Inspector General
United States Department of Defense

Semiannual Report to the Congress

April 1, 2010 - September 30, 2010

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	2. REPORT TYPE	3. DATES COVERED
OCT 2010		**00-00-2010 to 00-00-2010**

4. TITLE AND SUBTITLE	5a. CONTRACT NUMBER
Semiannual Report to the Congress April 1, 2010 - September 30, 2010	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 Office of 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	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT **unclassified**	b. ABSTRACT **unclassified**	c. THIS PAGE **unclassified**	**Same as Report (SAR)**	**124**	

Department of Defense
Inspector General
400 Army Navy Drive
Arlington, VA 22202-4704

www.dodig.mil

Defense Hotline 1.800.424.9098

The Honorable Gordon Heddell swears in before a congressional hearing.

I am pleased to present the Department of Defense Inspector General Semiannual Report to Congress for the reporting period April 1 through September 30, 2010. We are dedicated to working on behalf of the warfighters and taxpayers to identify fraud, waste, and abuse; and improve the efficiency and effectiveness of the Department's operations and programs.

As a Department-wide priority, Secretary of Defense Robert M. Gates identified the need to improve effectiveness and efficiencies in DoD operations in order to sustain mission-essential activities. Our statutory authority and expertise places DoD IG in a unique position to directly impact the achievement of that priority. Given the focus of the Secretary, DoD IG will continue to utilize our extensive oversight functions to promote economy, effectiveness, and efficiency throughout the Department.

This report highlights our work related to Overseas Contingency Operations, the Guam Realignment, and the American Recovery and Reinvestment Act as well as some of our most significant audits, investigations, and inspections.

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

Our efforts save billions of dollars, but more importantly, our efforts save lives. Examples of identified savings for the Department include:

- Identifying $70.1 million in excess DoD inventory that could be redirected to satisfy existing requirements.
- Returning $303 million to the government as a result of criminal and civil judgments relating to investigations.

Examples of identified risks related to the health, safety, and welfare of our warfighters include:

- Recommending efficiencies to increase the amount of body armor DoD collects for analysis to increase the effectiveness and aid in detection of new threats.
- Reporting on electrical safety issues in Afghanistan, which identified potential dangers to our warfighters.

I want to express my appreciation for the hard work of all DoD IG employees; and commend the military services, Defense agencies, and members of the oversight community on their accomplishments. We want to thank the service members who inspire our work for both their service and sacrifice. We appreciate the continued support of the Congress and the Department as we work to promote accountability and continuous improvement of DoD programs and operations.

Gordon S. Heddell
Inspector General

STATISTICAL HIGHLIGHTS

SUMMARY OF AUDIT ACTIVITIES

Reports Issued	66
Monetary Benefits	
Recommendations Made on Funds Put to Better Use	$144.6 million
Achieved Monetary Benefits (Funds Put to Better Use)	$4.1 billion

SUMMARY OF INVESTIGATIVE ACTIVITIES

Total Returned to the U.S. Government	$303 million
Seizures and Recoveries	$194 thousand
Civil Judgments	$213 million
Criminal Judgments	$41.8 million
Administrative Judgments	$47.9 million
Investigative Cases	
Indictments	160
Convictions	125
Suspensions	23
Debarments	65
Administrative Investigations	
Cases Received	688
Cases Closed	643
Senior Official Investigations	274
Reprisal Cases	369

SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES

Existing and Proposed Regulations Reviewed	186
Evaluation Reports Issued	2
Inspector General Subpoenas Issued	391

SUMMARY OF INTELLIGENCE ACTIVITIES

Intelligence Reports Issued	11

SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES

Assessment Reports Issued	6

SUMMARY OF DEFENSE HOTLINE ACTIVITIES

Contacts	9,016
Cases Opened	1,265
Cases Closed	1,446

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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..."	17-46
Section 5(a)(2)	"description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies..."	17-46
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."	17-46
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.	88-100
Section 5(a)(7)	"a summary of each particularly significant report..."	17-46
Section 5(a)(8)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the total dollar value of questioned costs..."	101
Section 5(a)(9)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management..."	101
Section 5(a)(10)	"a summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period..."	101
Section 5(a)(11)	"a description and explanation of the reasons for any significant revised management decision..."	N/A
Section 5(a)(12)	"information concerning any significant management decision with which the Inspector General is in disagreement..."	N/A
Section 5(a)(13)	"information described under Section 05(b) of the Federal Financial Management Improvement Act of 1996..." (instances and reasons when an agency has not met target dates established in a remediation plan)	N/A
Section 5(a)(14)	"An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period..."	114
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..."	114
Section 5(b)(2)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of disallowed costs..."	102
Section 5(b)(3)	"statistical tables showing the total number of audit, inspection, and evaluation reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision..."	102
Section 5(b)(4)	"a statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year..."	105-110
Section 8(f)(1)	"information concerning the number and types of contract audits..."	103
5 USC app. 5 note	"an annex on final completed contract audit reports...containing significant audit findings."	111-113

1

Overview

Mission

Serving the Congress and the Department

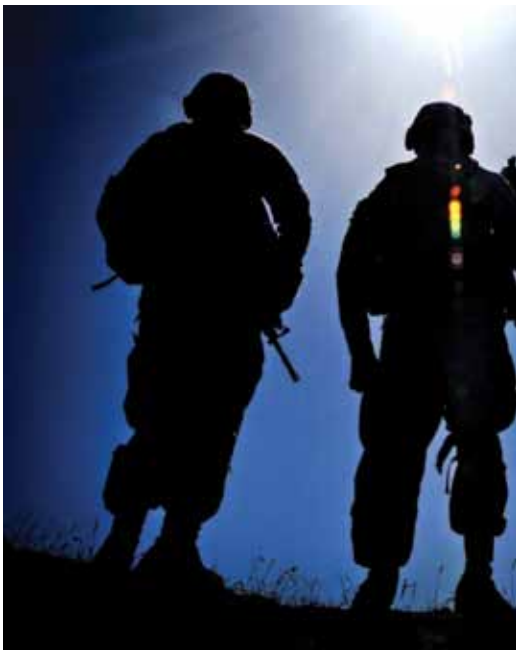
Department of Defense Inspector General is an independent, objective agency within the U.S. Department of Defense that was created by the Inspector General Act of 1978, as amended. DoD IG is dedicated to serving the warfighter and the taxpayer by conducting audits, investigations, inspections, and assessments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

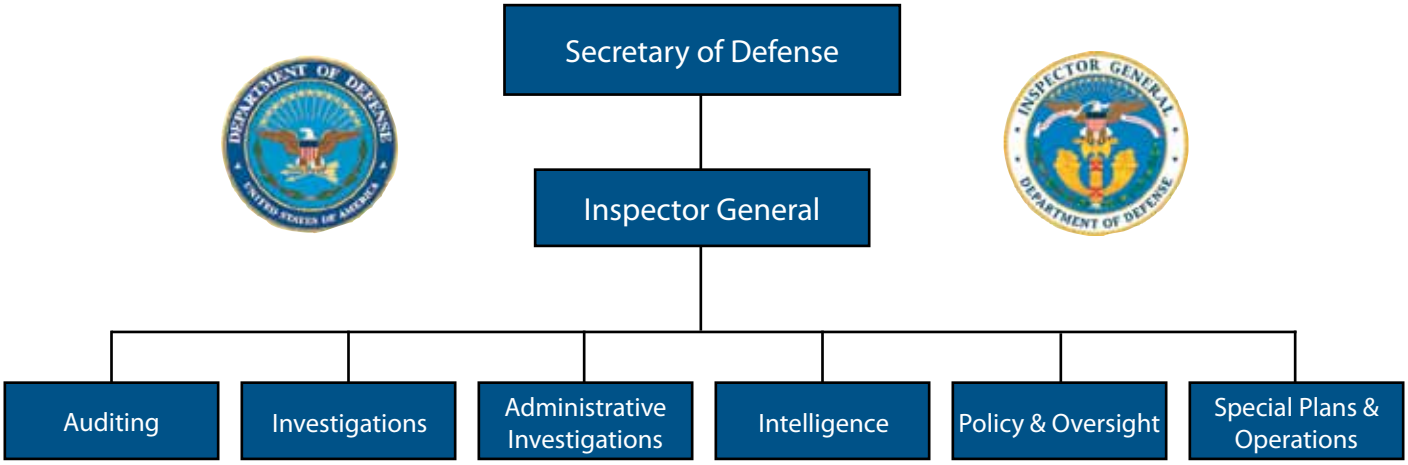
Goal 2

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.

Organization



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 investigations in support of crucial national defense priorities.

Administrative Investigations

The Office of the Deputy Inspector General for Administrative Investigations investigates and oversees investigations of allegations regarding: the misconduct of senior DoD officials, both civilian and military; whistleblower reprisal against service members, defense contractor employees, and DoD civilian employees (appropriated and nonappropriated 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 Community, Special Access Programs, Nuclear Enterprise, and related security issues within DoD.

Policy and Oversight

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

Special Plans and Operations

The Office of the Deputy Inspector General for Special Plans and Operations facilitates 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

DoD IG is focused on areas of greatest risk to the Department of Defense.

"As a Department-wide priority, Secretary of Defense Robert M. Gates has identified the need to improve effectiveness and efficiencies in business operations..."

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.

During this reporting period, 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. DoD IG provides guidance and recommendations to the Department and Congress. The work of each component is summarized below as of September 30, 2010:

Auditing issued 66 reports with 286 recommendations for improving DoD operations. Thirty-five percent of the reports addressed the American Reinvestment and Recovery Act, 29 percent addressed acquisition processes and contracting issues, 15 percent addressed financial management issues, 11 percent addressed joint warfighting and readiness issues, and 11 percent addressed information assurance, security, and privacy issues.[1]

Investigations opened 307 cases, closed 324, and has 1,859 ongoing investigations. These cases addressed criminal and civil investigations of computer crimes, public corruption, procurement fraud, product substitution, health care fraud, and the illegal transfer of technology.

Administrative Investigations reported that the Department received 688 cases, closed 643, and has 574 ongoing cases involving whistleblower reprisal and senior official misconduct. Twenty percent of reprisal cases and 14 percent of senior official misconduct cases were substantiated.

Intelligence issued 11 reports that addressed management challenges of the intelligence enterprise as it supports joint warfighting and readiness, acquisition processes and contract management, and the nuclear enterprise.

Policy and Oversight issued 14 oversight reports primarily addressing its oversight of the Defense Contract Audit Agency. P&O reviewed DCAA audit quality coupled with reviews to determine the effectiveness of DCAA's new and improved Quality Assurance Program. Additionally, hotline submissions related to DCAA have quadrupled over the past two years from an average of five per year to 20 per year; as such, P&O has aggressively stepped up its oversight of DCAA. P&O also issued three Department-wide policies, managed the coordination of 186 draft DoD policies, and issued 391 IG subpoenas.

Special Plans and Operations issued six assessment reports with 24 recommendations that addressed a wide range of issues, from the Department's response to the potential exposure of military and civilian personnel to industrial hazards while working to restore a water treatment plant in Qarmat Ali, Iraq, to an evaluation of the way the Department records accident-related injuries.

As of September 30, 2010, the DoD IG workforce totaled 1,634 employees. The FY 2010 budget was $288.1 million.

Priorities

As a Department-wide priority, Secretary of Defense Robert M. Gates has identified the need to improve effectiveness and efficiencies in business operations in order to sustain mission-essential activities. Given the Secretary's focus, DoD IG will utilize 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 established in the Quadrennial Defense Review to:

- Prevail in today's wars.
- Prevent and deter conflict.
- Prepare to defeat adversaries and succeed in a wide range of contingencies.

1 Total does not equal 100 percent due to rounding.

- Preserve and enhance the All-Volunteer Force.

We performed audits, inspections, and assessments of key programs and operations. Our investigations resulted in criminal or administrative actions. We also consulted on a variety 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 & contract management
- Health care
- Financial management
- Joint Warfighting and readiness
- Logistics
- Information assurance, security, & privacy
- Compliance

Defense Criminal Investigative Service is focusing on the following investigative priorities impacting the Department:

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

The categories highlighted in blue are discussed further under Challenge Areas. Our report highlights three overarching areas of work: Overseas Contingency Operations, the Guam realignment, and the American Recovery and Reinvestment Act.

Overseas Contingency Operations

As of September 30, 2010, DoD IG was operating at its highest level in Southwest Asia, with more than 50 personnel deployed in Iraq, Afghanistan, Kuwait, and Qatar on six to 12 month rotations. In Iraq, DoD IG is primarily concentrating its oversight on drawdown of forces including asset accountability, contracting, and financial management; while in Afghanistan, we are focusing on efforts to train, equip, and mentor the Afghan National Security Forces. During this reporting period, DoD IG issued 29 audit reports relating to challenges identified in Overseas Contingency Operations including identifying $100.7 million of either potential monetary benefits or questioned use of taxpayer funds.

In addition to continuing oversight on Overseas Contingency Operations contract administration and oversight, other primary areas of emphasis during FY 2011 are: in Iraq, asset accountability, managing drawdown in Iraq including base closure and contractor support; and in Afghanistan, the management and execution of the approximate additional $14.2 billion designated for the Afghan Security Forces Funds, military construction projects, training Afghans to maintain infrastructure projects, and financial management issues such as the Commander's Emergency Response Program and vendor payments.

As a result of the magnitude and scope of alleged criminal activity relating to OCO, DCIS has made criminal investigations of contract fraud and corruption related to U.S. operations and reconstruction efforts in Iraq and Afghanistan an agency priority. As of September 30, 2010, DCIS had a total of 241 open investigations related to Overseas Contingency Operations and the agents in Southwest Asia were actively working 43 investigative cases or proactive projects in theater. DCIS will continue to focus on protecting the warfighter by investigating significant fraud and corruption impacting crucial DoD operations throughout Southwest Asia, with particular emphasis upon schemes that potentially affect the health, safety, welfare, and mission-readiness of U.S. troops assigned to theater.

Guam Realignment

The Guam realignment will be one of the largest movements of military assets in decades and will help to maintain a robust military presence in the Asia-Pacific region. Inspector General Gordon S. Heddell is the Chairman of the Interagency Coordination Group of Inspectors General for Guam Realignment. On June 4, 2010, DoD IG released the "FY 2010 Comprehensive Oversight Plan for Guam Realignment," on be-

DoD IG is overseeing the drawdown, base closures, and contractor support.

DoD IG is focused on asset accountability related to OCO.

Executive Summary

Special Plans and Operations team members are transported by HMMWV.

half of the participating members. The oversight plan identifies and incorporates the planned and ongoing Guam realignment initiatives of the inspectors general of the Department of Defense, Department of the Interior, and Department of Homeland Security; and the auditor general of the Naval Audit Service for FY 2010.

In the coming months, DoD IG will assess the development of program and contract infrastructure requirements, including cost estimates and budgets for harbor, roads, power production and transmission, drinking water, water and solid waste, and communications. DoD IG plans to highlight critical infrastructure areas which the Department needs to improve in order to facilitate a successful realignment that translates into a sustained quality of life for the warfighter.

At the request of the deputy commanding general, Marine Corps Bases Japan, DoD IG assessed the living conditions of military families currently residing in Okinawa, Japan, to determine whether living conditions were adequate for military personnel and their families and whether estimates were adequate regarding the number of housing units needed for military personnel and their families in the future. These issues were addressed in audit report D-2010-084, issued on September 16, 2010.

"During the reporting period, DoD IG and the service audit organizations issued a total of 45 audit reports covering 225 Recovery Act-Funded projects valued at $865 million."

American Recovery and Reinvestment Act

DCIS and the military criminal investigative organizations continue to vigorously investigate allegations of fraud and corruption involving the expenditures of Recovery Act funds by the Department. As part of our Recovery Act Training and Outreach initiative, DoD IG trained law enforcement personnel, contracting employees, attorneys, and others. To date, DoD IG has also initiated 11 Recovery Act investigations involving allegations of procurement fraud, conflict of interest, and program management irregularities. Of these cases, two were closed as the allegations were unsubstantiated. During the reporting period, DoD IG and the service audit organizations issued a total of 45 audit reports covering 225 Recovery Act funded projects valued at $865 million. During this reporting period, DoD IG analyzed, responded to, and closed 16 referrals received from the Recovery Act Transparency Board.

In the next phase of this initiative, DoD IG will expand the audience base for its outreach efforts to include industry groups and DoD contractors that have received Recovery Act funds. The continuing pressure to commence activities and expend Recovery Act funds as quickly as possible, consistent with prudent management, will add pressure to the Department's understaffed contracting professionals to award and administer contracts in an expedited manner. Additionally, without adequate and continuous management attention to Recovery Act implementation, especially contractor oversight and recipient reporting, DoD will have a recurring challenge to effectively meet the intent of the Recovery Act and maintain adequate transparency, accountability, and stewardship of taxpayer funds.

Impact

During the reporting period of April 1, 2010 to September 30, 2010, our auditors, investigators, and inspectors worked to promote economy, efficiency, and effectiveness at the Department while detecting and preventing fraud, waste, and abuse.

In total, we issued 85 reports identifying more than $5 billion in recoveries, fines and penalties; achieved monetary savings; and funds which could be put to better use. In addition, DCIS investigations resulted in 160 indictments and 125 convictions.

DoD IG audits, investigates, and inspects the programs and operations of the Department, and recommends policies and process improvements that promote economy, efficiency, effectiveness, and integrity in DoD programs and operations. Below are highlights of projects from this reporting period:

Audits

- We issued an audit report, "Contingency Contracting: A Framework for Reform,"

that identified 10 significant systemic issues from our coverage of contingency contracting, but also provided a "roadmap" of essential contracting and oversight actions that should be taken on future contracts to avoid past problems and contract more efficiently and effectively.

- We identified efficiencies that increase the amount of body armor DoD collects from service members wounded or killed in action in order to increase assurance of body armor effectiveness and aid in the detection of new threats to service members on the battlefield.
- We identified over 100 national electrical code violations at Kandahar Airfield, Afghanistan, which posed immediate life, health, and safety risks to U.S. Forces. United States Forces-Afghanistan took immediate action to correct the violations.

Investigations

- An investigation disclosed that Northrop Grumman Corporation, Navigation Systems Division, submitted false claims to the U.S. government seeking payment for electronic components that were knowingly not tested as required by contract specifications. A Civil Settlement Agreement was reached, in which the division agreed to pay $12.5 million to settle allegations of fraud.
- A DoD contractor working in Kuwait developed corrupt relationships with certain Army contracting officials and a senior procurement non-commissioned officer at Camp Arifjan. By bribing these Army contracting officials in 2005 and 2006, the contractor ultimately received a total of more than $1.7 million in connection with contracts to provide various goods and services to the U.S. military. The former contract employee pled guilty to conspiracy to bribe U.S. Army contracting officials and to money laundering conspiracy, and agreed to forfeit $650,000 to the U.S. government.
- Two Chinese nationals illegally exported military electronic parts used in military phased array radar, electronic warfare, military guidance systems, and military satellite communications to China through Hong Kong. After a five-week trial, a jury found the two Chinese nationals guilty of illegally conspiring to export controlled military electronic equipment from the U.S. to China. The U.S. District Court judge also entered a contempt order against the company used by the subjects, Chitron-Shenzhen, for a previous refusal to appear for trial and fined the company $1.9 million.

Inspections

- We conducted an evaluation of efforts to identify, contact, and provide access to care for DoD personnel exposed to sodium dichromate at Qarmat Ali, Iraq in 2003 and recommended that the U.S. Army Corps of Engineers notify all current and former military personnel who were exposed of their eligibility for the Veterans Administration's Gulf War Registry and associated sodium dichromate exposure-related medical evaluation.
- We conducted an evaluation on the effectiveness of the military services' voting assistance programs during the preceding calendar year, and their level of compliance with the voting assistance programs as reported by each of the service inspectors general. The service inspectors general reported that their voting assistance programs were effective and in compliance with DoD regulations and public law, with a few minor exceptions they were addressing.

Challenge Areas

DoD IG identifies areas considered to be the most serious management and performance challenges facing the Department. The following categories are examples of areas where we have focused our resources during this reporting period and highlight information contained in this report. The first two categories from the list under priorities are discussed in further detail below.

Acquisition Processes and Contract Management

The DoD acquisition and contracting commu-

"We conducted an evaluation of efforts to identify, contact, and provide access to care for DoD personnel exposed to sodium dichromate at Qarmat Ali, Iraq in 2003..."

DCIS special agents conduct firearms training exercises.

Executive Summary

"We continue our reviews of DoD programs for the care, management and transition of recovering service members wounded during deployment..."

DoD IG is reviewing programs for the care and recovery of wounded soldiers.

nity is tasked daily to manage an increasing Defense budget while relying on a less experienced and inadequately trained workforce that has not kept pace. While DoD has made progress to increase the acquisition workforce, we continue to identify deficiencies in contract administration and oversight.

- We identified over $70 million of inventory in Defense Logistics Agency warehouses that would not be effectively utilized because the Air Force was planning on procuring the same items under a performance based logistics contract with the original equipment manufacturer. Informing DLA, the Air Force, and the director of Defense Procurement resulted in the Air Force requiring its PBL contractor through contract terms to draw down the DLA inventory over a 10-year period.
- The Air Force Center for Engineering and the Environment had no assurance that the contractors were working efficiently and effectively and AFCEE paid for $24.3 million in labor costs that were not part of contracts reviewed by DoD IG. AFCEE contracting and program officials did not perform adequate contract oversight for work performed on the six task orders we reviewed valued at $120.8 million. Officials did not adequately monitor the title II (quality assurance and oversight services) contractors working in Southwest Asia and did not adequately review invoices because the title II contracting officer's representatives did not conduct site visits to Southwest Asia and, according to the contracting officer, there were not enough personnel to review invoices.
- Army contracting and DoD program officials did not properly award and administer the 18 time and material contracts and task orders for work performed in Southwest Asia. Contracting and program officials awarded contracts and task orders with invalid sole-source justifications or unfair competition, did not negotiate reasonable prices, and did not justify their use of the T&M contract type. These conditions occurred because contracting and program officials ignored acquisition regulations. In addition, contracting and program officials did not perform adequate contractor surveillance for the 18 contracts and task orders because of inadequate organization and planning by the Army officials responsible for contractor oversight. DoD IG identified potential monetary benefits for the government of $3.6 million.

Health Care

One of the top mission priorities of DoD IG is preventing and detecting fraud, waste, and abuse and improving efficiency and effectiveness in the critical area of health care for service members and civilian personnel. As part of that mission, we investigate falsified claims submitted to TRICARE, the health insurance company for active or retired military and their dependents. In one year, we recovered over $1.3 billion attributed to TRICARE fraud.

Another aspect of that mission includes responding to congressional concerns regarding the medical care provided our service members. In response to an inquiry from the Senate Armed Services Committee, DoD IG evaluated the adequacy of the Department's efforts to identify and contact DoD soldiers and civilians who were exposed, or who potentially were exposed, to industrial hazards while working to restore a water treatment plant at Qarmat Ali, Iraq, after the end of hostilities in 2003.

We continue our reviews of DoD programs for the care, management, and transition of recovering service members wounded during deployment in Operations Iraqi and Enduring Freedom to ensure they are managed effectively and efficiently.

Public Corruption

DoD IG is committed to investigating, detecting, and eliminating public corruption impacting DoD's programs worldwide. During this reporting period, there were 354 active public corruption investigations conducted. These investigations have resulted in several convictions of DoD personnel and contractors engaged in illegal activity for personal gain at the expense of our taxpayers.

Included in this report, DCIS conducted an investigation involving a U.S. Army civilian contracting official who solicited bribes from an Egyptian businessman in exchange for submitting an inflated off-post apartment lease for approval. The contracting official pled guilty to bribery and unlawful salary supplementation in connection with two schemes to solicit more than $17 thousand in bribes.

DoD IG continues to partner with the Department of Justice and other investigative agencies to bring corrupt individuals to justice criminally, civilly, and administratively to send out a unified message that this illegal activity will be punished to the fullest extent of the law. These joint efforts have increased the DoD IG's ability to successfully investigate matters involving public corruption.

Product Substitution

When nonconforming and substandard products are delivered to DoD, military and civilian personnel, as well as the public, are placed at risk because the performance and safety of the products are unknown. Key to the mission of DoD IG is a commitment to placing the highest priority on allegations where product substitution is suspected and a safety risk is present. During this reporting period, DoD IG conducted 282 active product substitution investigations.

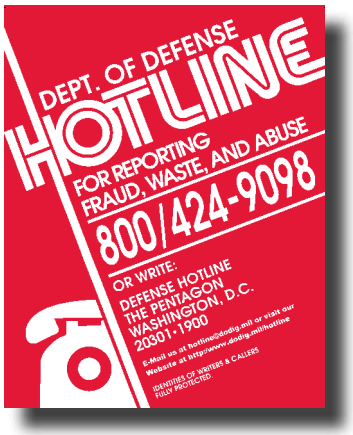
DCIS, in partnership with the military criminal investigative organizations and other federal, state and international law enforcement agencies, conducted several criminal investigations that focused on combating the substitution of critical products and services in order to protect DoD personnel and its allied partners. Included in this report, DCIS investigated untested Blackhawk helicopter cockpit armor sold to the U.S. Army; the purchase of expired foods from manufacturers at discounted prices, which was then provided to U.S. troops; and the submission of false claims to DoD for payments for electronic components that were not tested as required by contract specifications.

Mission failure can result when the DoD receives a product that is noncompliant with the specifications of DoD contracts. DoD IG uses the full spectrum of enforcement, prosecution and administrative sanctions to ensure violators are held accountable and their products are eliminated from the supply chain. DoD IG continues to see an increase in the number of suspensions and debarments resulting from its investigations and will continue to emphasize comprehensive solutions to the problems faced by illegal product substitution.

Outreach & Programs

Defense Hotline

The Defense Hotline received 9,016 contacts from the general public and members of the DoD community: 10 percent via U.S. mail, 33 percent via email, five percent via the internet, 1.5 percent via the Government Accountability Office, 50 percent via the telephone, and .5 percent from congressional inquiries. Based on these contacts, the Hotline initiated 1,265 cases. The Defense Hotline closed 1,446 cases this reporting period. Investigations initiated exclusively by the Hotline resulted in $8.5 million dollars returned to the federal government for this reporting period.



Congressional Testimony & Briefings

During the reporting period, DoD IG testified before members of Congress and the Commission on Wartime Contracting during three hearings. We had 48 meetings with members of Congress and their staff. Topics of discussion during those meetings included review of the DoD senior mentor program, review of the PAO program, the drawdown in Iraq, and the Ft. Hood shooting incident. DoD IG received 210 new congressional inquiries and closed 126 cases. New inquiries involved issues such as requests for reprisal investigations; reviews related to American Recovery and Reinvestment Act funding; requests concerning open recommendations; concerns about the Wounded Warrior Program; and requests related to reviews of senior DoD officials.

Inspector General Heddell testifies on Afghan National Police training.

Overseas Contingency Operations

DoD IG is operating at its highest level with more than 50 personnel in SWA.

DoD IG is overseeing the training of Iraq and Afghan Security Forces.

Background

On August 31, 2010, Operation Iraqi Freedom came to an end and Operation New Dawn started with the number of U.S. troops in Iraq at 50,000. As the Department reduced its footprint in Iraq, it built its combat force to about 98,000 troops in Afghanistan. According to DoD reports, there are about 3,500 civilians and more than 200,000 contractors in theater supporting our military forces.

As the United States draws to the end of its ninth year of war in Afghanistan and continues its drawdown of troops while transitioning remaining operations to the Department of State in Iraq, Department leadership, field commanders, and Congress continue their call for oversight. The U.S. Army in FY 2010 spent over $47 billion operating and sustaining the force ($10 billion in Iraq and $37 billion in Afghanistan). Further, while the Department continues to conduct operations and the training and equipping of the Iraq and Afghan National Security Forces, it also continues to build the civilian capacity of these two governments with other U.S. agencies, Coalition, and NATO partners.

During FY 2010, DoD IG oversight efforts concentrated on work to ensure that U.S.-funded assets were properly accounted for and that there was an effective process for the proper transfer, reset, or disposal of these assets from military units, support staff, and contractors as the drawdown and buildup were being executed.

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

- Safety and force protection needs of military personnel, civilians, and contractors are met.
- Fraud, waste, abuse, and corruption are identified.
- Contractors are providing quality products and services and U.S. government activities have proper oversight over the contractors supporting them.
- Programs related to equipping and training Iraqi and Afghan Security Forces are effective and efficient.
- Controls are in place and functioning within the processes and procedures used to manage the funds expended.
- Logistics operations are optimized to achieve effective results.
- Personnel and property are properly accounted for, and there is visibility over where the equipment and supplies are located.
- Information operations are being conducted in accordance with applicable laws and regulations while achieving the expected outcomes.

Recent Activities

As of September 30, 2010, DoD IG was operating at its highest level having more than 50 personnel deployed in Iraq, Afghanistan, Kuwait, and Qatar on six to 12-month rotations. In addition, there are also teams of auditors, agents, inspectors, and engineers constantly entering and exiting the region on temporary duty assignments. DoD IG currently has approximately 30 auditors and evaluators and 20 special agents deployed to Southwest Asia in support of Overseas Contingency Operations audit, investigative, and inspection efforts.

Paralleling the Department's shift in operational emphasis in Southwest Asia, DoD IG is shifting its primary oversight focus to support operations in Afghanistan while maintaining necessary oversight in Iraq and its remaining operations. DoD IG is primarily concentrating its oversight on drawdown of forces in Iraq including asset accountability, contracting, and financial management. During this reporting period, DoD IG issued 29 audit reports relating to challenges identified in Overseas Contingency Operations including identifying $100.7 million of either potential monetary benefits or questioned use of taxpayer funds. DoD IG identified weaknesses in contracting administration and oversight as well as improvements required in financial management supporting overseas contingency operations. In addition, we found the DoD relied on the contractor to monitor themselves for over $815 million in support to the MRAP program.

Also, DoD IG issued a framework for reform for contingency contracting, which identified areas in which DoD experienced the most significant challenges and control weaknesses in contingency contracting efforts. This framework serves as a tool for deployed contracting personnel to identify and address common challenges.

One of the key elements of our nation's success in Southwest Asia is the development of capacity of the security forces of both Iraq and Afghanistan. DoD IG is focused on the training, mentoring, and equipping of the Iraq Security Forces and the transition of the management of this mission to the Department of State. During 2010, the Department of Defense was given a larger role in the mission of training the Afghan National Security Forces. In order to execute this mission, the Combined Security Transition Command – Afghanistan has received about $6.5 billion funding in FY 2010, has requested another $2.6 billion in the FY 2010 supplemental request, and another $11.6 billion in the FY 2011 Overseas Contingencies Operations request. DoD IG is conducting several projects to ensure the efficiency of the train and equip program.

As a result of the magnitude and scope of alleged criminal activity relating to OCO, DCIS has made criminal investigations of contract fraud and corruption related to U.S. operations and reconstruction efforts in Iraq and Afghanistan an agency priority. DCIS currently deploys special agents to Kuwait, Iraq, and Afghanistan to investigate matters involving bribery, theft, procurement fraud, illegal receipt of gratuities, bid-rigging, defective and substituted products, and conflicts of interest. DCIS' presence in the region has identified corrupt business practices, loss of U.S. funds through contract fraud, and theft of critical military equipment destined for coalition forces in Southwest Asia. For example, a DCIS investigation during this reporting period resulted in a former U.S. Army sergeant pleading guilty to bribery in connection with a fuel theft scheme to solicit more than $400 thousand in bribes from a government contractor in Afghanistan. The former Army sergeant was subsequently charged with one count of conspiracy to commit theft of government property. He faces a maximum penalty of 15 years in prison.

As of September 30, 2010, the agents in Southwest Asia were actively working 43 investigative cases or proactive projects in theater. A great amount of investigative attention has been directed towards the Commander's Emergency Relief Program and other civil works project contracts awarded to Afghan companies. CERP funds are intended to swiftly provide payment to local contractors for civil work projects. The CERP bolsters the "Afghan First" program, which promotes hiring Afghan companies and Afghan personnel to construct needed roads and facilities to support the development and expansion of the Afghan government and organizations but have proven problematic. For example, the use of U.S. currency and vouchers versus electronic funds transfers and a payment process with critical internal controls makes this program vulnerable in an environment and culture where fraud and corruption is habitual. Although DCIS aggressively investigates criminal allegations relating to the CERP, extensive man-hours are dedicated to providing awareness briefings to new personnel assigned to administer this program.

In addition, DCIS is a member of the Major Crimes Task Force located at Camp Falcon. The mission of the task force is part of a capacity building effort in which U.S. government special agents and attorneys advise and mentor government of Afghanistan police and judicial organizations. The task force works closely together on investigative activities relating to highly sensitive public corruption, contract fraud, bribery and kickback, kidnapping, murder, and terrorism investigations.

As of September 30, 2010, DCIS had a total of 241 open investigations related to Overseas Contingency Operations. Sixty-eight percent of those investigations are related to bribery and financial crimes. Eleven percent of the investigations are related to theft, eight percent are kickback investigations, and seven percent are product substitution investigations. The remaining six percent of the OCO investigations relate to general crimes, technology transfer, and terrorism investigations.

DCIS has focused on the Commander's Emergency Relief Program.

USD(C) Hale meets with SWA Special Deputy IG in Kuwait.

DoD IG and AAA leadership with ARCENT G8 in Kuwait.

DCIS special agents will continue identifying corruption in Afghanistan.

Moving Forward

Over the next year, DoD IG will continue to conduct audits and assessments in Afghanistan in support of the United States' intensive efforts to stand up, train, equip, and mentor the Afghan National Security Forces. Developing the Afghan National Police and Army to the point where they can assume a lead security operations role is critical to enable U.S. combat forces to start a conditions-based drawdown beginning the summer of 2011.

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

In addition to continuing oversight on Overseas Contingency Operation contract administration and oversight, other primary areas of emphasis during FY 2011 are: in Iraq, asset accountability, managing drawdown in Iraq including base closure and contractor support; and in Afghanistan, the management and execution of the approximate additional $14.2 billion designated for the Afghan Security Forces Funds; military construction projects; training Afghans to maintain infrastructure projects; and financial management issues such as the Commander's Emergency Response Program and vendor payments.

Guam Realignment

DoD IG inspected Guam's Harmon Substation, 115 KV Transformer Bank.

Background

The Defense Posture Review Initiative, initiated by the Secretary of State and Secretary of Defense with their Japanese counterparts, serves as the framework for the future of U.S. force structure in Japan and the U.S. Marine Corps realignment to Guam. The Guam realignment will be one of the largest movements of military assets in decades and will help to maintain a robust military presence in the Asia-Pacific region. Under the command of the Joint Region Marianas, the two largest military bases on Guam are Naval Base Guam and Andersen Air Force Base. Since 2000, the U.S. Pacific Command has increased air and naval forces on Guam to strengthen U.S. deterrence and power projection in Asia; specifically crisis response, counter-terrorism, and contingencies in the Western Pacific. Guam is a U.S. territory considered strategically significant to U.S. forward deployments in the Western Pacific. The island, three times the size of Washington, D.C., is home to about 173,000 residents.

Section 2835 of the National Defense Authorization Act for FY 2010 designates the inspector general of DoD as the Chairman of the Interagency Coordination Group of Inspectors General for Guam Realignment. The members of this group are the IG of the Department of the Interior and any other IGs as appropriate. The group provides objective supervision of audits and investigations, to include inspections, evaluations, and reviews relating to the programs and operations funded with amounts appropriated or otherwise made available for military construction on Guam. This oversight consists of the programs, operations, and contracts carried out using these funds, including:

- Oversight and accounting of obligations and expenditures.
- Monitoring and review of construction activities.
- Monitoring and review of contracts.
- Monitoring and review of funds transferred among departments, agencies, and entities of the United States and private and non-governmental entities.
- Maintenance of records to facilitate future audits and investigations.
- Monitoring and review of the implementation of the DPRI relating to the realignment of military installations and the relocation of military personnel to Guam.

To assist with this oversight, the chairman established the Guam Interagency Planning Group. This group shares information about the status of Guam construction and discusses planned and ongoing oversight efforts. The group is made up of representatives from the audit and investigative community, as well as representatives from DoD and other federal departments and agencies. The information exchange provides the basis for determining future initiatives needed to effectively oversee activities related to the Guam realignment. DoD IG established the Guam joint planning group to facilitate coordination and

collaboration among the oversight organizations involved in the Guam realignment. Within DoD, it is the working-level group to share information about the status of planned and ongoing Guam oversight efforts in the Department. The group is made up of representatives from DoD audit and investigative communities. The information exchange serves to de-conflict and coordinate the efforts within DoD. The group will make recommendations to the group for oversight actions to be included in the annual oversight plan for the Guam realignment.

Recent Activities

On June 4, 2010, DoD IG released the "FY 2010 Comprehensive Oversight Plan for Guam Realignment," on behalf of the participating members. The plan, required by the FY 2010 National Defense Authorization Act, is an annual oversight plan which details planned audits and reviews relating to the Guam realignment.

The Guam Realignment Comprehensive Oversight Plan identifies and incorporates the FY 2010 planned and ongoing Guam realignment initiatives of the inspectors general of the Departments of Defense, Interior, and Homeland Security; and the auditor general of the Naval Audit Service. Based on a visit to U.S. Pacific Command and U.S. Forces Japan, including military installations in Okinawa and Guam, DoD IG has recognized the following concerns:

- Substantial Guam infrastructure shortcomings fall outside of DoD funding authority and could adversely impact the realignment. These concerns need to be addressed with additional non-DoD funding and interagency planning and execution.
- Housing requirements of military families in Okinawa should be resolved at this time and not be held in abeyance while negotiations with Japan continue. Based on available data, 45 percent of 6,986 family units need attention and 1,129 units are considered inadequate because of mildew, mold, and failing infrastructure.
- Competing priorities and the number of contractors available could adversely impact the realignment.

At the request of the deputy commanding general, Marine Corps Bases Japan, DoD IG assessed the living conditions of military families in Okinawa, Japan, to determine whether living conditions were adequate for military personnel and their families currently residing in Okinawa, Japan, and whether estimates were adequate regarding the number of housing units needed for military personnel and their families in the future. These issues were addressed in audit report D-2010-084, issued on September 16, 2010. The information contained in the report is For Official Use Only.

Moving Forward

The Interagency Coordination Group will continue its efforts to coordinate oversight plans through existing interagency working groups and councils in order to provide transparency and accountability to the American people and to the U.S. forces affected by this realignment. The annual report will be published in the second quarter of FY 2011.

DoD IG will perform oversight projects that directly impact realignment efforts in Guam, as well as in Okinawa, Japan, specifically including the following six functional areas: 1) Oversight and Accounting of Obligations and Expenditures; 2) Monitoring and Review of Construction Activities; 3) Monitoring and Review of Contracts; 4) Monitoring and Review of Japan Funds; 5) Maintenance of Records on Use of Funds; and 6) Monitoring and Review of the Implementation of the Defense Posture Review Initiative.

DoD IG will assess the development of program and contract infrastructure requirements, including cost estimates and budgets for the harbor, roads, power production and transmission, drinking water, water and solid waste, and communications. This assessment is important as 8,000 Marines and 9,000 of their dependents will be moving from Okinawa, Japan, to Guam. Such a massive military buildup makes it crucial that DoD and other executive departments ensure that the new military organization is properly set up – that the military can get through the port and across roads, and that adequate electricity

DoD IG team inspecting the new solid waste facility in Guam.

DoD IG is assessing critical infrastructure areas.

Inspector General Heddell toured the Pacific area including Japan and Guam.

exists to run command systems and other functions.

DoD IG plans to highlight critical infrastructure areas where DoD needs to improve in order to facilitate a successful realignment that translates into a sustained quality of life for the warfighter. Other agencies actively participating in this project include the following: inspectors general, Department of Agriculture; Department of Energy; Department of Homeland Security; Department of the Interior; Department of Transportation; Environmental Protection Agency; Federal Communications Commission; and the governor of Guam.

Recovery Act

Background

DoD IG continues to vigorously investigate allegations of fraud and corruption involving the expenditures of Recovery Act funds by the Department. A majority of these investigations are being conducted in conjunction with one or more military criminal investigative organizations: U.S. Army Criminal Investigation Command, Naval Criminal Investigative Service, and the Air Force Office of Special Investigations. As part of our Recovery Act Training and Outreach initiative, DoD IG trained law enforcement personnel, contracting employees, attorneys, and others. The training sessions provided the attendees an overview of the Recovery Act and the oversight role of DoD IG.

DoD IG is assessing Recovery Act-funded projects.

During the reporting period, DoD IG and the service audit organizations issued a total of 45 reports covering 225 Recovery Act-funded projects valued at $865 million. Significant internal control deficiencies for the 225 projects included:

- At least one contract action in each of the 42 projects did not contain all applicable contract clauses required by the Federal Acquisition Regulation and Office of Management and Budget Recovery Act guidance.
- Contracts for four projects did not post required pre-solicitation, award notice, or contract modifications to the Federal Business Opportunities Web site.
- Thirty-two projects lacked procedures to ensure compliance with OMB Recovery Act recipient reporting requirements.
- Four projects did not verify contractor registration in the government Central Contractor Representations or the Online Representations and Certifications Application Web sites prior to contract award.
- Eight projects did not accurately prepare project cost estimates per DoD or military service guidance.

During this reporting period, DoD IG analyzed, responded to, and closed 16 referrals received from the Recovery Act Transparency Board. These referrals generally covered potential government or contractor noncompliance with OMB and FAR requirements for Recovery Act procurements identified through RATB analysis of public records.

To date, DoD IG has also initiated 11 Recovery Act investigations involving allegations of procurement fraud, conflict of interest, and program management irregularities. Of these cases, two were closed as the allegations were unsubstantiated.

Current Activities

The Defense Hotline and the RATB are currently the primary sources of fraud referrals. In an effort to better detect fraud and minimize the Department's exposure, DoD IG will proactively data mine and analyze contract data and related records for potential fraudulent activities and abnormalities. DoD IG will conduct further reviews of the results to determine if the matters warrant the initiation of an investigation.

We have focused audit oversight of DoD Recovery Act funds by using a predictive analytics modeling approach to select DoD projects. Factors that may be correlated with different levels of risk, such as type of project, place of performance, dollar value, and number of projects in a district or location, were identified. Using the factor weights, projects were ranked as to the likelihood of improper performance.

This analysis technique was applied to select military construction and large dollar value operations and maintenance projects for review.

Predictive analytics was also used to select United States Army Corps of Engineers Civil Works projects, as well as Army National Guard and Air National Guard projects focusing on specific districts and states.

The primary responsibility for ensuring that DoD properly expends Recovery Act funds rests with the Department. We are focusing our audit efforts on overall DoD Recovery Act management oversight processes and challenges. Specific DoD processes reviewed for effectiveness include those for providing oversight of Recovery Act contracts to ensure they are meeting the key OMB accountability objectives, including DoD oversight on whether projects were:

- Properly planned to ensure the appropriate use of funds.
- Properly funded to ensure funds are distributed in a prompt, fair, and reasonable manner.
- Properly executed to ensure project transparency, competition, and inclusion of specific FAR clauses.
- Properly tracked and reported to ensure recipients' use of Recovery Act funds is transparent to the public.
- Avoiding unnecessary delays and cost overruns.
- Ensuring recipient reporting was timely and data accurate.

We are executing a joint oversight approach with the service audit agencies to ensure maximum and efficient coverage of Recovery Act plans and implementation. Consistent with the audit approach used by DoD IG, the service auditors are focusing on the planning, funding, project execution, and tracking and reporting of Recovery Act projects.

Moving Forward

In the next phase of this initiative, DoD IG will expand the audience base to include industry groups and DoD contractors that have received Recovery Act funds. The continuing pressure to commence activities and expend Recovery Act funds as quickly as possible, consistent with prudent management, will add pressure to the Department's understaffed contracting professionals' ability to award and administer contracts in an expedited manner.

Additionally, without adequate and continuous management attention to Recovery Act implementation, especially contractor oversight and recipient reporting, DoD will have a recurring challenge to effectively meet the intent of the Recovery Act and maintain adequate transparency, accountability, and stewardship of taxpayer funds.

We noted in our last Semiannual Report, DoD execution of the $12 billion of American Recovery and Reinvestment Act of 2009 (P.L. 111-5) (Recovery Act) funds was not moving as quickly as the Department had planned, and much of the spending and actual work on the projects would not occur until FY 2010. DoD Recovery Act funds for facility repair and research and development projects valued at $4.26 billion will expire for obligation at the end of FY 2010.

DoD continues to press forward to obligate these funds by the end of the fiscal year. As of September 30, 2010, DoD had obligated 99.9 percent of these expiring funds. DoD has also met a goal of expending at least 45 percent of the funds for these repair projects by the end of the fiscal year. Funds for new construction are available for obligation until FY 2014. As of September 30, 2010, DoD had obligated 86 percent of these funds.

"DoD IG and the service audit organizations issued a total of 45 reports covering 225 Recovery Act-funded projects valued at $865 million."

DoD is using Recovery Act-funds for this solar panel efficiency project.

Overview

Summary of Performance

During this reporting period, DoD IG continued directing its resources towards those areas of greatest risk within the Department and addressed a variety of issues by conducting audits of programs, investigating criminal activity, and assessing key operations.

Audit reports focused on:

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

Investigations focused on:

- Public Corruption
- Procurement Fraud
- Health Care Fraud
- Product Substitution
- Technology Protection
- Computer Crimes

Inspections focused on:

- Logistics
- Health Care
- Compliance

In addition, DoD IG assessed key operations in a variety of areas by conducting assessments and intelligence reviews. DoD IG investigated senior officials and reprisal complaints; conducted policy and peer reviews; and managed programs, such as contractor disclosure and the Defense Hotline.

Results Attained

AUDIT

Reports Issued	66
Potential funds put to better use	$144.6 million
Achieved monetary benefits	$4.1 billion

INVESTIGATIONS

Indictments	160
Convictions	125
Suspensions	23
Debarments	65
Total Recoveries	$303 million

DoD IG Profile

Staffing and Budget

As of September 30, 2010, DoD IG workforce totaled 1,634 employees. The FY 2010 budget was $288.1 million.

Office Locations

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

About DoD IG Employees

DoD IG is a knowledge-driven organization, and its employees are experts in fields such as auditing, criminal investigations, computer security, intelligence, hotline complaints, military reprisals, and many others.

2

Oversight

Audits

DoD IG issued a "roadmap" to contingency contracting reform.

"This report was widely disseminated to contingency operation commanders and should significantly improve contracting and oversight as DoD continues to surge into Afghanistan..."

The following audits are highlights of work completed during the reporting period. DoD IG audits are listed under the following categories:

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

Acquisition Processes & Contract Management

The Department faces serious acquisition and contracting challenges in the coming year as the nation faces difficult economic and fiscal situations. There is increased emphasis on doing more with less. As transition and downsizing continues in Iraq, a surge and buildup in Afghanistan is underway, and the Department needs to learn lessons from Iraq to effect better management in Afghanistan. In August 2010, Secretary of Defense Robert M. Gates announced the need for the Department to operate more efficiently. He assigned the military services the task of finding more than $100 billion in savings over the next five years and announced a series of actions to eliminate duplication, reduce overhead, and save money. Much like these initiatives, DoD IG audit challenges are similar: develop lessons from work in Iraq; find inefficiencies and duplications in programs, operations, and functions; and identify monetary benefits.

During the past six months, DoD IG issued 14 audit reports on contingency operations contracting and 23 audit reports on American Recovery and Reinvestment Act contracting.

Contingency Contracting: A Framework for Reform

Overview: This summary project not only identified 10 significant systemic issues from recent coverage of contingency contracting, but also provided a "roadmap" of essential contracting and oversight actions that should be taken on future contracts to avoid past problems and contract more efficiently and effectively.

Findings: Key systemic issues identified with contingency contracting included:

- Requirements
- Contract pricing
- Oversight and surveillance
- Property accountability
- Financial management

Result: This report was widely disseminated to contingency operation commanders and should significantly improve contracting and oversight as DoD continues to surge into Afghanistan, if the following oversight actions are taken on future contracts:

- Complete and detailed documentation is essential to all phases of the contracting process.
- Program personnel must ensure that clear, complete, well-defined requirements exist for the entire contract.
- Contracting officers must prepare an acquisition strategy that considers the contract type, a source selection strategy, a pricing strategy, and funding.
- When determining whether the contract should be fixed-price or a cost-type, the contracting officer should consider the procurement history and, if applicable, evaluate prior work to support the contract type decision.
- The contracting officer must have well-defined and measurable source selection criteria and make well-documented selection decisions that appropriately discuss price and technical tradeoffs for competitive procurements.
- The contracting officer should have robust pre-award pricing support.
- All aspects of the negotiation, specifically the price negotiation memorandum, should be documented in detail to allow an independent party to understand the conclusions negotiated.
- Both program and contracting personnel must ensure a well-documented surveillance approach is in place.
- The contracting officer should ensure that the government is accepting the supplies and services being provided by the contractor, and that acceptance and inspection are adequately documented.

Report No. D-2010-059

Kuwait Contractors Working in Sensitive Positions Without Security Clearances or CACs

Overview: DoD IG reviewed the Combat Services Support Contract - Kuwait to identify potential weaknesses related to the management of the contractor's security program and security clearances for contractor employees. Contractor employees in sensitive positions who lack security clearances are unacceptable, and pose a security risk for military and civilian personnel and contractors in Kuwait. The CSSC-K contract was awarded in 1999 and had a value of more than $3.3 billion. Unless extended for a third time, the contract is scheduled to end September 30, 2010, but the corrective actions identified in this report must be established and implemented in follow-on contracts.

Findings: CSSC-K contractor employees worked in sensitive positions without the required security clearance. The CSSC-K contractor had employees in sensitive positions with no record of security clearances or no valid clearances, an incorrectly identified sensitive position, and incomplete security files. The contractor officials also allowed contractor employees to remain in sensitive positions without a security clearance even after they were informed they were in violation of the contract. Lastly, the Army did not ensure all contractors had the common access cards required for base access. This occurred because the contractor officials did not identify and track all positions or obtain the required clearance for all employees. Additionally, the Defense Contract Management Agency did not provide oversight of the contractor's security program in accordance with the contract or DCMA's Theater Quality Plan.

Result: The commander, DCMA-Kuwait, and the procurement contracting officer should:

- Require quality assurance representatives to review security files and issue corrective action reports.
- Remove contractors working in sensitive positions without security clearances or CACs.
- Implement contractual remedies to recoup any money paid for services not provided.
- Require the contractor to conduct quarterly reviews to validate the Security Clearance Access Roster.
- Consider debarment of the contractor.
- Verify that the human resources listings include all employees in sensitive positions.
- Coordinate with the Kuwait bases' Provost Marshall Offices to conduct a review to verify all contractor employees have a CAC.

Report No. D-2010-085

Implementation of the Predator/Sky Warrior Acquisition Decision Memorandum

Overview: DoD IG evaluated whether the Air Force and the Army complied with the direction in the May 19, 2008, Acquisition Decision Memorandum to combine the Air Force Predator and Army Sky Warrior programs into a single acquisition program to achieve common development, procurement, sustainment, and training activities.

Findings: The Predator, Sky Warrior, and Reaper are Predator-class Unmanned Aerial Systems and are manufactured by the same contractor. Despite using the same primary contractor, the Air Force and the Army have not complied with the September 13, 2007, Deputy Secretary of Defense memorandum or the May 19, 2008, ADM to combine the Predator and Sky Warrior programs into a single acquisition program. Further, the Air Force and Army had not implemented adequate management controls to comply with P.L. 110-417, "Duncan Hunter National Defense Authorization Act for Fiscal Year 2009," Section 144, October 14, 2008. This occurred because the Air Force was not committed to a single acquisition program as demonstrated by actions that were inconsistent with the May 19, 2008, ADM guidance. These actions included the Air Force zeroing out procurement funding for the Predator in FY 2010 and planning to transition to an all Reaper fleet. In addition, the Under Secretary of Defense for Acquisition, Technology, and Logistics did not create a single acquisition program office responsible for a combined Predator/Sky Warrior program. The Air Force and the Army will not achieve a potential savings of $400 million that the USD (AT&L) estimated would result from combining the Predator and the Sky Warrior programs. Additionally, the Air Force plan to buy five Air Force unique MQ-1C aircraft, valued at $60 million, was canceled.

Result: The USD (AT&L) should do the following:

- Determine whether the combination pro-

DoD IG conducted an audit on the Predator/Sky Warrior acquisition.

gram is still valid; if so, establish a single acquisition category program designation with joint requirements; develop an analysis of alternatives and acquisition strategy; and determine the optimum mix of aircraft to procure.
- Require the Air Force and Army to provide cost, schedule, and performance milestones for the development of the ground system architecture and conduct quarterly reviews.

Report No. D-2010-082

Army Use of Time-and-Materials Contracts in Southwest Asia

Overview: DoD IG reviewed Army time-and-materials contracts and task orders for Southwest Asia to determine if they were awarded and administered in accordance with acquisition regulations. DoD IG reviewed 18 contracts and task orders with a total value of $605 million.

Findings: Army contracting and DoD program officials did not properly award and administer the 18 T&M contracts and task orders for work performed in Southwest Asia. Contracting and program officials:
- Awarded contracts and task orders with invalid sole-source justifications or unfair competition (10 of 18).
- Did not negotiate reasonable prices (17 of 18).
- Did not justify their use of the T&M contract type (12 of 18).

These conditions occurred because contracting and program officials ignored acquisition regulations. In addition, contracting and program officials did not perform adequate contractor surveillance for the 18 contracts and task orders because of inadequate organization and planning by the Army officials responsible for contractor oversight. DoD IG identified potential monetary benefits for the government of $3.69 million.

Result: The executive director of the Army Contracting Command should:
- Conduct a review and initiate appropriate administrative action on the contracting officers responsible for awarding contracts and task orders without adequate competition, sole-source justifications, or price reasonableness determinations.
- Take corrective action to ensure that contracting officers develop plans for sufficient contract oversight of T&M contracts in Southwest Asia. Contract oversight officials should be located at the place of contractor performance to ensure effective surveillance.

The director of contracting of White Sands Missile Range and the executive director of the Army Communications and Electronics Command Acquisition Center should review the contracts and request refunds, where appropriate, from the contractors.

Report No. D-2010-081

Air Force Use of Time-and-Materials Contracts in Southwest Asia

Overview: DoD IG determined whether DoD officials awarded and administered six time-and-materials contracts valued at $120.8 million for work in Southwest Asia in accordance with the Federal Acquisition Regulation.

Findings: Officials at the Air Force Center for Engineering and the Environment:
- Did not adequately monitor the title II contractors working in Southwest Asia and did not adequately review invoices, because the title II contracting officer's representatives did not conduct site visits to Southwest Asia and, according to the contracting officer, there were not enough personnel to review invoices. As a result, AFCEE has no assurance that the contractors were working efficiently and effectively, and AFCEE paid for $24.3 million in labor costs that were not part of the contract.
- Did not fully support award decisions for the task orders because officials did not comply with the FAR. As a result, officials put AFCEE at risk for overcharges and labor inefficiencies by the contractor and could not be sure that the labor prices were fair and reasonable.

Result: The director, AFCEE should:
- Direct officials to conduct appropriate surveillance of contractors.
- Develop a written plan for reviewing invoices and request that the Defense Contract Audit Agency analyze contractor invoices and their supporting documentation to determine whether the invoices include only allowable, reasonable, and allocable costs.

- Hold officials accountable by developing internal controls for adequately documenting and describing their decisions during the award process.

Report No. D-2010-078

Air Force Electronic Systems Center's Use of Undefinitized/Contractual Actions

Overview: P.L. 99-591, section 908(b), requires DoD IG to periodically audit Undefinitized Contractual Actions and submit a report to Congress. This is the first in a series of reports discussing DoD compliance with section 2326, title 10, United States Code. DoD IG reviewed 41 UCAs with a total not-to-exceed value of about $2.8 billion awarded by the Air Force Electronic Systems Center from FY 2004 through August 14, 2009, to determine whether ESC personnel complied with the restrictions of the United States Code and appropriately justified and definitized UCAs at reasonable prices.

Findings: ESC personnel did not consistently comply with statutory requirements for 34 of the 41 UCAs. ESC personnel did not:

- Adequately document the authorization to issue one UCA.
- Properly prepare requests for authorization to issue 16 UCAs.
- Definitize 12 UCAs within the 180-day time frame.
- Support whether the contactor's reduced risk during the undefinitized period was reflected in negotiated profit for 25 UCAs.
- Obligate funds within allowable limits for two UCAs.

In addition, ESC contracting personnel inappropriately issued UCAs for late customer defined requirements and additional UCAs for known or recurring acquisition requirements. ESC personnel did not consistently comply with UCA restrictions because:

- They did not provide a signed UCA approval document.
- They did not follow statutory and DoD regulations for preparing requests to issue UCAs.
- The government changed requirements after the UCAs were issued.
- The contractor submitted inadequate proposals.
- They did not adequately document the determination of profit.
- They issued UCAs unnecessarily because of poor acquisition planning.

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

Result: Air Force officials should develop procedures to ensure that UCA requests include the impact on agency requirements if contracting personnel do not issue a UCA, require better coordination with customers to identify changes in government requirements, and require contracting personnel to adequately document the profit determination for UCAs. Air Force officials should develop procedures to avoid issuing UCAs to extend consecutive periods of performance on the same contract and to avoid issuing UCAs for known or recurring requirements.

Report No. D-2010-080

Security Provisions in a U.S. Army Intelligence and Security Command Contract for Linguist Support

Overview: DoD IG initiated this audit in response to a January 2010 shooting incident in Afghanistan involving a contractor linguist and U.S. forces. DoD IG reviewed the statement of work and 40 task orders included in a U.S. Army Intelligence and Security Command Contract for Linguist Support to determine whether the contract contained appropriate security provisions.

"DoD IG initiated this audit in response to a January 2010 shooting incident in Afghanistan involving a contractor linguist and U.S. forces."

Findings: The contract referenced an out-of-date Army policy for screening contract linguists, even though the provisions in the contract and task orders contained the up-to-date standards.

Result: In response to the audit recommendations, U.S. Army Intelligence and Security Command agreed to modify the contract and ongoing task orders to reference the correct Army policy memorandum. A subsequent audit will assess whether the contract security provisions were effectively implemented during the contract linguist screening and vetting process.

Report No. D-2010-079

Defense Contract Management Agency Acquisition Workforce for Southwest Asia

Overview: DoD IG determined whether DCMA identified its requirements to support Southwest

DoD IG conducted an audit of support to the MRAP vehicle program.

Asia contracting operations and also evaluated whether a sample of the DCMA acquisition workforce for Southwest Asia was adequately trained and certified. As of December 31, 2008, DCMA provided contract oversight and contract administration for contract actions valued at $1.3 trillion.

Findings: DCMA could not determine its resource requirements for contractor oversight and contract administration in Southwest Asia because:

- DCMA is reactive rather than proactive in assuming its role to provide contractor oversight and contract administration.
- DCMA did not define its acquisition workforce requirements to support contracting operations in Southwest Asia.
- The Under Secretary of Defense for Acquisition, Technology, and Logistics does not require Defense agencies to document acquisition workforce requirements.
- DCMA must be delegated contractor oversight and contract administration responsibility for work in Southwest Asia.

DCMA Southwest Asia personnel did not have the proper training and certification for contingency contracting positions in Southwest Asia. Specifically, of the 221 DCMA personnel training records reviewed from a universe of 1,170 from FY 2004 through FY 2009, 103 DCMA personnel were not fully qualified for the positions occupied, and 57 quality assurance representatives did not have or could not produce proof of Defense Acquisition Workforce Improvement Act certification.

Result: The Under Secretary of Defense for Acquisition, Technology, and Logistics will review quarterly DCMA Southwest Asia acquisition workforce requirements and reduce the grace period to obtain required certifications to six months for contingency operations. In addition, the director, DCMA, will define acquisition workforce requirements for Southwest Asia, and review and update personnel training records to ensure candidates possess required training and certification before deployment on contingency operations.

Report No. D-2010-051

Government Oversight of Field Service Representative and Instructor Services in Support of the Mine Resistant Ambush Protected Vehicle Program

Overview: The MRAP vehicles are multi-mission platforms capable of mitigating the effects of improvised explosive devices, mines, and small arms fire. For this report, DoD IG limited the scope to the oversight of Field Service Representative and New Equipment Training Instructor services procured from the five original MRAP manufacturers.

Findings: Marine Corps Systems Command contracting officials did not provide adequate government oversight of FSRs and New Equipment Training Instructors as required by government regulations. This occurred because contracting officials used the MRAP vehicle production contracts, which did not contain the necessary controls for providing government oversight when acquiring these services. As a result, Joint Program Office MRAP officials ordered $815.4 million in FSR and New Equipment Training Instructor services without a written quality assurance process to ensure that the services provided were performed in accordance with contract requirements. Instead, the JPO MRAP officials relied on the contractors to monitor themselves.

Result: Marine Corps Systems Command contracting officials will develop and implement a systematic, government-controlled quality assurance program for services procured from the five MRAP contracts to ensure adequate government oversight of FSRs and New Equipment Training Instructors. The Program Manager, JPO MRAP, Marine Corps Systems Command, will develop and provide a Quality Assurance Surveillance Plan to the contracting officer, specifically for ongoing and planned contract actions for services supporting MRAP vehicles to ensure the quality and cost-effectiveness of services.

Report No. D-2010-068

Analysis of Air Force Secondary Power Logistics Solution Contract

Overview: The objective was to evaluate the data used in the business case to support the best value decision to award the Secondary Power Logistics Solution contract. DoD IG also evalu-

ated a congressional inquiry on the consolidation of SPLS requirements.

Findings: The Air Force did not adequately address Defense Logistics Agency consumable item inventory. The Air Force did not comply with legal requirements relating to prime vendor contracts for depot level maintenance and repair because there is no DoD implementing guidance, and the SPLS contract is not consistent with Base Realignment and Closure recommendations to transfer procurement management and distribution functions to DLA. DoD availability for C-130 and F-15 Depot-level Repairables has been unsatisfactory, and the SPLS contract requires significantly improved availability starting in contract year three. However, the goal of reducing customer wait time was not achieved, and contract metrics were not consistent with DoD standards. Also, the contract did not obtain significant reliability improvements, and the Air Force continues to fund improvements outside of the contract, which is contrary to the performance-based logistics concept.

Result: After informing the Air Force and DLA, they agreed to drawdown $51.1 million of inventory for the F-15 secondary power system and are addressing $19 million of consumables inventory for the C-130.

Report No. D-2010-063

Army Vessels Maintenance Contracts in Southwest Asia

Overview: The overall objective was to determine whether contracts providing ship repairs and maintenance to the Army operations in Kuwait and Navy operations in Bahrain and United Arab Emirates were properly managed and administered. For this report, DoD IG reviewed competition, price reasonableness determinations, and quality assurance controls in 15 contracts valued at $51.8 million for Army vessels maintenance in Kuwait. The findings on the two Navy locations will be included in follow-on reports.

Findings: The Mission and Installation Contracting Command-Fort Eustis adhered to the surveillance and acceptance requirements for contracts reviewed. However, MICC-EU contracts did not have adequate contract competition, price reasonableness determinations, and funding.

Specifically, MICC-EU contracting officers:

- Did not adhere to competition requirements for all 15 contracts because they relied on an incorrect legal opinion from Naval Regional Contracting Command Naples, Detachment Bahrain; as a result, they may not have obtained the best price for approximately $51.8 million in contracting actions.
- Did not ensure price reasonableness determinations were performed because they did not follow the Federal Acquisition Regulation; as a result, they may not have obtained the lowest price for more than $29.9 million in sole-source contracting actions.

Result: The assistant secretary of the Army (Financial Management and Comptroller) should initiate a preliminary review of the potential Antideficiency Act violation to determine whether a violation occurred, and provide the results to the Office of Inspector General. DoD IG recommended that the director, MICC-EU:

- Require contracting officers to provide full and open competition, as well as justify and document all contract awards without adequate competition.
- Require contracting officers to stop using the June 8, 2004, NRCC Legal Counsel memorandum.
- Require the contracting officers to request other than cost and pricing data, document fair and reasonable price determinations, and establish employee performance standards for contracting officers.
- Correct funding for contract W912SU-06-G-0003-0008 with the appropriate fiscal year funds (if available) to address the bona fide needs rule violation.

Finally, DoD IG recommended that the legal counsel, Fleet and Industrial Supply Center, Sigonella, Detachment Bahrain, withdraw the NRCC memorandum, dated June 8, 2004.

Report No. D-2010-064

DoD IG conducted an audit of Army vessel maintenance contracts in SWA.

Efforts to Prevent Sexual Assault/Harassment Involving DoD Contractors During Contingency Operations

Overview: At the request of five members of Congress, DoD IG reviewed contracts that support Operations Enduring Freedom and Iraqi Freedom for language in clauses that address the prevention of sexual assault or harassment

of or by contractor personnel. DoD IG also determined whether DoD and/or DoD contractors provided sexual assault/harassment prevention and response training to contractor employees prior to deployment.

Findings: Of the 10 DoD contractors reviewed, eight did not have policies or training requirements for sexual assault prevention and response. This condition occurred because contractual requirements were not established to ensure that contractors were aware of DoD's definition of sexual assault or that contractors should report sexual assault complaints to military law enforcement during contingency operations. In addition, sexual assault prevention and response policy was not applied to contractors, and contractors were not required to complete such training as part of theater-specific individual requirements training. The Army deputy chief of staff, G-3/5/7, and Air Force contracting officers did not provide adequate oversight of contractor deployment training for sexual assault prevention and response. This condition occurred because the Kellogg, Brown, and Root Services, Inc. Continental United States Replacement Center and Fluor Corporation CRC operations were inappropriately approved, despite the contractors' sexual assault awareness and reporting training not meeting the minimum training requirements. Further, contractor employees were processed through pre-deployment sites without ensuring that sexual assault prevention and response training was completed.

"Of the 10 DoD contractors reviewed, eight did not have policies or training requirements for sexual assault prevention and response."

Result: DoD IG recommended that the Under Secretary of Defense for Acquisition, Technology, and Logistics develop contractual requirements to ensure that DoD contractors are aware of the DoD definition of sexual assault and require contractors to report sexual assaults to military law enforcement; and the Under Secretary of Defense for Personnel and Readiness expand the sexual assault prevention and response policy to establish prevention, awareness, and reporting requirements and procedures specifically for DoD contractors. In addition, USD(P&R) should develop guidance ensuring that combatant commanders establish mandatory sexual assault prevention and response training for DoD contractors who operate in contingency operations; and the chief of staff of the Army ensure that the minimum deployment training requirements, including sexual assault prevention and response training requirements, are met prior to approving DoD contractors' deployment operations and review the adequacy of contractor deployment training for sexual assault prevention and response.

Report No. D-2010-052

U.S. Army Corps of Engineers' Use of Award Fees on Contracts in Iraq and Afghanistan

Overview: The overall objective was to determine whether award fees paid by the U.S. Army Corps of Engineers Transatlantic Programs Center to contractors in support of operations in Iraq and Afghanistan were justified. Specifically, DoD IG evaluated procedures used by TAC for determining and awarding fees on 15 task orders worth about $116.4 million.

Findings: U.S. Army Corps of Engineers Transatlantic Programs Center contracting and award fee officials did not properly manage and oversee the award fee process for the 15 cost plus award fee task orders reviewed, valued at $116.4 million. Specifically, officials did not:

- Develop adequate award fee plans for incentivizing and evaluating contractor performance.
- Adequately conduct oversight and evaluation responsibilities.
- Adequately document and support award fee ratings.

This occurred because USACE did not have policies and procedures for administering award fees consistently and in accordance with Federal Acquisition Regulation requirements. In addition, USACE did not adopt Army best practices documented in the Army Contracting Agency Award Fee Contracts Handbook. As a result, TAC contracting officers and award fee personnel awarded fees, totaling approximately $20.6 million, without sufficient support, justification, or assurance that contractors were paid award fees commensurate with their level of performance.

Result: DoD IG recommended that the director, National Contracting Organization, headquarters, U.S. Army Corps of Engineers, in coordination with the Principal Assistant Responsible for Contracting–Winchester, establish standard operating policies and procedures for administering an effective award fee process in accordance

with the Federal Acquisition Regulation or adopt the procedures suggested in the Army Contracting Agency Award Fee Contracts Handbook.
Report No. D-2010-049

FY 2009 Summary Report of Inspections on Security, Technology Protection, and Counterintelligence Practices at DoD Research, Development, Test and Evaluation Facilities

Overview: DoD IG receives annual summaries of inspection results from the service inspectors general. The inspections ensure compliance with directives concerning security, technology protection, and counterintelligence practices. DoD IG publishes the summaries to share the results and best practices throughout the community.
Results: The service inspectors general identified and made suggestions for improvements in information assurance and physical security, as well as other areas. Where deficiencies were found, command leadership was engaged to take corrective steps. As a consequence, inspection findings resulted in significant programmatic improvements across the board.
Report No. 10-INTEL-06 (FOUO)

DoD Efforts to Protect Critical Program Information: The Army's Warfighter Information Network – Tactical

Overview: DoD IG assessed existing DoD and Army policies to protect critical program information to determine if there was a need for improvement. DoD program protection efforts were also reviewed for standardization of protection processes and their application, oversight of protection processes, and responsibility for protection efforts.
Results: Better integration and synchronization are required for optimizing and providing uniform research and technology protection efforts. Cognizant OSD and Army principals agreed with recommendations to enhance or develop comprehensive policies to better address counterintelligence, intelligence, and security support to research, development, and acquisition protection activities. Refer to the Classified Annex of this Semiannual Report for more details.
Report No. 10-INTEL-07 (FOUO)

Inspection Guidelines for DoD Security, Intelligence, and Counterintelligence Support to Research, Development, and Acquisition Protection for 2010

Overview: DoD IG has primary responsibility for overseeing matters relating to inspections of counterintelligence, security, and research development; and acquisition protection practices at research, development, test, and evaluation facilities. DoD Instruction 5200.39 "Critical Program Information Protection Within the Department of Defense," July 16, 2008, is the basis for DoD-wide consistency in inspections of security, intelligence, and counterintelligence practices at research, development, test, and evaluation facilities, as well as the acquisition processes that impact the identification and protection of critical program information.
Results: The guidelines ensure a consistent approach by service inspectors general in reviewing protection of research, development, and acquisition activities or programs and determining the effectiveness of security requirements that are implemented, and the intelligence and counterintelligence support provided. The guidelines have evolved as the DoD guidance has evolved, resulting in a focus on eight key elements critical to determining the effectiveness of protecting critical program information. Refer to the Classified Annex of this Semiannual Report for more details.
Report No. 10-INTEL-08 (FOUO)

DoD IG assessed the construction projects at the NSA Cryptologic Centers.

Report of the National Security Agency Georgia Cryptologic Center Construction Project

Overview: DoD IG assessed whether the construction projects at the National Security Agency Cryptologic Centers are being effectively monitored and managed.
Results: Contract management and quality assurance conformed to Federal Acquisition Regulation 36 "Construction and Architect-Engineer Contracts" and Federal Acquisition Regulation 46 "Quality Assurance." Refer to the Classified Annex of this Semiannual Report for more details.
Report No. 10-INTEL-10 (FOUO)

Audit of the Long Range Advanced Scout Surveillance System

Overview: DoD IG assessed whether the U.S.

Army performed adequate program acquisition management of the Long Range Advanced Scout Surveillance System.
Results: DoD IG found that the program was managed well; but identified the need to closely monitor and correct an issue related to contractor storage of equipment and observed an opportunity to improve training. Refer to the Classified Annex of this Semiannual Report for more details.
Report No. 10-INTEL-11 (FOUO)

Inspection of an Office of the Under Secretary of Defense Program – No. 3

Results: Several deficiencies were noted. Refer to the Classified Annex of this Semiannual Report for more details.
Report No. 10-INTEL-14 (Classified)

Financial Management

The Department continues to face financial management challenges that adversely affect DoD's ability to provide reliable, timely, and useful financial and managerial data needed to support operating, budgeting, and policy decisions. Since the 1990s, DoD IG has identified financial management as a management challenge. DoD's financial management problems are so significant; they constitute the single largest and most challenging impediment to the U.S. government's ability to obtain an opinion on its consolidated financial statements.

"DoD's financial management problems are so significant; they constitute the single largest and most challenging impediment to the U.S. government's ability to obtain an opinion on its consolidated financial statements."

In the FY 2009 audit opinion on DoD's consolidated financial statements, DoD IG reported the same 13 material internal control weaknesses as in the previous year. These pervasive and long-standing financial management issues directly affect the Department's ability to obtain an unqualified opinion on its financial statements. These weaknesses affect the safeguarding of assets, proper use of funds, and impair the prevention and identification of fraud, waste, and abuse.

Although DoD is far from reaching an unqualified opinion, the Department has demonstrated improvement. One significant measure of the ongoing progress in the area of financial management would be the Department's ability to obtain an unqualified opinion on its financial statements. For the FY 2009 financial statements, the Defense Commissary Agency, Defense Contract Audit Agency, Defense Finance and Accounting Service, Military Retirement Fund, National Reconnaissance Office, U.S. Army Corps of Engineers, and DoD IG all received unqualified opinions, while the Medicare-Eligible Health Care Fund and Contract Resource Management received qualified audit opinions.

DoD IG financial-related audits focused on providing insight and valuable recommendations to managers as they prepare for audit readiness. Areas that were covered during the reporting period included unliquidated obligations, management of funds appropriated for Afghanistan and Iraq processed through the Foreign Military Sales Network, pay for military members supporting OCO, and the DoD mass transportation benefit program.

Controls Over Unliquidated Obligations for Department of the Army Contracts

Overview: DoD IG determined whether the Department of the Army properly accounted for and deobligated unliquidated obligations on contracts supporting overseas contingency operations in a timely manner. The line of accounting used for identifying the Army's use of contingency operations funds was not reliable, and DoD IG could not identify specific contracts as supporting the effort. Therefore, DoD IG evaluated the triannual review process at Army Materiel Command and Aviation and Missile Command Life Cycle Management Command, which may include the review of some unliquidated obligation balances on contracts supporting overseas contingency operations.
Findings: Eight Army fund holders did not adequately validate and maintain sufficient documentation supporting their review for 92 of 94 Army unliquidated obligations for the FY 2009 phase I and II triannual review periods. Army triannual review guidance did not provide clear criteria for reviewing and validating unliquidated obligations. Also, Army fund holders did not follow DoD guidance on maintaining supporting documentation. As a result, the Army had no assurance that unliquidated obligations valued at approximately $125.8 million represented

valid Army needs at the time of the reviews. The Army should also deobligate approximately $4.4 million related to invalid unliquidated obligations and review approximately $11 million for obligations for which validity is unknown. Additionally, the Army may have lost the use of $11.2 million in Operations and Maintenance funds that were canceled. Accurate and timely reviews of unliquidated obligations may identify available funds for other needed requirements. Further, Army Material Command and its major subordinate command, Aviation and Missile Command, erroneously reported and certified unliquidated obligations for Operation and Maintenance funds on the FY 2009 phase I and II triannual review confirmation statements. In addition, AMCOM erroneously deobligated unliquidated obligation balances for Operation and Maintenance funds. This occurred because AMC and AMCOM had not established internal controls over the triannual review process. The Army is at an increased risk of losing funds that were not adequately reviewed in a timely manner.

Result: Guidance will be established for all Army fund holders to perform adequate reviews of unliquidated obligations; deobligate approximately $4.4 million in funds, approximately $11 million related to obligations for which validity is unknown will be reviewed; and a preliminary review of a potential Antideficiency Act violation will be conducted. In addition, guidance on the triannual review that conflicts with DoD guidance will be rescinded, and unliquidated obligations reported will be verified that they match the amount reviewed.

Report No. D-2010-073

Controls Over Funds Appropriated for Assistance to Afghanistan and Iraq Processed Through the Foreign Military Sales Network

Overview: This report provides results on the second phase of a two-phase audit of certain funds appropriated for the security, reconstruction, and military assistance to Afghanistan and Iraq processed through the FMS Trust Fund. Report D-2009-063, "Funds Appropriated for Afghanistan and Iraq Processed Through the Foreign Military Sales Trust Fund," (March 24, 2009) discusses the results of the first phase of the audit. DoD IG reported that executing these appropriated funds using the FMS Trust Fund was not (1) in the best interest of the government, (2) the most economical use of the funds, and (3) managed in accordance with the requirements in the DoD Financial Management Regulation.

Findings: The Defense Security Cooperation Agency ensured that funds appropriated for assistance to Afghanistan and Iraq placed under its oversight were used for their intended purpose and were properly reported in the DoD Cost of War Report. However, testing identified accounting issues that indicate improvements are necessary to ensure effective management of these appropriated funds. Specifically,

- $6 million were not returned to DoD or the Military Departments before the funds' cancellation date and were not properly accounted for.
- Funds totaling $31.6 million could have been better managed because funds identified as not needed were not returned to Multi-National Security Transition Command-Iraq before they expired.
- DSCA needs to fully review and determine the proper disposition of at least an additional $25.7 million of expired unobligated funds held in the FMS Trust Fund.

These management exceptions occurred because DSCA did not have existing procedures on managing canceled funds and did not comply with existing procedures on monitoring and notifying funds holders of excess amounts on a timely basis. As a result, some appropriated funds were not available for other use.

Result: DSCA needs to improve procedures and controls to ensure that it properly accounts for and reports appropriated funds under its oversight processed through the FMS network and expiring in various fiscal years. Specifically, DSCA should establish procedures to timely return advances of appropriated funds before cancelation, comply with its existing standard procedures for financial reviews to identify over-collected appropriated funds and return such balances to the funds holder, and perform a review of appropriated funds that have expired and that are in excess of future required expenditures and properly return such funds to the funds holder.

Report No. D-2010-062

DoD IG reviewed military assistance processed through the FMS Trust Fund.

DoD IG conducted an audit of Air Force pay related to contingency ops.

Air Force Military Personnel Entitlement Pay in Support of Contingency Operations

Overview: DoD IG determined whether Air Force military personnel entitlement pay disbursed in support of contingency operations was paid in accordance with established laws and regulations. Specifically, it determined whether entitlement pay disbursed for Air Force military personnel on active duty status and processed at the Air Force Financial Service Center was paid accurately and timely.

Findings: Air Force Financial Service Center did not always have complete documentation to support amounts paid for Air Force military personnel entitlement pay in support of contingency operations. Specifically, the AFFSC could not adequately support contingency operation entitlements for 34 of the 70 Air Force military personnel reviewed. The 34 Air Force military personnel entitlements account for $57,595 of the $161,278 contingency operation entitlement payments reviewed. AFFSC also did not stop payments timely and did not always pay Air Force military personnel accurately. Continuing the contingency operation entitlement pay resulted in collection actions to correct erroneous payments of eight of the 70 Air Force military personnel reviewed. In addition, AFFSC underpaid 25 of the 70 Air Force military personnel reviewed and overpaid five of the 70 Air Force personnel reviewed by nominal amounts. These conditions occurred because the AFFSC did not establish a Managers Internal Control program and an adequate Quality Control Examination Program to ensure documents were available to support contingency operation entitlement payments. As a result, AFFSC made improper payments. The lack of supporting documentation limited the Air Force's ability to detect overpayments and underpayments, stop payments timely, and discover improper payments and fraud.

Result: The director of AFFSC agreed to establish an MIC program at AFFSC; develop an adequate Quality Control Examination Program; obtain all required documentation for the contingency operation entitlement payments; make payments to Air Force military personnel for the amounts underpaid; and collect overpayments from Air Force military personnel for the amounts overpaid.

Report No. D-2010-077

Foreign Allowances and Differentials Paid to DoD Civilian Employees Supporting Overseas Contingency Operations

Overview: DoD IG determined whether civilian pay for overseas contingency operations was disbursed in accordance with established laws and regulations. Specifically, it determined whether eligible DoD civilian employees were properly paid foreign allowances and differentials.

Findings: DoD component Human Resources Offices authorized inaccurate foreign allowances and differentials to a projected 8,686 of 11,691 DoD civilian employees supporting overseas contingency operations. This occurred because the Office of the Deputy Under Secretary of Defense for Civilian Personnel Policy did not provide uniform guidance to the DoD components' HROs to accurately and consistently authorize foreign allowances and differentials. In addition, the ODUSD did not monitor DoD components' HROs to ensure proper implementation and effectiveness of the DoD foreign allowances and differentials program. As a result, the Defense Finance and Accounting Service potentially made improper foreign allowances and differentials payments totaling a projected $57.7 million to DoD civilian employees supporting overseas contingency operations.

Result: The DUSD should:

- Finalize and issue uniform DoD-wide policies and procedures to accurately and consistently authorize foreign allowances and differentials.
- Direct the DoD components' HROs to review all foreign allowances and differentials paid since FY 2007, to identify inaccuracies and provide corrected authorizations to the Defense Finance and Accounting Service for pay adjustments, as appropriate.
- Conduct periodic quality assurance reviews to ensure that the DoD component HROs are accurately and consistently authorizing foreign allowances and differentials.

Report No. D-2010-075

Demographic Data Supporting the DoD Mass Transportation Benefit Program Within the National Capital Region

Overview: The goal of the DoD Mass Transportation Benefit Program within the National Cap-

ital Region is to reduce federal employees' contribution to traffic congestion and air pollution and to expand their commuting alternatives. The overall objective of this audit was to assess the reliability and completeness of the data used to determine eligibility of program participants within the National Capital Region.

Findings: MTBP data used by Washington Headquarters Services to verify participant eligibility and distribute mass transportation benefits to DoD participants was incomplete and unreliable. Specifically, an estimated 32,565 of 41,279 participants in the MTBP had inaccurate or incomplete critical data, were possibly ineligible to collect benefits, or improperly obtained subsidized parking benefits. As a result, an estimated:

- 4,953 participants in the Mass Transportation Benefit Program overstated their benefit cost calculations by a total of an estimated $1.5 million. Of the 4,953 participants, an estimated 4,128 collected $587,100 in excess benefits in FY 2007.
- 12,934 participants with unverifiable benefit cost calculations collected $8.4 million in mass transportation benefits in FY 2007. An unknown number of these individuals may have overstated their benefit cost estimates and collected excessive benefits.
- 826 participants' eligibility to collect benefits could not be verified. These participants collected $613,700 in mass transportation benefits in FY 2007.
- 642 participants obtained subsidized parking benefits improperly and collected $312,400 in mass transportation benefits in FY 2007.

DoD IG identified participants that potentially were ineligible to participate in the MTBP, obtained excessive mass transportation benefits, or obtained dual benefits (both mass transportation benefits and subsidized parking) during FY 2007. DoD IG referred these cases to the Defense Criminal Investigative Service for possible investigation. In addition, DoD IG requested Washington Headquarter Services to coordinate with participating agencies to recoup other erroneous mass transportation benefits distributed to participants.

Result: The Office of the Under Secretary of Defense for Personnel and Readiness and Washington Headquarters Services took actions during this audit that adequately address the internal control weaknesses identified in this report and by the Audit of Internal Controls over the Department of Defense Transit Subsidy Program within the National Capital Region, audit report D-2008-025, dated November 23, 2007.

Report No. D-2010-053

Health Care

The DoD Military Health System has been moving forward on improving health care while attempting to control costs. The MHS implemented the Quadruple Aim Concept, building upon the Institute for Healthcare Improvement's Triple Aim concept describing the results that can be achieved when all elements of a health care system work together. The MHS uses Quadruple Aim to shape its vision, identifying readiness, population health, experience of care, and per capita cost as the four aims that set the strategic direction to improve mission outcomes.

"The DoD Military Health System has been moving forward on improving health care while attempting to control costs."

The MHS leadership accepted a value dashboard to monitor implementation of strategic imperatives and serve as good indicators of mission success. The MHS is focusing on many areas to manage per capita costs. Three new TRICARE contracts were awarded in July 2009; however, award protests resulted in staggered implementation of the contracts.

The contracts provide incentives for customer satisfaction and include the managed care support contractors as partners in support of medical readiness. An internal Assistant Secretary of Defense (Health Affairs) review identified areas that assist in managing costs, to include U.S. Family Health Plan, fraud management, and pharmaceuticals. Additionally, the Quadruple Aim approach to cost control will simultaneously improve quality and reduce cost by focusing on the elimination of unnecessary care, tests, and procedures; and by focusing on delivering health care in the most appropriate setting.

"...identifying over 100 national electrical code violations at Kandahar Airfield, Afghanistan, which posed immediate life, health, and safety risks to U.S. Forces."

DoD IG identified efficiencies in collecting body armor.

Medical/Surgical Prime Vendor Contract Supporting Coalition Forces in Iraq and Afghanistan

Overview: DoD IG determined whether terms and conditions for the Medical/Surgical Prime Vendor contract were adequately developed and the administration of the contract and delivery orders was effective. The primary ordering facility for medical/surgical supplies used in Iraq and Afghanistan ordered about $90 million in supplies from the prime vendor in FY 2008. The contract terms and conditions reviewed in this report include the methodology used to compute rates that recoup the cost of the MSPV program and the distribution process used to ship the supplies.

Findings: Terms and conditions for the MSPV contract were adequately developed to meet users' needs. Controls over monitoring the performance of the prime vendor contractor for the Global North Region were generally adequate. However, procedures to monitor credits to ensure DoD obtains the benefit of credits need improvement. The prime vendor did not apply FY 2008 overcharge credits resulting from price verification analyses performed by Defense Supply Center Philadelphia. As a result, the primary ordering facility for medical/surgical supplies used in Iraq and Afghanistan did not obtain the benefit of an estimated $65,000 of overcharge credits for FY 2008. In addition, other ordering organizations in the Global North Region and the other regions may not be obtaining due overcharge credits.

Result: The Commander, Defense Supply Center Philadelphia, should determine the status of FY 2008 and FY 2009 overcharge credits and ensure the overcharge credits are applied to customers' accounts, develop procedures to ensure the prime vendor notifies customers of credits and that the credits are applied to customers' accounts, and provide estimated milestones for completion of recommendations.

Report No. D-2010-055

Return of Body Armor for Analysis

DoD IG issued a memorandum on May 20, 2010, identifying efficiencies that may increase the amount of body armor DoD collects from service members wounded or killed in action. While the memorandum acknowledged that collecting body armor from the battlefield may be difficult, DoD's analysis of returned body armor is essential for determining whether the body armor configuration is protecting against the threats it was designed to defeat. DoD IG requested that Army officials clarify body armor guidance, ensure Service members are aware of the importance of collecting and returning body armor for analysis, and associate returned body armor to the Service member in order to potentially increase assurance of body armor effectiveness and aid in the detection of new threats to Service members on the battlefield.

Maintenance of Electrical Wiring at Kandahar Airfield, Afghanistan

DoD IG issued a memorandum on April 13, 2010, identifying over 100 national electrical code violations at Kandahar Airfield, Afghanistan, which posed immediate life, health, and safety risks to U.S. Forces. The project reflected a combined multi-functional effort by investigators assigned to the International Contract Corruption Task Force and DoD IG electrical engineers and auditors. United States Forces-Afghanistan took immediate action to correct the violations.

Information Assurance, Security, & Privacy

One of the most daunting challenges that DoD faces is defending its information and information systems against today's mounting cyber threats. On a daily basis, DoD's information technology infrastructures are 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. DoD's major challenge will be in centralizing its resources to develop a comprehensive strategy for marshalling its cybersecurity defenses and implementing policies and procedures to overcome, on an instantaneous basis, any cyber threat. In addition, a continuing challenge is ensuring the protection of DoD information in the hands of contractors. DoD must ensure that the diligence and resources that it has placed on its internal information and

information systems is mirrored by those contractors either running DoD systems or maintaining DoD information on their systems.

In May 2010, DoD took a significant step to address this challenge of defending its information and information systems. DoD announced the establishment of the U.S. Cyber Command, a sub-unified command subordinate to the U.S. Strategic Command. The U.S. Cyber Command should improve DoD's capabilities to ensure resilient, reliable information and communication networks; counter cyberspace threats; and ensure access to cyberspace. Service elements, such as the Army Forces Cyber Command will support the U.S. Cyber Command's mission. While DoD has taken a significant step, challenges remain in centralizing cyberspace operations, developing workable strategies, protecting DoD information networks, and obtaining cyber expertise.

Selected Controls for Information Assurance at Defense Threat Reduction Agency

Overview: The objectives of this audit were to determine whether personnel responsible for information assurance were certified in accordance with regulations and whether information system accounts were disabled when employees left the agency. DoD IG reviewed designations of information assurance personnel and their corresponding certification status. DoD IG also reviewed whether information system accounts were disabled in a timely manner.

Findings: As of August 2009, the date of the DTRA response to DoD for the 2009 Federal Information Security Management Act report, DTRA needed 80 additional information assurance personnel to be certified to meet December 2009 certification milestones. DTRA also did not follow regulations for identification and certification of information assurance personnel. These conditions occurred because DTRA did not have adequate internal controls in place and did not adequately oversee its information assurance workforce. As a result, DTRA's information assurance workforce may not have had an adequate understanding of the concepts, principles, and applications of information assurance to enhance the protection and availability of information systems and networks.

In addition, data made available by DTRA to DoD and Congress were inaccurate and incomplete. DTRA did not disable 17 accounts within nine information systems and networks after personnel left the agency. Additionally, of 87 disabled accounts that DoD IG reviewed, 84 accounts remained active five days after the personnel left the agency, and 66 accounts remained active after 30 days.

This occurred because internal controls were not in place to notify information system representatives when personnel left the agency and to ensure that system administrators reviewed inactive accounts in accordance with DTRA guidance. As a result, unauthorized individuals could have accessed sensitive information within agency information systems and networks.

Result: DoD 8570.01-M should be modified to require all DoD information assurance personnel to authorize release of their certification qualifications in the Defense Workforce Certification Application. In addition, the director, DTRA should:

- Develop and implement an adequate process to identify information assurance personnel and monitor their certification status.
- Notify system representatives when personnel leave the agency.
- Review active accounts at least monthly and suspend inactive accounts in accordance with DTRA guidance.

Report No. D-2010-058

DoD IG conducted an audit of controls for information assurance at DTRA.

Standard Procurement System Synchronization Utility

Overview: DoD IG determined whether the deployment of the Standard Procurement System throughout the Regional Contracting Centers in the Joint Contracting Command-Iraq/Afghanistan was properly planned and executed.

Findings: DoD IG identified a system vulnerability that could potentially affect the safety of Iraqi contractors doing business with the United States. Specifically, although SPS data is "sensitive but unclassified," the nature of the data and the vendors involved in transactions in-theater are of great interest to insurgents. A data breach could possibly result in harm to individuals and companies doing business with the United

States. Prior to the release of the report, DoD IG issued a quick reaction memo to prompt immediate action to ensure the confidentiality, integrity, and authenticity of contractor data transferred in theater. DoD IG addressed internal controls associated with developing, implementing, and managing Information Technology Security Plans of Action and Milestones; resolving security vulnerabilities identified during the testing process before deploying new Service Releases; and obtaining approval from the chief information officer, USCENTCOM prior to implementing future enhancements to SPS in the USCENTCOM area of responsibility. **Report No. D-2010-050 (Classified)**

DoD IG is conducting audits involving asset accountability and logistics.

Joint Warfighting & Readiness

The Department strives to provide the right force, the right personnel, and the right equipment and supplies in the right place, at the right time, and in the right quantity, across the full range of military operations. The associated logistical challenges facing the Department will increase, in both the near-and long-term, as the Department continues the scheduled withdrawal of forces from Iraq and the redeployment of forces to Afghanistan. In the near-term, the Department's execution of the withdrawal in Iraq and redeployment and the resetting of equipment either for use in Afghanistan or for standing inventory requires management's continued attention. In the long-term, the Department faces the challenge of resetting the Services; retraining skills that have not been required for the current operations; and reengaging with other nations' militaries. This encompasses the need to ensure basic services continue uninterrupted for the members of the armed forces and their families. The Department's available resources and capabilities are finite and require constant monitoring to enable it to operate successfully in accord with shifting global dynamics.

The withdrawal from Iraq is underway and must be monitored to ensure all equipment and personnel are properly accounted for and only items approved for transfer are transferred. As DoD draws down assets and equipment from Iraq, it 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 safe. This will ensure that the equipment disposition supports either DoD or the coalition forces. Similarly, the increase of forces in Afghanistan must be monitored to ensure forces receive the support required. This includes ensuring that the warfighter and the civilians and contractors supporting them have the appropriate protective equipment and that this equipment is properly returned for reset and reuse. As requested by U. S. Central Command, DoD IG is conducting a series of asset accountability audits to ensure U. S.-funded assets are properly accounted for and that there is a process for the proper transfer, reset, or disposal of these assets in conjunction with the Iraq drawdown. During this reporting period, DoD IG issued reports addressing management of government furnished property, operation clean sweep, theater retrograde operations, and central issue facilities.

Controls Over the Accountability and Reset of Government Furnished Property in Iraq-LOGCAP Contract

Overview: The report addresses the accountability and disposition of LOGCAP government furnished property in Iraq.

Findings: As of September 30, 2009, there were 572,928 GFP items in the LOGCAP property book in Iraq, worth about $2.9 billion. DoD IG estimated that the LOGCAP contractor could generally account for the GFP items in its property book; however, at some of the locations DoD IG visited, DoD IG identified accountability issues that needed management's attention. To address those issues, DoD IG issued nine memorandums during the audit requesting management action. Unresolved requests for management action were reissued as recommendations in this report. DoD IG also identified that the Defense Contract Management Agency did not ensure the LOGCAP contractor was consistently managing and disposing of GFP items located in its Fair, Wear, and Tear yards, to include export-controlled items.

Result: Management action taken in response to the recommendations will improve the management of the Fair, Wear, and Tear yards and

ensure that the LOGCAP contractor complies with federal and DoD export-control standards, both of which are key to an effective drawdown and disposition of LOGCAP property from Iraq.
Report No. D-2010-088

Drawdown and Reset of Equipment in Iraq-Operation Clean Sweep

Overview: This was one in a series of audits addressing the withdrawal of U.S. Forces and equipment from Iraq. Operation Clean Sweep is a U.S. Forces – Iraq effort for expediting the identification, accountability, and turn-in of excess U.S. equipment in support of the Iraq drawdown.
Findings: DoD had adequately planned for Operation Clean Sweep and as of April 10, 2010, had processed and re-established accountability for about $768 million of excess equipment. However, the effectiveness of Operation Clean Sweep was limited because not all units were participating in the operation or effectively working with the teams responsible for assisting units with the identification, classification, and disposition of the excess equipment. When units did not participate in Operation Clean Sweep, the risk of injury to personnel was increased, and visibility of equipment in the supply system was delayed. Throughout the audit, DoD IG conducted briefings with U.S. Forces - Iraq so that when possible, corrective action could be taken in response to identified concerns.
Result: As a result of the briefings, U.S. Forces – Iraq issued two Fragmentary Orders during the audit. Those orders addressed concerns over the lack of command emphasis with respect to unit support and understanding of the MRT mission. Participation in Operation Clean Sweep should be mandatory and units should work with the Clean Sweep teams to identify, segregate, account, and turn in non-mission essential equipment. Mandatory participation will ensure the success of Operation Clean Sweep, which is vital to an effective Iraq drawdown.
Report No. D-2010-060

DoD Needs to Improve Management and Oversight of Operations at the Theater Retrograde-Camp Arifjan, Kuwait

Overview: This audit 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 Theater Retrograde, which is responsible for receiving and processing containers of equipment from Iraq and ensuring the equipment's proper disposition.
Findings: Army and Defense Contract Management Agency officials did not ensure that contractor personnel complied with contract requirements and applicable regulations when processing materiel at the Theater Retrograde, which limited the effectiveness of operations and increased the risk of injury to personnel. DoD IG also reported that Army and Defense Contract Management Agency officials did not ensure the contractor had sufficient staffing at the Theater Redistribution Center to meet container processing requirements. As a result, DoD may be receiving a reduced value for the services performed, paying undue award fees, and wasting resources by purchasing the same materiel in the unprocessed containers for use in other overseas contingency operations.
Result: Army and Defense Contract Management Agency officials should determine the staffing required at the Theater Redistribution Center to process the current number of containers and the increase expected in conjunction with the withdrawal of U.S. Forces and equipment from Iraq. Army officials should develop applicable, auditable, and measurable performance requirements for processing materiel; clearly define the requirements and limitations for officials providing contract administration and oversight; and require that personnel at the Theater Retrograde comply with hazardous material and security regulations.
Report No. D-2010-091

DoD IG conducted an audit of the drawdown of equipment in Iraq.

Public-Private Partnerships at Air Force Maintenance Depots Overview

Overview: DoD IG evaluated the Air Force management of the public-private partnership arrangements to determine whether the depots have completed business case analyses and established baselines and metrics to measure partnership benefits. DoD IG reviewed 40 public-private partnership agreements, comprised of 61 implementation agreements, at three Air Logis-

DoD IG reviewed the Central Issue Facility and related Army policies.

tics Centers that reported $100.3 million of revenue during the first three quarters of FY 2009.

Findings: The Air Force did not adequately document its public-private partnership decisions for enhancing overall product support and the type of partnership arrangement selected; and did not adequately monitor the partnerships once they were established. Specifically:

- 35 of the 40 partnerships and 49 of 61 implementation agreements reviewed were not supported by business case analyses.
- 51 of 61 implementation agreements reviewed had not established baselines, and 40 of 61 had not established metrics.
- Air Force Materiel Command did not adequately monitor revenues and expenses on partnership work performed, and the private industry partner owes $3.1 million to Warner Robins Air Logistics Center.

Result: There was insufficient assurance that the Air Force's use of partnerships is obtaining best value for its maintenance support decisions and recovering all its expenses. This situation stemmed from prior conflicting Air Force guidance, insufficient Air Force Materiel Command oversight, and partnership decisions made above the Air Logistics Center level for bringing depot maintenance workload back to the depots to satisfy public laws on core capability and 50/50 compliance. The Air Force deputy chief of staff for Logistics, Installations, and Mission Support agreed to update guidance to require that business case analyses show how the partnerships contribute to the achievement of objectives; aggressively work toward ensuring business case analyses are prepared; establish baselines and metrics; and recover the $3.1 million in expenses.

Report No. D-2010-067

Central Issue Facility at Fort Benning and Related Army Policies

Overview: DoD IG determined whether Army central issue facilities provided the required clothing and equipment to DoD civilians and contractor employees deploying to Iraq and Afghanistan and whether these individuals returned the clothing and equipment when their deployment ended. DoD IG visited the central issue facility at Fort Benning, GA, because, according to the Army, about 95 percent of civilians and contractor employees processed for deployment through that facility. Fort Benning issued $21.4 million of recoverable clothing and equipment to 7,338 civilians and contractor employees processed for deployment during FYs 2006 and 2007.

Findings: The Army generally provided DoD civilians and contractor employees deploying to Iraq and Afghanistan with proper clothing and equipment. The value of recoverable clothing and equipment that was not returned by civilians was unavailable. However, DoD IG determined that, of 940 contractor employees who deployed during FYs 2006 and 2007 and returned, 749 (about 80 percent) did not return recoverable clothing and equipment, valued at about $2.5 million, issued to them. Items were not recovered because the Army lacked adequate internal controls for recovering clothing and equipment issued to civilians and contractors. If adequate controls had been in place, the Army could have put at least $2.5 million to better use. Additionally, inadequate controls could allow sensitive items such as body armor to end up in the wrong hands.

Result: DoD IG recommended that the director Defense Procurement and Acquisition Policy:

- Establish a working group to develop procedures to:
  - Identify personnel who returned from deployment but did not return recoverable clothing and equipment.
  - Require personnel leaving the theater to turn in their recoverable clothing and equipment in theater and transfer chemical-biological equipment to unit supply.
  - Obtain the clothing and equipment or reimbursement from individuals who do not or did not return their recoverable items.
- Implement the procedures developed by the working group.
- Require central issue facilities to retain deploying personnel's contact information.
- Require contracts to have proper clauses and contract language so that contractors can be held liable for their employees' unreturned recoverable clothing and equipment.

Report No. D-2010-069

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
- Health Care Fraud
- Product Substitution
- Technology Protection
- Computer Crimes

Public Corruption

DCIS is in the forefront of DoD corruption investigations. DCIS applies complex investigative tools and methods, such as undercover operations, court-authorized electronic surveillance, and informants, to bring corrupt officials to justice. Corruption undermines our country's national security, overall safety, public trust, and confidence in the U.S. government, wasting billions of dollars and impacting DoD and the mission of the warfighter.

Army Sergeant Pleads Guilty to Bribery and Theft Charges

Overview: Between January and February 2010, a former U.S. Army sergeant admitted to aiding and abetting a co-conspirator's solicitation and acceptance of more than $400,000 in bribes from a government contractor, all in exchange for his co-conspirator's creation and submission of fraudulent paperwork permitting that contractor to steal fuel from Forward Operating Base Shank. The sergeant also admitted to helping his co-conspirator conceal the money in various locations in and around FOB Shank. The total value of the fuel stolen during the course of the scheme was at least $1.39 million.

Result: On August 19, 2010, the former U.S. Army sergeant pled guilty to bribery in connection with a fuel theft scheme to solicit more than $400,000 in bribes from a government contractor in Afghanistan. As a result, a second former U.S. Army sergeant was charged with one count of conspiracy to commit theft of government property in a criminal complaint filed in Eastern District of Virginia on June 24, 2010. The sergeants were stationed at FOB Shank, in support of U.S. military operations in Afghanistan. The sergeant that pled guilty had responsibilities that included supervision of FOB Shank's fuel redistribution process.

At sentencing, he faced a maximum penalty of 15 years in prison and a fine of $250,000; twice the gross gain or loss from the scheme; or three times the value of the payments solicited or received. The two former sergeants have also been discharged by the Department of Army. This was a joint investigation by DCIS, Army CID, FBI, and ICCTF.

Former Host Nation Affairs Contractor Pleads Guilty to Bribery

Overview: This case arose out of an investigation into corruption at the Kuwait contracting office at Camp Arifjan, which has led to charges against 14 individuals. Of those 14 defendants, 12 have pled guilty to their crimes, with some already serving prison sentences and having forfeited millions of dollars in assets.

Acting at the direction of a contractor working in Kuwait, corrupt relationships were developed with certain Army contracting officials and a senior procurement non-commissioned officer at Camp Arifjan. By bribing these Army contracting officials in 2005 and 2006, a contractor ultimately received almost $2 million in connection with contracts to provide various goods and services to the U.S. military. In exchange for his assistance in the bribery scheme, generated profits were shared with another crooked contractor and he was allowed to live rent-free in a villa that contained a hidden safe. The Army contracting officials arranged to store hundreds of thousands of dollars worth of bribe money in the safe. The contractor later agreed to transfer this money from Kuwait to Army contracting officials in the United States.

Result: On August 11, 2010, a former contract employee in the Host Nation Affairs office at Camp Arifjan, between approximately 2004 and August 2007, pled guilty to conspiracy to bribe U.S. Army contracting officials and to money laundering conspiracy, and has agreed to forfeit $650,000 to the U.S. government. This was a joint investigation between DCIS, Army CID, FBI, and SIGIR.

"The Army contracting officials arranged to store hundreds of thousands of dollars worth of bribe money in the safe."

DCIS special agents conduct training exercises.

Army Contracting Official Pleads Guilty to Bribery

Overview: A U.S. Army civilian contracting official working in the U.S. Army Area Support Group-Kuwait's off-post housing office admitted to bribery. His responsibilities as a housing specialist included supervising private contractors and procuring off-post apartment rentals. The official admitted that between July and December 2009, he solicited more than $11,000 in bribes from an Egyptian businessman in exchange for submitting an inflated off-post apartment lease for approval. The official also admitted that between July and December 2009, he received almost $6,000 from the Egyptian businessman as compensation for his services in connection with a fixed-price U.S. government contract awarded to the Egyptian businessman's company. The government contract was for maintenance services for off-post housing managed by the U.S. Army civilian contracting official and the ASG-KU off-post housing office.
Result: As a result, the contracting official pled guilty on April 21, 2010, in the Eastern District of Virginia to bribery and unlawful salary supplementation in connection with two schemes to solicit more than $17,000 in bribes and other payments from an Egyptian businessman in Kuwait. The contracting official was sentenced to 42 months confinement on July 16, 2010. This was a joint investigation between DCIS, Army CID, FBI, and ICCTF.

Subjects Sentenced for Conspiring to Defraud the Government

Overview: A program manager from the Space and Naval Warfare System Command, San Diego, Calif., was receiving bribes from DoD prime contractors and subcontractors. The program manager's spouse, also a SPAWAR employee, advanced the scheme by forming a company with a friend to seek subcontracts under the prime contracts managed by her husband. In return for awarding contracts to his wife's company, the program manager received a portion of the proceeds from the subcontract as a kickback. The principals in two other companies assisted the program manager in his scheme which included the manipulation of contract awards and the payment of kickbacks.
Result: All seven participants in this bribery scheme pled guilty and were sentenced. The combined sentences for this six month period amounted to 216 months incarceration, 180 months probation, restitution totaling $432,499, and special assessments totaling $500. Additionally, over $332,072 in property was seized. This was a joint investigation by DCIS, NCIS, IRS-CID, and FBI.

Procurement Fraud

The introduction of counterfeit material and other forms of unauthorized product substitution into the procurement system has historically been, and continues to be, DCIS's highest priority for deterrence, investigation, and prosecution. Procurement fraud investigations have always comprised a major part of the DCIS inventory. An area of increased emphasis is readiness enhancement through vigorous detection and investigation of defective or substituted products that involve either safety of flight issues or have a critical application.

Procurement fraud includes, but is not limited to, cost/labor mischarging, defective pricing, defective parts, price fixing and bid rigging, and product substitution.

Investigation Disclosed DoD Contractor Failed to Perform Duties

Overview: A joint DCIS/Army CID investigation disclosed that the contractor failed to perform duties for which it was paid under the Central Issue Facility at Fort Benning. This DoD program assists small businesses competing for prime contract and subcontract awards by partnering them with large companies under individual, project-based agreements. DoD paid the contractor $433,557 to provide mentor services for certain minority-owned companies, which the contractor failed to provide in some cases. In other cases, the contractor represented that its employees directly provided the services, which were provided by other companies.
Result: On August 4, 2010, a DoD contractor settled with the U.S. Attorney's Office, Columbia, S.C .and agreed to pay the U.S. government $1,117,872.

DoD Contractor Signs Settlement Agreement for Mischarging

Overview: A joint DCIS/AFOSI investigation provided enough proof of inaccurate cost or pricing data that a DoD contractor agreed to settle, despite the case being declined for prosecution due to the approaching expiration of the statute of limitations.

Result: On July 16, 2010, the DoD contractor signed a settlement agreement with the U.S. government and agreed to pay $670,000 for overcharging the Air Force for infrared aerial flares. The flares were designed for covert target illumination and rescue missions.

DoD Contractor Sentenced for Failing to Provide Required OSHA Training

Overview: A company, contracted to provide health and safety training and oversight, to include asbestos work, failed to provide OSHA training. The DoD contractor required owner altered resumes and falsified training certifications in order to obtain several contracts, to include one for a housing development at the U.S. Military Academy, West Point, N.Y.

Result: On June 22, 2010, the DoD contractor was sentenced to three years incarceration, two years probation, payment of $1,117,765 in restitution (jointly and severally with his company), and a $500 special assessment. The company was also sentenced to five years probation, payment of a $500,000 fine, and a $2,000 special assessment.

President of Company Sentenced for Selling Fraudulent Surety Bonds

Overview: AMS Surety Holdings Corporation, along with other related business entities, sold fraudulent and counterfeit surety bonds using names identical, or very similar, to legitimate authorized insurance companies. The fraudulent surety bonds were purchased by U.S. government contractors as a form of insurance on construction projects for various entities including the U.S. Navy, the Federal Aviation Administration, and U.S. Army Corps of Engineers.

Result: On June 18, 2009, the President of AMS Surety Holdings Corporation was sentenced to 121 months in prison, three years of supervised release, a $200 assessment, and $22.5 million personal money judgment. The subsequent civil judgment ordered the seizure of specified assets totaling $732,559. In September 2009, the judgment in the criminal case was amended and subject was ordered to pay $3,243,890 in restitution. This was a joint investigation by DCIS, FBI, and Army CID.

Northrop Grumman Corporation Admits to Submitting False Claims

Overview: During a joint DCIS and Army CID investigation, Northrop Grumman Corporation admitted to falsely billing several government contracts for lodging costs and then using these funds as a form of incentive pay for their employees who were supporting the U.S. Army drug and counterdrug intelligence mission.

Result: As a result, on May 10, 2010, NGC signed a Civil Settlement Agreement with the U.S. Department of Justice, agreeing to pay $700,000 to satisfy allegations that NGC submitted false claims to the U.S. government during its performance on U.S. Army contracts.

DCIS investigated a contractor for overcharging for infrared aerial flares.

DoD Contractor Sentenced For Conspiracy to Defraud the Government

Overview: The victim DoD contractor is an aviation credit card company that supplied a fuel card, similar to a credit card, which other companies could use as an easy way to access fuel. The victim DoD contractor set up fuel suppliers and various transportation authorities at airports in other countries to accept the fuel card. The subject, a DoD contractor employee, advised the president on bid prices for DoD contracts. The subject contractor then sold that bid information to his co-conspirators, who underbid the victim contractor and subsequently won DoD contracts.

Result: As a result, on April 8, 2010, the DoD contractor employee was sentenced to six months in a halfway house, three months home confinement, 36 months probation, a $300 special assessment fee, and an undetermined amount of restitution to be determined at a later date for conspiring to defraud the government by selling proprietary bid information to competing contractors. Two of his co-conspirators were previously sentenced in 2008. The first received three years of probation, 500 hours of community service, and was ordered to pay restitution of $40, 926 and a $100 special as-

sessment. The second co-conspirator was sentenced to three years of probation, 800 hours of community service, and was ordered to pay restitution of $40,926, a fine of $20,000, and a $300 special assessment fee. The co-conspirators and their company were debarred until 2011. Additionally, the company was ordered to pay a $12,000 assessment and restitution of $45,000. On May 27, 2010, a second company owned by one of the co-conspirators agreed to a restitution payment of $670,219.

DCIS investigated a DoD contract for overbilling pharmaceuticals.

Health Care Fraud

DCIS conducts significant investigations of those who negatively impact the health care of DoD personnel, retirees, and their family members. Issues of interest include overcharging for medical goods and services, off-label marketing of drugs, and unauthorized people receiving TRICARE health benefits. However, the primary focus is health care investigations involving harm to the patient and health care providers involved in corruption or kickback schemes.

DoD Contractor Entered into a Civil Settlement for Contract Overpayment Resolution

Overview: A DCIS investigation disclosed a DoD contractor had overbilled DoD for pharmaceuticals from 1997 to 2000.

Result: On June 30, 2010, a DoD contractor and member of DoD's Pharmaceutical Prime Vendor Program entered into a Civil Settlement in which they agreed to pay the U.S. government $500,000. The settlement was represented as a contract overpayment resolution without any admission of violation of criminal or civil statutes.

DoD-Contracted Drug Company Agrees to Pay the Government $5 Million as Overpayment Resolution

Overview: A DCIS investigation determined a DoD-contracted drug company overcharged Military Treatment Facilities for pharmaceuticals and identified management control issues related to the verification of those costs.

Result: On June 30, 2010, the DoD-contracted drug company entered into a civil settlement in which they agreed to pay the U.S. government $5 million. The company denied deliberately overcharging DoD, and the settlement was represented as a contract overpayment resolution.

False Claims Settlement by TRICARE-Affiliated Hospital Representatives

Overview: A DCIS investigation revealed a TRICARE-affiliated hospital inappropriately billed for speech therapy services using time-based (15 minute increment) codes rather than service codes. These inappropriate claims caused TRICARE to overpay the hospital for these services.

Result: On June 22, 2010, representatives of the TRICARE-affiliated hospital agreed to a settlement with the District of Colorado to repay $573,242 ($515,458 + $57,784 in interest) to the U.S. government.

TRICARE-Affiliated Doctor Found Guilty of Health Care Fraud

Overview: On November 4, 2008, a TRICARE-affiliated doctor was found guilty by a jury in the Northern District of Florida on 43 of 54 counts for health care fraud and unlawfully dispensing controlled substances, including the use of which resulted in the death of two persons. In 2009, the doctor was sentenced to over 292 months of incarceration, three years of probation, and was ordered to pay a criminal fine of $1 million and a $4,300 court assessment. The doctor agreed to forfeit $260,000 in cash and the proceeds of the sale of his clinic.

Result: As a result, on June 15, 2010, the United States Attorney, Northern District of Florida, forwarded a check to the U.S. Marshals in the amount of $575,000, representing the proceeds of the sale of the doctor's office. The check represented the final amount due to the U.S. government under the Forfeiture Settlement Agreement. This case was investigated jointly with various federal, state, and local law enforcement agencies.

$3.6 Million Civil Settlement by a DoD Contractor for Submitting False Claims

Overview: A joint investigation conducted with the FBI, HHS, and OPM disclosed that a DoD contractor was billing twice for cardiac data analysis provided on TRICARE, Medicare, and other federal health care program patients.

Result: As a result, on May 12, 2010 in a civil settlement, the DoD contractor providing the cardiac data analysis services agreed to pay $3.6 million to resolve the civil aspects of the investigation involving fraudulent billing of TRICARE, Medicare, and other federal health care programs. This included the $307,492 previously paid as criminal restitution. In addition to the civil settlement, the contractor was excluded from all federal health care programs for a period of 13 years.

Product Substitution

DoD's warfighting mission requires very specific, and at times, unique products for its infrastructure and weapons systems. Nonconforming products pollute DoD's 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 side by side 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's requirements. DCIS actively participates in the Defense Supply Center Columbus Counterfeit Material/Unauthorized Product Substitution Team. In 2010, DCIS partnered with the Intellectual Property Rights Center, focusing on counterfeit parts.

$1.2 Million Civil Settlement by DoD Sub-Contractor for Failure to Conduct Required Ballistic Testing of Blackhawk Helicopter

Overview: In 2009, as the result of a joint DCIS/Army CID investigation, a DoD prime contractor and the government executed a Settlement Agreement wherein the contractor agreed to pay $2.9 million. The prime contractor provided untested Blackhawk cockpit armor to the U.S. Army between 1992 and 2005. At that time, the subcontractor for the testing of the armor did not go to trial.

Result: On June 8, 2010, in accordance with a Civil Settlement Agreement with the U.S. government, the DoD subcontractor paid $1.2 million for its failure to conduct the required ballistic testing of Blackhawk cockpit armor in the same time period.

$12.5 Million Settlement by Northrop Grumman Corporation for False Claims

Overview: A joint investigation with NCIS, Army CID, and NASA disclosed that Northrop Grumman Corporation, Navigation Systems Division submitted false claims to the U.S. government seeking payment for electronic components that were knowingly not tested as required by contract specifications. The testing was required to ensure the components could operate in extreme environmental conditions during military use. The investigation showed that from 2002 to 2006, NSD did not perform these tests on electronic components used in U.S. military avionic systems, navigation and positioning systems, inertial systems, fiber-optic gyro systems, friend-or-foe transponders, interrogators and cockpit displays, and computers used on a wide variety of military and space vehicles, to include the MH-60 helicopter, B-2 bomber, F-117A fighter, the Global Hawk and Predator drones, M-1 Abrams tank, Virginia class attack submarines, and the Trident Missile.

Result: As a result, on June 14, 2010 the U.S. Department of Justice entered into a Civil Settlement Agreement with NSD, in which NSD agreed to pay $12.5 million to settle allegations of fraud.

Settlement by DoD Top 100 Contractor for False Claims

Overview: A joint DCIS/AFOSI investigation into overbilling of the Air Force on contracts for security barrier fences revealed that a DoD Top 100 contractor made false statements and/or overcharged the Air Force for steel beams used to construct the barrier-security fences.

Result: On May 10, 2010, a settlement agreement between the U.S. Attorney's Office, Western District of Washington, and the DoD Top 100 contractor was reached. The contractor expressly denied it engaged in wrongdoing but agreed to pay the U.S. government $822,000 to settle the matter.

DCIS investigated untested Blackhawk helicopter cockpit armor.

DoD Contractor Sentenced for Conspiracy to Defraud the Government

Overview: A joint DCIS/Army CID/USDA investigation revealed that a DoD contractor 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 the DoD. The food was sent to troops in the Middle East, and some of the products were spoiled and caused some military personnel to become ill. The contractor also inflated freight charges by $1.8 to $2 million.

Result: As a result, on April 19, 2010, the former purchasing agent for a DoD contractor was sentenced to three years probation and ordered to pay $2 million in restitution and $43,382 in disgorgement for conspiracy to defraud the government.

DCIS investigated a tech protect case involving F-5 fighter aircraft parts.

Technology Protection

In response to the increasing national security threat posed by the illegal export of restricted U.S. military and dual-use technology, DCIS expanded its collaborative investigative efforts with key federal partners. In FY 2010, as a result of President Barack Obama's historic call for export reform, DCIS joined Department of State, Technology Protection Enforcement Group partners, and the Intelligence Community to create a new infrastructure for the sharing and collaboration of export enforcement investigations. This center will serve as the presidentially mandated Fusion Center, with full-time partner participation. DCIS has been involved with this initiative from the beginning and has been identified as a key DoD member of the team. DCIS has also continued to participate with the U.S. Immigration and Customs Enforcement, National Export Enforcement Counter-Proliferation Network, a center that serves as a liaison between the Intelligence Community and field personnel conducting counter-proliferation investigations. DCIS has maintained a very active commitment and involvement with the TPEG, a consortium of enforcement agencies collaborating under the guidance of the Department of Justice's Counter-Espionage Section, National Security Division. The DCIS technology protection program continues to work with its federal partners, and this collaborative process has minimized duplicative investigative efforts, allowing DoD to better focus intelligence, procurement, and investigative efforts on combating illicit technology transfer and weapons of mass destruction proliferation activities.

Charges Filed Against Irish Trading Firm for Exporting USML to Iran

Overview: A joint DCIS/ICE/DOC-OEE investigation determined that from 2005 to 2008 an Irish Trading company, Mac Aviation Group, was acquiring U.S. airplane and helicopter parts for sale to Iran. The sale violated provisions in the International Emergency Economic Powers Act and the Arms Export Control Act. The company and its officers wired money to banks in the U.S. as payment for these parts and concealed from U.S. sellers the ultimate end-use and end-users of the purchased parts. The parts were exported through third-party countries such as Malaysia and eventually transshipped to Iran.

Result: On July 7, 2010, a federal grand jury in Washington, D.C., charged Mac Aviation Group and its officers in a superseding indictment with purchasing F-5 fighter aircraft parts, helicopter engines, and other aircraft components from U.S. firms and illegally exporting them to Iran. If convicted, the defendants face a maximum sentence of 10-20 years in prison for each of the IEEPA counts, 10 years in prison for the AECA charge, five to 20 years in prison for each of the conspiracy counts, and five years in prison for each of the false statement counts. The defendants were previously charged with purchasing 17 helicopter engines from Rolls Royce Corporation in Indiana for $4.27 million on behalf of an Iranian trading company, and also causing U.S.-origin airplane vanes and bolts to be exported from the United States to Iran.

RMI Company Pleads Guilty to Exporting Defense Articles Without a License

Overview: A successful collaboration between ICE and DCIS determined that Rocky Mountain Instrument Company sent ITAR restricted proprietary optics drawings and schematics from other DoD contractors to countries such as Turkey, South Korea, China, and Russia without obtaining the required export licenses. These op-

tics were used in advanced weapons systems and employed thermal and night vision technologies that have provided U.S. forces a mastery of the night for years.

Result: On June 22, 2010, Rocky Mountain Instrument Company pled guilty in the District of Colorado to one count of knowingly and willfully exporting defense articles without a license. The company agreed to an immediate judgment of $1 million forfeiture and five years of supervised probation.

Two Chinese Nationals Convicted of Illegally Exporting Electronics Used in Military Radar

Overview: Evidence provided during a trial proved that between April 2004 and June 2006, two Chinese nationals illegally exported military electronic parts promulgated on the United States Munitions List as well as the Commerce Control List to China through Hong Kong. The jury also convicted one of the Chinese nationals of immigration fraud related to false information she provided on her application for a U.S. Permanent Resident Card. The U.S. District Court Judge entered a contempt order against Chitron-Shenzhen, a company involved, for refusing to appear for trial and fined the company $1.9 million.

Result: On May 17, 2010, after the five-week trial in U.S. District Court, District of Massachusetts, the jury found the two Chinese nationals guilty of illegally conspiring to export controlled electronic equipment from the U.S. to China. The jury also convicted Chitron Electronics, a Waltham, MA, company used by the subjects to procure controlled equipment from U.S. suppliers and then export the items though Hong Kong and into China. The items illegally exported by the Chinese nationals were primarily used in military phased array radar, electronic warfare, military guidance systems, and military satellite communications. This was a joint investigation by DCIS, ICE, and DOC.

Defendant Pleads Guilty to Illegal Export of Rocket Technology to South Korea

Overview: Investigation disclosed that the subject attempted to export RD-180 rocket propulsion systems and technology to South Korea without a license. The subject attempted to acquire RD-180 rocket propulsion systems, engines, and related technology for South Korea. These items are classified as defense articles under the U.S. Munitions List.

Result: As a result, on May 24, 2010, the subject pled guilty to attempting to export RD-180 rocket propulsion systems and technology to South Korea without a license. The subject was previously convicted of conspiring to export Sarin gas in violation of the Arms Export Control Act and was previously sentenced to 39 months in prison. As a result of the guilty plea, the subject faces a term of up to 10 years in prison.

DCIS investigated the illegal export of optics used in night vision technologies.

Computer Crimes

DoD IG continues to emphasize combating cybercrime through several proactive initiatives around the country, maintains an on-site presence within the DoD Joint Task Force for Global Network Operations, and will continue that presence with the establishment of 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 while still positioned to respond to traditional computer intrusions against DoD and provide the full range of digital forensics services in support of investigations.

Theft of Banking Information and Pay of DoD Personnel

Overview: On November 26, 2008, an investigation was initiated from information provided by the Defense Finance and Accounting Service regarding the diversion of payroll funds for several DoD employees' DFAS myPay accounts. The myPay system is DoD's online payroll system that provides an Internet-accessible Web site to DoD personnel to view and change information relating to their paychecks and other benefits. The victims' pay was diverted to financial accounts controlled by unknown individuals.

Result: This investigation disclosed that two subjects installed peer-to-peer file sharing software on computers under their control, and searched the available P2P file sharing networks for account login information and passwords inadvertently exposed to the file sharing network by other users of the P2P software. These

subjects used the account information and passwords obtained by searching the P2P networks to access the bank accounts of the victims and transfer funds to prepaid credit cards, which they obtained in their own names. The five victims included active duty military, retired military, and a civilian employee of DoD, and a business in Florida. All together, these subjects redirected or attempted to redirect over $20,000 in funds to themselves.

On April 13, 2010, subject one pled guilty to computer fraud, access device fraud, and aggravated identity theft. Subject two pled guilty to conspiracy to commit computer fraud and access device fraud. On July 9, 2010, subject one was sentenced to 32 months imprisonment, and subject two was sentenced to two months imprisonment followed by four months commitment to a halfway house.

Inspections

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

- Heath Care
- Logistics
- Compliance

Health Care

In FY 2010, one of the top priorities for DoD IG is preventing and detecting fraud, waste and abuse, and improving efficiency and effectiveness in the critical area of the health care of service members and employees.

DoD IG evaluated the care of personnel exposed to Sodium Dichromate.

Evaluation of Efforts to Identify, Contact, and Provide Access to Care for Personnel Exposed to Sodium Dichromate at Qarmat Ali, Iraq in 2003

Overview: In 2003, the U.S. Army Corps of Engineers contracted KBR, a contractor, to restore Iraq's oil industry following combat operations. The Qarmat Ali water treatment plant was one of several hundred facilities that required restoration. While conducting renovation and providing site security, Army soldiers, U.S. Army civilian employees, KBR workers, and other USACE contractors were exposed to industrial hazards, including sodium dichromate, which contains hexavalent chromium, a known carcinogen. USACE and the Army command in Iraq were made aware of the exposure in August 2003 and took a series of actions in response.

Seven members of the Senate Democratic Policy Committee requested that DoD IG review the conduct of the Army and KBR related to the exposure of U.S. soldiers to sodium dichromate in 2003, and the Senate Armed Services Committee asked the Secretary of Defense to evaluate the adequacy and timeliness of the Department's efforts to identify and contact soldiers who were exposed, or who potentially were exposed, and ensure they had access to appropriate care. We conducted this assessment to address the concerns of both committees. This particular report addresses the questions raised by the Senate Armed Services Committee.

Observations: The Army conducted adequate efforts to identify and contact military and DoD civilian personnel in a reasonably timely manner, subsequent to a request from Congress in June 2008. While these efforts were thorough, not all identified personnel could be found or were willing to respond once located. Moreover, in the absence of complete personnel, duty, and other relevant records for individuals who had served near Qarmat Ali in 2003, it was not possible to determine with precision which exposed individuals may not have been identified, contacted, and offered medical care.

As of September 2010, representatives from the Department of the Army, Army National Guard headquarters of the four impacted states, and USACE, identified 972 living DoD military or civilian personnel who potentially served at Qarmat Ali in 2003, and reported having contacted 895 (92 percent) of them. At the time of this report, the Oregon Army National Guard and USACE were continuing efforts to locate personnel who conducted missions at the Qarmat Ali facility.

Identified individuals exposed to sodium dichromate at the Qarmat Ali facility in 2003 had the opportunity to receive medical care. However, military and civilian personnel received care through different procedures.

Serving and former soldiers of all components who served in Operation Iraqi Freedom were and still are eligible for inclusion in the Gulf War Registry, and can receive an exposure-specific medical evaluation offered by the Department of Veterans Affairs.

Civilian employees of DoD generally received health care from civilian providers. Exposed civilians were offered the opportunity to talk with a trained DoD medical care provider. There was no process to ensure DoD civilians who were exposed to sodium dichromate received medical examinations similar to those offered to active and former soldiers as part of the VA's Gulf War Registry.

Results: USACE should notify all current and former military personnel who were identified as having served at the Qarmat Ali facility in 2003 of their eligibility for the VA's Gulf War Registry and associated sodium dichromate exposure-related medical evaluation. Further, the DoD should publicize the eligibility of active duty personnel who served at the Qarmat Ali facility in 2003 for the VA's Gulf War Registry; review policy and procedures for active duty personnel eligible to undergo the VA's Gulf War Registry medical evaluation; and develop and publicize a means to offer DoD civilians who served at Qarmat Ali in 2003 an exam and medical surveillance similar to what the VA avails to military personnel and veterans.

Report No. SPO-2010-006

Logistics

The Department's logistics enterprise spans the globe and is a critical foundation of the United States' ability to project power in the world. Rightly so, oversight of this vast enterprise and important capability is one of the top priorities for FY 2010. This year, the Department was responsible for drawing down from Iraq thousands of service members while maintaining accountability and control over millions of pieces of materiel. At the same time, it executed an increase in personnel in Afghanistan, a landlocked country with inferior transportation infrastructure. This feat was a logistical challenge of the highest order.

Review of Intra-Theater Transportation Planning, Capabilities, and Execution for the Drawdown from Iraq

Overview: On November 17, 2008, the governments of the United States and Iraq signed a Security Agreement stating that all U.S. forces shall withdraw from Iraqi territory no later than December 31, 2011. Further, on February 27, 2009, in remarks delivered at Camp LeJeune, North Carolina, President Obama announced that the United States' combat mission in Iraq would end by August 31, 2010 and pledged to remove all combat brigades from Iraq by that date. The objective of this assessment was to determine whether U.S. Central Command and its supporting and subordinate organizations' intra-theater logistical and transportation planning were sufficient to support and manage the movement of materiel being drawn down from Iraq.

Observations: U.S. Central Command and its subordinate and supporting organizations' intra-theater logistical planning appeared to be sufficient to effectively manage and support the movement of materiel being withdrawn from Iraq. Additionally, we observed that the logisticians in these organizations were continuing to gain efficiencies in their planning processes, which we anticipate will progressively improve and enhance intra-theater transportation capabilities.

Results: Therefore, we are not making specific recommendations in this report.

Report No. SPO-2010-002

"This year, the Department was responsible for drawing down from Iraq thousands of service members while maintaining accountability and control over millions of pieces of materiel."

Compliance

It is critical that the Department adheres to established rules, policies, instructions, laws, and ethical principles in order to maintain order and public trust.

Review of DoD Compliance with Section 847 of the NDAA for FY 2008

Overview: Section 847 of the National Defense Authorization Act for FY 2008, Public Law 110-181, requires a selected category of senior DoD acquisition officials to seek post-DoD employment ethics opinion letters before accepting compensation from DoD contractors. DoD is required to issue the written opinion letters

within 30 days after receiving the request and to maintain copies of these opinion letters in a centralized database or repository. Further, defense contractors are required, prior to compensating a former DoD official, to determine that the former DoD official has sought and received (or has not received after 30 days of seeking) a written opinion from the appropriate DoD ethics counselor.

Observations: DoD Standards of Conduct Office in the DoD Office of General Counsel has initiated but not completed development and implementation of a central DoD repository to record requests for written opinions and to store copies of opinion letters issued. In addition, while the DoD Standards of Conduct Office has disseminated information on Section 847 requirements to promote compliance within the DoD and the defense contracting community, its current procedures for receiving requests and issuing opinion letters are decentralized.

Result: The Standards of Conduct Office is actively pursuing an Internet-based platform to receive requests and store opinions; further, it is evaluating a new Army repository process and anticipates using this information to establish the process for DoD-wide implementation sometime in August 2010.

Report No. SPO-2010-003

DoD IG evaluated the DoD Federal Voting Assistance Program.

Evaluation of the DoD Federal Voting Assistance Program

Overview: 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 each service. Upon the completion of their annual reviews, each service inspector general is required to submit to the DoD inspector general a report on the results of each review. The statute requires that the DoD inspector general 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.

Observations: 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. The oversight programs of the Federal Voting Assistance Program Office and services continue to identify opportunities to improve effectiveness. The services demonstrated in their oversight reports that they have made special efforts to ensure deploying and deployed personnel were afforded every opportunity to vote.

There were a few reported deficiencies related to the assignment and training of voting assistance officers. For example, the Army inspector general reported that 39 of 74 reserve component units did not have a voting assistance officer assigned; however, the Reserve Component Direct Reporting Unit was correcting this deficiency.

Another issue, reported by the Navy inspector general, was that only four percent of Navy voting assistance officers documented that they completed training in 2009. This was attributed to staff turnover but also the lack of FVAP Office on-site training, which is only provided during even-numbered years when elections are held for federal offices. The Air Force inspector general reported minor anomalies with training of voting assistance officers, distribution of materials, and command and installation level involvement. The Marine Corps inspector general reported compliance shortcomings in only one of 21 of its units inspected.

Results: We found that the FVAP Web site was up-to-date, accessible, and usable by voters, voting assistance officers, and state and local election officials. The 2010-2011 Voting Assistance Guide has been streamlined to target the voting assistance officers at unit and installation levels. Also, we found that the FVAP Office has implemented provisions of the MOVE Act regarding online database and Global Network information access that apply to the November 2010 election.

Report No. SPO-2010-004

Evaluation of DoD Accident Reporting

Overview: Preventable accidents in DoD result in an average of over 800 deaths per year, degrade capabilities and readiness, and generate significant costs. Since 2001, average cost of workers' compensation claims for the civilian

workforce was over $600 million annually. For military personnel, annual compensation cost is estimated at approximately $3.2 billion. In addition, estimated overall direct and indirect costs (schedule delays, training and retraining of replacement workers, increased insurance premiums, and added administrative fees) related to preventable accidents is $12 to $20 billion per year.

DoD safety professionals rely on accurate information to reduce preventable accidents and associated costs; however, when the DoD Military Injury Prevention Priorities Working Group analyzed a sample of the 1,874,826 injuries recorded in the CY 2004 medical databases, they reported a large disparity among military medical records for accident-related injuries and Service safety center records for accidents. This report reviews DoD reporting systems to identify problem areas that prohibit effective reporting of injuries resulting from accidents.

Observations: Although a significant part of the large discrepancy between medical databases and safety databases could be attributed to the differences in recording criteria, non-compliance also contributed. Installation and unit safety offices rarely reported accidents below the "Class C" level. Database discrepancies for inpatient cases were an indication that component safety offices also may not have captured reports for all Class C and higher accidents. Further, information sharing concerning injury-causing accidents between safety and medical organizations was ineffective.

Results: The DoD agreed to eliminate confusion between "reportable" and "recordable" as related to accidents and direct component safety offices to obtain accident information from medical organizations, worker's compensation programs, and other relevant sources to supplement information reported directly by injured personnel. Further, DoD is initiating a review of DoD component execution of injury record-keeping requirements by directly comparing the current number of injuries recorded in DoD Component mishap records to the estimated number of mishap-related injuries recorded in military medical treatment records.

Report No. SPO-2010-007

Review of Joint Task Force Guantanamo's Inclusion of Mental Health Information in Intelligence Information Reports

Overview: DoD IG conducted this review to determine whether DoD reporting published by Joint Task Force Guantanamo included information regarding the mental health status of sources or their history of medication with psychoactive substances and to determine the possible effect on finished intelligence.

Results: Recommendations were made to the Joint Staff, the Under Secretary of Defense for Intelligence to change applicable policy and doctrine to improve the reliability and quality of intelligence reporting. All concurred with the recommendations. Refer to the Classified Annex of this Semiannual Report for more details.

Report No. 10-INTEL-04 (Classified)

Field Verification-Interrogation and Survival, Evasion, Resistance and Escape Techniques Recommendation

Overview: DoD IG verified actions taken in response to a recommendation in "Review of DoD-Directed Investigation of Detainee Abuse," Report No. 06-INTEL-10 to identify the inappropriate use of SERE techniques during SERE training.

Results: Recommendations to clarify the intended use of SERE techniques were implemented with issuing a memorandum to all accredited DoD SERE training programs and agreement to incorporate language into DoD Instruction 3002.12. Refer to the Classified Annex of this Semiannual Report for more details.

Report No. 10-INTEL-05 (FOUO)

Assessment of Security Within the Department of Defense – Tracking and Measuring Security Costs

Overview: This was the first in a series of reports designed to provide an overall assessment of security policies and procedures within the Department. In this report, DoD IG assessed how the DoD programs and tracks its security costs and measures the return on investment for security expenditures. Subsequent reports will address the classification and grading of security personnel; the process for security training; certification and professionalization; and security policies.

DoD IG reviewed the use of SERE techniques used during training.

DoD IG evaluated sustaining the WS3 Security Storage System.

Results: DoD IG assessment revealed a fragmentary security policy construct that impedes the Department's ability to accurately track security resources. Because security policy is implemented at the local level with separate guidance for different categories of security disciplines, application of policy guidelines is not consistent. This hinders efforts to develop and implement risk-managed security practices, protection policies, and programs within a cohesive and integrated security framework. DoD IG recommended the creation of comprehensive and integrated security framework to facilitate tracking security costs, thus providing a consistent baseline for programming future years security requirements. Refer to the Classified Annex of this Semiannual Report for more details.
Report No. 10-INTEL-09 (FOUO)

Hotline Allegation of Misconduct at J23, USSCOM

Overview: DoD IG assessed the validity of allegations sent to the DoD Hotline regarding activities at U.S. Special Operations Command.
Results: The U.S. Special Operations Command will implement procedures to ensure adherence to director of National Intelligence and Intelligence Community directives. Refer to the Classified Annex of this Semiannual Report for more details.
Report No. 10-INTEL-12 (Classified)

Sustaining the WS3 Security Storage System

Overview: DoD IG assessed an aspect of the Nuclear Enterprise.
Results: Refer to the Classified Annex of this Semiannual Report for more details.
Report No. 10-INTEL-13 (Classified)

Review of Matters Related to a Murder/Suicide

Overview: In response to a request from Representative Kevin Brady in October 2008, DoD IG evaluated the Army CID criminal investigation into a murder/suicide that occurred in August 2007 at Camp Liberty, Baghdad, Iraq.
Findings: While deployed to Camp Liberty, Iraq, a female Army specialist was shot and killed by a male Army staff sergeant who subsequently committed suicide. The specialist's parents contended, based on information received from multiple sources, the specialist had been harassed and abused, both physically and emotionally, by the SSG before and during their deployment to Camp Liberty. Moreover, the family asserted that unit leadership was aware of the SSG's inappropriate actions and failed to take steps to protect their daughter.
Result: DoD IG concluded the CID criminal investigation complied with the applicable regulations regarding criminal investigations. The investigation was thorough, timely, and adequately documented the facts and circumstances surrounding the murder of the SPC. Additionally, it was determined that the chain of command for the specialist was not aware of any alleged incidents of harassment or abuse involving the specialist and SSG, and found no evidence leaders received information alleging the SSG was mentally or physically abusing or harassing the Specialist before he killed her.
A letter response was sent to Representative Kevin Brady, May 10, 2010.

3

Outreach

Hotline

Overview

The Defense Hotline continues its primary mission of providing a confidential and reliable vehicle 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 9,016 contacts from the general public and members of the DoD community: 10 percent via U.S. mail, 33 percent via e-mail, five percent via the internet, 1.5 percent via the Government Accountability Office, 50 percent via the telephone, and .5 percent from congressional inquiries (see Figure 3.1). Based on these contacts, the Hotline initiated 1,265 cases.

Open Cases

The 1,265 cases opened this reporting period are classified in the following categories (see Figure 3.2):

- Internal Misconduct
- Reprisal
- Finance
- Contract Administration
- Government Property
- Personnel Matters
- Programs
- Recovery Act
- Security
- Procurement
- Other

Closed Cases

During this reporting period the Defense Hotline closed 2,077 cases.

- 606 cases referred within DoD IG were closed.
- 620 cases referred to the military services were closed.
- 215 cases referred to other Defense agencies were closed.
- Five cases referred to non-DoD agencies were closed.
- 631 cases were not referred and dismissed without action.

Figure 3.1
Distribution of Method of Hotline Contacts Received

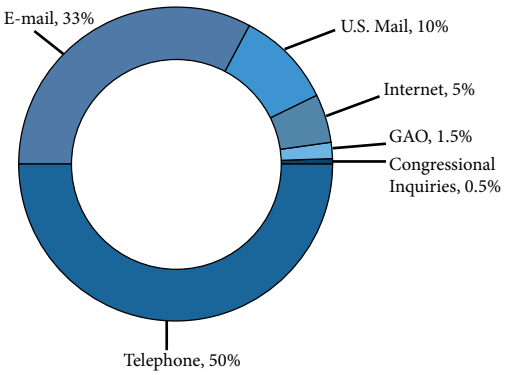
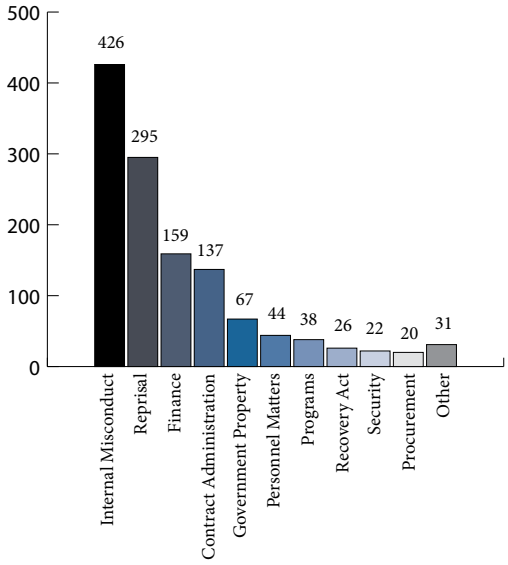


Figure 3.2
Distribution of Cases Initiated by Category



Summary of Hotline Case Referrals

During this reporting period the Defense Hotline initiated 1,265 cases to the following activities:

Military Services	
AF	86
Army	258
Navy	95
USMC	28
JS	11
DoD IG	
MRI	170
ISO	134
CRI	48
Hotline	192
Audits	33
Investigations	76
Intel	4
OPR	5
GC	1
Other Defense Agencies	
AAFES	5
DCMA	7
DODEA	9
DECA	5
DFAS	41
DIA	2
DISA	2
DLA	12
DMA	2
DSS	3
DTRA	1
MDA	2
NONDOD	2
NGA	2
NSA	3
OSC	1
ASD(NII)	1
ASD(PA)	1
USDI	2
PFPA	1
AT&L	2
HEALTH AFFAIRS	1
P&R	6
TRICARE	9
WHS	1

Investigations initiated exclusively by the Hotline resulted in $8.5 million dollars returned to the federal government for this reporting period.

Scheme to Defraud the Government

Overview: An anonymous source reported to the Defense Hotline a case of bribery and conspiracy to defraud the government.

Findings: A joint investigation into the matter found government employees conspired with a government sales representative to inflate the price of computer equipment charged to the government; in exchange, the employees received cash and merchandise. The individuals pled guilty to charges of bribery, mail and wire fraud, and theft of government property. They were sentenced to 180 months incarceration, 17 months probation, and $180 thousand in restitution. The contractor, Computer Giants, Inc., was indicted on nine felony counts, to include conspiracy, bribery, theft, mail and wire fraud, and forfeiture related to contract awards of approximately $7.8 million. Computer Giants subsequently filed for bankruptcy and ceased doing business.

Abuse of Government Supply System

Overview: The Defense Hotline received a complaint questioning the purchase of 23 divers' watches at a cost totaling over $31 thousand. The complaint provided information which brought into question the number of items for purchase, the cost per item, and the location of the requestor.

Findings: The investigation uncovered evidence of impropriety in the supply practices within the organization. Unauthorized expenditures in excess of $90 thousand had been made. Some of the items purchased were highly pilferable, including watches, computers, televisions, chairs, cameras and computer storage media. The investigation resulted in four crew members referred to non-judicial punishment; six crew members issued Letters of Instruction, and two crew members receiving Non-Punitive Letters of Caution. The former supply officer was processed for administrative separation. The former supply chief was convicted and sentenced at court-martial to 24 months confinement, reduced rank, total forfeiture of all pay and allowances, a $25,000 fine, and a bad conduct discharge.

Whistleblower Protection

"As of September 30, 2010, DoD had 293 open cases involving allegations of whistleblower reprisal filed by military service members, Defense contractor employees, and non-appropriated fund employees."

During the reporting period, the Department closed 643 cases involving whistleblower reprisal and senior official misconduct. The combined case substantiation rate for full investigations of military and civilian reprisal allegations was 20 percent and 14 percent for investigations of senior official misconduct. During the period, DoD IG pursued the following initiatives to improve operations:

- Participated in a DoD-wide working group to implement the recommendations from a RAND study regarding the capture and reporting of adverse/reportable information to the Senate on senior officials being nominated for promotion or reassignment.
- Recertified the DoD IG as one of the few DoD agencies to meet all requirements of Title 5, United States Code, Section 2302(c), to inform employees of their rights and remedies under the Whistleblower Protection Act.
- Implemented 12 recommendations made by the Department of Justice Inspector General in a July 2009 report entitled "A Review of the Department of Defense Office of Inspector General's Process for Handling Military Whistleblower Reprisal Allegations." Recommendations called for additional staffing, improved policies and procedures, enhanced communications with complainants and service IGs, and establishment of a dedicated training staff.

Military Reprisal Investigations

DoD IG investigates or oversees allegations of military, nonappropriated fund, and Defense contractor whistleblower reprisal. DoD IG expanded outreach, communication, and training to whistleblower stakeholders and service IG counterparts, reaching 506 military IGs with a total of 115 instruction hours. As of September 30, 2010, DoD had 293 open cases involving allegations of whistleblower reprisal filed by military service members, Defense contractor employees, and non-appropriated fund employees. About 73 percent of those cases were processed by service IGs prior to being forwarded to DoD IG for final approval.

During the reporting period, DoD IG and service IGs received 347 complaints of whistleblower reprisal and closed 359 cases. Of the 359 cases, 294 were closed after preliminary analysis determined further investigation was not warranted, and 65 were closed after investigation. Of the 65 cases investigated, 11 (17 percent) contained one or more substantiated allegations of whistleblower reprisal.

Examples of Substantiated Military Whistleblower Reprisal Cases

- An Army staff sergeant received an unfavorable Non-Commissioned Officer Evaluation Report in reprisal for reporting to members of her chain of command that there was a perception of favoritism and a possible inappropriate relationship between two non-commissioned officers. The evaluation report was rescinded. In addition, responsible management officials were counseled.
- An Air Force colonel was denied a position for which she was eminently qualified by a general officer in her chain of command after she complained to higher ranking officials that her Active Guard Reserve Review Board was not conducted in accordance with established law and policy. Corrective action is pending.
- A Marine Corps sergeant was disenrolled from an education program, received an unfavorable fitness report, and denied a promotion for making protected communications to an inspector general and Equal Employment officer of gender discrimination and sexual harassment. The sergeant petitioned the promotion board and was subsequently promoted to staff sergeant. One responsible management official received a non-punitive letter of caution; the second was reassigned.
- A Navy commander received an unfavorable fitness report in reprisal for her protected communication to her command about the unauthorized movement of Defense Logistics Agency materials from a Navy ship. Corrective action is pending.

Referrals for Mental Health Evaluations

DoD IG closed 63 cases involving allegations of improper referrals for mental health evaluation during the reporting period. Twenty (32 per-

cent) 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, "Mental Health Evaluations of Members of the Armed Forces."

Civilian Reprisal Investigations

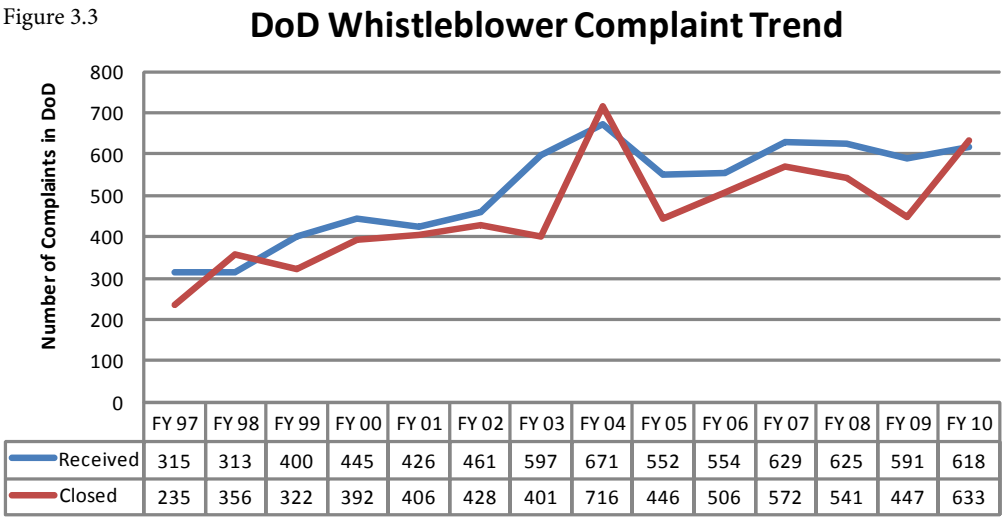
During the second half of FY 2010, DoD IG continued to select cases involving protected disclosures in five core mission areas: aviation maintenance, health and welfare of service members deployed or returning from Southwest Asia, chemical weapons safety, supply logistics, and intelligence operations. DoD IG investigated reprisal allegations involving civilian employees of the military departments and the Defense Intelligence Agency. With respect to the intelligence and counterintelligence communities, DoD IG conducted two oversight actions on Defense Intelligence Agency investigations and completed a full investigation into alleged reprisal within the Department of the Navy. Other activities reviewed included alleged reprisal against sources reporting avionics maintenance, emergency response planning, supply management, and media access violations.

On September 30, 2010, DoD IG had 21 open cases and one oversight action. During the second half of FY 2010, DoD IG conducted 48 intakes, accepted five complaints for investigation, and closed 10 investigations, substantiating four (40 percent) cases of reprisal. Twenty-seven percent of open DoD IG civilian reprisal cases involve intelligence or counterintelligence activities and the remaining cases involve procurement fraud sources.

Examples of Substantiated Civilian Whistleblower Reprisal Cases

- A retired electronics mechanic formerly employed at a naval agency was reprised against after disclosing improperly surveyed equipment, insufficient repair facility resources, and failures in quality assurance in an aircraft maintenance and repair program. A remedy was provided through U.S. Office of Special Counsel mediation.
- A lead safety and occupational health specialist at an Army Depot was reprised against after being perceived as a whistleblower. Management officials believed the specialist reported to the Occupational Safety and Health Administration violations of emergency response planning and training. The report was referred to command officials for remedial action.
- The chief of engineering and planning at an Army Depot was reprised against after being perceived as a whistleblower. Management officials believed the chief had reported problems regarding the logistics tracking infrastructure. Remedial action was taken by the commander.

Figure 3.3



	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
Received	315	313	400	445	426	461	597	671	552	554	629	625	591	618
Closed	235	356	322	392	406	428	401	716	446	506	572	541	447	633

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 noncriminal 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 September 30, 2010, there were 294 ongoing investigations into senior official misconduct throughout the Department, representing a 15 percent increase from March 31, 2010, when 257 open investigations were reported. Over the past six months, the Department closed 274 senior official cases, of which 37 (14 percent) contained substantiated allegations. Additionally, DoD IG completed 1,146 requests for records checks totaling 9,897 names of officers being considered for promotion, reassignment, or retirement. The Senate relies on the accuracy of these records checks when deliberating officer nominations.

Examples of Substantiated Senior Official Cases

- A general officer improperly used government resources and personnel for other than official purposes in violation of the Joint Ethics Regulation and DoD policy concerning the use of personal staff. The general allowed subordinates to perform personal services for him that were not related to his official duties, such as handling personal social events, decorating his quarters, and servicing his privately-owned vehicles. After being advised of the results of the investigation, the general compensated the individuals who had performed the personal services.
- A general improperly accepted a gift of services from a subordinate at the general's personal holiday reception; used official postage for unofficial purposes; and failed to use the government Travel Charge Card for official travel as required by law.
- A senior DoD civilian used or allowed the use of his official government position and/or organization name to be posted on a non-federal entity Web site in connection with activities performed in his personal leadership capacity in the NFE, and misused government resources and official time by hosting NFE meetings in his government office without approval.
- A senior executive extended official travel for primarily personal reasons by conducting TDY travel on Friday for business commencing on Monday. The senior executive reimbursed the government for additional costs incurred.
- An agency director engaged in gross mismanagement in administering his agency's collection and use of reimbursable fees. The total amount of questionable fees collected by the agency was approximately $20 million over a period of years. Although the mismanagement began prior to the director assuming office, he continued the improper practice after being advised of the matter by a member of his staff.
- A general officer failed to discharge his duties as a rating official when he did not timely complete officer evaluations reports on over 30 officers, some of whom met promotion or other boards without a current evaluation on top.
- A senior official accepted sporting event tickets and parking from a prohibited source, presented coin awards to contractor employees, and used official time and government resources to coordinate and attend the event in violation of the Joint Ethics Regulation.
- A general officer misused government resources to support his private Christmas party in violation of the Joint Ethics Regulation.

Congressional 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 April 15, 2010, Inspector General Gordon S. Heddell testified before the Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Contracting Oversight, at a hearing titled "Contracts for Afghan National Police Training." Mr. Heddell discussed a joint audit by Department of Defense IG and Department of State IG of police training in Afghanistan, and discussed concerns regarding the management and oversight of the Department of State's Civilian Police Program contract in support of the Combined Security Transition Command-Afghanistan, now known as NATO Training Mission – Afghanistan. In addition, Mr. Heddell discussed challenges created by joint administration and responsibility of this contract, and described planned oversight actions.

On May 24, 2010, the Commission on Wartime Contracting held a hearing titled, "How good is our system for curbing contract waste, fraud, and abuse?" The hearing comprised two panels. The Deputy Inspector General for Investigations testified during the first panel, which reviewed the challenges and issues that confront law-enforcement officials as they attempt to discover and successfully prosecute fraud in a contingency contracting environment. The testimony discussed successes and challenges related to investigating and prosecuting wartime contracting fraud. The Deputy Inspector General for Auditing testified during the second panel of the hearing, and provided an update on the activities of DoD IG over the past year; the key issues for the coming year; and the extent of, trends in, and steps needed to reduce waste, fraud, and abuse related to contracting in the current and future contingencies. The report, "Contingency Contracting: A Framework for Reform," issued May 14, 2010, which provided DoD field commanders and contract managers with information on systemic contracting issues identified in DoD IG products issued from October 1, 2007, through April 1, 2010, was presented. The testimony identified high-risk areas of contract management and described actions that need to be taken to correct these issues for future contracting.

On June 29, 2010, the Deputy Inspector General for Auditing testified at a hearing titled, "Contracting in Combat Zones: Who Are Our Subcontractors?" The hearing was held by the House Oversight and Government Reform Committee, Subcommittee on National Security and Foreign Affairs. The testimony highlighted some key deficiencies in contingency contracting and discussed related ongoing actions to help prevent waste, fraud, and abuse, as discussed in Audit Report No. D-2010-059.

Inspector General Heddell testifies on Afghan National Police training.

Congressional Briefings

During the reporting period, Mr. Heddell and representatives of DoD IG had 48 meetings with members of Congress and their staff. Topics of discussion during those meetings included issues such as: reprisal investigations, review of the DoD senior mentor program, review of the PAO program, wounded warrior transition care, the drawdown in Iraq, Recovery Act reviews, the Ft. Hood shooting incident, an audit oversight review conducted by Senator Charles Grassley, Ranking Minority Member of the Senate Committee on Finance, and proposed legislative taskings to the Office of Inspector General. From April 1, 2010 through September 30, 2010, DoD IG received 210 new congressional inquiries and closed 126 cases. New inquiries involved issues such as requests for reprisal investigations; the reviews related to American Recovery and Reinvestment Act funding; requests concerning open recommendations; concerns about the wounded warrior Program; and requests related to reviews of senior DoD officials, including almost 50 requests concerning allegations of misconduct involving the former director of DoDEA.

Deputy IG for Investigations James Burch testifies before the Commission.

Policy Oversight

Policy Issuances

Developing policy for all DoD activities relating to criminal investigations and law enforcement is one of the statutory responsibilities of the DoD IG, as provided for in the Inspector General Act of 1978, as amended. During the reporting period, DoD IG signed two new issuances establishing policies for conducting criminal investigations and updated another. The significance of those policies is discussed below:

New issuance, "DoD Contractor Disclosure Program," DoD Instruction 5505.15, June 16, 2010. This instruction establishes policies and outlines procedures for receiving, reporting, and investigating contractor disclosures in connection with the award, performance, or closeout of any DoD contract.

- This issuance is a major change to company self-regulation that was initiated in response to a legislative change.
- Contractors are now required by the FAR to disclose irregularities they discover in their contract performance to DoD IG.

New issuance, "Deoxyribonucleic Acid Collection Requirements for Criminal Investigations," DoD Instruction 5505.14, May 27, 2010. This Instruction establishes policy and outlines procedures for submitting DNA samples to the U.S. Army Criminal Investigation Laboratory for processing, and addresses from whom and under what circumstance a sample must be collected and submitted.

- This issuance is a major change in criminal investigations procedure initiated in response to a legislative change.
- DNA is now collected upon arrest and immediately put into a central database of the FBI, the Combined DNA Index System, for comparison with samples previously collected and associated with criminal investigations.
- This modified procedure should allow quicker matches that will support the investigative process.

DCAA Oversight

DoD IG has taken on a three-pronged approach for overseeing the Defense Contract Audit Agency, which issues thousands of reports annually on $368 billion in contracts worked on by over 3,600 auditors located in 300 field offices and sub-offices worldwide. DoD IG is monitoring DCAA audit quality and reviewing the effectiveness of DCAA's new and improved Quality Assurance Program. DoD IG has:

- Taken proactive steps to help DCAA more appropriately structure its hotline and ombudsman functions and ensured that the DCAA Hotline is in compliance with the independence requirements.
- Completed the review of 50 DCAA audits for compliance with government auditing standards and is issuing memorandums with action-based recommendations for improvements. To date, the review has shown a lack of improvement in the quality of audit work performed by DCAA. Among the top 10 audit quality issues were lack of professional judgment; inadequate audit planning, execution and documentation; lack of supervision; and DCAA policy not complying with generally accepted government auditing standards.
- Met with DCAA officials to discuss the general status of DCAA efforts to improve its work environment and audit quality, including the multitude of hotline submissions on work environment issues. Issues include the existence of an abusive work environment and unfair treatment of personnel.
- Met multiple times with Government Accountability Office personnel on DCAA-related hotline complaints received by GAO from DCAA current and former staff members. Additionally, DoD IG and the Chairman of the DCAA Oversight Committee, established by the Under Secretary of Defense (Comptroller), have met regularly.
- Sent DCAA Preliminary Results Memoranda and Notices of Concern, respectively, on subjects such as contractor's Cost Accounting Standards Disclosure Statement and languishing DCAA audit reports that could result in millions of dollars in savings. One PRM detailed 13 issues and made 53 recommendations for corrective actions.

Activities

- The Council of Inspectors General on Integrity and Efficiency was statutorily established as an independent entity within the executive branch by the "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 offices of the inspectors general. DoD IG is an active participant in the CIGIE, serving as a member of the CIGIE Executive Council; as 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: the impact of recommendations on accreditation of federal forensic laboratories on digital evidence units within the inspectors general community; the Trusted Internet Connections initiative; and OMB reporting guidance for the Federal Information Security Management Act of 2002.
- The Defense Council on Integrity and Efficiency is patterned after the Council of Inspectors General on Integrity and Efficiency. The DCIE is chaired by the DoD IG 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: joint IG training initiatives, Guam realignment oversight efforts, and an overview of the Defense Threat Reduction Agency and the office of the DTRA Inspector General.
- As part of providing effective oversight and outreach to the Department of Defense, the DoD IG Special Deputy Inspector General for Southwest Asia chairs the Southwest Asia Joint Planning Group with over 30 separate oversight organizations as members. Although the members of the group communicate with each other on a regular basis, once a quarter these organizations meet as a formal group. This group was formed to improve communications among the various organizations in an environment that is in constant motion. On August 27, 2010, the group issued a report, "Observations from Oversight Organizations Impacting Operations Iraqi Freedom and Enduring Freedom Beginning FY 2003 Through FY 2009." Further, another initiative of the group is to provide their findings and recommendations to the commanders and civilian leaders in the theater as early in the oversight process as possible to effect the changes required at its earliest point. This commitment was made in order to ensure that the oversight findings and recommendations are relevant, timely, and actionable.
- As part of providing effective oversight and outreach to DoD and other inspectors general, DoD IG established the Guam Interagency Planning Group. This group shares information about the status of Guam construction and discusses planned and ongoing oversight efforts. The group is made up of representatives from the audit and investigative community, as well as representatives from DoD and other federal departments and agencies. The mission of the Guam IPG is to facilitate coordination and collaboration among the oversight organizations involved in the Guam realignment. The group coordinates planned audits and inspections as well as shares and disseminates information that may be of interest to its members as appropriate. Within DoD, the Guam Joint Planning Group is the working level group to share information about the status of Guam planned and ongoing oversight efforts in the Department.
- DCIS plays a significant role in the International Contract Corruption Task Force. The task force is a multi-disciplinary and multi-agency coalition coordinating procurement fraud investigations. The task force was formed to specifically target fraud and corruption involving Southwest Asia. The primary goal of the task force is to combine the resources of multiple investigative agencies to effectively and efficiently investigate and prosecute cases of contract fraud and public corruption related to U.S. government

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

D IG chairs the Southwest Asia Joint nning Group.

Outreach

Students are sworn in at the DoD Joint Inspector General Course.

DCIS and other agencies display federal asset forfeiture sharing checks.

spending in Iraq, Kuwait, and Afghanistan. Currently, DCIS designates 15 special agents deployed in theater to the mission of the task force.

- On April 26, 2010, the Intellectual Property Rights Center, which unites U.S. government agencies that combat intellectual property theft, welcomed three significant new partners to the center: DCIS, NCIS, and the U.S. General Services Administration, Office of the Inspector General. DCIS and NCIS are focused on the protection of the U.S. military from counterfeit and substandard products, while GSA's Office of Inspector General will focus on protecting the federal civilian supply chain. DCIS joined ICE, Customs and Border Protection, the FBI, the Department of Commerce, the Food and Drug Administration, the Postal Inspection Service, and the Government of Mexico Tax Administrative Service in this new effort to provide focus in the battle against counterfeit products.
- The DCIS Asset Forfeiture Program continues to effectively provide forfeiture support to DCIS investigations. Since the start of the program in May 2007, DCIS has participated in the seizure of assets totaling $523.6 million. During the six-month reporting period, DCIS participated in investigations which led to court orders of final forfeiture in the amount of $3.8 million. As of September 2010, DCIS has participated in investigations which led to order of final forfeiture in the amount of $287.9 million, of which $223 million in currency, real property, and vehicles have been seized and forfeited.
- DoD IG provided IG Subpoena Process Training and covered possible uses in support of ongoing audits and investigations. This training was provided to 958 investigative, audit, and evaluator staff members from internal components of DoD IG, as well as to 306 special agents through instruction in 18 MCIO courses.
- The Joint IG Activities Office serves as the liaison to interface with joint IGs worldwide and other federal agencies as it relates to joint IG training, joint IG publications, staff assistance, and information technology. The DoD Joint Inspector General Program conducted two courses during this reporting period with a total of 41 graduates. The joint IG guides (Concept and System, Assistance, Inspections, and Investigations) were completed and serve as the basis for classroom instruction. A prototype Case Tracking System for deployed joint IGs was developed. This system, supplemented with various joint IG publications, will comprise the deployment package for Joint IGs.
- DCIS is a member of the Major Crimes Task Force in Iraq. The MCTF's mission supports capacity building efforts in which U.S. government special agents and attorneys advise and mentor government of Iraq police and judicial organizations. MCTF and Iraqi investigators continue to work closely together on investigative activities relating to highly sensitive public corruption, contract fraud, bribery and kickback, kidnapping, murder, and terrorism investigations.
- DCIS is also assigned as a member of Task Force 2010 in Afghanistan and continues to work with other mission partners such as DHS, SIGAR, FBI, and Afghan investigators in an effort to develop greater visibility of the flow of contracting funds below the prime contractor level in order to better employ contracting in support of counterinsurgency operations.
- The DCIS Homeland Security/Terrorism Program continues to participate in the Joint Terrorism Task Forces throughout the country. DCIS currently staffs approximately 38 JTTFs on a full-time or part-time basis. Additionally, a full-time DCIS representative is assigned to the National Joint Terrorism Task Force located at the National Counterterrorism Center, McLean, Va. The mission of the JTTF is to detect, prevent, and respond to domestic and international terrorist organizations.
- DCIS continues to support the Weapons Investigative Cell, which continues to pursue investigative leads concerning weapons accountability in Iraq. The WIC works with government of Iraq officials to conduct weapons and munitions accountability investigations.

4

Services

Army

USAAA conducted an audit of the Foreign Military Sales process.

Army Audit Agency

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

USAAA also maintains a significant presence in the U.S. Central Command area of responsibility assisting Army commanders. At the end of September 2010, it had 36 deployed auditors in Iraq, Kuwait, and Afghanistan. Overall, USAAA has deployed over 150 auditors since 2002 and issued more than 100 reports on Operation Enduring Freedom/Operation Iraqi Freedom.

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

- Sustain the Army's soldiers, families, and civilians.
- Prepare soldiers, units, and equipment to succeed in complex 21st century security environments.
- Reset forces and rebuild readiness for future deployments and contingencies.
- Transform and meet the needs of combatant commanders.

During the second half of FY 2010, USAAA published over 100 reports, made over 300 recommendations, and identified over $500 million of potential monetary benefits. A few of USAAA's significant reports are described in the following paragraphs:

Table of Distribution and Allowances Workforce - Institutional Training

USAAA evaluated the Army's requirements for and staffing of training instructors, training developers, and training support personnel and whether they were sufficient to meet the institutional training mission. USAAA found that the equations used to calculate specific training instructor requirements have not been updated for approximately 10 years and did not consider current workload, resulting in understated requirements. Demands on training instructors increased due to additional student load resulting from Grow the Army, the reduced staffing of training developers and support personnel, ongoing contingency requirements, and delays in receipt of resources for emerging training requirements. Also, the methodology and models used to determine requirements for training developers and support personnel were not based on accurate workload, and significant staffing shortages existed for both functions. As a result, recommended instructors-to-student ratios were exceeded with less emphasis on leadership training, which impacted training quality. USAAA made recommendations to improve the requirements determination processes for training instructors, developers, and support personnel that will help the Army generate more accurate personnel requirements.
Report No. A-2010-0149-FFS

Readiness of Modular Units - U.S. Army Reserve

USAAA reviewed whether U.S. Army Reserve modular units had the skilled personnel and equipment necessary to fulfill their operational mission. USAAA found that the units reviewed had skilled personnel shortages and fill rates below targets. This occurred because units were accelerated through modular transformation during the current operating tempo. This resulted in the units having to cross-level personnel from other units to mobilize and deploy. USAAA made recommendations to improve the skilled personnel shortages and ensure unit readiness prior to deployment.
Report No. A-2010-0157-FFS (FOUO)

Foreign Military Sales Process for Iraq and Afghanistan, U.S. Army Security Assistance Command

USAAA reported that the Foreign Military Sales process was generally adequate to acquire equipment and services for Afghanistan security forces. However, equipment for Iraqi forces was primarily acquired outside of the FMS

process. The peacetime FMS process was not effective, and the Army did not have a formal FMS plan to meet contingency requirements for supporting Iraq and Afghanistan. The Iraq Transition Command asked for and received "direct procurement authority" and used the authority to bypass the FMS process. The Army has taken steps to improve the peacetime process and estimates that about 95 percent of the equipment delivered to Iraq and Afghanistan was Army managed equipment. The Army has an opportunity to influence the process by working with the DoD task force and a Presidential Blue Ribbon interagency task force established to study and recommend improvements to security assistance processes.

Report No. A-2010-0094-ALA

Management and Use of Ground Combat System Training Aids, Devices, Simulators, and Simulations

USAAA reviewed how the Army acquired, fielded, used, and divested Ground Combat System TADSS. USAAA determined the Army used best business practices to identify training gaps and prioritized TADSS fieldings to mitigate those gaps. The Army analyzed the Army Campaign Plan, the Grow the Army Initiative, training plans, and the Mission Essential Requirements process. It then reallocated resources to put existing TADSS at the most critical sites and supplemented them with new acquisitions. Installations were pleased with the TADSS they received but concluded that requirements for personnel and facilities were understated. This occurred because the Army did not perform Training Effectiveness Analyses and Post Fielding Training Effectiveness Analyses, important controls in the acquisition process. These analyses would have shown if the Army was getting the costs and benefits it expected. Therefore, the Army did not know if the requirements were accurate. USAAA made recommendations to improve controls over estimating and funding requirements for personnel and facilities. The Army agreed with the recommendations or provided alternatives that met the intent of the recommendations.

Report No. A-2010-0180-ALA

Army Strategy for Establishing, Sustaining, and Transitioning Non-Traditional Installations

USAAA reported the Army lacked an overall strategy to establish, sustain, and transition non-traditional installations, and its soldiers no longer possessed the skills to properly manage base camps in deployed environments. It also reported (1) the Army did not implement the strategic goals it established for NTIs and did not have a proponent for NTIs; (2) transformation and force structure changes resulted in an engineering capability gap; and (3) doctrine and training did not evolve with the changes resulting from Army transformation. These actions reduced expertise available to units and negatively affected operations in deployed environments, and led to an overreliance on contractors. The Under Secretary of the Army agreed with the report and appointed proponent offices to develop a strategy to improve management of NTI and reduce environmental, safety, and health incidents and overreliance on contractors. The proponent offices will synchronize and resource ongoing and future initiatives to address issues affecting operations and personnel.

Report No. A-2010-0084-ALE (FOUO)

Installation Pass Procedures in Europe, U.S. Army Installation Management Command, Europe Region

USAAA reported that procedures and controls were in place to ensure only properly screened personnel received installation passes. Installation Access Control Office generally required sponsoring activities to justify applicants' need for installation access, sign-in privileges, and day and time access. Some controls, however, could be improved. Specifically, IACOs did not verify completion of background checks or retain copies of some application packets reviewed. Additionally, IACOs and sponsoring activities did not perform reconciliations to ensure only pass holders with a continued need were allowed access to garrisons. As a result, garrisons accepted a higher security risk for individuals entering installations. IMCOM Headquarters concurred with the audit conclusions and recommendations, and implemented improvements to procedures and controls to ensure only properly screened

"USAAA reported that procedures and controls were in place to ensure only properly screened personnel received installation passes."

personnel received installation passes for garrisons in Germany.
Report No. A-2010-0139-ALE (FOUO)

Sustainment of Nonstandard Equipment

USAAA evaluated the Army's method of sustaining its tactical nonstandard equipment and found that although the Army took some critical steps to improve sustainment for some of its tactical nonstandard equipment, it did not have the needed processes in place to determine sustainment strategies. As a result, planners overstated sustainment requirements for one item which resulted in $12.8 million of potential cost savings. USAAA also determined that Army visibility systems did not provide managers reliable information to plan for sustainment and disposition, because the disposition process did not include all the items with on-hand quantities in Southwest Asia. Further, the Army had at least $919 million of tactical NSE outside Southwest Asia without future disposition plans. Lack of disposition instructions increased the risk of unnecessarily repairing or purchasing additional tactical NSE. USAAA made recommendations to improve oversight of all Army tactical NSE. The Army agreed with the recommendations or provided alternatives that met the intent of the recommendations, and began taking corrective actions during the audit.
Report No. A-2010-0160-ALM (FOUO)

Dormant Stock

USAAA performed several audits to evaluate the Army's actions to identify, review, and reduce dormant stock—defined as on-hand items without activity in five years. USAAA conducted audits at U.S. Army TACOM Life Cycle Management Command and U.S. Army Aviation and Missile Life Cycle Management Command. USAAA reported that the activities identified about 22,000 line items of dormant stock (valued at about $3.6 billion). However, the activities did not review approximately 14,000 line items (valued at about $3.2 billion) because they did not have effective supervisory controls in place to make sure command personnel complied with the review requirements. USAAA made recommendations to improve supervisory controls over reviews of dormant stock and disposal or use of identified dormant stock for other requirements. The Army agreed with the recommendations and could save about $22 million over six years by taking corrective actions to reduce excess dormant.
Report No. A-2010-0089-ALR and A-2010-0183-ALR

Follow-up Audit of Inventory Accountability and Stockage Levels, Tobyhanna Army Depot

USAAA performed this follow-up audit to assess the actions taken in response to eight recommendations addressed to Tobyhanna Army Depot in two prior reports: Inventory Accountability and Inventory Stockage Levels. The original audits identified problems with performing inventories and maintaining accurate accountable records for materiel stored at the depot, and making sure cost-effective procedures were used to purchase and store material.

USAAA concluded that the depot implemented five recommendations, and the actions taken corrected the problems the original audit identified. The depot partially implemented the other three recommendations. USAAA reported that Tobyhanna Army Depot: (1) improved procedures for the inventory process; however, not all items were inventoried and location survey procedures excluded reported empty locations; and (2) improved procedures for monitoring, reviewing, and turning in some excess items, resulting in realized monetary benefits of $21 million ($19.8 million more than the $1.2 million identified in the original audit).
Report No. A-2010-0146-ALR

Cellular Telephone Management, U.S. Army Installation Management Command

USAAA performed a series of audits on cellular telephone management. It evaluated the practices used to manage cellular telephones and BlackBerry devices by activities at U.S. Army Training and Doctrine Command, U.S. Army Forces Command, U.S. Army Installation Management Command, and U.S. Army Accessions Command. USAAA reviewed controls at all levels over procuring, accounting for, and using the devices.

In the IMCOM report, USAAA concluded that command activities adequately

USAAA evaluated practices used to manage BlackBerry devices.

accounted for their cellular devices and had effective controls to prevent users from adding unauthorized services or features such as ring tones. However, activities did not effectively monitor usage and incurred unnecessary costs. Overall, about 18 percent of cellular devices reviewed had minimal or no monthly usage for two or more consecutive months, making them candidates for suspended service. Telephone control officers at all levels are responsible for continual management and control of cellular telephone billings. Improved procedures to allow these officers to suspend service for minimal users could result in savings of about $89,400 per year. The savings could be even greater if similar practices were instituted at all command activities.

Report No. A-2010-0130-FFI

Resources for the Global Network Enterprise Construct

USAAA determined whether the Army had enough visibility over common-user information technology expenditures to enable it to fully identify resource requirements for the 2012 program objective memorandum. USAAA reported that the Army does not have sufficient visibility over expenditures for common-user information technology services to fully identify resource requirements. In FYs 2007-2008, the Army executed about 54 percent more than was funded for common-user IT services. This occurred because alternate funding sources, such as reimbursable orders, funding reassignments, and other funds were used to supplement common-user IT service funding. Based on USAAA's observation of the FYs 12-17 POM requirements review, this shortfall will continue. This is because funding reassignments, orders for reimbursable services, and IT expenditures by installation tenants are not considered recurring common-user IT expenses. Recommended funding from the requirements review was $123 million less than what the Army executed, on average, during FYs 2006 to 2008. If network enterprise centers are not funded sufficiently, this will impede the Army's implementation of the Global Network Enterprise Construct. The Army agreed with the conclusions and recommendations.

Report No. A-2010-0128-FFI (FOUO)

American Recovery and Reinvestment Act

USAAA continued to perform Phase II audits in support of the DoD IG mandated requirement to provide oversight of DoD Recovery Act plans and implementation. Phase II efforts focused on determining whether the Army implemented the American Recovery and Reinvestment Act of 2009 in accordance with the requirements of the Act, OMB guidance, and subsequent related guidance. Specifically, USAAA assessed the planning, funding, project execution, and tracking and reporting of Recovery Act projects to ensure the Army's efforts facilitated accountability, transparency, and the other goals of the Act.

USAAA's Phase II completed efforts include Active Army and National Guard Facilities, Sustainment, Restoration and Modernization projects for barracks, energy, utilities, pavements, operations, quality of life, military construction of a Child Development Center, and a Defense Health FSRM project. Overall, it found that the Army properly planned, funded, executed, and tracked and reported the projects reviewed as stipulated in the Act and related guidance. However, some installations and National Guard sites did not (1) have properly documented project justification; (2) include some of the applicable award terms and clauses in contract documents; and (3) properly post some of the required notices on public Web sites. These conditions primarily occurred because the sites were not maintaining sufficient documentation to justify the need for projects, and contracting personnel used existing contracts that had been awarded prior to the Recovery Act without modifications.

Additionally, USAAA reported that, at National Guard sites, contracts awarded by state contracting personnel through a special military cooperative agreement were not fully transparent to the public. This primarily occurred because the National Guard did not update the special military cooperative agreement template to include some of the necessary terms to ensure that all Recovery Act requirements flowed down to contracts awarded by the states. USAAA determined that this would likely be an issue for all National Guard Recovery Act contracts

"USAAA continued to perform Phase II audits in support of the DoD IG mandated requirement to provide oversight of DoD Recovery Act plans and implementation."

"The Army spends over $62 million annually in operating costs for water-related services at its activities. Conserving water resources, even by a small amount, can translate into helping the Army protect its military activities and soldiers against vulnerability to this critical resource."

awarded by the states because the Headquarters, National Guard provided the template for the special military agreement. The National Guard needs to update the template to include language that ensures that Recovery Act contracts awarded by the states meet all of the requirements of the Act. USAAA and DoD IG have discussed the matter with the National Guard Bureau, and USAAA will issue a summary report related to the issue.

USAAA made recommendations that will increase the accuracy of information reported on the Federal Business Opportunities Web site, the Federal Procurement Data System-Next Generation, and the Federal Reporting and Recovery Web sites and ensure that Army actions are fully transparent to the public. In response to USAAA recommendations, contracting personnel took immediate corrective action to add required Federal Acquisition Regulation clauses to existing contracts that were awarded prior to the Recovery Act, and to retain all relevant documentation in contract files for ease of tracking.

Report Nos. A-2010-0073-ALO; A-2010-0092-ALR; A-2010-0102-ALR; A-2010-0116-ALR; A-2010-0123-FFE; A-2010-0127-FFE; and A-2010-0140-ALO

Funding Requirements for the Conventional Ammunition Demilitarization Program

In 1975, DoD designated the Army as the single manager for conventional ammunition making the Army responsible for the conventional ammunition demilitarization of all of DoD's excess, obsolete, and unserviceable ammunition. USAAA performed this audit to determine whether the Army reasonably estimated the funding required for demilitarizing and disposing the Military Services' excess, obsolete, and unserviceable conventional ammunition items.

USAAA reported that since 1994, the Army significantly underestimated the funding requirements needed to perform its joint conventional ammunition demilitarization mission primarily because program officials generally believed storage was cheaper than destruction in the near term, and the military services consistently understated forecasts of stockpile additions. As a result, the DoD stockpile of obsolete, excess, and unserviceable conventional ammunition awaiting demilitarization grew to over 557,000 tons as of March 2009, representing a $1 billion liability. Based on recent growth rates and current funding processes, USAAA estimated the stockpile could exceed 1.1 million tons in another 15 years—representing a $2.8 billion liability. USAAA made several recommendations to the Army to improve the estimate of the funding requirements needed to perform its conventional ammunition demilitarization mission. The Army agreed with the recommendations and took an alternative course of action for another. Collectively, the Army's actions should reduce the stockpile over time and reduce costs for storage and demilitarization by about $460.7 million through FY 2025.

Report No. A-2010-0134-FFE

Water Conservation Resources

The Army spends over $62 million annually in operating costs for water-related services at its activities. Conserving water resources, even by a small amount, can translate into helping the Army protect its military activities and soldiers against vulnerability to this critical resource. USAAA reported that the Army took some sufficient measures to implement low/no-cost water conservation practices to conserve water resources. However, many activities did not complete water management plans and conduct water audits as required because the activities and their headquarters did not have the necessary resources or emphasize the plan's importance, and the Army's guidance for conducting reviews was not fully effective. Also, the Army's Energy Security Implementation Strategy, which is new, needs to ensure that it creates a culture of accountability for water conservation and effectively includes goals to reduce water consumption.

Additionally, the Army reported in its annual Energy and Water Management Report to DoD and Congress that it met FY 2008's federally mandated goal and reduced water intensity by 6.2 percent. However, we found the Army's water intensity increased by 1.8 percent rather than

decreased by the mandated 2 percent reduction goal established by federal law. USAAA made several recommendations to improve the Army's ability to meet federal laws and goals established to reduce water consumption. The Army agreed with the recommendations and stated it took or would take corrective actions.
Report No. A-2010-0158-FFE

Real Property Sustainment, Restoration, and Modernization

The Army's real property included about 256,000 buildings and structures (facilities) worth about $264 billion, or over 37 percent of the total DoD value. During FYs 2005 to 2008, the Army spent about $2.5 billion each year to maintain, repair, and alter its facilities. These improvements are called sustainment, restoration, and modernization or, collectively, infrastructure support.

However, the Army has continually underfunded its sustainment requirement and encountered a backlog of restoration and modernization projects. This could have far-reaching impacts on mission-critical facilities soldiers need. Due in part to the impact on more critical Army programs and the funding challenges the Army faced, the Government Accountability Office has classified DoD infrastructure support as a high-risk area since 1997. During FYs 2007 to 2008, the Army increased its investment of restoration and modernization as compared to sustainment. As a result, the Army realized an overall improvement in its facility conditions. During the audit, USAAA visited four garrisons: Forts Campbell, Huachuca, Indiantown Gap, and McCoy. The condition of facilities at these garrisons reflected this improvement.

USAAA focused its efforts on evaluating Army's management of infrastructure support requirements to determine if there was a correlation between funds spent and facility conditions. USAAA determined that Army garrisons did not manage their Operation and Maintenance-funded infrastructure support requirements using facility physical quality ratings or current known status of their facilities. During FYs 2005 to 2008 the four garrisons we reviewed spent only about three percent of their infrastructure support budget for facilities in poor or failing condition. USAAA made recommendations to issue clarifying guidance on the definition of sustainment, restoration, and modernization and when to execute each; to follow a consistent process that emphasizes prioritizing and funding infrastructure requirements based on the condition of the facilities; and to establish guidance on roles and responsibilities of garrisons and tenant organizations for infrastructure support of real property. These actions should help lower the risk of further deterioration of lower-rated facilities that will require significant investment to repair or replace. In addition, this should enhance the Army's management of available resources, and potentially put to better use almost $900 million for infrastructure support requirements over the next six years.
Report No.: A-2010-0121-ALO

USAAA conducted an audit of real property sustainment.

Disposal of Army Equipment and Material Into Defense Reutilization and Marketing Office Sites in Iraq, United States Forces – Iraq

USAAA conducted this audit at the request of the director, U.S. Forces-Iraq. USAAA reported that units generally supported the drawdown mission by disposing of unserviceable and non-reparable items at DRMO sites. However, two issues needed immediate attention: (1) the Standard Army Retail Supply System at supply support activities in Iraq routed all DRMO-bound shipments to the Balad DRMO instead of the nearest DRMO; and (2) unit personnel sometimes were not aware of disposal requirements or proper disposition procedures for equipment and materials. In response to our periodic updates during the audit, J4 officials made changes to their disposal processes and corrected the problems identified. Moreover, during the audit, USAAA validated that corrective actions taken fixed the reported conditions.
Report No. A-2010-0171-ALL

Contracting Operations, Joint Contracting Command-Iraq/Afghanistan; Kandahar, Jalalabad, and Salerno Regional Contracting Centers, Afghanistan

USAAA performed this series of audits at the request of the commander, JCC-I/A. USAAA reported that, although the regional contracting

centers were successfully accomplishing their contracting missions by awarding contracts in a timely manner to meet customer needs, some contracts awarded in FY 2008 and the first quarter of FY 2009 were not properly justified, awarded, or administered. Issues in these areas occurred because (1) requiring activities and the contracting centers were not sufficiently performing short-, mid-, and long-term planning; (2) requiring activities did not have sufficient organizational structures and procedures in place to develop high-quality contract requirements and properly monitor contractor performance; and (3) the high operational tempo environment and other challenges led to more emphasis being placed on awarding contracts than on developing sound contract requirements, monitoring contractor performance, and performing other administrative functions. These audits assisted the Joint Contracting Command in identifying and correcting internal control weaknesses, and instituting better contracting practices within Afghanistan. U.S. Central Command agreed with the audit conclusions and recommendations.

Report Nos. A 2010-0135-ALL; A-2010-0196-ALL; and A-2010-0198-ALL (FOUO)

"...in spite of actions taken, USAAA found vendor payments did not meet the minimum criteria to determine if payments were valid and fully supported."

Pilot Program for Defense Base Act Insurance, U.S. Army Corps of Engineers

The Assistant Secretary of the Army Acquisition, Logistics and Technology and the U.S. Army Corps of Engineers requested this audit based on congressional interest over the Corps' attempt to implement a centralized program for DBA insurance. USAAA found that the centralized concept was conducive to providing more affordable coverage to and increasing participation of smaller contractors on Corps projects, and increasing contractor awareness and compliance with DBA insurance requirements. The program also initially appeared to achieve savings when compared with rates some contractors paid before the start of the program. However, as the program progressed into its final stages and converted over to a permanent program, the cost of the insurance increased significantly which adversely affected the cost-effectiveness of the centralized program. USAAA concluded this occurred because the Corps did not sufficiently challenge the claims data the carrier used to negotiate higher rates. Also, the Corps was in a difficult position to negotiate lower rates because only one carrier was willing to provide the insurance under a centralized program. As a result of the audit, the Corps was able to reduce the rates contractors paid for DBA insurance when it renegotiated rates for the option periods under the permanent program contract.

Report No. A-2010-0152-ALL

Controls Over Vendor Payments - Southwest Asia (Phase II), Kuwait and Qatar

USAAA performed this audit at the request of the assistant secretary of the Army (Financial Management and Comptroller). USAAA reported that finance and storefront offices within Kuwait and Qatar took numerous actions to address the Army's material weakness relating to the lack of a proper audit trail for commercial payments in a contingency environment. However, in spite of actions taken, USAAA found vendor payments did not meet the minimum criteria to determine if payments were valid and fully supported. Furthermore, USAAA found additional improvements were needed to address the integrity of the automated audit trail because (1) not all units received adequate predeployment and onsite training; (2) working relationships and initiatives between activities in the fiscal triad were not fully synchronized; and (3) command sometimes did not enforce regulatory guidance or include processes in the internal control program to effectively monitor operations. This audit raised awareness of the lack of sufficient visibility and oversight of vendor payments to ensure entitlements and disbursements were accurate.

Report No. A-2010-0126-ALL (FOUO)

Commander's Emergency Response Program, Multi-National Force - Iraq, Summary Report

USAAA conducted this audit at the request of commander, Multi-National Force-Iraq. USAAA reported, based on reviews of 310 projects valued at $68.2 million, that internal controls were in place to ensure commanders in Iraq implemented the program properly, to include CERP guidance contained in the Multi-National Corps-Iraq CJ8 Money As A Weapon System set of standard operating

procedures. However, issues existed with the application of CERP guidance to include some instances of incomplete project files, approved projects that may have fallen outside CERP criteria, and insufficient statements of work. These issues occurred primarily because of shortfalls in the training and experience level of personnel performing the fund's management, oversight, and execution actions. This audit contributed to the success of GWOT relative to the audit's influence over framing and firming policy over the military's execution of CERP dollars in Southwest Asia. Specifically, the audit influenced the development of improvements to institutional training and pre-deployment coordination to ensure key CERP personnel were trained to Army standards on their responsibilities before deployment so they could efficiently support operational objectives and to minimize the risk of fraud, waste, or abuse. In addition, the success of the audit translated into a request to conduct a baseline review of the execution of the program in Afghanistan, which USAAA will report on in FY 2011. The Office of the Deputy Chief of Staff, G-3/5/7 and the commander, Multi-National Force-Iraq stated actions had been or would be taken to address the recommendations in the report.

Report No. A-2010-0097-ALL (FOUO)

Army Criminal Investigation Command

Significant Activities

Army CID is a combat-ready organization dedicated to providing the U.S. Army critical investigative support, actionable criminal intelligence, logistics security, and protective services around the globe. It continues to have more than 150 agents and support personnel forward-deployed in support of ongoing contingency operations in Kuwait, Iraq, and Afghanistan.

Since April 2010, Army CID has generated a report of investigation every hour, on average, in response to reports of violent, general, economic, and drug crimes, totaling over 3,600 new investigations. In spite of the demanding case load, Army CID maintains a solve rate of over 98 percent for drug crimes; 95 percent for violent crimes; and 91 percent for economic crimes, all nearly twice the national average. Its solve rate of 65 percent for general crimes is over four times the national average.[1] As a result of the successful resolution of investigations, Army CID has generated more than $50 million in recoveries during this reporting period.

The U.S. Army Protective Services Battalion provides continuous worldwide executive protection for designated senior DoD, Joint Chiefs of Staff, and Department of the Army officials and their foreign counterparts on sponsored senior foreign official visits to the United States. It also continues to deploy special agents to Afghanistan, Iraq, and Kuwait to lead protective services details for senior U.S. combat commanders.

The Army CID Computer Crime Investigative Unit continues its support to the president's comprehensive national cybersecurity initiative and the emerging U.S. Cyber Command by aggressively investigating intrusions and related malicious activities targeting Army computer networks. In partnership with the Army chief information officer, the CCIU conducts proactive vulnerability assessments to identify and remediate vulnerabilities before cyber criminals or other adversaries can access or damage Army systems. During this reporting period, CCIU's vulnerability assessment program identified $55 million in cost avoidance to the Army. Following the mandatory remediation of these vulnerabilities, no computer network compromises occurred at assessed installations for the remainder of this reporting period.

The Major Procurement Fraud Unit continues to lead Army CID's fight against fraud and corruption. It is a founding member of the International Contract Corruption Task Force, and continues working in conjunction with member agencies that include DCIS, DoS, FBI, SIGIR, and USAID, under the DOJ International Contract Corruption Initiative. With five forward operating investigative offices

Secretary of Defense escorted by special agents of Army CID's Protective Services Battalion.

1 The 2008 Uniform Crime Report

An Army CID special agent performing a computer forensic examination.

in Afghanistan, Kuwait and Iraq, the focus is on contingency fund contractual fraud involving overseas contingency operations and in support of military operations under OEF, OIF, and Operation New Dawn. MPFU is an active investigative partner assisting contracting and audit agencies in both the Host Nation Trucking Task Force and Task Force 2010 in Afghanistan. MPFU accomplishments since April 2010 include initiating 71 investigations with $37.4 million in total recoveries and an additional $2.5 million identified as cost avoidance. Of those, specifically attributable to its Overseas Contingency Operations, MPFU and the ICCTF initiated 16 investigations and realized $32.5 million in fines and restitutions.

In April 2010, the Secretary of the Army's program "I Am Strong," which is geared towards eliminating sexual assaults, entered Phase II, the Army-wide buy-in. To foster the program's success, Army CID trained 27 sexual assault investigation experts and strategically placed them around the world. These investigators augment existing Army CID agents and assumed a leadership role in forming special victim investigative units at each location and building Army CID centers of excellence in sexual assault investigations. These centers are becoming the training grounds for all agents to facilitate improved investigations into sexual assault and accountability for offenders. To further increase training and effectiveness, Army CID hired seven experts in the field of sexual assault investigations and assigned them to regional office headquarters, the U.S. Army Criminal Investigation Laboratory, and the U.S. Army Military Police School (whose mission is to train agents). In conjunction with USAMPS, Army CID has initiated a new two-week training course aimed at teaching the best practices in sexual assault investigations, taught by both in-house and outside experts brought in as guest lecturers. Integrating subject matter experts into Army CID sexual assault investigative operations has contributed to a six percent increase in solved investigations over the past two fiscal years.

Fiscal year 2010 was a year of major achievements and transitions for the USACIL. Due to massive increases in requirements to forensically support warfighter operations overseas in OIF/OEF, USACIL significantly altered its mission and organization, and substantially grew in both personnel and resources. In particular, FY 2010 saw significant requirements to provide deployable laboratories and reach-back forensic support to warfighter operations, and major initiatives in specialized forensic training and forensic science and technology.

USACIL, as executive manager for DoD's program to upload convicted offender DNA profiles into the FBI's Combined DNA Index System database, recently expanded its capabilities to include profiles for (1) military arrestees; and (2) non-U.S. person detainees to the National DNA Index System. The goal of the arrestee expansion is to obtain the samples while the case at hand is still under investigation. Experience has shown that due to recidivism, a database of arrestee profiles will significantly aid ongoing investigations. This added mission is estimated to increase workload from approximately 5,000 samples to 40,000 samples per year.

Working with the Army Detainee Operations Center, USACIL created a new DNA collection kit for use in obtaining DNA from all non-U.S. persons with an Internment Control Number detained by the U.S. military. These DNA profiles will be added to the newly created Detainee Index in NDIS. Additionally, these samples will allow a comparison with other DNA samples collected at borders and other locations to help enhance homeland security. USACIL is prepared for the dramatic increased workload in DNA processing expected to arise from the implementation of DoD Instruction 5505.14. Actions taken in 2010 to support this increase include:

- Laboratory automation was increased, quadrupling the throughput capacity of the genetic analyzers.
- An automated punch system was brought online to remove a small portion of each sample from the paper card that holds the DNA.
- The extraction process was automated by

implementing a robotic liquid handling system, performing a process that was previously labor intensive.

Expeditionary Forensics Division personnel concluded a highly successful mission supporting the Joint Expeditionary Forensic Facility in Afghanistan. Since January 2010, JEFF processed more than 11,000 items of forensic material collected on the battlefield related to anti-coalition activity. The examinations resulted in more than 360 positive identifications for use in intelligence processing and prosecution in host-nation courts.

USACIL recently created the Training and Technology Division to provide specialized forensics training and forensics science and technology capabilities to the Defense Forensics Enterprise. Its immediate training focus is on forensic examiners and technicians deploying to expeditionary forensic laboratories in support of operations in Afghanistan. Secondarily, it will train new examiners for the traditional forensic analysis mission, provide professional development programs, and educate military criminal investigative organizations. The Forensic Science & Technology element, established under the direction of the USD (AT&L) is the focal point for coordinating DoD forensic research and development efforts, representing DoD's first concerted effort to establish a science and technology capability specifically focused on forensic science. In FY 2010, this effort generated 14 forensic research projects and is projected to add another 12 projects in FY 2011.

With the DoD Office of Military Commissions, the DoD Criminal Investigation Task Force, comprised of special agents from Army CID, NCIS, and AFOSI, continues to spearhead the investigations of detainees slated for prosecution through military commissions or federal court and slated for continued detention under the laws of war. In August 2010, a joint group of CITF, OMC, and FBI representatives traveled to a remote location to assess thousands of documents and media seized during Operation Enduring Freedom to determine their courtroom relevance and develop search criteria for future items of investigative interest for use by case agents, analysts, and attorneys.

Army CID continues to manage the ongoing Law Enforcement Program which supports both the Army and Marine Corps in Iraq and Afghanistan by advising, assisting, mentoring, and training in planning and executing law enforcement-related missions, as well as by supporting those U.S. Forces responsible for training host nation security forces. During this reporting period, on average, LEP's monthly support included:

- Initiated 77 IED-related investigations.
- Referred 9 IED investigations for targeting purposes.
- Referred 34 IED investigations for prosecution.
- Initiated 11 corruption-related investigations.
- Participated in 448 patrols.
- Seized 25 weapon and munitions caches.
- Trained 1,140 U.S. forces.
- Assisted in training and mentoring 444 HNSF.

The LEP also supported the surge of forces in Afghanistan and ongoing efforts to build HNSF capability in support of developing the Rule of Law. Personnel assigned to Joint Task Force-Paladin Investigative and Surveillance Unit mentored the Wardak Province team on an internal affairs investigation which resulted in the arrest of an Afghan National Police Officer for conspiring with and facilitating Taliban Commanders and fighters in Badam Kalay. This Rule of Law enabling case was significant because it demonstrated the competence and confidence of HNSF to enforce their own laws and institute standards of conduct.

Moreover, during the sensitive response and investigation of two missing U.S. Navy personnel in Afghanistan, LEP personnel participated in the nighttime insertion of forces that discovered the original scene, and collected and evacuated crucial evidence for analysis. Relationships developed with HNSF in Logar Province were used to obtain information helpful in locating the second missing service member's remains.

"USACIL recently created the Training and Technology Division to provide specialized forensics training and forensics science and technology capabilities to the Defense Forensics Enterprise."

Significant Investigative Cases

Sudanese National Pled Guilty to Providing Material Support for Terrorism to Al Qaeda

Overview: Ibrahim Ahmed Mahmoud al Qosi, a Sudanese National, worked for Osama bin Laden and other al Qaeda leaders as a cook, driver, and bodyguard between 1996 and when he was arrested in 2001, and played a key role in bin Laden's escape from Afghanistan in the aftermath of the 9/11 attacks. In 1996, al Qosi followed bin Laden after the al Qaeda leader was expelled from Sudan. While in charge of the al Qaeda compound's kitchen in Jalalabad, Al Qosi also provided logistical support to the terrorist group. Al Qosi fled al Qaeda's hideout at Tora Bora in late 2001, crossed the border into Pakistan, and was arrested by local officials who turned him over to the DoD Criminal Investigation Task Force. During the trial, witnesses testified that only the most loyal followers of bin Laden would be trusted and allowed close enough to become a cook or driver for the al Qaeda leader.
Result: In July 2010, Al Qosi pled guilty in a military commission to providing material support for terrorism and conspiracy under a plea agreement, and admitted that he was engaged in hostilities against the United States in violation of the laws of war.

Former West Point Employee Sentenced for Involvement in Embezzlement Scheme

Overview: Irregularities found during a routine audit led U.S. Army investigators to determine a U.S. Military Academy employee, acting as the requesting and approving official, used her government purchase card and the cards of her unknowing subordinates to authorize approximately $2.9 million in payments to CWG Enterprises. Between 2001 and 2007, the employee made fictitious orders from CWG Enterprises, a non-existent company she created and registered with the State of New York. The payments were electronically deposited into financial accounts established and controlled by the employee, who subsequently withdrew the funds for her personal gain and benefit. The employee pled guilty in the U.S. District Court in the District of Columbia to devising a scheme to defraud, and transmitting funds in interstate commerce for the purpose of executing the scheme; embezzlement and conversion of government funds; and executing a financial transaction with criminally-derived funds.
Result: The employee was sentenced to 46 months incarceration, 36 months supervised release, and ordered to pay over $2.9 million restitution to the U.S. Military Academy, West Point, N.Y. Both the employee and CWG Enterprises were debarred for seven years.

Conspiracy to Steal U.S. Government Property in Iraq

Overview: The investigation determined that an Egyptian national conspired with an unidentified employee of Kellogg, Brown and Root to steal U.S. government material and equipment. The Egyptian national then conspired with Iraqi Army Officers to gain installation access for trucks to transport the property off-post, where it was sold. Extensive surveillance resulted in capturing the Egyptian national as he attempted to steal a U.S. government-owned generator valued at $510,000.
Result: The Egyptian national was deported from Iraq and was barred from all U.S. installations in theater. Six other personnel identified as being involved in the conspiracy were also barred from U.S. installations in theater. Agents recovered over $7,000 in U.S. and Iraqi currency.

Army Soldier and Three Co-Conspirators Sentenced to a Total of More Than 50 Years in Prison for Sex and Drug Trafficking

Overview: Investigation determined that an Army private first class and three civilians were operating a brothel at the soldier's off-post apartment in Maryland, soliciting customers by using the soldier's computer, and posting ads on the Internet Web site Craig's List. The soldier and his accomplices recruited at least 12 females from Ohio, New York, and Virginia, including a 16-year-old, through Internet social networking sites such as MySpace, YouTube and Facebook, and enticed or transported them across state lines into Maryland. The conspirators supplied the females with narcotics, used strong-arm tactics to force their continued cooperation, and refused to let them leave. This investigation was conducted jointly with ICE and the Anne Arundel police department.
Result: The defendants pled guilty to sex

trafficking by force; sex trafficking of a minor; enticement to travel in interstate commerce to engage in prostitution and interstate transportation for prostitution; and conspiring to sell drugs.

Naval Audit Service

The NAVAUDSVC's mission 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. Senior Navy and Marine Corps officials worked with NAVAUDSVC to develop a risk-based annual audit plan that addresses critical areas that officials feel merit additional oversight. Audits issued, in the past six months, have addressed a number of important DoN issues, such as controls over communications security equipment (used to protect government information related to national security), anti-submarine warfare, environmental safety, and more.

Numerous acquisition-related audits have identified the need for improved internal controls over contract administration at activities in the continental United States and overseas. NAVAUDSVC also identified an opportunity for the Navy to put approximately $365.2 million to other use by avoiding the purchase of 54 unneeded training aircraft. Assist reports for the Naval Criminal Investigative Service have identified approximately $9.6 million in potential fraud to date. Auditors also provided testimony and/or audit support for court cases, including one that resulted in the conviction of a contractor on bribery charges. NAVAUDSVC continued a series of audits on the protection of personally identifiable information, identifying additional opportunities to improve controls to ensure the personal information of our 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.

Information Assurance, Security and Privacy

Protecting Personally Identifiable Information at the Office of Civilian Human Resources and Human Resources Service Centers

The audit objective was to verify that the management controls over personally identifiable information within the Department of the Navy Office of Civilian Human Resources Headquarters and Human Resources Service Centers are in place and operating effectively to protect the information from unauthorized disclosure. NAVAUDSVC found that OCHR HQ and HRSCs Southwest and Northeast did not have sufficient management controls in place to ensure the protection of PII. This occurred because OCHR HQ and HRSCs SW and NE did not fully execute DoN Management Control, Privacy Act, and PII requirements; and management oversight and monitoring of PII was insufficient. As a result, senior OCHR HQ leadership was not aware that PII was not properly protected from unauthorized disclosure.

Report No. N2010-0040

Managing Personally Identifiable Information at Selected Commander, Navy Installations Command Activities

The Commander, Navy Installations Command did not have effective internal controls to mitigate the risk of unauthorized disclosure and protect confidentiality of records containing personally identifiable information. NAVAUDSVC found weaknesses in administering the Privacy Act Program in the following areas: (1) implementing guidance; (2) Privacy Act training; (3) physical controls; (4) PII disposal methods; (5) PII semi-annual spot checks and staff assistance visits; (6) Privacy Act statements on forms used to collect PII; and (7) use of a prohibited electronic storage device.

These conditions generally occurred because the CNIC Privacy Act Program lacked sufficient monitoring and oversight, and DoN guidance was not followed. When internal controls are not properly implemented and executed, there is an increased risk of information compromise and a limited ability

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to plan for and respond to potential unintended releases, breaches, or unauthorized disclosures of PII. This could result in identity theft or fraud and have a negative impact on CNIC and the reputation of the DoN.
Report No. N2010-0052

Acquisition Processes and Contract Management

Contracting Practices for Strategic Systems

The objectives of this audit were to verify that contracting practices at Strategic Systems Programs were effectively and efficiently managed in accordance with laws and regulations, and that internal controls put in place to ensure DoN received services for which it paid were effective. NAVAUDSVC found that opportunities existed for SSP to improve its contracting practices by reviewing contract administration as part of its management control program; designating contracting officer representatives and preparing quality assurance surveillance plans as necessary; reporting on contractor performance in the Contract Performance Assessment Reporting System; and using past performance information on future source selections, as required.
Report No. N2010-0025

A Navy pilot performs a pre-flight check on his T-6 Texan II aircraft.

Aircraft Quantitative Requirements for the Acquisition of the Joint Primary Aircraft Training System

Using formulas the Navy has used for 14 years to calculate Joint Primary Aircraft Training System requirements, and up-to-date information, NAVAUDSVC calculated that the Navy's current procurement objective of 315 T-6 Texan II training aircraft is 54 aircraft more than is supported by predicted pilot training rates and historical data. PMA-273 did not use the Navy's established aircraft requirements calculation formula, and employed atypical and unsubstantiated attrition aircraft and backup aircraft estimating factors to calculate aircraft requirements. As a result of this overstatement, DoN may be spending $365.2 million to purchase 54 unneeded T-6 Texan II training aircraft. OPNAV N88 disagreed with the audit results and presented a new methodology for calculating annual aircraft utilization rate. As a result of using the revised rate, OPNAV N88 believes the procurement objective should remain at 312 T-6 aircraft. The recommendation has been referred to the naval inspector general for resolution.
Report No. N2010-0035

Department of the Navy Acquisition Checks and Balances at Fleet and Industrial Supply Center Sigonella Naval Regional Contracting Detachments Bahrain and Dubai

The audit objective was to verify that DoN checks and balances for the Fleet and Industrial Supply Center Sigonella, Italy Detachments Bahrain and Dubai acquisition/contracting operations were in place to detect, deter, and prevent fraud, waste, and abuse in compliance with federal, DoD, and DoN acquisition requirements. NAVAUDSVC found that improvements were needed in the areas of contract administration and management oversight, the source selection process, and the funding and payment documentation process. This occurred because acquisition internal controls needed improvement to provide reasonable assurance that services or products were acquired efficiently and effectively.
Report No. N2010-0036

Service Contracts at Space and Naval Warfare Systems Command and SPAWAR Systems Centers

The objectives of this audit were to verify that service contracts awarded by SPAWAR Headquarters and its Systems Centers were properly awarded and administered for valid needs and DoN received services for which it paid. NAVAUDSVC found either sufficient competition or justified noncompetitive contract awards for these contracts. NAVAUDSVC also concluded they were awarded for valid needs. However, improvements were needed in providing proper surveillance over service contracts. This is because contracting officials did not follow established procedures, did not in all cases follow Federal Acquisition Regulation guidelines, and did not establish standard operating procedures. As a result, SPAWAR HQ and its SSCs may not have received services for which they paid, or services may not have been

received in a timely manner.
Report No. N2010-0042

Acquisition Checks and Balances at Selected Navy and Marine Corps Activities in the Western Pacific

The audit objective was to verify that checks and balances for Yokosuka and Okinawa, Japan; Singapore; and Pearl Harbor, HI acquisitions were in place to detect, deter, and prevent fraud, waste, and abuse in compliance with federal, DoD, and DoN acquisition requirements. NAVAUDSVC found 32 of 46 contracts audited were not properly awarded and administered in accordance with the Federal Acquisition Regulation. Also, contract files were missing documents needed to support a complete contract history. These conditions occurred because of insufficient staffing and training, and a lack of attention to detail. NAVAUDSVC also found ineffective management and oversight of husbanding contracts. This was due to insufficient internal controls and operating procedures, over-reliance on husbanding agents, and insufficient staffing.
Report No. N2010-0044

Financial Management

Environmental Differential Pay at Selected Department of the Navy Commands and Activities

The audit objective was to verify that policies, procedures, and practices were in place to ensure that Environmental Differential Pay was provided for only the work performed in accordance with applicable laws and regulations at selected DoN commands/activities. NAVAUDSVC found opportunities for Norfolk Naval Shipyard and Portsmouth Naval Shipyard to improve management controls over the reporting of EDP. Specifically, NNSY and PNSY personnel did not sufficiently train individuals responsible for recording and approving time and attendance, including EDP, and they did not maintain adequate supporting evidence in accordance with DoD Financial Management Regulations and command policies. These conditions occurred because NNSY and PNSY personnel did not establish sufficient controls and provide enough oversight over time and attendance and EDP processes. Therefore, the validity of $21.8 million in EDP payments to NNSY and PNSY employees during CYs 2006, 2007, and through October 2008 could not be supported. To strengthen controls over the reporting and payment of EDP, NAVAUDSVC recommended that the commanders, NNSY and PNSY, establish formal training and provide oversight to ensure that control activities including attestations, certifications, and EDP supporting documents are performed, verified, and auditable.
Report No. N2010-0031

Infrastructure and Environment

Prioritization and Selection of Navy Military Construction Projects for Program Objectives Memorandum 2010 Funding

Chief of Naval Operations N46, Ashore Readiness Division/Commander, Navy Installations Command's process for scoring and ranking military construction projects using decision-making software does not appear to have been given significant weight as a basis for deciding what projects the DoN submitted to Congress for funding in FY 2010. The decision-making software did provide an inventory of potential projects and, if additional MILCON funds become available, could be an important tool for quickly deciding how to spend the additional funds. However, limited MILCON funding, and the fact that a large portion of MILCON projects that OPNAV N46/CNIC submitted for funding was directed by senior DoN and DoD officials, appears to limit the value of using decision-making software to rank MILCON projects for possible placement on the funding submission list. Although the Navy established an elaborate process using decision-making software to score and prioritize Navy MILCON projects, the rankings ultimately had little impact on what projects were actually submitted by the Navy for funding in the 2010 Program Objectives Memorandum for FY 2010. NAVAUDSVC found that the projects submitted for funding were not always scored or ranked by the Shore Mission Integration Group Working

"Norfolk Naval Shipyard and Portsmouth Naval Shipyard personnel did not sufficiently train individuals responsible for recording and approving time and attendance.

Group using decision-making software nor were the projects submitted for funding consideration always the highest scoring projects as determined by the group.
Report No. N2010-0047

Department of the Navy Red Hill and Upper Tank Farm Fuel Storage Facilities

The audit objective was to verify that Red Hill bulk fuel storage facilities were: (1) operating within federal environmental standards; (2) had appropriate contingency plans to protect the environment and groundwater sources; (3) had effective physical controls and security; and (4) ensured that potential responsibility for catastrophic spills or contamination were delineated. Red Hill is a bulk fuel facility built in the 1940s and located at Naval Station Pearl Harbor, Hawaii, and provides fuel to Pacific theater federal agencies. The 20-tank fuel farm sits over an aquifer system supplying potable water to NAVSTA PH and the island of Oahu. Site investigations showed evidence of fuel releases which have contaminated the rock bed, soil, and groundwater. Inspections and maintenance of the 20 tanks has been intermittent with as many as 46 years between repairs on some tanks. In addition, there were fire and safety hazards identified. For example, the Red Hill fuel tunnel complex lacked adequate fire suppression, emergency voice alarm/communication, and ventilation systems. Eighteen recommendations were issued from this report.
Report No. N2010-0049

"The NAVAUDSVC found that DoN did not have a sufficient process in place to effectively address mitigation of hazardous noise risks posed by major weapon systems."

Consideration of Hazardous Noise in the Acquisition of Selected Major Department of Navy Weapon Systems and Platforms

The NAVAUDSVC found that DoN did not have a sufficient process in place to effectively address mitigation of hazardous noise risks posed by major weapon systems. Also, the weapon systems program offices reviewed did not fully comply with requirements to mitigate identified noise hazards during the acquisition process. If these conditions are allowed to continue, they may contribute to a hazardous environment of high noise exposure that, according to the Naval Safety Center, ensures permanent hearing loss to sailors and Marines. In addition to the personal cost to sailors and Marines, the economic consequences of hearing impairment to DoN include: lost time and decreased productivity; loss of qualified workers through medical disqualification; military disability settlements; retraining; and expenses related to medical treatment. Management concurred with 13 of 15 recommendations, and corrective actions met the intent of the recommendations. The remaining two recommendations are considered undecided.
Report No. N2010-0038

American Recovery and Reinvestment Act

American Recovery and Reinvestment Act of 2009 – Naval Support Activity, Annapolis, Md.

This is the first in a series of reports on NAVAUDSVC audit of selected projects of the ARRA of 2009. This report presents the results of NAVAUDSVC audit of three ARRA projects at the Naval Support Activity at Annapolis, Md. NAVAUDSVC concluded that the three projects at NSA Annapolis (whole galley renovation, King Hall, $51 million, facilities sustainment, restoration, and modernization project; facility energy improvements at various buildings, $1 million, FSRM project; and steam generation plant replacement, $2 million, military construction project) appeared sufficiently planned and the contracts for the projects were properly awarded and written. Only minor issues were discovered during NAVAUDSVC review and none of the issues impacted the need for the project. During the audit, NAVAUDSVC recommended corrective actions to management that addressed these issues. Because the issues were minor, and because management took prompt action and provided documentation to show that NAVAUDSVC recommended actions had been taken, NAVAUDSVC made no recommendations in this report.
Report No. N2010-0022

American Recovery and Reinvestment Act of 2009 – Naval Station, Norfolk, Va.

This is one of a series of reports on NAVAUDSVC audit of selected projects of the ARRA of 2009. This report addresses selected projects at Naval Station Norfolk, Va. NAVAUDSVC concluded

that one project to repair steam lines awarded for approximately $1.1 million (military construction, project P-115) at Naval Station Norfolk appeared sufficiently planned and was properly awarded and written. The second project, Steam Plant Area Decentralization, expected to cost approximately $23.6 million, MILCON (Project P-116) appeared sufficiently planned; however, a protest challenging another potential offeror's exclusion from competition on the basis of an organizational conflict of interest was filed with the Government Accountability Office on December 4, 2009. GAO denied the protest on February 26, 2010. However, the contract for the second project has not been awarded. NAVAUDSVC may issue a subsequent report addressing that contract award at a future date. This report does not include recommendations.

Report No. N2010-0027

American Recovery and Reinvestment Act – Marine Corps Air Station, New River, N.C.

This report presents the results of NAVAUDSVC audit of one ARRA project at Marine Corps Air Station New River, N.C., to repair heating, ventilation, and air conditioning; mechanical and electrical systems; and roofs and windows at five buildings. Project NR10ADMM, while shown in ARRA DoD Expenditure Plans as a single project, was awarded as three separate projects at MCAS New River with unique contracts and different contractors, totaling about $14.6 million: Project NR1001M/2M - Interior/Exterior Repairs to Buildings AS4157 and AS4158, about $4.6 million (facilities sustainment, restoration, and modernization project); Project NR1009M/11M - Interior/Exterior Repairs to Buildings AS4106 and AS3905, about $4.3 million (FSRM project); and Project NR1013M - Repairs to Building AS705 BOQ, about $5.7 million (FSRM project). In NAVAUDSVC judgment, the selected projects were sufficiently planned to ensure the appropriate use of ARRA funds. In addition, the contracts for the selected ARRA projects were properly awarded and funds were distributed in a prompt, fair, and reasonable manner. Therefore, NAVAUDSVC is making no recommendations.

Report No. N2010-0048

Other

Defense Travel System

The audit objective was to verify that internal controls over the approval of travel authorizations and vouchers in the Defense Travel System were effective and in compliance with applicable laws and regulations. Naval activities did not have proper separation of duties concerning DTS-related functions. Specifically, Defense Travel Administrator functions, which allow complete access to DTS, including establishing or changing routing lists, e-mail addresses, bank account data and permission levels for other individuals, were not separated from travel voucher review and approval functions, as required. NAVAUDSVC found that 842 Defense Travel Administrators at 525 Naval activities also reviewed and approved 27,672 travel vouchers valued at about $26.6 million from March 1, 2008 to February 28, 2009. All of these vouchers represent a separation of duties internal control weakness that makes the DoN vulnerable to fraud. Further, 168 individuals at 11 activities audited had been given permission levels that allowed them to review or approve travel vouchers and perform the functions of a Defense Travel Administrator. NAVAUDSVC audited five Fleet Forces Command activities and five U.S. Pacific Fleet activities. Combined, these two commands' transactions represented 15,005 vouchers, or about 54 percent of the 27,672 vouchers, and about $18.8 million, or about 71 percent of the $26.6 million total value. The 10 activities selected for audit represented 2,623 vouchers or about 17 percent of the 15,005 FFC/COMPACFLT vouchers and were valued at about $4.4 million, or about 23 percent of the $18.8 million FFC/COMPACFLT value. NAVAUDSVC also audited Norfolk Naval Shipyard for the separation of duties issue. NNSY was audited for debt management procedures, but when asked for the listing of permission levels granted to each individual, NAVAUDSVC found that NNSY had the same separation of duties internal control problem as the 10 activities selected for FFC and COMPACFLT. NAVAUDSVC visited all of the 11 activities to confirm that the separation of duties internal controls problem existed. NAVAUDSVC interviewed activity personnel to determine how

Marines at the Marine Corps Air Station, New River, N.C.

their travel management process was structured in terms of who performed what DTS-related functions.
Report No. N2010-0046

Management of Hazardous Materials at Fleet and Industrial Supply Center Norfolk

The objective was to verify that the Fleet and Industrial Supply Center Norfolk hazardous materials center was purchasing and managing hazardous materials in accordance with federal and DoD laws, regulations, and guidance. NAVAUDSVC found that FISC-N HAZMAT centers did not effectively manage hazardous materials inventory. This occurred because FISC-N did not have sufficient procedures, oversight, and internal controls for managing hazardous materials inventory. As a result, FISC-N could not provide reasonable assurance that hazardous materials data was accurate, complete, and reliable, and that the hazardous materials inventory was sufficiently safeguarded against fraud, waste, and abuse. NAVAUDSVC recommended FISC-N establish procedures and controls and provide oversight to ensure hazardous materials inventory provides reliable, accurate, and complete data for decision-making. Also, NAVAUDSVC recommended FISC-N include HAZMAT supply chain management, accountability, inventory accuracy, procurement integrity, and financial management as an assessable unit within the management control plan.
Report No. N2010-0029

"NCIS supports efforts aimed at detecting, deterring, and disrupting terrorism against DoD and DoN personnel and assets worldwide."

Naval Criminal Investigative Service

The Naval Criminal Investigative Service is the primary law enforcement and counterintelligence arm of the DoN. NCIS works closely with other federal, state, local, and international police and security services on serious crimes including terrorism, espionage, and computer intrusion. NCIS supports efforts aimed at detecting, deterring, and disrupting terrorism against DoD and DoN personnel and assets worldwide. It provides offensive and defensive capabilities to combat terrorism. In the offensive context, NCIS conducts investigations and operations aimed at interdicting terrorist activities. In the defensive context, NCIS supports key DoN leaders with protective services and performs vulnerability assessments of military installations and areas to which naval expeditionary forces deploy.

During this reporting period, NCIS personnel deployed around the globe in support of U.S. Overseas Contingency Operations to combat terrorism. NCIS continued support for United States Africa Command's counterpiracy operations, and the Afghanistan and Iraq theaters of operations. Significant NCIS operations and accomplishments include:

- An investigation by Major Crimes Task Force – Iraq, in coordination with a task force in Ramadi, Iraq, led to the capture of two suspected members of the Islamic State of Iraq terrorist group, both of whom are implicated in killing 11 Iraqi border guards in 2008.
- Security Training Assistance and Assessment Teams conducted 295 port, airfield, hotel, and other physical security assessments in support of naval expeditionary forces. Its STAAT and special agent teams:
  - Provided training to the Indonesian National Police assigned to the port of Tanjung Priok, Jakarta in Maritime/ Port Threat Awareness Mitigation; Police Officer Field Observation and Assessment Skills; and IED and Bomb Threat Management.
  - Generated a formal port security plan for U.S. Navy port visits to Timor with the U.S. Coast Guard and Timor police officials.
  - Provided port security seminars for Cambodian federal police, Gendarmerie, customs, immigration, and port security officers assigned to the port city of Sihanoukville and to the capital city of Phnom Penh.

Significant Investigative Cases

USMC Captain and Wife Bilk $1.75M from DoD in Contracting Scheme

Overview: A joint NCIS, DCIS, Internal Revenue Service, and Special Inspector General for Iraq Reconstruction investigation revealed large sums of money being transferred from

the Middle East into the bank accounts of a U.S. Marine Corps captain and his wife residing in Southern California. The captain served as a Marine Corps contracting officer's representative during a year-long deployment in Iraq, and he used his position to steer "Iraqi First Program" contracts to a favored Iraqi contractor. This Iraqi firm, in turn, conspired with the captain's wife to purchase goods – often far fewer than, and of inferior quality to, those required by the contract and ship them to Iraq using false invoices to cover inflated prices. The investigation revealed the captain and his wife collected approximately $1.75 million during the year-long scheme through bribes, the sale of diverted U.S. government property, and fraudulent contract schemes.

Result: In May 2010 the captain pled guilty to conspiracy to commit wire fraud and filing a false federal tax form. His wife pled guilty to filing a false federal tax return in March 2010. As part of their plea agreements, they will make restitution to the Department. Sentencing is scheduled for later this year.

Thirty-Eight Year Old Murder Case Closed

Overview: In 1996, a cold case homicide investigation was initiated by NCIS and the North Carolina State Bureau of Investigation into the 1972 shooting death of a U.S. Marine Corps sergeant at Camp Lejeune, North Carolina. The victim returned from a tour in Vietnam to Onslow County and discovered that the suspect had moved into his house and was having an affair with his wife. After having the suspect removed from his home, the sergeant was lured to a desolate area by his wife, where he was killed. At the time, insufficient evidence existed to charge the suspect and the deceased's former wife. The suspect later served as the chief of police for two local North Carolina police departments. In August 2008, the Jacksonville Daily News, a local North Carolina newspaper, ran an article about the 1972 murder. Shortly after, information was developed that led to the identity of another civilian suspect who implicated himself, the primary suspect/shooter, and the deceased's former wife in the murder.

Result: All three were arrested and extradited to North Carolina from Oregon and Illinois for trial. In May 2010, the primary suspect was convicted of first degree murder and sentenced to life in prison. The deceased's wife and the remaining suspect are awaiting trial on murder and conspiracy charges. NCIS conducted this investigation jointly with the North Carolina State Bureau of Investigation and North Carolina Onslow County Sheriff's Department.

Cocaine Ring Eliminated

Overview: A year-long joint NCIS and Drug Enforcement Agency investigation neutralized a cocaine distribution organization operating in the Hampton Roads, Va. area. Eight individuals, including an active duty aviation boatswain and machinist mate, both assigned to the USS WASP, and two former Norfolk-based sailors, were arrested as part of the enterprise that transported four to five kilograms of cocaine every other week from New York to Hampton Roads for distribution in the Norfolk/Virginia Beach area.

Result: All eight suspects were convicted. The enterprise leader, a former USS WASP sailor, was convicted in August 2010 and sentenced to 18 years in federal prison. The active duty sailors were each sentenced to seven years in prison and the remaining suspects received sentences ranging from 10 to 22 years.

Physician Convicted of Sexual Assault

Overview: A NCIS investigation identified 22 women who alleged they had been sexually assaulted by a U.S. Navy Medical Corps lieutenant commander during his service as a family practice physician at the Branch Medical Clinic, Naval Air Facility, Atsugi, Japan, and during a deployment to Kuwait. The assaults occurred during breast examinations and unnecessary gynecological examinations.

Result: The lieutenant commander was found guilty at a general court-martial at the Yokosuka Naval Station, Japan, in May 2010, and sentenced to serve 24 months in confinement and pay a fine of $28,000. He was dismissed from the military and is required to register as a sex offender.

NCIS investigated a cold case homicide at Camp Lejeune.

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. The Agency also has audit presence at over 50 locations that provides audit services to installation commanders.

The Financial and Systems Audits Directorate, headquartered at March ARB, CA, directs audits related to financial management, financial support, information systems development, communications systems, and system security. AFAA/FS also manages the Financial and Systems Audits Region located at March ARB 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 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 14 Air Force installations and one additional operating location.

In this reporting period, audit efforts focused on the following key management challenge areas: Joint War Fighting 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 $1.6 billion in potential monetary benefits.

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

Joint War Fighting and Readiness

United States Air Forces in Europe War Reserve Materiel Management

War reserve materiel are assets acquired, positioned, and maintained to meet Secretary of Defense Strategic Planning Guidance objectives. As such, war reserve materiel includes equipment, vehicles, supplies, fuel, and munitions supporting wartime activities reflected in the Air Force War and Mobilization Plan for requirements over and above primary operating stocks and peacetime requirements. Although U.S. Air Forces in Europe properly accounted for, marked, and maintained on-hand war reserve materiel, they did not accurately determine requirements or maintain authorizations to meet needs. Specifically, without a current war plan, USAFE planners could not justify 41 percent of the war reserve materiel requirements. USAFE planners overstated equipment and vehicle requirements by 4,140 assets totaling $172.1 million. Further, for supported war reserve materiel requirements, USAFE did not accurately translate requirements into Standard Base Supply System authorizations; misstating authorizations by over 10,200 assets totaling $131.4 million. Maintaining excess USAFE war reserve materiel equipment and vehicle requirements and authorizations generated unnecessary buy requirements for almost 5,700 assets. Establishing accurate levels would allow the Air Force to reduce buy requirements and put $44.6 million to better use over the Future Years Defense Program. Further, accurately

reconciling authorizations would have identified the need for 398 mission-critical equipment and vehicle items.
Report No. F-2010-0004-FD3000

United States Air Forces Central Commercial Tender Program

Commercial tenders are agreements made with commercial airlines to transport cargo for DoD on a cost-per-pound basis. United States Air Forces Central Command uses tender, also known as Intra-Theater Express, to move cargo within the United States Central Command theater when that cargo cannot be transported on military aircraft within 24 hours. This audit determined AFCENT aerial port personnel (1) properly awarded tenders and used a viable cost analysis to determine the best value when awarding tenders during FY 2009; (2) properly processed 95 percent of tender transactions reviewed by maintaining adequate supporting documentation to account for cargo movements; and (3) effectively managed tender funding by properly validating FY 2007 to FY 2009 obligations totaling $874.2 million. However, aerial port personnel did not accurately determine tender requirements as aerial port personnel used tenders to airlift cargo when military aircraft were available. A sample of transactions from a 13 month period disclosed port personnel tendered over 2 million pounds of cargo ($2.6 million) even though space was available on pre-arranged military airlift. By projecting the sample results, the auditors estimated AFCENT could avoid spending $120 million over the Future Years Defense Program with improved scheduling of military airlift. During the audit, management implemented corrective actions that will enhance organic airlift visibility and predictability and improve program performance monitoring.
Report No. F-2010-0005-FD3000

Engine Compressor Wash Management

The Air Force instituted engine compressor wash requirements for the J85 (T 38C aircraft) and T56 (C 130 aircraft) engines primarily as a corrosion control effort. However, Air Force and commercial studies have shown regular engine compressor washing also improves engine performance allowing the engine to run more efficiently, save fuel, and reduce the amount of pollutants emitted into the atmosphere. This audit identified that Air Force personnel could improve J85 and T56 compressor wash operation management. Specifically, J85 and T56 personnel at nine of 27 locations did not perform over 5,600 compressor washes between January 2008 and January 2010. Effectively implementing an engine wash program for J85 and T56 engines will allow the Air Force to save over $3.2 million in fuel costs over the Future Years Defense Program and reduce pollutants by over 5 million pounds annually.
Report No. F-2010-0004-FC2000

Weather Support to the Warfighter

The Air Force is responsible for organizing, training, and equipping battlefield airmen to conduct ground operations in hostile, uncertain environments and under severe environmental conditions. Battlefield weather airmen represent one of seven battlefield airmen specialties considered "outside the wire" operators often co-located with the Army to support Army missions. To help mission planning and execution, battlefield weather airmen deliver timely, relevant, and specialized terrestrial, space, and climatological global environmental intelligence to joint warfighters, DoD decision-makers, national agencies, and allied nations. This audit determined that although Air Force weather officials organized battlefield weather airmen effectively, strengthened training documentation controls during the audit, and initiated efforts to streamline battlefield weather training, Air Force weather officials could make further improvements to train and equip battlefield weather airmen. Specifically, none of the 48 battlefield weather airmen at the seven locations reviewed attended required formal training and accomplished required wartime phase training certification. As a result, Army commanders had no assurance battlefield weather airmen were fully prepared to support Army units during battlefield operations. In addition, Air Force weather officials did not always properly equip battlefield weather airmen to perform training for and accomplish first-in deployments supporting the Army. Battlefield weather airmen did not have on hand nearly 90 percent of equipment items authorized on

"...Air Force and commercial studies have shown regular engine compressor washing also improves engine performance allowing the engine to run more efficiently, save fuel, and reduce the amount of pollutants emitted into the atmosphere."

the modification table of organization and equipment. Additionally, equipment identified on the modification table of organization and equipment exceeded requirements by 34 percent. Finally, battlefield weather airmen were assigned workplace facilities lacking required space and substandard facilities at one location. Inadequate equipment and facilities can result in degraded training, low morale, and ultimately less than optimal support from battlefield weather airmen. Further, redistributing excess material and reducing future requisitions of standard Army supply items issued to soldiers that airmen do not require would create a one-time DoD savings of at least $7.87 million in funds put to better use over the Future Years Defense Program.
Report No. F-2010-0009-FD3000

Information Assurance, Security, and Privacy

Air National Guard Reserve Order Writing System Controls

The Air Reserve Order Writing System is a mission critical information system that automates the order writing and associated processing tasks and functions throughout the Air National Guard. The system provides ANG personnel the ability to create orders in an automated, fast, and accurate manner. This audit disclosed that Air Reserve Order Writing System program personnel did not fully comply with federal regulatory and legal systems and accounting mandates. Specifically, program personnel did not effectively implement three of 10 system controls to fully comply with the Federal Financial Management System Requirements or effectively identify, design, test, and implement applicable accounting conformance requirements. Strengthening controls will enhance data integrity for the nearly $3 billion ANG Military Personnel Appropriation and provide more accurate, complete, and reliable data to support financial management decisions. In addition, complying with accounting conformance requirements provides reasonable assurance the system can accurately process financial data associated with all ANG orders, and adhering to established accounting standards improves data reliability needed to support financial management decisions.
Report No. F-2010-0006-FB2000

Publicly Accessible Air Force Web Sites

Air Force Web sites accessible to the public are part of the Air Force public communication program. The Air Force limits Web content to public interest information intended for unrestricted distribution that does not require additional protection and is cleared for public release. The Air Force uses a Web-based application, the Air Force Public Information Management System, to create, publish, and manage Web content. Air Force policy requires all public Web sites be consolidated and centrally hosted through the Air Force Public Web program and registered on Air Force Link. This audit disclosed that Air Force organizations did not effectively migrate or register Web sites, control Web content, or control Air Force Public Information Management System user rights and accounts. Migrating public Web sites to the Air Force Public Web program promotes network security by reducing Web traffic on the Unclassified but Sensitive Internet Protocol Router Network while eliminating redundant servers and reducing unnecessary Web management. Registering public Web sites promotes site management accountability and ensures Air Force organizations properly identify, review, and authorize Web sites. In addition, Air Force organizations did not control Web content. Effectively controlling Web content helps prevent the release of sensitive information to unintended audiences, thereby protecting Air Force operations and personnel. Finally, limiting user rights and accounts to those authorized and needed ensures that Web content is properly created, posted, and approved for public release.
Report No. F-2010-0005-FB4000

Access Controls for Air and Space Operations Center Networks

Air and Space Operations Centers are command centers for planning and executing theater-wide aerospace operations. Air and Space Operations Centers use the secret Internet protocol router network to plan and execute operations. Access to the SIPRNET should be restricted to an

authorized user. Air and Space Operations Centers personnel use active directory, an automated tool, to track and control access to the approximately 45 different computer network information systems. The active directory stores information and data about networks, including registered users and their access level. Auditors concluded personnel did not effectively control access to the Air and Space Operation Centers network. While personnel generally restricted the system administrators group to the minimum level necessary to perform their official duties, they did not effectively implement other controls to monitor and limit access to networks. Specifically, responsible personnel did not perform daily log reviews or properly retain critical active directory security and firewall logs or properly authorize user accounts and/or delete accounts not accessed within 120 days. Reviewing and retaining computer logs will allow personnel to detect and perform forensic research for security incidents and policy violations. In addition, properly authorizing user accounts and deleting unused accounts help decrease the risk of inappropriate access to the Air and Space Operations Centers network and undetected data alteration.

Report No. F-2010-0007-FB4000

Acquisition Processes and Contract Management

Use of Performance Based Logistics in Air Force Programs

Performance Based Logistics is a system sustainment strategy that defines requirements based on system availability, reliability, or ownership costs. Performance Based Logistics application relies on warfighter operational metrics to measure performance, depot maintenance strategy that utilizes the best use of public-private partnership agreements, and cost-effectiveness as validated by a business case analysis. This audit disclosed that overall, Air Force officials are implementing Performance Based Logistics strategies consistent with Air Force and DoD policy. However, program managers did not always use business case analysis to support the Performance Based Logistics strategy, address mandatory DoD ownership cost metrics during life cycle planning, or perform adequate analyses of public-private partnership arrangements. Specifically, five of six sampled programs did not accomplish a business case analysis supporting the long-term sustainment strategy. As a result, program officials do not have reasonable assurance the implemented support strategies, totaling approximately $7.8 billion annually, were the most cost-effective sustainment options. In addition, none of the sampled programs included three mandatory Performance Based Logistics sustainment metrics in the life cycle sustainment strategy. Accurate and complete metrics provide a baseline comparison of actual cost and performance outcomes with expected results, thereby allowing managers to determine if the strategy achieved intended results. Finally, program managers did not always analyze or conduct periodic reevaluations of contract pass-through costs on public-private partnership arrangements. Effective analysis enables program officials to assess and potentially eliminate pass-through costs that reduce total system ownership costs.

Report No. F-2010-0003-FC3000

Spare Parts Inductions

The Secondary Items Requirements System computes future aircraft spare part buy and repair quantities which pass to the Automated Budget Compilation System. The ABCS makes an automatic adjustment to those requirements to reflect the number of reparable items actually inducted or forecasted for induction into the repair cycle. When the quantity of items inducted into the current repair cycle exceeds the planned requirements (over-induction), the system reduces future year budgeted repair quantities. Conversely, the ABCS will increase future year requirements for under-inducted items to show that the repairs will occur in a later cycle. The final ABCS then becomes the basis for developing the Air Force materiel management budget. This audit revealed that although personnel effectively managed the 90 over-inducted items reviewed, under-induction adjustments were neither supported nor accurate. As a result, the potential exists that at least 1,806 under-inducted items (valued at $396.8 million) are not needed. Further, correcting the automatic

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adjustment overstatement would reduce future budget submissions by $857 million over the Future Years Defense Program.
Report No. F-2010-0007-FC4000

Cost Reimbursement Service Contracts

Cost reimbursement contracts provide for payment of allowable incurred costs to the extent prescribed in the contract. These contracts are suitable for use only when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use a fixed-price contract. Cost reimbursement contracts increase risk to the government since these contracts provide less incentive for contractors to control costs and perform effectively and also increase the administrative burden on the government. Accordingly, when contracting officers award cost reimbursement contracts, they must increase oversight of contractor performance and financial management to ensure contractors perform efficiently and control costs. Auditors concluded Air Force personnel did not appropriately use cost reimbursement contracts to acquire services. As a result, contracting officers awarded over $2 billion of cost reimbursement contracts to acquire services that were more appropriate for a fixed-price contract vehicle. Fixed-price contracts shift risk to the contractors and provide the contractors incentive to perform efficiently and control costs. In addition, fixed-price contracts reduce administrative costs and require less oversight than cost reimbursement contracts. Further, personnel did not always effectively administer cost reimbursement contracts. Specifically, personnel did not consistently accomplish contract surveillance and inspection/acceptance. Consistently accomplishing contractor surveillance would provide the Air Force with the assurance that the contractor met contract requirements for service contracts valued at $1.62 billion. Finally, personnel did not adequately manage contract funding and timely deobligate $8.1 million of excess funds on four cost reimbursement service contracts. Timely deobligation of these funds would have made them available for other valid requirements.
Report No. F-2010-0005-FC1000

Wideband Global SATCOM Program Management

The Wideband Global SATCOM Satellite program, formerly known as the Wideband Gapfiller Satellite program, was started in 2001 to provide interim high-capacity satellite communication capabilities in the period between the legacy Defense Satellite Communication System and a future advanced wideband system. Based on proven satellite performance and flexibility, the Wideband Global SATCOM program evolved into the military's primary program for tactical wideband satellite communications rather than an interim system. However, as the primary tactical wideband satellite communications program, system endurance and capability requirements increased. Program officials accommodated these increased requirements with contract modifications and undefinitized contractual actions that authorized the contractor to start work immediately with price negotiations to follow. This audit determined the Wideband Global SATCOM program office adhered to the approved acquisition strategy and effectively moved the program forward despite cost, schedule, and technical challenges. Specifically, Wideband Global SATCOM achieved initial operational capability for Space Vehicles 1 and 2, and launched SV 3 in December 2009.

These satellites have greatly enhanced wideband communications for contingency operations worldwide and are satisfying critical warfighter requirements. Space and Missile Systems Center personnel kept senior Air Force and DoD leadership informed on program challenges and associated corrective action plans. However, program officials did not properly establish accurate production prices or effectively manage undefinitized contractual actions. Specifically, the program office inappropriately increased the SV 5 production price by $25 million to reallocate Block 2 systems engineering and program management fixed costs. As a result, the Wideband Global SATCOM program diverted limited Air Force resources from other known requirements. In addition, the program office used undefinitized contractual actions without defining contract requirements in a timely manner or limiting obligation amounts during undefinitized

periods. Delays in defining requirements and obligating excess amounts placed additional cost and performance risk on the government.
Report No. F-2010-0008-FC3000

Financial Management

Aviation Petroleum, Oil, and Lubricant Unliquidated Obligation

In FY 2008, the Air Force expended over $7 billion for aviation petroleum, oil, and lubricants carrying out its worldwide flying and airlift missions. Air Force officials use operations and maintenance funds for its flying missions and transportation working capital funds when providing DoD airlift services. Unliquidated obligations are the unpaid balances of funds obligated in Air Force accounting systems. Aviation fuel personnel process Miscellaneous Obligation/Reimbursement Documents as temporary obligating documents to obligate AVPOL transactions unbilled at year-end. Auditors concluded financial managers and fund holders did not properly support recorded AVPOL obligations totaling nearly $32 million, justify changes to Miscellaneous Obligation/Reimbursement Documents balances with sufficient transaction details, or properly support Miscellaneous Obligation/ Reimbursement Documents accounts payable liabilities. Establishing sound fiscal control over AVPOL obligations provides assurance unliquidated balances are still valid and accounting records are complete, accurate, and reliable. In addition, personnel did not timely deobligate unneeded AVPOL Miscellaneous Obligation/Reimbursement Documents unliquidated obligations totaling $27 million, including Transportation Working Capital Funds miscellaneous obligation/ reimbursement documents totaling $24 million. Timely identifying and deobligating unneeded AVPOL balances allows fund managers to put funds to better use. As of August 2009, AVPOL managers took action to deobligate unneeded AVPOL balances totaling over $27 million.
Report No. F-2010-0010-FB1000

Fiscal Year 2010 Military Construction Planning

The Air Force builds or repairs large-scale facility or infrastructure projects such as airfield pavements and utility systems costing $750,000 or more under the military construction program. Project engineers must prepare and document detailed requirements and cost estimates for all MILCON projects. Further, engineers prepare supporting economic analyses or certificates of exception for MILCON projects above $2 million. Auditors determined Air Force civil engineer programmers did not accurately estimate and properly support cost estimates for 75 percent of projects reviewed, misstating project costs by approximately $4.1 million and inadequately supporting more than $188.9 million in MILCON requirements. By eliminating overstated costs, the Air Force could use more than $3 million for other valid MILCON projects. In addition, programmers did not obtain required economic analyses or certificates of exception waivers for 39 percent of projects reviewed. Proper cost estimate documentation and economic analyses would help Air Force leadership justify current MILCON projects and make informed facility or infrastructure requirements decisions. During the audit, Air Force management took corrective action on project discrepancies identified, solicited contract bids, and realized a bid savings of $39 million that could be put to better use.
Report No. F-2010-0020-FD1000

Foreign Military Sales Cooperative Training Program

The Euro NATO Joint Jet Pilot Training Program is a Foreign Military Sales cooperative program for training pilots from participating countries. Participating countries share in both the training costs and the cost of T6 and T38 training aircraft modifications. The aircraft modification program office allocates the cost share for each country based on the number of students participating in the training program. The participating countries deposit cost share funds in a Foreign Military Sales trust account, and the modification program manager then obtains reimbursement for the countries' share of the modification. This audit disclosed that although personnel accurately allocated modification costs, personnel did

AFAA conducted an audit involving costs of T38 Talon aircraft.

not effectively identify modification costs. As a result, personnel requested more funds from the Foreign Military Sales countries than necessary to complete their share of the modifications. In addition, personnel did not properly manage Foreign Military Sales funds during the billing process. As a result, program personnel inaccurately cited Foreign Military Sales funds in FY 2007 and did not reimburse the Air Force $44 million for allocated modification costs. Properly reimbursing for modifications allows the Air Force to better manage limited funding and makes funds available to support other valid Air Force requirements.
Report No. F2010-0007-FC2000

The Aircraft Engine Component Improvement Program develops solutions to increase safety of flight.

Aircraft Engine Component Improvement Program

The Aircraft Engine Component Improvement Program develops solutions to increase safety of flight, correct operational deficiencies, improve reliability and maintainability, and reduce total ownership costs of aircraft engines. The program also addresses design issues or maintenance procedures for parts, components, and support equipment that limit engine safety, reliability, durability, and operational capability and cannot be corrected under manufacturer warranties or other contract provisions. In addition, the program directly supports the development and testing of newly fielded engines. This audit revealed that although Air Force personnel adequately managed government-owned equipment in the possession of contractors, actions taken to clearly define contractor requirements on engineering project descriptions and manage unliquidated obligations need improvement. Specifically, Air Force personnel did not always define adequate requirements for Component Improvement Program contracts. As a result, the Air Force could not effectively validate contractor performance and lacked assurance that the Air Force received all the products or services intended. Further, Air Force personnel did not adequately manage funds obligated on program contracts. As a result, program managers maintained over $13 million of invalid obligations that could be deobligated and put to better use. Additionally, if program officials do not take immediate actions to deobligate FY 2004 funds, over $2.6 million will no longer be available.
Report No. F-2010-0006-FC3000

Health Care

Service Medical Activity – Air Force Contract Labor Accounts Payable

The Air Force Medical Service uses contract services to provide clean linen or patient care such as chiropractic treatment. As contractors perform these services, AFMS personnel record an accounts payable for the labor costs not yet paid. Auditors determined that AFMS personnel maintained sufficient documentary support for contract labor accounts payable. However, medical personnel did not deobligate excess funds when contract fulfillment and payment documentation no longer supported an obligation balance. Deobligating funds no longer needed will provide up to $12.2 million to use for other valid requirements. Timely deobligation action maximizes the AFMS's ability to use available funding before expiration. In addition, personnel did not timely process contract labor accounts payable transactions. Timely processing of accounts payable transactions is essential for posting transactions in the correct reporting period, avoiding interest penalties, and verifying fund availability. Although contract labor accounts payable transactions properly processed from accounting systems to the quarterly financial statements, Defense Finance and Accounting Service financial statement processes allowed erroneous transactions to be posted to the public accounts payable balance. As a result, the accounts payable balance reported in the first quarter service medical activity – Air Force FY 2009 financial statement was understated by $6.5 million.
Report No. F-2010-0009-FB3000

United States Air Forces Central Deployed Locations Acquisition and Cross-Servicing Agreements

The combatant commander, on behalf of the U.S. government, negotiates Acquisition and Cross-Servicing Agreements for providing or receiving support to and from coalition forces. Reimbursement for services and supplies may

be in the form of cash, replacement-in-kind, or equal value exchange. As of December 2009, there were 11 nations in the Central Command area of responsibility with whom the United States had Acquisition and Cross-Servicing Agreements: Afghanistan, Bahrain, Jordan, Kazakhstan, Lebanon, Oman, Pakistan, Qatar, Tajikistan, United Arab Emirates, and Uzbekistan. This audit revealed AFCENT personnel at the four locations reviewed adequately identified 99 percent of the $7.2 million of non-medical support provided during FYs 2008 and 2009. However, personnel did not identify medical services provided to coalition forces costing over $1 million during FY 2009. Charging for medical services will help ensure compliance with legal requirements and provide increased coalition reimbursements totaling $7.3 million over the Future Years Defense Program. Although Air Force personnel properly managed reimbursements by posting all identified collections in the General Finance and Accounting System for invoicing and collection and received reimbursement for 292 (96.7 percent) transactions within a reasonable period, they did not properly manage past due reimbursements. More effective acquisition and cross-servicing agreements reimbursement controls would help preclude lost revenue totaling almost $1.4 million over the Future Years Defense Program.

Report No. F-2010-0008-FD3000

Nuclear Enterprise

Nuclear Weapons Related Materiel Inventories

The Air Force manages a worldwide supply chain supporting diverse nuclear-capable weapons systems and related materiel. The secretary of defense directed the secretary of the Air Force to undertake a comprehensive review and physical inventory of nuclear weapons and nuclear weapons related materiel in response to the misidentification and shipment of nuclear weapons related materiel to Taiwan. This audit concluded Air Force logistics personnel could improve nuclear weapons related materiel inventory management. Although all items on Air Force accountability records were physically on hand, not all nuclear weapons related materiel items were on accountability records, and inventory teams could not always verify whether accountability records were complete. As a result, at least 932 assets were not on original Air Force accountable records. Accurate nuclear weapons related materiel inventories help ensure the integrity and safety of the nuclear mission aiding national security.

Report No. F-2010-0005-FC4000

System Controls for the Nuclear Enterprise Management Tool

The Air Force uses the Nuclear Enterprise Management Tool, a subset of the Continuous Process Improvement Management Tool information system, to track and manage projects for correcting deficiencies cited in nuclear investigative reports. The system automates data collection, activity management, and status reporting for each project. Auditors identified that Nuclear Enterprise Management Tool compliance with selected controls and regulatory requirements could be improved. Specifically, Air Force personnel implemented information classification controls, but not all applicable information assurance system controls and requirements. Properly implementing system controls and requirements significantly enhances the security, accuracy, and reliability of Air Force nuclear enterprise information in the Nuclear Enterprise Management Tool.

Report No. F-2010-0006-FB4000

Nuclear Certification of Aircraft and Test Equipment Software

The Air Force Nuclear Certification Program requires certification of all software that directly interfaces with a nuclear weapon, critical component, and other certified software prior to conducting nuclear operations. The Air Force Materiel Command's Nuclear Weapons Center grants this certification when procedures, personnel, equipment, facilities, and organizations are capable of performing assigned nuclear weapon functions within the specific safety criteria designed into the weapon system or subsystem. Personnel should review the certification when changes occur due to modifications, deficiency reports, or other software revisions. The Master Nuclear Certification List is the sole source for

"AFCENT personnel at the four locations reviewed, adequately identified 99 percent of the $7.2 million of non-medical support provided during FYs 2008 and 2009."

verification of nuclear certification that enables users to identify the status of a weapon system, subsystem, component, software, or support equipment. This audit revealed Air Force personnel maintained accurate and complete Master Nuclear Certification List information and properly accounted for and controlled all 70 on hand nuclear certified Operational Flight Program and Test Program Set software items. Maintaining accurate and complete Master Nuclear Certification List information provides assurance that single managers appropriately certified Operational Flight Program and Test Program Set software which reduces the likelihood of nuclear mishaps or incidents in the operational environment. However, Air Force personnel did not always properly account for nuclear certified support equipment. Properly controlling and accounting for nuclear certified software and hardware provides assurance that properly certified Operational Flight Program and Test Program Set software and test equipment is available in the event of a real-world incident or required exercises.
Report No. F-2010-0005-FC2000

AFOSI agents engaged in CTO operations in the Southwest Asia theater.

American Recovery and Reinvestment 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. The AFAA conducted the following two audits evaluating the use of Recovery Act funds.

American Recovery and Reinvestment Act of 2009 Recovery Accountability and Transparency Board Referrals Summary

The Recovery Accountability and Transparency Board was created by the American Recovery and Reinvestment Act of 2009 with two goals: provide transparency on use of recovery-related funds and prevent and detect fraud, waste, and mismanagement. The board can audit and review stimulus spending either on its own or with federal inspectors general; refer instances of fraud, waste, and mismanagement to federal inspectors general (RAT Board Referrals); and review whether sufficient and qualified acquisition and grant personnel are overseeing Recovery Act funds. DoD IG requested the AFAA to investigate three RAT Board referrals. The audit did not identify any systemic problems. Local management clarified and took corrective action on all individual issues. The AFAA issued memorandums on results to the RAT Board through DoD IG.
Report No. F-2010-0012-FD1000

Fiscal Year 2010 Recovery Accountability and Transparency Board Referrals Summary

During FY 2010, DoD IG sent five Recovery Accountability and Transparency Board referrals to the AFAA for review and analysis. Audit review disclosed the five RAT Board issues were caused primarily by timing differences and minor administrative errors, and Air Force personnel properly awarded and managed Recovery Act contracts.
Report No. F-2010-0021-FD1000

Air Force Office of Special Investigations

The Air Force Office of Special Investigations is a field operating agency accountable to the Secretary of the Air Force, under the direction and guidance of the Inspector General of the Air Force. It is a combat-ready, military organization that provides the Air Force a wartime capability to conduct counter-threat operations to find, fix, track, and neutralize enemy threats in hostile and uncertain environments. It also serves as the Air Force's focal point for working with U.S. and foreign nation law enforcement and security services to provide timely and accurate threat information in all environments. It operates as a federal law enforcement agency with responsibility for conducting criminal investigations, counterintelligence, specialized investigative activities, protective service operations, and integrated force protection of the Air Force. AFOSI's continued operations in Afghanistan and Iraq resulted in the following accomplishments during this reporting period:

Bagram Air Base, Afghanistan

- In May 2010, the Air Base experienced a complex attack including direct and indirect fire. In the aftermath, members of AFOSI used their local contacts to identify the point of origin of the mortar attack. Subsequent operations resulted in five enemy combatants killed and one wounded, plus the seizure of multiple weapons used during the attack. Through information collections near the Air Base, agents identified a local Taliban supporter who housed insurgents involved in attacks on the base. Based on this information, U.S. forces conducted an operation that led to the capture of the supporter. During the ensuing search of the compound, 16 hand grenades, multiple load bearing vests, U.S./coalition forces boots, small arms, and three anti-personnel land mines were found and processed for additional investigative leads.
- As a result of counterintelligence threat operations, AFOSI members discovered and cultivated information regarding a specific indirect fire threat against the base. After coordinating with the local task force, forces were dispatched to the area and eliminated the enemy's ability to carry out the task.

Kandahar Air Field, Afghanistan

- As a direct result of AFOSI counterintelligence operations, U.S. forces, the British Resident Field Squadron, Canadian forces, and International Security Assistance Force Military Police conducted a joint counter-threat operation that led to the successful neutralization of a known insurgent targeting the Air Field. This particular insurgent was also known to procure improvised explosive devices and related components and to facilitate the activities of suicide bombers in attacks against the Air Field and Kandahar City. Materials used to make improvised explosive devices were seized during the operation.
- Informant information led to a joint AFOSI, British Resident Field Squadron, and Afghan National Police operation targeting five Taliban insurgents responsible for recent indirect fire attacks targeting the Air Field. During execution of the operation, items found on one insurgent revealed a plot to assassinate or intimidate leaders of a nearby, coalition-friendly village.

Iraq Theater of Operations

- At Kirkuk Regional Air Base, AFOSI members developed information that led directly to the capture of four Jaysh Rijal al-Tariq al-Naqshabandi fighters responsible for emplacing improvised explosive devices in the local area.
- In May 2010, as part of a multinational and multi-service effort, agents located at Kirkuk Regional Air Base collected counterintelligence information that was used to obtain a warrant in Iraqi court for the apprehension of a known terrorist. As a result of the warrant's execution, two terrorists responsible for producing and employing improvised explosive devices and indirect fire against coalition forces were arrested.
- During collections operations, AFOSI agents in Baghdad discovered connections between some Iraqi government officials working at the Baghdad International Airport and known members of foreign intelligence collection agencies. Agents immediately sought and received debarment actions on the Iraqi government officials, thus preventing them from entering the base.

AFOSI accomplishments include:

- AFOSI's Deployment Readiness & Reintegration Program prepares its personnel for successful deployment experiences. The most significant component of DRRP is the Decompression & Reintegration Center located at Ramstein Air Base, Germany. Over the past year, this center became the benchmark used by other DoD agencies for developing their own programs, including the newly established programs for the Air Force's security forces, explosive ordinance disposal, and combat transport personnel. Hundreds of personnel have participated in these programs since February 2010. In July 2010, the Air Force stood up the Deployment Transition Center

An airman watches over his sector from a guard tower at Bagram Air Field.

Airmen protect service members from IEDs at Kandahar Airfield, Afghanistan.

at Ramstein AB as a key component of its new Air Force Resiliency program, and modeled it after AFOSI's DRC.

- AFOSI's Cyber Investigations & Operations program ran eight operations tracking foreign intrusion threats to the Air Force mission. These operations provided the Air Force with significant threat information and garnered 159 positive evaluations from the intelligence community, with one third of those reports deemed by the intelligence community to be of high value (four were of major significance). In 2010, AFOSI's CI&O program delivered 80 cyber target packages for further exploitation by field units. In 2010, AFOSI's CI&O program was selected as the Department of Defense Counterintelligence Technologies Team for calendar year 2009.

Significant Investigative Cases

The B-2 stealth bomber completed its first flight on July 17, 1989.

B-2 Bomber Developer Selling Defense Secrets

Overview: In a joint investigation with the FBI and ICE, AFOSI investigated a former Northrop Corporation employee for disclosing classified information to foreign governments for financial gain. While at Northrop, from 1968 through 1986, this employee was significantly involved in developing the B-2 bomber. In 2005, he was indicted on several counts of violating the Arms Export Control Act, communicating national defense information to aid a foreign nation and to persons not entitled to receive it, money laundering, and tax evasion.

Result: In August 2010, the former Northrop Corporation employee was convicted on 14 counts, including conspiracy, violating the Arms Export Control Act, and money laundering. Sentencing is scheduled for November 2010.

Unreported Foreign Travel and Contacts by a Defense Contractor

Overview: The Defense Security Service forwarded information to AFOSI that a vice president of a cleared defense contractor for the Air Force Research Laboratory purposely failed to disclose his frequent foreign travel and meetings with foreign nationals to the company's security officer as required to retain the clearance. The company's contract involves working on classified space integration, component development, and testing and validation. The subsequent investigation revealed that, in addition to his unreported travel and contacts, the employee used his position and falsely represented the company to obtain a tour of a classified facility within the Air Force Research Laboratory for which he had no need to access. Forensic analyses of his personal laptop recovered sensitive but unclassified state-of-the-art satellite information, some of which was restricted International Traffic in Arms Regulations material and other which was restricted FOUO. Together, this material could provide a classified picture of AFRL satellite work.

Result: This investigation, conducted jointly with FBI and ICE, resulted in the revocation of the contractor employee's access and clearance and he was subsequently fired by the defense contracting company.

Fuel Theft from Joint Base Balad, Iraq

Overview: Two cooperating witnesses reported to the International Contract Corruption Task Force that Turkish companies and their Iraqi subcontractors were stealing U.S. government diesel fuel from Joint Base Balad, Iraq. The witnesses alleged the fuel thefts occurred near the "Burn Pit" and the fuel was transported off base for resale on the black market in modified dump trucks with false fuel tanks. Surveillance disclosed representatives from four Turkish and three Iraqi contractors sponsored local Iraqi subcontractors operating modified trucks on base and these trucks were used to steal diesel and jet fuel.

Result: One Iraqi subcontractor agreed to settle with the U.S. government for $111,000. The Regional Contracting Center, JBB, declined to pursue a monetary recovery from one of the Turkish prime contractors because their workload increased over the time frame of the alleged fuel theft, making it too difficult to separate legitimate usage from illegitimate usage. Negotiations are still ongoing with four other contractors. This was a joint investigation with Army CID.

5

Appendices

Appendix A

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/navalaudit

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

	DoD IG	Military Depts.	Total
Joint Warfighting and Readiness	12	86	98
Information Assurance, Security, and Privacy	7	39	46
Acquisition Processes/Contract Management	27	46	73
Financial Management	10	47	57
Health Care	2	2	4
American Recovery and Reinvestment Act	23	15	38
Nuclear Enterprise	1	3	4
Other	3	13	16
Total	85	251	336

Joint Warfighting and Readiness

Agency	Report Number	Report Title	Date
DoD IG	D-2010-056	U.S. European Command Civilian Staffing Process	05/04/2010
DoD IG	D-2010-060	Drawdown and Reset of Equipment in Iraq—Operation Clean Sweep	06/11/2010
DoD IG	D-2010-067	Public-Private Partnerships at Air Force Maintenance Depots	06/10/2010
DoD IG	D-2010-069	Central Issue Facility at Fort Benning and Related Army Policies	06/21/2010
DoD IG	D-2010-084	Military Family Housing on Okinawa, Japan	09/16/2010
DoD IG	D-2010-088	Accountability and Disposition of Government Furnished Property in Conjunction with the Iraq Drawdown – Logistics Civil Augmentation Program	09/30/2010
DoD IG	D-2010-091	DoD Needs to Improve Management and Oversight of Operations at the Theater Retrograde-Camp Arifjan, Kuwait	09/30/2010
DoD IG	10-INTEL-04	Review of Joint Task Force Guantanamo's Inclusion of Mental Health Information in Intelligence Information Reports	05/04/2010
DoD IG	10-INTEL-05	Field Verification-Interrogation and Survival, Evasion, Resistance, and Escape Techniques Recommendation	04/16/2010

Agency	Report Number	Report Title	Date
DoD IG	10-INTEL-12	Hotline Allegation of Misconduct at J23, USSOCOM	09/23/2010
DoD IG	10-INTEL-14	Inspection of an Office of the Under Secretary of Defense Program – No. 3	09/30/2010
DoD IG	SPO-2010-002	Review of Intra-Theater Transportation Planning, Capabilities, and Execution for the Drawdown in Iraq	04/20/2010
USAAA	A-2010-0079-ALM	Maintenance Float Program - U.S. Army National Guard	04/14/2010
USAAA	A-2010-0084-ALE	Army Strategy for Establishing, Sustaining, and Transitioning Non-Traditional Installations (FOUO)	05/20/2010
USAAA	A-2010-0086-ALE	Implementation of Standard Garrison Organization in Europe, U.S. Army Installation Management Command, Europe Region (FOUO)	04/15/2010
USAAA	A-2010-0087-ALL	Follow-up Audit of Sensitive Items Accountability and Control, Abu Ghraib Warehouse, Iraq	04/12/2010
USAAA	A-2010-0088-ALL	Agreed-Upon Procedures Attestation to Evaluate Bulk Fuel Requests for Forward Operating Base Shank, Afghanistan (FOUO)	04/14/2010
USAAA	A-2010-0089-ALR	Dormant Stock, U.S. Army TACOM Life Cycle Management Command	04/20/2010
USAAA	A-2010-0093-ALR	Army Reserve Maintenance Management Systems, U.S. Army Reserve Command and 63D Regional Support Command	05/20/2010
USAAA	A-2010-0095-FFF	Controls Over Basic Allowance for Subsistence and Dining Facility Charges	05/05/2010
USAAA	A-2010-0098-ALL	Retrograde Operations in Southwest Asia, Donation and Transfer of Excess Materiel and Supplies, Office of the Deputy Chief of Staff, G-4	05/07/2010
USAAA	A-2010-0100-FFP	Management of Military Construction Projects, Hawaii (FOUO)	05/20/2010
USAAA	A-2010-0101-FFF	Officer Career Incentive Program	05/28/2010
USAAA	A-2010-0103-ALR	Army Reserve Maintenance Management Systems, U.S. Army Reserve Command and 88th Regional Support Command	05/20/2010
USAAA	A-2010-0104-FFF	Army Waiver Program - Army National Guard	06/07/2010
USAAA	A-2010-0107-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System, Project Manager Stryker Brigade Combat Team	06/02/2010
USAAA	A-2010-0111-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System, Project Manager, Electronic Warfare	06/10/2010
USAAA	A-2010-0113-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System, Project Manager, Joint Lightweight Howitzer	06/22/2010
USAAA	A-2010-0114-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System, Project Manager, Mine Resistant Ambush Protected	06/10/2010
USAAA	A-2010-0118-FFF	Follow-up Audit of the Use of Role-Players for Training at Combat Training Centers	06/21/2010
USAAA	A-2010-0121-ALO	Real Property Sustainment, Restoration, and Modernization	06/25/2010
USAAA	A-2010-0124-FFM	Review of Port Congestion and Security Surcharges on Personal Property Shipments (FOUO)	07/02/2010
USAAA	A-2010-0129-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System, Project Manager, Cruise Missile Defense System	07/07/2010
USAAA	A-2010-0131-FFM	Agreed-Upon Procedures Attestation of Audit Readiness of Source Documentation to Support Federally Owned Real Property Assets of the Kentucky Army National Guard	07/12/2010
USAAA	A-2010-0132-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System, Project Manager, Utility Helicopter	07/08/2010
USAAA	A-2010-0133-FFE	Time Sensitive Report--Accountability of Contractor-Acquired Property, Audit of Planning for Disposal of Chemical Demilitarization and Storage Facilities (FOUO)	07/13/2010
USAAA	A-2010-0134-FFE	Funding Requirements for the Conventional Ammunition Demilitarization Program	07/16/2010
USAAA	A-2010-0136-ALR	U.S. Army Reserve Command's Maintenance Management System, U.S. Army Reserve 99th Regional Support Command	07/12/2010
USAAA	A-2010-0137-FFE	Time Sensitive Report - Accountability and Disposal of Relocatable Buildings, Facilities, and Excess Equipment, Audit of Planning for Disposal of Chemical Demilitarization and Storage Facilities (FOUO)	07/14/2010
USAAA	A-2010-0138-FFP	Dining Facility Operations -- Korea	07/26/2010
USAAA	A-2010-0143-FFM	Follow-up Audit of FY 05 Subsistence Charges	07/29/2010
USAAA	A-2010-0144-ALR	Follow-up Audit of Property Accountability, Oklahoma Army National Guard	07/28/2010

Appendix A

Agency	Report Number	Report Title	Date
USAAA	A-2010-0146-ALR	Follow-up Audit of Inventory Accountability and Stockage Levels, Tobyhanna Army Depot	08/27/2010
USAAA	A-2010-0147-ALM	Army Management of Non-Army Managed Items	08/02/2010
USAAA	A-2010-0148-ALR	Aviation Maintenance Operations, U.S. Army Reserve Command	07/29/2010
USAAA	A-2010-0149-FFS	FFS Table of Distribution and Allowances Workforce - Institutional Training	08/04/2010
USAAA	A-2010-0155-ALI	Excess, Vacant, and Not Utilized Facilities and Land, Army National Guard	08/05/2010
USAAA	A-2010-0157-FFS	Readiness of Modular Units, U.S. Army Reserve (FOUO)	08/06/2010
USAAA	A-2010-0158-FFE	Water Conservation Resources	08/18/2010
USAAA	A-2010-0160-ALM	Sustainment of Nonstandard Equipment (FOUO)	08/31/2010
USAAA	A-2010-0163-FFE	Army Compatible Use Buffer Program	08/12/2010
USAAA	A-2010-0165-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System, Project Manager, Heavy Brigade Combat Team	09/01/2010
USAAA	A-2010-0166-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System, Project Manager, Aviation Systems	08/27/2010
USAAA	A-2010-0167-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System, Project Manager, Close Combat Weapon Systems	08/27/2010
USAAA	A-2010-0168-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System; PM, Unmanned Aircraft Systems	08/27/2010
USAAA	A-2010-0169-ALL	Follow-up Audit of Forward Operating Base Closures, United States Forces - Iraq	08/19/2010
USAAA	A-2010-0171-ALL	Disposal of Army Equipment and Material Into Defense Reutilization and Marketing Office Sites in Iraq	08/24/2010
USAAA	A-2010-0173-ALM	Maintenance Expenditure Limits	09/01/2010
USAAA	A-2010-0177-FFM	Internal Controls Over Personal Property Shipments -- Army	09/16/2010
USAAA	A-2010-0182-FFP	Surveillance of Construction Activities and Contracts, Far East District, U.S. Army Corps of Engineers (FOUO)	09/20/2010
USAAA	A-2010-0183-ALR	Dormant Stock, U.S. Army Aviation and Missile Life Cycle Management Command	09/01/2010
USAAA	A-2010-0184-FFF	Directed Civilian Workforce Actions	09/09/2010
USAAA	A-2010-0185-FFS	Post-Mobilization Training Requirements (FOUO)	09/20/2010
USAAA	A-2010-0186-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System, Project Manager, Tactical Vehicles	09/08/2010
USAAA	A-2010-0188-ALM	Depot-Level Maintenance Workload Reporting - FY 09	09/27/2010
USAAA	A-2010-0190-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System, Project Manager, Command Post	09/21/2010
USAAA	A-2010-0191-ALR	Workload Planning on Army's Life Cycle Management of Conventional Ammunition (FOUO)	09/21/2010
USAAA	A-2010-0193-ALR	Follow-up Audit of Vehicle Registration Business Rules, Sierra Army Depot	09/21/2010
USAAA	A-2010-0195-ALE	On-Call Compensation for Local National Employees in Germany, U.S. Army Installation Management Command, Europe Region (FOUO)	09/23/2010
USAAA	A-2010-0199-ALR	Project Managers' Use of the Property Book Unit Supply Enhanced System; Project Manager, Cargo Helicopters	09/21/2010
USAAA	A-2010-0202-ALM	Accountability of Small Arms Repair Parts	09/30/2010
USAAA	A-2010-0203-FFF	Follow-up Audit of the Follow-up Audit of Management of the Reserve Component Non-Participants	09/23/2010
USAAA	A-2010-0205-ALI	Follow-up Audit of Base Realignment and Closure 2005 Construction Requirements, Army Reserve Southeast Regional Readiness Sustainment Command, Fort Jackson, South Carolina	09/27/2010
USAAA	A-2010-0209-ZBI	Examination of Army Suggestion Program Number SWHU09001C, Fort Huachuca, Arizona	09/27/2010
USAAA	A-2010-0215-ALI	Follow-up Audit of Base Realignment and Closure 2005 Construction Requirements, Army Reserve Northwest Regional Readiness Sustainment Command, Fort McCoy, Wisconsin	09/29/2010
USAAA	A-2010-0219-FFM	Internal Controls Over Personal Property Shipment Costs--DoD	09/30/2010
USAAA	A-2010-0224-FFF	The Army's Flight School XXI Training Program, Fort Rucker, Alabama	09/30/2010
USAAA	A-2010-0227-ALI	Follow-up Audit of Base Realignment and Closure 2005 Construction Requirements, Army Reserve Northeast Regional Readiness Sustainment Command, Fort Dix, New Jersey	09/30/2010

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2010-0023	Identification and Reporting of Mission Essential Functions at Selected Navy Installations	04/15/2010
NAVAUDSVC	N2010-0028	Marine Corps Equipment Visibility	05/20/2010
NAVAUDSVC	N2010-0030	Marine Corps Traffic Safety Program at II Marine Expeditionary Force and Marine Corps Installations East	06/01/2010
NAVAUDSVC	N2010-0032	New Accessions Training Program Analysis	06/08/2010
NAVAUDSVC	N2010-0041	Navy's Traffic Safety Program for Naval District Washington	07/01/2010
NAVAUDSVC	N2010-0054	Marine Corps Traffic Safety Program at I Marine Expeditionary Force and Marine Corps Installations West	09/14/2010
NAVAUDSVC	N2010-0060	Navy's Traffic Safety Program for Commander, Navy Region Mid-Atlantic	09/23/2010
NAVAUDSVC	N2010-0061	Common Access Card Certificate Revocations	09/30/2010
AFAA	F-2010-0012-FB1000	Follow-up Audit, Aviation Fuel Optimization	09/08/2010
AFAA	F-2010-0004-FC2000	Engine Compressor Wash Management	08/19/2010
AFAA	F-2010-0006-FC2000	Mobile Air Traffic Control and Landing Systems	08/30/2010
AFAA	F-2010-0006-FC4000	Off-Station Aviation Fuel Purchases	06/30/2010
AFAA	F-2010-0009-FC4000	Follow-up Audit, Deployed Assets	09/13/2010
AFAA	F-2010-0011-FD1000	Construction Storm Water Management	04/02/2010
AFAA	F-2010-0004-FD3000	United States Air Forces in Europe War Reserve Materiel Management	04/08/2010
AFAA	F-2010-0005-FD3000	United States Air Forces Central Commercial Tender Program	04/29/2010
AFAA	F-2010-0007-FD3000	Command Post Equipment and Training	07/30/2010
AFAA	F-2010-0009-FD3000	Weather Support to the Warfighter	08/30/2010
AFAA	F-2010-0005-FD4000	Technical Training Equipment	04/01/2010
AFAA	F-2010-0008-FD4000	Air Force Equal Opportunity Program	07/21/2010

Information Assurance, Security, & Privacy

Agency	Report Number	Report Title	Date
DoD IG	D-2010-050	Standard Procurement System Synchronization Utility (Classified)	04/02/2010
DoD IG	D-2010-058	Selected Controls for Information Assurance at the Defense Threat Reduction Agency	05/14/2010
DoD IG	D-2010-070	Defense Information Systems Agency Controls Placed in Operation and Tests of Operating Effectiveness for the Period October 1, 2009 through April 30, 2010	06/30/2010
DoD IG	D-2010-071	Defense Civilian Pay System Controls Placed in Operation and Tests of Operating Effectiveness for the Period October 1, 2009 through April 30, 2010	07/02/2010
DoD IG	D-2010-074	Information Assurance Controls for Defense Civilian Pay System for FY 2009	08/02/2010
DoD IG	D-2010-090	Summary of Information Assurance Weaknesses Identified in Audit Reports Issued From August 1, 2009, Through July 31, 2010	09/30/2010
DoD IG	10-INTEL-09	Assessment of Security Within the Department of Defense – Tracking and Measuring Security Costs; DoD IG	08/06/2010
USAAA	A-2010-0058-FFI	Copier Management, Fort Sam Houston, Texas	04/26/2010
USAAA	A-2010-0085-ZBI	Infrastructure Requirements for Special Operations Forces, U.S. Army Special Operations Command (FOUO)	04/06/2010
USAAA	A-2010-0090-FFD	Vulnerability Assessments and Risk Mitigation at Off-Installation Facilities, U.S. Army Reserve Command (FOUO)	04/28/2010
USAAA	A-2010-0091-FFI	Copier Management, Administrative Assistant to the Secretary of the Army	04/26/2010
USAAA	A-2010-0094-ALA	Foreign Military Sales Process for Iraq and Afghanistan, U.S. Army Security Assistance Command	05/03/2010
USAAA	A-2010-0105-ALR	Implementation of the Logistics Domain Bridging Systems Initiatives, Office of the Deputy Chief of Staff, G-4	06/10/2010
USAAA	A-2010-0106-ZBI	Audit of Workload Requirements in U.S. Army Special Operations Command's Office of the Deputy Chief of Staff, G-3	06/03/2010

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Agency	Report Number	Report Title	Date
USAAA	A-2010-0109-FFI	Attestation Examination of the Cost Benefit Analysis for the Enterprise Content Management System	06/03/2010
USAAA	A-2010-0115-FFI	Synchronizing Installation Information Technology Requirements, Office of the Chief Information Officer/G-6	06/28/2010
USAAA	A-2010-0128-FFI	Resources for the Global Network Enterprise Construct (FOUO)	07/14/2010
USAAA	A-2010-0130-FFI	Cellular Telephone Management, U.S. Army Installation Management Command	07/20/2010
USAAA	A-2010-0139-ALE	Installation Pass Procedures in Europe, U.S. Army Installation Management Command, Europe Region (FOUO)	07/26/2010
USAAA	A-2010-0141-ZBI	Foreign Language Program - Training and Proficiency, Offices of the Deputy Chief of Staff, G-2 and the Deputy Chief of Staff, G-1	07/22/2010
USAAA	A-2010-0142-ZBI	Management of Communications Security Materials, 66th Military Intelligence Brigade (FOUO)	07/22/2010
USAAA	A-2010-0153-ALL	Access Control Program, Area Support Group - Kuwait (FOUO)	09/03/2010
USAAA	A-2010-0154-ZBI	Management of Funds - Site A	08/03/2010
USAAA	A-2010-0159-ALE	Process to Acquire Information Technology in Europe	08/09/2010
USAAA	A-2010-0162-FFI	Data at Rest, Fort Carson, Colorado	08/11/2010
USAAA	A-2010-0174-FFI	Network Enterprise Center Staffing	09/07/2010
USAAA	A-2010-0192-ZBI	Management of Communications Security Materials, 513th Military Intelligence Brigade (FOUO)	09/13/2010
USAAA	A-2010-0200-FFD	Automated Installation Entry System, Office of the Provost Marshal General (FOUO)	09/22/2010
USAAA	A-2010-0201-FFI	Collaboration Between Network Enterprise Centers and Signal Soldiers	09/22/2010
USAAA	A-2010-0206-FFI	Cellular Telephone Management, U.S. Army Training and Doctrine Command	09/28/2010
USAAA	A-2010-0207-FFI	Audit of Cellular Telephone Management, U.S. Army Accessions Command	09/28/2010
USAAA	A-2010-0208-FFI	Audit of Army Cellular Telephone Management	09/28/2010
USAAA	A-2010-0211-FFP	Management of Communications Security Materials, 501st Military Intelligence Brigade (FOUO)	09/30/2010
USAAA	A-2010-0212-FFI	Data at Rest, Chief Information Officer/G-6CIO/G-6	09/29/2010
USAAA	A-2010-0213-ZBI	Management of Communications Security Materials, 470th Military Intelligence Brigade (FOUO)	09/28/2010
USAAA	A-2010-0221-FFD	Vulnerability Assessments and Risk Mitigation at Off-Post Sites, U.S. Army National Guard (FOUO)	09/30/2010
NAVAUDSVC	N2010-0040	Protecting Personally Identifiable Information at the Office of Civilian Human Resources and Human Resources Service Centers	06/30/2010
NAVAUDSVC	N2010-0045	Communications Security Equipment Outside of the Continental United States (Classified)	07/27/2010
NAVAUDSVC	N2010-0052	Managing Personally Identifiable Information at Selected Commander, Navy Installations Command Activities	09/10/2010
NAVAUDSVC	N2010-0057	Navy Marine Corps Intranet Contract Invoice Management at Space and Naval Warfare Systems Command and Naval Facilities Engineering Command	09/16/2010
AFAA	F-2010-0006-FB2000	Air National Guard Reserve Order Writing System Controls	04/30/2010
AFAA	F-2010-0007-FB2000	Expeditionary Combat Support System Controls	05/27/2010
AFAA	F-2010-0008-FB2000	Financial System Access Controls	06/30/2010
AFAA	F-2010-0004-FB4000	Follow-up Audit, Selected Aspects of Computer Network Intrusion Detection (FOUO)	04/05/2010
AFAA	F-2010-0005-FB4000	Publicly Accessible Air Force Web Sites	05/14/2010
AFAA	F-2010-0007-FB4000	Access Controls for Air and Space Operations Center Networks	08/31/2010

Acquisition Processes/ Contract Management

Agency	Report Number	Report Title	Date
DoD IG	D-2010-049	U.S. Army Corps of Engineers' Use of Award Fees on Contracts in Iraq and Afghanistan	04/01/2010
DoD IG	D-2010-051	Defense Contract Management Agency Acquisition Workforce for Southwest Asia	04/08/2010

Agency	Report Number	Report Title	Date
DoD IG	D-2010-052	Efforts to Prevent Sexual Assault/Harassment Involving DoD Contractors During Contingency Operations	04/16/2010
DoD IG	D-2010-054	Advisory and Assistance Services Contracts in Support of the Air Force Combat Search and Rescue Helicopter	05/04/2010
DoD IG	D-2010-055	Medical/Surgical Prime Vendor Contract Supporting Coalition Forces in Iraq and Afghanistan	04/29/2010
DoD IG	D-2010-057	Public Works Operations at U.S. Army Garrison-Yongsan, Korea	05/04/2010
DoD IG	D-2010-059	Contingency Contracting: A Framework for Reform	05/14/2010
DoD IG	D-2010-061	Counter Radio-Controlled Improvised Explosive Device Electronic Warfare Program (Classified)	05/21/2010
DoD IG	D-2010-063	Analysis of Air Force Secondary Power Logistics Solution Contract	05/21/2010
DoD IG	D-2010-064	Army Vessels Maintenance Contracts in Southwest Asia	05/21/2010
DoD IG	D-2010-066	Oversight of the U.S. Air Forces Central War Reserve Materiel Contract	05/28/2010
DoD IG	D-2010-068	Government Oversight of Field Service Representative and Instructor Services in Support of the Mine Resistant Ambush Protected Vehicle Program	06/17/2010
DoD IG	D-2010-078	Air Force Use of Time-and-Materials Contracts in Southwest Asia	08/16/2010
DoD IG	D-2010-079	Security Provisions in a U.S. Army Intelligence and Security Command Contract for Linguist Support	08/13/2010
DoD IG	D2010-080	Air Force Electronic Systems Center's Use of Undefinitized Contractual Actions	08/18/2010
DoD IG	D-2010-081	Army Use of Time-and-Materials Contracts in Southwest Asia	08/27/2010
DoD IG	D-2010-082	Implementation of the Predator/Sky Warrior Acquisition Decision Memorandum Dated May 19, 2008	09/10/2010
DoD IG	D-2010-085	Kuwait Contractors Working in Sensitive Positions Without Security Clearances or CACs	09/22/2010
DoD IG	D-2010-083	Construction of the New Kabul Compound Lacked Planning and Coordination (Classified)	09/30/2010
DoD IG	D-2010-087	Weaknesses in Oversight of Naval Sea Systems Command Ship Maintenance Contract in Southwest Asia	09/27/2010
DoD IG	D-2010-6-002	Allegation of Unsatisfactory Conditions Regarding Actions by the Defense Contract Management Agency, Earned Value Management Center	07/28/2010
DoD IG	D-2010-6-003	Actions to Establish Final Indirect Cost Rates on Reportable Contract Audit Reports by the Supervisor of Shipbuilding, Conversion and Repair, Groton, Connecticut	09/24/2010
DoD IG	10-INTEL-06	FY 2009 Summary Report of Inspections on Security, Technology Protection, and Counterintelligence Practices at DoD Research, Development, Test and Evaluation Facilities	05/21/2010
DoD IG	10-INTEL-07	DoD Efforts to Protect Critical Program Information: The Army's Warfighter Information Network – Tactical	07/21/2010
DoD IG	10-INTEL-08	Inspection Guidelines for DoD Security, Intelligence, and Counterintelligence Support to Research, Development, and Acquisition Protection for 2010	08/06/2010
DoD IG	10-INTEL-10	Report of the National Security Agency Georgia Cryptologic Center Construction Project	08/06/2010
DoD IG	10-INTEL-11	Audit of the Long Range Advanced Scout Surveillance System	09/03/2010
USAAA	A-2010-0096-ALL	Controls Over Vendor Payments - Southwest Asia (Phase II - U.S. Army Contingency Operations, Southwest Asia, Kuwait, Qatar, Iraq, and Afghanistan) (FOUO)	05/07/2010
USAAA	A-2010-0099-ALC	Workload Survey--U.S. Army Contracting Operations (FOUO)	05/07/2010
USAAA	A-2010-0110-FFS	Follow-up Audit of the Strategic Management System Contract	06/21/2010
USAAA	A-2010-0112-ALA	Managing Modeling and Simulation Capabilities, Office of the Program Executive Officer, Integration	06/07/2010
USAAA	A-2010-0117-ALC	Time Sensitive Issue - Defense Acquisition Workforce Development Fund	06/22/2010
USAAA	A-2010-0126-ALL	Audit of Controls Over Vendor Payments - Southwest Asia (Phase II) (FOUO)	07/08/2010
USAAA	A-2010-0135-ALL	Audit of Contracting Operations, Joint Contracting Command - Iraq/Afghanistan, Kandahar Regional Contracting Center, Afghanistan (FOUO)	07/12/2010
USAAA	A-2010-0145-ALC	Army Contracting Performance Metrics	07/28/2010
USAAA	A-2010-0150-ALA	Intelligence, Surveillance, Reconnaissance Aerial Sensor Capabilities (FOUO)	08/09/2010
USAAA	A-2010-0151-ALA	Follow-up Audit of Army Aviation Capabilities (FOUO)	08/18/2010

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USAAA	A-2010-0152-ALL	Pilot Program for Defense Base Act Insurance, Headquarters, U.S. Army Corps of Engineers (FOUO)	08/31/2010
USAAA	A-2010-0156-ALC	Compliance With Section 807 of the 2008 National Defense Authorization Act	08/24/2010
USAAA	A-2010-0161-ALE	Audit of Contract Operations in Europe	08/11/2010
USAAA	A-2010-0170-ALA	Response to Inspector General Action Request DIG-09-90158 (FOUO)	08/24/2010
USAAA	A-2010-0176-ALC	Audit of Contracting Activities in Iraq During and After Force Drawdown (FOUO)	09/07/2010
USAAA	A-2010-0179-ZBI	Support Audit Request	08/31/2010
USAAA	A-2010-0180-ALA	Management and Use of Ground Combat System Training Aids, Devices, Simulators, and Simulations	08/31/2010
USAAA	A-2010-0181-FFS	Assistant Secretary of the Army (Manpower and Reserve Affairs) Service Contracts	09/20/2010
USAAA	A-2010-0189-FFD	Funding and Acquisition of the Biometrics Vehicle, Biometrics Identity Management Agency	09/20/2010
USAAA	A-2010-0194-ALC	Follow-up Audit on U.S. Army Center of Military History Contract Management, Assistant Secretary of the Army (Installations and Environment)	09/21/2010
USAAA	A-2010-0196-ALL	Audit of Contracting Operations, Joint Contracting Command - Iraq/Afghanistan, Regional Contracting Center - Fenty (Jalalabad), Afghanistan	09/21/2010
USAAA	A-2010-0197-ALL	Life Support Contracts for U.S. Forces at Basra, Iraq, Joint Contracting Command, Iraq and Regional Contracting Command, Basra, Iraq	09/23/2010
USAAA	A-2010-0198-ALL	Audit of Contracting Operations, Joint Contracting Command Iraq/Afghanistan, Salerno Regional Contracting Center, Afghanistan	09/21/2010
USAAA	A-2010-0204-ALL	Audit of Controls Over Logistics Civil Augmentation Program - White Property Iraq	09/28/2010
USAAA	A-2010-0214-ALA	Aerial Common Sensors, Office of the Program Manager, Aerial Common Sensors (FOUO)	09/29/2010
USAAA	A-2010-0225-ALA	Managing Modeling and Simulation Capabilities, Program Executive Office, Combat Support and Combat Service Support	09/30/2010
USAAA	A-2010-0226-ALA	Follow-up of Key Recommendations from Future Combat Systems Audits	09/30/2010
NAVAUDSVC	N2010-0025	Contracting Practices for Strategic Systems Programs	04/28/2010
NAVAUDSVC	N2010-0034	Processes and Procedures for Reducing Anti-Submarine Warfare Capability Gap (Classified)	06/11/2010
NAVAUDSVC	N2010-0035	Aircraft Quantitative Requirements for the Acquisition of the Joint Primary Aircraft Training System	06/14/2010
NAVAUDSVC	N2010-0036	Department of the Navy Acquisition Checks and Balances at Fleet and Industrial Supply Center Sigonella Naval Regional Contracting Detachments Bahrain and Dubai	06/16/2010
NAVAUDSVC	N2010-0037	Contractor Support Services at the Naval Education and Training Command	06/18/2010
NAVAUDSVC	N2010-0042	Service Contracts at Space and Naval Warfare Systems Command (SPAWAR) and SPAWAR System Centers	07/07/2010
NAVAUDSVC	N2010-0043	Use of Established Department of Defense Shipping Agreements/Contracts for Department of the Navy Acquisitions on Guam	07/22/2010
NAVAUDSVC	N2010-0044	Acquisition Checks and Balances at Selected Navy and Marine Corps Activities in the Western Pacific	07/22/2010
AFAA	F-2010-0002-FC1000	Follow-up Audit, Contract Field Team Program	04/29/2010
AFAA	F-2010-0003-FC1000	Contracting Management Structure	05/24/2010
AFAA	F-2010-0004-FC1000	Commodity Council Management	06/29/2010
AFAA	F-2010-0005-FC1000	Cost Reimbursement Service Contracts	07/07/2010
AFAA	F-2010-0002-FC3000	C-130 Center Wing Modification	07/06/2010
AFAA	F-2010-0003-FC3000	Use of Performance Based Logistics in Air Force Programs	07/06/2010
AFAA	F-2010-0004-FC3000	Small Business Innovation Research	07/07/2010
AFAA	F-2010-0005-FC3000	Minuteman III Intercontinental Ballistic Missile Safety Enhanced Reentry Vehicle Program Management	09/01/2010
AFAA	F-2010-0007-FC3000	Miniature Air Launched Decoy/Miniature Air Launched Decoy-Jammer Program Management	09/10/2010
AFAA	F-2010-0008-FC3000	Wideband Global SATCOM Program Management	09/13/2010
AFAA	F-2010-0007-FC4000	Spare Parts Inductions	07/06/2010

Financial Management

Agency	Report Number	Report Title	Date
DoD IG	D-2010-053	Demographic Data Supporting the DoD Mass Transportation Benefit Program Within the National Capital Region	04/16/2010
DoD IG	D-2010-062	Controls Over Funds Appropriated for Assistance to Afghanistan and Iraq Processed Through the Foreign Military Sales Network	05/24/2010
DoD IG	D-2010-065	Validity and Security of Selected DoD Civilian Employee Accounts (Classified)	05/25/2010
DoD IG	D-2010-072	Management of Emergency Supplemental Appropriations at Selected Department of the Army Commands in Response to Terrorist Attacks	07/12/2010
DoD IG	D-2010-073	Controls Over Unliquidated Obligations for Department of the Army Contracts	07/19/2010
DoD IG	D-2010-075	Foreign Allowances and Differentials Paid to DoD Civilian Employees Supporting Overseas Contingency Operations	08/17/2010
DoD IG	D-2010-076	Recoupment of Advanced Education Costs from Disenrolled Air Force Academy Cadets	08/17/2010
DoD IG	D-2010-077	Air Force Military Personnel Entitlement Pay in Support of Contingency Operations	08/23/2010
DoD IG	D-2010-086	Utility Tax Avoidance Program in Germany	09/29/2010
DoD IG	D-2010-089	Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the FY 2010 Civilian Payroll Withholding Data and Enrollment Information	09/30/2010
USAAA	A-2010-0071-FFP	Follow-up Audit of Controls Over Leave, Overtime, and Compensatory Time by Army Commands in Hawaii	05/06/2010
USAAA	A-2010-0082-ALL	Audit of Multi-National Security Transition Command - Iraq Security Forces Fund (FOUO)	04/12/2010
USAAA	A-2010-0097-ALL	Commander's Emergency Response Program, Multi-National Force - Iraq, Summary Report (FOUO)	05/04/2010
USAAA	A-2010-0108-FFE	Time-Sensitive Report Potential Antideficiency Act Violation, Expenditure of Funds Without a Bona Fide Need, Audit of Army Conservation Reimbursable Programs (FOUO)	06/08/2010
USAAA	A-2010-0125-FFM	Review of the Army's Compliance With the Federal Managers' Financial Integrity Act	07/09/2010
USAAA	A-2010-0164-FFM	Gains and Deficiencies on Exchange Transactions Account	08/18/2010
USAAA	A-2010-0172-FFM	Audit of the Request for Validation of Army Material Weakness Closure--Financial Reporting of Equipment in Transit	08/30/2010
USAAA	A-2010-0175-FFS	Attestation of FY 08 Lean Six Sigma Benefits	09/08/2010
USAAA	A-2010-0178-FFE	Army Conservation Reimbursable Programs, Office of the Assistant Chief of Staff for Installation Management	09/08/2010
USAAA	A-2010-0187-FFM	General Fund Enterprise Business System--Federal Financial Management Improvement Act Compliance, Examination of Requirements Through Test Event 1.4.0 (FOUO)	09/14/2010
USAAA	A-2010-0210-FFF	Compensation Strategies for the National Security Personnel System	09/29/2010
USAAA	A-2010-0216-FFH	Attestation Examination of External Audit Services: Army Recreation Machine Program Financial Statements, U.S. Army Family and Morale, Welfare and Recreation Command	09/30/2010
USAAA	A-2010-0217-FFH	Attestation Examination of External Audit Services: Army Central Insurance Fund Financial Statements, U.S. Army Family and Morale, Welfare and Recreation Command	09/30/2010
USAAA	A-2010-0218-FFH	Attestation Examination of External Audit Services: Army Banking and Investment Fund Financial Statements, U.S. Army Family and Morale, Welfare and Recreation Command	09/30/2010
USAAA	A-2010-0220-FFM	Examination of Federal Financial Management Improvement Act Compliance--Requirements, Logistics Modernization Program System, Third Deployment	09/30/2010
USAAA	A-2010-0222-FFM	Non-Defense Travel System Entry Agent Vouchers, Assistant Secretary of the Army (Financial Management and Comptroller)	09/30/2010
NAVAUDSVC	N2010-0031	Environmental Differential Pay at Selected Department of the Navy Commands and Activities	06/04/2010

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NAVAUDSVC	N2010-0056	Use and Control of Military Interdepartmental Purchase Request (Classified)	09/15/2010
NAVAUDSVC	N2010-0059	Budget Execution at Selected Fleet Enterprise Activities	09/22/2010
AFAA	F-2010-0008-FB1000	United States Air Forces Central Deployed Locations Confidential Investigative Contingency Funds	04/09/2010
AFAA	F-2010-0009-FB1000	Air Force Scientific Advisory Board Financial and Contract Management	04/09/2010
AFAA	F-2010-0010-FB1000	Aviation Petroleum, Oil, and Lubricant Unliquidated Obligations	04/15/2010
AFAA	F-2010-0011-FB1000	Selected Aspects of the Military Personnel Appropriation Centrally Managed Allotment	09/07/2010
AFAA	F-2010-0009-FB2000	Implementation of Chief Financial Officer Compliance Tracking for Financial Systems	07/28/2010
AFAA	F-2010-0010-FB2000	Defense Enterprise Accounting and Management System Accounting Conformance	08/23/2010
AFAA	F-2010-0006-FB3000	General Fund Internal Use Software	04/06/2010
AFAA	F-2010-0007-FB3000	Air National Guard Tri-Annual Review Process	04/06/2010
AFAA	F-2010-0008-FB3000	Tri-Annual Review Program Implementation	06/29/2010
AFAA	F-2010-0010-FB3000	Military Equipment - Satellites	08/20/2010
AFAA	F-2010-0007-FC2000	Foreign Military Sales Cooperative Training Program	09/08/2010
AFAA	F-2010-0006-FC3000	Aircraft Engine Component Improvement Program	09/09/2010
AFAA	F-2010-0008-FC4000	Temporary Duty Travel Management	09/13/2010
AFAA	F-2010-0013-FD1000	Air Force Real Property Management - Dormitory Utilization (REVISED)	04/15/2010
AFAA	F-2010-0014-FD1000	Interim Report of Audit, Wyoming Air National Guard at Cheyenne Electric Utilities Privatization Economic Analysis	04/29/2010
AFAA	F-2010-0015-FD1000	Interim Report of Audit, Ellsworth AFB SD Gas Utilities Privatization Economic Analysis	05/03/2010
AFAA	F-2010-0016-FD1000	Interim Report of Audit, Tyndall AFB FL Electronic Utilities Privatization Economic Analysis	06/04/2010
AFAA	F-2010-0017-FD1000	Interim Report of Audit, Tyndall AFB FL Utilities Privatization Economic Analysis	06/17/2010
AFAA	F-2010-0018-FD1000	Interim Report of Audit, Tinker AFB OK Electric Utilities Privatization Economic Analysis	06/24/2010
AFAA	F-2010-0019-FD1000	Interim Report of Audit, Tyndall AFB FL Water Utilities Privatization Economic Analysis	07/16/2010
AFAA	F-2010-0020-FD1000	Fiscal Year 2010 Military Construction Planning	07/20/2010
AFAA	F-2010-0022-FD1000	Interim Report of Audit, Tyndall AFB FL Wastewater Utilities Privatization Economic Analysis	08/24/2010
AFAA	F-2010-0023-FD1000	Interim Report of Audit, Niagara Falls ARS NY Wastewater Utilities Privatization Economic Analysis	08/24/2010
AFAA	F-2010-0006-FD3000	Air Force Support to the Missile Defense Agency	05/04/2010
AFAA	F-2010-0006-FD4000	Active Duty Permanent Change of Station Management	05/06/2010
AFAA	F-2010-0007-FD4000	Military Leave Program	07/01/2010
AFAA	F-2010-0009-FD4000	Military Education Repayment Program	08/09/2010
AFAA	F-2010-0010-FD4000	Basic Allowance for Subsistence/Essential Station Missing Entitlements	09/01/2010

Health Care

Agency	Report Number	Report Title	Date
DoD IG	SPO-2010-006	Evaluation of Efforts to Identify, Contact, and Provide Access to Care for Personnel Exposed to Sodium Dichromate at Qarmat Ali, Iraq in 2003	09/17/2010
DoD IG	SPO-2010-007	Evaluation of DoD Accident Reporting	09/30/2010
AFAA	F-2010-0009-FB3000	Service Medical Activity - Air Force Contract Labor Accounts Payable	07/06/2010
AFAA	F-2010-0008-FD3000	United States Air Forces Central Deployed Locations Acquisition and Cross-Servicing Agreements	08/09/2010

American Recovery and Reinvestment Act

Agency	Report Number	Report Title	Date
DoD IG	D-2010-RAM-005	Construct Child Development Center, Marine Corps Base Camp Pendleton, California	05/26/2010
DoD IG	D-2010-RAM-006	Airfield Repairs, Naval Air Station/Joint Reserve Base, New Orleans	05/21/2010
DoD IG	D-2010-RAM-007	Child Development Center at Fort Eustis, Virginia Recovery Act Project 7	05/28/2010
DoD IG	D-2010-RAM-008	American Recovery and Reinvestment Act Project—Repair and Modernization of Littoral Combat Ship Squadron Building at Naval Base San Diego, California	06/11/2010
DoD IG	D-2010-RAM-009	Recovery Act Projects at Fort Eustis, Virginia- Projects 2146 and 619	06/07/2010
DoD IG	D-2010-RAM-010	American Recovery and Reinvestment Act Project—Repair and Modernization of Administrative Building 1500 at Naval Air Station Pensacola, Florida	06/11/2010
DoD IG	D-2010-RAM-011	American Recovery and Reinvestment Act Projects—Fort Drum, New York	06/21/2010
DoD IG	D-2010-RAM-012	American Recovery and Reinvestment Act Project—Repairs at Naval Operational Support Centers in Charlotte and Greensboro, North Carolina	07/07/2010
DoD IG	D-2010-RAM-013	American Recovery and Reinvestment Act Projects-341st Missile Wing, Malmstrom Air Force Base	07/02/2010
DoD IG	D-2010-RAM-014	American Recovery and Reinvestment Act Projects—21st Space Wing, Peterson Air Force Base, Colorado	07/15/2010
DoD IG	D-2010-RAM-015	American Recovery and Reinvestment Act Project—Construct a Child Development Center at Marine Corps Base Hawaii	07/15/2010
DoD IG	D-2010-RAM-016	American Recovery and Reinvestment Act Funds Properly Used for Aircraft Parking Apron Repairs at the Minneapolis—St. Paul Air Reserve Station, Minnesota	08/12/2010
DoD IG	D-2010-RAM-017	American Recovery and Reinvestment Act Project—Repair of the Pacific Air Forces Headquarters Building at Hickam Air Force Base, Hawaii	08/13/2010
DoD IG	D-2010-RAM-018	Naval Medical Center Portsmouth, Building 3	08/13/2010
DoD IG	D-2010-RAM-019	Army Projects in the DoD Near Term Energy-Efficient Technologies Program Funded by the American Recovery and Reinvestment Act of 2009	08/27/2010
DoD IG	D-2010-RAM-020	ARRA—Repairs to the Reserve Training Center and Construction of a Vehicle Maintenance Facility at Wilmington, Delaware, Met Recovery Act Goals	09/10/2010
DoD IG	D-2010-RAM-021	American Recovery and Reinvestment Act of 2009—Minot Air Force Base Facility and Construction Projects	09/24/2010
DoD IG	D-2010-RAM-022	Audit of the U.S. Army Corps of Engineers Civil Works Pittsburgh District Recovery Act Implementation	09/30/2010
DoD IG	D-2010-RAM-023	U.S. Army Corps of Engineers, Civil Works, Memphis District, Has Improved Its Compliance With the American Recovery and Reinvestment Act	09/30/2010
DoD IG	D-2010-RAM-024	American Recovery and Reinvestment Act—Project P-236, "Replace Water Distribution System," at Naval Air Station Whidbey Island, Washington, Was Justified	09/24/2010
DoD IG	D-2010-RAM-025	U.S. Army Corps of Engineers, Civil Works, New England District, Complied with the American Recovery and Reinvestment Act	09/30/2010
DoD IG	D-2010-RAM-026	ARRA –Construction of 23 Family Housing Units and 5 Facilities Sustainment, Restoration, and Modernization Projects at Fort McCoy, Wisconsin	09/30/2010
DoD IG	D-2010-RAM-027	U.S. Army Corps of Engineers, Huntington District Complied With the American Recovery and Reinvestment Act	09/30/2010
USAAA	A-2010-0073-ALO	American Recovery and Reinvestment Act of 2009, Fort Bragg, North Caroina	04/05/2010

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Agency	Report Number	Report Title	Date
USAAA	A-2010-0092-ALR	American Recovery and Reinvestment Act of 2009, Idaho Army National Guard	04/29/2010
USAAA	A-2010-0102-ALR	American Recovery and Reinvestment Act of 2009, Joint Base Lewis-McChord	05/20/2010
USAAA	A-2010-0116-ALR	American Recovery and Reinvestment Act of 2009, Connecticut Army National Guard	06/17/2010
USAAA	A-2010-0120-ALO	American Recovery and Reinvestment Act of 2009, Fort Stewart and Hunter Army Airfield, Georgia (FOUO)	06/23/2010
USAAA	A-2010-0123-FFE	American Recovery and Reinvestment Act of 2009, Pine Bluff Arsenal, Arkansas	06/24/2010
USAAA	A-2010-0127-FFE	American Recovery and Reinvestment Act of 2009, Aberdeen Proving Ground, Maryland	07/01/2010
USAAA	A-2010-0140-ALO	American Recovery and Reinvestment Act of 2009, Dwight D. Eisenhower Army Medical Center, Fort Gordon, Georgia	07/21/2010
USAAA	A-2010-0223-FFE	American Recovery and Reinvestment Act of 2009, U.S. Army Corps of Engineers Portland District	09/30/2010
NAVAUDSVC	N2010-0022	American Recovery and Reinvestment Act of 2009 – Naval Support Activity, Annapolis, MD	04/15/2010
NAVAUDSVC	N2010-0027	American Recovery and Reinvestment Act of 2009- Naval Station, Norfolk, VA	05/14/2010
NAVAUDSVC	N2010-0048	American Recovery and Reinvestment Act of 2009 – Marine Corps Air Station, New River, NC	08/13/2010
NAVAUDSVC	N2010-0058	American Recovery and Reinvestment Act of 2009- Marine Corps Air Station, Miramar, CA	09/17/2010
AFAA	F-2010-0012-FD1000	American Recovery and Reinvestment Act of 2009 Recovery Accountability and Transparency Board Referrals Summary	04/02/2010
AFAA	F-2010-0021-FD1000	Fiscal Year 2010 Recovery Accountability and Transparency Board Referrals Summary	07/20/2010

Nuclear Enterprise

Agency	Report Number	Report Title	Date
DoD IG	10-INTEL-13	Sustaining the WS3 Security Storage System	09/30/2010
AFAA	F-2010-0006-FB4000	System Controls for the Nuclear Enterprise Management Tool	07/21/2010
AFAA	F-2010-0005-FC2000	Nuclear Certification of Aircraft and Test Equipment Software	08/23/2010
AFAA	F-2010-0005-FC4000	Nuclear Weapons Related Materiel Inventories	05/03/2010

Other

Agency	Report Number	Report Title	Date
DoD IG	SPO-2010-008	Quality Assurance Review of the Defense Education Activity Hotline Program	09/30/2010
DoD IG	SPO-2010-003	Review of DoD Compliance with Section 847 of the NDAA For FY2008	06/18/2010
DoD IG	SPO-2010-004	Evaluation of the DoD Federal Voting Assistance Program	09/30/2010
NAVAUDSVC	N2010-0024	Providing Navy Guidance on Issuance of Small Arms	04/27/2010
NAVAUDSVC	N2010-0026	Pricing and Comparison of Defense Travel System Airfares	05/13/2010
NAVAUDSVC	N2010-0029	Management of Hazardous Materials at Fleet and Industrial Supply Center Norfolk	05/26/2010
NAVAUDSVC	N2010-0033	Prioritization of Navy Military Construction Projects for Research, Development, Test and Evaluation Facilities	06/10/2010
NAVAUDSVC	N2010-0038	Consideration of Hazardous Noise in the Acquisition of Selected Major Department of the Navy Weapon Systems and Platforms	06/22/2010
NAVAUDSVC	N2010-0039	Follow-up of NAVAUDSVC Recommendations for Management of Special Tooling and Special Test Equipment Audits	06/23/2010
NAVAUDSVC	N2010-0046	Defense Travel System	08/03/2010
NAVAUDSVC	N2010-0047	Prioritization and Selection of Navy Military Construction Projects for Program Objectives Memorandum 2010 Funding	08/12/2010
NAVAUDSVC	N2010-0049	Department of the Navy Red Hill and Upper Tank Farm Fuel Storage Facilities	08/16/2010
NAVAUDSVC	N2010-0050	Naval Audit Service Input for the Fiscal Year 2010 Statement of Assurance	08/20/2010
NAVAUDSVC	N2010-0051	Accountability of Purchases Made Using Military Interdepartmental Purchase Requests at Naval Facilities Engineering Command, Southwest	09/03/2010

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2010-0053	Payment of Basic Allowance for Housing for Navy Region Southwest	09/13/2010
NAVAUDSVC	N2010-0055	Department of the Navy Geothermal Energy Program	09/15/2010

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

Appendix B

Reports Containing Potential Monetary Benefits

Reports Issued	Date	Potential Monetary Benefits	
		Disallowed Costs	Funds Put to Better Use
D-2010-057 Public Works Operations at U.S. Army Garrison-Yongsan, Korea	05/04/2010	N/A	$569,851
D-2010-063 Analysis of Air Force Secondary Power Logistics Solution Contract	05/21/2010	N/A	$70,100,000
D-2010-067 Public-Private Partnerships at Air Force Maintenance Depots	06/10/2010	N/A	$3,100,000
D-2010-069 Central Issue Facility at Fort Benning and Related Army Policies	06/21/2010	N/A	$2,500,000
D-2010-073 Controls Over Unliquidated Obligations for Department of the Army Contracts	07/19/2010	N/A	$4,400,000
D-2010-078 Air Force Use of Time-and-Materials Contracts in Southwest Asia	08/16/2010	$24,300,000 (Questioned)	N/A
D-2010-081 Army Use of Time-and-Materials Contracts in Southwest Asia	08/27/2010	$3,688,338 (Questioned)	N/A
D-2010-082 Implementation of the Predator/Sky Warrior Acquisition Decision Memorandum Dated May 19, 2008	09/10/2010	N/A	$60,000,000
D-2010-083 Construction of the New Kabul Compound Lacked Planning and Coordination	09/30/2010	N/A	$96,694
D-2010-086 Utility Tax Avoidance Program in Germany	09/29/2010	N/A	$2,800,000
D-2010-087 Weaknesses in Oversight of Naval Sea Systems Command Ship Maintenance Contract in Southwest Asia	09/27/2010	$1,601,028 (Questioned)	$1,071,134
D-2010-6-003 Actions to Establish Final Indirect Cost Rates on Reportable Contract Audit Reports by the Supervisor of Shipbuilding, Conversion and Repair, Groton, Connecticut	09/24/2010	$1,919,000	N/A
Totals		$31,508,366	$144,637,679

▸ 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).

Appendix C

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.	27	$4,215,130
B. Which were issued during the reporting period.	66	103,557
Subtotals (A+B)	93	4,318,687
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.	62	4,222,630 3,840,000 382,630[2]
D. For which no management decision has been made by the end of the reporting period.	31	$96,057
Reports for which no management decision was made within six months of issue (as of September 30, 2010).	0	0

1. DoD IG issued audit reports during the period involving "questioned costs" of $29.6 million.
2. On these audit reports management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed.

▸ 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 actions on central internal audits period ending September 30, 2010

Status	Number	Funds Put to Better Use [1] ($ in thousands)
DoD IG		
Action in Progress - Beginning of Period	230	$44,654
Action Initiated - During Period	62	4,222,630
Action Completed - During Period	207	4,159,105
Action in Progress - End of Period	85	43,036[2]
Military Departments		
Action in Progress - Beginning of Period	676	4,767,734
Action Initiated - During Period	243	1,578,275
Action Completed - During Period	326	174,041
Action in Progress - End of Period	593	5,119,253

1. There were DoD IG audit reports opened for follow-up during the period involving "questioned costs" of $17 thousand.
2. On certain reports (primarily from prior periods) with audit estimated monetary benefits of $1,092 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).

Appendix D

Contract Audit Reports Issued

Type of audit[1]	Reports Issued	Dollars Examined ($ in millions)	Questioned Costs[2]	Funds Put to Better Use
Incurred Costs, Ops Audits, Special Audits	2,495	$28,350.3	$604.8	$58.8[3]
Forward Pricing Proposals	2,896	$66,035.6	---	$5,413.7[4]
Cost Accounting Standards	464	$60.8	$11.9	---
Post-award Audits	29	(Note 5)	$.8	---
Totals	5,884	$94,446.7	$617.5	$5,472.5

This schedule represents Defense Contract Audit Agency contract audit reports issued during the six months ended September 30, 2010. This schedule includes any audits that DCAA performed on a reimbursable basis for other government agencies, and the associated statistics may also be reported in other OIGs' Semiannual Reports to Congress. Both "Questioned Costs" and "Funds Put to Better Use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication. In prior semiannual reporting periods, DCAA reported the total number of assignments completed. The total number of assignments completed during the six months ended September 30, 2010 was 8,866. 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.

1. 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 – An audit 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.
   Postaward Audit – An audit to determine whether contracts are based on current, complete, and accurate cost or pricing data (the Truth in Negotiations Act).
2. Questioned costs represent costs that DCAA has questioned because they do not comply with rules, regulations, laws, and/or contractual terms.
3. 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.
4. Represents potential cost reductions that may be realized during contract negotiations.
5. 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).

Appendix E

Status of Action on Post-Award Contracts

	Number of Reports	Costs Questioned ($ in millions)	Disallowed Costs[5]
Open Reports:			
Within Guidelines[1]	242	$257.3	N/A[6]
Overage, greater than 6 months[2]	576	$1,173.6	N/A
Overage, greater than 12 months[3]	478	$1,235.7	N/A
In Litigation[4]	171	$2,177.7	N/A
Total Open Reports	1,467	$4,844.3	N/A
Closed Reports	375	$275.5	$129.1 (46.9%)[7]
All Reports	1,842	$5,119.8	$129.1 (2.5%)

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.

1. 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.
2. OMB Circular A-50 requires that audit reports be resolved within six 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.
3. 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.
4. Of the 171 reports in litigation, 48 are under criminal investigation.
5. Disallowed costs are costs sustained by the contracting officer in negotiations with contractors.
6. N/A (not applicable).
7. Contracting officers disallowed $129.1 million (46.9 percent) of the $275.5 million questioned as a result of significant post-award contract audits during the period. The contracting officer disallowance rate of 46.9 percent represents a decrease from the disallowance rate of 48.4 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).

Appendix F

Status of Reports with Action Pending

In response to Congressional concern with the timeliness of corrective actions taken to implement Office of the Inspector General audit report findings and recommendations, the Inspector General and senior Departmental management completed a comprehensive review of the status of agreed-upon implementing actions. As a result of this review, the number of reports over 12 months old with incomplete management implementing action decreased from 184 in the last reporting period to 51 for the period ending September 30, 2010. The status of those actions is discussed below.

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: Years were spent in obtaining funding and reconfiguring DBSS. However, in 3/09 acquisition strategy required replacement of DBSS with COTS product. Deployment to begin mid-2011 with completion in mid-2012.
Principle Action Office: AF, ASD(HA)

Report: D-2003-110, Information Technology Management: Defense Civilian Personnel Data System Functionality and User Satisfaction, 07/27/2003
Description of Action: The Civilian Personnel Management Service continues to work on initiatives to achieve goals for system standardization of basic civilian personnel operations.
Reason Action Not Completed: No funding for the electronic-Official Personnel File initiative. Enterprise Staffing Solution pilot program was cancelled. CPMS now partnered with the BTA and OUSD (P&R) to validate requirements and restart an effort named the Defense Enterprise Hiring Solution.
Principle Action Office: USD(P&R)

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 2011.
Principle Action Office: ASD(NII)

Report: D-2006-043, Financial Management: Report on Army Management of the Army Game Project Funding, 10/06/2006
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 final report on the ADA investigation is in review by Army General Counsel.
Principle Action Office: Army

Report: D-2006-056, Financial Management: Report on Vendor Pay Disbursement Cycle, Air Force General Fund: Contract Formation and Funding, 03/06/2006
Description of Action: The Air Force will review and revise existing guidance.
Reason Action Not Completed: Lack of management emphasis in developing and implementing new guidance.
Principle Action Office: AF

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. Army guidance is now in coordination. Air Force guidance is being revised.
Principle Action Office: USD(I), ARMY, AF

Appendix F

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.
Principle 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 three existing systems.
Principle Action Office: DFAS

Report: D-2008-042, Reporting of Contract Financing Interim Payments on the DoD Financial Statements, 01/31/2008
Description of Action: Include consistent policy for capitalizing Research, Development, Test, and Evaluation expenses in the DoD Financial Management Regulation.
Reason Action Not Completed: Extensive time taken to revise and coordinate the regulation.
Principle Action Office: USD(C)

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: TRICARE manual changes related to beneficiary claims are needed. The use of price caps will be implemented in Mexico and Costa Rica and additional countries are under consideration.
Principle 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: Address deficiencies in the development of independent government cost estimates, price negotiation memorandums, and use of time-and-materials contracts. Implement an enforcement program.
Reason Action Not Completed: The Army is not expected to publish a Directive addressing problems identified in FYs 2006 and 2007 interagency acquisitions until September 2011.
Principle Action Office: Army

Report: D-2008-077, United States Army Corps of Engineers Financial Management System, 04/08/2008
Description of Action: Report is FOUO.
Reason Action Not Completed: USACE is continuing to try to address long-term problems in its basic IT management system.
Principle 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: The last of four preliminary Antideficiency Act cases is under review.
Principle 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: Air Force needs to complete a second formal investigation.
Principle Action Office: USD(C)

Report: D-2008-089, Planning Armor Requirements for the Family of Medium Tactical Vehicles, 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 distribution and 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.
Principle Action Office: Army

Report: D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, 05/13/2008
Description of Action: AT&L is working to revise the guidance and criteria for performing the annual and end-of-day inventory reconciliations in DoD 4000.25-2-M, "Military Standard Transaction Reporting and Accounting Procedures." The Army is also working to update its regulations, policies, and procedures.
Reason Action Not Completed: Developing alternative solutions in lieu of implementing planned actions. Also, see actions pertaining to DoD IG report project number D-2009-D000FI-0139.000.
Principle Action Office: USD(AT&L), 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.
Principle 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: Clarify the term "appropriateness" and reflect the new organizations, roles, and responsibilities in the DoD 3025 guidance series.
Reason Action Not Completed: Continuous coordination delays resulting in extensive time taken to issue DoD 3025 guidance series. The delays also affect other DoD components' implementation of recommendations.
Principle Action Office: USD(C), ASD(HD/ASA)

Report: D-2008-134, Acquisition of the B-1 Fully Integrated Data Link, 09/22/2008
Description of Action: Ensure that the B-1 FIDL, integrated with the Common Link Integration Processing software, demonstrates acceptable performance prior to the program production decision.
Reason Action Not Completed: After delays in conducting planned testing, Air Force is completing the resulting documentation of technology readiness required to support the B-1 FIDL LRIP decision.
Principle Action Office: AF

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 DMA-wide personal property program; investigate potential misuse of funds, improper contracting, and statutory violations.
Reason Action Not Completed: A formal ADA Violation Investigation has been initiated, case number WHS W-03. Two management positions have yet to be filled.
Principle 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: Lack of Joint Staff responsiveness. Marine Corps action is on hold pending completion of Joint Staff action.
Principle Action Office: Joint Staff, 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: Awaiting ASD(PA) implementation of a July 12, 2010 OSD General Counsel opinion.
Principle Action Office: ASD(PA)

Report: D-2009-036, Acquisition of the Air Force Second Generation Wireless Local Area Network, 01/16/2009
Description of Action: Obtain OUSD(AT&L) approval for the acquisition strategy to compete network installation at the remaining sites.
Reason Action Not Completed: Air Force needs additional time to verify whether acquisition strategy, which was approved by Air Force in August 2009, has been approved by OUSD(AT&L).
Principle Action Office: AF

Report: D-2009-037, TRICARE Controls Over Claims Prepared By Third-Party Billing Agencies, 12/31/2009
Description of Action: CFR Change to obtain authority to sanction billing agencies that prepare/submit improper health claims to TRICARE contractors initiated. TRICARE to obtain a waiver to CFR prohibition to send health care claim payments directly to third party billing agencies.
Reason Action Not Completed: The 32 CFR Section 199.7 clearly prohibits TRICARE from sending health care claim payments directly to third party billing agencies. If TRICARE has determined it is too costly to comply with the CFR, TRICARE should take action to obtain an exception to the requirement.
Principle Action Office: ASD(HA)

Report: D-2009-048, DoD Small Business Innovation Research Program, 01/30/2009
Description of Action: The AT&L and Navy will establish new guidance to improve the SBIR program's reporting, funding, contracting, and monitoring compliance with standards. The guidance will ensure compliance with the Small Business Administration's Policy in regards to award values and period of performance.
Reason Action Not Completed: The development of the new directive for the SBIR program has been placed on hold pending reauthorization of the program by Congress.
Principle Action Office: AT&L, Navy

Report: D-2009-049, Internal Controls Over the United States Marine Corps Military Equipment Baseline Valuation Effort, 02/09/2009
Description of Action: Establish adequate controls over the valuation of the military equipment baseline.
Reason Action Not Completed: Lack of management attention to implementing corrective actions.
Principle Action Office: USMC

Appendix F

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.
Principle Action Office: NGA

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: Air Force guidance on use of AIR Card has been under development since August 2008, and is not expected to be finalized until April 2011. Awaiting documentation that Air Force has obtained refunds for overcharges incurred from January 2005 through June 2007.
Principle 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.
Principle 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 Antideficiency investigations takes considerable time to implement.
Principle 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.
Principle 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 FM-Suite, DFAS 7220.4-I will be revised to establish one code for unliquidated obligation requiring additional research.
Principle 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 and implement a process to reduce the likelihood of PowerTrack overpayments, identify potential fraud indicators, and quickly recover overpayments.
Reason Action Not Completed: The Third Party Payment System Oversight Council is reviewing current pre-payment procedures for improving system controls to eliminate duplicate payments, including data mining capabilities. The TPPS Council will also address identification of fraud and recovery of overpayments.
Principle Action Office: USD(AT&L)

Report: D-2009-073, DoD Components' Use of Global War on Terror Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation, 04/08/2009
Description of Action: Issue standard operating procedures to require budget officers to separately identify supplemental, bridge, and annual appropriated funds in their accounting systems in accordance with DODFMR.
Reason Action Not Completed: Lack of management responsiveness.
Principle Action Office: USMC

Report: D-2009-078, Health Care Provided by Military Treatment Facilities to Contractors in Southwest Asia, 05/04/2009
Description of Action: OUSD (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.
Principle 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: USFK will rewrite Regulation 700-19 to address the issues stated in the recommendations.
Reason Action Not Completed: USFK corrective action to rewrite Regulation 700-19 is ongoing.
Principle Action Office: USFK

Report: D-2009-087, Controls over Contract Obligation Data in the Logistics Modernization Program (LMP), 06/15/2009
Description of Action: Army will implement standard operating procedures for processing, controlling, and documenting contract data.
Reason Action Not Completed: Army has not finalized and implemented standard operating procedures for the LMP and has not yet submitted a change request to the LMP.
Principle Action Office: Army

Report: D-2009-089, Internal Controls Over Government Property in the Possession of Contractors at Two Army Locations, 06/18/2009
Description of Action: Improve internal controls over the existence, completeness, and valuation of government property in the possession of contractors.
Reason Action Not Completed: Improving internal controls takes time to complete.
Principle Action Office: Army

Report: D-2009-094, Defense Industrial Financial Management System Controls and Compliance, 08/04/2009
Description of Action: Report is FOUO.
Reason Action Not Completed: Management is continuing with system testing.
Principle Action Office: DFAS

Report: D-2009-095, Contracting for Transportation Services for U.S. Army Corps of Engineers, Gulf Region Division, 07/29/2009
Description of Action: The GRD will issue and enforce guidance for inventory and invoice reconciliation, and will establish internal controls that ensure contracting officer's representatives provide and maintain sufficient applicable documentation.
Reason Action Not Completed: USACE GRD has not implemented new guidance and internal controls to improve contracting procedures.
Principle Action Office: Army

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: Improving internal controls takes time to complete.
Principle 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 Defense Emergency Response Fund for the 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.
Principle Action Office: USD(C)

Report: D-2009-101, Information Assurance and Data Reliability of the Automated Disbursing System, 09/22/2009
Description of Action: Require encryption of data received from Navy systems, 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.
Principle 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 FOUO.
Reason Action Not Completed: Extended time is required for revision of DoD Instruction 8500.02.
Principle Action Office: ASD(NII), Navy

Report: D-2009-106, General and Application Controls for the Distribution Standard System, 09/28/2009
Description of Action: Report is FOUO.
Reason Action Not Completed: Corrective actions are on schedule.
Principle Action Office: DLA

Report: D-2009-107, DoD Enterprise Staffing Solution, 09/28/2009
Description of Action: Investigate actions cited in the report to determine if there were Antideficiency Act violations and issue specific guidance for the acquisition of software as a service.
Reason Action Not Completed: A formal ADA investigation is underway, and DoD will address software as a service.
Principle Action Office: USD(C), USD(AT&L)

Appendix F

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 and closes the old WRM contract, and reviews award fee determinations and sales of government property made under the old WRM contract. The DCAA will audit direct costs under the old WRM contract and perform required surveillance of DynCorps internal controls.
Reason Action Not Completed: Air Force has not completed corrective actions on contracting issues or collected potential monetary benefits on the old WRM contract. DCAA has not yet conducted recommended audits.
Principle Action Office: AF, DCAA

Report: D-2009-109, Contracts Supporting the DoD Counter Narcoterrorism Technology Program Office, 09/25/2009
Description of Action: Contracting officers will be instructed to make numerous corrections and improvements. OIG will review the USD(C) legal position on a potential Antideficiency Act issue, DCAA will review public vouchers submitted under the CNTPO contracts. USD(P) will issue policy on the use of Operations and Maintenance appropriations for minor military construction.
Reason Action Not Completed: The case was not decided until September 2010, which resulted in limited follow-up action. DCAA has not completed recommended reviews.
Principle Action Office: Army, USD(C), DCAA, USD(P)

Report: D-2009-112, Deferred Maintenance on the Air Force C-130 Aircraft, 09/25/2009
Description of Action: Develop procedures for reporting partially deferred maintenance for inclusion in the financial statements and ensure compliance.
Reason Action Not Completed: Developing procedures takes time to complete.
Principle Action Office: AF

Report: D-2009-113, Audit of Medical Equipment Used to Support Operations in Southwest Asia, 09/30/2009
Description of Action: Ensure timely implementation and an updated milestone and implementation plan for the transition from the Theater Army Medical Management and Information System to Defense Medical Logistics Standard Support System.
Reason Action Not Completed: Awaiting fielding of new system in Southwest Asia. Fielding is expected to begin in fourth quarter FY 2010.
Principle Action Office: Army

Report: D-2009-118, Internal Controls Over Naval Special Warfare Command Comptroller Operations in Support of Contingency Operations, 09/29/2009
Description of Action: Develop software to allow electronic extraction of data on the cost of the Global War on Terror.
Reason Action Not Completed: Software development takes considerable time to complete.
Principle Action Office: Navy

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

Appendix G

Contract Audits with Significant Findings

DCAA

Audit Report No. 6431-2009I17200001	03/31/2010
Subject: Report on Audit of Equitable Adjustment Request	
Prepared For: U.S. Army Program Executive Office for Simulation, Training and Instrumentation	
Report: $30.5 Million Questioned Cost	
The audit of the equitable adjustment proposal resulted in $30.5M of questioned cost, of which $29.1M related to subcontract costs for a subcontractor that refused to provide an adequate proposal.	

Audit Report No. 4711-2009C17900003	05/12/2010
Subject: Report on Audit of Interim Invoices	
Prepared For: Defense Contract Management Agency, Virginia	
Report: $25.5 Million Questioned Cost	
The audit of the subcontractor's interim invoices resulted in $25.5M of questioned indirect costs and fees. The amounts were questioned due to noncompliance with the billing instructions in the subcontract.	

Audit Report No. 3321-2009K10180030 (Revised)	05/20/2010
Subject: Audit Report on Costs Incurred	
Prepared For: Defense Contract Management Agency, Phoenix - Houston	
Report: $65.2 Million Questioned Cost	
The audit of the contractor's incurred costs resulted in $65.2M of questioned subcontract costs which were considered unreasonable because they were significantly higher than other comparable subcontract prices.	

Audit Report No. 4911-2009J10110001	07/09/2010
Subject: Report on Compliance with Program Requirements and Internal Control Over Compliance with OMB Circular A-133	
Prepared For: National Aeronautics and Space Administration	
Report: $30.9 Million Questioned Cost	
The audit of the contractor's submission resulted in $30.9M of questioned costs, including $20.6M of questioned dependent health insurance expenses.	

Audit Report No. 3321-2009K10180047	07/14/2010
Subject: Audit Report on Costs Incurred	
Prepared For: Defense Contract Management Agency, Phoenix - Houston	
Report: $11.1 Million Questioned Costs	
The audit of the contractors incurred costs resulted in $11.1M of questioned subcontract costs which were considered unreasonable. The prime contractor did not award the subcontract to the lowest priced, qualified bidder.	

Appendix G

Audit Report No. 2131-2010F17200003	08/15/2010
Subject: Audit of Equitable Adjustment Claim Submitted Pursuant to the Contract Disputes Act	
Prepared For: U.S. Army Corps of Engineers	
Report: $10.3 Million Questioned Cost	
The audit of the contractors equitable adjustment claim resulted in the entire claim being questioned, including $3.5M of claimed material costs and $2.0M of claimed finance and interest costs. The contractor did not maintain adequate supporting documentation to show that the claimed costs had been incurred and were allocable to the contract.	

Audit Report No. 3141-2010D17100001	08/18/2010
Subject: Report on Audit of Termination Settlement Proposal – Total Cost Basis	
Prepared For: U.S. Army Joint Munitions and Lethality Life Cycle Management Command	
Report: $70.8 Million Questioned Cost	
The audit of the contractors proposal resulted in questioned costs of $70.8M, including $39.8M of unallowable material costs that were not authorized by the contracting officer as required by the contract terms, $19.4M of associated indirect expense, and $8.4M of profit.	

Audit Report No. 3161-2007H10100001	08/30/2010
Subject: Report on Audit of Incurred Cost and Facilities Capital Cost of Money Submissions for the Year Ended December 31, 2007	
Prepared For: Defense Contract Management Agency Aeronautical	
Report: $17.5 Million Questioned Cost	
The audit of the submissions resulted in $17.5M of questioned costs, of which $14.8M relates to government flexibly priced contracts. Questioned direct contract costs totaled $10.8M and included unreasonable direct labor costs for contract engineers and unallocable direct material costs. Questioned indirect costs totaled $6.7M including unallowable consultant costs and costs that should have been included in the capitalized cost of self-constructed assets instead of expensed in 2007.	

Audit Report No. 3141-2009C17200001	09/02/2010
Subject: Report on Audit of Equitable Adjustment Claim for Constructive Changes and Delays	
Prepared For: Defense Contract Management Agency, Chicago	
Report: $13.4 Million Questioned Cost	
The audit of the equitable adjustment claim resulted in $13.4M of questioned costs, including $8.3M of unabsorbed overhead and $4.7M of labor claimed due to delays.	

Audit Report No. 3171-2009U17900001 (Revised)	09/10/2010
Subject: Report on Audit of Restructuring Costs	
Prepared For: Defense Contract Management Agency, Ground Systems & Munitions Division	
Report: $19.5 Million Questioned Cost	
The audit of the contractor's internal restructuring cost proposal resulted in $19.5M of questioned cost, including $15.5M related to claimed losses on the sale of buildings.	

Audit Report No. 2241-2009B10503003	09/20/2010
Subject: Report on Operations Audit of Subcontract Procurement Efficiency and Effectiveness	
Prepared For: Defense Contract Management Agency - Phoenix	
Report: $28.7 Million Cost Avoidance	
The operations audit of the contractor's subcontract procurement system resulted in recommended cost avoidance of $28.7M based which could be realized by increasing the number of subcontracts awarded competitively.	

DoD IG

Audit Report No. D-2010-063	05/21/2010
Subject: Analysis of Air Force Secondary Power Logistics Solution Contract	
Report: Audit – $70.1 Million Funds Put to Better Use	
DoD IG identified over $70 million of inventory in DLA warehouses that would not be effectively utilized because the Air Force was planning on procuring the same items under a performance based logistics contract with the original equipment manufacturer. Informing DLA, the Air Force, and the director of Defense Procurement resulted in the Air Force requiring its PBL contractor through contract terms to draw down the DLA inventory over a 10-year period.	

Audit Report No. D-2010-078	08/16/2010
Subject: Air Force Use of Time-and-Materials Contracts in Southwest Asia	
Report: Audit – $24.3 Million Questioned Costs	
AFCEE contracting and program officials did not perform adequate contract oversight for work performed on the six task orders we reviewed valued at $120.8 million. Officials did not adequately monitor the title II (quality assurance and oversight services) contractors working in Southwest Asia and did not adequately review invoices because the title II contracting officer's representatives did not conduct site visits to Southwest Asia and, according to the contracting officer, there were not enough personnel to review invoices. As a result, AFCEE has no assurance that the contractors were working efficiently and effectively and AFCEE paid for $24.3 million in labor costs that were not part of the contract.	

Audit Report No. D-2010-081	08/27/2010
Subject: Army Use of Time-and-Materials Contracts in Southwest Asia	
Report: Audit – $3.7 Million Questioned Costs	
Army contracting and DoD program officials did not properly award and administer the 18 T&M contracts and task orders for work performed in Southwest Asia. Contracting and program officials awarded contracts and task orders with invalid sole-source justifications or unfair competition, did not negotiate reasonable prices, and did not justify their use of the T&M contract type. These conditions occurred because contracting and program officials ignored acquisition regulations. In addition, contracting and program officials did not perform adequate contractor surveillance for the 18 contracts and task orders because of inadequate organization and planning by the Army officials responsible for contractor oversight. DoD IG identified potential monetary benefits for the government of $3,688,338 related to unauthorized labor rate increases, subcontractor employees who may not have worked on the contract, and work performed after the period of performance had expired.	

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

Appendix H

Results of Peer Reviews

Federal audit organizations are required to undergo an external quality control assessment every three years. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail.

Peer Review of Department of Defense IG by Department of Health and Human Services OIG

The Department of Health and Human Services Office of Inspector General conducted an external peer review of the 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 the DoD IG Web site at www.dodig.mil/audit.

Peer Review of U.S. Postal Service OIG by Department of Defense IG

DoD IG conducted an external quality control review of the United States Postal Service Office of Inspector General audit organization and issued a final report on March 31, 2010. USPS OIG received a peer review rating of pass. Below is a listing of the recommendations made by the DoD IG that have not been fully implemented as of the semiannual period ending September 30, 2010 and the status of those recommendations:

Recommendation 1: DoD IG recommended that the assistant inspector general for audit update its policies and procedures to ensure compliance with generally accepted government auditing standards and applicable legal and regulatory requirements.
Status: Not fully implemented. The Office of Audit has updated all policies and procedures as of October 25, 2010. The policies are currently being reviewed by the Office of General Counsel prior to posting.
Recommendation 4 (a)&(b): DoD IG recommended that the assistant inspector general for audit (a) require a one-time review of the completed training recorded in employee training logs; and (b) follow up on missing certificates of completion and ensure that evidence of completed training is included in the employee training logs.
Status: Not fully implemented. As agreed to in the response, USPS OIG initiated a one-time review of the completed training recorded in employee training logs in April 2010 and this review is ongoing. Completing the review and ensuring that evidence of completed training is included in employee training logs is anticipated by January 2011.
Recommendation 5.2(d). DoD IG recommended that the assistant inspector general for audit improve reporting in performance reports by (d) publishing management comments in field financial reports or capping reports.
Status: Not fully implemented. Although USPS OIG disagreed with publishing management comments in field financial reports or capping reports because these reports are issued in final only, they agreed on a process with the Postal Service whereby they will reissue the final report with management comments if they disagree with the finding(s) or recommendation(s). Accordingly, to ensure compliance with government auditing standards, USPS OIG revised the financial installation audit report template on October 22, 2010 to reflect this process in our scope thereby fully addressing the intent of this recommendation.
A copy of the external quality control review report in its entirety can be viewed on the USPS OIG Web site 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).

Appendix I

Acronyms

ADM	Acquisition Decision Memorandum
AFAA/FS	Air Force Audit Agency Financial Systems Audits Directorate
AFAA/QL	Air Force Audit Agency Acquisition and Logistics Audits Directorate
AFAA/SP	Air Force Audit Agency Support and Personnel Audits Directorate
AFCEE	Air Force Center for Engineering and the Environment
AFCENT	Air Forces Central Command
AFFSC	Air Force Financial Service Center
AFOSI	Air Force Office of Special Investigations
AFRL	Air Force Research Laboratory
AMC	Army Materiel Command
AMCOM	Aviation and Missile Command
ANG	Air National Guard
ARRA	American Recovery and Reinvestment Act
ASG-KU	Area Support Group – Kuwait
CID	Criminal Investigation Command
CITF	Criminal Investigation Task Force
CRI	Civilian Reprisal Investigations
CSSC-K	Combat Services Support Contract - Kuwait
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DCMA	Defense Contract Management Agency
DFAS	Defense Finance and Accounting Service
DISA	Defense Information Systems Agency
DISN	Defense Information Systems Network
DLA	Defense Logistics Agency
DoN	Department of the Navy
DPRI	Defense Posture Review Initiative
DRMO	Defense Reutilization and Marketing Office
DTRA	Defense Threat Reduction Agency
ESC	Electronic Systems Center
FAR	Federal Acquisition Regulation
FBI	Federal Bureau of Investigations
FMS	Foreign Military Sales
FSRM	Facilities, Sustainment, Restoration and Modernization
GAO	Government Accountability Office
GFP	Government-furnished Property
GSA	General Services Administration
HHS	Health and Human Services
HMMWV	High Mobility Multi-purpose Wheeled Vehicle
HQ AMC	Headquarters, U.S. Army Materiel Command
ICCTF	International Contract Corruption Task Force
ICG	Interagency Coordination Group
ICE	U.S. Immigration and Customs Enforcement
IED	Improvised Explosive Device
IMCOM	Installation Management Command
JTTF	Joint Terrorism Task Force
LOGCAP	Logistics Civil Augmentation Program
MHS	Military Health System
MICC-EU	Mission and Installation Contracting Command - Fort Eustis
MILCON	Military Construction
MPFU	Major Procurement Fraud Unit
MRAP	Mine Resistant Ambush Protected Vehicle Program
MSPV	Medical/Surgical Prime Vendor
MTBP	Mass Transit Benefit Program
NATO	North Atlantic Treaty Organization
NAVAUDSVC	Naval Audit Service
NCIS	Naval Criminal Investigative Service
NCOER	Non-Commissioned Officer Evaluation Report
NJTTFs	National Joint Terrorism Task Force
NRCC	Naval Regional Contracting Command
NTV	Nontactical Vehicle
OCCL	Office of Communications and Congressional Liaison
OCIE	Organizational Clothing and Individual Equipment
OCO	Overseas Contingency Operations
OEF	Operation Enduring Freedom
OIF	Operation Iraqi Freedom
O&M	Operations and Maintenance
OMB	Office of Management and Budget
OSD	Office of the Secretary of Defense
PACAF	Pacific Air Forces

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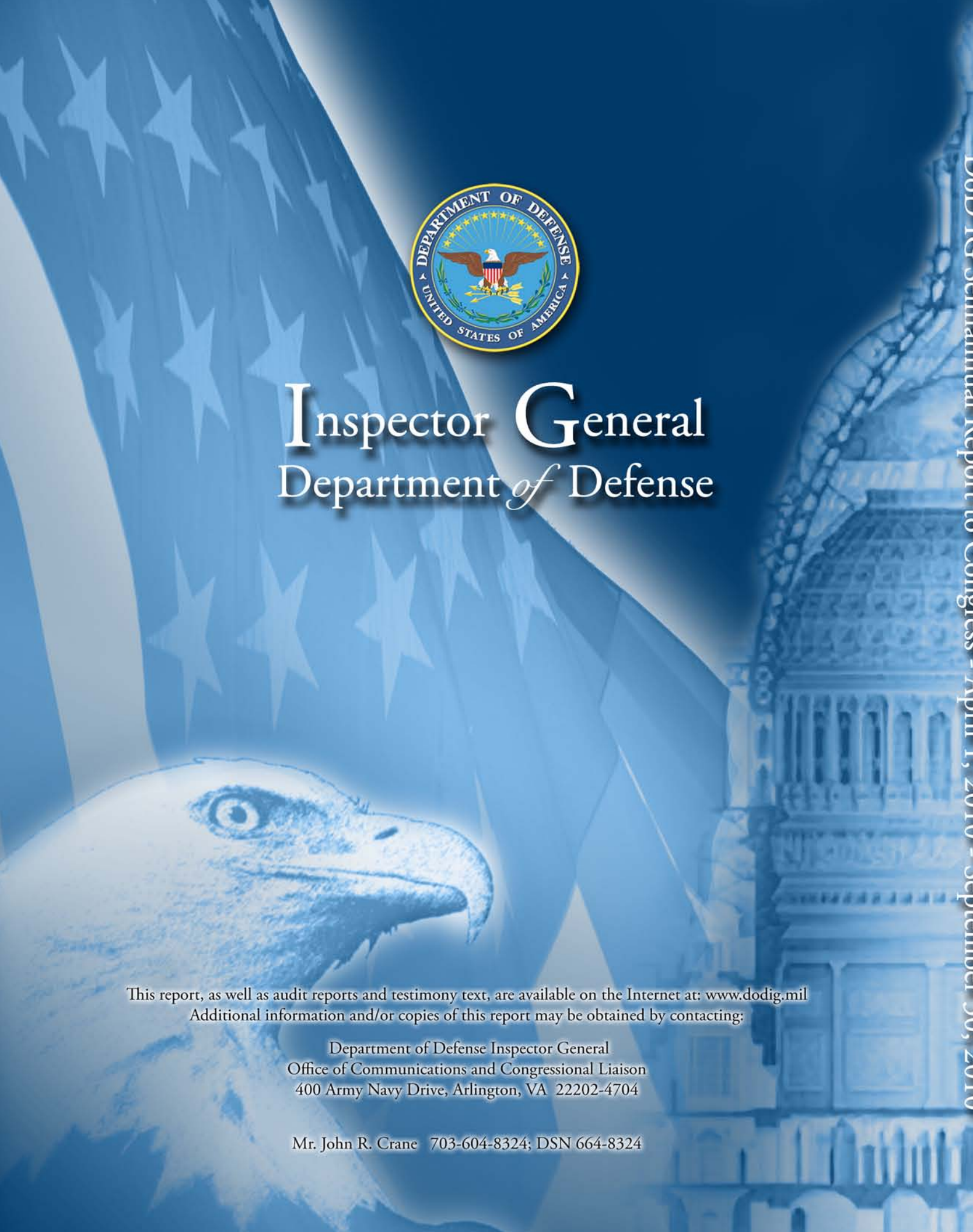
PAD	Public Access Defibrillators
PEO-EIS	Program Executive Office for Enterprise Information Systems
PII	Personally Identifiable Information
PWC	Public Warehousing Company
RATB	Recovery Accountability and Transparency Board
RC	Reserve Component
SDD	System Development and Demonstration
SIGIR	Special Inspector General for Iraq Reconstruction
SIPRNET	Secret Internet Protocol Router Network
SPS	Standard Procurement System
STE	Secure Terminal Equipment
TADSS	Training Aids, Devices, Simulators and Simulations
T&M	Time and Materials
TRADOC	Training and Doctrine Command
VA	Veterans Affairs
UCA	Undefinitized/Contractual Action
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USACIL	United States Army Criminal Investigation Laboratory
USAF	U.S. Air Force
USAID	U.S. Agency for International Development
USAREUR	U.S. European Command
USCENTCOM	U.S. Central Command
USD (AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics
USDC/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer)
USD (P&R)	Under Secretary of Defense for Personnel and Readiness
USPS	United States Postal Service
USTRANSCOM	U.S. Transportation Command
WRM	War Reserve Materiel
ZAI	Zerene Aerospace Inventories, Inc.

Department of Defense
Inspector General
400 Army Navy Drive
Arlington, VA 22202-4704

www.dodig.mil

Defense Hotline 1.800.424.9098



Inspector General
Department of Defense

This report, as well as audit reports and testimony text, are available on the Internet at: www.dodig.mil
Additional information and/or copies of this report may be obtained by contacting:

Department of Defense Inspector General
Office of Communications and Congressional Liaison
400 Army Navy Drive, Arlington, VA 22202-4704

Mr. John R. Crane 703-604-8324; DSN 664-8324

DoD IG Semiannual Report to Congress - April 1, 2010 - September 30, 2010