexity of wounded warriors’ care and needs, rather than by numerical staffing ratios.

Report No. SPO-2011-004

⊕ Assessment of Allegations Concerning Traumatic Brain Injury Research Integrity in Iraq

Overview: DoD IG reviewed, in response to a complaint to the Defense Hotline, allegations that a military physician conducted sub-standard human subject research on deployed and injured service members in Iraq. The research protocol, “The Use of Anti-Oxidants to Reduce Sequela of Mild Traumatic Brain Injury After Blast Exposure,” was conducted by a Navy physician at Camp Al Taqaddum, Iraq, between December 2008 and March 2009. The research protocol proposed that early treatment with the antioxidant n-Acetylcysteine could reduce the effects of mTBI after a concussion, specifically, dizziness and hearing loss. Potential human subjects for this study were 80 deployed service members, recently exposed to a blast incident

(e.g., improvised explosive devices) and evacuated to Camp Al Taqaddum for evaluation and treatment.

Findings: DoD IG found that the Navy physician appeared to have misled research authorities and executed a defective medical research protocol, which may have injured participating personnel. The Navy physician’s activities appeared to have involved potential medical research misconduct, possible sub-standard patient care, and revealed weaknesses in the process used during the review and approval of the medical research in Iraq. Among other things, the Navy physician failed to disclose that he had a financial interest in NAC. He also did not obtain an investigational new drug approval from the Food and Drug Administration. Additionally, he may have used coercion and undue influence on the research subjects to encourage their participation in the study. Further, the Navy physician failed to properly care for service members by using an inappropriate screening tool to assess for mTBI, using an experimental drug that was not FDA approved, and administering medications contraindicated in early treatment of mTBI. The research protocol and subsequent oversight also revealed weaknesses in the process used during the review and approval of the clinical trial and the lack of regulations / instructions to support research conducted in a joint environment.

Result: The assistant secretary of defense for health affairs agreed to conduct health assessments to determine if there were any adverse effects on the health of the service members who participated in the mTBI clinical trial. The U.S. Army Medical Command agreed to investigate potential medical research misconduct by the U.S. Navy physician and take appropriate action as required.

Report No. SPO-2011-005

⊕ Review of Matters Related to the Death of a Hospitalman while in U.S. Navy Custody

Overview: This review was initiated in response to a request from former Representative Mark Steven Kirk (R – Ill.) on behalf of the parents of a Navy hospitalman following his suicide on January 27, 2008, while in custody of Navy law enforcement officials at Naval Air Station Brunswick, Maine. On the day of his death, the hospitalman became distraught and threatened

to commit suicide. The authorities were notified and responded accordingly. The hospitalman was taken into custody and placed in hand irons at his quarters. However, at one point the hospitalman was allowed to use his restroom under the supervision of an emergency medical technician. With one restraint removed, while in the restroom, he produced a handgun and shot himself. DoD IG reviewed the facts and circumstances of the incident, and reviewed the investigations completed by NCIS; commanding officer, Naval Health Clinic New England; and commanding officer, NASB. DoD IG also interviewed sailors, civilian police officers, NCIS agents and supervisors, investigating officers, and other witnesses.

Findings: DoD IG found that the NCIS investigation that concluded the cause of the hospitalman's death was a gunshot wound to the chest and the manner of death as suicide, was conducted in accordance with DoD, Department of Navy, and NCIS standards. The command directed investigation, not required by policy but ordered by the commanding officer, NASB out of an abundance of caution found:

- The training of the responding police officers was in accordance with departmental policy and adequate, and the officers were qualified to perform their duties.
- The actions of the responding police officers were deficient and allowed the hospitalman to harm himself.

DoD IG concurred, finding that based upon DoD and DoN standards, DoN officials implemented realistic corrective measures to prevent recurrences similar to the hospitalman's death. DoD IG also found that:

- DoN officials disclosed information in response to the father's Freedom of Information Act request in accordance with the provisions of the Privacy Act and FOIA.
- The line of duty death investigation ordered by the commanding officer, Naval Health Clinic New England was inadequate.

DoD IG found that, although the investigating officer correctly determined the hospitalman's death was in the line of duty, he failed to recognize certain information that he collected amounted to suicidal behavior warning signs, and did not investigate command actions taken in response thereto.

Result: As a result, DoD IG recommended the DoN Bureau of Medicine and Surgery correct the deficiencies in the line of duty investigation, including thoroughly documenting and supporting findings of facts; investigating the command's response to suicide warning signs displayed and apparently recognized by others; and making recommendations as originally directed by the convening authority. The DoN Bureau of Medicine and Surgery complied.

Report No. IPO2010E002

Joint Warfighting and Readiness

First among DoD's priority national security objectives is to prevail in today's wars. As described in the QDR, the United States "must ensure the success of our forces in the field – in Afghanistan, Iraq, and around the world." Critical to achieving this objective in Southwest Asia is developing increasingly self-reliant Iraqi and Afghan Security Forces that can provide security for their people with reduced U.S. and international assistance.

In Iraq, the United States is conducting a responsible drawdown while continuing the important mission of advising, training, and equipping the Iraqi Security Forces. With U.S. forces scheduled to be withdrawn from Iraq by December 31, 2011, the ISF has taken the lead in protecting the Iraqi people. In Afghanistan, U.S. and international forces are continuing their mission to train, equip and mentor the Afghan National Security Forces.

Assessment of U.S. Government Efforts to Develop the Logistics Sustainment Capability of the Iraqi Security Forces

Overview: DoD IG reviewed a key goal of the commander, United States Forces-Iraq, to develop an effective logistics sustainment capability that supports the enduring security operations of the Iraqi Security Forces by the time U.S. forces withdraw at the end of 2011. Considerable progress has been made; however, there remains a significant gap between the Minimum Essential Capabilities defined as constituting the crucial foundation of a sustainable ISF logistical system and current ISF logistics capability. Fail-



DoD IG reviewed the logistics sustainment capability of the Iraqi Security Forces.

Core Mission Areas

“As of July 2010, ISAF had exceeded the milestone set for expanding ANP forces, reaching 109,000 personnel three months ahead of schedule.”



DIG Kenneth Moorefield at the Afghan National Police Academy.

ure to build a logistics sustainment foundation could have significant consequences with respect to ISF's ability to provide for Iraq's internal and external defense.

Findings: DoD IG found that to close this capability shortfall in the relatively brief time remaining to USF-I will require an intensified effort that would appear to be beyond the on-the-ground forces' resource capability. Additional subject matter expertise support from DoD and its supporting logistics organizations probably will be required to accomplish the mission with respect to building ISF logistical capacity. This requirement could be accentuated if DoD does not receive the additional Iraq Security Forces Funds requested for FY 2010 and FY 2011 in order for it to provide the required training, mentoring, and equipping assistance. Further, the planning, programming, budgeting, and execution processes at the Iraqi Ministry of Defense are generally dysfunctional. The MoD cannot currently provide effective logistics and maintenance support to the ISF because it lacks the ability to plan, accurately generate requirements, justify its budget, and execute its funding efficiently and effectively.

Result: As a result, the assessment determined that fiscal requests made by DoD in its FY 2010 supplemental and FY 2011 budget with respect to the Iraq Security Support Fund play a critical role in enabling forces in Iraq to accomplish their mission of ensuring that the ISF are capable of providing for their own long term logistical sustainment. Corrective action for issues involving dysfunctional ISF processes must start at the ministerial level; USF-I requires additional planning, programming, budgeting, and execution expertise and assistance from DoD.

Report No. SPO-2011-001

⊕ Assessment of Efforts to Train, Equip, and Mentor the Expanded Afghan National Police

Overview: DoD IG reviewed President Obama's late-2009 emphasis on the importance of building the Afghan National Security Forces as a priority objective of U.S. national security and military strategy in Afghanistan. Previously, the primary focus had been to expand the Afghan National Army. With additional resource support, the major thrust of the train and equip efforts over the past year has been the devel-

opment of the Afghan National Police, which is recognized by the International Security Assistance Force and the coalition as essential to success in the counterinsurgency campaign. As of July 2010, ISAF had exceeded the milestone set for expanding ANP forces, reaching 109,000 personnel three months ahead of schedule.

Findings: DoD IG found that ISAF has taken the initiative to close the ANP logistics capability gap, implementing a logistics infrastructure development plan that is building supply depots across the regional commands, down to provincial level, that are closer to forward deployed police units. The command has established ANP development as a priority objective and is implementing an aggressive strategy that has achieved progress with respect to the: transformed training model; improved training quality; increased trained personnel and recruitment rate; reduced personnel attrition; logistics infrastructure development; emphasis on leadership; progress in mentoring by U.S. tactical units. Further, institutional capacity building of the Ministry of Interior is proceeding on numerous lines of development. Under new MoI leadership, it is expected to be capable of providing more effective management support for the ANP including in the area of logistics.

Result: As a result, ISAF needs to institutionalize the ANP force development/coordination process between its subordinate commands and document the ANP force size necessary to execute the counterinsurgency strategy. The on-the-ground trainers and mentors working to execute ANP fielding plans may be insufficient. In addition, the untrained ANP personnel, estimated at 40 percent, threaten the viability of the ANP. ANP logistics capacity significantly lags operational needs. Finally, corruption and lack of governance/Rule of Law impede ANP effectiveness and the implementation of the COIN strategy.

Report No. SPO-2011-003

⊕ Inspection of DoD Detainee Transfers and Reliance on Assurances

Overview: DoD IG inspected DoD release or transfer of detainees from Guantanamo Bay Detention Facility, Afghanistan, and Iraq between August 24, 2009, and August 24, 2010, to determine if assurances were obtained that the trans-

ferred individuals would not be tortured. This inspection was conducted pursuant to a recommendation of the Special Task Force on Interrogation and Transfer Policies, an interagency task force created by the president in Executive Order 13491, January 27, 2009. The inspection was conducted concurrently and coordinated with Department of State and the Department of Homeland Security OIGs.

Findings: DoD IG found that within DoD, policies and procedures exist describing how detainees should be treated humanely while in DoD custody. DoS has primary authority for negotiating state-to-state assurances. DoD works closely with DoS when transferring detainees from Guantanamo Bay Detention Facility using a structured checklist and timeline to accomplish the transfer smoothly. Policies and procedures are less structured and formal when transferring from DoD custody in Afghanistan and Iraq. A total of 4,781 detainees were reported transferred from DoD custody during the inspection timeframe.

Result: As a result, DoD IG recommended that the under secretary of defense for policy, detainee policy, incorporate relevant recommendations of the Special Task Force on Interrogation and Transfer Policies into the DoD Directive 2310.01E, "Department of Defense Detainee Program." This report is classified.

Report No. 11-INTEL-01

⊕ Assessment of the Defense Intelligence Operations Coordination Center

Overview: DoD IG reviewed an assessment examined whether the Defense Intelligence Operations Coordination Center is resourced to conduct its end-state mission.

Findings: DoD IG could not determine if the center is adequately resourced due to conflicting and ambiguous policies as well as mission overlap with similar organizations within DoD.

Result: As a result, DoD IG recommended the Joint Staff work with the Under Secretary of Defense for Intelligence to clarify roles and responsibilities to not only ensure resources are properly allocated but also eliminate stakeholder confusion. This report is classified.

Report No. 11-INTEL-03

Compliance

Adherence to established legislation, rules, policies, and ethical principles or the process of becoming so, is critical to maintaining order, public trust and confidence in DoD. DoD IG plays a unique and decisive role in promoting integrity and accountability in DoD personnel, programs, and operations.

Evaluation of DoD Contracts Regarding Combating Trafficking in Persons: U.S. Central Command

Overview: DoD IG reviewed a sample of 368 DoD contracts and reports covering the U.S. Central Command area of responsibility, specifically the Republic of Iraq, the Islamic Republic of Afghanistan, the State of Kuwait, the State of Qatar, and the Kingdom of Bahrain. Over the past decade, Congress passed legislation to address its concern regarding allegations of contractor and U.S. Forces' involvement in sexual slavery, human trafficking, and debt bondage. The "William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008" requires DoD IG to investigate a sample of contracts for which there is a heightened risk that a contractor may engage in acts related to trafficking in persons.

Findings: DoD IG found that while DoD and other federal law enforcement organizations were developing procedures to identify trafficking in persons incidents in criminal investigative databases, DoD contracting offices lack an effective process for obtaining information pertaining to trafficking in persons violations within the DoD. Further, while three quarters of the contracts sampled contained a combating trafficking in persons clause, only little more than half had the required Federal Acquisition Regulation clause.

Result: As a result, USCENTCOM Contracting Command agreed to ensure that the Federal Acquisition Regulation "Combating Trafficking in Persons" clause is included in all contracts. Further, the undersecretary of defense for personnel and readiness agreed to disseminate trafficking in persons offense information received by its Office of Law Enforcement Policy and Support to DoD component CTIP program officers.

Report No. SPO-2011-002



DoD IG inspected DoD transfer of detainees from Guantanamo Bay.

“...DoD contracting offices lack an effective process for obtaining information pertaining to trafficking in persons violations within the DoD.”

Core Mission Areas



DoD IG evaluated the DoD Federal Voting Assistance Program.

✚ Evaluation of the DoD Federal Voting Assistance Program

Overview: DoD IG reviewed the effectiveness and level of compliance of voting assistance programs. United States law requires that the inspectors general of the Army, the Navy, the Air Force, and the Marine Corps conduct an annual review of the effectiveness of their voting assistance programs and an annual review of the compliance with voting assistance programs of that service. Upon the completion of their annual reviews, each service IG is required to submit to DoD IG a report on the results of each review. The statute requires that DoD IG submit to Congress a report on the effectiveness during the preceding calendar year of voting assistance programs, and the level of compliance during the preceding calendar year with voting assistance programs as reported by each of the service inspectors general.

Findings: There are five compliance focus areas associated with the Federal Voting Assistance Program: personnel assignments, training, material distribution, communication and information network processes, and commanders/installation level involvement. The service inspectors general reported that their programs were effective and in compliance with DoD regulations and public law, with a few minor exceptions they were addressing.

Result: Services added the voting program to their instructions/memoranda and inspection checklists, increasing the visibility and emphasizing the importance of the program. The service inspectors general reports indicate that efforts were made at all levels to ensure voting assistance was available and publicized. Military installations routinely provided voting program information on their web sites.

Report No. SPO-2011-006

✚ Inspection of an Office of the Under Secretary of Defense Program Number 3: Phase Two

Overview: The inspection assessed life-cycle management.

Findings: Several management control deficiencies were noted.

Result: This report is classified.

Report No. 11-INTEL-05

✚ Assessment of Intelligence Community Whistleblower Protection Act Allegations

Overview: DoD IG assessed the validity of allegations brought forward by a National Security Agency employee under the Intelligence Community Whistleblower Protection Act.

Findings: DoD IG did not substantiate the allegations.

Result: This report is classified.

Report No. 11-INTEL-06

✚ Evaluation of Post-Trial Reviews of Courts-Martial within the Department of the Navy

Overview: The Senate Armed Services Committee directed DoD IG to examine the systems, policies and procedures for post-trial review of courts-martial in the Department of the Navy and to assess their adequacy.

Findings: Navy and Marine Corps judge advocates have not fully accomplished their post-trial military justice mission required in statute and regulation. There have been consistent failures in leadership, supervision and oversight at all organizational levels, impacting military justice in both the Navy and Marine Corps. The failures resulted in inadequate institutional vigilance to ensure process health and, in many instances, failures to exercise the diligence and competence required of legal professionals. Serious post-trial processing problems persisted for at least the last two decades, and some old Navy and Marine Corps cases with lengthy post-trial processing delays still find their way into the appellate courts. DoD IG acknowledged DoN has instituted many improvements over the last four years, both completed and ongoing initiatives.

Results: The secretary of the Navy concurred in whole or in part with the recommendations to improve their processes and is taking the necessary corrective actions. Such actions include issuing policy that establishes uniform post-trial processing standards, procedures, time guidelines and process responsibilities for the Navy and Marine Corps; developing an integrated DoN military justice case processing and tracking system; and conducting a detailed analysis to establish an independent Defense Command and an associated chief defense counsel position.

Report No. IPO2010E003

Enabling Mission Areas



Hotline

Overview

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

The Defense Hotline received 11,062 contacts from the general public and members of the DoD community: 7 percent via mail, 36 percent via e-mail, 10 percent via the internet, 2 percent via the Government Accountability Office, 44 percent via telephone, and one percent from congressional inquiries. Based on these contacts the Hotline initiated 1,418 cases.

Open Cases

The 1,418 cases opened this reporting period are classified in the following categories:

- Internal misconduct (408)
- Reprisal (280)
- Finance (183)
- Contract administration (185)
- Government Property (70)
- Personnel matters (81)
- Programs (58)
- Military support services (13)
- Medical (30)
- Mental health evaluation (5)
- Non-appropriated fund (6)
- Recovery Act (5)
- Security (23)
- Procurement (31)
- Other (40)

Closed Cases

During this reporting period the Defense Hotline closed 1,144 cases as follows:

- 599 cases referred within DoD IG.
- 409 cases referred to the military departments.
- 135 cases referred to other Defense agencies.
- 1 case referred to a non-DoD agency.
- 875 cases were not referred and dismissed without action.

Figure 3.1

Distribution of Method of Hotline Contacts Received

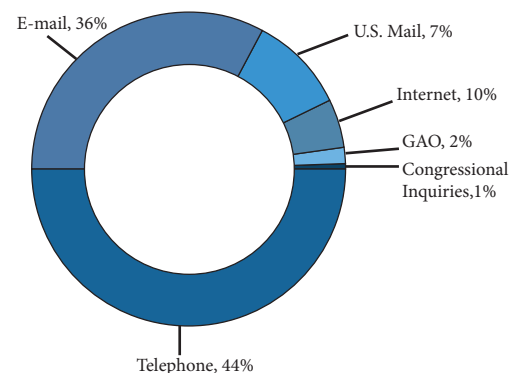
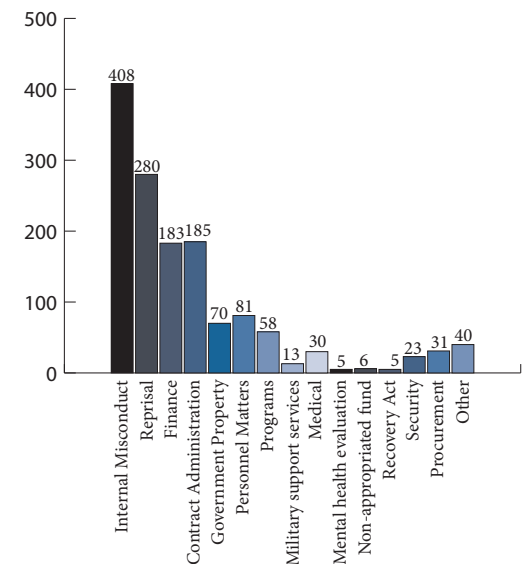


Figure 3.2

Distribution of Cases Initiated by Category



Hotline Case Referrals

The Defense Hotline initiated 1,418 cases to the following activities:

Military Departments	
AF	109
Army	316
Navy	96
USMC	33
JS	21

DoD IG	
MRI	159
ISO	112
CRI	29
Hotline	293
Audits	23
Investigations	48
Intel	2
OPR	4
GC	1
IPO	2
SPO	1

Other Defense Agencies	
AAFES	6
COMPTR	4
DARPA	2
DEFENSE MEDIA	1
DCMA	12
DODEA	10
DCAA	3
DECA	10
DFAS	38
DIA	4
DISA	1
DLA	12
DSS	4
DTRA	2
GC	4
MDA	1
MEPCOM	1
NONDOD	6
NGA	2
NSA	1
PFPA	3
POLICY	3
PUBLIC AFFAIRS	1
AT&L	2
HEALTH AFFAIRS	5
P&R	8
TRICARE	17
USDI	2
WHS	2

During the reporting period, DoD IG pursued the following initiatives to improve operations:

- The Defense Hotline participated in a working group hosted by the Inspector General Criminal Investigators Academy to develop the hotline operator training program. The curriculum was designed to instruct skills and techniques needed to accurately collect critical information from complainants. The program covers introduction to the IG community, the IG Act of 1978, Whistleblower Protection Act, confidentiality of complainants, interviewing skills, and a best practices forum.
- The Defense Hotline staff received specialized training to respond to calls from wounded warriors, concerned family members, or friends, who appear to be dealing with stressful situations, including suicide-related issues. The training was conducted by the Office of the Under Secretary of Defense (Personnel & Readiness), Wounded Warrior Care & Transition Policy Office. The training was tailored to the mission of the Defense Hotline and covered an array of resources available to active, former, retired, reserve, and National Guard soldiers, sailors, airman, Marines, and DoD civilians.

Whistleblower Protection

“As of March 31, 2011, DoD had 351 open cases involving allegations of whistleblower reprisal filed by military service members, Defense contractor employees, and non-appropriated fund employees.”

During the period, the Department received 354 complaints of whistleblower reprisal through the Defense Hotline and other sources and closed 248. Of the 248 closed, 60 were full investigations, with 13 complaints substantiated (22 percent). DoD IG conducted a total of 29 outreach and training events attended by 496 military and civilian IG representatives. Highlights include a substantiated allegation of reprisal involving an Army employee who provided testimony to the House Armed Services Committee and a substantiated allegation of reprisal involving a Navy officer who reported inappropriate conduct and misuse of government property to his chain of command and congressional representative.

Military Reprisal Investigations

DoD IG investigates or oversees allegations of military, non-appropriated fund, Defense contractor whistleblower reprisal; and allegations of improper referral of members of the Armed Services for mental health evaluations. As of March 31, 2011, DoD had 351 open cases involving allegations of whistleblower reprisal filed by military service members, Defense contractor employees, and non-appropriated fund employees. About 77 percent of those cases were received by service IGs. Results of service IG investigative work will be forwarded to DoD IG for final approval.

During the reporting period, DoD IG and service IGs received 302 complaints of whistleblower reprisal and closed 237 cases. Of the 237 cases, 188 were closed after preliminary inquiry determined further investigation was not warranted, and 49 were closed after full investigation. Of the 49 cases investigated, 10 (20 percent) contained one or more substantiated allegations of whistleblower reprisal. DoD IG has statutory responsibility for oversight review of all cases of military whistleblower reprisal regardless of origination, and reviews conducted by the service IGs and DoD IG.

DoD IG continued its expanded outreach, communication, and training to whistleblower stakeholders and service IG counterparts, reaching 241 military IGs with a total of 131 instruction hours.

Examples of Substantiated Military Whistleblower Reprisal Cases

- An Air Force Reserve officer, serving as a weather officer supporting Afghanistan predator operations from a stateside location, was removed as assistant flight commander, threatened with removal of his specialty designation, and threatened with the denial of active duty orders in reprisal for reporting his supervisor's time and attendance violations to the commander. The officer was granted active duty orders and his specialty code was not removed.
- A Navy officer received an adverse fitness report in reprisal for making protected communications to members of his command chain and his congressional representative concerning inappropriate conduct and misuse of government property. The officer has petitioned the Board for Correction of Naval Records for corrective action.
- An Army National Guard warrant officer piloting helicopters in Iraq received an unfavorable officer evaluation report in reprisal for his complaints to an inspector general concerning flying safety and unfair treatment, and for a prior complaint of reprisal to the Defense Hotline.
- An Army platoon sergeant reprised against four of his soldiers by threatening them with administrative separation from the Army for complaining to the IG about his leadership style. The soldiers have all been retained.

Corrective or disciplinary action for the responsible management officials is pending at this time.

Improper Referrals for Mental Health Evaluations

As of March 31, 2011, DoD IG had 15 open cases involving allegations of improper referrals for mental health evaluation. During the period, DoD IG closed 41 cases involving allegations of improperly mental health referrals. Sixteen (39 percent) of those cases substantiated that command officials and mental health care providers failed to follow the procedural requirements for referring service members for mental health evaluations under DoD Directive 6490.1, “Men-

tal Health Evaluations of Members of the Armed Forces.”

Civilian Reprisal Investigations

During the first half of FY 2011, DoD IG continued to select cases involving protected disclosures in five core mission areas: aviation maintenance, health and welfare of service members deployed or returning from Southwest Asia, chemical weapons safety, supply logistics, and intelligence operations. With respect to the intelligence and counterintelligence communities and matters involving security clearances, DoD IG completed five full investigations into alleged reprisals within Defense Intelligence Agency, National Security Agency, Department of Army, and Department of the Navy. Other activities reviewed included alleged reprisal against sources reporting illegal technology transfers; inadequate fielding of equipment to Southwest Asia; improper medical treatment for soldiers and civilians returning from combat theaters; and violations of the Federal Acquisition and Joint Ethics Regulations.

As of March 31, 2011, DoD IG had 16 open cases. During the reporting period, DoD IG received 52 complaints of civilian whistleblower reprisal, accepted 12 complaints for investigation, and closed 11 investigations. Of the 11 investigations closed, three contained substantiated allegations of reprisal resulting in a 27 percent substantiation rate. Sixty-two percent of open DoD IG civilian reprisal cases involved intelligence and counterintelligence communities and matters involving security clearances; the remaining cases involved procurement fraud sources. DoD IG also conducted a total of 15 whistleblower reprisal outreach events attended by 255 DoD military and civilian personnel. Four outreach events (27 percent) were conducted for

intelligence and counterintelligence community stakeholders and the remaining outreach events were conducted for supervisors and employees throughout DoD.

Examples of Substantiated Civilian Whistleblower Reprisal Cases

- An Army employee was reprisal against after providing testimony to a subcommittee of the House Armed Services Committee regarding a lack of medical care afforded to DoD civilian employees injured while serving in combat zones. The report was referred to command officials with the recommendation for remedial action.
- An employee at an Army chemical munitions depot was reprisal against for disclosing improperly installed chemical monitoring devices within storage igloos. The report was referred to command officials with the recommendation for remedial action.
- An Army computer scientist was reprisal against after disclosing violations of the Federal Acquisitions Regulation and the Joint Ethics Regulation by agency officials. The report was referred to command officials with the recommendation for remedial action.

Corrective Action Taken on Previously Reported Civilian Whistleblower Case

- A former Army employee at an Army chemical munitions depot was reprisal against for disclosing violations concerning weapons handling and an improperly initiated training exercise. The report was referred to command officials for remedial action in 2009. During the reporting period, the Merit Systems Protection Board took action on the case and ordered the employee reinstated with back pay.

Senior Officials

To promote public confidence in the integrity of DoD leadership, DoD IG conducts or provides oversight on all investigations into alleged misconduct by senior DoD officials (brigadier general/rear admiral and above, members of the senior executive service, and senior political appointees). Misconduct allegations are non-criminal in nature and typically involve ethics or regulatory violations. Most senior official investigations are conducted by specialized units within the military department IGs. DoD IG investigates allegations against the most senior DoD officials and allegations not suitable for assignment to service IGs.

On March 31, 2011, there were 303 ongoing investigations into senior official misconduct throughout the Department, representing a 3 percent increase from September 30, 2010, when 294 open investigations were reported. Over the past six months, the Department closed 213 senior official cases, of which 45 (21 percent) contained substantiated allegations. Additionally, DoD IG completed 344 requests for records checks totaling 2,613 names of officers being considered for promotion, reassignment, or retirement. The Senate relies on the accuracy of these records checks when deliberating officer nominations.

During this period, DoD IG conducted several sensitive investigations that directly impacted the Department. In one instance, a group of seven senators requested an investigation into the circumstances surrounding a possible violation of the Procurement Integrity Act on the Air Force's \$35 billion procurement of 179 new KC-X aerial refueling tankers.

In every instance, DoD IG expertly investigated the facts and circumstances of the case and presented a timely and independent report of investigation to management officials for appropriate action.

Examples of Substantiated Senior Official Cases

- A general officer improperly received federal pay in violation of the Joint Ethics Regulation and DoD policies governing financial and personnel management. The general

did not properly resign from his military technician position upon assumption of a full time state position, as required by regulation. By failing to do so, he received over \$10,000 in federal pay to which he was not entitled.

- Two senior officials misused a government vehicle on multiple occasions to travel to or from commercial transportation terminals in the national capital region in violation of DoD restrictions on such use. In addition, one of the senior officials frequently began or ended those trips at her personal residence, in violation of additional restrictions. Upon being advised of the results of the investigation, the agency director revised internal policies to account specifically for these issues.
- A senior official improperly solicited subordinates to support an event sponsored by a non-federal entity in violation of the Joint Ethics Regulation.
- A senior official improperly endorsed a non-federal entity and misused official DoD letterhead in violation of the Joint Ethics Regulation and agency instructions. The agency responded by counseling the senior official, strengthening its internal ethics training program, and amending its written instructions.
- A general officer failed to treat subordinates with dignity and respect and engaged in improper or inappropriate conduct that was inconsistent with the Joint Ethics Regulation and service instructions. The general's improper and inappropriate gender-based statements and other actions served to diminish subordinate female staff. The general's actions demonstrated a lack of professional comportment and failed to recognize and moderate personal behaviors that were considered inappropriate, unwelcome, or embarrassing by his subordinates. The general officer was subsequently relieved of his duties.
- A flag officer misused the official time of his aide by encouraging or requesting the aide to coordinate personal events not related to official business in violation of the Joint Ethics Regulation.

Testimony

Section 4(a) of the Inspector General Act requires the inspector general “to review existing and proposed legislation and regulations relating to the programs and operations of [the Department of Defense]” and to make recommendations “concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by [the Department] or the prevention and detection of fraud and abuse in such programs and operations.” DoD IG is given the opportunity to provide information to Congress by participating in congressional hearings and briefings.

On November 15, 2010, Inspector General Heddell testified before the Subcommittee on Contracting Oversight, Senate Committee on Homeland Security and Governmental Affairs, on “Oversight of Reconstruction Contracts in Afghanistan and the Role of the Special Inspector General.” Inspector General Heddell discussed DoD IG oversight efforts in Afghanistan and noted that over 200 DoD IG personnel had been deployed into the region for a significant amount of time since the start of operations in Southwest Asia.

Briefings & Requests

During the reporting period, DoD IG had 32 meetings with Members of Congress and their staff. Topics of discussion during those meetings include issues such as: oversight activities in Southwest Asia, Operation Flicker, Afghan National Police, organizational changes within the audit component, whistleblower issues, and BRAC issues.

DoD IG received 140 new congressional inquiries and closed 136 cases. New inquiries involved issues such as requests related to reprisal investigations; concern about the award of the Air Force tanker contract, requests related to reviews of senior DoD officials, and requests for investigations related to defective fuses in grenades and Gyroscopes in Blackhawk and Chinook

Congressional Testimony



Inspector General Heddell testifies on contingency contracting.

Outreach Activities



DoD IG hosts the Interagency Coordination Group - Guam Realignment.

DoD IG outreach activities include chairing and participating in several coordination groups and task forces as well as providing training.

Inspector General Visits U.S. Pacific Command

In October 2010, Inspector General Heddell conducted a follow-up from his March 2010 visit in order to assess progress over the past seven months with issues related to the transfer of U.S. forces from Okinawa, Japan to Guam.

Interagency Coordination Group - Guam Realignment

In December 2010, Inspector General Heddell hosted the semiannual meeting of the Interagency Coordination Group for the Guam Realignment. The purpose of the group is for senior oversight leadership to coordinate and discuss relevant matters for planning and conducting oversight supporting the Guam realignment efforts.

Joint Inspectors General Activities Program

DoD IG manages a Joint Activities Division to interface with DoD agencies, other federal agencies, and joint IGs worldwide; develop and sustain joint IG publications; develop and deploy joint IG training; conduct mobile training teams and staff assistance visits; and develop and deploy an integrated knowledge management system and structure. DoD IG conducted one resident DoD joint IG course and provided three mobile training teams during the reporting period.

Southwest Asia Joint Planning Group

Special Deputy Inspector General for Southwest Asia Mickey McDermott chairs the Southwest Asia Joint Planning Group, which meets quarterly in order to coordinate and deconflict federal and DoD oversight activities related to Overseas Contingency Operations. The group held its sixteenth meeting in February 2011. During this reporting period, the Fiscal Year 2011 Comprehensive Oversight Plan for Southwest Asia and Surrounding Areas was issued.

Afghanistan Shura

The Afghanistan Shura is facilitated in Afghanistan by U.S. Forces-Afghanistan and DoD IG. The Afghanistan Shura discusses relevant ongoing

and planned oversight impacting operations in Afghanistan. Participants meet on a near monthly basis and include representatives from all OIG offices operating in Afghanistan, including office directors from DoD, USAID, DoS, and the Special Inspector General for Afghanistan Reconstruction. The Afghanistan Shura last met in March 2011.

Army Contracting Command Outreach

In response to contracting challenges in Southwest Asia, DoD IG and the Army Contracting Command established a quarterly outreach program to discuss relevant contract related challenges and observations impacting operations in Southwest Asia. The third outreach session was held in January 2011 and discussed challenges and observations. The group also discussed the impact of DoD IG report Contingency Contracting: A Framework for Reform.

DIG for Investigations Visits Southwest Asia

In January 2011, Deputy Inspector General for Investigations James Burch met with senior military officers and counterparts from other federal agencies, as well as with DCIS special agents assigned to Southwest Asia and Germany to gain insight into how DCIS can better assist DoD in accomplishing its mission. This visit resulted in establishing a presence on various multi-organizational task forces in Afghanistan, including Task Force 2010 and the Combined Joint Interagency Task Force - Shafafiyat. These initiatives provide commanders and acquisition teams with situational understanding regarding the flow of contract funds in the Combined Joint Operations Area.

Government Contracting Ethics and Compliance Panel

DoD IG participated on the American Conference Institute's 3rd Advanced Forum on Government Contracting Ethics and Compliance Panel; in a session entitled Deciding When and How to Disclose Under FAR Mandatory Disclosure Rules and Ensuring "Full Cooperation." Additionally, DoD IG provided training to approximately 250 attorneys, acquisition professionals, Defense auditors, and contractors in venues including the National Reconnaissance Office 2010 Fraud Prevention and Detection



SDIG Mickey McDermott chairs the Southwest Asia Joint Planning Group.

Symposium, the BAE Law Department's Annual Training, and the Defense Contract Audit Agency Executive Steering Committee Meeting.

Iraqi Ministry of Interior Visits DoD IG

In December 2010, Inspector General Heddell hosted the Iraqi MoI assistant deputy inspector general to discuss their plans for the formulation of an Inspector General Training University within the Iraqi Interior Ministry.

Inspector General Meets with Israeli Ministry of Defense Inspector General

In October 2010, Inspector General Heddell met with the defense establishment inspector general for the State of Israel MoD.

National Cyber Investigations Joint Task Force

In June 2010, DCIS began participation in the National Cyber Investigations Joint Task Force, a FBI lead Joint Task Force. This task force focuses on the goal of coordinating cyber investigations and operations, taking advantage of the unique tools and expertise each of the 16 member agencies brings to the cyber fight. Because almost any complex crime has some cyber aspect to it, task force members often discover criminal activities beyond computer intrusion ("hacking") cases, reaching into other areas such as fraud, terrorism, product substitution, and theft. The task force helps DCIS to further protect the U.S. military from threats in the cyber arena and the DoD Global Information Grid.

Cyber Command and Defense Cyber Investigative Coordination Center

With the standup of the United States Cyber Command in late 2010, two new units were formed and embedded within USCYBERCOM, the Defense Cyber Investigative Coordination Center, and the USCYBERCOM-G2X. The center supports the law enforcement requirements of the Defense Criminal Investigative Organizations while the USCYBERCOM-G2X addresses matters involving military counterintelligence. DCIS continues to participate, maintain visibility, and support the de-confliction of the DCIOs investigations and counter-intelligence operations. By co-locating with USCYBERCOM, the Defense Cyber Investigative Coordination Center and DCIS are strategically placed in a posi-

tion to gather operational insight through the daily challenges witnessed by USCYBERCOM's Global Information Grid defenders, and develop leads for potential cyber-related criminal investigations having a DoD nexus.

Asset Forfeiture Program

The DoD IG asset forfeiture program continues to effectively provide forfeiture support to investigations. Since the inception of the program in May 2007, DoD IG has participated in the seizure of assets totaling approximately \$562 million. During the current six-month reporting period, DoD IG participated in investigations that led to court orders of final forfeiture in the amount of \$24 million.

Undercover Operations

DCIS has continued to utilize undercover operations in order to proactively combat bribery, product substitution, computer crimes, terrorism, and the illegal exportation and theft of critical U.S. technology at an unprecedented rate. Partnered with the Immigration and Customs Enforcement, the Federal Bureau of Investigation, the Department of Commerce, and the Naval Criminal Investigative Service utilizing DCIS took part in 16 undercover operations to infiltrate, investigate, and prosecute criminal organizations posing a threat to DoD. These operations resulted in four arrests; seven criminal charges; nine convictions; \$963,034 in restitution, fines, and penalties; 268 months imprisonment; 324 months of probation; and more than \$1 million in recovered government property.

Principal Deputy Inspector General and DIG for Auditing Visit Southwest Asia

In March 2011, Principal Deputy Inspector General Lynne Halbrooks and Deputy Inspector General for Auditing Daniel Blair traveled to Southwest Asia to meet with military commanders and personnel as well as attend the Rehearsal of Concept drill at Camp Arifjan. The Third Army hosted the drill to discuss the transition and reposturing of equipment and materiel from Iraq. The key tasks were to assess requirements and equipment disposition against capacities and determine the limiting factors.



Inspector General Heddell meets with the Iraqi Ministry of Interior officials.



PDIG Lynne Halbrooks visits with personnel in Southwest Asia.

Enabling Mission Areas



Inspector General Heddell meets with U.S. troops in Southwest Asia.

Inspector General Travels to Southwest Asia

In November 2010, Inspector General Heddell made his third trip to Southwest Asia where he met with deployed personnel, 15 U.S. general officers, two non-U.S. general officers, and additional senior commanders in order to evaluate the role of DoD IG in Afghanistan and Kuwait.

Council of Inspectors General for Integrity and Efficiency

The Council of Inspectors General for Integrity and Efficiency was statutorily established as an independent entity within the executive branch by the Inspector General Reform Act of 2008 to address integrity, economy and effectiveness issues that transcend individual government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the OIGs. DoD IG is an active participant in the CIGIE, serving as a member of the CIGIE Executive Council; as a chair of the CIGIE Information Technology Committee; and as editor-in-chief of the CIGIE Journal of Public

Inquiry. During this reporting period, areas of focus for the committee included: coordination with the CIGIE Cyber Security Working Group to explore cyber security issues as they relate to the IG community, the impact of recommendations on accreditation of federal forensic laboratories on digital evidence unit, and the Trusted Internet Connections Initiative.

Defense Council on Integrity and Efficiency

The DCIE is chaired by Inspector General Heddell and meets on a quarterly basis to discuss issues of common interest, share information and best practices, and build closer working relationships among members of the oversight community within the Department. Key presentations and topics of discussion during the reporting period included: secret-level briefing by assistant to the secretary of defense for intelligence oversight on the inquiry into possible questionable intelligence activities by DoD personnel and contractors and the Defense Security Service mission briefing providing an overview of DSS and the role of the DSS inspector general.

Services



Army

“...USAAA published 79 reports, made over 245 recommendations, and identified over \$1.5 billion of potential monetary benefits.”

ARMY AUDIT AGENCY

To accomplish its mission, the U.S. Army Audit Agency relies on a work force of highly trained professional auditors, many with advanced degrees and professional certifications. USAAA's staff consists of approximately 600 employees and is organized into 18 functional audit teams that provide audit support to all aspects of Army operations. USAAA also maintains a significant presence in the Central Command area of responsibility assisting Army commanders. At the end of March 2011, it had 29 deployed auditors in Iraq, Kuwait, and Afghanistan. Overall, USAAA has deployed more than 150 auditors since 2002 and issued approximately 100 reports on Operations Enduring and Iraqi Freedom.

The goal of USAAA is to be a highly sought after and an integral part of the Army by providing timely and valued services that focus on the evolving needs of Army leadership. To ensure its audits are relevant to the needs of the Army, USAAA refined its strategic audit planning process this fiscal year, placing greater emphasis on collaboration with the Army's most senior leaders and on use of detailed corporate risk assessment to ensure that audits focus on significant risks and senior leader priorities.

During the first half of FY 2011, USAAA published 79 reports, made over 245 recommendations, and identified over \$1.5 billion of potential monetary benefits. A few of USAAA's significant reports are described in the following paragraphs:

Managing Modeling and Simulation Capabilities, Office of the Deputy Chief of Staff, G-8

USAAA initiated the audit under the authority of the auditor general. The Army Modeling and Simulation Office developed a strategy and vision, and prescribed policies and guidance to the Army M&S communities. For acquisition-related M&S, program managers planned for and used M&S, but were not effectively identifying their M&S requirements and investments in planning documents; or feeding M&S data into the Army's M&S Resource Repository. Further,

program managers needed to place more emphasis on performing Verification, Validation & Accreditation activities on acquisition-related M&S applications. Also, the Army did not have visibility over the scope of acquisition-related M&S efforts and related costs. Specifically, the AMSO was not organizationally and functionally aligned with program executive officer and program manager chain-of-command structures to monitor the management and use of M&S; and did not have the ability to capture planned M&S investments, particularly for acquisition efforts. Consequently, the AMSO could not develop an M&S Investment Plan or establish metrics to monitor and evaluate the use of acquisition-related M&S throughout the Army, hindering its mission of support to the Army M&S community.

Report No. A-2011-0031-ALA

Army Rapid Acquisition Processes – Capabilities Development for Rapid Transition Process

USAAA initiated this audit under the authority of the auditor general. The audit reviewed the Army's process for identifying, assessing, and recommending rapidly acquired capabilities for transition to acquisition programs, which was the CDRT process. USAAA determined that the Army effectively used the CDRT process to identify, assess, recommend, validate, and approve non-standard equipment for transition into acquisition programs. The Army had good controls over the process because it solicited candidate nominations, developed various screening techniques, performed required assessments, obtained sufficient voting and input from the field, included senior Army leader reviews, executed senior Army leader's decisions to defer recommendations until more information was available, and allowed capabilities to be resubmitted. As a result, the Army sufficiently transitioned qualified capabilities into acquisition programs.

Report No. A-2011-0040-ALA

Commander's Emergency Response Program – Afghanistan

The deputy commanding general, U.S. Forces – Afghanistan requested this audit. USAAA determined whether the Commander's

Emergency Response Program in Afghanistan was achieving the desired intent of the program's objective relative to counterinsurgency goals, and whether commander priorities and requirements were sufficiently funded. USAAA also reviewed project files for compliance with applicable policies. The audit showed USFOR-A inherited a program without baselines, performance measures, or methodologies to capture and analyze program performance relative to COIN goals. As a result, USFOR-A could not demonstrate positive relationships between the humanitarian aid provided through the CERP to the Afghanistan people or the direct effect on the stability of operations. CERP funding was sufficient for commanders' requirements. However, the prior command emphasized obligating funds to start projects but had not developed a process to manage and capture program results. The unintended consequences were ongoing projects that may not fully assist in accomplishing COIN goals. Aligning CERP projects to factors that help Afghanistan achieve stability, and developing a systematic process to gauge whether or not those projects positively affect stability is key to the program's success if USFOR-A wants to use CERP as a COIN tool. USFOR-A agreed with the report's conclusions and recommendations and had taken or was in the process of taking the corrective actions. The assistant secretary of the Army (financial management and comptroller) provided the official Army position and agreed with the report's finding and recommendations.

Report No. A-2011-0020-ALL (FOUO)

Excalibur Accountability Gap, United States Forces – Iraq

USAAA conducted this audit at the request of the program executive officer – ammunition to address the disposition of 17 missing Excalibur ammunition rounds in Iraq and the controls established for accountability of Excalibur rounds. One missing Excalibur round was located in Kuwait. But, final disposition of the other 16 rounds remained unknown because there was no audit trail, as activities were required to maintain records for only 24 months. During the audit, Army Central Command strengthened accountability for ammunition by issuing policy that required

recording serial-numbered ammunition in the Property Book Unit Supply Enhanced system. Additionally, U.S. Central Command, Army Central Command, and the deputy chief of staff, G-4 strengthened accountability for Excalibur rounds by requiring: monthly tracking by serial number for Excalibur rounds and maintenance of permanent records, changing controlled item inventory and special requirements codes to flag Excalibur rounds as serial-numbered ammunition, and requiring firing reports to track all Excalibur rounds fired. Despite these positive actions, several accountability issues remained. Lack of controls over drawing ammunition resulted in the 1st Brigade Combat Team, 3rd Infantry Division (assigned to the U.S. Division - Center) recording only 51 percent of its ammunition on its property books, and not recording serial numbers because inaccurate codes were designated for Excalibur rounds. Also, the Al Jalail ammunition supply point in Kuwait lost accountability for ammunition, including Excalibur (requiring an AR 15-6 investigation), because it did not have effective controls in place. The deputy chief of staff, G 4 agreed with the recommendations to instruct property book officers that Excalibur rounds are serial-numbered items and they need to change the Serial - Registration Requirements Code from "N" to "S". They also agreed to coordinate with the Logistics Support Activity World Wide Ammunition Reporting System Office and Property Book Unit Supply Enhanced Office to implement a systems solution to automatically populate an "S" for serial-numbered items. In addition, U.S. Division - Center strengthened procedures for recording on-hand ammunition in the Brigade property book, and 1st Theater Sustainment Command strengthened controls over accountability of Excalibur rounds at the Al Jalail ammunition supply point. The deputy chief of staff, G-4 provided the official Army position, agreeing with the recommendations, command comments, and proposed actions.

Report No. A-2011-0048-ALL

Audit of Container Operations in Iraq, Condition and Contents

USAAA performed the audit at the request of the Multi-National Corps-Iraq, now the United States Forces – Iraq. Although command



USAAA reviewed Excalibur accountability gap for U.S. Forces Iraq.

established policies and procedures to identify, inspect, and repair containers in Iraq, USAAA found responsible personnel did not always comply with inspection policies or update the container's serviceability status in the database. USAAA's review of containers at four bases in Iraq showed 50 percent of the serviceability or damage status codes were not accurately recorded in the database. This could hinder command's ability to make informed decisions in determining the number of seaworthy containers needed to support the responsible drawdown. In addition, USAAA found redeploying units had adequate procedures in place to pack containers containing unit organizational equipment. However, personnel responsible for packing containers with excess retrograde supplies and equipment did not always follow proper packing procedures and often made little to no attempt to block or brace the contents to prevent shifting and damage during transit. Consequently, containers frequently arrived at their destination with contents in complete disarray. As a result, contents in serviceable or repairable condition shipped from Iraq may become damaged or destroyed during transit, causing a financial loss to the Army. The Office of Deputy Chief of Staff, G-4 and commander, United States Force – Iraq stated action has been taken or would be taken to address the recommendations in the report. To improve awareness, the Army broadcast a command information segment on the importance of blocking, bracing, and packing of containers on Armed Forces Network television.

Report No. A-2011-0047-ALL

Redistribution Property Assistance Teams, United States Forces – Iraq

USAAA conducted this audit at the request of the U.S. Forces - Iraq, director, J-4. The audit addressed property accountability at RPAT yards within Iraq. There were eight RPAT yards to facilitate turn-in of equipment for redistribution or retrograde. The audit showed RPAT yards had controls in place to ensure units had proper clearance and documentation for excess equipment presented for turn-in and property systems were in place for accounting. However, some accountability controls sometimes were not operating effectively. USAAA found equipment at times was not recorded properly

and in a timely manner in property systems. And physical inventories of equipment on hand in the yard sometimes was not accurately accounted for and reconciled to the property systems. Control weaknesses existed because operators in the RPAT yards on occasion lacked procedural knowledge and consistency, execution discipline, and oversight. As a result, equipment sometimes was not properly accounted for and the Army's ability to maintain good asset stewardship in the RPAT yards was impaired. USAAA made recommendations to the 402nd Army Field Support Brigade to standardize documentation-processing practices, develop a tracking method for recording equipment in property book systems, assigning contracting officer technical representatives to RPAT yards, establishing business rules for conducting inventories, and requiring Wholesale Responsible Officers perform oversight at RPAT yards. The 402nd Army Field Support Brigade agreed to implement the recommendations. The deputy chief of staff, G-4 provided the official Army position, agreeing with the recommendations, command comments, and proposed actions.

Report No. A-2010-0063-ALL

Audit of Controls Over Vendor Payments – Southwest Asia (Phase II), Afghanistan

USAAA performed this audit at the request of the assistant secretary of the Army financial management and comptroller. Finance offices within Afghanistan took numerous actions to address the Army's material weakness relating to the lack of proper audit trail for commercial payments in a contingency environment. However, in spite of actions taken, USAAA found vendor payments had at least one missing or inaccurate element to meet the minimum criteria required for a valid and supported payment. Furthermore, USAAA found additional improvements were needed to address the integrity of the automated audit trail and the handling of limited depository accounts because: units did not receive mission specific training before deployment or on-site training; working relationships and initiatives between activities in the fiscal triad were not fully synchronized; and command sometimes did not enforce regulatory guidance or did not fully incorporate processes in the internal



USAAA reviewed property accountability at RPAT yards within Iraq.

controls program to monitor operations. As a result, the Army lacked sufficient oversight of vendor payments to ensure disbursements and entitlements were accurate. The report further helped to identify solutions to address the use of limited depository accounts and www.ITS.gov that mitigate the risk of fraud, waste, misuse, and Afghan corruption related to potential duplicate payments and unmatched disbursements.

Report No. A-2011-0067-ALL

Contracts for Maintenance Support – TACOM Life Cycle Management Command

USAAA performed this audit to support the FY 2009 National Defense Authorization Act (Comprehensive Audit of Spare Parts Purchases and Depot Overhaul and Maintenance of Equipment for Operations in Iraq and Afghanistan, Public Law No. 110-417, Section 852). USAAA evaluated whether the Army received services and deliverables the contracts required and if contract costs were supported for the TACOM Life Cycle Management Command's maintenance support contracts for reset. USAAA found that contractors repaired equipment to appropriate standards, but several contractors did not deliver equipment in the time the contract specified. Contracts specified equipment be repaired to serviceable condition and specified a delivery date or turn-around time. In most cases, quality assurance representatives from Defense Contract Management Agency inspected the work and certified that it conformed to maintenance standards, but they did not monitor turnaround time or delivery schedules. This occurred because TACOM contracting personnel did not request that DCMA monitor delivery schedules in surveillance plans. For the contracts reviewed, USAAA found that contractors billed the government accurately and provided supporting documentation for their costs. However, contractors used about 20 percent fewer hours, valued at about \$1.9 million, to repair equipment than they estimated in the fixed-price negotiations. Contracting officers did not reevaluate contractors' labor requirements because they did not have independent government cost estimates or access to work order information from Army systems. USAAA also found that contracts did not require contractors to report maintenance

information to the Logistics Support Activity, consequently maintenance managers did not have access to work order information to manage maintenance programs and resources. USAAA made recommendations to improve the contract administration controls. The Army agreed with the recommendations and began taking corrective actions during the audit.

Report No. A-2011-0054-ALM

Operational Readiness Float

USAAA, under the authority of the auditor general, evaluated the viability of the Army's operational readiness float program in support of the Army Force Generation. USAAA conducted a series of audits that focused on the process for computing and updating operational readiness float requirements and their use. ORF is a strategic asset deployed to an installation that consists of an authorized quantity of assets to maintain established readiness levels. USAAA issued a quick-reaction report to address current float assets and future float requirements for the Javelin Command Launch Unit that could be redistributed to support other higher priority operational needs. The Army agreed with the recommendation to discontinue the float program and redistribute the 338 Javelin units to meet other higher priority operational needs. This resulted in about \$41.6 million in funds put to better use. USAAA also determined that the Army's ORF program did not materially support unit readiness. Specifically, Army managers did not have visibility of float authorizations, on-hand assets, or demand for operational readiness float assets. Units also reported low usage of on hand float assets. The Army's process for determining initial float requirements while systems were in production was not reliable and float requirements were not updated or removed when commands did not report demand. While the float program, valued at about \$1 billion, did not materially contribute to unit readiness, the Army continued to plan future operational readiness float procurements. USAAA determined that the Army could reschedule about 90 percent of these programmed procurements, valued at about \$946 million, for other operational needs and still maintain readiness. The Army agreed with the recommendations and began taking

“USAAA evaluated the viability of the Army's operational readiness float program in support of the Army Force Generation.”

corrective actions during the audit.

Report No. A-2011-0061-ALM

Global Network Enterprise Construct

USAAA completed two reports on Global Network Enterprise Construct, which is the Army's strategy to transition its networks to a global capability that functions as a single integrated enterprise. The reports focused on the initial aggregation phase of GNEC during which the Army is collecting all data regarding IT assets, infrastructure, operations and governance. Within the aggregation phase, USAAA audited IT contracts and IT service personnel. USAAA audit results showed that the Army harnesses its combined information technology buying power through centrally awarded Computer Hardware, Enterprise Software and Solutions contracts in which vendors offer information technology equipment and services to Army activities at a discount. Army policy states that Army activities should use CHES contracts to the maximum extent possible. USAAA reported that Army activities were not using CHES contracts to the maximum extent possible. Instead, activities often used government wide acquisition contracts and individual contracts for information technology products and services. CHES was not used because there was not an enforcement mechanism and some acquisition personnel did not understand how the program worked. As a result, activities paid higher prices than they would have if they purchased equipment and services through CHES. If the Army implements corrective actions, it could avoid about \$1.3 million in costs annually just at the 3 installations USAAA visited during the audit. Also, the Army network community lacked visibility over purchases and the associated costs made outside of CHES. This visibility is needed to manage and fund the Army's network as an enterprise. In accordance with GNEC, installation network enterprise centers throughout Army are to be the single source for baseline command, control, communications, computers and information management support. USAAA reported that there are shadow network enterprise centers and other activities providing baseline services in addition to the centers. USAAA found about

100 civilian full-time equivalents and about 85 contractor manpower equivalents costing about \$20.8 million at 51 tenant activities at three installations performing baseline support. This occurred because the centers did not have sufficient resources and personnel to provide the baseline services, tenant leadership felt their internal personnel can provide better response time, and the Army inconsistently implemented the Single Directorate of Information Management Action Plan (a 2005 plan to consolidate all baseline information technology services on an installation at the Directorate of Information Management, which is now called the network enterprise center). USAAA determined that the Army could achieve efficiencies and better manage its IT service staffing levels by providing the baseline information technology services in accordance with the plan, and made recommendations to assist Army in moving forward with the plan and with GNEC.

Report No. A-2011-0016-IET and A-2011-0053-IET

Information Technology Asset Authorizations for Tactical Units

USAAA performed a follow-up audit on the six recommendations in the Information Technology Asset Authorizations for Tactical Units report, dated September 18, 2006. In the original report, USAAA found that tactical units had incorporated automated data processing equipment into all facets of unit operations. However, there was no standard information technology architecture, approved guidance, equipment authorizations, or programmed funds to support these requirements. The six recommendations were made to enable the Army to properly plan for and manage information technology assets including:

- Defining the appropriate information technology architecture.
- Incorporating the requirements into unit authorization documents.
- Adequately programming and funding the requirements.

During the follow-up audit, USAAA determined that none of the addressees implemented the recommendations from the original report. The Army still has challenges in managing

commercial off-the-shelf information technology assets in modified table of organization and equipment units. To alleviate these challenges, a working group led by the deputy chief of staff, G-3/5/7's LandWarNet Battle Command is developing a strategy to establish processes to manage this equipment in these units. The group was working to resolve the issues identified in the original report. If the Army implements the group's strategy, it will satisfy the intent of the recommendations in that report. The Army agreed with the conclusions and recommendations in the follow-up report.

Report No. A-2011-0006-IET

Audit of Energy Savings and Performance Contracts

USAAA conducted a series of audits of ESPCs between 2001 and 2007 that determined Army managers did not have adequate controls to protect the government's interests. As a result, energy savings baselines were sometimes incorrect for measuring savings. USAAA conducted audits of new ESPCs at three sites—U. S. Army Garrison Aberdeen Proving Ground, U. S. Army Garrison Picatinny Arsenal, and U. S. Army Garrison Fort Eustis and followed up on recommendations issued in a prior audit report (Report No. A-2002-0288-IMO Energy Savings and Performance Contracts; U.S. Military District of Washington Fort Lesley J. McNair, Washington, DC; 24 July 2002). USAAA reported that the Army improved its program for Energy Savings Performance Contracts. The Army generally implemented revised policies and established performance metrics to measure and verify savings. The Office of the Assistant Chief of Staff for Installation Management, U.S. Army Installation Management Command, and the garrisons are to be commended for their actions taken in response to updated policies and the audit. All three garrisons complied with requirements of the Army guidance when they established performance metrics to measure and verify savings. The fourth garrison implemented all the recommendations in the prior audit report. USAAA made additional recommendations to the Army to facilitate the administrative burden on installations, update guidance to support increased ESPC goals, increase technical oversight, and share lessons

learned among installations. The Office of the Assistant Chief of Staff for Installation provided the official Army position and agreed with the recommendations and began taking corrective actions.

Report No. A-2011-0003-IEO, A-2011-0004-IEO, A-2011-0009-IEO, and A-2011-0039-IEO

Comprehensive Soldier Fitness Contracts

The Comprehensive Soldier Fitness program was established in October 2008 to place the same emphasis on psychological, emotional, and mental strength that the Army gives to physical strength. As part of CSF efforts, the Army implemented master resilience training for participants to learn resilience and problem-solving skills, and ultimately, to pass those skills on to others. To implement MRT, the Army awarded two sole-source contracts to one university. At the request of senior Army leadership, USAAA reviewed the two sole-source contracts to determine whether the Army properly awarded the contracts for MRT. USAAA concluded that the Army properly awarded and justified the sole-source contracts for MRT in accordance with the Federal Acquisition Regulation. However, the Army did not have a formal process in place for developing requirement and initiating associated contracts and the contract management office was short staffed during the onset of the CSF program, there was an appearance that the Army improperly awarded the contracts. In addition, poor communication between Army activities, and the sense of expediency and urgency placed on the contract award, and limited acquisition planning and poor documentation contributed to environment that did not facilitate proper requirements development or compliance with portions of the FAR pre-award procedures. USAAA made recommendations to assist the Army with formalizing its contracting pre-award process and to improve communication throughout the process to preclude the appearance that the Army may have limited competition by awarding the contracts sole-source. The Army agreed with the recommendations and began taking corrective actions.

Report No. A-2011-0080-IEO



USAAA conducted a review of Comprehensive Soldier Fitness contracts.

ARMY CRIMINAL INVESTIGATION COMMAND

Significant Activities

The Army Criminal Investigation Laboratory is the executive manager for DoD's program to upload convicted offender DNA profiles into the FBI's National DNA Index System database. The program started in 2001 with convicted offenders. In May 2010, military arrestees were added. At this time, USACIL has entered DNA profiles from 16,065 convicted offenders and 838 arrestees into NDIS.



An Army CID special agent collects DNA for a Biometrics Program.

USACIL provided investigative leads in 78 military criminal investigations. Most investigative leads result from a match found by the DoD's Combined DNA Index System software between a DNA profile from a military case and a convicted offender or arrestee DNA profile from another NDIS laboratory. During 2010, 13 investigative leads were provided on military cases, to include seven rapes, one attempted rape, three burglaries, one larceny and one drug abuse case.

USACIL also provided identifying information from 52 convicted military offenders to investigative agencies as a result of matches found by the CODIS software. These matches occurred between crime scene evidence from USACIL or other NDIS laboratories and military convicted offenders. Only six of these offender hits are to military cases. In these hits, military offenders matched to cases from Arizona, South Carolina, North Carolina, New Mexico, New York, Arkansas, Texas, Iowa, Massachusetts, California, Florida and Pennsylvania.

Conspiracy, Wire Fraud, Money Laundering, and Acceptance of Illegal Gratuities

Overview: A joint investigation conducted by Army CID and SIGIR disclosed that several U.S. Army officers used their positions to influence the award of contracts to a favored company in exchange for bribes. The owner of the company admitted to laundering in excess of \$2 million

through these officers and others in order to influence the award of contracts to his company in Iraq.

Result: Curtis Whiteford, former colonel in the U.S. Army Reserves, was found guilty of 18 USC 371, Conspiracy to Defraud the United States and sentenced to 60 months confinement followed by two years probation and fined \$16,200. Michael Wheeler, former lieutenant colonel in the U.S. Army Reserves, was found guilty of 18 USC 371, Conspiracy to Defraud the United States and sentenced to 42 months confinement followed by three years probation and fined \$1,200. Debra Harrison, former lieutenant colonel in the U.S. Army, pled guilty to 18 USC 1343, Wire Fraud and was sentenced to 30 months confinement followed by two years probation and fined \$366,340. William J. Driver, III, pled guilty to 18 USC 1956(a)(1)(B)(ii), Money Laundering and was sentenced to 3 years probation and fined \$36,000.

False Claim Made on Body Armor

Overview: A joint investigation conducted by Army CID with AFOSI and DCIS disclosed that a DoD contractor knowingly submitted a false claim and provided non-conforming dragon skin body armor to the Air Force and Army. The contractor falsely certified the body armor as being level III but the body armor did not meet first article test protocols, and were fraudulently labeled as being in compliance with National Institute of Justice certification standards. The Army procured 50 vests at a cost of \$150,000 while the Air Force procured over \$3 million worth of vests.

Result: The Air Force delivery order was terminated for default and a contract modification was issued deobligating \$2.5 million from the total contract value. Safety messages were issued and all of the body armor was recalled. The contractor and company officials were barred from doing business with the government for three years. In addition, the contractor filed for bankruptcy and is no longer in business.

Murder

Overview: A joint investigation conducted by Army CID and NCIS disclosed that an Army Reserve major shot and killed his wife in their

on-post residence at the Naval Air Station-Joint Reserve Base, New Orleans, La. during a domestic altercation.

Result: The major was convicted during a court-martial of premeditated murder, a violation of Article 118 – Murder, and sentenced to confinement for life without the eligibility of parole, forfeiture of all pay and allowances, and dismissal from the service.

Aggravated Sexual Contact and Aggravated Sexual Abuse of a Child

Overview: An investigation conducted by Army CID disclosed that an Army staff sergeant had sexual relations with a 14 year-old child on multiple occasions when they lived in the Baumholder and Wiesbaden military communities in Germany.

Result: At general court-martial the sergeant pled guilty to violating Article 120 – Aggravated Sexual Contact with a Child, Article 120 – Aggravated Sexual Abuse of a Child, and Article 125 – Sodomy. He was sentenced to 20 years confinement, dishonorable discharge, and is required to register as a sex offender upon release.

Sexual Assault of a Minor and Wrongful Use of a Controlled Substance

Overview: An investigation conducted by Army CID was initiated after the military police conducted a traffic stop on a vehicle occupied by two soldiers and a 14 year old female dependent of another soldier. During the traffic stop, the military police found “Spice” in the vehicle. Further investigation determined one of the soldiers, a private first class, had sexual relations with the child as well as contributed to her delinquency by providing her with alcohol and a fake driver’s license.

Result: At general court-martial the private pled guilty to Article 120 – Sexual Acts; Article 86 – Absent Without Leave; Article 92 – Violation of a Regulation; Article 95 – Escape from Custody; Article 125 – Sodomy; Article 134 – Adultery, False Pass, Obstructing Justice; Article 112a – Wrongful Use of Marihuana; Article 121 – Larceny; and Article 131 – House Breaking. He was sentenced to confinement for 10 years, forfeiture of pay, and a dishonorable discharge.

Marriage Fraud, Larceny of Government Funds, False Official Statement and Conspiracy

Overview: A joint investigation conducted by Army CID and ICE disclosed that a soldier received basic housing allowance at the married rate even though he was not legally married. The investigation disclosed the soldier entered into a fraudulent marriage with a Russian citizen to receive the higher rate and to assist the Russian citizen in obtaining a legal residence status in the United States. Further investigation disclosed other soldiers entered into fraudulent marriages with foreign nationals from Eastern Europe with the same motives. This investigation was initiated based on a Defense Hotline complaint.

Result: Court-martial and Federal District Court sentences against two soldiers and two former soldiers were seven months confinement, four months confinement, five years probation and three years probation respectively. Fines were \$213,164; \$48,431; \$31,039; and \$20,000 for the four subjects. A Russian female was sentenced to two years probation and fined \$500. Another Russian female fled the United States prior to her court date.

False Claims and Theft of Government Funds

Overview: A joint investigation conducted by Army CID, DoS, and Department of Veterans Affairs disclosed that a non-DoD U.S. civilian residing in Italy defrauded the U.S. government by obtaining false identity documents and assuming the identity of a retired military veteran to obtain military retirement benefits. Both he and his spouse obtained in excess of \$100,000 unauthorized health care at U.S. military bases in Italy.

Result: The non-DoD U.S. civilian was prosecuted in Federal District Court under the Military Extraterritorial Jurisdiction Act. He pled guilty to violating 18 USC 1035, False Statements Related to Health Care Matters, and 42 USC 408, Misuse of a Social Security Number, and was sentenced to 30 months confinement, six years of probation, and ordered to pay \$125,258 in restitution to the government.

Illegal Entry and Larceny

Overview: A joint investigation conducted by Army CID and German National Police disclosed that two German National employees

“...USACIL has entered DNA profiles from 16,065 convicted offenders and 838 arrestees into NDIS [National DNA Index System].”



An Army CID special agent briefs a German reporter at a construction site.

of the U.S. Army in Germany had broken into various motor pools, construction sites, and training ranges on the Grafenwoehr and Vilseck military installations and had stolen generators, construction tools, office equipment and various military equipment. They hid the equipment in an off-post residence belonging to one of the subjects. Army CID and German police subsequently recovered stolen government property valued at \$138,647.

Result: Both German nationals were convicted in German Criminal Court and sentenced to 30 and 18 months respectively. Their employment with the U.S. Army was terminated and they were barred from entering any U.S. military installation in Europe.

Bribery and Conspiracy

Overview: A joint investigation conducted by Army CID and Korean National Police disclosed that Korean nationals paid between \$15,000 and \$29,000 in bribes to influential Korean National employees assigned to the 36th Korean Service Corps Company, U.S. Army Garrison-Yongsan, Seoul, Republic of Korea to secure employment with the U.S. Army. Over \$300,000 in bribes were paid to obtain employment as Korean employees for the U.S. Army at the U.S. Army Garrison-Yongsan.

Result: A Korean national was convicted of bribery in the Korean criminal court and sentenced 18 months confinement and fined \$136,666. Four other Korean nationals received fines ranging from \$4,166 to \$2,500.

the use of government purchase cards, matters affecting the health and safety of sailors and Marines, the ongoing relocation of Marine Corps forces and their families to Guam, and more. The audits of military construction projects identified opportunities for the Department to put more than \$306 million to other use by eliminating or reducing the scope of a number of projects. The assist reports for the Naval Criminal Investigative Service have identified approximately \$2.4 million in potential fraud to date. NAVAUDSVC also continued the series of audits on the protection of the personally identifiable information, identifying opportunities to improve controls to ensure the personal information of military and civilian personnel is protected from unauthorized disclosure. NAVAUDSVC will continue to work with senior DoN officials to provide them with an expert and impartial assessment of critical DoN issues, risks, and opportunities.

Joint Warfighting and Readiness

Reporting of Marine Corps Equipment Mishaps

The audit on Marine Corps equipment mishaps reported that damage to or loss of ground equipment resulting from a mishap at I and II Marine Expeditionary Forces were generally reported. However, there were some instances when equipment mishaps were unreported in the Web Enabled Safety System, which is the Department of the Navy's official mishap reporting system and is managed by the commander, Naval Safety Center. While the Marine Corps had documented processes and procedures for reporting equipment mishaps, they were not always followed, resulting in relatively minor underreporting of ground equipment mishaps. Marine Corps Order P5102.1B requires that all mishaps are reported using WESS to Commander, Naval Safety Center. NAVAUDSVC identified 50 unreported equipment mishaps during FY 2008 through the first quarter of FY 2010. These mishaps were not reported because: unit personnel were often unaware of equipment mishap reporting requirements and misinterpreted the guidance (units generally reported equipment mishaps

Navy

Naval Audit Service

The mission of NAVAUDSVC is to provide independent and objective audit services to assist Department of the Navy leadership in assessing risk to improve efficiency, accountability, and program effectiveness. NAVAUDSVC works with senior Navy and Marine Corps officials to develop a risk-based annual audit plan that addresses critical areas officials feel merit additional oversight. In the past six months, NAVAUDSVC audits have addressed a number of important DoN issues, such as controls over the granting of interim security clearances (which are granted to personnel pending completion of full investigative requirements),

when there was an associated personnel injury); and there was no mechanism in place between unit maintenance and safety to alert those responsible for reporting mishaps to commander, Naval Safety Center about equipment damaged as a result of mishaps. Maintenance personnel were unaware of the need to report equipment damaged as a result of a mishap or did not fully understand what constituted a reportable equipment mishap.

Report No. N2011-0005

Marine Corps Traffic Safety Program at I and II Marine Expeditionary Force and Marine Corps Installations East and West

The objective of this audit was to verify that the Marine Corps Traffic Safety Program was effectively managed and implemented at selected operational units within I Marine Expeditionary Force and II Marine Expeditionary Force and selected installations within Marine Corps Installations East and West. NAVAUDSVC found that traffic safety training courses were frequently not being attended and documented at the unit level, providing little assurance of course completion. Additionally, there was no standardized Marine Corps-wide procedure to identify motorcycle operators in writing, which may inhibit compliance with motorcycle self-reporting requirements. Also, traffic violations were not consistently enforced and adjudicated in accordance with Marine Corps requirements. Lastly, the lack of controls over the vehicle registration process allowed Marines to avoid registering vehicles, which may circumvent the reporting and training requirements. These conditions occurred, in part, because policies, procedures, and controls were not standardized and uniformly enforced at all levels across the Marine Corps. The lack of accountability and consistency over traffic safety training, motorcycle ownership, vehicle registration, and traffic citations, may result in increased mishaps and violations, which may impact the readiness of the Marine Corps. NAVAUDSVC recommended that commandant of the Marine Corps implement policy changes and standardizations to improve oversight and control of traffic safety education and enforcement.

Report No. N2011-0006

Navy's Traffic Safety Program at Naval District Washington and Commander, Navy Region Mid-Atlantic Regions

The objective of this audit was to verify that the Navy's Traffic Safety Program was effectively managed and implemented at selected operational units and installations within Naval District Washington and commander, Navy Region Mid-Atlantic Regions. NAVAUDSVC found that the Navy's Traffic Safety Program was not effectively implemented as required by Navy policies and procedures. Specifically, NAVAUDSVC found weaknesses in internal controls over the accountability for: administration of traffic enforcement processes at the installations; traffic safety training; and coordination efforts with local authorities. Overall, there was a systemic lack of management oversight of the program at the region, installation, and operating unit levels. This occurred, in part, because policies, procedures, and controls were not standardized and uniformly enforced across the Naval District Washington Region, and personnel did not follow applicable chief of naval operations policies and procedures within the commander, Navy Region Mid-Atlantic Region. As a result, traffic safety enforcement was not aligned with the direction from the chief of naval operations and the concerns of the secretary of Navy regarding motorcycle and motor vehicle safety requirements. The lack of accountability over the administration of the traffic enforcement process, traffic safety training, and coordination efforts may lead to increased mishaps and traffic violations by sailors, which may impact the safety and readiness of the Navy. NAVAUDSVC recommended that the commander, Naval Safety Center update current policies to ensure military personnel are aware of and held accountable for the specific traffic safety requirements and the types of training documents that should be maintained in the service records as directed by chief of naval operations.

Report No. N2011-0012

Organizational-Level Maintenance of U.S. Navy Aegis-Equipped Ships

The objective of the audit was to verify that DoN's maintenance program for U.S. Navy Aegis-equipped ships was effectively designed and implemented and had sufficient oversight to



NAVAUDSVC reviewed the maintenance of Navy Aegis-Equipped Ships.



NAVAUDSVC reviewed Navy Reserve annual training and training orders.

achieve the desired results. NAVAUDSVC found that the fleet's internal controls and oversight of deferred maintenance actions did not provide reasonable assurance that organizational-level maintenance was accomplished efficiently and effectively. For the 11 ships audited, NAVAUDSVC found there was limited visibility outside the ship to ensure shipboard maintenance was performed, and there was limited oversight onboard ship to ensure completion of routine maintenance actions. NAVAUDSVC determined that tools available for prioritizing were not being used as intended, including: 1) 2-Kilo priority level field classification; 2) the casualty reporting system; and 3) the assignment of jobs to higher depot or intermediate maintenance levels. High-priority jobs coded organizational-level were not thoroughly tracked through completion by the ship or chain of command. As a result, maintenance actions were deferred as long as 2,049 days for CGs and 2,922 days for DDGs. Multiple unconnected maintenance systems resulted in time-consuming data input and information management, and visibility differences between systems. NAVAUDSVC analysis of deferral reason codes pointed to lack of material as a contributing factor for deferring organizational-level maintenance. NAVAUDSVC also determined the fleet did not have sufficient controls in place to ensure organizational-level deficiencies (identified by INSURV) in aegis-equipped ships were recorded to the ship's Current Ship Maintenance Project. NAVAUDSVC analysis of 63 ships (22 CGs and 41 DDGs) indicated 50 ships, or 79 percent, had deficiencies loaded into the ship's Current Ship Maintenance Project as required by Navy guidance, and 13 ships, or 21 percent, did not. To improve and strengthen the process for managing the accomplishment of organizational-level maintenance and INSURV deficiency uploads, NAVAUDSVC recommended that U.S. Fleet Forces Command and U.S. Pacific Fleet Command develop consistent guidance over the accomplishment and management of organizational-level maintenance throughout the maintenance management system, develop and implement controls to ensure casualty reports are completed for primary and secondary mission essential deficiencies, and implement controls that establishes an audit trail

and ensures INSURV deficiencies are uploaded to the Current Ship Maintenance Project and tracked through completion. NAVAUDSVC also recommended that both fleets interface and simplify maintenance management systems to reduce data input time and errors, reduce redundant data entries to multiple systems, improve data reliability, and eliminate visibility disparity among systems.

Report No. N2011-0019

Information Assurance, Security, and Privacy

[Navy Reserve Southwest Region Annual Training and Active Duty for Training Orders](#)

The audit was prompted by criminal investigations of potentially fraudulent claims for reimbursement by individual reservists. NAVAUDSVC found that the Navy Reserve Order Writing System had a series of systemic risks that broadened the opportunity for potential fraud to occur. The audit addressed the Navy Reserve's financial management risk of paying false claims for fictitious orders, and the risk to the Navy Reserve's standing readiness, which is partly built on individual reservists' mandatory performance of Annual Training orders with active duty commands. In response to the risks reported by the audit, the Navy Reserve segregated key steps in their order writing system; greatly reduced the number of "super-users," clarified the responsibilities of Reserve Center command personnel, and improved their command inspection process to ensure the continued operation of the strengthened controls. The results of actions taken in response to the audit are that the opportunity for full-time administrative personnel to collude with individual reservists to defraud the Navy Reserve was significantly reduced. Additionally, assurance that reservists perform their annual service obligation with active duty commands was improved.

Report No. N2011-0017

[Unnecessary Collection of Personally Identifiable Information in the Department of the Navy](#)

The audit objective was to verify that only

necessary personally identifiable information was collected within the Department of the Navy. NAVAUDSVC found that DoN was unable to determine that only necessary personally identifiable information was being collected, and Social Security Numbers were printed/displayed on systems and forms without being masked/truncated as required. These conditions occurred because: there was no overall DoN guidance to reduce the collection of SSNs; the Department of Defense Information Technology Portfolio Registry-DoN database was incomplete; DoN could not identify all DoN forms in order to reduce or eliminate their collection of SSNs; and there was no DoN requirement limiting exposure of SSNs. As a result, DoN does not have assurance that the collection and use of SSNs across the Department has been appropriately reviewed and reduced. Thus, the risk of identity theft has not been appropriately reduced in DoN.

Report No. N2011-0020

Effectiveness of the Department of the Navy's Denial Process for Interim Security Clearances at Selected Activities

The audit objective was to verify that the Department of the Navy effectively and efficiently processed personnel security investigation requests for military and civilian personnel. NAVAUDSVC found that DoN did not effectively process civilian and military interim clearances, properly and efficiently manage subsequent DoN Central Adjudication Facility denials, or sufficiently mitigate the risk of access to classified information after denials. NAVAUDSVC analysis of 340 DoN-wide interim denial records in the Joint Personnel Adjudication System as of January 21, 2010, showed that, contrary to Secretary of the Navy guidance, DoN commands granted interim clearances to individuals who disclosed adverse information on their Standard Form 86, "Questionnaire for National Security Positions." Further, DoN security managers did not debrief these individuals immediately upon DoN CAF denial in accordance with Secretary of the Navy Manual M-5510.30, "DoN Personnel Security Program," dated June 2006. Without debriefing these individuals, there is a risk that they will have continued access to classified information and not be informed of their legal responsibility to permanently

safeguard the classified information they may have already accessed. Management practices that allowed these conditions to occur included: lack of interim clearance oversight policies and procedures, weak internal controls over the granting of interim clearances, contradictory instructions, and insufficient security manager training.

Report No. N2011-0024

Financial Management

Management of Navy Unit Identification Codes

The audit objective was to verify that the Navy effectively managed Unit Identification Codes, to include the establishment, modification, and disestablishment of UICs. The audit concluded Navy UICs were not effectively managed. The Navy did not have a complete and accurate list of all UICs. There was no centralized authority to address UIC issues, including assignment, management, and reconciliation of official records, and personnel were unfamiliar with the UIC processes. Inaccurate and incomplete UIC data contributed to errors in lines of accounting, approximately \$27 million in unmatched disbursements, unauthorized requisitions of \$230 million, and an inability to fully track progress on e commerce performance – a key Navy objective. The audit recommended establishing a central authority for UIC management; issuing standardized guidance for managing UICs; requiring reviews and reconciliations of UICs to ensure accuracy in Navy systems and correcting inaccurate UIC data. The assistant secretary of the Navy (financial management and comptroller) and the Navy assistant for administration agreed with all recommendations.

Report No. N2011-0004

Government Commercial Purchase Card Transactions at Naval District Washington

The audit objective was to verify that selected government commercial purchase card transactions were valid and compliant with applicable guidance and criteria. The audit focused on the Office of the Commandant, Naval District Washington, government commercial purchase card program. NAVAUDSVC found that Naval District Washington did not have

“The audit objective was to verify that the Department of the Navy effectively and efficiently processed personnel security investigation requests for military and civilian personnel.”

sufficient internal controls in place over its purchase card program as required by prescribed guidance. Specifically, request and receipt documentation was not retained in support of some of the individual transactions. Additionally, cardholders did not properly maintain purchase logs. Responsible Naval District Washington personnel attributed these conditions to excessive workload, limited personnel, approving officials and cardholders not being in the same location, and time constraints. As a result, appropriate separation of duties was not substantiated, and presented an increased risk of fraud, waste, and abuse within the government commercial purchase card program. NAVAUDSVC made recommendations, and Naval District Washington subsequently took action to mitigate the weaknesses and strengthen the government commercial purchase card program.

Report No. N2011-0015

Internal Controls Over Naval Base Coronado, CA Galleys

While assisting NCIS on an investigation of suspected theft of government funds from Naval Base Coronado, Calif., galleys, NAVAUDSVC identified weaknesses in internal controls over cash collections and deposits that allowed an apparent theft to occur. NAVAUDSVC review found that key internal controls were not in place to ensure that cash collections were recorded and reconciled, receipt and recording of cash collections duties were segregated, and cash collections accountability was easily traceable. Other areas for which controls did not provide reasonable assurance included adequate physical security controls, deposit procedures compliance with requirements, and oversight of the cash collection process by audit board members. NAVAUDSVC determined that for the period October 2008 to January 2010, about \$28,360 in cash collections was not deposited. The subject of the investigation admitted to taking the money and indicated that the theft went undetected because a reconciliation of the reported collection and deposit amounts was not performed. These conditions occurred because of inattention to established policies and procedures, as well as insufficient oversight of galley operations in the area of cash collections. As a result, the Naval Base Coronado, Calif.,

galley cash collection process did not function as intended and was vulnerable to theft, fraud, and misuse.

Report No. N2011-0018

Navy Enterprise Resource Planning - Purchase Card Capabilities

Office of the Under Secretary of Defense policy requires 20 internal controls that must all be resident in any electronic capability used within the Department to reconcile, certify, and pay purchase card invoices. NAVAUDSVC audit of Navy Enterprise Resource Planning purchase card capabilities sought to verify whether the 20 Department of Defense internal controls resided in the Navy ERP Purchase Card system. NAVAUDSVC determined that the Navy ERP electronic purchase card capabilities complied with 10 of the 20 required Department of Defense internal controls; however, one of these 10 controls residing in the system was not used appropriately. The remaining 10 controls that were not in the system were handled using processes outside of the Navy ERP electronic purchase card capabilities. Also, while conducting the audit, NAVAUDSVC observed transactions on the vendor's purchase card statements that were not included in the Navy ERP Purchase Card System. Specifically, the Navy ERP system did not include 222 transactions because the transactions did not have the necessary fields for Navy ERP Purchase Card inclusion.

Report No. N2011-0001

Health Care

Post-Deployment Health Reassessment at the Marine Corps: Fiscal Year 2008 and 2009 Data Analysis, and Future Monitoring Recommendations

The audit objective was to verify that Marine Corps Post-Deployment Health Reassessments were completed and certified timely. NAVAUDSVC found that a significant number of Marines (46 percent in FY 2008 and 44 percent in FY 2009) did not have the PDHRA completed and certified within the required timeframe. The assistant secretary of defense for health affairs policy 05-011, "Post-Deployment Health Reassessment," requires a PDHRA be



accomplished for all personnel between 90 to 180 days after return to home station from a deployment that required completion of post-deployment health assessment. Marines did not have the PDHRA completed and certified on time for a number of reasons. For example, naval medical activities told NAVAUDSVC that PDHRAs were not taken within the required time period due to scheduling conflicts with weapons training, deployment and subsequent deployment preparations, combat conditioning, and permanent change of station moves. Also, commanders did not always have visibility of the PDHRA status of Marines who transferred to them during the 90-180 day period following their most recent return from deployment. There was also no formal policy ensuring commanders have access to Marine Corps reports that track command-level PDHRA completion and certification. Finally, Marines did not always know they were required to complete a PDHRA. As a result, Marines who did not take PDHRA in accordance with assistant secretary of defense for policy may not have had their health needs and concerns identified or addressed following deployment, which could negatively impact readiness, their personal well-being, and the well-being of others.

Report No. N2011-0010

Marine Corps Exceptional Family Member Program

The audit objective was to verify that U.S. Marine Corps Exceptional Family Member Program children had access to free and appropriate special education opportunities in their states and school districts. This audit was requested by the assistant commandant of the Marine Corps. NAVAUDSVC found that accessing public school education programs/services can present unique challenges to Marine Corps EFMP enrollees and the Marine Corps. NAVAUDSVC also found that not all parents thought their children were receiving appropriate special education-related services in accordance with their individual education plan. NAVAUDSVC concluded that there are opportunities for additional improvements to the Marine Corps EFMP during the permanent change of station process when a special-needs student transitions from one local education agency to another,

and when measuring EFMP performance. For instance, many of the education and transition/deployment issues faced by Marine families with school-aged special needs children could be addressed with increased program coordination and collaboration. Further, improved training and teaching parents about federal, state, and local policies and procedures (including terminology and parental roles and rights during the school transition process) would also alleviate some issues. Other areas in which improvement opportunities exist include: the Marine Corps EFMP enrollment and update processes, the screening of educational needs for assignments within the Continental U.S., and the oversight and provision of EFMP services across the Marine Corps.

Report No. N2011-0013

Management and Implementation of the Marine Corps Hearing Conservation Program

The audit objective was to verify that management and implementation of the Marine Corps' hearing conservation program was effective in protecting the hearing of Marine Corps personnel. NAVAUDSVC found that the Marine Corps did not know whether their HCP was effective. However, NAVAUDSVC determined that the HCP had not effectively protected the hearing of Marine Corps personnel. NAVAUDSVC identified at least 6,300 Marines who had hearing loss or hearing-related cases from January 2001 through October 2008 and had been enrolled in HCP. In addition, NAVAUDSVC estimates that 84 percent of medical records for Marines who left the service in FY 2007 did not contain both an entrance and exit audiogram within 60 days of entry into/exit from the service, although the majority of these Marines had been enrolled in HCP. The Department of Defense, the Department of the Navy, and the Marine Corps criteria require that there be an effective HCP, and that all hearing conservation audiograms be part of a Marine's medical record. The conditions noted above occurred for a number of reasons. First, the Marine Corps did not know the number of Marines actually enrolled in HCP and did not know who should have been enrolled in HCP. Also, an inventory of hazardous noise areas did not exist at the headquarters level, and Marines

“The audit objective was to verify that U.S. Marine Corps Exceptional Family Member Program children had access to free and appropriate special education opportunities...”

“The Department of the Navy’s proposed military construction projects for FY 2012 funding included \$136.59 million for three projects that were not needed.”

did not receive audiograms as required. In addition, performance measures and evaluation of HCP effectiveness were inconsistent, and HCP was not an assessable unit. Until these conditions are corrected, Marines will continue to unnecessarily lose hearing and the Marine Corps will not be able to meet the goal of preventing hearing loss. Marines who left service in calendar years 2007 and 2008 had 9,126 claims that were filed and granted for hearing loss and/or tinnitus. Using the minimum Department of Veterans Affairs compensation rate of 10 percent, NAVAUDSVC calculated an estimated short-term cost of \$134 million and a long-term cost of \$404 million for the 9,126 claims filed and granted. If these conditions continue, Marines will continue to file claims for hearing loss and tinnitus, which are lifetime disabilities.

Report No. N2011-0016

Infrastructure and Environment

Selected Department of the Navy Military Construction Projects Proposed for FY 2012

The Department of the Navy’s proposed military construction projects for FY 2012 funding included \$136.59 million for three projects that were not needed. In addition, other proposed military construction projects were over-scoped by \$39.46 million. NAVAUDSVC made recommendations to cancel the projects that were not needed, and reduce the scope of the over-scoped projects. The commandant of the Marine Corps and commander, Navy Installations Command agreed with the recommendations and the associated potential monetary benefits. NAVAUDSVC also recommended the commander, Naval Facilities Engineering Command update and correct guidance related to low impact development costs. Naval Facilities Engineering Command agreed with this recommendation. All three commands took appropriate corrective actions, and NAVAUDSVC consider all of the recommendations to be closed.

Report No. N2011-0008

Department of the Navy Proposed Fiscal Year 2012 Military Construction Projects Related to the Relocation of U.S. Marine Corps Forces from Okinawa to Guam

In NAVAUDSVC review of the six U.S. funded military construction projects associated with the relocation of Marine forces from Okinawa, Japan to Guam, NAVAUDSVC determined that five projects represented valid needs. NAVAUDSVC determined that the remaining project did not represent a valid need, and found that the five valid projects were all inaccurately scoped. Specifically, NAVAUDSVC identified invalid and over-scoped requirements totaling \$130.1 million, and under-scoped requirements totaling \$7.9 million. Reasons for the scoping issues varied, and included inclusion of previously funded requirements, changes in the projects that were not reflected in updated DD Forms 1391, misapplication of criteria, omission of requirements, inclusion of invalid requirements, and human error during data input. Additionally, three of the five projects contained line items with no supporting documentation, which was needed to verify the accuracy of the line items’ scopes. During the audit, Headquarters Marine Corps and Naval Facilities Engineering Command representatives corrected over-scoped line items totaling \$73.7 million and under-scoped line items totaling \$7.9 million. Additionally, the invalid project was removed from the FY 2012 Program Objective Memorandum submission.

Report No. N2011-0014

Naval Criminal Investigative Service

The Naval Criminal Investigative Service is the primary law enforcement and counterintelligence arm of the DoN. It works closely with other federal, state, local, and international police and security services on serious crimes affecting the DoN, including homicide, sexual assault, procurement fraud, and other crimes against persons and property. NCIS also has a significant national security mission, investigating such crimes as terrorism, espionage, and computer intrusion. In the combating terrorism arena, NCIS provides both offensive and defensive

capabilities to the DoN. In the offensive context (performing the “counterterrorism” mission), NCIS conducts investigations and operations aimed at interdicting terrorist activities. In the defensive context (performing the “antiterrorism” mission), NCIS supports key DoN leaders with protective services and performs vulnerability assessments of military installations and areas to which naval expeditionary forces deploy. NCIS also leverages its investigative capabilities as it conducts its indications and warning mission for the DoN, fusing threat information from an array of sources and disseminating threat products to naval elements around the world on a 24-hour basis. Below are investigative highlights of NCIS cases for the current reporting period.

Significant Investigative Cases

Hostages Freed from Pirates

Overview: Combined Task Force 151 is a multinational task force conducting operations to detect and deter piracy in and around the Gulf of Aden, Arabian Sea, Indian Ocean and Red Sea. NCIS special agents, charged with providing criminal investigative support on behalf of the DoN to CTF-151, routinely process crime scenes, safeguard evidence, conduct interviews/interrogations and apprehend/deliver suspected pirates to the appropriate judicial authority. In September 2010, the *Magellan Star*, a foreign flagged container ship, was pirated with eleven crewmen taken hostage; CTF-151 responded.

Result: A USMC rapid raid force was deployed, regained control of the *Magellan Star* and freed the crew. An NCIS criminal investigation ensued, consisting of a detailed crime scene examination, recovery/collection of physical evidence, and victim interviews. All Somali pirates confessed to their roles in the hijacking of the ship. Despite current international disputes, and solely predicated upon the quality of the NCIS criminal investigation, the government of Kenya without hesitation agreed to prosecute the pirates. Nine pirates are currently awaiting trial in Kenya.

USMC Major Convicted of Structuring of Financial Transactions

Overview: This investigation was conducted jointly with NCIS, DCIS, IRS, and SIGIR. In

2009, a confidential source reported that while deployed to Iraq in 2005, a major in the USMC sent his wife approximately twenty letter-size envelopes containing large amounts of U.S. currency. The source reported the officer instructed his wife to secure the unopened envelopes in their home safe until his return from Iraq. During the major’s six-month deployment with the 5th Civil Affairs Group in Fallujah, Iraq, he served as team leader and created and executed contracts utilizing Commander’s Emergency Response Program funds. The investigation identified that over the six months following the major’s return to the United States, 91 cash deposits were made to his bank accounts totaling approximately \$477,000. An Arizona federal grand jury returned a 16-count indictment against the major for violations of “Structuring Financial Transactions through a Domestic Financial Institution.” Arrest and search warrants were executed by agents on-base at Marine Corps Air Station Yuma, Ariz.

Result: The major pled guilty to violating 31 USC 5324(a)(3), Structuring Financial Transactions, and 31 USC 5324(a)(3), Failure to Report, and was sentenced to 24 months and two days confinement with two years supervised release and ordered to pay a \$198,510 fine.

Major Fraud against the Navy

Overview: NCIS became aware of suspected material certification irregularities involving a subcontractor to General Dynamics. The irregularities were tied to submitted heat testing records on metal supplied to the subcontractor by the second-tier subcontractor company, Bristol Alloys, Inc. The General Dynamics subcontractor was awarded a purchase order contract for various components including a “snorkel fairing assembly” on six Virginia-Class submarines. From March through June 2009, General Dynamics’ critiques were held to identify systemic problems with base-material technical requirements affecting product delivery. The critiques confirmed issues with the quality of material certification reports. In July 2009, the subcontractor concluded that test reports provided by Bristol Alloys were fabricated. Interviews of former sales employees disclosed the British Alloys president worked and serviced all the large accounts, and indicated



Combined Task Force 151 conducts operations to detect and deter piracy.

“...a Navy master at arms was attempting to sell military weapons, purportedly to Mexican drug cartels.”

the president and his brother handled the certifications. Interviews also disclosed it was common knowledge at the company that the end parts were going to the USN for submarines and other Navy ships. The president admitted to falsifying heating and material certifications from 2003 forward.

Result: In the Eastern District of Pennsylvania, the president pled guilty to 18 USC 1031, Major Fraud against the United States. He was sentenced to 41 months in prison followed by three years of supervised release. The judge also ordered the president and company to pay \$1.36 million in restitution to the USN.

USMC Corporal Murdered

Overview: This investigation was initiated after blood was discovered in the barracks courtyard area at Marine Corps Base Camp Lejeune, N.C. Within the same timeframe, a USMC private was found in his barracks room with possible self-inflicted knife wounds. A complex NCIS crime scene investigation ensued with the body of a deceased USMC corporal discovered in a nearby wooded area. A witness was located who related the private made comments earlier in the day that he was going to kill someone; and later this same witness saw the private by the corporal's body. Trace evidence linked the private to the corporal's body. The murder was unprovoked as investigation revealed the private did not know the victim.

Result: At general court martial the private pled guilty to Article 118 – Murder and Article 122 – Robbery and was sentenced to life in prison without the possibility of parole, forfeiture of pay, and a dishonorable discharge.

Theft of Ordnance for Sale to Mexico Thwarted

Overview: NCIS received information from the FBI in Texas indicating a Navy master at arms was attempting to sell military weapons, purportedly to Mexican drug cartels. A corrupt U.S. police officer involved in drug trafficking offered to sell weapons and explosives to undercover law enforcement officers. He identified the MA as a relative who could obtain weapons. Subsequent undercover meetings with the MA revealed he was stealing military equipment (non-ordnance) from the Naval Air Station Corpus Christi Security Department warehouse and selling it to

the Zetas, a known drug trafficking organization. The MA disclosed he could access ordnance and was willing to sell it to the undercover agent. The MA was apprehended before he stole military ordnance for re-sale, and confessed to larceny of government property, false official statements, and customs' violations. This investigation was conducted jointly with NCIS and FBI.

Result: At general court-martial, the MA was found guilty of Article 80 – Attempts; Article 81 – Conspiracy; Article 108 – Military property of United States, loss, damage, destruction, or wrongful disposition; and Article 121 – Larceny and wrongful appropriation. He was sentenced to six years confinement, forfeiture of pay, reduction to E-1, and a dishonorable discharge.

Navy Officer Sentenced to 80 Years for Child Sexual Abuse and Child Pornography

Overview: The personal laptop computer of a Navy Reserve lieutenant commander deployed to Qatar was seized after others discovered it contained suspected child pornography. When not activated as a reservist, this individual served as a DoD civilian senior Intelligence officer with the Office of Military Commissions at the Pentagon. An NCIS forensic examination of the laptop revealed an extensive collection of child pornography and additional investigative efforts determined the sexual abuse of a child.

Result: The lieutenant commander was released from active duty and arrested upon his return to the United States. He pled guilty in the Eastern District of Virginia to violating 18 USC 2251(a) and (c) – Production of Child Pornography; 18 USC 2256(1) and (2) – Production of Child Pornography; and 18 USC 2244(a) (1) and (c) – Abusive Sexual Contact. He was sentenced to 80 years in federal prison followed by lifetime supervised release.

Transporting Child Pornography

Overview: As part of the Department of Justice Project Safe Childhood, the FBI initiated an investigation of individuals trading child pornography over the internet. When it was determined that the subject of the investigation was an active duty USN chief petty officer, NCIS became the lead investigative agency. NCIS seized the CPO's computer and computer media, and a computer forensic analysis revealed

numerous images of child pornography. This was a joint investigation with NCIS, DoJ (Project Safe Childhood) and the FBI.

Result: The CPO pled guilty to 18 USC 2252(a) (1) and 2256(2), Transportation of Child Pornography, and was sentenced in the Eastern District of Virginia federal court to 12 1/2 years in federal prison followed by lifetime supervised release.

Technical Services

The chief of the Bahraini Joint Anti-Terror Center, Ministry of Interior, asked NCIS to provide basic law enforcement instruction on using video and audio equipment and to provide advice on purchasing this type of equipment. Thirty members of the Internal Affairs Section and the Criminal Investigations Directorate were trained. This 40-hour program was designed to increase cooperation and enhance the law enforcement capabilities of the Bahrain MoI law enforcement organizations. It was conducted as part of NCIS anti-terrorism/force protection and theater security cooperation missions.

NCIS teamed up with U.S. Africa Command and the Office of Security Cooperation U.S. Embassy Dakar, in an effort to provide radio communications capabilities for Cape Verde law enforcement agencies. The Cape Verde Islands sit astride sea lanes identified as narcotics transshipment points between South America and Europe, and they currently have no viable law enforcement radio communication capabilities. The ability of local law enforcement units to communicate within this multi-island chain is considered crucial to effectively addressing this growing problem. NCIS has donated 80 surplus portable radios and six radio repeaters to AFRICOM for eventual transfer to the Cape Verde government. This will be the first time Cape Verde law enforcement personnel will have a unified radio system, allowing them to coordinate efforts against the war on drugs and crime. This donation not only fosters Theater Security Cooperation between the DoN and the Cape Verde Islands, but also supports the counterterrorism mission. By stemming the shipment of narcotics between South America and Europe, Cape Verde can prevent drug sales money from reaching the coffers of terrorists.

NCIS has been instrumental in improving emergency radio communications between U.S. Embassy Manama and Naval Support Activity Bahrain. In carrying out the NCIS protection mission for Flag level personnel, shortfalls were brought to light in the existing emergency communications plans; i.e., the inability of U.S. security and command personnel on island to communicate with each other. The locally assigned technical investigator became the focal point for addressing these issues; with a significant role played by NCIS headquarters in providing additional radio and system interconnect equipment. This initiative resulted in the ability for base and embassy command, control and security personnel to conduct direct radio communications. Of note was the ability of the fleet antiterrorism security team to gain access to the embassy's extensive radio network, allowing the team to better organize and respond in the event of a local crisis. These substantive security improvements were completed in January 2011, days before the public demonstrations that wracked the kingdom. The effectiveness of this local initiative has resulted in the "Manama Radio ELMR Interoperability Project," spearheaded by the Cairo based State Department Regional Information Center. This joint project is intended to extend the current radio communications infrastructure, and further improve interoperability on an enterprise basis.

NCIS provided the Seychelles National Drug Enforcement Agency technical and analytical training in basic law enforcement techniques. This week-long training helped to cement a professional relationship that will boost counternarcotics initiatives throughout this area. This training evolution not only fostered Theater Security Cooperation between the DoN and the Seychelles, but also supports the DoN counterterrorism mission. By stemming the trade of narcotics, the Seychelles can prevent funds from illicit drug sales from reaching the accounts of terrorists.

NCIS responded to a request for technical assistance by the U.S. Central Command, Joint Counterintelligence Unit located in Kabul, Afghanistan. This unit's mission requires

"NCIS provided the Seychelles National Drug Enforcement Agency technical and analytical training in basic law enforcement techniques."

extensive travel in areas that are at times remote and potentially dangerous. In order to ensure agent safety, effective mobile radio communications is a requirement. The minimal radio system that the JCIU was operating did not provide for effective unit-to-unit communications or useful communications with rear area emergency quick reaction forces. To rectify the situation, NCIS provided an on-scene technical investigator to develop an operational radio infrastructure and to train JCIU personnel on tactical communications. NCIS headquarters provided a variety of handheld radios and radio repeaters in order to extend the emergency communications footprint, and significantly increased on-the-ground agent safety.

Air Force

Air Force Audit Agency

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

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

The Support and Personnel Audits Directorate, headquartered at Brooks City-Base, Texas, directs audits related to operational support, personnel, training, engineering support, support services, environmental issues, intelligence operations, and health care. AFAA/SP also manages the

support and personnel audits region located at Brooks City-Base, Texas, with five area audit offices at 14 Air Force installations and seven additional operating locations. The Acquisition and Logistics Audits Directorate, headquartered at Wright-Patterson AFB, Ohio, directs audits related to procurement, maintenance, supply, transportation, and weapon systems acquisition. AFAA/QL also manages the acquisition and logistics audits region located at Wright-Patterson AFB, Ohio with five area audit offices at five Air Force installations and one additional operating location.

In the last six months, audit efforts focused in the following key management challenge areas: joint warfighting and readiness; information assurance, security, and privacy; acquisition processes and contract management; financial management; health care; nuclear enterprise; and American Recovery and Reinvestment Act. These efforts have resulted in more than \$811 million in potential monetary benefits.

Following are examples of audit coverage performed by the AFAA related to the following DoD management challenge areas:

Joint Warfighting and Readiness

Implementing Combat Air Forces Total Force Integration

The Total Force Integration program objective is to enhance Air Force's ability to meet mission requirements by integrating Regular Air Force, Air National Guard, and Air Force Reserve personnel. Total Force Integration is designed to meet combatant commander requirements through a more efficient and effective use of all available personnel and weapons systems. Force integration combines a host unit with an associate unit operationally integrated, but whose chains of command remain separate. Increased integration and properly balanced association type allows the Air Force to capitalize on experience levels inherent in the National Guard and Reserve, while building total force relationships necessary to sustain combat operations. As of April 2010, the Combat Air

Forces had nine fighter and bomber total force integration initiatives completed or underway and another seven planned. Because the Air Force had only partially implemented Combat Air Forces initiatives, auditors could not determine whether creating fighter and bomber total force integration associate units within the Combat Air Forces would maximize forces available to support Air Force mission requirements. However, review of the 16 completed, ongoing, or planned initiatives disclosed the Air Force did not properly balance the number of active versus classic associations and the Air Force created associations resulting in an imbalance of aircrew authorizations. As a result, if completed without properly balancing resources, total force integration initiatives will not achieve intended results of enhancing the ability of the Air Force to efficiently meet mission requirements.

Report No. F 2011-0001-FD3000

Temporary Modifications

Temporary modifications change the configuration of an aircraft for flight and ground test purposes or to support a specific mission for a limited period. Air Force personnel use a temporary-1 modification to perform a special mission or to add or remove equipment for increased capability. A temporary-2 modification supports research, development, test, and evaluation. Appropriate approval and proper documentation of temporary modifications provides operational aircraft configuration control and helps verify that aircraft meet safety and mission requirements. During FYs 2008 and 2009, Air Force personnel performed over 420 temporary-1 and temporary-2 type modifications. Air Force personnel did not always properly request and approve temporary aircraft modifications, maintain documents to support timely removal, or accurately record aircraft modifications in maintenance systems. Properly documenting temporary aircraft modifications through the requesting and approving process provides assurance that modifications are valid and authorized. In addition, identifying core documentation and establishing procedures supporting temporary modification installation and timely removal provide management with effective aircraft configuration control. Finally, complete and accurate maintenance data

allows management personnel to verify proper configuration of operational aircraft to meet safety and mission requirements.

Report No. F-2011-0001-FC2000

Air Force Officer Accessions and Training

Officer accessions refer to newly commissioned officers who enter extended active duty through one of three commissioning sources: the USAF Academy, Air Force Reserve Officers' Training Corps, and Officer Training School. Newly commissioned officers are required to attend initial skills training within six months of entering extended active duty; however, in June 2006 the chief of staff of the Air Force established a 60-day goal for starting initial skills training. Air Force officials could reduce the time for new officers to begin initial skills training, use ROTC scholarships more effectively to meet critical Air Force needs, and improve ROTC cadet recruiting and classification. Specifically, 56 percent of newly accessed officers waited longer than the 60-day goal to start initial skills training. Of the 56 percent, 35 percent were ROTC officers who could have entered extended active duty later to avoid waiting for training in an active duty pay status. Improving initial skills training timeliness would increase mission readiness and improve morale. In addition, training new officers sooner would have avoided \$31 million in military personnel cost from FY 2007 to FY 2009 and will save an additional \$6.7 million over six years (execution year and the Future Years Defense Program). In addition, only 6,840 of 17,815 ROTC scholarship awards (valued over \$159 million) were for technical degrees required to meet critical Air Force needs. Awarding ROTC scholarships for degrees more closely aligned with Air Force needs improves readiness and allows better use of over \$10 million in scholarship funds over six years (execution year and the Future Years Defense Program). Finally, 68 percent of ROTC detachments did not meet DoD-mandated 5-year average production requirements. In addition, 324 of 2,693 ROTC cadet degree programs reviewed did not meet mandatory or desired Air Force specialty code classification requirements. Improving ROTC recruiting and classification is essential to effective force management and will provide the Air Force with skills needed



AFAA reviewed officer accessions and training.

to meet mission requirements. In addition, closing or consolidating low-producing ROTC detachments could save the Air Force about \$2.3 million over six years (execution year and the Future Years Defense Program).

Report No. F-2011-0001-FD4000

Joint Expeditionary Taskings

Joint expeditionary taskings refer to duties assigned to airmen outside their normal Air Force specialties to temporarily augment critical career specialties with other services. As a direct result of Operations Enduring Freedom and Iraqi Freedom, these “non-standard force” airmen cross service lines to carry out joint mission objectives with the Army, Navy, and Marines. In August 2009, approximately 5,000 airmen were deployed to the U.S. Air Forces Central area of responsibility on joint expeditionary taskings. While Air Forces Central officials provided adequate oversight and accountability for 177 randomly selected airmen, Air Force personnel did not always report changes to missions or timely notify Airmen before deployments. As a result, airmen filling joint taskings were not made available to support other combatant commanders or Air Force priorities. Additionally, short notice deployments are detrimental to airmen morale, can result in pre-deployment training delays, and may negatively impact the mission capability of combatant commanders. In addition, airmen did not possess required skills, received redundant training, or were provided improper or unnecessary equipment to accomplish assigned taskings. Providing necessary skills and equipment helps meet mission requirements and improves war-fighting capability.

Report No. F-2011-0003-FD4000

Information Assurance, Security, and Privacy

LeaveWeb Accounting Conformance Report

LeaveWeb is a management information system that automates over 1.6 million military leave request transactions annually costing \$3 billion for over 330,000 Air Force military personnel. LeaveWeb is financial feeder system providing information for military leave liability accruals

on the Air Force financial statements. Auditors determined LeaveWeb did not comply with regulatory and legal accounting mandates. Specifically, LeaveWeb program management personnel did not identify and incorporate applicable federal accounting conformance requirements into LeaveWeb to meet federal accounting standards. Complying with accounting conformance requirements provides reasonable assurance the system can accurately process leave data for over 330,000 military personnel. In addition, adhering to established accounting standards improves data reliability needed to support financial management decisions.

Report No. F-2011-0001-FB2000

Software Maintenance and Modifications

The Air Force defines software maintenance as the production effort required to design, code, test, and produce embedded weapon system and associated test system software. Weapon system software maintenance requirements include software embedded in aircraft, vehicles, missiles, and support equipment. Software maintenance requirements primarily fall into two categories: depot purchased equipment maintenance and unit under test software. The Air Force uses in-house (organic) software engineers, contractors, or a combination of both, depending on the source of repair assignment process, to determine the best solution for software maintenance performance. While Air Force personnel used the correct appropriation to fund software maintenance requirements, program managers did not accurately compute and justify software maintenance and modification requirements and properly implement recommendations. To illustrate, Air Force personnel did not properly compute Depot Purchased Equipment Maintenance software maintenance requirements and, as a result, overstated FY 2009 DPEM software maintenance requirements by \$47 million and understated requirements by \$15.6 million. Accurately computing and justifying requirements allows the Air Force to improve management of limited funding and prevents overstating the budget by \$310.1 million for FYs 2011 through 2016. In addition, Air Force personnel did not accurately compute and justify unit under test software



AFAA reviewed software maintenance and modifications.

maintenance requirements, and maintenance wing personnel did not use approved organic man-hours and contract costs to prepare the depot maintenance budget and recover UUT overhead costs from the customer. As a result, the Air Force lost visibility over organic UUT customer requirements and depot maintenance workload. Additionally, Air Force personnel overstated contract UUT software requirements approximately \$3.7 million for FYs 2011 through 2016. Finally, Air Force personnel did not properly implement software maintenance and modification Source of Repair Assignment Process recommendations to utilize organic software maintenance capabilities. As a result, the Air Force did not establish organic software maintenance workload valued at approximately \$83 million during FY 2009 as originally scheduled. Implementing organic software SORAP recommendations is necessary for the Air Force to meet statutory requirements for core workload capability, identify limitations for contractor performance of depot maintenance, and provide timely and effective workload capabilities.

Report No. F-2011-0002-C2000

Accountability and Control of Communications Security Assets

Communications security encompasses measures and controls taken to deny unauthorized persons access to government systems related to national security. Air Force personnel use COMSEC assets, such as cryptographic keys, to secure or authenticate communications. Controlled cryptographic items are one type of COMSEC asset that protect voice and data processed through secure communications. While COMSEC personnel generally maintained security over assets, they could improve accountability and deviation reporting. Air Force personnel did not properly account for COMSEC and controlled cryptographic items. Specifically, personnel could not locate 110 assets and did not record 818 on-hand assets in Air Force accountability systems. Additionally, accountability systems contained inaccurate data for 136 assets. As a result, Air Force leaders did not have total asset visibility and control for over \$3.7 million of COMSEC and controlled cryptographic

items. Effective COMSEC asset accountability is essential to provide oversight for assets vital to securing classified information. COMSEC personnel did not always report deviations through the proper channels within the required time frames. Reporting of COMSEC deviations is necessary to enable officials to take immediate steps to limit the adverse effects to the security of the United States.

Report No. F 2011-0004-FC4000

Next Generation Information Technology Accounting Conformance Requirements - Request for Proposal

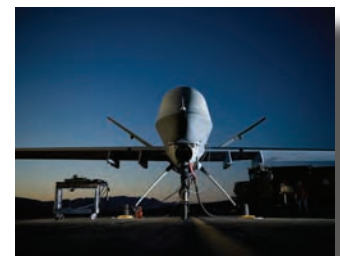
The next generation information technology is the new civil engineering enterprise resource planning system designed to provide an integrated work management capability for many of their processes. NexGen IT program management office personnel did not prepare the request for proposal to ensure compliance with regulatory and legal mandates related to accounting conformance requirements. Specifically, the NexGen IT request for proposal did not contain sufficient wording to ensure that all regulatory and legal mandates related to accounting conformance requirements would be addressed. Including accounting conformance requirements reviews in the request for proposal will ensure potential software contractors design a system that will provide users complete, timely, reliable, and consistent financial data to manage Air Force real property assets.

Report No. F-2011-0003-FB2000

Acquisition Processes and Contract Management

Reaper (MQ-9) Acquisition Management

The MQ-9 Reaper unmanned aircraft system is a long-endurance, medium-to-high altitude system that provides intelligence, surveillance, reconnaissance, and Hunter-Killer mission capabilities. The Air Force initiated the Reaper program as a contractor-developed, commercial off-the-shelf acquisition. Because the Reaper introduced unique capabilities, Air Combat Command officials directed early fielding of the Reaper to support emerging warfighter needs. As such, the system has evolved from



AFAA reviewed Reaper (MQ-9) acquisition management.

a commercial item to a highly modified major weapon system. Since 2001, program officials developed, produced, tested, and fielded 40 Reapers with sufficient warfighting capabilities that successfully supported multiple joint-contingency operations worldwide. The Air Force plans to acquire 388 Reapers with procurement costs totaling over \$10 billion. Auditors concluded acquisition planning for the MQ-9 Reaper unmanned aircraft system could be improved. While personnel initiated acquisition planning that provided executable program baseline parameters, program officials did not always maintain control over technical baseline requirements. Specifically, program officials did not incorporate all warfighter requirements into the production contract or ensure lower-level requirements aligned with key performance parameters. As a result, the Reaper program is at risk that system end-items may not fully satisfy all user operational requirements.

Report No. F-2011-0001-FC3000

Combat Survivor Evader Locator Program Management

The combat survivor evader locator is a joint program that provides a survival radio system for Army, Navy, and Air Force users. The system provides global coverage, continuous access, precision navigation, and positioning to survivors or isolated personnel on the ground. Within minutes of activation, the system provides precise survivor location data and two-way over-the-horizon communication with combat search and rescue forces. The program has fielded more than 30,000 handheld radios and has been credited with over 40 real-world “saves.” However, program officials did not plan and execute combat survivor evader locator production, modification, and upgrade activities in a timely and effective manner. As a result, the program did not satisfy all operational requirements, causing reduced mission capabilities for users. It also did not develop a documented, long-term logistics support strategy for combat survivor evader locator sustainment. Therefore, program officials did not have an integrated management framework for all acquisition and sustainment activities. During the audit, management officials initiated aggressive actions to close existing staffing and

planning gaps.

Report No. F-2011-0002-FC3000

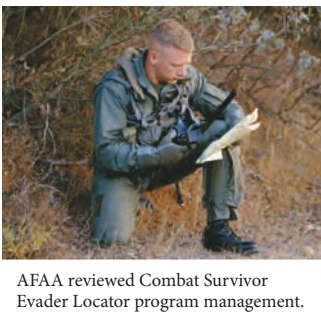
Environmental Restoration Task Order Management

The Air Force Center for Engineering and the Environment manages the Air Force environmental restoration program to clean up environmental contamination. As of May 12, 2010, Air Force Center for Engineering and the Environment had approximately 1,501 active environmental restoration task orders valued at \$2.7 billion. Approximately 725 of these task orders, valued at \$1.1 billion, were physically complete and had unliquidated obligations of \$3.8 million. Air Force Center for Engineering and the Environment personnel could improve task order management. Personnel effectively negotiated fees in accordance with applicable Federal Acquisition Regulation clauses for cost plus fixed fee task orders. However, Air Force Center for Engineering and the Environment did not timely deobligate \$1.4 million or properly close more than 70 percent of task orders reviewed. As a result, the Air Force lost \$717,000 in canceled funds during the period reviewed. While total fund forfeiture was not necessarily material, without adequate controls, future losses from deobligation and closeout delays could become significant and impact restoration mission accomplishment.

Report No. F-2011-0005-FD1000

Advisory and Assistance Services Contracts

Advisory and assistance services are contract support acquired from non-governmental sources to improve the effectiveness and economy of government operations. The Air Force uses A&AS contracts to improve organizational policy development, decision making, program and project management, and research and development. Air Force reported FY 2010 A&AS contract costs of \$1.37 billion (adjusted from \$2.3 billion for congressionally approved exemptions) to Congress. Audit determined personnel awarded A&AS contracts/task orders in accordance with established policy for fair opportunity, competition, time limitations, lowest cost, technical capability, and satisfactory performance. However, personnel did not adequately evaluate requirements for



AFAA reviewed Combat Survivor Evader Locator program management.

21 of 28 contracts/task orders reviewed. In particular, contracts/task orders contained requirements that were closely related to inherently governmental functions, personal services, or enduring operational tasks. As a result, the Air Force increased risk for potential loss of government control and expended \$754.4 million to acquire contract A&AS support that may have been more appropriate for government employee performance. In addition, Air Force organizations did not accurately report data, and, as a result, the data call overstated A&AS costs by more than \$430 million and contract manpower equivalents by nearly 1,700 positions. Further, errors and omissions in A&AS data call submissions could result in erroneous reporting of A&AS contract status to Congress.

Report No. F-2011-0001-FC1000

Financial Management

Headquarters Air Force Resource Management Miscellaneous Obligation/Reimbursement Documents

Air Force financial managers use miscellaneous obligation/reimbursement documents to support recording an obligation or reimbursement when the required documentary evidence to support the transaction is not immediately available. Title 31, United States Code 1501 requires financial managers to record only those obligations meeting specified standards, and the DoD Financial Management Regulation, 7000.14-R, volume 14, chapter 1, "Administrative Control of Funds and Antideficiency Act Violations," January 2009, requires recorded obligations be supported by valid contractual documents. While Headquarters Air Force Resource Management financial managers improved overall MORDs management, internal controls needed strengthening. Specifically, resource advisors properly established MORDs and supported MORD payments. Resource advisors maintained sufficient documentary evidence to support the establishment of MORDs and subsequent MORD payments. However, resource advisors did not effectively validate unliquidated MORD balances. As of September 2010, resource advisors deobligated balances totaling over \$10.7 million that could be used for other critical mission requirements. Effective controls

over MORD establishment and payment allow for more efficient use of scarce Air Force funds.

Report No. F-2011-0001-FB1000

Privatized Housing Fire and Police Services

The National Defense Authorization Act for FY 1996 established the military housing privatization initiative, providing DoD the authority to enter into long-term business relationships with private sector companies to build, renovate, and maintain housing communities (privatized housing) on military installations. In FY 2003, public law authorized the Air Force to provide fire and police services to these communities on a reimbursable basis. Air Force officials did not manage privatized housing fire and police services in accordance with Air Force requirements, lease provisions, and applicable laws. Specifically, Air Force personnel did not establish and compute reimbursements. As a result, the Air Force did not comply with public law and improperly provided free or underpriced fire and police services. By obtaining appropriate reimbursements from privatized housing projects, the Air Force could realize a potential monetary benefit of approximately \$46.4 million over six years (execution year and the Future Years Defense Program). In addition, personnel did not process reimbursement payments in accordance with lease provisions and fiscal law. All 15 installations reviewed had multiple reimbursement processing discrepancies including inappropriate invoicing, payment receipts, and fund account allocation. Accurate, complete, and timely reimbursement processing is necessary to ensure compliance with lease provisions and to avoid potential fiscal law violations. Finally, personnel did not perform or monitor all duties in accordance with Air Force requirements and lease provisions, including fire hydrant maintenance, background checks, and establishing police rules of engagement. Strengthening these areas would improve protection of Air Force personnel and avoid unnecessary legal liabilities.

Report No. F-2011-0007-FD1000

"Air Force officials did not manage privatized housing fire and police services in accordance with Air Force requirements, lease provisions, and applicable laws."

Operating Materials and Supplies – Aircraft Engines and Missile Motors

Operating materials and supplies are tangible personal property, excluding goods acquired for constructing real property, stockpiling materials, and inventory. The Air Force uses the Consolidated Engine Management System and Integrated Missile Database to account for aircraft engines and missile motors, respectively. The two systems reported values of \$9.2 billion for aircraft engines and \$2 billion for missile motors as of September 30, 2009. Audit determined aircraft engine and missile motor managers correctly reported operating materials and supplies - aircraft engines and missile motors in FY 2009 financial records. Specifically, managers correctly recorded and properly supported aircraft engines and missile motors reviewed, valued at \$806.8 million and \$75 million, respectively. Maintaining accurate financial records and supporting documents for mission critical assets helps enhance asset accountability and ensure financial record accuracy.

Report No. F-2011-0003-FB3000

Health Care

Medical Case Management

Medical case management is a collaborative process designed to improve patient outcomes and focus awareness on the three to five percent of military beneficiaries who consume an inordinate amount of resources. Through utilization reviews and other analysis techniques, patients who appear to over-utilize medical resources based on frequent admissions, chronic disease treatments, or other special healthcare needs are identified and recommended for case management. To improve case management services, military treatment facility officials could increase the number of case managed patients and improve program administration for patients enrolled in case management. Increasing patient caseloads at nine of 11 locations reviewed could increase overall program enrollment by at least 568 cases; or an average of 15 additional patients per case manager. Increasing caseloads could enable military treatment facility officials to improve patient outcomes and reduce unnecessary or

redundant medical care costing approximately \$6 million over six years (execution year and the Future Years Defense Program). Completing all program administration requirements at 11 military treatment facilities reviewed would provide a more standardized approach to case managed patient care; satisfy Case Management Society of America standards; improve workload reporting accuracy; and provide the visibility needed to properly assess case management workloads, budgeting and position requirements against patient demands.

Report No. F-2011-0001-FD2000

Disability Evaluation System Internal Controls

To maintain a fit and vital force, the secretary of the Air Force relies on the disability evaluation system to identify airmen who are unable to reasonably perform their duties due to a service-incurred or service-aggravated mental or physical disability. Disability evaluation begins when examination, treatment, hospitalization, or duty performance results in a referral to a medical evaluation board by the attending provider. The medical evaluation board is the first step in the disability evaluation system process to determine whether an airman is unfit for duty. This process continues with the physical evaluation board to evaluate the nature, origin, degree of impairment, and probable permanence of the physical or mental condition. In accordance with Public Law 109-364, the undersecretary of defense (personnel and readiness) established policy in May 2007 for service IGs to conduct a review of disability evaluation system compliance requirements and internal controls every three years. While improvements were made since the previous audit, medical officials did not process medical evaluation board determinations within 30 days as required; 28 percent of the time medical evaluation board processing exceeded the standard by an average of 22 days. Timely medical evaluation board processing is necessary to minimize the impact on unit readiness and to quickly identify members able to return to duty or no longer able to perform their duties (repeat condition). In addition, only 132 (8 percent) of 1,628 medical evaluation board cases adjudicated from October 1, 2009, through March 31, 2010, were completed within the standard 40 days. As



AFAA reviewed medical case management.

a result, over 1,433 cases were awaiting disability determination as of April 20, 2010. Reducing processing time to meet the 40-day standard will allow the Air Force to expedite airmen separations/retirements and achieve a potential monetary benefit of approximately \$172 million over six years (execution year and the Future Years Defense Program).

Report No. F-2011-0002-FD2000

Air Force Central Area of Responsibility Patient Safety Program

Air Force military treatment facility personnel deployed to Air Forces Central area of responsibility installations are responsible for providing safe, quality health care to their patients. Congress underscored this responsibility in the 2001 National Defense Authorization Act requiring DoD health care organizations to establish a system for identifying, analyzing, and reporting medical events that occur in the provision of health care. Medical events are actions or inactions that lead to deviations from intentions or expectations and include problems in medical practice, procedures, products, or systems. Audit determined medical officials at all three military treatment facilities reviewed did not fully implement patient safety programs necessary to identify medical events, analyze patient mishaps and risk, or report potential problem areas for resolution. Fully implemented patient safety programs, associated medical event identification, analysis, and reporting processes ensures Air Forces central officials properly identify patient care risks and mitigate as required by law.

Report No. F-2011-0003-FD2000

Medical Equipment Orders and Funding

Air Force medical equipment includes patient care items such as ultrasound and dental screening equipment. Depending on the dollar amount and installation budgets, requirements levels and purchases for these items are managed by installation military treatment facility or Air Force Medical Operations Agency officials. Medical logistics personnel monitor equipment purchases from requisition until item receipt, and Resource Management Office personnel manage associated funding including reviewing obligation balances and timely deobligating

funds no longer needed. Audit identified Air Force personnel did not effectively manage equipment orders and associated funding. Specifically, personnel did not effectively follow-up on equipment orders or timely deobligate remaining funds on over 90 percent of orders reviewed. Proper follow up on orders results in medical facilities receiving mission equipment in a timely manner, positively affecting the quality of patient care. Deobligating unnecessary medical equipment obligations resulted in a one-time monetary benefit to the Air Force of almost \$1 million.

Report No. F-2011-0004-FD2000

Nuclear Enterprise

Nuclear Weapons Related Materiel Inventories

The Air Force manages a worldwide supply chain supporting diverse nuclear-capable weapons systems and related materiel. Air Force inventory teams validate accountability by conducting physical inventories of nuclear weapons related materiel at both organic Air Force locations and at non-organic locations such as contractor and Department of Energy facilities. Air Force teams inventoried assets and reconciled results at 11 organic locations to verify Air Force records accuracy. In addition, all items on Air Force accountability records were physically on hand during the inventory at non-organic locations. However, not all nuclear weapons related materiel items were on Air Force accountability records and inventory teams could not always verify whether accountability records were complete. As a result, at least 86 nuclear weapons related materiel assets were not included in the worldwide inventory. Accurate accountability of nuclear weapons related materiel assets at contractor facilities are important for ensuring the security of assets outside physical control of the Air Force.

Report No. F-2011-0002-FC4000

Air Force Management of Nuclear Expertise

Reinvigorating the nuclear enterprise remains the Air Force's highest priority. The Air Force Nuclear Task Force, in the October 24, 2008, Nuclear Roadmap, concluded identifying nuclear expertise and addressing education and training were necessary to improve nuclear

“The Air Force manages a worldwide supply chain supporting diverse nuclear-capable weapons systems...”

“Although Air Force officials developed a comprehensive list of key nuclear billets, 27 of 221 military and civilian personnel assigned to these billets have not received any position-specific nuclear training.”

functions within the Air Force. Additionally, the Nuclear Task Force directed the Air Force to identify all key nuclear billets and verify that these positions were the highest priority for assigning experienced airmen. Formal schoolhouse and unit-level programs provide key nuclear billets personnel training and should be accurately reflected in the Military Personnel Data System. A candidate's nuclear training history should be easily accessible so assignments personnel can use that data when selecting airmen and civilians for key nuclear billets. Although Air Force officials developed a comprehensive list of key nuclear billets, 27 of 221 military and civilian personnel assigned to these billets had not received any position-specific nuclear training. Additionally, the Military Personnel Data System inaccurately indicated 172 (86 percent) of the 201 military members assigned to key nuclear billets had not received nuclear training. Although DoD IG did not find instances where nuclear personnel improperly performed assigned duties, inadequate training unnecessarily increases Air Force exposure to this potential risk. Further, accurate nuclear training data facilitate selecting appropriately trained personnel and help preclude erroneously excluding trained individuals from consideration for key nuclear billets assignments.

Report No. F-2011-0002-FD3000

[Nuclear Demilitarization Program Funds](#)

In 2006, the Air Force established the Air Force Nuclear Weapons Center at Kirtland AFB, N.M. to ensure safe, secure and reliable nuclear weapon systems and serve as the single Air Force manager for nuclear sustainment. To reinvigorate the nuclear sustainment enterprise, AFNWC led the Air Force Comprehensive Assessment of Nuclear Sustainment study in 2008 followed by a second assessment in 2009 reporting on nuclear safety, security, reliability, and accountability issues. These two assessments identified a significant backlog of nuclear assets requiring demilitarization actions such as the Minuteman I missile. While the Air Force nuclear community developed a plan for disposing of surplus nuclear assets, nuclear logistics personnel located at SPOs did not efficiently execute nuclear demil funds. As a result, SPO nuclear demil managers could only

dispose 1,300 of 53,000 nuclear assets planned for disposal during FY 2010. In addition, the AFNWC financial and nuclear demil managers did not align costs with disposal actions outlined in the Nuclear Enterprise Demil/Disposal Plan. Consequently, nuclear demil managers reported incomplete data and understated FY 2010 demil requirements and costs by \$14 million.

Report No. F-2011-0003-FB1000

Recovery Act

The American Recovery and Reinvestment Act of 2009 was signed into law February 17, 2009. The purpose of the law was to create and save jobs, jump-start the economy, and create a foundation for long-term economic growth. The Act allowed the Air Force to address unfunded facility requirements. AFAA conducted the following four audits evaluating the use of Recovery Act funds.

[American Recovery and Reinvestment Act of 2009 Project Execution - Facilities Sustainment, Restoration and Modernization](#)

Air Force approved 1,705 Recovery Act projects at an estimated cost of \$1.2 billion. As of February 2010, 1,603 projects, valued at \$1 billion, were awarded. Air Force personnel properly awarded projects to qualified small businesses and administered Recovery Act funds. However, contractor's progress schedules were late, inadequate or not submitted for 87 (51 percent) of 169 projects. In addition, contracting personnel did not review and verify accuracy of the contractor quarterly reports. As a result, reported data was not accurate. For instance, data in 126 (50 percent) of 251 reports did not match the Federal Procurement Data System, project status was inaccurate for 34 (14 percent) of 251 reports, and final reports were inaccurate for 26 (33 percent) of 78 completed projects.

Report No. F-2011-0003-FD1000

[American Recovery and Reinvestment Act of 2009, Naval Facilities Engineering Command Southeast, Military Construction Part 2](#)

Naval Facilities Engineering Command was the contracting agent for one military construction Recovery Act project valued at \$14 million. Navy personnel met the following Recovery

Act goals: quickly awarded contracts and distributed funds, competed contracts, validated jobs created, and ensured all personnel could rely on the information to determine success. In addition, personnel met most transparency requirements. However, subcontractors were not fully informed of commercial item requirements and could potentially have been unable to fulfill or adhere to requirements.

Report No. F-2011-0004-FD1000

American Recovery and Reinvestment Act of 2009, Air National Guard, Military Construction Part 2

Air National Guard approved 10 Recovery Act projects at an estimated cost of \$50 million. Air National Guard personnel met the following Recovery Act goals: quickly awarded contracts and distributed funds, competed contracts, validated jobs created, and ensured all personnel could rely on the information to determine Recovery Act success. However, Air National Guard personnel did not completely meet transparency requirements. Specifically, contracting personnel did not properly report contract information to the public. As a result, the public was unable to provide informal oversight of projects.

Report No. F-2011-0006-FD1000

American Recovery and Reinvestment Act of 2009, U.S. Army Corps of Engineers, Military Construction Part 2

The U.S. Army Corps of Engineers was the contracting agent for six Recovery Act projects valued at \$62 million. USACE personnel met the following Recovery Act goals: quickly awarded contracts and distributed funds, competed contracts, validated jobs created, and ensured all personnel could rely on the information to determine Recovery Act success. However, personnel did not meet all transparency requirements, include necessary Federal Acquisition Regulation clauses in contracts, or inform contractors of Recovery Act unique contract requirements.

Report No. F-2011-0010-FD1000

Air Force Office of Special Investigations

Counterthreat Operations

Iraq Theater of Operations

AFOSI members stationed in the vicinity of Kirkuk Regional Air Base, Iraq, developed information that led to the safe capture of four Jaysh Rijal al-Tariq al Naqshabandi fighters. All four of the JRN fighters were responsible for emplacing improvised explosive devices in the local area targeting Iraqi government officials and U.S./coalition forces.

As part of a multi-national and multi-service effort near Kirkuk RAB, AFOSI collected critical counterintelligence information used to obtain a warrant in Iraqi court for the apprehension of a known terrorist. As a result of the warrants' execution, he and a second terrorist were arrested for producing and employing improvised explosive devices and indirect fire attacks against coalition forces. Through additional counterintelligence activity, AFOSI was able to provide information regarding a weapons cache to the Iraqi police who in turn acted on the information seizing over 400 rocket fuses that were destined for nefarious forces near Kirkuk. This seizure disrupted indirect fire operations.

Other investigative activities performed in the vicinity of Bagdad led AFOSI to discover information revealing connections between Iraqi government officials working on Bagdad International Airport and known members of foreign intelligence agencies.

Bagram Air Base, Afghanistan

In investigative activity conducted near Bagram Air Base, Afghanistan, AFOSI discovered and cultivated counterintelligence information regarding a specific indirect fire threat planned against coalition forces. After coordination with the local task force, direct action units were able to eliminate the enemies' ability to carry out the attack.



AFOSI special agents performing counterterrorism operations in Kirkuk.

Additional investigative activity at Bagram Air Base, led AFOSI to discover threat information as to the location of the mortar firing points used during a ground assault on Bagram AB. The information gained identified the location of five enemy bodies, previously unknown, who were neutralized during the assault.



AFOSI special agents meeting with locals in Afghanistan.

Information collections in and around Bagram Air Base enabled AFOSI to locate a local Taliban supporter who housed the insurgents who participated in the ground assault against Bagram Air Base. Based on AFOSI's information, U.S. forces conducted an operation to neutralize the Taliban supporter. During the exploitation of the supporters' compound, grenades, anti-personnel mines, weapons, and U.S. military clothing items were found and seized.

Investigative activity near Bagram Air Base revealed information regarding 10 improvised explosive devices in transport that were to be delivered to a local Taliban commander. As a result, the shipment was intercepted and the devices were removed from the battle space.

Kandahar Air Field, Afghanistan

As a result of AFOSI counterintelligence operations, U.S. forces, International Security Assistance Forces for Afghanistan, and ISAF military police conducted a joint counter threat operation leading to the neutralization of a known insurgent targeting U.S. and coalition forces in the vicinity of Kandahar Air Field, Afghanistan. The terrorist was also known for procuring improvised explosive devices and facilitating suicide attacks. Materials used to make improvised explosive devices were discovered and seized during the neutralization.

AFOSI investigative activity led to a joint ISAF and Afghani National Police operation targeting five Taliban members responsible for recent indirect fire attacks on Kandahar Air Field. During the execution of the operation, items found on one of the Taliban members revealed a plot to assassinate and intimidate members of a nearby village.

Positive results also evolved from the information obtained as a result of AFOSI efforts regarding

the movement of 80-100 Taliban fighters. This information enabled the synchronization of blocking actions and disruption of enemy operations. Provided with this information, direct actions teams were able to seize the tactical advantage, engage, and inflict heavy damages to the Taliban in the local area rendering them combat ineffective.

The following are significant investigative cases:

Company Agrees to a \$3 Million Settlement

Overview: This case was initiated on a Qui Tam suit filed in the Western District of Tennessee, citing violations of the False Claims Act, 31 USC 3729. The relator, a former company vice president, alleged that the company and its corporate entities fraudulently conspired to mislead the government in order to collect unearned profits. Specifically, the company misrepresented critical cost and pricing data in its official proposal during contract negotiations for the procurement of F-22 shipsets (infrared decoy flares and impulse cartridges). The government entered into a sole source, firm fixed price contract of \$18.5 million for a deliverable quantity of 4459 F-22 shipsets. Without notifying the government negotiation team, the company solicited and accepted a significantly lower per-unit quote from a subcontractor, resulting in increased profits. Members of the U.S. Attorney's Office, Air Force Materiel Command, DCAA and AFOSI, presented evidence which demonstrated breaches of the Truth in Negotiations Act. This investigation was conducted jointly with FBI and ICE.

Result: The company entered into a civil settlement agreement to resolve these allegations, agreeing to pay \$3.07 million, 20 percent of which will be paid to the relator pursuant to the Qui Tam provisions of the False Claims Act.

Sexual Predator Gets Life

Overview: This investigation was initiated upon receiving information that a child told her parents of seeing the staff sergeant's privates when he babysat her. The staff sergeant was apprehended and a search of his residence and vehicle was conducted during which computers, hard drives, digital cameras, and media cards were seized, as well as a child's personal items and toy. Analysis

of the seized digital and media evidence revealed 2,846 images of suspected child pornography, of which 137 were suspected to have been manufactured by the staff sergeant. Additionally, while working the investigation, the Michigan State Police contacted AFOSI stating they were working a case of child sexual assault of a family member against the staff sergeant prior to his entering the USAF. The staff sergeant confessed to possessing child pornography and molesting several victims.

Result: At general court-martial the staff sergeant was found guilty of Article 120 – Rape, Sexual Assault, and Other Sexual Misconduct, and Article 134 – General Article. He was sentenced to life in prison without the possibility of parole, reduction to E-1, and a dishonorable discharge.

[Sergeant Receives Eight Year Prison Sentence for having Unprotected Sex](#)

Overview: This investigation was initiated upon receiving information from a sergeant's wife who reported her husband was positive for human immunodeficiency virus and had engaged in unprotected sexual contact with numerous partners over the past several years. Investigation revealed the sergeant was an active member of a swinger's community and participated in numerous sexual contacts without informing his partners of his illness. Interviews of over 100 individuals and searches of the sergeant's off-base home, automobile, military office space and government computer systems and mail files were conducted. Twelve were identified as victims with no knowledge of the sergeant's HIV status. Specialists from AFOSI and the Defense Computer Forensic Laboratory analyzed computers and related media seized from the Sergeant. These examinations disclosed evidence of the sergeant's participation with numerous adult oriented websites, with only one mentioning a "virus;" and numerous sexually explicit photographs of the sergeant with identified victims. As of January 2011, no victim has reported being infected by HIV.

Result: At general court-martial the sergeant was found guilty of Article 92 – Failure to Obey Order or Regulation; Article 120 – Rape, Sexual Assault, and Other Sexual Misconduct; Article 128 – Assault; and Article 134 – General Article.

He was sentenced to eight years of confinement, reduction to E-1, forfeiture of all pay and allowances, and a dishonorable discharge.

Other Significant Initiatives

Since December 2010, AFOSI has been providing law enforcement and counterintelligence support to AF Global Strike Command to enhance the overall security of Air Force Protection level 1 resources. In executing this mission, AFOSI agents have been conducting extensive liaison with key local, state and federal law enforcement agencies, collecting intelligence, providing threat briefings, and applying AFOSI special skill sets with the intent of identifying and neutralizing threats to USAF intercontinental ballistic missile operations.

As of October 2010, AFOSI established its first Strategic Language and Culture Program to streamline language coded positions, language training, and language program budget. Since its inception, the program has launched AFOSI first enhancement training initiative with agents occupying language coded positions attending a training event of formal instruction and in-country immersion for two to five weeks. This enhancement program is intended to preserve the initial training investment and hone existing language skills, thereby aiding in the success of liaison activities abroad. The program also established a strategic focus for the long term health of AFOSI's language capability. Defining "strategic" languages and career-long proficiency training for selected agents will add vigor to this critical skill set.

Air Force Inspector General

Intelligence Oversight

[United States Air Force Semiannual Report to the Intelligence Oversight Board](#)

Overview: USAF Major Commands and Field Operating Agency Inspector General Teams conducted 26 intelligence oversight inspections between October 1, 2010, and December 31,



AFOSI special agents with a weapons cache uncovered near Bagram Air Base.

2010, in accordance with Air Force Instruction 14-104, Oversight of Intelligence Activities, dated April 16, 2007. This report is a summary of the results of those inspections.

Result: Inspections assessed unit compliance with the rules and procedures pertaining to collecting, retaining and disseminating intelligence on U.S. persons, and the adequacy of the intelligence oversight program. All unit intelligence oversight programs were assessed as “In Compliance” or “Satisfactory.”

[United States Air Force Annual Report to the Intelligence Oversight Board \(January 1, 2010 – December 31, 2010\)](#)

Overview: There were no intelligence, counterintelligence, or intelligence-related activities that violated law, regulation, or policy during CY 2010. There was a complaint alleging three potential intelligence oversight violations that was investigated by USSTRATCOM. The allegations were determined to be unsubstantiated and the case was closed.

Result: The Air Force has 519 units that require annual Intelligence Oversight inspection. In CY 2010, the Major Commands and the Assistant to the Secretary of Defense for Intelligence Oversight accomplished 122 unit inspections and the remaining units completed a self-inspection. The inspections assessed unit compliance with the rules and procedures pertaining to collecting, retaining and disseminating intelligence on U.S. persons, and the adequacy of intelligence oversight programs. During unit compliance self-inspection, two units, the 31st Operations Group, Aviano Air Base, Italy and the 149th Fighter Wing, Kelly Field Annex, Lackland Air Force Base, Texas reported critical discrepancies concerning unit training requirements which were immediately corrected. The remaining 395 unit intelligence oversight programs were assessed as “In Compliance.”

Operational Readiness Inspections between October 1, 2010, and December 31, 2010, in accordance with Air Force Instruction 90-201, “Inspector General Activities,” dated June 2009. The report is a summary of the results of those inspections. Nuclear Operational Readiness Inspections are performance-based readiness evaluations of nuclear-tasked units which support United States Strategic Command and Joint Chief of Staff-directed Operational Plans. These inspections require units to demonstrate their operational capability of nuclear and nuclear-support in a time-constrained environment.

Result: Six units underwent a Nuclear Operational Readiness Inspection during this reporting period and earned a rating of “Outstanding,” “Excellent,” or “Satisfactory.”

[United States Air Force Semi-Annual Report to Congress on Inspector General Reports on the Nuclear Enterprise \(January 1, 2011 – March 31, 2011\)](#)

Overview: USAF Major Commands conducted five Nuclear Surety Inspections and two Nuclear Operational Readiness Inspections between January 1, 2011, and March 31, 2011, in accordance with Air Force Instruction 90-201, “Inspector General Activities,” dated June 17, 2009. The report is a summary of the results of those inspections.

Result: Nuclear Operational Readiness Inspections are performance-based readiness evaluations of nuclear-tasked units which support United States Strategic command and Joint chief of Staff-directed Operational Plans. The inspections require units to demonstrate their operational capability of nuclear and nuclear-support in a time-constrained environment. Two units underwent a Nuclear Operational Readiness Inspection during this reporting period and earned “Excellent” ratings.

Nuclear Enterprise

[United States Air Force Semi-Annual Report to Congress on Inspector General Reports on the Nuclear Enterprise \(October 1, 2010 – December 31, 2010\)](#)

Overview: USAF Major Commands conducted five Nuclear Surety Inspections and six Nuclear

Appendices



Audit, Inspection, and Evaluation Reports Issued

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

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

Army Audit Agency
(703) 693-5679
<http://www.hqda.army.mil/aaaweb>

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

Air Force Audit Agency
(703) 696-7904
<https://www.afaa.af.mil>

	DoD IG	Military Depts.	Total
Joint Warfighting and Readiness	11	42	53
Information Assurance, Security, and Privacy	1	19	20
Acquisition Processes/Contract Management	17	34	51
Financial Management	20	32	52
Health Care	5	10	15
American Recovery and Reinvestment Act	26	10	36
Nuclear Enterprise	0	3	3
Other	5	6	11
Total	85	156	241

Joint Warfighting and Readiness

Agency	Report Number	Report Title	Date
DoD IG	D-2011-033	DoD Needs to Improve Management and Oversight of Operations at the Defense Reutilization and Marketing Office-Camp Arifjan, Kuwait (FOUO)	01/12/2011
DoD IG	D-2011-036	Competition Should Be Used for Instructor Services for the Mine Resistant Ambush Protected Vehicles	02/03/2011
DoD IG	D-2011-037	Marine Corps Response to Nonlethal Laser Dazzler Urgent Request	02/09/2011
DoD IG	D-2011-051	DoD Needs Synchronized Communication Activities and an Integrated Information Operations Capability in Afghanistan (Classified)	03/21/2011
DoD IG	D-2011-6-005	External Quality Control Review of the Defense Logistics Agency Audit Organization	03/16/2011
DoD IG	11-INTEL-01	Inspection of DoD Detainee Transfers and Reliance on Assurances	12/03/2010
DoD IG	11-INTEL-03	Assessment of the Defense Intelligence Coordination Center	12/06/2010
DoD IG	11-INTEL-05	Inspection of an Office of the Under Secretary of Defense Program Number 3: Phase Two	02/18/2011
DoD IG	11-INTEL-06	Assessment of Intelligence Community Whistleblower Protection Act Allegations	03/07/2011
DoD IG	SPO-2011-001	Assessment of U.S. Government Efforts to Develop the Logistics Sustainment Capability of the Iraq Security Forces	11/17/2010
DoD IG	SPO-2011-003	Assessment of U.S. Government Efforts to Train, Equip and Mentor the Expanded Afghan National Police	03/03/2011

Agency	Report Number	Report Title	Date
USAAA	A-2011-0009-IEO	Energy Savings Performance Contracts, U.S. Army Garrison Fort Eustis	10/20/2010
USAAA	A-2011-0004-IEO	Energy Savings Performance Contracts, U.S. Army Garrison Picatinny Arsenal	10/15/2010
USAAA	A-2011-0003-IEO	Energy Savings Performance Contracts, U.S. Army Garrison Aberdeen Proving Ground	10/15/2010
USAAA	A-2011-0085-IEU	Management of Offpost Housing in Romania (FOUO)	03/30/2011
USAAA	A-2011-0047-ALL	Container Management in Iraq, Condition and Contents	12/22/2010
USAAA	A-2011-0036-FFP	Contract Administration of Fort Richardson Energy Savings Performance Contract, U.S. Army Garrison, Fort Richardson	01/06/2011
USAAA	A-2011-0054-ALM	Contracts for Maintenance Support - TACOM life Cycle Management Command, TACOM Contracting Center	02/01/2011
USAAA	A-2011-0021-FFS	Critical Dual Use Equipment (FOUO)	11/15/2010
USAAA	A-2011-0075-FFT	Digital Training Management System	03/10/2011
USAAA	A-2011-0039-IEO	Energy Savings and Performance Contracts, Summary Report	12/17/2010
USAAA	A-2011-0025-FFP	Equipment Maintenance - Alaska, U.S. Army Garrison Fort Wainwright	11/30/2010
USAAA	A-2011-0048-ALL	Excalibur Accountability Gap, United States Forces - Iraq (FOUO)	12/17/2010
USAAA	A-2011-0032-IEU	Follow-up Audit of Organizational Clothing and Individual Equipment, U.S. Army, Europe and Seventh Army	12/02/2010
USAAA	A-2011-0035-ALS	Follow-up Audit of Procurement Lead Times--Missiles, U.S. Army Aviation and Missile Life Cycle Management Command	12/14/2010
USAAA	A-2011-0058-ALM	Follow-up Audit on M88A1 Recovery Vehicle FY 2009 Reset Maintenance Requirements	02/16/2011
USAAA	A-2011-0071-FFS	Impact of the Grow the Army Initiative on the Table of Distribution and Allowances Workforce (FOUO)	03/10/2011
USAAA	A-2011-0044-IEO	Installation Facilities and Operations Support, U.S. Army Garrison Fort Meade	02/08/2011
USAAA	A-2011-0005-FFP	Installation Master Plan: U.S. Army Garrison Humphreys, U.S. Forces Korea and Eighth U.S. Army (FOUO)	11/22/2010
USAAA	A-2011-0013-FFS	Life-Cycle Management of Logistics Officers	11/09/2010
USAAA	A-2011-0084-IEU	Management of Offpost Housing in Romania (FOUO)	03/28/2011
USAAA	A-2011-0060-ALM	Mi-17 Helicopter Airworthiness and Flight Safety (FOUO)	02/11/2011
USAAA	A-2011-0061-ALM	Operational Readiness Floats, Office of the Deputy Chief of Staff, G-4	03/15/2011
USAAA	A-2011-0063-ALL	Redistribution Property Assistance Teams, United States Forces - Iraq	02/14/2011
USAAA	A-2011-0015-ALS	Review of Army's Actions to Close Material Weakness: Logistics Asset Visibility and Accountability (FOUO)	10/29/2010
USAAA	A-2011-0083-ALM	Time-Sensitive Issue--M113 Family of Vehicles FY 2011 Reset Maintenance Requirements (FOUO)	03/23/2011
USAAA	A-2011-0033-ALS	Workload Planning on Army's Transportation Mission (FOUO)	12/03/2010
USAAA	A-2011-0042-IEO	Workload Survey of Installation Operations Program	12/20/2010
NAVAUDSVC	N2011-0005	Reporting of Marine Corps Equipment Mishaps	11/10/2010
NAVAUDSVC	N2011-0006	Marine Corps Traffic Safety Program at I and II Marine Expeditionary Force and Marine Corps Installations East and West	11/30/2010
NAVAUDSVC	N2011-0012	Navy's Traffic Safety Program at Naval District Washington and Commander, Navy Region Mid-Atlantic Regions	12/22/2010
NAVAUDSVC	N2011-0019	Organizational-Level Maintenance of U.S. Navy Aegis-Equipped Ships	01/27/2011
NAVAUDSVC	N2011-0021	Marine Corps Equipment Accountability at II Marine Expeditionary Force	02/16/2011
NAVAUDSVC	N2011-0027	Marine Corps Equipment Accountability at I Marine Expeditionary Force	03/31/2011
AFAA	F-2011-0001-FC2000	Temporary Modifications	11/22/2010
AFAA	F-2011-0001-FC4000	Additive Management	10/29/2010
AFAA	F-2011-0003-FC4000	Management of Vehicle Requirements	01/04/2011
AFAA	F-2011-0005-FC4000	Due-Out Validation	03/14/2011
AFAA	F-2011-0009-FD1000	Air Force Real Property Outgrants	02/01/2011
AFAA	F-2011-0001-FD3000	Implementing Combat Air Forces Total Force Integration	10/21/2010

Appendix A

Agency	Report Number	Report Title	Date
AFAA	F-2011-0001-FD4000	Air Force Officer Accessions and Training	12/01/2010
AFAA	F-2011-0003-FD4000	Joint Expeditionary Taskings	01/27/2011
AFAA	F-2011-0005-FD4000	Post-9/11 GI Bill Transfer Program	02/09/2011

Information Assurance, Security, & Privacy

Agency	Report Number	Report Title	Date
DoD IG	D-2011-020	Controls Over Information Placed on Publicly Accessible Web sites Require Better Execution	11/24/2010
USAAA	A-2011-0001-FFD	Antiterrorism Exercises, Office of the Provost Marshal General (FOUO)	10/13/2010
USAAA	A-2011-0051-FFD	Audit of the Military Working Dog Program	01/04/2011
USAAA	A-2011-0081-ALA	Body Armor Requirements Determination, Office of the Deputy Chief of Staff, G-3/5/7	03/21/2011
USAAA	A-2011-0019-IET	Expeditionary Video Teleconferencing Requirements (FOUO)	01/19/2011
USAAA	A-2011-0006-IET	Followup of Information Technology Asset Authorizations for Tactical Units	11/15/2010
USAAA	A-2011-0016-IET	Global Network Enterprise Construct Aggregation Validation--Contract Review	11/15/2010
USAAA	A-2011-0053-IET	Global Network Enterprise Construct Aggregation Validation--Personnel, U.S. Army Network Enterprise Technology Command/9th Signal Command (Army)	01/13/2011
USAAA	A-2011-0045-ZBI	Hazardous Duty Incentive Pay for Demolition Duty, U.S. Army Special Operations Command (FOUO)	12/17/2010
USAAA	A-2011-0023-FFD	Vulnerability Assessments and Risk Mitigation for Non-U.S. Army Installation Management Command within U.S. Army Materiel Command Sites, U.S. Army Materiel Command (FOUO)	11/22/2010
NAVAUDSVC	N2011-0017	Navy Reserve Southwest Region Annual Training and Active Duty for Training Orders	01/19/2011
NAVAUDSVC	N2011-0020	Unnecessary Collection of Personally Identifiable Information in the Department of the Navy	01/28/2011
NAVAUDSVC	N2011-0024	Effectiveness of the Department of the Navy's Denial Process for Interim Security Clearances at Selected Activities	03/11/2011
AFAA	F-2011-0001-FB2000	LeaveWeb Accounting Conformance	01/04/2011
AFAA	F-2011-0002-FB2000	Enterprise Environmental Safety and Occupational Health - Management Information System Application Controls	02/15/2011
AFAA	F-2011-0003-FB2000	Next Generation Information Technology Accounting Conformance Requirements - Request for Proposal	03/08/2011
AFAA	F-2011-0001-FB4000	Voice Over Internet Protocol Implementation	12/20/2010
AFAA	F-2011-0002-FB4000	Information Assurance Workforce Improvement Program	01/26/2011
AFAA	F-2011-0002-FC2000	Software Maintenance and Modifications	02/08/2011
AFAA	F-2011-0004-FC4000	Accountability and Control of Communications Security Assets	02/28/2011

Acquisition Processes/Contract Management

Agency	Report Number	Report Title	Date
DoD IG	D-2011-001	Marine Corps Systems Command's Use of Unfinalized Contractual Actions	10/27/2010
DoD IG	D-2011-014	Weaknesses in Awarding Fees for the Broad Area Maritime Surveillance Contract	11/02/2010
DoD IG	D-2011-018	FY 2008 and FY 2009 DoD Purchases Made Through the General Services Administration	11/30/2010
DoD IG	D-2011-021	More DoD Oversight Needed for Purchases Made Through the Department of Energy	12/03/2010
DoD IG	D-2011-024	Air Force Space and Missile Systems Center's Use of Unfinalized Contractual Actions	12/16/2010
DoD IG	D-2011-028	Contract Oversight for the Broad Area Maritime Surveillance Contract Needs Improvement	12/23/2010
DoD IG	D-2011-032	Logistics Civil Augmentation Program Support Contract Needs to Comply With Acquisition Rules	01/07/2011
DoD IG	D-2011-042	Lean Six Sigma Project - Defense Logistics Agency/Honeywell Long-Term Contract Model Using One-Pass Pricing for Sole-Source Spare Parts	02/18/2011
DoD IG	D-2011-043	Improvements Needed on the Fleet and Industrial Supply Center, Sigonella, Ship Maintenance Contracts in Southwest Asia	02/22/2011
DoD IG	D-2011-044	Reimbursable Fees at Four Major Range and Test Facility Bases	02/23/2011

Agency	Report Number	Report Title	Date
DoD IG	D-2011-047	Improvements Needed in Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan (FOUO)	03/02/2011
DoD IG	D-2011-049	Competition Issues and Inherently Governmental Functions Performed by Contractor Employees on Contracts to Supply Fuel to U.S. Troops in Iraq (FOUO)	03/15/2011
DoD IG	D-2011-6-002	Report on Quality Control Review of the Deloitte & Touche, LLP and Defense Contract Audit Agency FY 2008 Single Audit of The Aerospace Corporation	10/29/2010
DoD IG	D-2011-6-004	Report on Quality Control Review of the PricewaterhouseCoopers, LLP and Defense Contract Audit Agency FY 2008 Single Audit of the Charles Stark Draper Laboratory, Incorporated	02/28/2011
DoD IG	D-2011-6-006	Hotline Allegation Regarding the Failure of Defense Contract Management Agency Philadelphia to Settle and Audit of a Significant Cost Accounting Change	03/22/2011
DoD IG	11-INTEL-02	Report of the National Security Agency Cryptologic Center Construction Project	12/03/2010
DoD IG	11-INTEL-04	Audit of the Missile Defense Agency Special Programs Base Realignment and Closure Planning	02/07/2011
USAAA	A-2011-0073-IEU	Agreed-Upon Procedures Attestation of Transportation Tenders at the Frankfurt Gateway Reception Center (FOUO)	03/10/2011
USAAA	A-2011-0068-ALL	Agreed-Upon Procedures Attestation to Determine if Payments Were Made to Host Nation Trucking Contractors for Potentially Fraudulent or Inaccurate Transportation Movement Releases, Afghanistan (FOUO)	02/25/2011
USAAA	A-2011-0069-ALL	Agreed-Upon Procedures Attestation to Determine the Accuracy of Host Nation Trucking Contractor's Invoices, Afghanistan (FOUO)	02/28/2011
USAAA	A-2011-0040-ALA	Army Rapid Acquisition Processes - Capabilities Development for Rapid Transition	12/14/2010
USAAA	A-2011-0067-ALL	Audit of Controls Over Vendor Payments - Afghanistan - Southwest Asia (Phase II)	02/22/2011
USAAA	A-2011-0080-IEO	Audit of the Comprehensive Soldier Fitness Program Contracts	03/17/2011
USAAA	A-2011-0030-ALL	Audit of the Management and Visibility of Government Property Provided to the Contractor Performing Base Support Operations in Kuwait	12/01/2010
USAAA	A-2011-0027-ALA	Audit of the Research, Development, Test and Evaluation Cost Estimate for the Ground Combat Vehicle (NOTE: The report was accidentally published with A-2011-0127-ALA as the report number.) (FOUO)	11/23/2010
USAAA	A-2011-0017-ALC	Contract Closeout Controls for BRAC-Affected Activities, Fort McPherson, Georgia and Fort Monmouth, New Jersey	11/10/2010
USAAA	A-2011-0018-ALC	Contract Closeout Controls for BRAC-Affected Activities, Mission and Installation Contracting Command Center-Fort Bragg, North Carolina	11/09/2010
USAAA	A-2011-0041-ALC	Contract Type Selection	12/15/2010
USAAA	A-2011-0050-ALA	Distributed Common Ground System - Army, Office of the Project Manager, Distributed Common Ground System - Army (FOUO)	12/22/2010
USAAA	A-2011-0002-ALC	Extent of Competition in Army Contracting	10/12/2010
USAAA	A-2011-0010-ALL	Fuel Farm operations, Camp Buehring, Kuwait (FOUO)	11/16/2010
USAAA	A-2011-0031-ALA	Managing Acquisition-Related Modeling and Simulation Capabilities, Office of the Deputy Chief of Staff, G-8	12/01/2010
USAAA	A-2011-0043-ALC	Reasonableness of Contract Prices, U.S. Military Academy and Fort Benning	12/15/2010
USAAA	A-2011-0022-FFT	Selected Contracts Supporting the Army's Flight School XXI Training Program	11/15/2010
USAAA	A-2011-0074-IEU	Structure of Planned Base Maintenance Contracts in Germany, U.S. Army Installation Management Command, Europe Region (FOUO)	03/14/2011
USAAA	A-2011-0024-FFP	Time-Sensitive Report, Audit of Contracting Incentives, U.S. Army, Pacific	12/16/2010
NAVAUDSVC	N2011-0002	Open Market Corridor Procurements	10/08/2010
NAVAUDSVC	N2011-0007	Introductory Flight Screening Program	12/03/2010
NAVAUDSVC	N2011-0009	Naval Sea Systems Command General Fund Military Interdepartmental Purchase Requests	12/16/2010
NAVAUDSVC	N2011-0011	Reporting of Sponsor-Owned Material and Government-Owned Material	12/22/2010
AFAA	F-2011-0001-FC1000	Advisory and Assistance Services Contracts	11/30/2010
AFAA	F-2011-0002-FC1000	Procurement Accountability Processes	01/18/2011
AFAA	F-2011-0003-FC1000	Air Force Small Business Program Execution at Installations	03/08/2011
AFAA	F-2011-0001-FC3000	Reaper MQ-9 Acquisition Management	11/02/2010

Appendix A

Agency	Report Number	Report Title	Date
AFAA	F-2011-0002-FC3000	Combat Survivor Evader Locator Program Management	12/07/2010
AFAA	F-2011-0003-FC3000	Interim Report of Audit, Acquisition Improvement Plan Implementation, Initiative 4	03/07/2011
AFAA	F-2011-0004-FC3000	Interim Report of Audit, Acquisition Improvement Plan Implementation, Initiative 5	03/08/2011
AFAA	F-2011-0005-FD1000	Environmental Restoration Task Order Management	01/03/2011
AFAA	F-2011-0011-FD1000	Green Procurement Program: Contract Purchases	03/02/2011
AFAA	F-2011-0012-FD1000	Iraq Reconstruction Task Order Management	03/14/2011
AFAA	F-2011-0004-FD4000	Air Force In-Sourcing Program	02/02/2011

Financial Management

Agency	Report Number	Report Title	Date
DoD IG	D-2011-002	Independent Auditor's Report on the National Security Agency FY 2010 and FY 2009 Basic Financial Statements	11/02/2010
DoD IG	D-2011-003	Independent Auditor's Report on the Army General Fund FY 2010 and FY 2009 Basic Financial Statements	11/09/2010
DoD IG	D-2011-004	Independent Auditor's Report on the Department of the Army Working Capital Fund FY 2010 and FY 2009 Basic Financial Statements	11/09/2010
DoD IG	D-2011-005	Independent Auditor's Report on the Department of the Navy General Fund FY 2010 and FY 2009 Basic Financial Statements	11/09/2010
DoD IG	D-2011-006	Independent Auditor's Report on the Department of the Navy Working Capital Fund FY 2010 and FY 2009 Basic Financial Statements	11/09/2010
DoD IG	D-2011-007	Independent Auditor's Report on Air Force General Fund FY 2010 and FY 2009 Basic Financial Statements	11/09/2010
DoD IG	D-2011-008	Independent Auditor's Report on Air Force Working Capital Fund FY 2010 and FY 2009 Basic Financial Statements	11/09/2010
DoD IG	D-2011-009	Independent Auditor's Report on the United States Marine Corps General Fund FY 2010 and FY 2009 Combined Statement of Budgetary Resources	11/08/2010
DoD IG	D-2011-010	Endorsement of the Unqualified Opinion on the FY 2010 DoD Military Retirement Fund Basic Financial Statements	11/09/2010
DoD IG	D-2011-011	Independent Auditor's Report on the DoD Agency-Wide FY 2010 and FY 2009 Basic Financial Statements	11/11/2010
DoD IG	D-2011-012	Independent Auditor's Report on the U.S. Army Corps of Engineers, Civil Works, FY 2010 and FY 2009 Basic Financial Statements	11/15/2010
DoD IG	D-2011-013	Independent Auditor's Report on the Department of Defense Special-Purpose Financial Statements for Fiscal Years Ending September 30, 2010 and 2009	11/15/2010
DoD IG	D-2011-015	Insufficient Governance Over Logistics Modernization Program System Development	11/02/2010
DoD IG	D-2011-016	Endorsement of the Disclaimer of Opinion on the DoD Medicare-Eligible Retiree Health Care Fund FY 2010 Basic Financial Statements	11/09/2010
DoD IG	D-2011-017	Endorsement of the Disclaimer of Opinion on the TRICARE Management Activity's Contract Resource Management FY 2010 Basic Financial Statements	11/09/2010
DoD IG	D-2011-022	Improving the Accuracy of Defense Finance and Accounting Service Columbus 741 and 743 Accounts Payable Reports	12/10/2010
DoD IG	D-2011-034	U.S. Central Command Headquarters' Use of the Government Purchase Card	01/25/2011
DoD IG	D-2011-035	Independent Auditor's Report on the DoD FY 2010 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities	01/31/2011
DoD IG	D-2011-050	DoD Needs to Improve High Dollar Overpayment Review and Reporting	03/16/2011
DoD IG	11-INTEL-07	Audit of a Classified Program	03/04/2011
USAAA	A-2011-0062-FFM	Agreed-Upon Procedures Attestation, Investigative Support to the California Army National Guard Incentive Payments Case (FOUO)	02/28/2011

Agency	Report Number	Report Title	Date
USAAA	A-2011-0078-FFM	Arlington National Cemetery Budget Execution	03/23/2011
USAAA	A-2011-0059-FFM	Army CONUS Cash and Other Monetary Assets, Deputy Assistant Secretary of the Army (Financial Operations)	02/09/2011
USAAA	A-2011-0052-IEM	Attestation Examination of External Audit Services: Armed Forces Recreation Center Funds Group, U.S. Army Family and Morale, Welfare and Recreation Command	01/04/2011
USAAA	A-2011-0020-ALL	Commander's Emergency Response Program, U.S. Forces - Afghanistan (FOUO)	11/16/2010
USAAA	A-2011-0007-FFM	Examination of Army Working Capital Fund Inventory Valuation, U.S. Army Aviation and Missile Life Cycle Management Command	10/20/2010
USAAA	A-2011-0012-FFR	Examination of Federal Financial Management Improvement Act of 1996 Compliance-- Business Processes, Global Combat Support System-Army Release 1.1	10/29/2010
USAAA	A-2011-0028-IEM	FY 2008 Funding Execution for Army Family Programs, Office of the Assistant Chief of Staff for Installation Management	11/26/2010
USAAA	A-2011-0011-FFR	Independent Auditor's Report, American Red Cross FY 10 Financial Statements	10/26/2010
USAAA	A-2011-0026-FFM	Memorandum Report on the Inventory of Military Interdepartmental Purchase Requests, Audit of Arlington National Cemetery Budget Execution	12/07/2010
USAAA	A-2011-0086-FFM	Other Revenue, Arlington National Cemetery	03/31/2011
USAAA	A-2011-0029-IEU	Severity Allowance Compensation for Local National Employees in Germany, U.S. Army Installation Management Command, Europe Region	12/02/2010
USAAA	A-2011-0079-IEU	Support for AFRICOM FLINTLOCK 10	03/16/2011
USAAA	A-2011-0064-FFR	The Army Managers' Internal Control Program for FY 10, Office of the Assistant Secretary of the Army for Acquisition, Logistics and Technology	02/22/2011
USAAA	A-2011-0038-FFR	The Army Managers' Internal Control Program for FY 10, U.S. Army Training and Doctrine Command	12/22/2010
NAVAUDSVC	N2011-0001	Navy Enterprise Resource Program – Purchase Card Capabilities	10/01/2010
NAVAUDSVC	N2011-0003	Reimbursable Funding Process for Navy Medical Research and Development Activities	10/21/2010
NAVAUDSVC	N2011-0004	Management of Navy Unit Identification Codes	10/22/2010
NAVAUDSVC	N2011-0015	Government Commercial Purchase Card Transactions at Naval District Washington	01/14/2011
NAVAUDSVC	N2011-0018	Internal Controls Over Naval Base Coronado, CA Galleys	01/24/2011
NAVAUDSVC	N2011-0022	Wide Area Work Flow Implementation in the Navy	02/28/2011
AFAA	F-2011-0001-FB1000	Headquarters Air Force Resource Management Miscellaneous Obligation/Reimbursement Documents	01/18/2011
AFAA	F-2011-0002-FB1000	Miscellaneous Obligation Reimbursement Document Management	03/01/2011
AFAA	F-2011-0001-FB3000	Follow-up Audit, Military Equipment Baseline - Electronic Pods	10/18/2010
AFAA	F-2011-0002-FB3000	General Fund Reimbursements	10/21/2010
AFAA	F-2011-0003-FB3000	Materials and Supplies - Aircraft Engines and Missile Motors	11/02/2010
AFAA	F-2011-0004-FB3000	Internal Controls Over Financial Reporting	11/15/2010
AFAA	F-2011-0001-FD1000	Fiscal Year 2010 Utilities Privatization Economic Analysis	10/25/2010
AFAA	F-2011-0002-FD1000	Interim Report of Audit, McGhee-Tyson ANG TN Electric Utilities Privatization Economic Analyses	11/23/2010
AFAA	F-2011-0007-FD1000	Privatized Housing Fire and Police Service	01/24/2011
AFAA	F-2011-0008-FD1000	Dormitory and Family Housing Furnishings Management	01/26/2011
AFAA	F-2011-0002-FD4000	Military Housing Allowance	01/19/2011

Health and Safety

Agency	Report Number	Report Title	Date
DoD IG	D-2011-019	Live Fire Testing of Light Tactical Wheeled Vehicles was Effective for the Portions Completed	11/24/2010

Appendix A

Agency	Report Number	Report Title	Date
DoD IG	D-2011-030	Ballistic Testing and Product Quality Surveillance for the Interceptor Body Armor - Vest Components Need Improvement	01/03/2011
DoD IG	SPO-2011-004	Assessment of DoD Wounded Warrior Matters - Ft Sam Houston	03/17/2011
DoD IG	SPO-2011-005	Assessment of Allegations Concerning Traumatic Brain Injury Research Integrity in Iraq	03/31/2011
DoD IG	SPO-2011-002	Evaluation of DoD Contracts Regarding Combating Trafficking in Persons: U.S. Central Command	01/18/2011
USAAA	A-2011-0008-IEM	Army Warrior Care and Transition Program	10/21/2010
USAAA	A-2011-0066-IEM	Followup Audit of Acquisitions Made Using Military Interdepartmental Purchase Requests U.S. Army Medical Command	02/25/2011
USAAA	A-2011-0088-IEO	Time-Sensitive Report for the Audit of the Army Traffic Safety Training Program	03/31/2011
NAVAUDSVC	N2011-0010	Post-Deployment Health Reassessment at the Marine Corps: Fiscal Years 2008 and 2009 Data Analysis, and Future Monitoring Recommendations	12/17/2010
NAVAUDSVC	N2011-0013	Marine Corps Exceptional Family Member Program	01/14/2011
NAVAUDSVC	N2011-0016	Management and Implementation of the Marine Corps Hearing Conservation Program	01/14/2011
AFAA	F-2011-0001-FD2000	Medical Case Management	11/03/2010
AFAA	F-2011-0002-FD2000	Disability Evaluation System Internal Controls	12/03/2010
AFAA	F-2011-0003-FD2000	Air Force Central Area of Responsibility Patient Safety Program	01/28/2011
AFAA	F-2011-0004-FD2000	Medical Equipment Orders and Funding	02/09/2011

American Recovery and Reinvestment Act

Agency	Report Number	Report Title	Date
DoD IG	D-2011-RAM-001	American Recovery and Reinvestment Act of 2009—Constructing a Child Development Center and Repairing Building 422 – Fort Hood, Texas	11/04/2010
DoD IG	D-2011-RAM-002	American Recovery and Reinvestment Act of 2009 Funds Properly Used to Repair the C-5 Aircraft Ramp and Perimeter Drainage at Westover Air Reserve Base, Massachusetts	11/09/2010
DoD IG	D-2011-RAM-003	American Recovery and Reinvestment Act—Modernization of Third Floor Utilities—Center for Health Promotion and Preventative Medicine, Aberdeen Proving Ground, Maryland	11/22/2010
DoD IG	D-2011-RAM-004	American Recovery and Reinvestment Act Projects—Georgia Army National Guard	11/29/2010
DoD IG	D-2011-RAM-005	American Recovery and Reinvestment Act Projects—Family Housing Renovations at Fort Myer Military Community	11/29/2010
DoD IG	D-2011-RAM-006	American Recovery and Reinvestment Act Projects to Replace the Fort Buchanan Substation and Repair the Roof and Exterior at the Army Reserve Center Aguadilla, Puerto Rico	11/29/2010
DoD IG	D-2011-RAM-007	Recovery Act Hospital Alteration at Naval Air Station Jacksonville	12/07/2010
DoD IG	D-2011-RAM-008	American Recovery and Reinvestment Act-Execution of Aberdeen Proving Ground Projects to Replace Boilers and Repair Interior	12/07/2010
DoD IG	D-2011-023	American Recovery and Reinvestment Act Project to Construct a Child Development Center at Fort Belvoir, Virginia	12/13/2010
DoD IG	D-2011-025	Dugway Proving Ground, Utah-American Recovery and Reinvestment Act Project to Repair Power Plant and Replace Failed Generators	12/20/2010
DoD IG	D-2011-026	American Recovery and Reinvestment Act Project to Design and Construct a Child Development Center at Fort Carson, Colorado	12/21/2010
DoD IG	D-2011-027	American Recovery and Reinvestment Act Projects to Renovate Barracks Buildings 816, 817, 818, and 1028 at Fort Leonard Wood, Missouri	12/21/2010
DoD IG	D-2011-029	Projects to Replace Pumping Station and Repair Landscape at Ellsworth Air Force Base, South Dakota Generally Complied with the American Recovery and Reinvestment Act	12/22/2010
DoD IG	D-2011-031	Upgrade/Renovate Clinic Project at Ellsworth Air Force Base, South Dakota Generally Complied with the American Recovery and Reinvestment Act	01/06/2011

Agency	Report Number	Report Title	Date
DoD IG	D-2011-038	American Recovery and Reinvestment Act Project to Design and Build a Child Development Center at Hill Air Force Base, Utah	02/08/2011
DoD IG	D-2011-039	American Recovery and Reinvestment Act Projects at the California Army National Guard and the Wisconsin Army National Guard	03/11/2011
DoD IG	D-2011-040	Defense-Wide Research and Development Near Term Energy-Efficient Technologies Projects	02/18/2011
DoD IG	D-2011-041	American Recovery and Reinvestment Act of 2009 Funds Used to Repair and Renovate Building 216 at Fort Riley, Kansas	02/18/2011
DoD IG	D-2011-045	American Recovery and Reinvestment Act Project – Solar and Lighting at Naval Station Norfolk, Virginia	02/25/2011
DoD IG	D-2011-046	Improving Planning for Military Construction of Army Child Development Centers	03/01/2011
DoD IG	D-2011-048	American Recovery and Reinvestment Act Projects-“Facility Energy Improvements” and “Wind Turbine and Photovoltaic Panels” at Fort Wainwright, Alaska	03/07/2011
DoD IG	D-2011-052	American Recovery and Reinvestment Act-DoD Data Quality Review Processes for the Period Ending December 31, 2009, Were Not Fully Implemented	03/23/2011
DoD IG	D-2011-053	American Recovery and Reinvestment Act Projects—Air Force Research Laboratory Projects Need Improvement	03/24/2011
DoD IG	D-2011-054	U.S. Army Corps of Engineers, Civil Works, Vicksburg, Generally Met the Recovery Act Requirements	03/23/2011
DoD IG	D-2011-055	American Recovery and Reinvestment Act-U.S. Army Corps of Engineers’ Data Quality Review Processes of Civil Works Funding for the Period Ending December 31, 2009, Were Not Effective	03/25/2011
DoD IG	D-2011-057	American Recovery and Reinvestment Act Project – Repair and Modernization of Training Center in Anchorage, Alaska, Generally Met Recovery Act Goals	03/31/2011
USAAA	A-2011-0057-IEE	American Recovery and Reinvestment Act of 2009, Joint Base Langley-Eustis	02/03/2011
USAAA	A-2011-0034-IEE	American Recovery and Reinvestment Act of 2009, Oregon Army National Guard	12/13/2010
USAAA	A-2011-0055-IEE	American Recovery and Reinvestment Act of 2009, U.S. Army Corps of Engineers Kansas City District	01/13/2011
USAAA	A-2011-0014-IEE	American Recovery and Reinvestment Act of 2009, U.S. Army Corps of Engineers St. Louis District	11/01/2010
USAAA	A-2011-0046-IEE	American Recovery and Reinvestment Act of 2009, U.S. Army Corps of Engineers, Pittsburgh District	12/22/2010
USAAA	A-2011-0070-IEE	American Recovery and Reinvestment Act of 2009, Pennsylvania Army National Guard	03/25/2011
AFAA	F-2011-0003-FD1000	American Recovery and Reinvestment Act of 2009 Project Execution - Facilities Sustainment, Restoration, and Modernization	12/02/2010
AFAA	F-2011-0004-FD1000	American Recovery and Reinvestment Act of 2009, Naval Facilities Engineering Command Southeast, Military Construction Part 2	12/27/2010
AFAA	F-2011-0006-FD1000	American Recovery and Reinvestment Act of 2009, Air National Guard, Military Construction Part 2	01/12/2011
AFAA	F-2011-0010-FD1000	American Recovery and Reinvestment Act of 2009, U.S. Army Corps of Engineers, Military Construction Part 2	02/08/2011

Nuclear Enterprise

Agency	Report Number	Report Title	Date
AFAA	F-2011-0003-FB1000	Nuclear Demilitarization Program Funds	03/01/2011
AFAA	F-2011-0002-FC4000	Nuclear Weapons Related Materiel Inventories	11/03/2010
AFAA	F-2011-0002-FD3000	Air Force Management of Nuclear Expertise	01/19/2011

Appendix A

Other

Agency	Report Number	Report Title	Date
DoD IG	D-2011-6-001	Hotline Allegations Involving Management Harassment of a Complainant in the Defense Contract Audit Agency Western Region	10/29/2010
DoD IG	D-2011-6-003	Hotline Complaint Regarding Allegations of Abusive Behavior by a Supervisor in the Defense Contract Audit Agency Northeastern Region	02/10/2011
DoD IG	IPO2010E002	Review of Matters Related to the Death of Hospitalman Christopher Purcell, U.S. Navy	10/27/2010
DoD IG	IPO2010E003	Evaluation of Post-Trial Reviews of Courts-Martial within the Department of the Navy	12/10/2010
DoD IG	SPO-2011-005	Evaluation of the DoD Federal Voting Assistance Program	03/22/2011
NAVAUDSVC	N2011-0008	Selected Department of the Navy Military Construction Projects Proposed for Fiscal Year 2012	12/14/2010
NAVAUDSVC	N2011-0014	Department of the Navy Proposed Fiscal Year 2012 Military Construction Projects Related to the Relocation of U.S. Marine Corps Forces from Okinawa to Guam	01/14/2011
NAVAUDSVC	N2011-0023	Internal Controls Over Department of the Navy Energy Funding and Financing Tools	03/04/2011
NAVAUDSVC	N2011-0025	Navy/Marine Corps Intranet Internal Controls Over Computers During Turn-In Process	03/18/2011
NAVAUDSVC	N2011-0026	Navy Fuel Storage Facilities and Farms – Southwest Region	03/25/2011
NAVAUDSVC	N2011-0028	Followup of Management of Privacy Act at the Navy Recruiting Command	03/31/2011

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

Reports Containing Potential Monetary Benefits

Reports Issued		Potential Monetary Benefits	
		Disallowed Costs	Funds Put to Better Use
D-2011-RAM-003 American Recovery and Reinvestment Act-Modernization of Third Floor Utilities-Center for Health Promotion and Preventative Medicine, Aberdeen Proving Ground, Maryland	11/22/2010	N/A	\$15,700,000
D-2011-036 Competition Should Be Used for Instructor Services for the Mine Resistant Ambush Protected Vehicles	02/03/2011	N/A	\$23,000,000
D-2011-042 Lean Six Sigma Project - Defense Logistics Agency/Honeywell Long-Term Contract Model Using One-Pass Pricing for Sole-Source Spare Parts	02/18/2011	N/A	\$22,226,317
D-2011-047 Improvements Needed in Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan	03/02/2011	N/A	\$124,300,000
D-2011-048 American Recovery & Reinvestment Act Projects- "Facility Energy Improvements" and "Wind Turbine & Photovoltaic Panels" at Fort Wainwright, Alaska	03/07/2011	N/A	\$1,500,000
D-2011-6-006 Hotline Allegation Regarding the Failure of Defense Contract Management Agency Philadelphia to Settle an Audit of a Significant Cost Accounting Change	03/22/2011	N/A	\$6,400,000
Total			\$193,126,317

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

Follow-up Activities

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

Status	Number	Funds Put To Better Use ¹ (\$ in thousands)
A. For which no management decision had been made by the beginning of the reporting period.	35 ²	\$96,057
B. Which were issued during the reporting period.	77	186,726
Subtotals (A+B)	112	282,783
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.	87	133,886 ³
D. For which no management decision has been made by the end of the reporting period.	25	\$148,897
Reports for which no management decision was made within six months of issue (as of March 31, 2011).	1 ⁴	97

1. DoD IG issued no audit reports during the period involving “questioned costs.”
2. Adjusted to include inspection and evaluation reports.
3. 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.
4. DoD IG Report No. D-2010-083, “Construction of New Kabul Compound Lacked Planning and Coordination,” September 30, 2010, had no decision as of March 31, 2011, 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).

Follow-up Activities

Status of action on central internal audits period ending March 31, 2011

Status	Number	Funds Put to Better Use ¹ (\$ in thousands)
DoD IG		
Action in Progress - Beginning of Period	105 ²	\$43,036
Action Initiated - During Period	87	133,886
Action Completed - During Period	89	571,905 ³
Action in Progress - End of Period	103	43,036 ⁴
Military Departments		
Action in Progress - Beginning of Period	593	5,119,253
Action Initiated - During Period	157	2,099,515
Action Completed - During Period	241	397,428
Action in Progress - End of Period	509	4,432,713

1. There were DoD IG audit reports opened for followup during the period involving “questioned costs” of \$29.6 million.
2. Adjusted to include inspection and evaluation reports.
3. Included are recouped “questioned costs” of \$1.9 million. In addition, \$640 million of funds put to better use from earlier years were reported during the current period.
4. On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$1,009 million, we agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.

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

Contract Audit Reports Issued¹

Type of audit ²	Reports Issued	Dollars Examined (\$ in millions)	Questioned Costs ³	Funds Put to Better Use
Incurred Costs, Ops Audits, Special Audits	1,974	\$12,900.2	\$633.4	\$7.04 ⁴
Forward Pricing Proposals	1,456	\$52,202.3	---	\$4,532.7 ⁵
Cost Accounting Standards	372	\$102.4	\$8.8	---
Defective Pricing	19	(Note 6)	\$4.6	---
Totals	3,821	\$65,204.9	\$646.8	\$4,539.7

1. This schedule represents Defense Contract Audit Agency contract audit reports issued during the six months ended March 31, 2011. 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 DoD IG Semiannual Reports to Congress. Both “Questioned Costs” and “Funds Put to Better Use” represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication. In prior semiannual reporting periods, DCAA reported the total number of assignments completed. The total number of assignments completed during the six months ended March 31, 2011 was 5,767. Some completed assignments do not result in a report issued because they are part of a larger audit or because the scope of the work performed does not constitute an audit or attestation engagement under generally accepted government auditing standards, so the number of audit reports issued is less than the total number of assignments completed.
2. This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as:
 Incurred Costs – Audits of direct and indirect costs charged to government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and provisions of the contract. Also included under incurred cost audits are Operations Audits, which evaluate a contractor’s operations and management practices to identify opportunities for increased efficiency and economy; and Special Audits, which include audits of terminations and claims.
 Forward Pricing Proposals – Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts, and costs incurred but not yet covered by definitized contracts.
 Cost Accounting Standards – A review of a contractor’s cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice, or noncompliance with a CAS regulation.
 Defective Pricing – A review to determine whether contracts are based on current, complete and accurate cost or pricing data (the Truth in Negotiations Act).
3. Questioned costs represent costs that DCAA has questioned because they do not comply with rules, regulations, laws, and/or contractual terms.
4. Represents recommendations associated with Operations Audits where DCAA has presented to a contractor that funds could be used more effectively if management took action to implement cost reduction recommendations.
5. Represents potential cost reductions that may be realized during contract negotiations.
6. Defective pricing dollars examined are not reported because the original value was included in the audits associated with the original forward pricing proposals.

► 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 (\$ in millions)	Disallowed Costs ⁶
Open Reports:			
Within Guidelines ²	339	\$672.5	N/A ⁷
Overage, greater than 6 months ³	570	\$981.3	N/A
Overage, greater than 12 months ⁴	454	\$1,284.0	N/A
In Litigation ⁵	173	\$2,315.7	N/A
Total Open Reports	1,536	\$5,253.5	N/A
Closed Reports	370	\$461.6	\$246.7 (53.4%) ⁸
All Reports	1,906	\$5,715.1	\$246.7 (4.3%)

1. This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by the Army, Navy, Air Force, Defense Contract Management Agency, Defense Intelligence Agency, Defense Logistics Agency, National Geospatial-Intelligence Agency, National Security Agency and TRICARE Management Activity. 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". Because of limited time between availability of the data and reporting requirements, there is minimal opportunity to verify the accuracy of the reported data.
2. These reports are within the time frames established by OMB Circular A-50, "Audit Follow-up", and DoD Instruction 7640.02 as described in footnotes 3 and 4 below.
3. OMB Circular A-50 requires that audit reports be resolved within 6 months after report issuance. Generally, an audit is resolved when the contracting officer determines a course of action which is documented and approved in accordance with agency policy.
4. DoD Instruction 7640.02 states that audit reports are overage if not dispositioned within 12 months from date of issuance. Generally, disposition is achieved when the contractor implements audit recommendations, the contracting officer negotiates a settlement with the contractor, or the contracting officer issues a final decision pursuant to the Disputes Clause.
5. Of the 173 reports in litigation, 56 are under criminal investigation.
6. Disallowed costs are costs sustained by the contracting officer in negotiations with contractors.
7. N/A (not applicable)
8. Contracting officers disallowed \$246.7 million (53.4 percent) of the \$461.6 million questioned as a result of significant post-award contract audits during the period. The contracting officer disallowance rate of 53.4 percent represents an increase from the disallowance rate of 46.9 percent for the prior reporting period.

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

Status of Reports with Action Pending

Report: D-2002-010, Armed Services Blood Program Defense Blood Standard System, 10/22/2001

Description of Action: Commercial-Off-The-Shelf solution to correct the inventory counting and interface problems has been selected. Efforts continue to award contract for development/implementation/deployment of Enterprise Blood Management System.

Reason Action Not Completed: Extensive time needed to develop and award contract.

Principal Action Office: AF, ASD(HA)

Report: D-2005-054, Audit of the DoD Information Technology Security Certification and Accreditation Process, 04/28/2005

Description of Action: Report is FOUO.

Reason Action Not Completed: Actions have been ongoing since July 2005. ASD (NII) is still working to revise guidance, but anticipates completion in 2nd Quarter FY 2012.

Principal Action Office: ASD(NII)

Report: D-2006-043, Financial Management: Report on Army Management of the Army Game Project Funding, 01/06/2006

Description of Action: Establish procedures to ensure the appropriate funding of the Army Game Project, determine if there have been any Antideficiency Act violations and report any such violations, as required.

Reason Action Not Completed: The formal investigation was completed and submitted to the Office of the Secretary of Defense for an advance decision.

Principal Action Office: Army

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

Description of Action: Updating policies for the DoD Personnel Security Clearance Program to include various information including program management and investigative responsibilities, security clearance systems, submission processes, types and levels of security clearances, and training requirements for security personnel.

Reason Action Not Completed: Despite repeat recommendations to revise personnel security program guidance, the current guidance is dated January 1987. Delays continue for revision and coordination of DoD Instruction 5200.2 and DoD Manual 5200.2. Critical and significant comments to Army guidance are being adjudicated. Air Force has not responded to a request for current status of agreed-upon implementing action.

Principal Action Office: USD(I), ARMY, AF

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

Description of Action: The Air Force will revise purchase card guidance and improve efforts to disseminate and implement guidance.

Reason Action Not Completed: Continuous coordination delays resulting in extensive time taken to issue policy guidance.

Principal Action Office: AF

Report: D-2008-002, DoD Salary Offset Program, 10/09/2007

Description of Action: Make modifications to existing systems to properly compute salary offsets for military members, retirees, and annuitants.

Reason Action Not Completed: Extensive time required to make modifications to existing systems.

Principal Action Office: DFAS

Report: D-2008-045, Controls Over the TRICARE Overseas Healthcare Program, 02/07/2008

Description of Action: ASD (HA) is implementing recommendations to further control health care costs provided to overseas DoD beneficiaries.

Reason Action Not Completed: Delays in coordinating and issuing reimbursement policy.

Principal Action Office: ASD(HA)

Report: D-2008-066, FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior, 03/19/2008

Description of Action: Publish guidance to address deficiencies in interagency acquisitions.

Reason Action Not Completed: The Army is not expected to publish a guidance addressing problems identified in FYs 2006 and 2007 interagency acquisitions until September 2011.

Principal Action Office: Army

Report: D-2008-079, Management of Incremental Funds on Air Force Research, Development, Test, and Evaluation Contracts, 04/08/2008

Description of Action: Conduct preliminary Antideficiency Act investigations and clarify the use of Research, Development, Test, and Evaluation funds.

Reason Action Not Completed: Management has not responded to a request for current status of the last of four preliminary Antideficiency Act cases.

Principal Action Office: AF

Report: D-2008-082, Summary Report on Potential Antideficiency Act Violations Resulting From DoD Purchases Made Through Non-DoD Agencies (FY 2004 Through FY 2007), 04/25/2008

Description of Action: Determine why DoD components did not complete formal investigations into potential Antideficiency Act violations within the required timeframes and monitor completion of investigations.

Reason Action Not Completed: The Air Force needs to complete a third formal investigation.

Principal Action Office: USD(C)

Report: D-2008-089, Planning Armor Requirements for the Family of Medium Tactical Vehicles (FMTV), 05/09/2008

Description of Action: Update the capabilities documents for the FMTV to include armor kit requirements. Once these requirements are approved, document plans for issuance of the armor kits.

Reason Action Not Completed: Although action was initiated in late 2008, Army has yet to establish validated armor kit requirements for the FMTV.

Principal Action Office: Army

Report: D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, 05/13/2008

Description of Action: The Army is working to update its regulations, policies, and procedures for performing the annual and end-of-day inventory reconciliations.

Reason Action Not Completed: The Army has coordinated the revision of policy and guidance, which is in the process of being published.

Principal Action Office: Army

Report: D-2008-118, Host Nation Support of U.S. Forces in Korea, 08/25/2008

Description of Action: Conduct joint reviews of accounting and disbursing procedures for Labor Cost Sharing funds. Prepare and issue any required updates to current policies and procedures based on joint review results.

Reason Action Not Completed: Extensive time taken to complete coordination between DoD Components to conduct joint reviews of accounting and disbursing policy, and update appropriate policy guidance.

Principal Action Office: USD(C)

Report: D-2008-130, Approval Process, Tracking, and Financial Management of DoD Disaster Relief Efforts, 09/17/2008

Description of Action: Develop a memorandum of understanding with the Federal Emergency Management Agency that establishes guidelines and requirements for using and being reimbursed for DoD equipment used on mission assignments.

Reason Action Not Completed: The Department is reviewing current procedures to determine if they align with the recently published DODD 3025.18 and addresses issues identified.

Principal Action Office: USD(C)

Report: D-2009-028, Organizational Structure and Managers Internal Control Program for the Assistant Secretary of Defense and American Forces Information Service, 12/10/2008

Description of Action: Expedite the selection of the Defense Media Agency key managers; implement a Defense Media Agency-wide personal property program; investigate potential misuse of funds, improper contracting, and statutory violations.

Reason Action Not Completed: The formal Antideficiency Act Violation Investigation, case number WHS W-03, is ongoing. One senior management position has yet to be filled.

Principal Action Office: ASD(PA), WHS

Report: D-2009-030, Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistance Ambush Protected Vehicles, 12/05/2008

Description of Action: Report is FOUO.

Reason Action Not Completed: Joint Staff has not responded to a request for current status of agreed-upon implementing action. Marine Corps action is on hold pending completion of Joint Staff corrective action.

Principal Action Office: JCS, USMC

Report: D-2009-032, Audit of the Formation and Operation of the America Supports You Program, 12/12/2008

Description of Action: Take appropriate actions to prevent unauthorized use of the DoD trademarked America Supports You Program name and logo.

Reason Action Not Completed: Management has not responded to a request for current status of the ASD(PA) implementation of a July 12, 2010 OSD General Counsel opinion.

Principal Action Office: ASD(PA)

Report: D-2009-037, TRICARE Controls Over Claims Prepared By Third-Party Billing Agencies, 12/31/2009

Description of Action: Code of Federal Regulations Change to obtain authority to sanction billing agencies that prepare/submit improper health claims to TRICARE contractors initiated. TRICARE to obtain a waiver to Code of Federal Regulations prohibition to send healthcare claim payments directly to third party billing agencies.

Reason Action Not Completed: Extensive time required to develop and coordinate the regulation.

Principal Action Office: ASD(HA)

Report: D-2009-051, Controls Over Time and Attendance Reporting at the National Geospatial-Intelligence Agency, 02/09/2009

Description of Action: Revise guidance to improve internal controls over the time and attendance, especially the use of overtime and compensatory time.

Reason Action Not Completed: Awaiting the issuance of final versions of two NGA instructions addressing time and attendance.

Principal Action Office: NGA

Appendix F

Report: D-2009-059, Air Force Management of the U.S. Government Aviation Into-Plane Reimbursement Card Program, 03/06/2009

Description of Action: Develop Air Force specific guidance and procedures on the use of the AIR Card. Develop a training program to ensure training for all personnel involved in AIR functions.

Reason Action Not Completed: Management has not responded to a request for current status of agreed-upon implementing action. A response was due March 11, 2011.

Principal Action Office: AF

Report: D-2009-062, Internal Controls Over DoD Cash and Other Monetary Assets, 03/25/2009

Description of Action: Improve internal controls over cash and other monetary assets by establishing a special control account, developing policies and procedures, and monitoring cash usage. Develop non-cash methods of payment for contingency operations.

Reason Action Not Completed: Corrective actions cannot be implemented until coordination with the Office of Management and Budget and/or the Department of the Treasury is complete.

Principal Action Office: USD(C) DFAS

Report: D-2009-064, FY 2007 DoD Purchases Made Through the National Institutes of Health, 03/24/2009

Description of Action: Train contracting personnel, update financial records, and improve oversight of potential Antideficiency violations.

Reason Action Not Completed: Developing training, updating financial records, and tracking progress of potential Anti-deficiency investigations takes considerable time to implement.

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

Report: D-2009-066, Marine Corps' Management of the Recovery and Reset Programs, 04/01/2009

Description of Action: USMC efforts are ongoing to improve inventory visibility and validate existing approved acquisition objectives. Improvements resulting from that analyses will be implemented.

Reason Action Not Completed: Time is needed to validate investment requirements, ensure accurate and supported unit prices are being used, requirements do not exceed approved acquisition objectives and that those requirements are properly prioritized.

Principal Action Office: USMC

Report: D-2009-067, Report on Controls over Air Force Material Command Unliquidated Obligations on Department of the Air Force Contracts Supporting the Global War on Terror, 04/03/2009

Description of Action: Clarify Defense Finance and Accounting Service Denver guidance to establish one code for unliquidated obligations requiring additional research.

Reason Action Not Completed: Upon implementation of the new financial management system, DFAS 7220.4-I will be revised to establish one code for unliquidated obligation requiring additional research.

Principal Action Office: DFAS

Report: D-2009-072, Monitoring Power Track Payments for DoD Freight Transportation, 04/09/2009

Description of Action: Use data mining to monitor problematic payments for duplicate payment indicators.

Reason Action Not Completed: A working group is to provide its recommendations to the Third Party Payment System Oversight Council in June.

Principal Action Office: USD(AT&L)

Report: D-2009-078, Health Care Provided by Military Treatment Facilities to Contractors in Southwest Asia, 05/04/2009

Description of Action: USD (AT&L), in coordination with DFAS, is working to ensure that contracts for contractor personnel deployed outside of the U.S. include terms that adequately address health care coverage and reimbursement.

Reason Action Not Completed: The DFAS Accounts Receivables Office is gathering data and information to draft a plan for all the Services.

Principal Action Office: USD(AT&L)

Report: D-2009-086, Controls over the Contractor Common Access Card Life Cycle in the Republic of Korea, 06/09/2009

Description of Action: U.S. Forces Korea will rewrite Regulation 700-19 to address the issues stated in the recommendations.

Reason Action Not Completed: U.S. Forces Korea corrective action to rewrite Regulation 700-19 is ongoing.

Principal Action Office: USFK

Report: D-2009-097, Data Migration Strategy and Information Assurance for the Business Enterprise Information Services, 07/30/2009

Description of Action: Improve internal controls over the Business Transformation Agency's data migration strategy, information assurance, and compliance with the Federal Financial Management Improvement Act of 1996.

Reason Action Not Completed: Management has not responded to a request for current status of agreed-upon implementing action.

Principal Action Office: DCMO

Report: D-2009-098, Status of the Defense Emergency Response Fund in Support of the Global War on Terror, 07/30/2009

Description of Action: Review the Fund for Global War on Terror obligations and deobligate all unliquidated obligations, withdraw all excess funds provided to the DoD Components, and transfer the funds to the U.S. Treasury.

Reason Action Not Completed: Extensive time needed to coordinate deobligation of unliquidated obligations, withdrawal of excess funds, and transference of funds to U.S. Treasury.

Principal Action Office: USD(C)

Report: D-2009-101, Information Assurance and Data Reliability of the Automated Disbursing System, 09/22/2009

Description of Action: Update agreement with DISA on security controls and increase controls over manual payments.

Reason Action Not Completed: Improving controls and updating the security controls agreement takes time to implement.

Principal Action Office: DFAS

Report: D-2009-104, Sanitization and Disposal of Excess Information Technology Equipment, 09/21/2009

Description of Action: ASD (NII) is updating DoDI 8500.02. Navy action is on hold.

Reason Action Not Completed: Extended time is required for revision of DoD Instruction 8500.02.

Principal Action Office: ASD(NII), Navy

Report: D-2009-107, DoD Enterprise Staffing Solution, 09/28/2009

Description of Action: Issue specific guidance for the acquisition of software as a service.

Reason Action Not Completed: Management has not responded to a request for current status of agreed-upon implementing action.

Principal Action Office: USD(AT&L)

Report: D-2009-108, U.S. Air Forces Central War Reserve Materiel Contract, 09/23/2009

Description of Action: The Air Force will ensure a qualified contracting officer reviews award fees and sales of government property and closes the old War Reserve Materiel contract. The DCAA will audit direct costs under the old War Reserve Materiel contract and perform required surveillance of internal controls.

Reason Action Not Completed: The Air Force has not completed corrective actions on contracting issues and DCAA has not completed its audit work.

Principal Action Office: AF, DCAA

Report: D-2009-109, Contracts Supporting the DoD Counter Narcoterrorism Technology Program Office, 09/25/2009

Description of Action: Army instructed the applicable contracting officers to make numerous corrections and improvements. USD(P) will issue policy on the use of Operations and Maintenance appropriations for minor military construction. DCAA will review public vouchers submitted under the DoD Counter Narcoterrorism Technology Program Office contracts.

Reason Action Not Completed: The Army has not completed corrective actions on contracting issues. The USD(P) has not finalized new guidance. DCAA has not completed recommended reviews.

Principal Action Office: Army, USD(P), DCAA

Report: 09-INTEL-05, Audit of the Management of Signals Intelligence Counterterrorism Enterprise Analysts (U), 03/04/2009

Description of Action: Report is Classified.

Reason Action Not Completed: Corrective actions are on-going.

Principle Action Office: NSA

Report: D-2010-004, Cost Increases Related to the Producer Price Index for Titanium Mill Shapes on DoD Multiyear Contracts, 10/29/2009

Description of Action: Report is FOUO.

Reason Action Not Completed: Corrective actions are on-going.

Principal Action Office: USD(AT&L)

Report: D-2010-015, DoD Civil Support During the 2007 and 2008 California Wildland Fires, 11/13/2009

Description of Action: Update joint publication to add clarity to the process of staffing Federal Emergency Management Agency mission assignments, on the legal employment of surveillance by DoD assets providing assistance to civil authorities, and on specific events for command and control handoff guidance.

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: JCS, USD(C), NORTHCOM

Report: D-2010-023, Review of Defense Technical Information Center Internal Controls, 12/03/2009

Description of Action: Revise the DoD Financial Management Regulation to state when charging indirect costs to other DoD organizations is permitted. The Defense Technical Information Center establish a process for accumulating and reporting indirect costs that complies with the Financial Management Regulation and DoDI 4000.19, and return any fee surpluses to customers. Require separate reporting of reimbursable fees and collect such data.

Reason Action Not Completed: DoD continues to revise guidance, processes and procedures in order to implement the report recommendations.

Principal Action Office: USD(AT&L), USD(C), ASD(NII)

Report: D-2010-024, Contracted Advisory and Assistance Services for the U.S. Army Future Combat Systems, 11/24/2009

Description of Action: Report is FOUO.

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: USD(AT&L)

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

Description of Action: Update DoDI 5410.19 to clarify how to administer and manage the Joint Civilian Orientation Conference program. Initiate a preliminary Antideficiency Act review of the use of Joint Civilian Orientation Conference fees received since the inception of the Miscellaneous Receipts Statute.

Reason Action Not Completed: USD(C) has requested that the Washington Headquarters Service conduct a preliminary review of the potential ADA violations cited in the report. Guidance revisions are in process.

Principal Action Office: ASD(PA), WHS

Report: D-2010-027, Army's Management of the Operations and Support Phase of the Acquisition Process for Body Armor, 12/08/2009

Description of Action: Update the Defense Reutilization and Marketing Service Demil Bulletin to reflect revised Army guidance on body armor disposition.

Reason Action Not Completed: After determining that its original agreed-upon action was not appropriate, DLA has reverted to its original agreement.

Principal Action Office: DLA

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

Description of Action: Report is FOUO.

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

Principal Action Office: Navy

Report: D-2010-030, Utility Tax Relief Program in the Netherlands, 01/06/2010

Description of Action: Actions needed to operate a utility tax relief program in the Netherlands that is in compliance with host-nation requirements.

Reason Action Not Completed: Negotiation with utility companies has delayed implementation of the program. Issue has been elevated to U.S. Army Installations Management Command-HQ G1.

Principal Action Office: Army

Appendix F

Report: D-2010-032, DoD Countermine and Improvised Explosive Device Defeat Systems Contracts - Husky Mounted Detection System, 12/31/2009

Description of Action: Report is FOUO.

Reason Action Not Completed: Management corrective actions on schedule.

Principal Action Office: Army

Report: D-2010-035, Defense Logistics Agency Contracts for M2 Machine Gun Spare Parts in Support of Operations in Southwest Asia, 01/11/2010

Description of Action: Evaluate the metrics used to manage the product quality deficiency reporting process and update the DLA product quality deficiency reporting instruction.

Reason Action Not Completed: Corrective actions are on-going.

Principal Action Office: DLA

Report: D-2010-036, Controls Over Navy Military Payroll Disbursed in Support of Operations in Southwest Asia at San Diego-Area Disbursing Centers, 01/22/2010

Description of Action: Establish procedures to identify geographically separated units responsible for processing entitlements and maintaining supporting documentation, and develop an electronic storage capability.

Reason Action Not Completed: Navy has been converting from the paper field service record to the Electronic Service Record, which will permit elimination of current stop-gap procedures and allow implementation of electronic storage capability.

Principal Action Office: Navy

Report: D-2010-037, Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System, 01/25/2010

Description of Action: Review the Deployable Disbursing System payments for FY 2006 and FY 2007 for duplicate payments and collect the over payments.

Reason Action Not Completed: The Marine Corps has reviewed more than half of the identified documents for duplicate payments and the review is ongoing. Changes are being made to the Deployable Disbursing System.

Principal Action Office: USMC

Report: D-2010-043, Deferred Maintenance and Carryover on the Army Abrams Tank, 03/02/2010

Description of Action: Report is FOUO.

Reason Action Not Completed: The proposed change is being incorporated into the Financial Management Regulation.

Principal Action Office: USD(C)

Report: D-2010-048, DoD Methodology for the Valuation of Excess, Obsolete, and Unserviceable Inventory and Operating Materials and Supplies, 03/25/2010

Description of Action: Develop methodologies for estimating net realizable value of excess, obsolete, and unserviceable inventory, operating material and supplies, munitions, and missiles.

Reason Action Not Completed: Developing methodologies for different assets takes time to complete.

Principal Action Office: USD(C)

For this reporting period, there were no disallowed costs on reports over 12 months old with final action pending.

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

Contract Audits with Significant Findings

DCAA

Report No. 06321-2009H17900005	Date: November 17, 2010
Subject: Report on Audit of Subcontract Costs	
Prepared For: U.S. Department of State	
Report: \$32.2 Million Questioned Cost	
The audit of the billed subcontract costs resulted in \$32.2 million of questioned costs. The questioned costs represent the difference between the amount billed to the government by the prime contractor using its T&M labor rates in the contract and the actual allowable subcontract cost incurred by the prime contractor.	

Report No. 06151-2007Q10100001	Date: November 19, 2010
Subject: Independent Audit of Incurred Costs	
Prepared For: Defense Contract Management Agency – Virginia	
Report: \$18.5 Million Questioned Cost	
The audit of the contractor's incurred cost submission resulted in \$43.9 million of questioned costs of which \$18.5 million related to government contracts. Significant questioned items include unreasonable executive compensation and associated fringe expenses, unallowable travel costs, and \$1.0 million of questioned direct labor and other direct costs.	

Report No. 06211-2011C17200001	Date: January 12, 2011
Subject: Independent Audit of Statement of Costs for Alleged Government Delay	
Prepared For: CECOM Army Contracting Center	
Report: \$18.3 Million Questioned Costs	
The audit of the claim resulted in \$18.3 million of questioned costs, including questioned direct, intercompany, and subcontract labor; and depreciation and amortization costs due to the lack of adequate support that there were increased costs as the result of the alleged delay.	

Report No. 04431-2005W10100005	Date: January 14, 2011
Subject: Independent Audit of FY 2005 Incurred Cost Submission	
Prepared For: Defense Contract Management Agency – Canoga Park	
Report: \$10.1 Million Questioned Costs	
The audit of the contractor's incurred cost submission resulted in \$19.1 million of questioned costs of which \$10.1 million related to government contracts. Major elements of the questioned costs include of \$1.3 million of unallowable environmental remediation costs, \$0.5 million of unallocable overhead, and \$14.9 million for discontinued operations considered unallocable under the terms of a novation agreement.	

Report No. 02131-2010R17100004	Date: July 14, 2010
Date: January 23, 2011	
Subject: Independent Audit of Termination Settlement Proposal	
Prepared For: U.S. Army Legal Services Agency	
Report: \$31.2 Million Questioned Costs	

Appendix G

The audit of the contractor's termination settlement proposal resulted in \$31.2 million of questioned unallowable, unallocable or unreasonable costs, including \$10.0 million of direct labor, gifts, and bonuses; and \$9.9 million of general project expenses and construction equipment rental or purchases.

Report No. 01751-2010G17900010

Date: February 1, 2011

Subject: Independent Audit of Internal Restructuring Proposal

Prepared For: Department of the Navy

Report: \$25.3 Million Questioned Costs

The audit of the contractor's internal restructuring proposal resulted in \$23.5 million of questioned costs relating to proposed labor, severance pay, incentive bonuses, and relocation expenses. Another \$284.5 million of proposed costs and the entire \$600 million proposed gross savings are considered unsupported.

Report No. 06211-2011C17200007

Date: February 2, 2011

Subject: Independent Audit of Statements of Cost

Prepared For: CECOM Army Contracting Center

Report: \$19.6 Million Questioned Cost

The audit of the contractor's claim resulted in \$19.6 million of questioned cost due to lack of adequate support for claimed lost performance bonuses.

Report No. 09821-2010C17100003

Date: February 2, 2011

Subject: Independent Audit of Termination Proposal

Prepared For: Defense Contract Management Agency

Report: \$27.0 Million Questioned Costs

The audit of the \$403.6 million termination proposal resulted in \$27 million of questioned costs. The subject of the audit was to determine if the proposed costs were acceptable as a basis for negotiation. The significant items of questioned costs related to excessive proposed fee, other direct termination costs, settlement expenses, and subcontract costs.

Report No. 06211-2011C17200004

Date: February 28, 2011

Subject: Independent Audit of Statement of Cost

Prepared For: CECOM Army Contracting Center

Report: \$24.8 Million Questioned Cost

The audit of the contractor's claim resulted in the entire claim being questioned due to the lack of adequate support to substantiate that the contractor and its subcontractors incurred increased costs as a result of government delay.

Report No. 06211-2011C17200009

Date: March 2, 2011

Subject: Independent Audit of Statements of Cost

Prepared For: CECOM Army Contracting Center

Report: \$72.4 Million Questioned Cost

The audit of the contractor's claim resulted in the entire claim being questioned because the contractor claimed the full purchase price of assets, without reduction for costs it had already recovered or was also claiming through depreciation. The claimed costs were for data center hardware and software, and profit.

Report No. 03321-2010V10180001

Date: March 10, 2011

Subject: Independent Audit of FY2004 Direct Travel Costs

Prepared For: Defense Contract Management Agency Phoenix-Houston

Report: \$32.8 Million Questioned Cost

The audit of the claimed travel costs resulted in \$32.8 million of questioned cost including \$27.2 million of unallowable costs per specific contract terms and \$5.6 million of unallowable airfare due to violation of the Fly America Act (FAR 52.247-63).

Report No. 06211-2011C17200003	Date: March 10, 2011
Subject: Independent Audit of Statement of Costs	
Prepared For: CECOM Army Contracting Center	
Report: \$33.4 Million Questioned Cost	
The audit of the contractor's price adjustment claim resulted in \$33.4 million of questioned costs because the contractor did not provide adequate support that the claimed costs were reasonable and allocable to the contract or were incurred only for out-of-scope extra-contractual activities.	

Report No. 03511-2010M17900003	Date: March 16, 2011
Subject: Independent Audit of Certification and Agreement with Defense Security Agency	
Prepared For: Defense Contract Management Agency – DoD Central Control Point	
Report: \$32.3 Million of Noncompliances	
The audit of the contractor's Certification and Agreement with the Defense Security Cooperation Agency resulted in the identification of \$32.3M of noncompliances with the agreement including the failure to adequately identify a \$28.4 million subcontract procurement as being financed with U.S. government funds, and the inclusion of \$3.9 million of unapproved non-U.S. content in contract with the foreign government.	

Report No. 06211-2011C17200002	Date: March 17, 2011
Subject: Independent Audit of Statement of Costs	
Prepared For: CECOM Army Contracting Center	
Report: \$57.4 Million Questioned Cost	
The audit of the contractor's price adjustment claim resulted in \$57.4 million of questioned costs due to the lack of adequate support for the costs.	

DoD IG

Report No. D-2011-036	Date: February 3, 2011
Subject: Competition Should Be Used for Instructor Services for Mine Resistant Ambush Protected Vehicles	
Report: \$23.0 Million of Funds Put to Better Use	
TACOM Contracting Center officials obligated \$23 million for Instructor Services that were not a bona fide need for FY 2009 because TACOM Contracting Center officials obligated FY 2009 Operations and Maintenance funds against a 6-month option for services that were not going to be performed until January 2010.	

Report No. D-2011-047	Date: March 2, 2011
Subject: Improvements Needed in Contract Administration of the Subsistence Prime Vendor Contract In Afghanistan	
Report: \$124.3 Million in Funds Put to Better Use	
Defense Logistics Agency Troop Support personnel potentially overpaid the prime vendor \$98.4 million in transportation costs and approximately \$25.9 million for triwall costs.	

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

Results of Peer Reviews

Peer Review of U.S. Department of Labor Office of Inspector General, Office of Labor Racketeering and Fraud Investigations

DCIS conducted a review of the U.S. Department of Labor OIG, Office of Labor Racketeering and Fraud Investigations, in accordance with guidelines established by the President's Council on Integrity and Efficiency and the Attorney General's Guidelines for OIGs with statutory law enforcement authority. The team reviewed the level of compliance with the system of internal policies and procedures in place at the DOL OIG/OLRFI for the period ending September 2007. The investigative function of DOL OIG was found to be in full compliance with the quality standards established by the PCIE and the AGG. After review, the only recommendation suggested by DCIS for improvement of DOL OIG operations was for OLRFI to memorialize the results of its periodic weapons qualifications scores for the criminal investigators as "Pass" or "Fail" and to discontinue the practice of recording numeric scores.

Peer Review of DCIS operations by the U.S. Department of Agriculture Office of Inspector General

The U.S. Department of Agriculture OIG conducted an external peer review of DCIS's system of internal safeguards and management procedures in effect for the period ending September 30, 2008. 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 thus DCIS's participation in this peer review was voluntary. After completing its review of DCIS, the USDA OIG issued a final report dated July 1, 2009, and concluded that the system of internal safeguards and management procedures for DCIS was in full compliance with the quality standards established by CIGIE. 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 Office of Audit by Department of Health and Human Services OIG

The Department of Health and Human Services OIG conducted an external peer review of DoD IG Office of Audit and issued a final report on December 2, 2009. DoD IG received a peer review rating of pass. There are no outstanding recommendations. A copy of the external quality control review report can be viewed on at www.dodig.mil/audit.

Peer Review of U.S. Postal Service OIG Audit Organization by Department of Defense IG

DoD IG conducted an external quality control review of the United States Postal Service OIG audit organization and issued a final report on March 31, 2010. USPS OIG received a peer review rating of pass. All outstanding recommendations have been implemented as of March 31, 2011. A copy of the external quality control review report in its entirety can be viewed on the USPS OIG website at www.uspsoig.gov.

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

Acronyms

A&AS	Advisory and Assistance Services	DCAA	Defense Contract Audit Agency
AB	Air Base	DCIS	Defense Criminal Investigative Service
ADA	Antideficiency Act	DCMA	Defense Contract Management Agency
AFAA	Air Force Audit Agency	DFAS	Defense Finance and Accounting Service
AFAA/FS	Air Force Audit Agency Financial Systems Audits Directorate	DFIP	Detention Facility in Parwan, Afghanistan
AFAA/QL	Air Force Audit Agency Acquisition and Logistics Audits Directorate	DISA	Defense Information Systems Agency
AFAA/SP	Air Force Audit Agency Support and Personnel Audits Directorate	DLA	Defense Logistics Agency
AFB	Air Force Base	DMA	Defense Media Agency
AFNWC	Air Force Nuclear Weapons Center	DNA	Deoxyribonucleic Acid
AFOSI	Air Force Office of Special Investigations	DoD	Department of Defense
AFRICOM	United States Africa Command	DoDD	Department of Defense Directive
AIR	Aviation Into-Plane Reimbursement	DoD IG	Department of Defense Inspector General
AGI	American Grocers, Inc.	DOE	Department of Energy
AMSO	Army Modeling and Simulation Office	DOJ	Department of Justice
ANG	Air National Guard	DOL	Department of Labor
ANP	Afghan National Police	DoN	Department of the Navy
Army CID	Army Criminal Investigation Command	DoS	Department of State
ARRA	American Recovery and Reinvestment Act	DPEM	Depot Purchased Equipment Maintenance
ATEC	United States Army Test and Evaluation Command	DRMO	Defense Reutilization and Marketing Office
ATS	Advanced Topcoat System	DSS	Defense Security Service
BAMC	Brooke Army Medical Center	DTIC	Defense Technical Information Center
BRAC	Base Realignment and Closure	EFMP	Exceptional Family Member Program
CAF	Central Adjudication Facility	ERP	Enterprise Resource Planning
CCG	Capital Consortium Group	ESPC	Energy Savings and Performance Contracts
CDRT	Capabilities Development for Rapid Transition	FAR	Federal Acquisition Regulation
CERP	Commander's Emergency Response Program	FBI	Federal Bureau of Investigation
cGMP	current Good Manufacturing Procedures	FDA	Food and Drug Administration
CHES	Computer Hardware, Enterprise Software and Solutions	FIAR	Department of Defense Financial Improvement and Audit Readiness Plan
CIGIE	Council of Inspectors General for Integrity and Efficiency	FMTV	Family of Medium Tactical Vehicles
CNTPO	Counter Narcoterrorism Technology Program Office	FOB	Forward Operating Base
CODIS	Combined DNA Index System	FOIA	Freedom of Information Act
COIN	Counterinsurgency	GEAE	General Electric Aircraft Engines
COMSEC	Communications Security	GMO	Greater Metropolitan Orthopedics, P.A.
CONUS	Continental United States	GNEC	Global Network Enterprise Construct
CPO	Chief Petty Officer	GSA	General Services Administration
CTIP	Combating Trafficking in Persons	GSK	GlaxoSmithKline
		GWOT	Global War on Terror
		HCP	Hearing Conservation Program
		HHS	Health and Human Services
		HIV	Human Immunodeficiency Virus
		HMMWV	High Mobility Multi-Purpose Wheeled Vehicle
		ICE U.S.	Immigration and Customs Enforcement
		IJC	ISAF Joint Command
		INSURV	Inspection and Survey

Appendix I

IO	Information Operations	PM SEQ	Project Manager Soldier Equipment
IPBO	Installation Property Book Office	PQDR	Product Quality Deficiency Reporting
IRS	Internal Revenue Service	RAB	Regional Air Base
ISAF	International Security Assistance Force	ROTC	Reserve Officers' Training Corps
ISF	Iraq Security Forces	RPAT	Redistribution Property Assistance Teams
JCIU	Joint Counterintelligence Unit	SIGAR	Special Inspector General for Afghanistan Reconstruction
JCOC	Joint Civilian Orientation Conference	SIGIR	Special Inspector General for Iraq Reconstruction
JRN	Jaysh Rijal al-Tariq al Naqshabandi	SMC	Air Force Space and Missile Systems Center
LBG	Louis Berger Group, Inc.	SORAP	Source of Repair Assignment Process
LOGCAP	Logistics Civil Augmentation Program	SSG	Staff Sergeant
M&S	Army Modeling and Simulation Office	SSN	Social Security Number
MA	Master at Arms	TCC	TACOM Contracting Center
MCSC	Marine Corps Systems Command	TDS	Towed Decoy System
MEDCOM	United States Army Medical Command	UAV	Unmanned Aerial Vehicles
MoD	Ministry of Defense	UCA	Unfinitized Contractual Actions
MoI	Ministry of Interior	UIC	Unit Identification Codes
MORD	Miscellaneous Obligation/Reimbursement Documents	USAAA	U.S. Army Audit Agency
MRAP	Mine Resistant Ambush Protected Vehicles	USACE	U.S. Army Corps of Engineers
MRT	Master Resilience Training	USACIL	United States Army Criminal Investigation Laboratory
MSPB	Merit Systems Protection Board	USAF	U.S. Air Force
MSS	Military Services Support, LLC	USFK	United States Forces Korea
mTBI	Mild Traumatic Brain Injury	USAID	United States Agency for International Development
NAC	n-Acetylcysteine	USCENTCOM	U.S. Central Command
NASB	Naval Air Station Brunswick	USCYBERCOM	United States Cyber Command
NATO	North Atlantic Treaty Organization	USDA	United States Department of Agriculture
NAVAUDSVC	Naval Audit Service	USF-I	United States Forces- Iraq
NCIS	Naval Criminal Investigative Service	USFOR-A	United States Forces- Afghanistan
NDIS	National DNA Index System	USMC	United States Marine Corps
NEXGEN IT	Next Generation Information Technology	USN	United States Navy
NGA	National Geospatial Intelligence Agency	USPS	United States Postal Service
OCO	Overseas Contingency Operations	USSGL	United States Government Standard General Ledger
OIG	Office of Inspector General	USSTRATCOM	United States Strategic Command
OLRFI	Office of Labor Racketeering and Fraud Investigations	UUT	Unit Under Test
OMB	Office of Management and Budget	WESS	Web Enabled Safety System
ORF	Operational Readiness Float	WRM	War Reserve Materiel
OSD	Office of the Secretary of Defense	WTU	Warrior Transition Unit
P&O	Policy and Oversight		
PEO	Program Executive Officer		
PDHRA	Post Deployment Health Reassessment		
PM	Program Manager		



Inspector General Department of Defense

The report, as well as study reports and testimony, are available on the Internet at www.dodig.mil.
Additional information and/or copies of this report may be obtained by contacting:

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