

# Inspector General

United States  
Department of Defense



## Semiannual Report to the Congress

April 1, 2011 - September 30, 2011

Required by Public Law 95-452

# Report Documentation Page

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I am pleased to present the Department of Defense Inspector General Semiannual Report to the Congress for the reporting period April 1, 2011 to September 30, 2011. DoD IG is dedicated to working on behalf of the warfighters and taxpayers to identify fraud, waste, and abuse; and to improve the efficiency and effectiveness of DoD programs and operations. In doing so, we conduct audits, investigations and inspections that provide guidance and recommendations for improvement to both the Department and Congress. Our vision is to be a model oversight organization in the federal government by leading change, speaking truth and promoting excellence.

During this reporting period, we conducted 82 audits, evaluations, intelligence reviews and assessments. Auditing identified \$547 million of potential funds that could be put to better use and the Defense Hotline managed 9,340 contacts. In addition, the Defense Criminal Investigative Service, working closely with other law enforcement agencies, returned \$440 million in fines, restitution and recoveries to the U.S. government along with 63 arrests, 166 criminal convictions, 74 suspensions and 130 debarments.

We are also pleased to recognize the 30th anniversary of DCIS. Since its creation in April 1981 by then Secretary of Defense Caspar Weinberger, DCIS has grown from a small cadre of 15 special agents to more than 350 special agents who run the criminal investigative arm of DoD IG. I am proud to report that DCIS is responsible for returning over \$19.9 billion to the U.S. government since its inception.

This report also includes the accomplishments of our counterpart agencies including the Army Audit Agency, Naval Audit Service, Air Force Audit Agency, Army Criminal Investigation Command, Naval Criminal Investigative Service and Air Force Office of Special Investigations.

I want to express my appreciation for the collaborative efforts and hard work of DoD IG employees who carry out our crucial mission of protecting public interests; fighting corruption; reducing fraud, waste and abuse; and ensuring accountability and transparency. We thank the service members who inspire our work for their service and sacrifice. We commend the military services, defense agencies, and other members of the oversight community on their accomplishments. Finally, we appreciate the continued support of the Congress and the Department as we work toward continuous improvement and efficiency.

Gordon S. Heddell  
Inspector General



The Honorable Gordon Heddell speaks at the 2011 Annual Leadership Conference.

# STATISTICAL HIGHLIGHTS

## SUMMARY OF AUDIT ACTIVITIES

Reports Issued	64
Monetary Benefits	
Recommendations Made on Funds Put to Better Use	\$547 million

## SUMMARY OF INVESTIGATIVE ACTIVITIES

### Defense Criminal Investigative Service<sup>1</sup>

Total Returned to the U.S. Government	\$440 million
Seizures and Recoveries	\$2.5 million
Civil Judgments	\$98 million
Criminal Judgments	\$24.5 million
Administrative Agreements	\$315 million
Investigative Cases	
Arrests	63
Indictments	195
Convictions	166
Suspensions	74
Debarments	130
<b>Administrative Investigations</b>	
Cases Received	588
Cases Closed	358
Senior Official Investigations	243
Reprisal Cases	114

## SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES

Existing and Proposed Regulations Reviewed	213
Evaluation Reports Issued	7
Inspector General Subpoenas Issued	358

## SUMMARY OF INTELLIGENCE ACTIVITIES

Intelligence Reports Issued	7
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## SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES

Assessment Reports Issued	4
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## SUMMARY OF DEFENSE HOTLINE ACTIVITIES

Contacts	9,340
Cases Opened	1,433
Cases Closed	1,256

<sup>1</sup> Includes investigations conducted jointly with other federal criminal investigative organizations.

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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..."	16-42
Section 5(a)(2)	"description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies..."	16-42
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..."	16-42
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.	88-98
Section 5(a)(7)	"a summary of each particularly significant report..."	16-42
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..."	100
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..."	100
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..."	100
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..."	100
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..."	100
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..."	104-108
Section 8(f)(1)	"information concerning the number and types of contract audits..."	102
Section 5 note	"an annex on final completed contract audit reports...containing significant audit findings."	109-113

# Overview



## Serving the Congress and the Department

Department of Defense Inspector General is an independent, objective agency within the U.S. Department of Defense that was created by the Inspector General Act of 1978, as amended. DoD IG is dedicated to serving the warfighter and the taxpayer by conducting audits, investigations, inspections, and assessments that result in improvements within the Department. DoD IG keeps the Department and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

## Mission

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

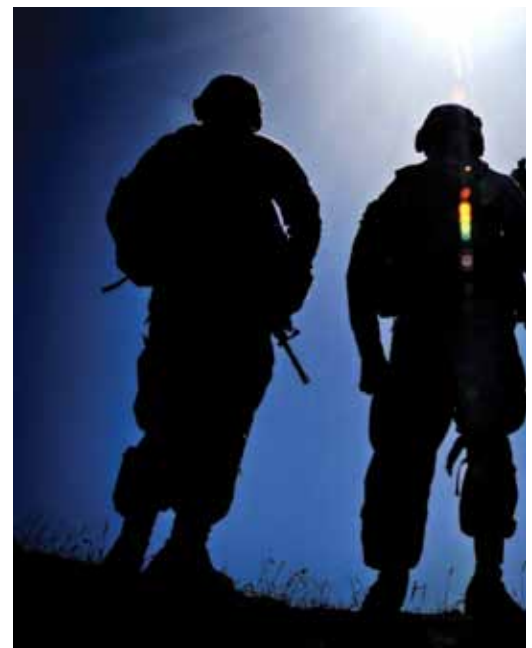
- Supports the warfighter.
- Promotes accountability, integrity and efficiency.
- Advises the secretary of defense and Congress.
- Informs the public.

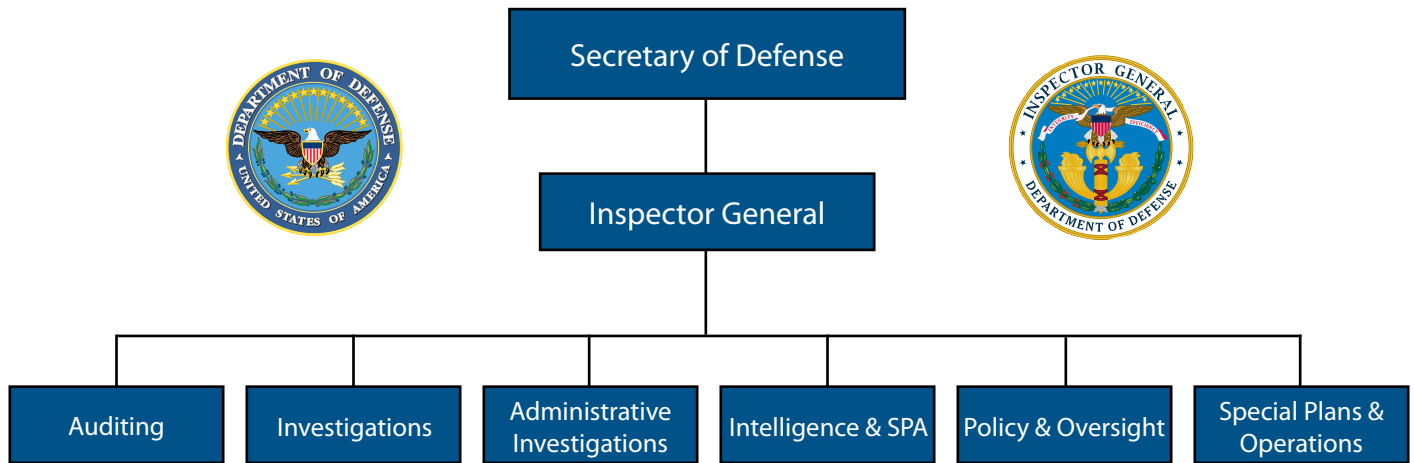
## Vision

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

## Core Values

- Integrity
- Efficiency
- Accountability
- Excellence





## 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 leads the Defense Criminal Investigative Service, which protects America's warfighters by conducting criminal and civil investigations in support of crucial national defense priorities.

## Administrative Investigations

The Office of the Deputy Inspector General for Administrative Investigations 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 and Special Program Assessments

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

## Policy and Oversight

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

## Special Plans and Operations

The Office of the Deputy Inspector General for Special Plans and Operations provides assessment oversight to facilitate informed decision making by senior civilian and military leaders of the DoD and Congress, to accomplish priority national security objectives.

# Executive Summary



Inspector General Heddell addresses oversight needs in Southwest Asia.

“Administrative Investigations received 588 cases, closed 358, and has 657 open complaints involving whistleblower reprisal and senior official misconduct.”

## 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 as of September 30, 2011, is summarized below.

*Auditing* issued 64 reports with 392 recommendations identifying potential cost savings and funds that could be put to better use, ensuring the safety of service members; addressing improvements in DoD operations, financial reporting and accountability; ensuring the Department complied with statutory mandates; and identifying and eliminating improper payments. Of those reports, 23 percent addressed the American Reinvestment and Recovery Act; 25 percent addressed acquisition processes and contracting issues; 25 percent addressed financial management issues; 13 percent addressed joint warfighting and readiness issues; 5 percent addressed health and safety issues; and 9 percent addressed information assurance, security and privacy issues.

*Investigations-DCIS* opened 470 cases, closed 356 cases and has 1,856 ongoing investigations. These cases primarily addressed criminal allegations of public corruption, procurement fraud, product substitution, illegal transfer of technology and health care fraud.

*Administrative Investigations* received 588 cases, closed 358, and has 657 open complaints involving whistleblower reprisal and senior official misconduct. Of 14 civilian reprisal investigations completed, 1 was substantiated (7 percent); of 52 military reprisal investigations completed, 17 (33 percent) were substantiated; and of 125 senior official investigations completed, 18 (14 percent) were substantiated.

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

*Policy and Oversight* issued seven evaluation reports primarily addressing its oversight of the Defense Contract Audit Agency and traffic issues at the BRAC 133 Mark Center Complex. Policy and Oversight also issued three Department-wide policies, reviewed 213 existing and proposed regulations and issued 358 IG subpoenas.

*Special Plans and Operations* issued four assessment reports with 95 recommendations that addressed a wide range of issues, including the development of an effective medical logistics system within the Afghan National Security Forces; DoD planning for transitioning the security assistance mission in Iraq from the Department of Defense to the Department of State; the exposure of U.S. soldiers and civilians to sodium dichromate, a carcinogen, at a water treatment plant in Qarmat Ali, Iraq in 2003 and the Warrior Care and Transition program located at Fort Drum, N.Y.

As of September 30, 2011, the DoD IG workforce totaled 1,549 employees, not including military personnel and contractors.

## Priorities

As a Department-wide priority, the secretary of defense identified the need to improve effectiveness and efficiencies in business operations in order to sustain mission-essential activities. In support of this focus, DoD IG uses its extensive oversight capabilities to promote economy,

effectiveness and efficiency throughout the Department. DoD IG performs audits, investigations and inspections to support the Department's goals to:

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

We performed audits, inspections and assessments of key programs and operations. We also consulted on a variety of Department initiatives and issues. DoD IG is focusing work efforts on preventing and detecting fraud, waste and abuse and improving efficiency and effectiveness in such critical areas for the Department as:

- Acquisitions and contracting.
- Financial management.
- Health and safety.
- Information assurance, security and privacy.
- Joint warfighting and readiness.
- Nuclear enterprise.

DCIS investigations resulted in criminal, civil and administrative actions. DCIS identified the following investigative priorities for crimes impacting the Department:

- Public corruption.
- Procurement fraud.
- Health care fraud.
- Product substitution.
- Technology protection.

## Core Mission Areas

We issued 11 reports identifying \$547 million in potential monetary benefits, of which \$78 million has already been realized and put to better use. We achieved an additional \$86 million in funds put to better use based on management completed corrective actions to reports issued in previous reporting periods. In addition, DCIS investigations were the basis for 63 arrests, 195 criminal charges, 166 criminal convictions, 74 suspensions and 130 debarments, which resulted in \$440 million returned to the U.S. government.

## Audits

- We, in conjunction with the Department of State Office of Inspector General, conducted a series of audits of the Afghanistan National Police program. DoD IG and DOS OIG issued three joint reports identifying and recommending corrective actions for improper obligations of \$249 million; potential funds put to better use of \$200 million; a potential Antideficiency Act violation; inappropriate obligations for three DOS programs and personal services contracts contrary to either Economy Act or reimbursable agreement limitations; and inadequate plans for transferring the contract from DOS to DoD resulting in a lack of proper oversight.
- We determined the Department of the Navy did not select and plan several photovoltaic projects in accordance with the requirements of the American Reinvestment and Recovery Act and applicable energy legislation and policies. As a result, the Navy will not recover \$25.1 million of the \$50.8 million invested in photovoltaic projects. During project planning and selection, officials did not consider whether projects were cost-effective or analyze different types of energy projects to determine the best investments for meeting legislative energy goals. DoN has taken steps to improve its energy programs by restructuring existing offices and establishing new energy offices, developing strategies and policies, and implementing a new project selection tool.
- We reported that the DoD Cash Management Report was not complete or accurate. Other defense organizations used the Cash Management Report to reconcile their fund balance with Treasury general ledger accounts. We identified deficiencies in the Cash Management Report that significantly undermine the reliability of the report as a reconciliation tool and negatively affect the ability of other defense organizations to obtain a favorable financial statement audit opinion.



DoD IG issued three joint reports on the Afghan National Police Program.



DoD IG reviewed DoN photovoltaic Recovery Act projects.



DoD IG leadership, personnel and U.S. troops in Southwest Asia.

## Investigations

- We investigated Serono Laboratories for paying kickbacks to TRICARE and other government health care providers to induce them to promote a particular drug they were manufacturing. As a result, Serono agreed to pay \$44.4 million to resolve False Claims Act allegations in connection with marketing of the drug.
- We investigated an individual who sought to acquire, transfer and export military technology and weaponry, to include a Stinger missile, to a drug trafficking organization based in Mexico. Payment for the technology and weaponry was in lump sums of cash and large quantities of methamphetamine. Several people plead guilty to weapons and drug charges and received jail sentences.

## Inspections

- We reported that the ability of the Afghan National Army to build and maintain a sustainable medical logistics system at its current level of capability was not feasible in the absence of U.S. and international community support. Further, pharmaceuticals provided to the Afghan Security Forces by U.S. and coalition forces were at significant risk of theft, misappropriation, or other illegal acts. This report triggered a significant reorganization of the medical mentoring plans and programs that advanced the building of a viable Afghan Security Forces health care system by 2014.
- We reported that planning for establishing an enduring Office of Security Cooperation in Iraq succeeded largely due to the singular efforts of an ad-hoc cadre of strategic planners operating within U.S. Forces-Iraq. Further, this assessment prompted U.S. Central Command to establish an Operations Planning Team to assist in the stand-up of the Office of Security Cooperation within U.S. Embassy-Baghdad.
- We substantiated allegations of unauthorized intelligence activities.



DoD IG reviewed planning for an Office of Security Cooperation in Iraq.

## Enabling Mission Areas

### Defense Hotline

The Defense Hotline received 9,340 contacts from the public and members of the DoD community: 9 percent via mail, 34 percent via email, 7 percent via the Internet and 50 percent via telephone. Based on these contacts, the hotline opened 1,433 cases. The Defense Hotline closed 1,256 cases this reporting period.

### Whistleblower Protection

DoD received 312 complaints of whistleblower reprisal through the Defense Hotline and other sources and closed 114. Of the 114 closed, 59 were full investigations, with 18 complaints substantiated (31 percent). We conducted 51 outreach and training events attended by 838 military and civilian IG representatives.

### Senior Official Accountability

As of September 30, 2011, there were 281 ongoing investigations into senior official misconduct throughout the Department, representing a 7 percent decrease from March 31, 2011, when 303 open investigations were reported. Over the past six months, the Department closed 243 complaints. Of those complaints, 125 contained a credible allegation of senior official misconduct that required investigation. Of the 125 senior official investigations completed, 18 (14 percent) contained substantiated allegations.

### Congressional Testimony & Briefings

During the reporting period, we testified before the Commission on Wartime Contracting on implementing improvements to defense wartime contracting. We also testified before the Panel on Defense Financial Management and Auditability Reform, House Armed Services Committee, on the efforts of the Department to improve payment and funds control as well as before the

Subcommittee on Government Organization, Efficiency and Financial Management, Committee on Oversight and Government Reform, regarding financial management and internal control challenges within the Department.

DoD IG received 146 new congressional inquiries and closed 169 cases. New inquiries involved reprisal investigations, concern about improper payments, allegations regarding senior officials and reviews of senior DoD officials.

## Programs & Outreach

We established a new division that will evaluate DoD and military service criminal investigative policies, programs and training focused on violent crimes such as murder, suicide, sexual assault, robbery, criminal child abuse and aggravated assault.

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## Iraq & Afghanistan

In support of the U.S. mission in Iraq and Afghanistan, DoD IG has stationed over 50 oversight personnel in Southwest Asia working out of six offices, as well as teams of auditors, special agents, inspectors and engineers entering and exiting the region on temporary duty assignments.

## Transition in Iraq

A major U.S. national security goal is the establishment of a sovereign, stable and self-reliant Iraq that contributes to the peace and security of the region and with whom the United States can forge a long-term security partnership. An Iraq Security Forces capable of providing for internal security, as well as a foundational external defense capability, is essential to achieving these U.S. national objectives.

Over the next 6 to 12 months, U.S. policy and related DoD military strategy in Iraq will encompass withdrawing the remaining U.S. combat forces from Iraq by the end of 2011 while continuing to train, equip and mentor the ISF. To support the development of the ISF, DoD will transition all remaining training, equipping

and mentoring activities from U.S. Forces-Iraq to the new Office of Security Cooperation-Iraq under Department of State and Chief of Mission authority. DoD will also seek to establish the framework for a robust security assistance and foreign military sales program that will endure after the last U.S. military combat forces leave in December 2011.

As of December 2010, DoD estimated that the drawdown from Iraq would include the withdrawal of approximately 1.2 million pieces of equipment. Base closure processes and contractor demobilization are critical issues facing the Department, as well as the accountability of assets flowing out of Iraq and into Kuwait.

The effective transition of DoD training, equipping and mentoring assistance from U.S. Forces-Iraq to the Office of Security Cooperation-Iraq before December 2011 is critical to sustaining progress made thus far in developing an independent ISF capability after the withdrawal of U.S. combat forces.

The ISF must be able to effectively conduct counterterrorism operations, protect critical national infrastructure, maintain civil order and protect against external threats in order to minimize the strategic risk to Iraq and provide a stable partner in the region to support U.S. national security goals.

## Afghan Security Force Development

Over the next 36 months, U.S. policy and related DoD military strategy in the Afghanistan-Pakistan region will be implemented by high-intensity, complex operations that prioritize:

- Training, equipping and mentoring the Afghan National Security Forces to assume a leading security operations role.
- Building the ANSF to 352,000, as agreed to by the International Joint Coordination and Monitoring Boards Security Standing Committee and the government of the Islamic Republic of Afghanistan on June 28, 2011.
- Withdrawing 10,000 U.S. combat forces from Afghanistan before December 2011.

“We established a new division that will evaluate DoD and military service criminal investigative policies, programs and training focused on violent crimes...”

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## Overseas Contingency Operations

- Withdrawing an additional 23,000 U.S. combat forces from Afghanistan in 2012.
- Continuing to drawdown U.S. combat forces in 2013 and 2014 while the ANSF gradually assumes responsibility for the internal and external security of Afghanistan and the Afghan people.



DoD IG reviews the development of the Afghan National Security Forces.

“During the reporting period, DoD IG continued to identify some of the same recurring problems with contingency operations.”

Both the Afghan National Army and the Afghan National Police may need augmentation beyond 2014 in the areas of intelligence, joint effects, logistics sustainment and medical evacuation to develop the capacity to conduct and sustain independent security operations.

The success of operations in Afghanistan will be partially measured by how well the Afghan government is prepared to provide for and protect its people and gain their trust. The responsibility to protect the Afghan people will fall primarily on the ANSF, in particular, the ANP. In the light of this reality, the NATO Training Mission–Afghanistan/Combined Security Transition Command – Afghanistan is conducting an accelerated buildup of the ANP and has achieved considerable progress in increasing its training capacity to grow these forces, to improve training quality, to reduce attrition and to improve recruitment.

The Department will continue to develop the capability of the Afghan Ministries of Defense and Interior to not only logistically sustain the ANSF but also plan, program, budget and execute financially, since the majority of funding will have to come from the international community after the planned 2014 withdrawal of U.S. and international combat forces.

Concurrently, the Department will continue developing the capacity of the Pakistan Security Forces to maintain internal security and eliminate extremist Taliban and al-Qaida forces in the Northwest Frontier safe haven.

In support of U.S. policy and related DoD military strategy in the Afghanistan-Pakistan region, DoD IG is conducting a wide range of audits, evaluations, assessments and investigations. DoD IG is focused on the safety and protection of U.S. forces; the training, equipping and men-

toring of the Afghan National Security Forces; management and execution of the approximate additional \$14.2 billion designated for the Afghan Security Forces Fund for FYs 2010 and 2011; military construction projects; financial management challenges related to the commander’s emergency response program; and the development of the logistics sustainment capability of the Afghan National Army.

## Contingency Contracting

The Department is increasingly using contractors and contingency contracting to support tactical and operational military forces engaged in armed conflict and noncombat contingency operations such as national and international disaster relief efforts. As the Commission on Wartime Contracting in Iraq and Afghanistan highlighted in its Final Report to Congress, “The number of contractor employees supporting Defense, State and USAID operations in Iraq and Afghanistan exceeded 260,000 in 2010 – a number larger than the U.S. military and federal-civilian workforce in theater.”

Effective contracting is critical toward accomplishing the mission of overseas contingency operations. Last year, DoD IG issued the report, “Contingency Contracting: A Framework for Reform,” May 14, 2010, identifying important areas for improving DoD wartime contracting. We identified 10 systemic challenges related to deficiencies in the contract management process during contingency operations. In April 2011, the deputy inspector general for auditing testified before the Commission on Wartime Contracting regarding five recommendations that DoD IG believed were key to improving contingency contracting. These recommendations included ensuring all requirements are fully defined, selecting the appropriate contract type, competing future procurements properly, purchasing supplies and services at fair and reasonable prices, and developing a Quality Assurance Surveillance Plan. During this reporting period, DoD IG continued to identify some of the same recurring problems with contingency contracting.

For example, our review of the contract management of joint logistics integrator services in support of mine resistant ambush protected vehicles identified that DoD officials inappropriately allowed the contractor to perform inherently governmental functions and to have organizational conflicts of interest. This occurred because DoD officials only cursorily addressed statutory and regulatory requirements for preventing performance of inherently governmental functions and organizational conflict of interests, and only one government employee was assigned to oversee the multi-million-dollar contract executed in three foreign countries. This greatly increased the risk for potential waste or abuse on the contract.

In another example, we reviewed the Afghan Air Force Pilot and English Language Training task order and determined that the Army did not obtain fair and reasonable prices because contracting personnel did not verify that the contractor used personnel from the negotiated labor categories to perform the tasks. This resulted in the Army paying approximately \$431,638 in inflated labor costs. Additionally, Army officials did not develop complete oversight processes or sufficiently document procedures as they felt sufficient oversight was in place, resulting in officials having limited assurance of effective contract oversight of the contractor efforts.

Additionally, DCIS has dedicated nine special agents to the International Contract Corruption Task Force, which focuses on procurement fraud and corruption cases, and is comprised of personnel from the Army CID, the FBI, the Air Force Office of Special Investigations, Naval Criminal Investigative Service, the Special Inspectors General for Iraq and Afghanistan and the Offices of Inspector General for the Department of State and the U.S. Agency for International Development. These cases are prosecuted primarily by the Department of Justice in U.S. courts, but some cases involving active duty personnel are prosecuted using the Uniform Code of Military Justice.

DCIS is actively involved with Task Force 2010, a U.S. Forces-Afghanistan task force focused on linking DoD contracting with counterinsur-

gency operations. Task Force 2010 is comprised of representatives from the fields of contracting, intelligence, law enforcement and forensic auditing. The goals of the task force are to identify Afghan subcontracting networks, trace the flow of DoD contracting dollars, and understand relationships between business entities and insurgent groups. Ultimately, this information should be used to recommend contracting actions, such as canceling contracts or disqualifying nefarious contractors from doing business with the Department.

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## Health and Safety of the Warfighter

### Background

Taking care of its military and civilian personnel is a major priority of the DoD 2010 Quadrennial Defense Review and is a priority for DoD IG. The DoD budget for health care costs in FY 2011 was approximately \$53 billion. Accomplishing this priority during a time of contingency operations, fiscal austerity and legislative imperatives makes cost control difficult.

In this environment, it is critical for DoD IG to maintain vigorous oversight of the health care challenges facing the Department by focusing on preventing and detecting fraud, waste and abuse; containing costs; and improving efficiency and effectiveness of the programs affecting the health and safety of service members and employees.

Of special concern is the proper care and support to approximately 35,000 soldiers, sailors, airmen and marines wounded due to combat actions in Operations Iraqi and Enduring Freedom.

### Recent Activities

The oversight efforts of DoD IG focused on medical infrastructure replacement and repair projects under the American Reinvestment and Recovery Act, certifying medical providers and processing and paying medical claims in the Philippines, and planning for medical care due to the military realignment to Guam. In addi-



DCIS special agents arrive in a convoy to Camp Eggers, Kabul, Afghanistan.

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## IG Highlights

“DCIS is actively involved with Task Force 2010, a U.S. Forces-Afghanistan task force focused on linking DoD contracting with counterinsurgency operations.”



Boeing charged \$1,678.61 each for a \$7.71 part; refunded DoD \$76,849.



Boeing charged \$644.75 each for a \$12.51 part; refunded DoD \$556,006.

tion, DoD IG dedicated a team to develop an integrated audit approach to analyzing TRICARE health care claims.

Another DoD IG evaluation reviewed DoD actions regarding the exposure of approximately 1,000 U.S. Army soldiers and civilians to sodium dichromate, a carcinogen, while working to restore a water treatment plant in Qarmat Ali, Iraq, after the overthrow of Saddam Hussein in 2003. The evaluation found that DoD military, civilian and contractor personnel did not effectively address environmental hazards found prior to beginning work at Qarmat Ali.

In addition, DoD IG completed the final report of a series of interceptor body armor audits in response to a congressional request and determined that ballistic testing and quality assurance for interceptor body armor inserts did not have proper controls to ensure that the ballistic inserts met contract requirements. The Army did not consistently enforce the requirements for testing to include weathered and altitude tests, use the correct size ballistic inserts for first article testing, or conduct all required tests for the body armor ballistic inserts. Consequently, the Army cannot be sure that the appropriate level of protection has been achieved.

DCIS focused health care investigations on those involving harm to the patient and on health care providers involved in corruption or kickback schemes. In one investigation, it was disclosed that Serono Laboratories paid kickbacks to TRICARE and other government health care providers to induce them to promote or prescribe the drug Rebif. In response to this investigation, Serono Laboratories agreed to pay \$44.4 million to resolve False Claims Act allegations.

Additionally, DCIS participates in the Health Care Fraud Prevention and Enforcement Action Team, a joint initiative between the Department of Health and Human Services and the Department of Justice. The teams target fraud hot spots across the country to identify and arrest perpetrators of health care fraud – to include TRICARE. Teams currently operate in Tampa, Miami, Baton Rouge, Los Angeles, Detroit, Brooklyn and Houston. Under the initiative, Medicare Fraud

Strike Force teams collaborate to arrest and convict individuals and entities charged with health care fraud. DoD IG also participates in various other health care fraud working groups around the country to share intelligence on emerging health care fraud trends.

## Way Forward

With the United States engaged in overseas contingency operations in Iraq and Afghanistan, and most recently, support to other efforts in the Middle East, the medical care required by military personnel is expected to increase over the next several years. It is critical for DoD IG to maintain vigorous oversight of the health and safety challenges facing the Department, to ensure not only that wounded warriors receive high-quality health care but also that DoD health care dollars are spent wisely and prudently.

## Spare and Substandard Parts

### Background

Over the past 50 years, Congress and the government have tried various methods to avoid paying excess prices and profits for sole-source spare parts. From the Truth in Negotiations Act, to spare parts breakout, to commercial pricing, the overarching goal has been to reduce prices for spare parts whether using cost-based or price-based acquisition procedures.

In the 1980s, various audits, congressional investigations and media disclosures indicated that DoD paid excessive prices for many spare parts and supplies, often sole-source procurements from contractors who did not manufacture the items. These disclosures caused both DoD and Congress to take action to improve procurement prices on DoD spare parts. Starting in 1998, various audits by DoD IG again showed that DoD was paying excessive prices for many spare parts and supplies. Serious flaws, wasting tens of millions of dollars, were identified in DoD acquisition practices.

In addition to paying excessive prices for parts,

substandard parts in the DoD supply chain pose a risk to military operations and both military and civilian personnel. Substandard parts are parts that are not manufactured in complete compliance with an established industry or U.S. government specification which includes design, manufacturing, test and acceptance criteria, and uniform identification requirements.

## Recent Activities

DoD IG issued reports on excessive prices paid by the Department for spare parts. Specifically, during a review of material purchases made from the Boeing Company in support of the Corpus Christi Army Depot, we identified \$339.7 million in existing DoD inventory that DoD officials did not use before procuring the same parts from Boeing. We also determined that DoD officials did not effectively negotiate prices for 18 high-dollar parts because either adequate cost or price analyses was not performed or the contractor submitted cost or pricing data that were not current, complete and accurate. As a result of our efforts, we identified monetary benefits for the government of \$288.2 million. (D-2011-061)

In a second report on spare parts procured at Corpus Christi Army Depot through the partnership agreement with Sikorsky Aircraft Corporation, we also identified that the Department did not effectively negotiate fair and reasonable prices. This occurred because neither DoD nor Sikorsky performed adequate cost and price analyses of subcontractor prices. DoD IG further determined that the prime contractor paid excessive prices to the subcontractor and did not always provide the most current, complete and accurate cost data. As a result of the review, we identified \$49.6 million in excessive prices. (D-2011-104)

During the reporting period, DCIS investigations led to the recovery of \$4,880,943 on behalf of the U.S. government; in addition there were 18 criminal charges, 15 convictions, 15 suspensions and 21 debarments related to spare and substandard parts investigations. For example, a joint DCIS investigation with the FBI and General Services Administration OIG disclosed that Red River Computer Company Inc. and its pres-

ident, Breck A. Taylor, had been defrauding the government by not providing the services and products required by the contract. As a result, on August 15, 2011, the U.S. Department of Justice entered into a civil settlement agreement, in which Red River Computer Company agreed to pay \$2.3 million to settle the allegations of fraud. On September 8, 2011, Breck Taylor plead guilty to two counts of wire fraud, one count of attempted wire fraud and one count of conversion of federal funds. Taylor admitted to defrauding the United States in the amount of \$1,084,446.

## Way Forward

The availability of spare parts and critical items provided through the DoD supply chains not only affects the readiness and capabilities of our military forces but also represents a substantial investment of resources. Over the last 20 years, spare parts prices have increased significantly, often at unreasonable rates. Contributing factors include the lack of both price and cost analyses, the use of commercial pricing for sole-source items, the lack of thorough prime contractor evaluations of subcontractor proposals, and the failure of contracting officers to take advantage of economic order quantities.

DoD IG will conduct audits aimed at determining whether DoD is purchasing sole-source spare parts at fair and reasonable prices and therefore obtaining best value. The audits will focus on high-risk contractors with billions of dollars in DoD business. Consistently, audit work in the spare parts pricing area has shown that DoD does not effectively negotiate prices and that DoD pays more than what is fair and reasonable. DoD IG will also evaluate effective use of government-owned inventory, to determine whether it is used before the same part is procured from a contractor. Audits conducted in the areas of spare parts pricing and excess inventory typically result in significant monetary returns.

Defective, substituted, counterfeit and substandard products continue to be a top investigative priority. DCIS has initiated multiple undercover operations and developmental projects to identify leads for products introduced into the DoD



Sikorsky charged \$7,814.88 each for a \$1,536.65 part.

“In addition to paying excessive prices for parts, substandard parts in the DoD supply chain pose a risk to military operations and both military and civilian personnel.”

“In FY 2010, the Department reported nearly \$1 billion in estimated improper payments.”

acquisition system, with particular emphasis for allegations involving troop safety and mission readiness. In addition, DCIS has teamed with the members of the National Intellectual Property Rights Coordination Center for a comprehensive initiative targeting counterfeit items entering the supply chains of the DoD and other U.S. government agencies.

## Improper Payments

### Background

Improper payments are often the result of unreliable data and poor internal controls. These conditions create an environment where fraud is more likely. An improper payment is a payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative or other legally applicable requirements. Incorrect amounts are overpayments and underpayments made to eligible recipients (including inappropriate denials of payment or service, payments that do not account for credit for applicable discounts, and duplicate payments). Improper payments also include payments to ineligible recipients or for ineligible goods or services and payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review process is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an error.

The Office of Management and Budget recently reported that despite efforts to reduce improper payments, federal agencies reported an estimated \$125 billion in improper payments for FY 2010. Whether these payments resulted from inadequate recordkeeping, inaccurate eligibility determinations, inadvertent processing errors, the lack of timely and reliable information to confirm payment accuracy, or fraud, the amount of improper payments is simply unacceptable.

In FY 2010, the Department reported nearly \$1 billion in estimated improper payments. However, based on our audit results, we are concerned with the accuracy and reliability of the estima-

tion process. Without a reliable process to review expenditures and identify the full extent of improper payments, the Department will not be able to improve internal controls aimed at reducing improper payments and improving financial management controls.

### Recent Activities

DoD IG reported that the Department lacks assurance that it correctly disburses billions of dollars annually. For example, DoD IG reported that the Defense Finance and Accounting Service had an inadequate process and lacked the system controls to permit the proper recording and tracking of contractor debt. This resulted in an increased risk that DFAS will not collect all of DoD contractor debt. DoD contractor debt includes improper payments, duplicate payments, and overpayments made to DoD contractors. (D-2011-084)

DoD IG also reported that the Office of Small Business Programs did not have sufficient qualification guidance regarding requests made by related and excluded parties. We identified incentive requests totaling \$4.17 million from prime contractors who were inappropriately subcontracting to a related party and contractors on the Excluded Parties List System. The Office of Small Business Programs implemented new guidance and denied the requests. This resulted in better use of \$4.17 million in funds. (D-2011-091)

DoD IG reviewed nearly 2.1 million active duty military personnel accounts and identified 1,159 potentially invalid accounts with basic pay totaling more than \$76.5 million. DoD did not ensure that the Defense Joint Military Pay System – Active Component contained only valid active duty military personnel accounts as DFAS did not maintain personnel file documentation to substantiate them. This resulted in potential improper payments of \$4.2 million. (D-2011-093)

During the reporting period, DCIS recovered \$298,541,668 on behalf of the U.S. government; in addition, there were 15 criminal charges and 11 convictions related to improper payment investigations. For example, DCIS investigated Boeing/United Launch Alliance for charging

unallowable support costs on a contract with the U.S. Air Force. The investigation also uncovered related misconduct by a Defense Contract Audit Agency deputy regional director, who was terminated because of her improper actions. As a result, in July 2011, Boeing/United Launch Alliance paid restitution to DoD in the amount of \$72,198,875, plus an additional \$17,036,292 in accrued interest. The contract was further modified by reducing the total DoD cost by an additional \$198,953,797.

## Way Forward

Improper payments have been a long-standing problem within the Department. DoD IG has worked closely with the Department to identify improper payments and make recommendations to improve controls that will reduce improper payments. While the Department made strides to improve the identification and reporting of improper payments and took many corrective actions to implement recommendations made by DoD IG, more work is needed to improve controls over payments processed throughout the Department.

DoD IG will continue to focus audit oversight efforts on identifying improper payments and ways the Department can make changes to assist in eliminating improper payments. We currently have ongoing and planned oversight efforts addressing accuracy of disbursement transactions, periodic reporting on improper payments made, and the Department's compliance with the requirements of the Improper Payments Elimination and Recovery Act of 2010.

Procurement and acquisition fraud, corruption, and other financial crimes impact crucial DoD operations and result in significant financial losses that would otherwise be utilized to finance vital national defense initiatives. Improper payments is an investigative priority of DCIS.

## Guam Realignment

### Background

Funding for the Guam realignment has increased over previous fiscal years and the cur-

rent fiscal year. However, due to shifting priorities in the Congress, it is anticipated that funding in FY 2012 will decrease.

DoD IG hosts periodic meetings of the Guam Interagency Planning Group and Joint Planning Group. The purpose of the IPG and JPG is to synchronize the efforts of DoD and interagency oversight agencies that support the Interagency Coordination Group, which oversees the realignment of the U.S. Marines to Guam.

The following are recent DoD IG activities as they relate to the status of the Guam realignment.

### Recent Activities

In September 2011, the IPG and JPG held a combined quarterly meeting to facilitate a briefing from the director of plans and policy for the Joint Guam Program Office on plans for the Marine Corps move to Guam. The director briefed representatives from the Departments of Defense, Interior, Education and Transportation, as well as the Environmental Protection Agency, Naval Audit Service, Army Audit Agency and the Defense Contract Audit Agency.

In 2010, DoD IG began the assessment Program and Contract Infrastructure Technical Requirements Development for the Guam Realignment Program. The objective of the project was to assess the development of program and contract infrastructure technical requirements to include cost estimates and budgets for the Guam Realignment Program. The assessment included seven areas of infrastructure: port, roads, power production and transmission, drinking water, wastewater, solid waste and communications. The team reviewed the existing infrastructure facilities on location and assessed the engineering improvements and supporting documentation. For each infrastructure area, the scope of our assessment included infrastructure area requirements, statutory and regulatory responsibilities, inclusion in the realignment program, cost estimates, budgeting, contract, schedule and sustainment. The draft report was signed on September 1, 2011, and issued to the Naval Facilities Command Pacific, Joint Region Marianas



DoD IG assessed the infrastructure requirements for Guam.

“ DoD IG is concluding oversight of DoD planning for health care resources in Guam and the source selection process for the Guam multiple award construction contracts.”



DoD IG provides oversight of the Guam realignment.

commanders, and the Department of Transportation OIG, for their review and comment. The final report is expected to be released in December 2011.

DoD IG performed two audits regarding the Guam realignment. The first one found that DoD officials did not accurately identify and report obligations and expenditures for the Guam realignment in the Annual Report to Congress. Navy personnel did not accurately identify obligations, resulting in an understatement of approximately \$7.3 million, or adequately support obligations, resulting in an overstatement of approximately \$1.9 million. Further, DoD did not provide reliable Guam realignment costs to Congress. Therefore, Congress cannot ensure that Guam realignment costs are properly allocated, and it will not have reliable historical cost data for planning future military realignments. (D-2011-075)

The second audit reported that DoD plans for providing dental care to active duty family members in Guam need improvement. There is likely to be a shortage of dentists because of the expected population increases. The realignment will increase the active duty family members and civilian populations by about 39,100 during peak construction, thus increasing the total popula-

tion of Guam by 22 percent. With only 43 civilian dental providers, population increases could push the population-to-dentist ratio to 5,000-to-1, potentially resulting in the designation of Guam as a Health Professional Shortage Area for dental care. The plans were inadequate because Navy officials concluded that the current TRICARE Dental Program network in Guam would be sufficient to provide dental care to active duty family members. (D-2011-092)

## Way Forward

DoD IG is concluding oversight of DoD planning for health care resources in Guam and the source selection process for the Guam multiple award construction contracts. Future planned oversight will include a review of the total cost estimate for the Guam realignment.

DoD IG will continue to monitor U.S. expenditures in Guam, congressional appropriations and Japan's financial contribution as they relate to the Guam realignment.

# Core Mission Areas



## Audits



DoD IG evaluated purchases supporting the Corpus Christi Army Depot.

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

- Acquisitions and contracting.
- Financial management.
- Health care.
- Information assurance, security and privacy.
- Joint warfighting and readiness.
- Nuclear enterprise.

### Acquisitions and Contracting

Improving the efficiency and effectiveness of acquisition and contract management processes remains a top priority. Over the last several years, priorities have included reducing the use of high-risk contracts, increasing competition, eliminating unneeded weapons systems, building the acquisition workforce, providing better training for acquisition professionals and maximizing the industrial base. Challenges of the Department include engaging in sound business arrangements and managing and overseeing contracts and contractors to be assured that it is getting the services it needs on time and at a fair and reasonable price.

During this reporting period, DoD IG issued reports related to improving acquisition and contract management processes. DoD IG recommended corrective action for ensuring the use of existing excess inventory, negotiating fair and reasonable contract prices, improving contract file documentation, validating performance requirements, accounting for property and improving the suspension and debarment decision-making processes. DoD IG continued to focus oversight on contract management and administration related to overseas contingency operations. Additionally, DoD IG continued its review of the Department's implementation of the American Recovery and Reinvestment Act and identified areas for improving the use and administration of undefinitized contract actions.

#### Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract with Boeing to Support the Corpus Christi Army Depot

**Overview:** DoD IG evaluated the Army Aviation

and Missile Life Cycle Management Command material purchases from The Boeing Company supporting the Corpus Christi Army Depot to determine whether the partnership agreement effectively minimized the cost of direct materials to the depot. The command entered into the partnership to address parts availability problems and improve readiness.

**Findings:** Army Aviation and Missile Life Cycle Management Command officials did not effectively use \$339.7 million of existing DoD inventory before procuring the same parts from Boeing because DoD had inadequate policies and procedures addressing inventory use. The Army paid significantly higher prices to Boeing than if it would have procured the same parts from DLA. Command officials did not effectively negotiate prices for 18 of 24 high-dollar parts reviewed because neither command officials nor Boeing officials performed adequate cost or price analyses, and Boeing officials submitted cost or pricing data that were not current, complete and accurate. Further, command officials overstated repair turnaround time improvements because they used inconsistent methodologies for calculating baseline and actual performance, showing a 46.7 percent improvement instead of an actual improvement of 26.1 percent to 36.9 percent.

**Result:** Among other recommendations, DoD IG recommended that the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics should issue policies and procedures addressing the inventory and pricing issues identified in this report. Also, DoD needs to develop an effective strategy to use on hand and due-in government inventory before procuring the same parts on partnership agreements.

**Report No. D-2011-061**

#### [Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract with Sikorsky to Support the Corpus Christi Army Depot](#)

**Overview:** DoD IG evaluated the Army Aviation and Missile Life Cycle Management Command material purchases from Sikorsky Aircraft Corporation supporting the Corpus Christi Army Depot to determine whether the partnership agreement effectively minimized the cost of direct materials to the depot.

**Findings:** Army Aviation and Missile Life Cycle Management Command officials did not effec-

tively negotiate prices for 28 of 46 noncompetitive spare parts reviewed because neither Sikorsky nor command officials performed adequate cost or price analyses of proposed subcontractor prices. Sikorsky also paid excessive prices to subcontractors (pass-through costs) and did not always provide the most current, complete and accurate cost data (defective pricing). In addition, the CCAD/Sikorsky contract established excessive inflation rates that were not tied to an economic index. DoD IG calculated that Sikorsky charged the Army \$11.8 million or 51 percent more (\$34.7 million versus \$22.9 million) than fair and reasonable prices for 28 parts. If prices are not corrected, command officials will pay excessive profits of approximately \$16.6 million over the remaining two years of the contract. During the audit, Sikorsky agreed to provide refunds of about \$1.0 million. In addition, Army Aviation and Missile Life Cycle Management Command will pay excessive escalation costs of \$21 million because contract escalation was not tied to an economic index.

**Result:** Among other recommendations, DoD IG recommended that command officials need to correct prices and seek refunds totaling about \$11.0 million for unnecessary subcontractor pass-through costs, an unacceptable quantity curve, and instances where Sikorsky negotiated lower supplier prices after negotiating with the Army. Command officials should procure the remaining contract requirement for a rotor from DLA, to save more than \$1.3 million. Command officials need to develop procedures that require the contracting officers or other oversight officials to perform price analysis in conjunction with cost analysis. Also, command officials need to take immediate action to correct excessive prices caused by too much escalation and use an appropriate economic index for the contract. The director, defense procurement and acquisition policy, needs to issue guidance that emphasizes performing cost analysis of a sample of spare parts before exercising an option under a firm fixed-price contract.

**Report No. D-2011-104**

#### Additional Actions Can Further Improve the DoD Suspension and Debarment Process

**Overview:** DoD IG reviewed documentation on the timeliness of DoD suspension and debar-

ment decisions and entering the information into the Excluded Parties List System. DoD IG also reviewed the suspension and debarment process for the services and the Defense Logistics Agency to determine whether contracting officers referred poorly performing contractors to be suspended or debarred, whether contracting officers checked the system before making contract awards, and whether contractors received contract awards after being listed in the system.

**Findings:** The suspension and debarment decision-making process and data entry into the system appeared to be done in a timely manner. The services suspension and debarment officials did not suspend or debar as many contractors based on poor performance as did the DLA official. The services officials issued suspension and debarment actions based on poor performance for 8 of 87 suspension and debarment case files reviewed. According to the services contracting personnel interviewed, they had little to no involvement with suspending and debaring contractors. The DLA official issued suspension and debarment actions based on poor performance for 24 of 39 case files reviewed. As a result of the services contracting officers not referring as many poorly performing contractors, these contractors may still be receiving contracts. The services and DLA contracting personnel awarded 17 contract actions, valued at about \$600,000, to eight suspended or debarred contractors after the contractors were listed in the Excluded Parties List System.

**Result:** DoD IG recommended that the director, Defense Procurement and Acquisition Policy, develop a working group to review and improve the process for referring poorly performing contractors for potential suspensions or debarments; develop a training program to inform contracting personnel of the suspension and debarment program and the process for referring poorly performing contractors; and conduct training for contracting personnel on checking the system before awarding contracts.

**Report No. D-2011-083**

#### Contract Management of Joint Logistics Integrator Services in Support of Mine Resistant Ambush Protected Vehicles Needs Improvement

**Overview:** DoD IG reviewed and evaluated the

“DoD IG reviewed documentation on the timeliness of DoD suspension and debarment decisions and entering the information into the Excluded Parties List System.”



DoD IG reviewed Joint Logistics Integrator MRAP contracts.

Army award and administration of the Joint Logistics Integrator contracts. The initial contract, awarded in 2007, was valued at \$193.4 million, and the follow-on contract, awarded in 2009, was valued at \$285.5 million.

**Findings:** Army Contracting Command-Warren and Joint Program Office MRAP officials inadequately planned for the follow-on contract award and did not effectively administer the contract. The officials inappropriately allowed the contractor to perform inherently governmental functions, such as disciplining DoD employees, and to have organizational conflicts of interest, such as helping prepare requirements for the follow-on contract that the contractor bid on and won. This occurred because the officials only cursorily addressed statutory and regulatory requirements for preventing performance of inherently governmental functions and organizational conflict of interests, and only one government employee was assigned overseas to the task of overseeing a multi-million dollar contract in three different foreign countries. This greatly increased the risk for potential waste or abuse on the contract. In addition, the contracting officer did not adequately support the need to use a time and material type of contract for the follow-on Joint Logistics Integrator effort, valued at \$285.5 million. Command officials did not use data from the initial contract to help structure appropriate portions of the contract as fixed price. This occurred because command officials stated that they could not estimate the extent or duration of the work needed due to constant changes in mission need and work performed. Consequently, the contracting officer awarded a contract type, which provides no incentive to the contractor for cost control or labor efficiency and significantly increased risk to DoD.

**Result:** The commander, Marine Corps Systems Command, should require Joint Program Office MRAP officials to obtain training on inherently governmental functions and organizational conflicts of interest requirements. The program manager, Joint Program Office MRAP, should issue guidance to ensure that future Joint Logistics Integrator services do not include the performance of inherently governmental functions. The executive director, Army Contracting Command-Warren, should require that contracting officials obtain training on inherently

governmental functions and organizational conflicts of interest requirements, should review the contracting officers' performance, and should establish a process that will gather and analyze data from the JLI follow-on contract, so that tasks can be converted to fixed-price work where appropriate.

**Report No. D-2011-081**

## Ballistic Testing for Interceptor Body Armor Inserts Needs Improvement

**Overview:** DoD IG completed a series of four interceptor body armor audits in response to a congressional request. This audit evaluated product quality assurance for seven Army contracts, valued at \$2.5 billion, for ballistic inserts awarded between 2004 and 2006. Specifically, DoD IG determined whether the results for first article tests and lot acceptance tests met contract requirements and whether quality assurance personnel performed the product quality surveillance in accordance with contract requirements.

**Findings:** The Army program manager soldier equipment could provide only limited assurance that approved ballistic materials for approximately five million inserts on seven contracts met the contract requirements. This occurred because the program manager did not consistently enforce the requirements for testing the body armor ballistic inserts. On two contracts, the program manager did not conduct all the required tests because they had no protection performance concerns on these inserts. On all seven contracts, the program manager did not always use the correct size ballistic insert for first article tests, use a consistent methodology for measuring the proper velocity or enforce the humidity and temperature requirements. In addition, the program manager did not require weathered and altitude tests on six of the seven contracts. Officials indicated that neither the size of the ballistic insert nor the humidity and temperature would affect the test results. The proper velocity was not always calculated because the contracts did not define the process for determining the velocity, and the weathered and altitude tests were eliminated to expedite first article tests in support of the urgent wartime requirement for the ballistic inserts. Defense Contract Management Agency Phoenix personnel did not use



DoD IG reviewed ballistic testing for interceptor body armor.

an appropriate random sampling methodology to select a statistically representative sample for the lot acceptance tests. This occurred because DCMA personnel believed that their sampling process provided a representative sample. As a result, the lot acceptance test results cannot be relied on to project identified deficiencies to the entire lot. Since additional testing was not conducted, DoD IG could not conclude that ballistic performance was adversely affected by inadequate testing and quality assurance.

**Result:** The Program Executive Office Soldier should revise the contract purchase description to clearly define the point at which velocity is to be measured; perform the weathered and altitude tests as required by the contract purchase description; and perform a risk assessment on two lots, to determine whether the ballistic inserts will perform as intended.

#### Report No. D-2011-088

#### Competition for Interrogation Arm Contracts Needs Improvement

**Overview:** DoD IG reviewed Army efforts to procure the interrogation arm that is used on route clearance vehicles in Iraq and Afghanistan to determine whether the acquisition initiative was contracted and managed in accordance with federal and defense acquisition regulations.

**Findings:** Army contracting and program officials inappropriately restricted competition in their award of four sole-source contracts valued at \$82.1 million to one source. These officials also inappropriately managed the interrogation arm as a commercial item when it was developed uniquely for military purposes. This occurred because program officials preferred to use a specific contractor and contracting officials did not perform due diligence in their determination that it was a commercial item. As a result, the Army lost the benefits of competition and may not have received the best value in its contracts to meet the need of the warfighter and protect the interest of DoD.

**Result:** The project manager, Close Combat Systems, should develop an acquisition strategy with the Army Contracting Command–Aberdeen Proving Ground to seek, promote and sustain competition for future interrogation arm procurement. Also, the executive director, Army Contracting Command–Aberdeen Pro-

ing Ground, should:

- Obtain certified cost or pricing data before awarding future delivery orders on contract W909MY-10-D-0021 or renegotiate the contract in accordance with Federal Acquisition Regulation Part 15, “Contracting by Negotiation.”
- Perform a review of the contracting officers’ actions relating to the determination that the interrogation arm was a commercial item and that a commercial market existed and initiate, as appropriate, administrative actions.

#### Report No. D-2011-105

#### American Recovery and Reinvestment Act—Improper Planning of the Administrative Buildings Project at Camp Lejeune, North Carolina

**Overview:** DoD IG determined whether DoD ensured the appropriate use of Recovery Act funds by adequately planning, funding, initially executing and tracking and reporting the Administrative Buildings Project, valued at \$21.7 million, at Camp Lejeune, N.C.

**Findings:** Camp Lejeune officials did not properly plan the project. Camp Lejeune Public Works Division officials prepared project documentation without sufficient justification. Specifically, Public Works Division officials did not properly complete DD Forms 1391, Military Construction Project Data; retain documents to support \$20.5 million in repairs; develop complete and reliable economic analyses and prepare required documents to support the project’s exclusion from environmental requirements. In addition, Naval Facilities Engineering Command Mid-Atlantic contracting officials overobligated the Administrative Buildings Project by \$37,015, which resulted in a potential Antideficiency Act violation.

**Result:** DoD IG recommended Public Works Division officials be required to track and assess the completion of DD Forms 1391, economic analyses and National Environmental Policy Act reviews in accordance with Marine Corps Order P11000.5G, “Real Property Facilities Manual, Volume IV, Facilities Project Manual,” September 30, 2004. Additionally, DoD IG recommended the deputy commandant, programs and resources, conduct a preliminary review of the potential Antideficiency Act violation for the

“DoD IG reviewed Army efforts to procure the interrogation arm that is used on route clearance vehicles in Iraq and Afghanistan...”



DoD IG reviewed competition for interrogation arm contracts.

project.

## Report No. D-2011-119

### American Recovery and Reinvestment Act—Repair Project at Camp Pendleton, California, Needed Improvements in Planning

**Overview:** DoD IG evaluated whether personnel from Naval Facilities Engineering Command Southwest and the U.S. Marine Corps Base Camp Pendleton appropriately used Recovery Act funds by adequately planning, funding, initially executing, and tracking and reporting Project P-0438, Repair of the Bachelor Enlisted Quarters, valued at about \$8.9 million.

**Findings:** Naval Facilities Engineering Command Southwest and Camp Pendleton personnel did not adequately plan the project. The Integrated Product Team and Camp Pendleton Public Works Department personnel did not have complete documentation to support approximately \$8.3 million in Recovery Act funds for the project. Personnel did not properly complete the 2009 DD Form 1391, Military Construction Project Data, based the repair project's requirements on a 2005 request for proposal and a 2002 DD Form 1391, and did not document the 2008 walkthroughs of the bachelor enlisted quarters that they used to update requirements. Therefore, DoD did not have reasonable assurance that repairs were necessary and that Recovery Act funds were appropriately used.

**Result:** DoD IG recommended that the commanding officer, Naval Facilities Engineering Command Southwest, and the commanding officer, U.S. Marine Corps Base Camp Pendleton, review project requirements documentation for existing projects and ensure files are accurate and complete and that the commanding officer, Naval Facilities Engineering Command Southwest, validate that approximately \$800,000 in Recovery Act funds were returned to headquarters.

## Report No. D-2011-117

### American Recovery and Reinvestment Act Wind Turbine Projects at Long-Range Radar Sites in Alaska Were Not Adequately Planned

**Overview:** DoD IG reviewed the planning, funding, initial project execution and tracking and reporting of the Energy Conservation Investment Program wind turbine projects, each val-

ued at \$4.7 million, at the long-range radar sites at Cape Lisburne, Cape Newenham and Cape Romanzof, Alaska, and determined whether Air Force personnel complied with the Recovery Act's requirements and related guidance.

**Findings:** Personnel at the 611th Civil Engineer Squadron did not ensure the wind turbine projects were properly planned and supported to meet the minimum savings-to-investment ratio and payback criteria because of multiple turnovers in project managers and a loss of project files. Additionally, before the projects were selected for Recovery Act funding, personnel at the 611th CES did not first ensure that wind studies had been completed and, therefore, that the projects were shovel-ready. As a result, DoD cannot ensure that the projects are viable, that the deputy under secretary of defense (installations and environment) appropriately selected the projects for Recovery Act funding, and that Recovery Act funds were appropriately used. That Air Force personnel distributed funds to the Air Force Civil Engineer Support Agency for the wind turbine projects in a timely manner, or that the funding authorization documents properly identified a Recovery Act designation. Although contracting personnel at the Air Force Civil Engineer Support Agency ensured that contracting actions for the wind turbine projects generally were executed appropriately, they originally cited an incorrect appropriation to award the task order. Finally, the contractor reported the required information for Recovery Act recipients; however, the contractor originally reported an incorrect Treasury appropriation fund symbol to the [www.recovery.gov](http://www.recovery.gov) website. As a result of the review, officials at the Air Force Civil Engineer Support Agency took action to correct those errors.


**Result:** DoD IG recommended that the Air Force prepare supporting documentation, including the results of the 1-year wind studies, and revalidate the discounted payback periods and SIRs on the life-cycle cost analyses. DoD IG also recommended that the deputy under secretary of defense (installations and environment) cancel the wind turbine project at Cape Newenham and work directly with the Air Force to validate the life-cycle cost analyses for the wind turbine projects at Cape Lisburne and Cape Romanzof and determine the best course of action



DoD IG reviewed energy conservation wind turbine projects.

for the construction of the Cape Lisburne and Cape Romanzof wind turbine projects; develop plans to use the savings resulting from the termination of the project at Cape Newenham; and develop plans to address cost overruns for the projects at Cape Lisburne and Cape Romanzof.

**Report No. D-2011-116**

 **The Department of the Navy Spent Recovery Act Funds on Photovoltaic Projects that Were Not Cost-Effective**


**Overview:** DoD IG determined whether DoN planned and selected three Recovery Act photovoltaic projects at 12 Navy and Marine Corps sites in accordance with the Recovery Act and applicable energy legislation and policies. The contract costs for these three projects totaled \$62.3 million.

**Findings:** DoN did not select and plan the photovoltaic projects in accordance with the Recovery Act and applicable energy legislation and policies. As a result, the Navy will not recover \$25.1 million of the \$50.8 million invested in photovoltaic projects. During project planning and selection, officials did not consider whether projects were cost-effective or analyze different types of energy projects to determine the best investments for meeting legislative energy goals. Instead, they relied on project titles, location, cost and amount of time to award contracts to selected projects. Officials incorrectly concluded that cost-effectiveness was not required for planning Recovery Act energy projects. Energy legislation and policies required the projects to be cost-effective, and the Recovery Act did not waive these requirements; rather, it required agencies to spend funds “consistent with prudent management.” Officials also were not well equipped to handle quick timelines for planning and selecting projects because, at the time of the Recovery Act’s implementation, the Navy and Marine Corps did not have processes for completing life-cycle cost analyses, processes for planning and selecting all energy projects, or energy strategies for achieving legislative goals. DoN has taken steps to improve its energy programs by restructuring existing offices and establishing new energy offices, developing strategies and policies, and implementing a new project selection tool.

**Result:** DoD IG recommended that the Navy

and Marine Corps develop energy strategies and comprehensive policies for planning and selecting cost-effective energy projects. DoD IG also recommended that officials review the actions of those responsible for planning and selecting the photovoltaic projects that were not cost-effective, which resulted in Recovery Act funds not recovered, and, based on that review, determine whether any administrative actions were necessary.

**Report No. D-2011-106**

**American Recovery and Reinvestment Act “Heating, Ventilation, and Air Conditioning Replacement” Project at Naval Support Activity Norfolk - Planning and Initial Execution Could Have Been Improved** 

**Overview:** DoD IG evaluated the Naval Facilities Engineering Command Mid-Atlantic planning, funding, initial execution, and tracking and reporting of \$19.25 million for a heating, ventilation and air conditioning replacement project at Naval Support Activity, Norfolk, Va.

**Findings:** The replacement project did not meet Recovery Act requirements. Public Works Department officials lacked sufficient documentation supporting the replacement project, and contracting officials did not identify contract oversight responsibilities in writing and did not develop a quality assurance plan. These conditions occurred because Public Works Department officials believed the DD Form 1391, FY 2010 Special Projects Program, was the main document needed to support the replacement project; contracting officials stated that having contract oversight responsibilities in writing was not required; and contracting officials stated a quality assurance plan was not needed for construction contracts and instead relied on the contractor’s quality control plan. As a result, DoD did not have reasonable assurance that Recovery Act funds were used appropriately. However, Naval Facilities Engineering Command Mid-Atlantic officials properly distributed Recovery Act funds to the heating, ventilation and air conditioning replacement project, and contracting officials properly tracked and reported required project information.

**Result:** DoD IG recommended that the commanding officer, Naval Facilities Engineering Command Mid-Atlantic, provide adequate

“DoD IG recommended that the Navy and Marine Corps develop energy strategies and comprehensive policies for planning and selecting cost-effective energy projects.”

“DoD IG reviewed whether Navy personnel appropriately used Recovery Act funds to plan, fund and initially execute the Geothermal Energy Development project...”

documentation to justify the need to replace the heating, ventilation and air conditioning system; require all project submissions to fully demonstrate the need for the projects; and designate, in writing, contract oversight responsibilities for a qualified contracting officer’s authorized representative or equivalent official.

**Report No. D-2011-109**

### [Geothermal Energy Development Project at Naval Air Station Fallon, Nevada, Did Not Meet Recovery Act Requirements](#)

**Overview:** DoD IG reviewed whether Navy personnel appropriately used Recovery Act funds to plan, fund and initially execute the Geothermal Energy Development project at Naval Air Station Fallon, Nev. DoN allocated approximately \$9.12 million in Recovery Act funds to the project.

**Findings:** The project did not meet Recovery Act requirements. Geothermal Program Office and Naval Air Station Fallon Public Works Department personnel did not adequately plan the project. Specifically, they did not fully complete the DD Form 1391, and the Geothermal Program Office did not have a comprehensive plan in place to substantiate its three-phase approach to geothermal exploration. In addition, the commander, Navy Region Southwest, did not promptly distribute about \$1.2 million in Recovery Act funds, and contracting personnel at Naval Air Warfare Center Weapons Division, China Lake, could have improved contract execution. Finally, the director, Navy Shore Energy Office, did not effectively oversee the project. As a result, the Geothermal Program Office efforts to reduce exploration risks were weakened and DoD lacks reasonable assurance that Recovery Act funds were used appropriately.

**Result:** DoD IG recommended that the director, Navy Shore Energy Office, Naval Facilities Engineering Command, provide detailed oversight to the project in accordance with Recovery Act requirements and establish an estimated timeline to complete the project. Additionally, DoD IG recommended that the commander, Naval Air Systems Command, require the Naval Air Warfare Center Weapons Division, China Lake, procuring contracting officer to designate a contracting officer’s representative and develop a quality assurance surveillance plan to monitor

contractor progress and performance.

**Report No. D-2011-108**

### [Army Contracting Command-Redstone Arsenal’s Management of Unfinalized Contractual Actions Could Be Improved](#)

**Overview:** This is the fifth in a series of reports discussing DoD compliance with section 2326, title 10, United States Code, as required by P.L. 99-591. DoD IG reviewed 43 unfinalized contractual actions with a total not to exceed value of about \$3.1 billion awarded by the Army Contracting Command-Redstone Arsenal from FY 2004 through September 18, 2009, to determine whether contracting personnel complied with the restrictions of the U.S.C. and whether they appropriately justified unfinalized contract actions at reasonable prices.

**Findings:** Army Contracting Command-Redstone Arsenal contracting personnel did not consistently comply with statutory and DoD requirements for managing UCAs for 40 of the 43 UCAs that we reviewed. As a result, contracting personnel negotiation positions on price did not consider incurred costs for three UCAs, resulting in profit positions that were about \$800,000 higher than they would have been had incurred cost been considered. Therefore, the government may have paid more profit than was necessary.

**Result:** DoD IG recommended that Army contracting personnel comply with federal and DoD policy for UCAs, better coordinate with customers to identify changes in government requirements, and revise local acquisition guidance to include procedures for escalating prolonged negotiations and to require contracting personnel to adequately document the profit determination for UCAs.

**Report No. D-2011-097**


### [DoD Efforts to Protect Critical Program Information: The Air Force’s Family of Advanced Beyond Line-of-Sight Terminals](#)

**Overview:** The report was the second in a series of assessments to determine how DoD protects critical program information. The report used the Air Force’s Family of Advanced Beyond Line-of-Sight Terminals category ID program of record as a case study to establish how the Department protects critical program information. The assessment was done in coordination with

DoD research, development and acquisition, counterintelligence, and security subject matter experts and focused on eight key issue areas related to program protection.

**Result:** DoD IG and the under secretary of defense for intelligence recommended that the OUSD(I) should strengthen policy related to critical program information protection in the area of tailoring threat products to ensure timeliness and relevance of the threat to program-specific critical program information. DoD IG further recommended that the Air Force should determine the most effective means to integrate and optimize Air Force research, development, and acquisition protection efforts.

**Report No. 11-INTEL-08**

 **Summary of FY 2010 Inspections on Security, Intelligence, Counterintelligence, and Technology Protection Practices at DoD Research, Development, Test, and Evaluation Facilities**

**Overview:** The report was a summary of the inspection results from the DoD and service OIGs and, where available, noted the best practices of each. DoD IG assessed an acquisition category 1D program; the service IGs selected 45 of 121 research, development, test and evaluation facilities under their purview for inspection. The inspections ensure a uniform system of periodic reviews for compliance with directives concerning security, intelligence, counterintelligence and technology protection practices. DoD and service OIGs used the recently published biennial version of inspection guidelines that focused on eight key issue areas related to program protection for reference.

**Result:** There were no recommendations.

**Report No. 11-INTEL-11**

## Financial Management

DoD IG continues to support as well as provide oversight of the financial management transformation efforts of the Department. Over the last six months, DoD IG has worked closely with the Department to address its long-standing financial management challenges to include financial reporting, financial systems implementation and improper payments.

As part of its initiative to improve financial man-

agement within the Department, the under secretary of defense (comptroller)/chief financial officer issued the DoD Financial Improvement and Audit Readiness Plan. The plan outlines DoD strategy, priorities and methodology for achieving audit readiness. The objective of the plan is to provide ongoing, cross-functional collaboration with DoD components to yield standardized accounting and financial management processes, business rules and data that will provide a more effective environment to better support the warfighting mission.

DoD IG performs financial system audits to evaluate the adequacy of system controls. These audits help to reduce the risk of loss due to errors, fraud and other illegal acts and disasters that may cause the system to be unavailable. In addition, financial system audits provide invaluable information on DoD efforts to transform its systems and develop the Business Enterprise Architecture. These audits also provide insight and recommendations to managers as they focus and prepare for audit readiness. In addition to financial systems audits, we performed audits on tax reporting, enterprise resource planning, and controls over financial transactions during the six-month period.

**Army Commercial Vendor Services Offices in Iraq Noncompliant with Internal Revenue Service Reporting Requirements** 

**Overview:** DoD IG determined whether Army commercial vendor services in Iraq complied with federal tax reporting requirements for payments made to contractors supporting operations in Southwest Asia. DoD IG focused on 15,093 service-related entitled payments totaling \$1.28 billion that Army commercial vendor services offices in Iraq processed through the Computerized Accounts Payable System-Clipper from January 1, 2006, through December 31, 2008.

**Findings:** Of 14,699 payments, Army Commercial Vendor Services personnel incorrectly coded domestic contractors as foreign, for an estimated 316 payments totaling an estimated \$351.92 million, and may have incorrectly coded domestic contractors as foreign, for an estimated 5,054 payments totaling an estimated \$248.66 million. This occurred because Defense Finance

“DoD IG focused on 15,093 service-related entitled payments totaling \$1.28 billion that Army commercial vendor services offices in Iraq.”

# Core Mission Areas



DoD IG reviewed compliance with federal tax reporting requirements.

and Accounting Service and Army financial management officials did not establish standard operating procedures for coding contractor domain status. In addition, Army financial management officials did not adequately train commercial vendor services personnel to code contractor domain status. As a result, Army commercial vendor services personnel did not file federal information returns with the IRS for an estimated \$351.92 million of incorrectly coded contractor payments and an estimated \$248.66 million of potentially incorrectly coded contractor payments. Army commercial vendor services personnel coded some contractors as domestic for 394 payments; however, Army commercial vendor services offices did not file the federal information returns or send the tax file to the DFAS Tax Office. This occurred because the DoD Financial Management Regulation did not include all reporting requirements for federal information returns. In addition, Army financial management officials did not have standard operating procedures for filing federal information returns.

**Result:** DFAS should establish standard operating procedures for correctly coding contractor domain status and distribute the annual quality assurance plan for tax filing procedures to U.S. Army Financial Management Command. U.S. Army Financial Management Command should develop standard operating procedures for filing federal information returns and update training to address coding contractor domain status, completing Computerized Accounts Payable System-Clipper data fields and preparing tax files. The Financial Management Center should implement procedures for filing federal information returns, update training to address coding contractor domain status and producing CAPS-C tax files and correctly code domestic contractors and issue federal information returns for reportable payments made by Army commercial vendor services offices from January 1, 2006, forward.

**Report No. D-2011-059**



## Previously Identified Deficiencies Not Corrected in the General Fund Enterprise Business System Program

**Overview:** DoD IG assessed whether DoD and Army management actions were sufficient to

correct the program planning, acquisition and justification deficiencies identified in report D-2008-041, "Management of the General Fund Enterprise Business System," January 14, 2008. The General Fund Enterprise Business System is a financial management system the Army is developing to obtain an unqualified audit opinion on its general fund financial statements and improve accuracy of financial information.

**Findings:** Management actions were insufficient for correcting General Fund Enterprise Business System program planning, acquisition and justification deficiencies previously identified. The Army estimates it will spend \$2.4 billion over the system life cycle; however, it still has not identified all of the requirements and costs associated with the project. In addition, the DoD and Army did not implement seven of the 16 recommendations made in the prior report. Four recommendations remained open because Army oversight was not sufficient to ensure the Army prepared a detailed data conversion plan or an adequate economic justification for the program. Three recommendations remained open because the under secretary of defense for acquisition, technology, and logistics and under secretary of defense (comptroller)/chief financial officer did not take action to implement the recommended improvements to the acquisition process for system integration services. As a result of the open recommendations, the program remained at high risk of incurring additional schedule delays, exceeding planned costs, and not meeting program objectives.

**Result:** The USD(C)/CFO and the deputy chief management officer should review the Army's Enterprise Resource Planning strategy, including any investment in the further deployment of the system. The deputy chief management officer should also not approve the deployment of the system to additional users until the Army completes the recommendations and corrects the deficiencies identified by the U.S. Army Test and Evaluation Command. The Army should ensure a detailed data conversion plan for the General Fund Enterprise Business System program is prepared. In addition, the Army should implement procedures to ensure that economic justification information is complete and supported. The General Fund Enterprise Business System program manager should develop com-

plete and supported information for Army's use in preparing budget and cost estimates and for managing the General Fund Enterprise Business System program.

**Report No. D-2011-072**

#### U.S. Marine Corps Forces Special Operations Command Needs to Improve Controls Over Financial Transactions

**Overview:** DoD IG determined whether internal controls over the U.S. Marine Corps Forces Special Operations Command comptroller operations were effective and in accordance with applicable guidance and regulations.

**Findings:** The command did not have effective controls over recording and processing 35,699 transactions using baseline and contingency funds valued at \$131.8 million in obligations and \$54.1 million in expenditures from October 1, 2008 to October 16, 2009. The 320 sample transactions included obligations valued at \$83.8 million and expenditures at \$20.6 million; 245 transactions had one or more deficiencies. Specifically, command personnel:

- Recorded 30 obligations valued at \$300,000 without an official signing the authorization and approval.
- Made 14 expenditures valued at \$700,000 for the purchase of goods and services without an official receipt.
- Approved 26 travel vouchers valued at \$200,000 with incorrect and unsupported expenses.
- Recorded 19 obligations valued at \$600,000 and 14 expenditures valued at \$300,000 that did not match the supporting documentation.
- Processed 215 transactions with insufficient supporting documentation that included obligations valued at \$37 million and expenditures valued at \$20 million.

As a result, the command reported inaccurate costs on the Cost of War Report.

**Result:** The commander, U.S. Marine Corps Forces Special Operations Command, should improve controls over processing and recording baseline and contingency operation funds by developing standard operating procedures, training personnel and performing reviews of transactions.

**Report No. D-2011-086**

#### Cost of War Data for Marine Corps Contingency Operations Were Not Reliable

**Overview:** DoD IG determined whether Marine Corps officials accurately reported FY 2008 OCO costs in the DoD Cost of War Report and whether documentation substantiated operation and maintenance obligations and deobligations.

**Findings:** Marine Corps officials did not always support or accurately report FY 2008 OCO costs. Based on the sample results, DoD IG projects that Marine Corps officials properly supported 179 transactions, valued at approximately \$2.27 billion, and partially supported 14 other transactions, valued at approximately \$204 million. However, the projections also show that they could not provide sufficient documentation to support 86 transactions, valued at approximately \$1.82 billion. DoD IG also projects that Marine Corps officials inaccurately entered financial coding that resulted in approximately \$58 million and another \$1.36 billion not being reported under the correct operation or cost category, respectively. Furthermore, DoD IG projects that Marine Corps officials incorrectly reported approximately \$40 million as OCO costs despite those costs not supporting OCO. Costs were not always supported and accurately reported because Marine Corps officials had not developed command-level procedures to implement existing DoD and Marine Corps policies and reporting requirements. In addition, Headquarters, Marine Corps officials did not hold fund managers accountable for the accuracy of data. As a result, DoD provided members of Congress and other decision-makers unreliable data. Also, portions of the FY 2008 Marine Corps operation and maintenance obligations reported on the DoD Cost of War Report did not reflect how funds were actually spent. In FY 2011, OCO-related data continued to be reported using the Cost of War Report, so the need for accurate data remains critical to decision-makers.

**Result:** The Marine Corps should update existing policy to define the level of detail and type of documentation necessary for maintaining a written audit trail, require fund managers to develop command-level standard operating procedures, and review the methodology for allocating costs across multiple ongoing operations.

**Report No. D-2011-090**

“DoD IG determined whether Marine Corps officials accurately reported FY 2008 OCO costs in the DoD Cost of War Report...”

“DoD IG assessed the completeness and accuracy of the Cash Management Report.”

## DoD Indian Incentive Program Payments to Related Parties and Rebates to Excluded Parties

**Overview:** The audit objective was to determine whether sufficient guidance existed to ensure Office of Small Business Program properly approved and awarded incentive payments under the DoD Indian Incentive Program.

**Findings:** OSBP did not have sufficient qualification guidance regarding requests made by related and excluded parties. DoD IG identified incentive requests totaling \$4.17 million from prime contractors who were inappropriately subcontracting to a related party and prime contractors on the excluded parties list system. DoD IG notified OSBP of these instances in two memorandums issued in May 2010.

**Result:** The OSBP acting director responded by implementing new guidance and denying the requests in June 2010. OSBP put to better use \$3.02 million in FY 2010 requests made by prime contractors appearing related to their subcontractors, and OPBP put to better use \$1.15 million in FY 2010 requests made by a prime contractor who was on the excluded parties list system.

**Report No. D-2011-091**

## Defense Finance and Accounting Service Needs to Improve Controls Over the Completeness and Accuracy of the Cash Management Report

**Overview:** DoD IG assessed the completeness and accuracy of the Cash Management Report. This is the first of two reports relating to the reconciliation of fund balance with Treasury for the other defense organizations. As of September 30, 2009, DoD reported \$80.3 billion in fund balance with Treasury on the ODO General Fund Balance Sheet.

**Findings:** The Cash Management Report was not complete or accurate. Specifically, the director, Defense Finance and Accounting Service Indianapolis, did not attribute approximately \$10.5 billion in transactions to the ODO responsible for reconciling and accounting for the transactions. This occurred because:

- DFAS Indianapolis did not properly research and resolve variances on a regular and recurring basis.
- ODO submitters did not always report transactions to DFAS Indianapolis with valid lines of accounting.

- DFAS Indianapolis did not establish a process for communicating with the ODO submitters.

Therefore, the ODOs reconciled their fund balance with Treasury general ledger accounts to the Cash Management Report, which in aggregate, did not match the amounts reported by the U.S. Treasury. Because the ODOs must rely on the amounts on the Cash Management Report as a control total for reconciling to the U.S. Treasury, these unreconciled variances seriously undermine the reliability of the Cash Management Report as a reconciliation tool and impede the audit ability of the ODO fund balance with Treasury accounts. This has a significant negative effect on the ability of ODO to obtain a favorable financial statement audit opinion unless adequate compensating controls are implemented.

**Result:** DFAS Indianapolis addressed some of the deficiencies identified during this audit. The director, DFAS Indianapolis should implement written procedures to reconcile variances between the Cash Management Report and the U.S. Treasury, establish an integrated working group to resolve issues affecting the completeness and accuracy of the Cash Management Report and research and correct transactions held in suspense accounts in a timely manner. The director, financial improvement and audit readiness, under secretary of defense (comptroller), should monitor the progress of the integrated working group and ensure all personnel responsible for reporting ODO transactions to DFAS Indianapolis are fully participating.

**Report No. D-2011-098**

## Health Care

Years of war have significantly stressed military troops and their families. Given the continuing need for substantial and sustained deployments in conflicts zones, DoD must do all it can to take care of its people – physically and psychologically. Consequently, the DoD Military Health System must provide health care support for the full range of military operations. In addition to the readiness mission, the Military Health System is responsible for providing quality care for approximately 9.6 million beneficiaries. The DoD budget for health care cost in FY 2011

was approximately \$52.6 billion, a 70 percent increase since FY 2005. Accomplishing the readiness and peacetime mission during a time of contingency operations, fiscal austerity, and legislative imperatives makes cost control difficult.

In this environment, it is critical for DoD IG to maintain vigorous oversight of the health care challenges facing the Department, including replacement of aging infrastructure, cost containment and care for family members of active duty service members. DoD IG focused on medical infrastructure replacement and repair projects under the American Reinvestment and Recovery Act, certifying medical providers and processing and paying medical claims in the Philippines and planning for medical care due to the military realignment to Guam. In addition, DoD IG dedicated a team to develop an integrated audit approach to analyzing TRICARE health care claims.

#### Improvements Needed in Procedures for Certifying Medical Providers and Processing and Paying Medical Claims in the Philippines

**Overview:** DoD IG evaluated the management controls over procedures for certifying medical providers and for processing and paying Philippine medical claims. While TRICARE Management Activity has implemented numerous initiatives to control costs and enhance anti-fraud controls in the overseas arena, DoD IG identified additional opportunities to improve the certification and claims payment process in the Philippines. This audit resulted from internal control deficiencies identified while supporting DCIS and the U.S. Attorney's Office, Western District of Wisconsin.

**Findings:** TRICARE Management Activity needs to improve procedures for certifying medical providers in the Philippines and for processing and paying medical claims. During the review, DoD IG found the following:

- The contractor responsible for certifying medical providers did not provide adequate documentation to support 28 of 63 certifications of medical providers.
- Claims processing personnel did not verify beneficiaries' addresses before issuing payment.

These weaknesses occurred because TRICARE Management Activity personnel did not adequately oversee the contractor performing the certifications and did not require the claims processing contractor to verify beneficiary addresses. TRICARE Management Activity paid for inadequate certification packages, and did not have adequate assurance that "certified" medical providers actually exist or that beneficiaries always receive medical care from licensed medical professionals at accredited facilities. Further, by not verifying beneficiaries' addresses before paying medical claims, personnel cannot be sure that payments reach the intended beneficiaries and may unintentionally facilitate attempts to defraud TRICARE through erroneous claims.

**Result:** DoD IG recommended improvements in oversight of contractor requirements for certification of medical professionals and medical facilities treating military retirees and their dependents in the Philippines. DoD IG also recommended improvements over procedures for processing medical claims. The Department was responsive to the recommendations to improve oversight of contractor requirements for Philippine provider certification, but did not agree that improvements over procedures for processing and paying medical claims and verifying beneficiaries' addresses and to give beneficiaries the option of receiving claims payment by electronic funds transfer are necessary to help ensure that the payments reach beneficiaries. DoD IG requested the Department reconsider its position.

#### **Report No. D-2011-107**

#### Guam Medical Plans Do Not Ensure Active Duty Family Members Will Have Adequate Access to Dental Care

**Overview:** DoD IG evaluated DoD plans for providing dental care to active duty family members in Guam in view of the anticipated growth in population resulting from the planned base closure in Okinawa and subsequent realignment to Guam.

**Findings:** DoD plans for providing dental care to active duty family members in Guam needs improvement. Specifically, the plans required family members to rely on local dental providers, despite the likely shortage of dentists,

“...it is critical for DoD IG to maintain vigorous oversight of the health care challenges facing the Department, including replacement of aging infrastructure, cost containment and care for family members of active duty service members.”

# Core Mission Areas



DoD IG reviewed DoD plans for providing dental care in Guam.

because of the expected population increases. The realignment will increase the active duty family members and civilian populations by about 39,100 during peak construction, thus increasing the total population of Guam by 22 percent. With only 43 civilian dental providers, population increases could push the population-to-dentist ratio to 5,000-to-1, potentially resulting in Guam's designation as a Health Professional Shortage Area for dental care. The plans were inadequate because Navy officials concluded that the current TRICARE Dental Program network in Guam would be sufficient to provide dental care to active duty family members; however, in arriving at this conclusion, Navy officials did not fully examine the impact the increase in total population would have on the availability of dental care in Guam; and coordinate with the TRICARE Management Activity to ensure that the TRICARE Dental Program could continue to provide adequate access to dental care for active duty family members. If there is not adequate access to dental care, it could negatively impact quality of life and morale for active duty members and their families.

**Result:** DoD IG recommended that the deputy director, TRICARE Management Activity, assess the capability of the TRICARE Dental Program to meet access requirements given the projected increases in ADFM, contractor, DoD civilian and indirect/induced populations. DoD IG also recommended that the chief, Navy Bureau of Medicine and Surgery, in coordination with TRICARE Management Activity, develop viable plans that fully consider the impact contractor, DoD civilian, and indirect/induced population increases in Guam will have on the availability of dental care for ADFMs.

**Report No. D-2011-092**

## Additional Actions Needed to Mitigate Risks of Unsuitable Life Insurance Sales to Junior Enlisted Service Members

**Overview:** Congress enacted P.L. 109-290, Military Personnel Financial Services Protection Act, September 29, 2006 to protect members of the Armed Forces from unscrupulous practices regarding sales of insurance and financial and investment products. Congress has found that certain life insurance products offered to

members of the Armed Forces were improperly marketed as investment products, providing minimal death benefits in exchange for excessive premiums that are front-loaded in the first few years, making them inappropriate for most military personnel. P.L. 109-290 required DoD IG to conduct a study on the impact of DoD Instruction 1344.07, "Personal Commercial Solicitation on DoD Installations," March 30, 2006, and the reforms included in the law on the quality and suitability of sales of securities and insurance products marketed to members of the Armed Forces. This is the third in a series of reports addressing the reforms included in the law on the quality and suitability of sales of securities and insurance products marketed to members of the Armed Forces.

**Findings:** DoD Instruction 1344.07 and mandated reforms in P.L. 109-290 were generally effective. Although controls are generally in place on military installations to protect service members from sales of unsuitable life insurance products, responsible officials can and should take further action. Sales of unsuitable life insurance products continued on or near five of six military bases visited.

**Result:** The deputy assistant secretary of defense for military community and family policy should expand the requirement for types of information to be reported in the Personal Commercial Solicitation Report and require military services to update financial training to increase service member awareness.

**Report No. D-2011-099**

## Information Assurance, Security and Privacy

DoD reliance on information technology to complete mission requirements in the environment today is almost immeasurable. Managing the risks to DoD information and information systems requires constant vigilance against and immediate reaction to threats. Information assurance is the practice of managing the risks and threats. DoD IG focused its efforts on reviews of controlled unclassified information for weapon systems contracts, the DoD information assurance vulnerability management program and the information security controls over the Marine Corps Total Force System.

### DoD Cannot Ensure Contractors Protected Controlled Unclassified Information for Weapon Systems Contracts

**Overview:** DoD IG determined whether DoD protected its information in the possession of non-DoD entities who have been awarded weapon systems contracts. DoD IG reviewed 20 contracts for requirements intended to protect controlled unclassified information for the Departments of the Army, Navy and Air Force and the Missile Defense Agency. In addition, we determined whether select contractors implemented minimum-baseline controls that DoD developed to protect its controlled unclassified information.

**Findings:** DoD did not consistently ensure contractors protected controlled unclassified information for weapon systems contracts. Specifically, the 20 contracts valued at \$202 billion did not consistently require minimum-baseline controls to ensure contractors protected the information. This occurred because DoD did not have enforced guidance to protect controlled unclassified information on contractor-owned, contractor-operated information systems. DoD proposed changes to include the protection of information in the Defense Federal Acquisition Regulation Supplement in March 2010, but has not issued guidance as of September 2011. In addition, program officials did not perform oversight to ensure contractors protected controlled unclassified information. This occurred because contracting officers did not always include clauses in their contracts that provided authority for government oversight over controlled unclassified information on contractor-owned, contractor-operated information systems. The lack of guidance and oversight resulted in an increased risk of compromising information and in some cases, left the network vulnerable to attack.

**Result:** DoD IG recommended that the director, defense procurement and acquisition policy, develop a plan of action and milestones for issuing Defense Federal Acquisition Regulation Supplement clauses that address information assurance requirements for controlled unclassified information. DoD IG also recommended that requirements be incorporated from the Directive Type Memorandum 08-027, "Security of Unclassified DoD Information on Non-DoD

Information Systems," July 31, 2009, into a DoD issuance.

**Report No. D-2011-115**

### Improvements Are Needed to the DoD Information Assurance Vulnerability Management Program

**Result:** The report results are FOUO.

**Report No. D-2011-096**

### Information Security Controls Over the Marine Corps Total Force System Needs Improvement

**Overview:** The Marine Corps Total Force System maintains more than 500,000 active, reserve and retiree records. During 2009, it paid out more than \$10.7 billion to active and reserve Marines. DoD IG assessed whether vulnerabilities within the Marine Corps Total Force System application and mainframe operating system have been properly detected and remediated.

**Result:** The results are FOUO.

**Report No. D-2011-064**

## Joint Warfighting and Readiness

The drawdown in Iraq and sustained operations in Afghanistan have placed a considerable strain on individual service members and their dependents; the low-density, high-demand systems such as intelligence, surveillance and reconnaissance that the Department brings to the battlefield; and the ability to reset and reconstitute the forces. The high operational tempo of deployments in ongoing operations requires DoD to pay extra attention to the well-being of our service members, systems and institutions. DoD must work to better manage the deployment tempo; recruit, train, and equip qualified and able personnel; and prepare for the next engagement. DoD IG audits address asset accountability, Afghan National Police training program transition, force protection and supply chain management issues.

### Consistent Use of Supply Support Activities Could Increase Efficiency of Equipment Drawdown from Iraq

**Overview:** DoD IG evaluated the disposition process for equipment leaving Iraq and whether that process ensured timely accountability, vis-



DoD IG reviewed the disposition process for equipment leaving Iraq.

# Core Mission Areas




DoD IG reviewed the process for turning in excess equipment.

ibility and redistribution of the equipment to meet DoD needs and whether adequate security procedures were in place to ensure the intended destinations received the equipment.

**Findings:** Although the two supply support activities and central receiving shipping points visited were effectively managing the disposition process for equipment leaving Iraq, DoD activities bypassed the supply support activities and shipped their equipment directly to the theater redistribution center at Camp Arifjan, Kuwait. U.S. Forces-Iraq officials did not establish procedures to preclude movement control teams from authorizing DoD activities to ship equipment directly to the center.

**Result:** DoD activities delayed redistribution and reduced content visibility when they bypassed supply support activities. Lack of content visibility increased the risk of injury from inappropriately packed weapons and hazardous material. For example, theater redistribution center officials provided documentation identifying that during a period of about 60 days, DoD incurred work stoppage at the center of about 2,670 hours at a cost of \$85,000. U.S. Forces-Iraq and U.S. Army Central were responsive to the recommendations to develop procedures to prevent unauthorized DoD activities from bypassing the supply support activities and procedures requiring that all radio frequency identification tags contain the appropriate data and that metrics are developed to track compliance.

**Report No. D-2011-056**

 [Anti-Terrorism Programs for U.S. Forces at Kandahar Airfield, Bagram Airfield, Camp Eggers and New Kabul Compound Need Improvement](#)

**Result:** The report results are classified.

**Report No. D-2011-063**

 [DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program](#)

**Overview:** DoD IG and DOS OIG conducted a joint audit in response to a requirement in the FY 2011 National Defense Authorization Act. This was the first in a series of audits to address those requirements. For this audit, DoD IG and DOS OIG determined whether the Department of State properly obligated DoD funds to sup-

port the Afghan National Police training program and appropriately approved contractor invoices.

**Findings:** DoD and DOS needed improved processes and procedures to better manage the approximately \$1.26 billion of DoD funds provided for the program. DOS did not properly obligate or return to DoD approximately \$172.4 million. Moreover, DOS approved contractor payments for approximately \$2.07 million that either were not authorized or were for services not provided. DOS officials did not always perform a detailed review of invoices before payment and relied on a post-payment review of invoices to identify overpayments and obtain refunds from the contractor.

**Result:** DoD IG and DOS OIG identified approximately \$124.62 million that, when recovered, could be used for valid ANP training program requirements or other DoD requirements. In addition, if not corrected, incorrect obligations of approximately \$74.91 million could result in potential Antideficiency Act violations.

**Report No. D-2011-080**

[Afghan National Police Training Program: Lessons Learned During the Transition of Contract Administration](#) 

**Overview:** DoD IG and DOS OIG conducted this joint audit in response to a requirement in the FY 2011 National Defense Authorization Act. This report addresses whether government and contractor plans to transfer administration for the Ministry of Interior and Afghan National Police training program contracts were complete and feasible. In addition, this report addresses whether DoD was prepared to provide effective management and oversight.

**Findings:** DoD IG and DOS OIG identified that DoD and DOS officials did not conduct sufficient planning for the transfer of ANP training program's contract authority, to include developing a comprehensive transition plan or a memorandum of agreement to guide, monitor, and assign transition responsibilities. Instead, DoD and DOS officials relied on independently developed contractor transition plans, some of which were not feasible and did not address inherently governmental tasks. DoD and DOS lacked guidance for planning contract transitions from one agency to another, which con-

tributed to contractor schedule delays. In addition, DoD officials reported that the incoming contractor had not filled 428 of the 728 required trainer and mentor positions, placing the overall ANP mission at risk. Also, DoD did not have the personnel in place to effectively oversee the new DoD contract and did not formalize an agreement for managing oversight personnel, communication, and information sharing between commands.

**Result:** DoD will be unable to adequately monitor whether the contractor is meeting its obligations and achieving the goals of the program. DoD IG and DOS OIG recommended DoD and DOS develop guidance for planning and conducting complex transitions and that DoD continue to fill the management and oversight vacancies and agree on oversight roles and responsibilities between commands.

**Report No. D-2011-095**

#### DoD Bi-Directional Flow Agreements and Adequate Tracking Mechanisms on the Northern Distribution Network

**Result:** The report results are classified.

**Report No. D-2011-100**

#### Afghan National Police Training Program Would Benefit from Better Compliance with the Economy Act and Reimbursable Agreements

**Overview:** DoD IG and DOS OIG conducted this joint audit in response to a requirement in the FY 2011 National Defense Authorization Act. This report addresses whether the Department of State properly obligated DoD funds in support of the Afghan National Police training program.

**Findings:** DoD IG and DOS OIG identified that DOS officials improperly obligated \$76.65 million of Afghanistan Security Forces fund appropriations that DoD provided to support the ANP training program. Specifically, DOS officials obligated the funds for three DOS programs and for personal services contracts contrary to either Economy Act or reimbursable agreement limitations.

**Result:** DoD and DOS may have violated the Antideficiency Act. DoD could realize a benefit if the funds were returned and put to better use supporting the ANP training program. DoD IG and DOS OIG recommended that Bureau of

International Narcotics and Law Enforcement Affairs officials identify and return the total amount of Afghanistan Security Forces fund appropriations that were improperly used on other programs, that DoD and DOS officials perform a joint investigation of the potential Antideficiency Act violations for the \$1.05 million of funds obligated for personal services contracts and the estimated \$75.6 million of funds obligated without considering Economy Act limitations and reimbursable agreement requirements.

**Report No. D-2011-102**

#### Special Operations Forces Plans for Drawdown and Reset of Property in Iraq

**Result:** The report results are classified.

**Report No. D-2011-103**

#### Guidance for Petroleum War Reserve Stock Needs Clarification

**Result:** The report results are classified.

**Report No. D-2011-111**

## Nuclear Enterprise

National security of the U.S. nuclear enterprise extends to providing oversight for evaluating policies, procedures, plans and capabilities of security and control of nuclear weapons.

#### Review of United States Navy Nuclear Weapon Security Program

**Overview:** This report examined the policies, practices, plans and capabilities for physical security and control of U.S. nuclear weapons in Navy custody. It examined the vulnerabilities determined by the Navy; the physical improvements accomplished and how tactics, training and procedures have been changed to mitigate these vulnerabilities. The progress made was compared with the 2008 DoD Nuclear Weapon Security Roadmap and what has yet to be done was identified. The report is responsive to security concerns in the nuclear enterprise.

**Result:** The report provided actionable recommendations that will strengthen the security of nuclear weapons in the custody of the Navy. There are two issues where the Navy continues to delay implementation of projects to correct vulnerabilities. The report is classified.

**Report No. 11-ISPA-15**



DoD IG and DOS reviewed funds to support the ANP training program.

## Investigations

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

- Public corruption.
- Procurement fraud.
- Health care fraud.
- Product substitution.
- Technology protection.

### Public Corruption

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



A DCIS investigation involved casualty evacuation medical equipment.

### Saudi Arabia-Based Company Pays \$13 Million to Resolve Kickback and Gratuity Allegations

**Overview:** A joint investigation conducted by DCIS, FBI, Army CID and IRS-Criminal Investigation found that Tamimi Global Company, Ltd. paid kickbacks to a former Kellogg, Brown and Root subcontract manager in return for favorable treatment in the award and performance of a subcontract to provide dining services at Camp Arifjan in Kuwait. The investigation also found that Tamimi Global paid kickbacks to the contracting officer's representative and the non-commissioned officer in charge of the military dining facility at U.S. Central Command at Camp Doha, Kuwait. Tamimi Global employees provided the contracting officer's representative money and use of an apartment in Kuwait. All of these illegal gratuities were paid on account of official acts that the contracting officer's representative performed or was going to perform.

**Result:** On September 16, 2011, Tamimi Global entered into a deferred prosecution agreement with the U.S. Attorney's Office for the Central District of Illinois. Under the terms of that

agreement, Tamimi Global will pay the United States \$5.6 million as part of a deferred prosecution and institute a strict compliance program to ensure that the company and its employees will abide by the legal and ethical standards required for government contracts. If Tamimi Global meets its obligations under the agreement without violation for 18 months, the United States will dismiss the criminal charges. Also on September 16, 2011, Tamimi Global agreed to pay the United States an additional \$7.4 million as part of a civil settlement to resolve allegations that Tamimi Global paid kickbacks in return for favorable treatment in the award and performance of dining facilities and logistical contracts in Kuwait and Iraq.

### Former U.S. Army Special Operations Command Employee Sentenced to Six Years and \$365,300 Forfeiture for Extortion, Bribery and Illegal Gratuities

**Overview:** This investigation disclosed that Joseph J. Marak, while employed as an acquisition official responsible for purchasing emergency medical equipment for the Command Surgeon's Office, U.S. Army Special Operations Command, Fort Bragg, N.C., extorted and received bribes and illegal gratuities totaling over \$365,300 in exchange for providing preferential treatment to certain companies resulting in the award of over \$4 million in contracts. Marak contacted companies including Special Operations Technologies, Inc. and Skedco, Inc., to form a joint venture to design and develop an updated version of casualty evacuation medical equipment sets. These sets are a two-part litter pack mounted on a vehicle that can be easily torn away from the vehicle to retrieve the injured or deceased from a distance. Once an agreement was reached, Marak directed the development of the new sets. Marak started demanding compensation and post-government employment from each company for his contributions. In 2006, the military approved the sets and purchased 2,764. Shortly thereafter, Marak submitted his resignation to the government and began working as an independent consultant for Skedco. As a result of his demands for compensation and post-government employment, Marak received more than \$15,300 in cash and other payments while still employed with the government and an ad-

ditional \$350,000 in the first six months following his resignation.

**Result:** On April 8, 2011, a jury convicted Marak of one count of extortion and 17 counts each of bribery and receiving illegal gratuities. On August 11, 2011, Marak was sentenced to six years in prison and ordered to forfeit \$365,300.

#### Military Members Charged Under UCMJ with Accepting Bribes

**Overview:** A joint investigation conducted by DCIS, NCIS, Army CID, GSA-OIG and the FBI disclosed that a supply company was targeting military purchasing officials with money, gift cards and money orders for preferential treatment in awarding government purchase card orders from that company or affiliated companies. In return, significant purchases of marked up items were bought from the office supply company.

**Result:** On May 3, 2011, Cpl. Dakota Beckham, USMC, plead guilty in a special court-martial to one count of Uniform Military Code of Justice Article 134. At sentencing Beckham received a reduction in rank to E-3, letter of reprimand and a 60 day restriction.

#### Berg Recycling Owners and NSA Official Convicted in Bribery Scheme

**Overview:** A joint investigation with the National Security Agency OIG determined that Robert Adcock, while he was serving as the contracting officer's representative for the NSA "Recycling Program," had received \$104,331 in bribe payments from May 13, 2004, to March 31, 2006, from Berg Brothers Recycling, Baltimore, Md., a subcontractor under an NSA recycling contract. Berg Bros owners, Adam Berg and the company president, Jeff Harmon, had been skimming precious metals out of the recycled scrap metal dumpsters and selling the precious metals for profit and then paying a portion of the profit to government employees as bribes.

**Result:** On April 12, 2011, after pleading guilty to bribery, Harmon was sentenced to jail for one year and one day, fined \$25,000, assessed a \$100 penalty, ordered to perform 100 hours of public service and ordered to make restitution jointly liable with co-defendant Adcock, to the U.S. government in the amount of \$4,929. On June 3, 2011, after pleading guilty to bribery, Adcock

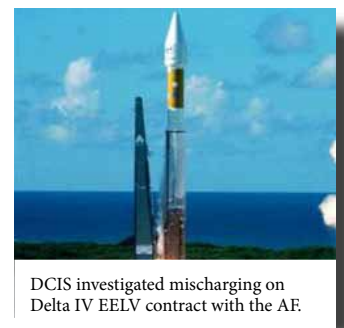
was sentenced to serve 18 months in prison, 6 months of home confinement and restitution jointly liable with co-defendant Harmon, of \$4,929. In addition, he was sentenced to three years supervised release, 100 hours of community service, \$200 special assessment and a \$15,000 fine. After pleading guilty to bribery, on June 1, 2011, Adam Berg was sentenced to serve six months in prison, followed by six months home confinement, one year of supervised release, a \$30,000 fine, 100 hours of community service and a \$100 special assessment fee. The business, Berg Bros Recycling, Baltimore, Md., was sentenced to three years of probation, a special assessment fee of \$400 and given a \$130,000 fine. Both Adam Berg and Berg Brothers Recycling were deemed jointly liable for \$104,989 in restitution. On July 11, 2011, the Defense Logistics Agency debarred Adam Berg, Adcock, and Berg Brothers Recycling for a period of three years. Their debarments will end on June 5, 2014.

## Procurement Fraud

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

#### Boeing/United Launch Alliance Agree to Repay \$89 Million

**Overview:** DCIS investigated Boeing/United Launch Alliance for charging unallowable support costs on its Delta IV Evolved Expendable Launch Vehicle contract with the U.S. Air Force. The investigation also uncovered related misconduct by a Defense Contract Audit Agency deputy regional director, who was terminated as



a result of her improper actions. These actions allowed Boeing to improperly charge DoD \$271 million in order to recoup losses the company previously sustained during commercial contracts involving the Delta IV program.

**Result:** In July 2011, Boeing/United Launch Alliance paid restitution to DoD in the amount of \$72,198,875, plus \$17,036,292 in accrued interest. The contract was further modified by reducing the total DoD cost by an additional \$198,953,797.

## Officials of Security Contractor Sentenced to Imprisonment and Ordered to Pay \$8,780,258 in Restitution

**Overview:** A joint investigation conducted by DCIS, Army CID, ATF, IRS Criminal Investigation, GSA OIG and Department of Homeland Security Investigations disclosed that officials of Superior Protection Inc., a contractor to DoD, GSA and Federal Protective Services, conspired to secure contracts through the bribery of a GSA official, then willfully failed to pay employment taxes and income taxes, diverting funds for personal use.

**Result:** On April 8, 2011, John Heard was sentenced to 151 months of confinement and ordered to pay restitution of \$8,780,258. On April 29, 2011, Janet Heard was sentenced and received six months of confinement, six months of home detention, three years of supervised release and a fine of \$5,000. On May 20, 2011, Gary Lambert was sentenced and received 51 months of confinement and was jointly ordered to pay restitution in the amount of \$2,465,554 with John Heard. The collective sentences and debarments of John Heard and Gary Lambert were for violations of 18 U.S.C. 152(2) False Oath in Bankruptcy; 18 U.S.C. 201 Bribery; 18 U.S.C. 201 Gratuity; 18 U.S.C. 371 Conspiracy; 26 U.S.C. 7206 (1) Making a False Return; and 26 U.S.C. 7212(a) Corrupt Interference with the Internal Revenue Laws.

## Over \$1 Million Settlement by General Dynamics Land Systems

**Overview:** DCIS initiated an investigation based on Defense Contract Audit Agency incurred cost audit for 2005 and identified cost mischarging and billing irregularities by General Dynamics Land Systems, Customer Service & Support

Company and General Dynamics Amphibious Systems. The companies had billed unallowable inter-company fees to DoD since 2002. They were aware of the issue but failed to correct the problem. The violation is Federal Acquisition Regulation, Cost Accounting Standards, Subchapter B, 9904.405, Accounting for Unallowable Costs.

**Result:** On June 20, 2011, an administrative agreement was reached between DoD and General Dynamics Land Systems, which agreed to repay the government \$1,077,260 to resolve its failure to comply with requirement of Cost Accounting Standard 405 related to the billing of unallowable inter-company fee during the period January 1, 2002, through December 31, 2006.

## \$2.7 Million Settlement by Ultralife Batteries Incorporated for Defective Pricing

**Overview:** A joint DCIS investigation with Army CID and DCAA Regional Investigative Support Division disclosed that Ultralife Batteries Inc. overcharged DoD for several parts used in the manufacture of the 5390/U non-rechargeable battery for the Army under several contracts. The 5390/U batteries were widely used to power more than 50 military applications, such as the AN/PRC-119 Single Channel Ground and Airborne Radio System. The system provides commanders with a highly reliable, secure, easily maintained Combat Net Radio that has both voice and data handling capability in support of command and control operations and the Javelin Medium Anti-Tank Missile Control Launch Unit. DCIS initiated an investigation based upon a DCAA Form 2000, Suspected Irregularity Form, alleging defective pricing on the part of Ultralife. According to the Form 2000, Ultralife overcharged DoD for the separator and wire harness on government contracts. In addition, the investigation revealed Ultralife overcharged DoD for lithium, fuse assembly, cell sleeve and cell tab. For each overcharged part, Ultralife submitted false certificates of current cost or pricing data. Based on the review of records and interviews, it was substantiated that Ultralife failed to report updated cost and pricing information before the definitization of the DoD contracts. On June 1, 2011, Ultralife entered into a civil settlement agreement with the U.S. Attorney's Office, Western District of New York to settle al-



DCIS investigated overcharging of parts related to a missile control launch unit.

legations of violations of 10 U.S.C. 2603a, Truth in Negotiations Act.

**Result:** Ultralife agreed to pay the U.S. government a total of \$2.7 million to settle allegations that Ultralife failed to furnish accurate, complete and current cost or pricing data pursuant to Title 10 U.S.C. 2603a for DoD contracts.

#### DoD Contractor Agrees to Pay the Government \$407,245.22 to Settle Allegations of False Claims Regarding the Buffalo Vehicle Contract

**Overview:** A joint DCIS investigation with Army CID resulted in a \$407,245 settlement between Force Protection Industries, Inc. and the government. The allegations stemmed from a Defense Contract Audit Agency referral, which noted pricing irregularities in the Buffalo armored personnel carrier contract. The irregularities were associated with monetary credits the company was receiving from the supplier for unused parts, recovery of freight costs and painting costs.

**Result:** On June 23, 2011, Force Protection Industries, Inc. agreed to settle the false claims fraud allegations by paying the government \$407,245.

## Health Care Fraud

Health care fraud costs the country an estimated \$60 billion a year. Health care fraud is a rising threat with national health care topping \$2 trillion and expenses continuing to outpace inflation. Recent cases also show that medical professionals are more willing to risk patient harm in their schemes. DCIS has primarily focused health care investigations on those involving harm to the patient and on health care providers involved in corruption or kickback schemes. Investigations also include overcharging for medical goods and services, off-label marketing of drugs and unauthorized people receiving TRICARE health benefits. DCIS proactively targets health care fraud through task forces, strike teams and undercover operations.

#### Novo Nordisk, Inc., Pays \$25 Million for False Claims

**Overview:** A joint DCIS investigation with Army CID disclosed that between January 2000 and December 31, 2010, Novo Nordisk, Inc.,

Princeton, N.J., promoted the drug NovoSeven to health care professionals for off-label uses, including as a coagulatory agent for trauma patients, general surgery, cardiac surgery, liver surgery, liver transplants and intracerebral hemorrhage. The investigation also found a study published in 2005 in the New England Journal of Medicine and funded by Novo Nordisk, showed that NovoSeven can help patients with bleeding strokes. However, the study also found that there were complications including heart attacks and strokes caused by blood clots, which Novo Nordisk failed to disclose to DoD. As a result of this unlawful promotion, Novo caused false claims to be submitted to TRICARE, Medicare and government health care programs that were not reimbursable by those programs.

**Result:** On June 10, 2011, Novo agreed to pay \$25 million to resolve its civil liability arising from the illegal promotion of its hemostasis management drug NovoSeven.

#### Serono Laboratories Inc. Pays \$44.4 Million for False Claims

**Overview:** A joint investigation with Health and Human Services OIG disclosed that between January 1, 2002, and December 31, 2009, Serono Laboratories Inc. paid kickbacks to TRICARE and other government health care providers to induce them to promote or prescribe Rebif, a recombinant interferon injectable that is used to treat relapsing forms of multiple sclerosis, a chronic autoimmune disease that attacks the central nervous system. The allegations resolved in the settlement included the payments of kickback type remuneration to health care professionals in the form of promotional speaking engagements, speaker training, advisory and consultant meetings, expense reimbursement, independent medical and educational grants and sponsorships and charitable contributions.

**Result:** On April 29, 2011, Serono Laboratories, Inc.; Emd Serono, Inc.; Merck Serono, S.A.; and Ares Trading, S.A.; agreed to pay \$44.4 million to resolve False Claims Act allegations in connection with marketing of the drug Rebif.

#### Lockheed Martin, Incorporated Pays \$2 Million for False Billing Scheme

**Overview:** A DCIS investigation disclosed that Lockheed Martin was contracted to support the



DCIS investigated pricing irregularities in the Buffalo armored vehicle contract.



DCIS investigated unlawful promotion of the drug NovoSeven.

“Health care fraud costs the country an estimated \$60 billion a year.”

DoD Military Health Services Clinical Quality Management Program including clinical care studies and data collection and analysis to validate the quality of care provided by the Military Health System. It was determined that a Lockheed manager created a billing scheme by which the medical abstractor employees were paid a flat rate and the government was invoiced based on productivity rather than the actual number of hours worked.

**Result:** On May 10, 2011, Lockheed Martin, Inc. paid \$2,095,478 to settle the covered conduct under the False Claims Act allegations in connection to the billing scheme.

#### TRICARE Provider Pays \$1.4 Million to Settle False Claims Allegations

**Overview:** A DCIS investigation disclosed that Marci Taylor, through her companies: Treehouse Pediatric Center, Treehouse Behavioral Services and the Autism Clinic of Texas billed for therapy by non-qualified therapists; submitted false billing for one-on-one therapy which was actually given in a group setting; submitted false billing to TRICARE for therapy when the billing was for tuition; and falsified records subsequent to a records audit.

**Result:** On August 25, 2011, a settlement agreement was reached between Taylor and the government, whereby Taylor agreed to pay \$1.4 million to settle the allegations of submitting false claims to the government, in violation of 31 U.S.C. 3729, False Claims Act.

#### Final Subjects in Learning Links Case Sentenced to Probation, Community Service, and Ordered to Pay \$67,311 Restitution

**Overview:** A DCIS investigation, in cooperation with the North Carolina Department of Justice Medicaid Fraud Investigations Unit, TRICARE Program Integrity Office, and the Health Net Federal Services Office of Program Integrity, revealed Sandra Elliott, owner of Learning Links Educational Network Services Center, Inc., fraudulently billed TRICARE and Medicaid for services not rendered and for services rendered by unlicensed practitioners. Learning Links purported to provide early intervention treatment for children with special needs such as developmental delays, psychological services and occupational and speech therapy. Instead, Learning

Links fraudulently continued billing TRICARE and Medicaid long after some children had left the program or billed for appointments in which the children were not seen. Learning Links also continued to bill for services attributed to practitioners who were no longer working for the company. Learning Links was located near Fort Bragg, and the clientele primarily consisted of children of military members suffering from transitional issues. Hundreds of special needs children received substandard care as a result of this scheme in that they did not receive the treatment they required, which had been paid for by the government. Fraudulent billings to TRICARE were over \$1 million. Forfeitures of bank accounts and vehicles were pursued in an effort to recoup government losses.

**Result:** The owner and chief executive officer of Learning Links, Sandra Elliott plead guilty to health care fraud, and aiding and abetting. She was sentenced to 10 years imprisonment, three years probation, \$1,885,196 restitution, \$207,791 forfeiture, and \$100 penalty. The medical director of Learning Links, Earlene McKeithan Baggett, plead guilty to subscribing to false tax returns for her failure to disclose income earned from Learning Links on her tax returns. She was sentenced to five years probation, 300 hours of community service and \$67,311 restitution. Learning Links, Inc. was forfeited to the government, assets liquidated and was put out of business.

## Product Substitution

Investigations involving the introduction of counterfeit goods, substandard materials and non-conforming products into the DoD procurement and acquisition system have historically been, and will continue to be, a top priority for DCIS. The Department requires very specific, and at times, unique products for its infrastructure and weapons systems. Nonconforming products pollute the DoD supply chain and pose a risk to military operations and both military and civilian personnel. Any products or component of a product not manufactured, assembled, tested, or inspected in accordance with the terms of the contract specifications is considered nonconforming and is generally divided into the following investigative categories: coun-

terfeit, substituted, defective and substandard.

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

#### Non-Conforming Parts for DoD Vehicles

**Overview:** DCIS initiated a project to identify contractors and DoD employees involved in procurement fraud schemes associated with contracts awarded by the Defense Supply Center-Columbus. Contracting officers, quality assurance specialists, and engineers from the Defense Supply Center-Columbus Product Test Center, Columbus, Ohio, evaluated purchase orders and parts supplied by Lawrence Fabricating and determined that Lawrence provided non-conforming parts. The purchase orders were for a variety of automotive parts required to be in accordance with DoD drawings and specifications. The parts are used on a variety of DoD vehicles to include the amphibious assault vehicle, 5-ton series of trucks, high mobility multi-purpose wheeled vehicle and M109 Howitzer. Lawrence Fabricating Company is owned by Michael D. Ochadleus.

**Result:** On August 9, 2011, Michael Ochadleus was sentenced to 21 months confinement and ordered to pay \$273,448 in restitution and \$400 penalty assessment and Lawrence Fabricating was sentenced to 60 months probation and ordered to pay \$1,600 penalty assessment. Between January 5, 2009, and August 20, 2011, Michael Ochadleus and Lawrence Fabricating were debarred.

#### Contractor Pays Navy for Defective Generators

**Overview:** A DCIS joint investigation with NCIS disclosed that Honeywell International supplied defective generators to the U.S. Navy for use on E2 Hawkeye aircraft. An assembly of the generator was proven to be nonconforming due to the removal of critical machining requirement. The Navy determined that cost of repairs was \$257,663.

**Result:** On August 10, 2011, Honeywell paid \$257,663 to the U.S. Navy for the repairs of 173 generators.

## Technology Protection

Protection of critical military technologies supporting the warfighter continues to be a DCIS priority consistent with its legacy of investigating public corruption and financial crime within the Department. DCIS actively represents the interests of the Department in multiple inter-agency task forces charged with the enforcement and reform of export policy. The DCIS Technology Protection Program collaborates with federal partners to minimize duplicative investigative effort. Through this collaborative effort and information sharing, DoD is better able to focus intelligence and procurement efforts to maintain the technological supremacy of the American warfighter.

#### Two Chinese Nationals Charged with Illegally Attempting to Export Military Satellite Components to the PRC

**Overview:** Xian and Li were officers of Beijing Starcreates Space Science and Technology Development Company, which imported and sold programmable read-only memory chips to China Aerospace Science and Technology Corporation, which is run by the People's Republic of China and conducts substantial research, design, development and production of strategic and tactical missile systems and launch vehicles (rockets). Since 1990, the U.S. government has maintained an arms embargo that prohibits the export, re-export, or transfer of any defense article to the People's Republic of China. A programmable read-only memory microchip stores the initial start-up program for a computer system and is built to withstand conditions found in outer space. Neither Xian or Li applied nor received a license from the U.S. Department of State to export defense articles placed on the U.S. Munitions List, which includes spacecraft systems and associated equipment; however, from April 2009 to September 1, 2010, Xian and Li contacted a company in Virginia and sought to export thousands of radiation-hardened programmable read-only memory microchips from that company. On September 1, 2010, Xian and



A DCIS non-conforming parts project involved the amphibious assault vehicle.

# Core Mission Areas

Li were arrested in Hungary pursuant to a U.S. provisional arrest warrant and were transferred into the custody of the U.S. Marshals Service on April 1, 2011, after waiving extradition. Xian and Li were charged with 18 U.S.C. 371, Conspiracy to Violate the Arms Export Control Act and to Smuggle Goods from the United States, and 22 U.S.C. 2778 and 22 Code of Federal Regulations 127.1, Attempted Export of USML items in violation of the Arms Export Control Act, pursuant to a superseding indictment.

**Result:** On May 18, 2011, and May 21, 2011, Xian and Li signed guilty pleas, respectively, related to the charges of conspiring to violate the Arms Export Control Act and smuggling goods from the United States.

## Iranian National Sentenced to 51 Months for Illegally Exporting Missile Parts

**Overview:** A joint investigation conducted by DCIS and Homeland Security Investigations revealed that Davoud Baniamერი conspired to export goods and technology to Iran without approval from the U.S. Department of Treasury, in violation of the International Emergency Economic Powers Act. Baniamერი also attempted to export defense articles without approval from the Department of State in violation of the Arms Export Control Act. Baniamერი was charged in July 2010 along with Andro Telemi, a naturalized U.S. citizen from Iran, and Syed Majid Mousavi, an Iranian citizen. The investigation determined that Mousavi contacted Baniamერი and requested Baniamერი purchase and export radio test sets from the United States to Iran, through Dubai. Baniamერი agreed and negotiated the purchase of three Marconi radio test sets from an Illinois-based company. Baniamერი arranged to have the radio test kits shipped to him in California and he then shipped them to Dubai for ultimate transshipment to Iran. The investigation also determined that Mousavi contacted Baniamერი and requested that he purchase and export to Iran, via Dubai, 10 connector adapters for the TOW and TOW2 missile systems. Baniamერი agreed to purchase the items on behalf of Mousavi and admitted that over the following months he and his co-defendants attempted to purchase 10 connector adapters from a company in Illinois.

**Result:** On May 31, 2011, based on a plea agree-

ment, Baniamერი plead guilty to violations of 50 U.S.C. 1705(a) and (c), Conspiracy to Export Goods to Iran, and 22 U.S.C. 2778 and 22 C.F.R. 127.1(a)(1), Attempting to Export Defense Materials on the United States Munitions List Without a License. On August 12, 2011, Baniamერი was sentenced to 51 months incarceration, three years probation, and a \$200 assessment.

## New Jersey Defense Contractor Pleads Guilty to Violations of the Arms Export Control Act and Conspiracy

**Overview:** A joint investigation conducted by DCIS, Homeland Security Investigations, Army CID and Air Force OSI revealed that Swiss Technology, Inc. exported DoD drawings, specifications and samples to the People's Republic of China without obtaining the proper license from the U.S. Department of State. Swiss Tech entered into contracts with the DoD from August 2004 through June 2009 to manufacture defense articles and parts for use by the military. Swiss Tech contracted with a company in the People's Republic of China, which manufactured the items at a much lower cost than they would have been manufactured in the United States. The items included parts intended for use in the M4 and M14 rifles and the M249 squad automatic weapon machine guns. Additionally, the loss to the government in terms of fraudulent contracts related to this matter has been estimated at more than \$1.1 million.

**Result:** According to a plea agreement filed on July 12, 2011, Swiss Tech agreed to plead guilty to violations of 22 U.S.C. 2778, Arms Export Control Act, 18 U.S.C. 371, Conspiracy to Commit Offense or Defraud the United States, 22 C.F.R. 127.1(a)(1), and 22 C.F.R. 127.1(d). As part of the plea agreement, Swiss Tech has consented to restitution in the amount of \$1,148,052 to the DoD.

## Guilty Pleas and Guilty Verdict for Mexican Nationals in Conspiracy to Acquire Stinger Missile and Other Military Grade Weapons

**Overview:** A joint investigation conducted by DCIS, ATF and DEA revealed that David Diaz-Sosa, a Mexican national, sought to acquire, transfer and export military technology and weaponry, to include a stinger missile, to a drug trafficking organization based in Mexico.



DCIS investigated export violations that included parts for the M14 rifle.

The stinger missile is a man portable surface-to-air missile which can be adapted to fire from ground vehicles and helicopters. The investigation further revealed Emilia Palomino-Robles was acting as a courier when it was determined she delivered 2,029 grams of methamphetamine and \$139,900 cash as payment for the transfer of weapons. Jorge Dejesus-Casteneda was arrested while attempting to deliver over 11 pounds of methamphetamines as part of an additional payment for weapons. Mario Orozco-Acosta was arrested and indicted for being a felon in possession of a handgun.

**Result:** On April 12, 2011, Palomino-Robles agreed to plead guilty to Conspiracy to Possess with Intent to Distribute Methamphetamine, violation of 21 U.S.C. 846, 841(a)(1) and 841(b)(1)(B)(viii). On April 19, 2011, Diaz-Sosa agreed to plead guilty to 18 U.S.C. 371, Conspiracy to Possess Unregistered Firearms, and Transfer Firearms for Use in a Drug Trafficking Crime. On April 27, 2011, Dejesus-Casteneda was convicted in the U.S. District Court of Arizona, Phoenix, Ariz., on one count of Possession with Intent to Distribute Methamphetamine, Violation of 21 U.S.C. 841(a)(1)). On August 2, 2011, Dejesus-Casteneda was sentenced to 12 years and 2 months confinement and 5 years probation, ordered to pay a fine of \$100, and required to pay a \$100 assessment fee.

#### **Four Family Members Charged in Conspiracy to Export F-5 Fighter Jet Engines to Iran**

**Overview:** A joint investigation conducted by DCIS and Homeland Security Investigations revealed that Felipe Echeverri, Diego Echeverri, Amparo Echeverri Valdes and Carlos Alfredo Pantoja-Coral conspired to sell 22 F-5 Jet Fighter engines for \$320,000 to an undercover agent and agreed to help the undercover agent export the engines from Miami to Iran through Panama. From January to March 2011, during a series of meetings and conversations, the subjects negotiated the terms of the sale, knowing that the ultimate destination was purported to be Iran. The U.S.-Iran embargo prohibits the exportation from the United States to Iran of any goods, technology or services with limited exceptions unless authorized by the Department of the Treasury, Office of Foreign Assets Control. The embargo is enforced via the International Emer-

gency Economic Powers Act.

**Result:** On August 3, 2011, Diego Echeverri plead guilty to 18 U.S.C. 371, Conspiracy to Smuggle J85 Jet Engines to Iran without Obtaining a License from the Department of State. On September 2, 2011, Amparo Echeverri-Valdes and Carlos Pantoja-Coral also entered a guilty plea to 18 U.S.C. 371, Conspiracy to Smuggle J85 Jet Engines to Iran without Obtaining a License from the Department of State.

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

- Health and Safety
- Joint Warfighting and Readiness

## Health and Safety

DoD IG focuses its oversight efforts on preventing and detecting fraud, waste and abuse and improving efficiency and effectiveness of the programs affecting the health and safety of service members and employees.

### Assessment of DoD Wounded Warrior Matters— Fort Drum

**Overview:** In 2007 and 2008, U.S. Army and Marine Corps established warrior care and transition programs to manage the care and transition either back to military units or into civilian life of wounded, ill and injured. There are 29 Warrior Transition Units in the Army with approximately 10,000 soldiers and two Marine Wounded Warrior Battalions in the Marine Corps with approximately 1,000 Marines. Fort Drum, located in upstate New York, is the home of the 3rd Battalion, 85th Mountain Infantry Regiment Warrior Transition Battalion. Among the Fort Drum warriors are severely burned patients; amputee patients; traumatic brain injury and post traumatic stress disorder patients; and other wounded, ill or injured.

**Findings:** Fort Drum Warrior Transition Battalion has established a number of noteworthy practices for supporting the comprehensive care, healing and transition of warriors, including providing a personal digital assistant to warriors with memory or other cognitive medical issues.

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# Inspections

Further, warriors are required to in-process through the Soldier and Family Assistance Center to ensure that they received a comprehensive orientation on the services available to them and their families. However, a number of significant challenges were identified that, if addressed by Fort Drum management, would increase program effectiveness for wounded warriors.

**Result:** These challenges include developing an operational definition of a successful transition end state; ensuring that timely access to specialty medical care is available; developing a program for high-risk medication management, education, training and safety; developing procedures to ensure that Warrior Comprehensive Transition Plans and Triad of Care processes are beneficial and accessible and developing comprehensive training programs for staff, civilian medical personnel and other civilians supporting the wounded warriors.

**Report No. SPO-2011-010**

## ⊕ Exposure to Sodium Dichromate at Qarmat Ali Iraq in 2003, Part II

**Overview:** This evaluation, initiated in response to a request from the Senate Democratic Policy Committee, reviewed DoD actions regarding the exposure of approximately 1,000 U.S. Army soldiers and civilians to sodium dichromate, a carcinogen, while working to restore a water treatment plant in Qarmat Ali, Iraq, after the overthrow of Saddam Hussein in 2003.

**Findings:** The evaluation found that DoD military, civilian and contractor personnel did not effectively address environmental hazards found prior to beginning work at Qarmat Ali. DoD response to identified sodium dichromate contamination at the Qarmat Ali facility in 2003 lacked urgency and was incomplete. Further, contractor recognition of, and response to, the health hazard represented by sodium dichromate contamination was delayed because the contractor, KBR, did not fully comply with occupational safety and health standards required by the contract. As a result, service members and DoD civilians were first exposed when personnel deployed to the site in April 2003 and continued to be exposed until mid-September 2003.

**Result:** Since the sodium dichromate exposure at the Qarmat Ali water treatment plant in 2003, responsible organizations in DoD have made

noteworthy changes to policies and procedures. The assistant secretary of defense for health affairs updated policy for post-deployment health assessments.

- The U.S. Army Corps of Engineers published a policy addressing hazardous and toxic agent incident response during contingency operations and fielded new environmental support teams that were unavailable in 2003.
- The U.S. Army Center for Health Promotion and Preventive Medicine issued revised health risk assessment and chemical exposure guidelines.

DoD and the Department of Veterans Affairs have continued efforts to identify, contact and provide current and ongoing access to medical surveillance and medical care for personnel who may have been exposed to sodium dichromate at Qarmat Ali.

**Report No. SPO-2011-009**

## ⊕ Assessment of the BRAC 133 Mark Center Emergency Generator Fueling

**Overview:** This self-initiated engineering inspection assessed the BRAC 133 Mark Center emergency generator fuel tank and fueling procedures, specifically, fuel tank safety and security during fueling operations, and compliance with DoD antiterrorism and safety policies relating to the design and location of the fuel tank, fuel delivery and refueling procedures.

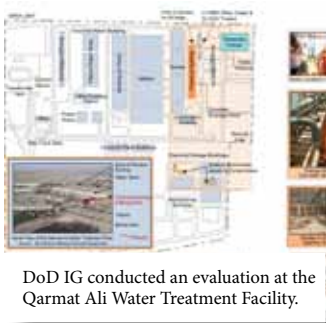
**Result:** This report is classified.

**Report No. D-2011-TAD-001**

## Joint Warfighting and Readiness

In Iraq, the United States is conducting a responsible drawdown while continuing the important mission of advising, training and equipping the Iraqi Security Forces.

With U.S. forces scheduled to be withdrawn from Iraq by December 31, 2011, the ISF has taken the lead in protecting the Iraqi people. In Afghanistan, U.S. and international forces are continuing their mission to train, equip and mentor the Afghan National Security Forces.



DoD IG conducted an evaluation at the Qarmat Ali Water Treatment Facility.

### ⊕ Assessment of the U.S. Department of Defense Efforts to Develop an Effective Medical Logistics System within the ANSF

**Overview:** DoD IG examined, in response to a request from the commander, NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan, the systems in place for U.S. procurement and distribution, storage, accountability and use of pharmaceuticals for the Afghan National Army and the advisory and oversight mechanisms of the NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan Medical Training Advisory Group and Logistics Training Advisory Group in support of this mission.

**Findings:** Shortcomings in the development of a credible Afghan medical logistics system indicated that the ability of the Afghan National Army to build and maintain a sustainable medical logistics system at its current level of capability was not feasible in the absence of U.S. and international community support. While a system of controls existed for Afghan National Army medical logistics, the application of key elements was inadequate and as a result, accountability was weak. Because Afghan medical personnel did not properly establish requirements for procurement or manage inventory in accordance with Afghan Ministry of Defense policy, the United States and its coalition partners have been purchasing inventory that was not needed. Pharmaceuticals provided to the Afghan National Army by the U.S. government were at significant risk of theft and misappropriation. DoD IG determined that medical mentoring efforts are insufficiently effective in developing Afghan medical leadership or establishing enduring Afghan institutional capacity for an effective, sustainable medical logistics system. Pre-deployment training and sufficient in-country orientation and management for U.S. medical mentors were lacking and compounded by the fact that the medical mentoring staff was approximately half of the number planned for.

**Result:** Since the assessment, NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan has been moving proactively and aggressively to implement improvements in these areas, including working with CURE International to complete, promulgate and implement standards of care for

Afghan National Army; standing up an operational planning team with the Afghan National Army to establish performance milestones and pursuing the appropriate numbers, skills, and seniority of mentors, as well as requesting appropriate pre-deployment training for medical mentors.

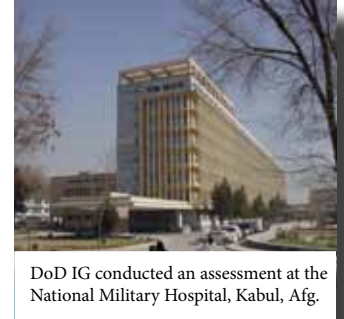
**Report No. SPO-2011-007**

### ⊕ Assessment of Planning for Transitioning the Security Assistance Mission in Iraq from DoD to DOS Authority

**Overview:** A major U.S. national security goal is the establishment of a sovereign, stable and self-reliant Iraq that contributes to the peace and security of the region and with whom the United States can forge a long-term security partnership. An Iraq Security Forces capable of providing for internal security as well as a foundational external defense capability is essential to achieving these U.S. national objectives. To be able to continue supporting the development of the ISF after the withdrawal of U.S. combat forces by the end of 2011, DoD will transition all remaining training, equipping and mentoring activities from U.S. Forces-Iraq to the Office of Security Cooperation-Iraq under Department of State and Chief of Mission authority. DoD also will seek to establish the framework for a robust security assistance and foreign military sales program.

**Findings:** At the time of the assessment, detailed plans and guidance had been sufficiently developed and were operative for transitioning security assistance from DoD to DOS authority. However, the planning for establishing an enduring Office of Security Cooperation in Iraq received a lower priority to planning for the withdrawal of U.S. forces. The planning largely succeeded due to the singular efforts of an ad hoc cadre of strategic planners operating within United States Forces-Iraq.

**Result:** To correct the identified general shortcomings in joint doctrine, DoD IG recommended U.S. Central Command issue interim theater-level campaign, security cooperation and Iraq-specific country planning details and assess the sufficiency of internal procedures and resources dedicated to Iraq-specific security cooperation-related planning and guidance efforts. Further, DoD IG recommended the joint



# Core Mission Areas

staff sponsor a formal doctrine development proposal that supports transitioning a complex contingency from stability operations to robust security cooperation activities in a non-permissive security environment.

**Report No. SPO-2011-008**

## ⊕ Questionable Intelligence Activity - Assistant Secretary of Defense for Special Operations/Low-Intensity Conflict

**Overview:** The report substantiated allegations of unauthorized intelligence activities.

**Result:** This report is classified.

**Report No. 11-INTEL-09**

## ⊕ U.S. Cyber Command Authorities Pertaining to Use of National Security Agency Personnel

**Overview:** DoD IG did not substantiate allegations that (1) National Security Agency personnel are conducting and directing U.S. Cyber Command Title 10 mission without the appropriate authority; (2) The director, National Security Agency, is inappropriately delegating signals intelligence authorities to U.S. Cyber Command personnel; and (3) NSA personnel who are paid out of agency funding lines set aside exclusively for the Crypto logic mission are not being employed for this purpose. U.S. Cyber Command had acquired full operating capability on October 31, 2010, and was still fine tuning procedures; however, DoD IG identified potential weaknesses that may warrant future management control reviews for execution and sustainability of operations. DoD IG reported inconsistency of international interpretation of “use of force” as it pertains to cyberspace.

**Result:** There were no recommendations. This report was classified.

**Report No. 11-INTEL-10**

## ⊕ Improvements Needed in Review of U.S. Forces-Afghanistan Sharing of Tactical Counterintelligence and HUMINT with International Security Assistance Force

**Overview:** DoD IG evaluated if DoD Counterintelligence and Human Intelligence organizations attached to U.S. Forces-Afghanistan were in compliance with DoD and North Atlantic Treaty Organization guidance for providing U.S. tactical information to coalition forces of the International Security Assistance Force.

**Findings:** DoD IG made recommendations to:

- Establish standardized training and an oversight process for write-for-release, tear-line and classification marking for producers of classified military information.
- Establish policy requiring U.S. forces conduct pre-deployment training with coalition partners they would deploy with to include training on the communications systems for sharing information.
- Standardize and update the training and certification for and track the management of U.S. Army foreign disclosure officers and foreign disclosure representatives.
- Update the national disclosure policy relating to sharing classified military information in a coalition environment.
- Develop an implementation plan and oversight process to ensure U.S. forces comply with the policy that all tactical information collected in Afghanistan be prepared in a format releasable to International Security Assistance Force.
- Implement the creation of a single, theater-wide, computerized source registry to be used by coalition for de-confliction of counterintelligence and human intelligence source data.

**Result:** The evaluation revealed that impediments to intelligence information sharing between U.S. forces and coalition partners have existed for years. The impediments continue to include inadequate information sharing training, outdated foreign disclosure policies and procedures; and the absence of a source registry for coalition partners to de-conflict counterintelligence and human intelligence source data. This has resulted in information not being tactically useful by the time it is authorized for release.

**Report No. 11-INTEL-13**

## Evaluation of the Under Secretary of Defense for Intelligence Continuity of Operations ⊕

**Overview:** DoD IG evaluated the Office of the Under Secretary of Defense for Intelligence continuity of operations program, which is managed by the Defense Intelligence Mission Assurance Office.

**Result:** This report is classified.

































**Report No. 11-INTEL-12**

“DoD IG evaluated the Office of the Under Secretary of Defense for Intelligence continuity of operations program...”

Semiannual Report to the Congress		DoD IG Projects by Category																
Title	Report #	Type	Overseas Contingency Operations	Recovery Act	Contracting			Finance		Technology			Health		Warfighting		Page	URL
					Acquisition Process & Management	Procurement Fraud	Product Substitution	Financial Management	Public Corruption/ Financial Crimes	Information Security	Computer Crime	Technology Protection	Health and Safety	Health Care Fraud	Joint Warfighting Readiness	Nuclear Enterprise		
The following projects are highlighted in the Semiannual Report for the reporting period April 1, 2011 to September 30, 2011. The full listing of reports is available at Appendix A and downloadable versions can be viewed on the Web at :  <a href="http://www.dodig.mil">www.dodig.mil</a>																		
American Recovery and Reinvestment Act—Improper Planning of the Administrative Buildings Project at Camp Lejeune, North Carolina	D-2011-119			X	X												19-20	<a href="http://www.dodig.mil/Audit/reports/fy11/11-119.pdf">http://www.dodig.mil/Audit/reports/fy11/11-119.pdf</a>
American Recovery and Reinvestment Act— Repair Project at Camp Pendleton, California, Needed Improvements in Planning	D-2011-117			X	X												20	<a href="http://www.dodig.mil/Audit/reports/fy11/11-117.pdf">http://www.dodig.mil/Audit/reports/fy11/11-117.pdf</a>
American Recovery and Reinvestment Act Wind Turbine Projects at Long-Range Radar Sites in Alaska Were Not Adequately Planned	D-2011-116			X	X												20-21	<a href="http://www.dodig.mil/Audit/reports/fy11/11-116.pdf">http://www.dodig.mil/Audit/reports/fy11/11-116.pdf</a>
DoD Cannot Ensure Contractors Protected Controlled Unclassified Information for Weapon Systems Contracts	D-2011-115								X								29	This report is For Official Use Only.
Guidance for Petroleum War Reserve Stock Needs Clarification	D-2011-111													X			31	This report is classified.
American Recovery and Reinvestment Act "Heating, Ventilation, and Air Conditioning Replacement" Project at Naval Support Activity Norfolk - Planning and Initial Execution Could Have Been Improved	D-2011-109			X	X												21-22	<a href="http://www.dodig.mil/Audit/reports/fy11/11-109.pdf">http://www.dodig.mil/Audit/reports/fy11/11-109.pdf</a>
Geothermal Energy Development Project at Naval Air Station Fallon, Nevada, Did Not Meet Recovery Act Requirements	D-2011-108			X	X												22	<a href="http://www.dodig.mil/Audit/reports/fy11/11-108.pdf">http://www.dodig.mil/Audit/reports/fy11/11-108.pdf</a>
Improvements Needed in Procedures for Certifying Medical Providers and Processing and Paying Medical Claims in the Philippines	D-2011-107												X				27	<a href="http://www.dodig.mil/Audit/reports/fy11/11-107.pdf">http://www.dodig.mil/Audit/reports/fy11/11-107.pdf</a>
The Department of the Navy Spent Recovery Act Funds on Photovoltaic Projects that Were Not Cost-Effective	D-2011-106			X	X												21	<a href="http://www.dodig.mil/Audit/reports/fy11/11-106.pdf">http://www.dodig.mil/Audit/reports/fy11/11-106.pdf</a>
Competition for Interrogation Arm Contracts Needs Improvement	D-2011-105				X												19	<a href="http://www.dodig.mil/Audit/reports/fy11/11-105.pdf">http://www.dodig.mil/Audit/reports/fy11/11-105.pdf</a>
Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract with Sikorsky to Support the Corpus Christi Army Depot	D-2011-104				X												16-17	<a href="http://www.dodig.mil/Audit/reports/fy11/11-104redacted.pdf">http://www.dodig.mil/Audit/reports/fy11/11-104redacted.pdf</a>
Special Operations Forces Plans for Drawdown and Reset of Property in Iraq	D-2011-103		X												X		31	This report is classified.
Afghan National Police Training Program Would Benefit from Better Compliance with the Economy Act and Reimbursable Agreements	D-2011-102		X												X		31	<a href="http://www.dodig.mil/Audit/reports/fy11/11-102.pdf">http://www.dodig.mil/Audit/reports/fy11/11-102.pdf</a>
DoD Bi-Directional Flow Agreements and Adequate Tracking Mechanisms on the Northern Distribution Network	D-2011-100		X												X		31	This report is classified.
Additional Actions Needed to Mitigate Risks of Unsuitable Life Insurance Sales to Junior Enlisted Service Members	D-2011-099												X				28	<a href="http://www.dodig.mil/Audit/reports/fy11/11-099.pdf">http://www.dodig.mil/Audit/reports/fy11/11-099.pdf</a>
Defense Finance and Accounting Service Needs to Improve Controls Over the Completeness and Accuracy of the Cash Management Report	D-2011-098							X									26	<a href="http://www.dodig.mil/Audit/reports/fy11/11-098.pdf">http://www.dodig.mil/Audit/reports/fy11/11-098.pdf</a>
Army Contracting Command-Redstone Arsenal's Management of Unfinalized Contractual Actions Could Be Improved	D-2011-097				X												22	<a href="http://www.dodig.mil/Audit/reports/fy11/11-097.pdf">http://www.dodig.mil/Audit/reports/fy11/11-097.pdf</a>
Improvements Are Needed to the DoD Information Assurance Vulnerability Management Program	D-2011-096								X								29	This report is For Official Use Only.
Afghan National Police Training Program: Lessons Learned During the Transition of Contract Administration	D-2011-095		X												X		30-31	<a href="http://www.dodig.mil/Audit/reports/fy11/11-095_final508.pdf">http://www.dodig.mil/Audit/reports/fy11/11-095_final508.pdf</a>
Guam Medical Plans Do Not Ensure Active Duty Family Members Will Have Adequate Access to Dental Care	D-2011-092												X				27-28	<a href="http://www.dodig.mil/Audit/reports/fy11/11-092.pdf">http://www.dodig.mil/Audit/reports/fy11/11-092.pdf</a>
DoD Indian Incentive Program Payments to Related Parties and Rebates to Excluded Parties	D-2011-091							X									26	<a href="http://www.dodig.mil/Audit/reports/fy11/11-091.pdf">http://www.dodig.mil/Audit/reports/fy11/11-091.pdf</a>
Cost of War Data for Marine Corps Contingency Operations Were Not Reliable	D-2011-090		X					X									25	<a href="http://www.dodig.mil/Audit/reports/fy11/11-090.pdf">http://www.dodig.mil/Audit/reports/fy11/11-090.pdf</a>
Ballistic Testing for Interceptor Body Armor Inserts Needs Improvement	D-2011-088		X		X								X				18-19	<a href="http://www.dodig.mil/Audit/reports/fy11/11-088.pdf">http://www.dodig.mil/Audit/reports/fy11/11-088.pdf</a>
U.S. Marine Corps Forces Special Operations Command Needs to Improve Controls Over Financial Transactions	D-2011-086							X									25	<a href="http://www.dodig.mil/Audit/reports/fy11/11-086.pdf">http://www.dodig.mil/Audit/reports/fy11/11-086.pdf</a>
Additional Actions Can Further Improve the DoD Suspension and Debarment Process	D-2011-083				X												17	<a href="http://www.dodig.mil/Audit/reports/fy11/11-083.pdf">http://www.dodig.mil/Audit/reports/fy11/11-083.pdf</a>
Contract Management of Joint Logistics Integrator Services in Support of Mine Resistant Ambush Protected Vehicles Needs Improvement	D-2011-081		X		X												17-18	<a href="http://www.dodig.mil/Audit/reports/fy11/11-081.pdf">http://www.dodig.mil/Audit/reports/fy11/11-081.pdf</a>
DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program	D-2011-080		X											X			30	<a href="http://www.dodig.mil/Audit/reports/fy11/11-080.pdf">http://www.dodig.mil/Audit/reports/fy11/11-080.pdf</a>
Previously Identified Deficiencies Not Corrected in the General Fund Enterprise Business System Program	D-2011-072							X									24-25	<a href="http://www.dodig.mil/Audit/reports/fy11/11-072.pdf">http://www.dodig.mil/Audit/reports/fy11/11-072.pdf</a>
Information Security Controls Over the Marine Corps Total Force System Need Improvement	D-2011-064								X								29	This report is For Official Use Only.
Antiterrorism Programs for U.S. Forces at Kandahar Airfield, Bagram Airfield, Camp Eggers and New Kabul Compound Need Improvement	D-2011-063		X											X			30	This report is classified.

**Type Legend**

- Audit
- Investigation
- Inspection

Semiannual Report to the Congress					Contracting			Finance		Technology			Health		Warfighting		DoD IG Projects by Category		
The following projects are highlighted in the Semiannual Report for the reporting period April 1, 2011 to September 30, 2011. The full listing of reports is available at Appendix A and downloadable versions can be viewed on the Web at:  <a href="http://www.dodig.mil">www.dodig.mil</a>		Report #	Type	Overseas Contingency Operations	Recovery Act	Acquisition Process & Management	Procurement Fraud	Product Substitution	Financial Management	Public Corruption/ Financial Crimes	Information Security	Computer Crime	Technology Protection	Health and Safety	Health Care Fraud	Joint Warfighting Readiness	Nuclear Enterprise	Page	URL
		<div style="border: 1px solid black; padding: 5px;"> <b>Type Legend</b>   Audit   Investigation   Inspection         </div>																	
Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract with Boeing to Support the Corpus Christi Army Depot		D-2011-061				X												16	<a href="http://www.dodig.mil/Audit/reports/fy11/11-061redacted.pdf">http://www.dodig.mil/Audit/reports/fy11/11-061redacted.pdf</a>
Army Commercial Vendor Services Offices in Iraq Noncompliant with Internal Revenue Service Reporting Requirements		D-2011-059		X					X									23-24	<a href="http://www.dodig.mil/Audit/reports/fy11/11-059.pdf">http://www.dodig.mil/Audit/reports/fy11/11-059.pdf</a>
Consistent Use of Supply Support Activities Could Increase Efficiency of Equipment Drawdown from Iraq		D-2011-056		X											X			29-30	<a href="http://www.dodig.mil/Audit/reports/fy11/11-056.pdf">http://www.dodig.mil/Audit/reports/fy11/11-056.pdf</a>
Review of United States Navy Nuclear Weapon Security Program		11-ISPA-15														X		31	This report is classified.
Improvements Needed in Review of U.S. Forces-Afghanistan Sharing of Tactical Counterintelligence and HUMINT with International Security Assistance Force		11-INTEL-13		X											X			42	This report is classified.
Evaluation of the Under Secretary of Defense for Intelligence Continuity of Operations		11-INTEL-12													X			42	This report is classified.
Summary of FY 2010 Inspections on Security, Intelligence, Counterintelligence, and Technology Protection Practices at DoD Research, Development, Test, and Evaluation Facilities		11-INTEL-11				X												23	This report is For Official Use Only.
U.S. Cyber Command Authorities Pertaining to Use of National Security Agency Personnel		11-INTEL-10													X			42	This report is classified.
Questionable Intelligence Activity - Assistant Secretary of Defense for Special Operations/ Low-Intensity Conflict		11-INTEL-09													X			42	This report is classified.
DoD Efforts to Protect Critical Program Information: The Air Force's Family of Advanced Beyond Line-of-Sight Terminals		11-INTEL-08				X												22-23	This report is For Official Use Only.
Assessment of DoD Wounded Warrior Matters--Fort Drum		SPO-2011-010												X				39-40	<a href="http://www.dodig.mil/SPO/Reports/DRUM_508_Compliance_Reduced.pdf">http://www.dodig.mil/SPO/Reports/DRUM_508_Compliance_Reduced.pdf</a>
Exposure to Sodium Dichromate at Qarmat Ali Iraq in 2003, Part II		SPO-2011-009		X										X				40	<a href="http://www.dodig.mil/SPO/Reports/PartII_QarmatAliFINALReport_v6-NEW.pdf">http://www.dodig.mil/SPO/Reports/PartII_QarmatAliFINALReport_v6-NEW.pdf</a>
Assessment of Planning for Transitioning the Security Assistance Mission in Iraq from DoD to DOS Authority		SPO-2011-008		X											X			41-42	<a href="http://www.dodig.mil/SPO/Reports/ISATReport082511.pdf">http://www.dodig.mil/SPO/Reports/ISATReport082511.pdf</a>
Assessment of the U.S. Department of Defense Efforts to Develop an Effective Medical Logistics System within the ANSF		SPO-2011-007		X											X			41	<a href="http://www.dodig.mil/SPO/Reports/MedLogSPO.pdf">http://www.dodig.mil/SPO/Reports/MedLogSPO.pdf</a>
Assessment of the BRAC 133 Mark Center Emergency Generator Fueling		D-2011-TAD-001												X				40	<a href="http://www.dodig.mil/Inspections/PDFs/BRAC133%20Final%20ReportPackage_%20Compliant.pdf">http://www.dodig.mil/Inspections/PDFs/BRAC133%20Final%20ReportPackage_%20Compliant.pdf</a>
Four Family Members Charged in Conspiracy to Export F-5 Fighter Jet Engines to Iran		N/A										X						39	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Guilty Pleas and Guilty Verdict for Mexican Nationals in Conspiracy to Acquire Stinger Missile and Other Military Grade Weapons		N/A										X						38-39	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
New Jersey Defense Contractor Pleads Guilty to Violations of the Arms Export Control Act and Conspiracy		N/A										X						38	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Iranian National Sentenced to 51 Months for Illegally Exporting Missile Parts		N/A										X						38	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Two Chinese Nationals Charged with Illegally Attempting to Export Military Satellite Components to the PRC		N/A										X						37-38	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Contractor Pays Navy for Defective Generators		N/A					X											37	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Non-Conforming Parts for DoD Vehicles		N/A					X											37	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Final Subjects in Learning Links Case Sentenced to Probation, Community Service, and Ordered to Pay \$67,311 Restitution		N/A												X				36	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
TRICARE Provider Pays \$1.4 Million to Settle False Claims Allegations		N/A												X				36	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Lockheed Martin, Incorporated Pays \$2 Million for False Billing Scheme		N/A												X				35-36	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Serono Laboratories Inc. Pays \$44.4 Million for False Claims		N/A												X				35	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Novo Nordisk, Inc., Pays \$25 Million for False Claims		N/A												X				35	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
DoD Contractor Agrees to Pay the Government \$407,245.22 to Settle Allegations of False Claims Regarding the Buffalo Vehicle Contract Overview		N/A					X											35	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
\$2.7 Million Settlement by Ultralife Batteries Incorporated for Defective Pricing		N/A					X											34-35	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Over \$1 Million Settlement by General Dynamics Land Systems		N/A					X											34	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Officials of Security Contractor Sentenced to Imprisonment and Ordered to Pay \$8,780,258 in Restitution		N/A					X											34	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Boeing/United Launch Alliance Agree to Repay \$89 Million		N/A					X											33-34	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Berg Recycling Owners and NSA Official Convicted in Bribery Scheme		N/A							X									33	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Military Members Charged Under UCMJ with Accepting Bribes		N/A							X									33	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Former U.S. Army Special Operations Command Employee Sentenced to Six Years and \$365,300 Forfeiture for Extortion, Bribery and Illegal Gratuities		N/A							X									32-33	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .
Saudi Arabia-Based Company Pays \$13 Million to Resolve Kickback and Gratuity Allegations		N/A							X									32	Press releases on investigations are available at <a href="http://www.dodig.mil">www.dodig.mil</a> .

# Enabling Mission Areas



## 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 9,340 contacts from the public and members of the DoD community: 9 percent via mail, 34 percent via email, 7 percent via the Internet and 50 percent via telephone. Based on these contacts the Hotline initiated 1,433 cases. Twelve percent of those cases were referrals from the Government Accountability Office, and 2 percent were congressional complaints.

### Open Cases

The 1,433 cases opened this reporting period are classified in the following categories:

- Internal misconduct (405).
- Reprisal (302).
- Finance (168).
- Contract administration (164).
- Government property (74).
- Personnel matters (98).
- Programs (48).
- Military support services (13).
- Medical (20).
- Mental health evaluation (1).
- Non-appropriated fund (3).
- Recovery Act (49).
- Security (36).
- Procurement (28).
- Trafficking in persons (2).
- Other (22).

### Closed Cases

During this reporting period the Defense Hotline closed 1,256 cases.

- 597 cases referred within DoD IG were closed.
- 531 cases referred to the military services were closed.
- 123 cases referred to other Defense agencies were closed.
- 5 cases referred to non-DoD agencies were closed.
- 787 cases were not referred and dismissed without action.

Figure 3.1  
Distribution of Method of Hotline Contacts Received

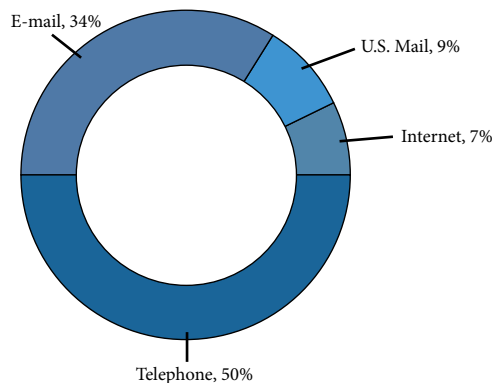
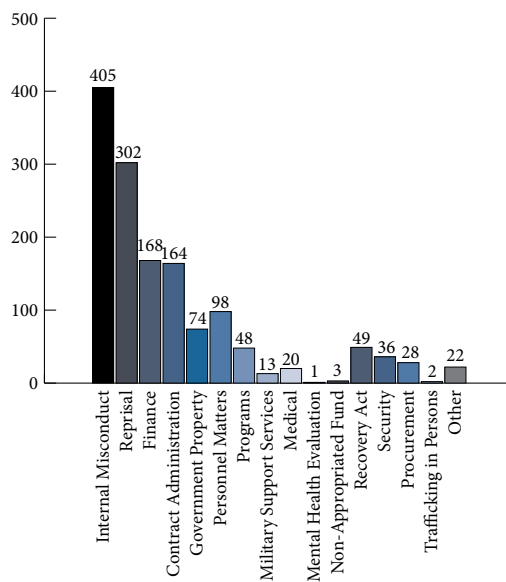


Figure 3.2  
Distribution of Cases Initiated by Category



## Hotline Case Referrals

The Defense Hotline initiated 1,433 cases to the following activities:

Military Departments	
AF	123
Army	303
Navy	121
USMC	27
JS	73
DoD IG	
MRI	200
ISO	107
CRI	51
Hotline	168
Audits	4
Investigations	93
Intel	1
OPR	4
GC	1
IPO	1
APO	3
Other Defense Agencies	
AAFES	5
ADMIN	1
BTA	1
DCMA	17
DODEA	11
DCAA	7
DECA	4
DFAS	22
DIA	7
DISA	8
DLA	16
DSS	2
GC	1
MDA	3
MEPCOM	2
NONDOD	6
NGA	1
NRO	1
NSA	1
OSD	2
PFPA	2
POLICY	2
AT&L	3
HEALTH AFFAIRS	3
P&R	10
TRICARE	9
USDI	2
WHS	6

## Substantiated Hotline Complaints

- A service noncommissioned officer admitted to stealing government property while performing duties as a security police officer at a base in the United States. The officer was observed removing uniform items, flight gloves, and flashlights from an unsecured supply building while making his security rounds. On another occasion the officer took self-inflating air mattresses and mess kits from the same building. The guard used his police vehicle to stash the stolen goods, before taking them home. The officer admitted to stealing the items, and was forced to take an early retirement.
- Four employees of a major defense contractor were terminated by their employer for improperly annotating hours on their timesheets. The employees were reporting more hours on their timesheets than they actually spent on the worksite.

## Outreach Initiative

As part of the Defense Hotline outreach initiative to improve the reporting of fraud, waste, abuse and mismanagement, the hotline deployed a website on the Joint Worldwide Intelligence Communication System. The Defense Hotline is committed to providing an effective means for individuals to make disclosures involving classified information. The website incorporates best practices as identified by the Council of Inspectors General on Integrity and Efficiency and provides detailed information to assist and direct individuals in making disclosures. This deployment follows a similar redesign of the websites on the Secret Internet Protocol Router Network and Non-secure Internet Protocol Router Network.

## Whistleblower Protection

“As of September 30, 2011, DoD had 366 open cases involving allegations of whistleblower reprisal filed by military service members, defense contractor employees and nonappropriated fund employees.”

DoD IG investigates and oversees investigations of allegations regarding whistleblower reprisal against service members, defense contractor employees, and DoD civilian employees (appropriated and non-appropriated fund) and improper command referrals of service members for mental health evaluations.

### Military Reprisal Investigations

DoD IG investigates or oversees allegations of military, nonappropriated fund, defense contractor whistleblower reprisal; and allegations of improper referral of members of the Armed Services for mental health evaluations. As of September 30, 2011, DoD had 366 open cases involving allegations of whistleblower reprisal filed by military service members, defense contractor employees and nonappropriated fund employees.

During the reporting period, DoD IG and service IGs received 299 complaints of whistleblower reprisal and closed 100 cases. Of the 100 cases, 48 were closed after analysis determined further investigation was not warranted, and 52 were closed after full investigation. Allegations made in 17 (33 percent) of the 52 cases investigated were substantiated. In addition, three complaints of restriction (preventing or attempting to prevent members of the Armed Forces from making or preparing to make lawful or communications to members of Congress and/or an inspector general) were substantiated. DoD IG has statutory responsibility for oversight review of all cases of military whistleblower reprisal regardless of origination and reviews both preliminary inquiries and full investigations conducted by the service IGs and DoD IG.

DoD IG continued its expanded outreach, communication, and training to whistleblower stakeholders and service IG counterparts, conducting 17 events reaching 404 military IGs (a total of 24 instruction hours).

### Examples of Substantiated Military Whistleblower Reprisal Cases

- An Army Reserve sergeant major deployed to Iraq received an unfavorable Non-Commissioned Officer Evaluation Report and was denied an end-of-tour award in reprisal

for alleging to his security manager in the United States that members of his unit were not properly safeguarding classified hardware and information.

- An Army Reserve battalion commander reprisal against an Army Reserve captain by downgrading his promotion potential recommendation on the captain's Officer Evaluation Report. The captain had reported to his brigade commander that the battalion commander had engaged in several instances of unprofessional conduct and exhibited poor judgment and leadership skills. In addition, DoD IG substantiated that the battalion commander and the battalion transportation team officer in charge made verbal and written comments intended to discourage or restrict unit members from communicating with an inspector general.
- An Army Reserve captain threatened to suspend a staff sergeant's security clearance in response to the staff sergeant's chain of command IG complaints that unescorted U.S. Army soldiers, who were not U.S. citizens and did not have appropriate security clearances, were allowed to enter a secure facility housing detainees in Afghanistan.
- An enlisted Army Reserve recruiter received an adverse efficiency report in reprisal for complaining to the command IG about his chain of command's interference with his retirement training. The service member ultimately completed the retirement training and petitioned the Army Board for Correction of Military Records for relief.
- An Army captain, in collusion with his first sergeant, threatened a soldier with non-judicial punishment for making protected communications to EO and IG officials. The chain of command also removed the soldier in reprisal for her protected communications.
- A Marine Corps IG refused to process a sergeant's complaint regarding abuse of authority while restricting the sergeant from filing the complaint with higher level IGs.

### Improper Referrals for Mental Health Evaluations

As of September 30, 2011, DoD IG had eight open cases involving allegations of improper

referrals for mental health evaluation. During the period, DoD IG closed 23 cases, 16 (70 percent) of which contained a substantiated allegation 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.”

#### [Example of Improper Referrals for Mental Health Evaluations](#)

An Army captain improperly referred a specialist for a mental health evaluation and an Army licensed professional clinical counselor, lacking mental health care provider credentials, improperly performed the evaluation. The specialist’s first sergeant, without statutory authorization, also counseled and directed the specialist to undergo the evaluation. Further, installation officials circumvented DoD instructions for mental health evaluations by utilizing an incomplete local form to initiate referrals.

## **Civilian Reprisal Investigations**

During the second half of FY 2011, DoD IG continued to select cases involving Title 5 protected disclosures in four core mission areas: aviation maintenance, contracting and procurement, security clearances, and intelligence operations.

On September 30, 2011, DoD IG had 10 open cases. During the reporting period, the Department received 15 complaints of Title 5 whistleblower reprisal and closed 14 investigations. Of the 14 investigations closed, one contained substantiated allegations of reprisal, resulting in a 7 percent substantiation rate. DoD IG also conducted a total of 34 whistleblower reprisal outreach events attended by 434 DoD military and civilian personnel.

#### [Substantiated Title 5 Whistleblower Reprisal Case](#)

An employee at a DoD Component Field Office was reprised against for disclosing to criminal investigators the alleged illegal transfer of classified materials by a U.S. government contractor.

## Senior Officials

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

On September 30, 2011, there were 281 ongoing investigations into senior official misconduct throughout the Department, representing a 7 percent decrease from March 31, 2011, when 303 open investigations were reported. Over the past six months, the Department closed 243 complaints. Of those complaints, 125 contained a credible allegation of senior official misconduct that required investigation. Of the 125 senior official investigations completed, 18 (14 percent) contained substantiated allegations. Additionally, DoD IG completed 2,011 requests for records checks totaling 8,917 names of officers being considered for promotion, reassignment, or retirement. The Senate relies on the accuracy of these records checks when deliberating officer nominations.

During this period, DoD IG conducted several sensitive investigations that received significant media coverage and directly impacted the Department. In one instance, DoD IG investigated the improper disclosure of the FOUO draft report on the impact of the repeal of “Don’t Ask, Don’t Tell.” In a second instance, DoD IG investigated the comments and conduct ascribed to U.S. Forces-Afghanistan staff by the Rolling Stone magazine article, “The Runaway General.”

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

### Examples of substantiated senior official cases:

- A senior official engaged in unprofessional and abusive behavior toward his subordinates in violation of the Joint Ethics Regulation.
- A senior officer made unwanted sexual advances to subordinates, wore unauthorized medals on his uniform, and engaged in other service-discrediting conduct. The officer was subsequently removed from his leadership position.
- Two general officers misused military aircraft by allowing their spouses to fly with them without an official purpose or authorization. Additionally, one of the officers used a military helicopter to attend a meeting with a non-profit organization with no official federal or state affiliation.
- A senior executive violated merit system principles and engaged in a prohibited personnel practice by providing an unfair advantage to a friend applying for a permanent position and advocating for the hiring of a relative, violated the Joint Travel Regulation by not purchasing the lowest available government fare or using the City Pairs Program, received compensation without an authorized entitlement and engaged in behavior that was inconsistent with the standards expected of a senior executive.

## 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 25, 2011, Deputy Inspector General for Auditing Daniel Blair testified before the Commission on Wartime Contracting on “Implementing Improvements to Defense Wartime Contracting.” Mr. Blair discussed critical challenges and improvements that must be made to DoD wartime contracting. During the hearing, Mr. Blair discussed the most important recommendations using the DoD IG report, “Contingency Contracting: A Framework for Reform,” which identified 10 systemic challenges related to deficiencies in the contract management process during contingency operations. He also discussed the effectiveness of recommendations and challenges going forward.

Mr. Blair testified at hearings on September 22 and 23, 2011, before the Panel on Defense Financial Management and Auditability Reform, House Armed Services Committee, on “DoD’s Efforts to Improve Payment and Funds Control” and before the Subcommittee on Government Organization, Efficiency and Financial Manage-

ment, Committee on Oversight and Government Reform, on “Financial Management and Internal Control Challenges at the Department of Defense.” The hearing on September 22 focused on specific financial management challenges within the Department and improvements for internal controls that must be made. The focus of the September 23 hearing was on pervasive financial management challenges within the Department and improvements that must be made in order to comply with the 2017 date for auditable financial statements for the Department of Defense.

## Briefings & Requests

During the reporting period, DoD IG had 53 meetings with members of Congress and their staff. Topics of discussion during those meetings include financial management, whistleblower investigations, the Guam realignment, base realignment and closure, and spare parts and inventory management.

The Office of Communications and Congressional Liaison supports DoD IG by serving as the contact for communications to and from Congress, and by serving as the DoD IG public affairs office. From April 1, 2011, through September 30, 2011, OCCL received 146 new congressional inquiries and closed 169 cases, including a case that involved over 50 separate congressional inquiries regarding a senior official investigation. New inquiries involved issues such as requests related to reprisal investigations, concern about improper payments, allegations regarding senior officials, and requests related to reviews of senior DoD officials. OCCL continues to proactively reach out to congressional staffers to ensure they are informed about upcoming IG releases and ongoing reviews.

## Congressional Testimony



Deputy Inspector General for Auditing Blair testifies.

## Outreach Activities



DCIS participates in the Department of Justice Asset Forfeiture program.

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

### Programs

#### Asset Forfeiture Program

During the past six months, DCIS has participated in \$1.9 million in final court orders of forfeiture and a cumulative total of \$27 million for FY 2011. Since DCIS became a participant in the Department of Justice Asset Forfeiture program in May 2007, it has conducted investigations that have led to orders of final forfeiture of \$307 million (\$262.1 million in currency, real property, and vehicles have been seized and forfeited). Additionally, since May 2007, DCIS has participated in the seizure of assets totaling \$597.3 million.

#### Violent Crimes Division

DoD IG established a new division that will evaluate DoD and military service criminal investigative policies, programs, and training focused on violent crimes including murder, suicide, sexual assaults, robbery, criminal child abuse, and aggravated assault. The establishment of the Violent Crimes Division was authorized by Inspector General Heddell in July 2011 and is located within the Office of the Assistant Inspector General for Investigative Policy and Oversight. The new division is now being staffed with criminal investigators and investigative review specialists, whose first assignment will be to focus on DoD criminal investigative response to sexual assaults.

#### Joint Activities Program

DoD IG interfaces with other Department of Defense agencies, joint inspectors general worldwide and other federal agencies. The mission of the Joint Activities Program includes developing departmental oversight policy; developing and sustaining Joint IG publications; developing and deploying Joint IG training; conducting mobile training team evolutions; and staff assistance visits and developing and deploying an integrated knowledge management system and structure. During this reporting period, DoD IG conducted two resident Joint IG courses, hosting

students from various agencies and components.

### Interagency Initiatives

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

The Council of Inspectors General for Integrity and Efficiency was statutorily established as an independent entity within the executive branch by the Inspector General Reform Act of 2008 to address integrity, economy and effectiveness issues that transcend individual government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the 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 Information Technology Committee; and as editor-in-chief of the *Journal of Public Inquiry*. During this reporting period, areas of focus for the IT Committee included the impact of recommendations on accreditation of federal forensic laboratories on digital evidence units within the IG community; the trusted Internet connections initiative; and cloud computing contracts and IG access to information.

#### Defense Council on Integrity and Efficiency

The Defense Council on Integrity and Efficiency is chaired by 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 areas of focus during the reporting period included sexual assault prevention and reporting; the drawdown of U.S. forces in Iraq; and the U.S. Marine Corps realignment to Guam.

#### Southwest Asia Joint Planning Group

In May 2011, DoD IG hosted the Southwest Asia Joint Planning Group, which works to coordinate and deconflict the efforts of DoD and interagency oversight agencies that support U.S. military operations in Afghanistan, Iraq and the Persian Gulf.



Principal Deputy IG Lynne Halbrooks speaks to the Joint IG class.

### Interagency Coordination Group for the Guam Realignment

In September 2011, DoD IG hosted the quarterly Guam Interagency Planning Group and Joint Planning Group. The groups synchronize the efforts of DoD and interagency oversight agencies that support the Interagency Coordination Group who oversees the realignment of Marines to Guam. The U.S. Navy, director of plans and policy for the Joint Guam Program Office briefed the groups on the future plans for the Marine Corps move to Guam. Representatives from the Departments of the Interior, Education, and Transportation as well as the Environmental Protection Agency, Naval Audit Service, Army Audit Agency and the Defense Contract Audit Agency attended.

### Intelligence Community Inspectors General Forum

DoD IG participates in the Intelligence Community Inspectors General Forum, which promotes information sharing among inspectors general whose functions include audits, inspections/evaluations or investigations of their respective departments and agencies. The forum, chaired by the director of national intelligence inspector general, enhances effective coordination and cooperation and ensures there is no duplication of oversight.

### Procurement Fraud Working Groups

DCIS actively participates in procurement fraud task forces and working groups across the country. Procurement fraud wastes limited funds, threatens safety and national defense, cheats American taxpayers, and harms government efforts to obtain needed goods and services. DCIS, along with other agencies, partner to share knowledge and resources to thwart illegal acts or schemes aimed at defrauding the government.

### Counter-Proliferation Working Groups

DCIS agents nationally participate in working groups and task forces across the country to discuss and coordinate counter-proliferation policies and operations as they relate to joint agency enforcement. These groups are responsible for precluding sensitive technology and information from leaving the United States. DCIS continues to coordinate with federal partners and private

industry to identify and combat technology proliferating networks. Through this collaborative effort and information sharing, DoD is better able to focus intelligence and procurement efforts to maintain the technological supremacy of the American warfighter.

### Suspicious Activity Reports Task Forces

These task forces are comprised of DCIS special agents, and other federal, state and local law enforcement agencies meeting with the local U.S. Attorneys Offices to review suspicious activity reports and cash transactions reports with the goal to identify potential terrorist financing, money laundering, kickback and bribery schemes. DCIS representatives focus on these reports concerning military members and contractors.

### Inspectors General Regional Councils

DCIS participates with other OIGs investigative divisions in their respective regions in working groups designed to share training opportunities throughout the group to help achieve mutual training requirements; discuss investigative strategies, efforts, successes, agency missions priorities and available resources. The working groups coordinate regularly with U.S. attorneys offices on ongoing prosecutive efforts.

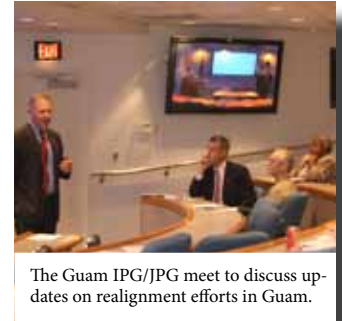
### Defense Criminal Investigative Organizations Command Policy

DoD IG established a semiannual defense criminal investigative organizations command policy meeting to discuss pertinent investigative issues such as sexual assault and child abuse investigations and peer reviews within the investigative community.

## Awards

### FBI-DoD Task Force Officer of the Year Award

On August 16, 2011, a DCIS special agent was presented the FBI-DoD Task Force Officer of the Year Award for outstanding contributions to an undercover operation that culminated in the arrest and charging of Antonio Martinez, aka "Muhhammad Hussain." FBI Joint Terrorism Task Force agents arrested Martinez for his attempts to murder federal officials by placing a bomb at a military recruiting office. Martinez sought to kill



# Enabling Mission Areas

military personnel in retaliation for the deaths of Muslims in Afghanistan and Iraq during U.S. military operations. The efforts of the agent contributed to the successful conclusion of this investigation.



SAC Northeast FO receives the CIGIE Award for Individual Accomplishment.

## CIGIE Award for Individual Accomplishment

The special agent in charge of the DCIS Northeast Field Office was recognized by the Council of Inspectors General on Integrity and Efficiency for his outstanding leadership and expertise in furthering the mission of DoD IG.

## CIGIE Award for Excellence in Evaluations

A Special Plans and Operations assessment team was recognized by the Council of Inspectors General on Integrity and Efficiency for exceptional performance in conducting the “Assessment of Allegations Concerning Traumatic Brain Injury Research in Iraq.”

## CIGIE Award for Excellence

A Special Plans and Operations assessment team was recognized by the Council of Inspectors General on Integrity and Efficiency for exceptional performance in conducting the “Assessment of the U.S. Government Efforts to Train, Equip, and Mentor the Expanded Afghan National Police.”



Special Plans and Operations is recognized with a CIGIE award.

## U.S. Office of Government Ethics 2011 Program Innovation and Excellence Award

DoD IG was nominated and selected by the U.S. Office of Government Ethics for one of its 2011 Program Innovation and Excellence Awards.

The award honored leadership for demonstrating a strong commitment to excellence in ethics program management and for building an ethical culture in DoD IG.

## National Security and International Affairs Medal, Samuel J. Heyman Service to America

The director, whistleblowing and transparency, and the Civilian Reprisal Investigations directorate were finalists for the 2011 Sammys. This award recognizes a federal employee and his or her team for a significant contribution to the nation in activities related to national security and international affairs (including defense, military affairs, diplomacy, foreign assistance and trade). Recognition was given due to CRI protection of civilian Pentagon whistleblowers who exposed wrongdoing within intelligence and defense-related activities, ensuring the sources are not harassed, punished or fired.

## Pentagon Memorial Service Award

The deputy inspector general for intelligence and special program assessments received the Pentagon Memorial Service Award from the Northern Virginia Chapter of Association of Governments Accountants. This award was established in memory of the victims of the September 11, 2001, attack on the Pentagon. The award formally recognizes public service to our nation in the field of financial management. The award recognizes dedication and commitment to improved government operations, financial stewardship and accountability through public service to our nation.

# Services



## Army

### ARMY AUDIT AGENCY

To accomplish its mission, U.S. Army Audit Agency relies on a work force of highly trained professional auditors, many with advanced degrees and professional certifications. USAAA staff consists of approximately 600 employees and is organized into 18 functional audit teams that provide audit support to all aspects of Army operations.

USAAA also maintains a significant presence in the Central Command area of responsibility assisting Army commanders. At the end of September 2011, USAAA deployed 38 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 an integral part of the Army by providing timely and valued services that focus on the evolving needs of Army leadership. To ensure its audits are relevant to the needs of the Army, USAAA refined its strategic audit planning process this fiscal year, placing greater emphasis on collaboration with the Army's most senior leaders and on use of detailed corporate risk assessment to ensure that audits focus on significant risks and senior leader priorities.

During the second half of FY 2011, USAAA published 130 reports, made over 250 recommendations, and identified over \$365 million of potential monetary benefits. A few of USAAA's significant reports are described in the following paragraphs.

#### [After Action Review of the Multi-Mission Unmanned Ground Vehicle Program, Assistant Secretary of the Army \(Acquisition, Logistics and Technology\)](#)

USAAA performed this review at the request of Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology). The vice chief of staff of the Army tasked the Office of the Assistant Secretary of the Army with conducting an after-action review—with USAAA assistance—to identify ways to improve

the requirements and acquisition process. USAAA identified five lessons learned related to determining and validating system requirements, communicating program expectations to senior Army leaders, and performing an affordability trade analysis. The lessons learned should help the Army prevent the problems of the Multi-Mission Unmanned Ground Vehicle from occurring for all future systems.

#### **Report A-2011-0167-ALA**

#### [Power and Energy Consumption in Weapon Systems, Office of the Secretary of the Army \(Acquisition, Logistics and Technology\)](#)

USAAA initiated this audit under the authority of the auditor general. It reported that program management personnel did not incorporate energy and fuel conservation measures into the development of weapons systems. The Army acquisition executive issued a policy memorandum on January 7, 2009, to address "Energy Productivity in Weapon Systems." The guidance required acquisition programs in development that consume energy to include the fully burdened cost of energy needed to operate the system in their total ownership cost analysis, as well as their acquisition strategy decision process. Only 1 of 10 weapon systems audited, fully implemented the guidance outline in the policy memorandum and three systems partially implemented the guidance.

#### **Report A-2011-0153-ALA**

#### [Body Armor Testing Process](#)

At the requested of the secretary of the Army, USAAA performed an overall assessment of implementation of the recommendations related to the Army's Interceptor Body Armor system. This report focused on the testing and inspection of the body armor. USAAA found that the Army has made numerous changes to strengthen controls over the body armor ballistic testing process and is improving a non-destructive testing process. Further, for future body armor contracts, there should be higher confidence in the effectiveness of the body armor based on using a statistically based first article test protocol. Even though the Army has improved controls, there continue to be questions related to the testing process and test results. Not knowing the cause(s) of changing trends in test results, raises risks that the



USAAA reviewed the Multi-Mission Unmanned Ground Vehicle Program.

Army accepted body armor that didn't meet requirements or rejected body armor that did meet requirements. Also, USAAA reported to the secretary of the Army that plates being issued to Soldiers weren't scanned for cracks before being returned to inventory because personnel weren't fully following the Concept of Operation guidance and there weren't enough non-destructive scanners. DCS G-four and the PEO soldier took immediate action to update guidance that focused on providing scanned plates to deployed or deploying soldiers and to establish a requirement for additional scanners.

**Report A-2011-0132-ALA (FOUO)**

**Implementing Body Armor Recommendations**

The secretary of the Army requested this audit to evaluate actions taken on 61 recommendations from 6 previous audit reports on body armor, one from GAO, three from DoD IG, and two from USAAA reports. This report summarizes the recommendations, actions taken and status of the recommendations. DoD and the Army implemented and action was complete for 57 recommendations, and actions taken should improve body armor processes. For the remaining four recommendations, one from GAO and three from USAAA, actions were ongoing. Although one GAO recommendation was not fully implemented, the Army did perform additional testing of the five designs questioned and did use outside experts to evaluate test procedures. Additional controls established in 2009 to repeat first article testing after two lot failures minimized the Army risk. Further, the Army had initiated some action on three of USAAA's prior recommendations related to updating performance requirements, developing quantitative requirements and doing a systems evaluation.

**Report A-2011-0082-ALA (FOUO)**

**Safety and Occupational Health Professionals**

USAAA conducted an audit to determine whether Army safety offices were staffed with trained safety professionals to support installation and mission functions. It also evaluated whether brigade tactical safety specialists' job descriptions, functions and training requirements were standardized Army-wide. USAAA found that safety professionals

had received some training to do their jobs but were missing a significant amount of required basic safety training identified by the Career Program 12 proponent. The Army's functional chief representative identified the training requirements for safety professionals, in April 2009, in an attempt to identify gaps in safety professionals' skills. Safety specialists at the three installations reviewed completed only 57 percent of the basic safety training. These conditions occurred because (1) safety professionals did not have specific guidance for their career program and there was not a master training plan that identified mandatory training or competencies required for Job Series 0018 and (2) safety professionals were hired without meeting the basic skills required by the Career Program 12 proponent. USAAA also found that the Army had a standardized position description for brigade tactical safety specialists. However, only one of the three installations had converted to the new position description. Other installations, not included in the review, had not converted to the standard position, due to funding shortages and time-in-grade issues. Consequently, without essential basic safety training, safety professionals are not properly trained or well-rounded in identifying hazards and could potentially put Army assets (personnel and facilities) at unnecessary risk. Also, installations that do not convert to the standard position description could encounter higher turnover. The assistant secretary of the Army (financial management and comptroller) provided the official Army position and agreed with the report's finding and recommendations.

**Report A-2011-0164-IEE**

**Planning for Disposal of Chemical Demilitarization and Storage Facilities, U.S. Army Chemical Materials Agency**

The U.S. Army Chemical Materials Agency's mission is the safe storage and disposal of chemical stockpile at nine designated sites. The disposal of chemical demilitarization and storage facilities is an important factor to the success of the Chemical Demilitarization Program, which is a \$24.2 billion life-cycle program that receives a high level of congressional interest. USAAA conducted the audit to determine whether the Army developed



USAAA reviewed the implementation of body armor recommendations.

and implemented comprehensive plans for the disposal of demilitarization and storage facilities and whether installations properly accounted for real and personal property acquired for the construction of chemical demilitarization facilities. USAAA reported that Army activities developed and implemented comprehensive plans for the disposal of chemical demilitarization and storage facilities. However, USAAA's review of real and personal property for five activities, valued at about \$2 billion, that the U.S. Army Corps of Engineers transferred on DD Forms 1354 to installations showed that:

- Four activities did not account for about \$119 million in facility costs in the Integrated Facilities System. In addition, one activity did not obtain prior written DA approval to dispose of facilities valued at about \$111.8 million.
- Three activities did not properly account for procurement-funded equipment and government-furnished equipment, valued at about \$996.1 million, in their installation property books.
- The systems contractor at one activity could not account for contractor-acquired property purchased with research and development funds during construction.

These conditions occurred because personnel misinterpreted, did not fully understand, or were not aware of requirements for accounting and disposing of real and personal property or did not provide sufficient oversight and documentation to the systems contractor. As a result, the Buildings, Structures, and Facilities and General Equipment lines in the notes the Army General Fund and Army Working Capital Fund Financial Statements may have been understated.

#### **Report A-2011-0177-IEE**

#### **Hurricane and Storm Damage Risk Reduction System: Project Funding, U.S. Army Corps of Engineers, Mississippi Valley Division and Task Force Hope**

USAAA audited the processes that the U.S. Army Corps of Engineers used to account for about \$14.5 billion in emergency supplemental funding received through five public laws to complete the Hurricane and Storm Damage Risk Reduction System in the Greater New Orleans

area. USAAA wanted to ensure that congressional resources submitted in the president's budget for Hurricane and Storm Damage Risk Reduction System projects were identified, tracked and reported to Congress, as designated in public law. USAAA reported that USACE developed and used processes to identify, track and report appropriated funds—valued at about \$14.5 billion and received from five Public Laws—for the design and construction of the Hurricane and Storm Damage Risk Reduction System. Management personnel developed processes because they recognized the need to separate and identify the appropriated funds by purpose, as outlined in the public laws. USACE:

- Identified the appropriated funds as described in the applicable public laws. USACE reviewed the supplemental appropriations guidance; categorized Hurricane and Storm Damage Risk Reduction System projects by 3 appropriation structure codes, 32 category-class-subclass codes and 16 Army management structure codes; and used the project designations to plan about \$14.5 billion in commitments.
- Had sufficient processes in place for tracking Hurricane and Storm Damage Risk Reduction System funds. USACE used internal spreadsheets and the Corps of Engineers Financial Management System entries for recording commitments, reallocations and obligations.
- Provided the two required reports to the Congressional Appropriations Committees per public law and congressional request.

As a result, USAAA concluded that USACE identification, tracking and reporting processes for the Hurricane and Storm Damage Risk Reduction System-appropriated funds met the requirements as outlined by public law.

#### **Report A-2011-0124-IEE**

#### **Application Migration, Office of the Chief Information Officer/G-6**

The Office of the Chief Information Officer/G-6 asked USAAA to audit whether Army activities affected by base realignment and closure conducted portfolio reviews to identify and report all candidate applications for potential migration to enterprise-hosting facilities. USAAA evaluated if the Army established an



USAAA audited hurricane storm damage risk reduction funding processes.

oversight structure and processes to manage and monitor application migrations effectively. The four base realignment-affected Army activities reviewed were conducting portfolio reviews to migrate their applications. However, actual migrations took significantly longer than projected, resulting in activities having to apply additional resources to migrate applications. The activities began planning to migrate their applications in FY 2008; however, to date, two of the four have completed only portions of these migrations. This happened because:

- Activities initially lacked a single authority for enforcement.
- Activities had limited visibility of their applications on the network.
- Most applications required information assurance approvals and certifications.
- Application owners reported inaccurate information.

In February 2010, the Office of Management and Budget mandated that all federal activities pursue data center consolidation. In response, the Army submitted an Army Data Center Consolidation Plan in August 2010, which highlighted plans to consolidate 75 percent of its approximately 250 data centers, making application migration an Army-wide initiative. To ensure the success of the consolidation plan, USAAA recommended that the Office of the Chief Information Officer/G-6 provide guidance to Army activities that clearly articulates participant roles and responsibilities in the data center consolidation process. Although the Office of the Chief Information Officer/G-6's consolidation plan team developed draft guidance, convened multiple working groups and engaged potential enterprise-hosting organizations, no guidance or policy has been published. The Office of the Chief Information Officer/G-6 also needs visibility over the Army's applications and its information assurance posture to estimate closure timelines and resources realistically and to better secure information technology assets.

#### **Report A-2011-0143-IET**

#### **The Army's Use of Social Media, External Official Presence Sites**

USAAA evaluated if the Army's external official presence sites were reviewed to ensure they operated within the tenets of established chief

information officer and operational security guidance. Per DoD guidance, the Army has actively embraced social media tools, and external official presence sites grew to over 1,000 sites by October 2010. However, since most social media tools are operated on public domains that are not owned, operated or controlled by the federal government, they present a multitude of security risks. Although the use of social media has become entrenched in public affairs programs for many commands, the Army has not clearly defined the roles, responsibilities and relationships of the four primary offices tasked with managing how social media sites are operated and reviewed. Army guidance related to using these sites is spread among multiple documents, and the level of operational security training provided to external official presence maintainers is inconsistent. Although the risk of information spillage through interactive social media websites is high, USAAA did not find any operations security violations. However, it did identify some required informational items that were missing. USAAA also found a few minor instances in which potential personally identifiable information was placed on a site. Based on the discussions with the Office of the Chief, Public Affairs, throughout the audit, the office formally developed and published a standard operating procedure for external official presence sites in January 2011. The document is a valuable tool to help the Army manage its social media program. However, further actions are needed to improve how external official presence sites are established, maintained and reviewed.

#### **Report A-2011-0150-IET**

#### **Internet Protocol Version 6, Chief Information Officer/G-6**

Though widely used today, Internet protocol version 4 cannot accommodate the growing number of global users and devices that connect to the Internet. As a result, Internet protocol version 6 was developed to increase available Internet protocol address space. The transition to Internet protocol version 6 began DoD-wide in 2003, but interest waned after 2008 due to the lack of vendor products and approved security devices, concerns over warfighter support, and competing priorities. Internet protocol version

“USAAA evaluated whether the Army established an oversight structure and processes to manage and monitor application migrations effectively.”

6 became a priority in September 2010 when the Office of Management and Budget released a memorandum mandating that government agencies upgrade public and external-facing servers and services to the new version by the end of FY 2012 and their internal client applications by the end of FY 2014. USAAA audited the Army's readiness to transition to Internet protocol version 6. The Army has taken steps toward upgrading the LandWarNet to support the use of Internet protocol version 6. Specifically, DoD and Army policies, in place since 2003, require that all hardware, software, and systems purchased or developed be Internet protocol version 6-capable. However, although the Army can operate in a dual Internet protocol version 4 and version 6 environment for the foreseeable future, it is not fully prepared to transition to Internet protocol version 6 technology. To ensure the LandWarNet can support Internet protocol version 6, the Army must:

- Implement and enforce controls to make sure systems are built to support Internet protocol version 6 standards.
- Develop and publish a transition and/or implementation plan.
- Gain visibility of all Internet protocol-reliant systems and architecture.
- Develop an address, allocation and assignment plan for Internet protocol version 6.
- Develop and incorporate a training program to ensure that soldiers and civilians are trained to support Army networks and the transition.

Until these steps are taken, the Army cannot transition to using Internet protocol version 6 technology in the near term and currently cannot identify the level of resources, time and effort required to transition.

#### **Report A-2011-0149-IET**

#### **Information Assurance Certification for Contractor, Office of the Chief Information Officer/G-6**

USAAA audited the Army's implementation of information assurance certification requirements for contractors. USAAA concluded that the Army was not fully complying with guidance on information assurance certification for

its contractors. Only about 25 percent of the contractors USAAA reviewed had the necessary certifications. USAAA focused on the key elements causing noncompliance. Specifically, it reviewed the clarity of guidance, the contract language and processes to get requirements into contracts, and the oversight of contractor compliance. USAAA found that:

- Army guidance was not clear on the timeframe for getting certifications, computing environment certifications and appointment letters.
- Contracts did not include all the critical information assurance requirements.
- There was little coordination between the contracting officer's representative and information assurance staff.

There were also issues with the Army certification tracking system that contributed to it capturing incorrect and incomplete data. As a result, organizations were not implementing information assurance requirements consistently or meeting the intent of DoD and HQDA's guidance. This left networks at risk. Additionally, the Army could potentially pay \$3.5 million to get contractors already in the information assurance workforce certified.

#### **Report A-2011-0147-IET**

#### **Army Traffic Safety Training Program, U.S. Army Installation Management Command**

To reinforce positive driving behavior, individual responsibility and correct response in driving situations, the Army established the Army Traffic Safety Training Program. Between September 2006 and December 2010, U.S. Army Installation Management Command awarded three contracts for a total cost of \$62.7 million. The contracts offered driver-safety training which met DoD requirements and the intent of the program to reduce the risk of death or injury. The contracts also included supplemental training, which fostered a more robust, comprehensive curriculum. At the request of the Executive director, U.S. Installation Management Command, USAAA evaluated whether Installation Management Command administered the Army Traffic Safety Training Program properly and cost-effectively to meet established goals. USAAA identified training provided that was not approved at the time of



USAAA conducted a review of the Army Traffic Safety Training Program.

acquisition, which resulted in cost increases. In addition, USAAA determined that contracting personnel did not exercise diligence in their requirements determination process while contracting for services and had insufficient oversight during contract administration. As a result, Installation Management Command continued to acquire training services in a costly manner, overstate training needs and spend funds for unapproved or unused training. By aligning contract requirements with DoD and Army guidance and establishing reasonable levels of training, USAAA identified where the Army can avoid \$41.3 million in contract costs over the next six years. During the audit, USAAA presented Installation Management Command with inconsistencies determined in the performance work statement of the ongoing solicitation, most of which had carried over from previous contracts. Installation Management Command immediately halted the solicitation and, along with the director of Army safety, began taking corrective action to change the program curriculum and restructure the requirements to reflect its focus on a more cost-effective culture.

#### **Report A-2011-0158-IEO**

#### **No-Cost Economic Development Conveyance, Oakland Redevelopment Agency**

The Oakland Army Base, about 425 acres, served as a cargo distribution port and maintenance facility for locomotives, trucks and equipment for nearly 60 years until its closure under the Base Realignment and Closure program on September 30, 1999. The Army has performed environmental evaluations and select remedial actions at the base since 1989 to include removing above- and below-ground petroleum storage tanks, mitigating potential asbestos hazards, and replacing transformers containing polychlorinated biphenyls. In 2003, the Army transferred the former Oakland Army Base to the Oakland Base Reuse Authority (and, later, its successor, the Oakland Redevelopment Agency). The redevelopment agency had 7 years to reinvest proceeds earned on the property for economic redevelopment. The redevelopment agency's original plan for the property called for development by the Port of Oakland for increased cargo and rail capacity, a variety of

commercial and industrial sites and public access park space. At the request of the assistant chief of staff for installation management, USAAA reviewed the financial statements and environmental services invoices to determine whether the Oakland Redevelopment Agency properly reinvested proceeds and adhered to the terms of the environmental services cooperative agreement. It reported that the agency properly reinvested proceeds and met the terms of the cooperative agreement. Now that its seven-year reinvestment period has concluded, USAAA made recommendations that the redevelopment agency submit audited adjusted closeout financial statements to the Army. USAAA also made recommendations so the redevelopment agency can achieve regulatory closure in a timely manner. The agency must achieve regulatory closure from the California Department of Toxic Substances Control for the 7 Remedial Action Plan and 190 Risk Management Plan sites identified for environmental cleanup. The agency has received regulatory closure for 5 of 7 Remedial Action Plan sites, while 62 of 190 Risk Management Plan sites are completed and awaiting inspection and approval.

#### **Report A-2011-0134-IEO**

## **ARMY CRIMINAL INVESTIGATION COMMAND**

### **Initiatives, Operations and Programs**

The U.S. Army Criminal Investigation Command is a combat-ready organization dedicated to providing the Army critical investigative support, actionable criminal intelligence, logistics security and protective services to senior DoD personnel around the globe. Army CID has over 500 agents and other personnel forward-deployed in support of ongoing contingency operations in Kuwait, Iraq and Afghanistan. This support extends beyond normal criminal investigations and includes logistics security operations; training host nation law enforcement personnel; detainee investigations; and the use of forensic

“Army CID has over 500 agents and other personnel forward-deployed in support of ongoing contingency operations in Kuwait, Iraq and Afghanistan.”

sciences and criminal investigative techniques to assist combatant commanders to identify, target, capture, deter or prosecute insurgents and criminal elements that pose a threat to U.S. forces.

Since April 1, 2011, Army CID generated 4,248 new reports of investigation and 3,301 investigative sequence actions. In spite of the demanding case load, a solve rate of 98 percent for drug crimes, 90 percent for violent crimes, 90 percent for economic crimes and 95 percent for miscellaneous crimes was maintained. The solve rate for general crimes was 49 percent, compared to the national average of 15 percent. During the reporting period, Army CID generated more than \$39.5 million in recoveries and cost avoidance.

Army CID placed significant emphasis on its conduct of sexual assault and death investigations to help meet the intent of DoD and Department of the Army leadership in reducing the number of sexual assaults and suicides that affect the Army community. To improve the quality of sexual assault investigations and increase efforts to hold offenders accountable for their actions, Army CID continued to hire additional dedicated sexual assault investigators and formed special victims units.

During the reporting period, Army CID initiated over 351 death investigations (homicides, suicides, accidental deaths and natural deaths) affecting the Army community around the world, to include combat zones. Army CID is playing a vital role in support of the Army efforts to understand the reasons behind the increase in Army suicides by collecting demographic and incident data. The increasingly technical nature of death investigations has prompted Army CID to implement policies emphasizing a multidisciplinary and multiagency approach to investigating all deaths. Additionally, Army CID has invested significant financial resources to ensure its agents have the latest investigative equipment available to solve crimes. These efforts are aimed at improving the quality of death investigations, bringing justice to the victims, and providing Army leaders critical information so they can take proactive measures

to reduce or prevent future deaths.

### Protective Services Battalion

Since April 2011, Army CID conducted 10 Operation Enduring Freedom and seven Operation New Dawn travel missions, 67 travel missions outside the continental United States, 119 continental United States missions (excluding the daily protection of principals within the National Capital Region), and 9 visiting foreign counterpart missions for ministers, chiefs of defense and Army chief of staff equivalents within the National Capitol Region and throughout the continental United States. Army CID is also providing temporary protective support to the former secretary of defense, the Honorable Robert Gates, and will begin providing temporary protective support to the chairman of the Joint Chiefs of Staff, Adm. Michael Mullen upon his retirement. Additionally, Army CID was tasked to provide a security advisor for Medal of Honor recipient Sgt. 1st Class Leroy Petry and his headquarters Army public affairs team.

Army CID conducted full-spectrum threat assessments for each personal security vulnerability assessment and every low, medium or high-risk travel mission, incorporating terrorist and criminal threat data into a comprehensive risk analysis program. Army CID continued deploying special agents to Afghanistan, Iraq and Kuwait to lead protective services details for senior U.S. combat commanders, including the current commanders of U.S. Forces-Iraq, Combined Security Transition Command-Afghanistan/NATO Training Mission-Afghanistan and Combined Joint Task Force-1st Cavalry-Afghanistan, and a special agent is currently training with the 82nd Airborne Division for its upcoming deployment to Afghanistan.

### Computer Crime

Army CID is aggressively investigating intrusions and related malicious activities targeting Army computer networks. Increased emphasis on insider threats came to the forefront with its lead role in DoD cyber espionage investigation into the largest disclosure of classified material in U.S. history, allegedly perpetrated by an Army



Army CID is aggressively investigating intrusions and malicious activities.

intelligence analyst in Iraq. In continuing its partnership with the Army chief information officer, Army CID conducted proactive vulnerability assessments of the LandWarNet that produced noteworthy and quantifiable successes. This proactive crime prevention effort, part of Army CID's multifaceted Virtual Community Policing campaign, identified and remediated vulnerabilities before cyber criminals or other adversaries could access and damage Army systems, steal or alter sensitive information or disrupt network operations and other critical military actions. During this reporting period, the vulnerability assessment program identified \$7.4 million in cost avoidance to the Army. After the mandatory remediation of these vulnerabilities, no computer network compromises occurred at assessed installations for this period.

#### Major Procurement Fraud

Army CID continues to combat fraud and corruption related to contingency operations. The global mission of this unit is to conduct criminal investigations into allegations of fraud associated with major Army system acquisition programs to recover Army funds, ensure the integrity of the Army procurement process, and deter future crimes in order to preserve soldier safety and Army readiness. Allegations of fraud affecting contracting operations in contingency environments throughout the world are investigated. Currently five forward operating investigative offices in Afghanistan, Kuwait and Iraq are focusing on contingency fund contractual fraud involving overseas contingency operations in support to the various military operations under Operation Enduring Freedom and Operation New Dawn. Since April 2011, 198 reports of investigation were initiated, with total recoveries approximating \$264 million and an additional \$330,000 identified as cost avoidance. Specific to overseas contingency operations, Army CID initiated 68 reports of investigation and realized over \$2.7 million in fines and restitutions.

#### U.S. Army Criminal Investigative Laboratory

On April 26, 2011, the deputy secretary of defense signed DoD Directive 5205.15E, establishing the Defense Forensic Enterprise, and USACIL

began the first steps toward bringing disparate forensic laboratories in the expeditionary environment under one consolidated structure. These Joint Expeditionary Forensic Facilities will combine the capabilities of the existing Joint Expeditionary Forensic Facilities labs with those of the current Combined Explosive Exploitation Cell labs to realize economy of scale and streamline forensic support for the combatant commander. During the first half of calendar year 2011, USACIL made significant strides toward assuming responsibility for the Joint Expeditionary Forensic Facilities operations within the Afghanistan theater of operations. The Joint Expeditionary Forensic Facilities program transformed from one supported by contracted personnel through the U.S. Navy to one manned by Department of the Army civilians hired, trained and managed by USACIL. In July 2011, USACIL completed its first-ever forensic training academy, graduating 21 latent print, deoxyribonucleic acid and firearms forensic examiners. These 21 examiners, with 20 other USACIL examiners, deployed in September 2011 to become the backbone of the entire Joint Expeditionary Forensic Facilities program in the Afghanistan theater.

Forensic laboratory analysis support to the warfighter provided usable intelligence linking physical evidence of criminal or insurgent activity to the individuals responsible in the same manner as traditional crime lab work links criminals to their actions. The forward-deployed labs pushed the envelope to deliver timely results so the intelligence provided was contemporaneous and actionable. The laboratory located at Kandahar Airfield, Afghanistan, experienced a significant increase in forensic case load in support of the U.S. and coalition forces. From January 1 through July 31, 2011, that lab processed over 1,260 cases, a 55 percent increase in monthly submissions over the previous six-month period. Examiners also managed to stay in front of the workload. As of August 1, 2011, the number of pending cases at the lab was 108, and of those 108, only 5 cases were open for longer than 30 days—an amazing feat and a testament to the diligence of the examiners.



DoD Directive 5205.15E established the Defense Forensic Enterprise.



Army CID firearms examiners examined 5,894 items and 429 exhibits.

The Joint Expeditionary Forensic Facilities at Kandahar processed over 25,000 items of evidence since January 2011. Latent print examiners examined 18,123 items and 2,064 exhibits and developed 667 suitable latent prints, 421 of which were identified. Firearms examiners examined 5,894 items and 429 exhibits, conducted 6,698 microscopic examinations and made 14,000 positive conclusions. The DNA examiners received 1,597 exhibits and 2,296 items and extracted 471 DNA profiles that were submitted to the database for identification, resulting in hits to 31 known samples.

In addition to providing support to the lab, USACIL initiated forensic support to the Combined Explosive Exploitation Cell. It received 442 “wire twist” cases and processed 122 for latent prints (1 suitable print) and 9 for DNA (resulting in 2 DNA profiles). USACIL was the focal point for coordinating forensic research and development efforts while supporting the development of forensics as an enduring global capability. In FY 2011, this program grew to 24 projects valued at over \$15 million.

USACIL also coordinated several educational initiatives. The first program was a summer intern program involving four military cadets from the U.S. Air Force Academy. The cadets assisted forensic examiners in essential research projects during their summer break. The second program was a fellowship program at USACIL in conjunction with the University of Florida, for special agents of the Military Criminal Investigation Organizations. The first candidate was an U.S. Air Force Office of Special Investigations special agent, who will complete her master’s degree in forensics while assisting USACIL with research projects.

During this reporting period, USACIL’s in-house software for DNA analysis was patented as a commercial product. USACIL’s DNA analysis and mixture deconvolution software brought major benefits to the forensic DNA community, including a significant time savings for case interpretations and reporting, less chance for errors, and increased confidence in deconvoluting two and three-person DNA mixtures.

USACIL’s Combined DNA Index System had hits, or confirmed matches, from its convicted offender/military arrestee database in 25 unknown offender military/civilian cases. In March 2011, DoD initiated DNA sample collection from non-U.S. detainees, closing a significant DNA gap. USACIL’s processing of the detainee samples enables their DNA profiles to be uploaded to the National DNA Index System. The result of this process is that searches of detainee profiles are enabled throughout the United States, helping to improve homeland security.

#### [DoD Criminal Investigation Task Force](#)

Army CID serves as the executive agency for the DoD Criminal Investigation Task Force, which conducts criminal investigations of suspected terrorists in Guantanamo Bay, Cuba, and elsewhere. The Criminal Investigation Task Force is staffed with special agents, attorneys, intelligence analysts, linguists and support personnel working together to remove terrorists from the battlefield.

The Criminal Investigation Task Force personnel at the U.S. Naval Station at Guantanamo Bay, Cuba, continued to work with prosecutors from the DoD Office of Military Commissions and spearheaded investigations of 32 detainees slated for prosecution before military commissions and 38 identified for continued law of war detention. In April and May 2011, six Guantanamo detainees, investigated by the Criminal Investigation Task Force, were charged by prosecutors. Five were accused of orchestrating the September 11, 2001, attacks on the United States, and the sixth detainee allegedly headed al-Qaida operations in the Persian Gulf region and was believed to be a key architect and planner of the October 2000 USS Cole bombing in Yemen.

An Army CID agent assigned to the Criminal Investigation Task Force since it was established in 2002 and a lawyer with the DoD Office of Military Commissions were selected to sign the charge sheets against the suspects during a historic ceremony on May 31, 2011, in Virginia. The detainees, at Guantanamo since 2006, were charged with eight offenses: murder in violation of the law of war, conspiracy, attacking civilians,

attacking civilian objects, hijacking aircraft, terrorism, intentionally causing serious bodily injury, and destruction of property in violation of the law of war. Prosecutors recommended charges be referred as a capital case, meaning they could seek the death penalty if the suspects are convicted.

The sixth detainee was charged in April 2011 with murder in violation of the law of war; attempted murder in violation of the law of war; conspiracy to commit terrorism; murder in violation of the law of war; attacking civilians; attacking civilian objects; intentionally causing serious bodily injury; hazarding a vessel; using treachery or perfidy; and other violations of the laws of war. The charges claim this detainee also planned the attempted January 3, 2000, attack on the USS The Sullivans in the same Yemeni harbor and an attack on a French oil tanker in the Gulf of Aden on October 6, 2002, the MV Limburg, killing one person.

## Significant Investigative Cases

### Sergeant Murders Two in Iraq

**Overview:** An Army CID investigation revealed that on September 14, 2008, Sgt. Joseph C. Bozicevich, a team leader, shot both a staff sergeant who was the squad leader and a sergeant, also a team leader, while deployed to patrol base Jurf in Iskandariyah, Iraq.

**Results:** Sgt. Joseph Bozicevich was tried by general courts-martial and found guilty of premeditated murder (UCMJ Article 118). On August 10, 2011, he was sentenced to life without parole, reduced in rank to private, ordered to forfeit all pay and allowances and dishonorably discharged.

### Attempted Murder of a Patrolman

**Overview:** An Army CID investigation revealed that on December 21, 2010, when a Military Police patrolman on U.S. Army Garrison, Fort Campbell, Ky., got out of his patrol car to assist an Army staff sergeant, he was stabbed numerous times with a knife by the sergeant. When the sergeant fled the area, the patrolman began foot pursuit until he collapsed. Having seen the patrolman fall, the sergeant returned, at which time the patrolman pulled his duty weapon

and shot him. The sergeant again fled the area. During his interview with Criminal Investigation Command, the sergeant admitted to attempting to kill the Military Police patrolman when he stabbed him.

**Results:** On June 30, 2011, staff sergeant was found guilty by general courts-martial of attempted murder (UCMJ Article 118) and was sentenced to 10 years confinement, reduced in grade and dishonorably discharged.

### Murder

**Overview:** An Army CID joint investigation with the FBI revealed former Pfc. Christopher A. Wilaby became involved in an altercation with the victim, a military spouse, and strangled her to death on August 11, 2005. Mr. Wilaby then placed the victim's body into the trunk of a car and drove onto U.S. Army Garrison, Fort Riley, Kan., and with the vehicle in neutral, pushed it into Moon Lake. The day before the murder, Pfc. Wilaby was separated from the Army with a discharge in lieu of court-martial for writing bad checks and adultery with the victim. The vehicle remained submerged until April 15, 2010, when the Department of Public Works partially drained the lake to perform maintenance. A civilian police dive team was called to the scene and confirmed that there were remains in the vehicle.

**Results:** On May 19, 2011, in the District Court of Geary County, Kan., Christopher Wilaby plead guilty to murder in the second degree (intentional) under Kansas Statutes Annotated 21-3402(a) and was sentenced to 13 years confinement and three years supervised release and was ordered to pay restitution of \$2,547 to the Crime Victims Compensation Board of Topeka.

### Sexual Assault of a Child

**Overview:** Investigation determined an Army specialist engaged in sexual intercourse with a child and a woman not his wife. A search of his personal computers and electronic storage devices revealed child pornography. Investigation also revealed the soldier tried to impede the investigation by wrongfully influencing his wife to dissuade the woman from cooperating with law enforcement.

**Results:** At general courts-martial, the soldier



Army CID conducted a joint murder investigation at Moon Lake.

plead guilty of aggravated sexual assault of a child (UCMJ Article 120); Obstruction of justice, Tampering with a witness (UCMJ Article 134); possession of child pornography (UCMJ Article 134); and willfully disobeying a superior commissioned officer (UMCJ Article 90). He was sentenced on May 16, 2011, to 6.5 years confinement, reduced in rank, received a bad conduct discharge and must register as a sex offender for life.

### Aggravated Sexual Assault

**Overview:** Investigation revealed on December 1, 2010, an Army specialist, drinking alcoholic beverages with peers and acquaintances at an off-post establishment for several hours, invited several members of the party to his apartment. The victim, also under the influence of alcohol, arrived with several people and continued to drink to intoxication. The victim lay on the floor and was then carried into the soldier's bedroom by himself and his roommate. Minutes later, she awoke to the soldier performing a sexual act and escaped the bedroom. A friend then escorted her to the apartment's security desk, and emergency services were notified.

**Results:** On July 15, 2011, at general courts-martial, the specialist was found guilty of aggravated sexual assault (UCMJ Article 120). He was sentenced to six years confinement, reduced in rank and received a dishonorable discharge. The soldier must register as a sex offender for life.

program, matters relating to the ongoing relocation of Marine Corps forces and their families to Guam, and more. The audit of Marine Corps equipment accountability identified an opportunity for the Marine Corps to put approximately \$4 million to other use by limiting the purchase of some assets to those necessary to meet its FY 2012 objective. The assist reports for the Naval Criminal Investigative Service have identified approximately \$1.4 million in potential fraud to date. NAVAUDSVC will continue to work with senior Navy and Marine Corps officials to provide them with an expert and impartial assessment of critical DoN issues, risks and opportunities.

## Joint Warfighting and Readiness

### Marine Corps Equipment Accountability

The audit objectives were to verify that Marine Corps equipment was being efficiently and effectively managed and to ensure that units in the field were accurately accounting for the equipment they had been assigned. NAVAUDSVC found that the Marine Corps total life-cycle management process (defined as asset management of principle end items throughout their service life, from acquisition through disposal) needed improvement. Specifically, NAVAUDSVC found that not all assets purchased could be accounted for and that purchases of some assets in excess of the approved acquisition objective were made. NAVAUDSVC believes that this occurred because (1) Marine Corps Systems Command program managers did not review authoritative systems in order to determine on-hand quantities at the unit level prior to making purchases, and operating units were not disposing of excess equipment (defined as quantities on-hand above the approved acquisition objective), as required; (2) there was limited formal coordination among, and oversight of, the multiple commands that participated in the total life-cycle management process; and (3) the Marine Corps did not have "cradle to grave" (purchase through disposal) accountability for all assets. Management concurred with the nine recommendations and the \$4 million in funds potentially available for

## Navy

### Naval Audit Service

The Naval Audit Service'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. Each year, NAVAUDSVC works with senior DoN officials to develop a risk-based annual audit plan addressing critical areas officials feel merit additional oversight. In the past six months, NAVAUDSVC audits have addressed a number of important Navy and Marine Corps issues, such as responsiveness to phone calls made to DoN sexual-assault-related phone numbers, acquisition controls, protection of personally identifiable information, management of the civilian drug-free workplace



NAVAUDSVC audited Marine Corps Equipment Accountability process.

other use.

**Report 2011-0055**

## **Acquisition Processes and Contract Management**

### [Award-Fee Contracts at Naval Facilities Engineering Command](#)

The audit objectives were to verify that contracting practices for the Naval Facilities Engineering Command were effectively and efficiently managed in accordance with laws and regulations and that internal controls were effective to ensure that the Department of the Navy received services for which it paid. NAVAUDSVC found that the Naval Facilities Engineering Command had developed award-fee plans for contracts as required by Federal Acquisition Regulation 16.4 and Defense Federal Acquisition Regulation 216.4. NAVAUDSVC determined this by examining contractor performance evaluations; performance monitoring reports; fee determining official letters; and award fee evaluation documents, which serve to document the award-fee process. NAVAUDSVC found that Naval Facilities Engineering Command sufficiently documented the award-fee process. However, the management control over their award-fee evaluation and determination process needed to be strengthened by updating the Naval Facilities Engineering Command Award Fee Desk Guide.

**Report N2011-0054**

## **Information Assurance, Security and Privacy**

### [Controls Over Navy Marine Corps Intranet Contractors and Subcontractors Accessing Department of the Navy Information](#)

The audit objectives were to verify that internal controls over Navy Marine Corps Intranet contractors and subcontractors reduce the risk of inappropriate access to, or use of, Department of the Navy information to a level acceptable to DoN leadership and that appropriate remedial actions are taken when information security is breached. NAVAUDSVC found that DoN internal controls were not adequate and improvements would help reduce the

risk of inappropriate access to, or use of, DoN information by the Navy Marine Corps Intranet prime contractor and subcontractors. Although NAVAUDSVC did not identify any systemic conditions related to contractor noncompliance with applicable guidance, NAVAUDSVC found that the Navy Marine Corps Intranet Program Management Office had not established an oversight mechanism to perform periodic inspections to ensure that the prime contractor and its subcontractors were complying with DoN security and information technology access policy for its employees. This type of oversight is important to ensure that contractors, who need security clearances or information technology access to complete their job, only hire people who possess the proper credentials.

**Report N2011-0038**

## **Health Care**

### [Navy Reserve Component's Access to Military Medical Services](#)

The audit objective was to verify that Navy Reservists and their family members are receiving medical services in an efficient and effective manner. NAVAUDSVC found that access to military medical services has not placed Navy Reserve sailors at a disadvantage. Although NAVAUDSVC found that the ability to schedule and complete the annual, mandatory periodic health assessment and dental exams is sometimes difficult to accommodate for the Navy Selected Reservist, there was no evidence that this affected operational support or impeded readiness. NAVAUDSVC also found that Navy Selected Reservists were receiving the medical services to which they were entitled. Further, the FY 2010 National Defense Authorization Act extended the amount of time that Selected Reservists can access military medical services up to 180 days prior to mobilization. Since no material weaknesses were identified during the audit, this report does not contain recommendations.

**Report N2011-0044**

### [Department of the Navy Civilian Drug-Free Workplace Program – Discipline](#)

The audit objective was to verify that the Department of the Navy Civilian Drug-Free

“The audit objective was to verify that Navy Reservists and their family members are receiving medical services in an efficient and effective manner.”

“DoN is at risk of retaining or rehiring employees who have tested positive for illegal drugs.”

Workplace Program was effectively managed and efficiently operating to best achieve its intended purpose to deter and detect illegal drug use. DoN did not have reasonable assurance that the Drug-Free Workplace Program was operating in a manner that would best achieve its intended purpose of deterring and detecting illegal drug use. This occurred because DoN commands did not always comply with DoN Office of Civilian Human Resources Headquarters policy on removal of offenders, and DoN policy did not comply with Department of Defense policy on mandatory initiation of removal from federal service after a second finding. In addition, DoN did not sufficiently track drug test results, or effectively measure and monitor the Drug-Free Workplace Program. Further, the flexibility in disciplinary action afforded by program and higher-level guidance may also be impacting the program's effectiveness. Specifically, NAVAUDSVC found that existing guidance allowed personnel with positive drug test results to avoid disciplinary action, separate from employment without the results being recorded in their personnel records and receive lesser penalties than others. The use of illegal drugs adversely impacts the effectiveness, safety and discipline of the civilian work force. DoN is at risk of retaining or rehiring employees who have tested positive for illegal drugs. It is also putting other agencies at risk of hiring employees without knowing they tested positive while employed with DoN.

#### **Report N2011-0045**

#### **Post-Deployment Health Reassessment at the U.S. Navy: Fiscal Years 2008, 2009, and 2010 Data Analysis and Future Monitoring Recommendations**

The audit objective was to verify that DoN is effectively implementing and managing the Post-Deployment Health Reassessment Program. A significant number of sailors (64 percent in FY 2008, 53 percent in FY 2009, and 59 percent in FY 2010) did not have their PDHRA completed and certified within the required time frame. Assistant Secretary of Defense for Health Affairs Policy 05-011, “Post-Deployment Health Reassessment,” requires a PDHRA be conducted for all personnel from 90 to 180 days after returning to home station from a deployment

that required completion of a Post-Deployment Health Assessment. Sailors did not have the PDHRA completed and certified on time for a number of reasons. For example, deployment health center representatives and personnel responsible for the sailors' screening told us that the PDHRAs often were not taken within the required time frame due to: (1) conflicts with training/work requirements, (2) deployment and subsequent deployment preparations, and (3) permanent change of station moves. Also, personnel responsible for ensuring sailors complete the PDHRA informed us that they did not always have visibility of the PDHRA status of sailors who transferred to them during the 90 180 day period following their most recent return from deployment. Finally, sailors did not always know they were required to complete a PDHRA. As a result, sailors who did not take the PDHRA in accordance with the assistant secretary of defense policy may not have had their health needs and concerns identified or addressed following deployment. This could negatively impact readiness, as well as their personal well-being and that of others.

#### **Report N2011-0061**

### **Human Capital**

#### **Marine Corps Community Services in Okinawa**

The audit objective was to verify that the Marine Corps Community Services Okinawa program complies with applicable guidance and meets the commandant's intent for the quality of life of Marines, their dependents and Department of Defense civilians living and working on Okinawa. Business practices of Marine Corps Community Services Okinawa were not fully compliant with applicable guidance. Specifically, Marine Corps Community Services Okinawa lacked a short- and long-term (5-year) plan and a performance management plan that contained performance metrics as required by Marine Corps Order P1700.27B. This was due to a lack of sufficient internal controls and processes to ensure full compliance with U.S. Marine Corps guidance. As a result, Marine Corps Community Services Okinawa was not able to sufficiently evaluate the performance and effectiveness of their programs and activities. The inability to evaluate performance and effectiveness could

lead to weaknesses or the magnitude of existing weaknesses going undetected and/or persisting in Marine Corps Community Services Okinawa programs, such as the Single Marine Program and childcare.

**Report N2011 0037**

**Quality of Life Plans for United States Marine Corps Forces Relocating From Okinawa to Guam**

The audit objectives were to verify that the Department of the Navy has developed quality of life plans for U.S. Marine Corps forces relocating from Okinawa, Japan, to Guam that meet standards and leadership expectations and there is effective oversight to ensure the quality of life plans are effectively implemented. The Navy's Joint Guam Program Office was established to facilitate, manage and execute requirements associated with the rebasing of Marine Corps assets from Okinawa to Guam and other military force enhancements on Guam and throughout the Commonwealth of Northern Marianas as identified by the Army, Navy, Marine Corps and Air Force. The NAVAUDSVC determined that Headquarters Marine Corps developed quality of life plans for facilities and infrastructure as well as identified the mandatory Marine Corps Community Services programs required for Marines and their dependents during the relocation to Guam. Implementation plan details for providing quality of life services had not been finalized between the Marine Corps and Joint Region Marianas. Additionally, key personnel from Navy supporting components on Naval Base Guam (within Joint Region Marianas) had not been involved in the planning for providing quality of life services or support for the initial buildup of the U.S. Marine Corps forces in Guam. Oversight of the quality of life implementation plans was not as effective from all levels of commands as expected.

**Report N2011-0039**

**Department of the Navy Medical Corps Officer Contracts**

The audit objective was to verify that the Department of the Navy was executing contracts for Medical Corps officers in a manner that ensured the proper establishment and fulfillment of contractual and military service obligations.

NAVAUDSVC found that DoN did not have reasonable assurance that it was receiving all required years of obligated service from DoN physicians. This was caused by deficiencies with: (1) the obligated service date computation and review process and (2) Special Pays Office recordkeeping practices. Department of Defense and chief of Naval operations instructions govern the length of the active duty obligation incurred, the revised obligated service date, and whether the obligation is to be served consecutively or concurrently with preexisting obligations. As a result of the issues noted, out of a statistical sample of 62 DoN physicians, NAVAUDSVC identified 8 with obligated service date computation errors, 6 of which impacted the overall obligated service date and 2 that mostly self-corrected. Further, most of these obligated service date computation errors would not have been identified with the current Navy Medicine process. From these results, NAVAUDSVC project that the Medical Corps officer population contains at least 50, with a best estimate of 109, officers with obligated service date computation errors of at least 1 year in length. This projection translates to a potential loss to DoN of 217 years of medical service from highly skilled physicians, assuming these errors are not identified and corrected prior to the physicians separating from DoN.

**Report N2011-0034**

**Total Force Manpower Management System Civilian Requirements**

The audit objective was to verify that the Total Force Manpower Management System accurately reflects civilian requirements and the number of civilian personnel onboard at selected activities. NAVAUDSVC was unable to determine that the Total Force Manpower Management System was accurate because tens of thousands of billet identification numbers in the Total Force Manpower Management System could not be reconciled to the Defense Civilian Personnel Data System, and supporting documentation did not always exist. NAVAUDSVC found that all 19 Navy Budget Submitting Offices had discrepancies between Total Force Manpower Management System civilian requirements and DCPDS onboard personnel data. Specifically, in FY 2008, only 100,564 of 164,040 (61

“The audit objectives were to verify that the Department of the Navy has developed quality of life plans for U.S. Marine Corps forces relocating from Okinawa, Japan, to Guam...”

“NAVAUDSVC reviewed the internal controls and oversight over executing the DoN Shore Energy Program budget and expending geothermal revenues...”

percent) of onboard employees listed in the Defense Civilian Personnel Data System could be matched by billet identification number to Total Force Manpower Management System requirements. The 63,476 or 39 percent of billet identification numbers unmatched to Total Force Manpower Management System civilian requirements had an estimated value of \$5.7 billion. NAVAUDSVC updated the FY 2008 data with FY 2011 data to determine if the previously identified condition still existed. NAVAUDSVC found that not only did the condition still exist but it had gotten worse. In FY 2011, only 95,387 of 182,049 (52 percent) of onboard employees in the Defense Civilian Personnel Data System could be matched by billet identification number to Total Force Manpower Management System requirements. The 86,662 (48 percent) of billet identification numbers unmatched to Total Force Manpower Management System civilian requirements had an estimated value of \$9 billion. Billet identification numbers unmatched to Total Force Manpower Management System could result in erroneous analysis of required civilian manpower to fulfill the Navy’s mission.

**Report N2011-0043**

## Infrastructure and Environment

### Internal Controls Over Spending Within the Department of the Navy Shore Energy Program

The overall audit objectives were to verify that the Department of the Navy has effective internal controls and oversight in place to ensure that geothermal revenues are used as intended and that geothermal contracting procedures provide the greatest benefit to DoN. NAVAUDSVC reviewed the internal controls and oversight over executing the DoN Shore Energy Program budget and expending geothermal revenues at seven DoN activities. NAVAUDSVC concluded that DoN had effective internal controls and oversight in place to ensure that geothermal revenues were used as intended with three exceptions: (1) accounting for and supporting expenditures, (2) recouping unexpended funds, and (3) obtaining/retaining approvals for changes to approved budget amounts and budget overages. The internal control weaknesses

occurred because there was no direct oversight of funding recipients to ensure that funds expended were properly accounted for and supported, required to fulfill the requirements of the DoN Shore Energy Program and used in accordance with the approved budget. Further, these internal control weaknesses occurred because the oversight roles and responsibilities (including approval authority, how to document approval received/provided, document retention requirements, etc.) were not documented in writing. As a result, the internal control environment increased the liability for personnel with fiduciary responsibility to execute the budget of the DoN Shore Energy Program. Also, one DoN activity could not accurately determine the cost of its energy program due to the labor hour discrepancies identified and was at an increased risk to expend funds in excess of the requirements for its energy program due to the large amount of overtime worked without documented justification.

**Report N2011-0049**

## Other

### Verification of Operational Capabilities and Internal Controls at Joint Region Marianas

The audit objective was to ensure that Department of the Navy, as the executive agent, has established effective operational capabilities and internal controls at Joint Region Marianas in accordance with joint basing practices. Joint Region Marianas initiated efforts to provide oversight of installation support functions and produce results consistent with the joint basing objectives; however, the ability to ensure that installation support functions are efficiently and effectively carried out is limited. This is due to (1) a lack of guidance from higher commands regarding implementation of a joint region, (2) the region’s organizational structure and delegation of authority, (3) difficulty differentiating and separating mission and installation support functions, and (4) weaknesses in establishing and implementing internal controls. As a result, the Navy cannot provide full assurance that joint basing principles and practices are being achieved at Joint Region Marianas.

**Report N2011-0029**

### Responses to Phone Calls Made to Department of the Navy Sexual Assault-Related Phone Numbers

The audit objectives were to (1) verify that the Department of the Navy's initial responses to victim sexual assault complaints are effective, efficient and appropriate; (2) verify that the proper DoN entities are involved in sexual assault prevention and response activities, and their involvement is at an appropriate level of effort; and (3) identify the resources budgeted and/or expended on sexual assault prevention and response and its related activities. During the audit, NAVAUDSVC found various ongoing efforts by the commands to address the resources, roles and responsibilities of the sexual assault prevention and response entities. Therefore, NAVAUDSVC decided not to review the resources and entities' efforts at this time. The audit was self initiated to address the secretary of the Navy's goal to reduce the number of sexual assaults in the Navy. To test the effectiveness of DoN sexual assault hotlines, the audit team made phone calls to sexual assault-related phone numbers posted on various DoN websites on June 12, 2010. NAVAUDSVC made another series of phone calls in January 2011 using the same method to locate the phone numbers called in June 2010. NAVAUDSVC found 52 percent (36 of 69) of auditor-placed phone calls to DoN sexual assault-related phone numbers were improperly handled, including a significant number that were not answered because the number was disconnected or did not have voice mail. Follow-up 7 months later found only limited overall improvement across DoN (44 percent were still improperly handled). NAVAUDSVC also found that a number of installation and unit websites did not contain sexual assault-related phone numbers. Although this improved from May 2010 (33 of 97, or 34 percent, lacked phone numbers) to December 2010 (26 of 137, or 19 percent, lacked phone numbers), the absence of phone numbers on websites remains a significant issue.

#### Report N2011-0031

### Reporting of Marine Corps Personnel Mishaps

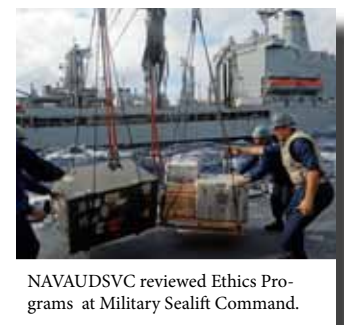
The overall audit objective was to verify that the Marine Corps' current safety mishap reporting processes provide complete, accurate and readily

accessible data for use in analyzing trends and decision making within I and II Marine Expeditionary Forces and selected installations within Marine Corps bases, Atlantic and Pacific. The Secretary of the Navy's memorandum dated July 6, 2009, details the Department of the Navy's safety vision for 2009 and beyond. This memorandum states that mishaps, hazards and near-miss events must be quickly identified, analyzed and openly communicated, so lessons learned will prevent recurrence. The NAVAUDSVC identified that Marine Corps commands often did not electronically report safety mishaps involving personnel injury or lost work days as required by Department of Defense and Marine Corps guidance. Specifically, NAVAUDSVC found that for the commands reviewed, 87 percent of potential mishap-related injuries occurring in FY 2008 through first quarter FY 2010 were not reported in the Web-enabled safety system. This condition occurred for several reasons: (1) injured personnel and their supervisors were often unaware of the reporting criteria and unclear on what injuries were considered reportable, (2) there were multiple mishap reporting data sources, (3) unclear guidance and (4) safety responsibilities competed with other priorities. As a result, when personnel mishaps are not accurately reported, the Marine Corps loses the ability to identify recurring hazards and is unable to develop or evaluate mishap prevention strategies to minimize future mishaps.

#### Report N2011-0036

### Ethics Programs at Military Sealift Command Sealift Logistics Commands Atlantic and Pacific

The audit objective was to verify that the commands have effective ethics programs in place in terms of systems, processes and procedures to reasonably ensure compliance with the Department of Defense Joint Ethics Regulations 5500.7-R and Executive Order 12674, "Principles of Ethical Conduct for Government Officers and Employees." As a result of the scope impairment, NAVAUDSVC was not able to reach an overall conclusion on the effectiveness of the ethics programs or provide complete assurance that the programs were functioning as intended. However, for the portions of the ethics programs NAVAUDSVC was able to review, NAVAUDSVC



determined an effective ethics program was in place. For Calendar Years 2008 and 2009, the results of NAVAUDSVC's evaluation of training documents, policies, and procedures and the comparative analysis performed on the rosters of civilian and military personnel showed that proper controls were in place and efficient processes and procedures related to the ethics programs did exist.

#### **Report N2011-0042**

#### **Test of Department of the Navy Sexual Assault-Related Phone Number**

The audit objective was to verify that Department of the Navy sexual assault-related phone numbers were advertised on DoN installation websites and that initial responses to phone calls made to those numbers were timely and appropriate. This limited scope audit report provides the results of NAVAUDSVC's August 6, 2011, test of sexual assault-related phone numbers. NAVAUDSVC found significant improvement in the number of installations posting sexual assault-related phone numbers on their websites. However, while the percentage of improperly handled calls decreased, 25 percent of auditor-placed phone calls to DoN sexual assault-related phone lines were still not handled properly.

#### **Report N2011-0052**

## Naval Criminal Investigative Service

#### **NCIS Establishes Text & Web Tip Hot Line**

Recognizing the potential value of person-to-person messaging, NCIS has developed an anonymous Web and text-based reporting conduit for service members and civilians to express concerns without inhibition or fear of retaliation. The NCIS Text & Web Tip Hot Line reduces the tipster's psychological burden of suspicion for reporting a potential threat as well as filling the gap between placing an emergency call and making a formal criminal complaint. Users may text "NCIS" and provide their tip information to 274637 (CRIMES). NCIS uses the discreet reporting platform to quickly react to criminal incidents, gather criminal intelligence, gain visibility on developing situations, and as

a means to spot, assess and identify possible insider threats.

Since its inception in March 2011, the NCIS Text & Web Tip Hot Line has led to 22 investigations, 4 arrests, the recovery of \$3,200 worth of government property, and 21 tips with intelligence value.

#### **Advances in Biometrics Collection**

Criminals, terrorists and spies can forge and change names, addresses, phone numbers, identification papers, Social Security cards and passports, but they cannot change their biometric identity. The systematic and consistent use of biometrics technology increases the speed and effectiveness of identification. Positive identification is critical to NCIS' investigative, tactical and kinetic actions.

The NCIS has acquired 37 handheld biometric collection devices known as Secure Electronic Enrollment Kits. Secure Electronic Enrollment Kits are deployed in support of the warfighters and combating terrorism operations (including counter piracy and counter narco-terrorism) in Afghanistan, Bahrain, the Horn of Africa and Singapore. These handheld devices capture fingerprints, iris images and facial biometrics at field locations; run automated quality checks; and transmit the data to both the DoD Automated Biometric Identification System and the FBI Integrated Automated Fingerprint Identification System. For example, a NCIS special agent supporting the multinational counter piracy task force in the Northern Arabian Sea biometrically enrolled a suspected pirate and was alerted within an hour of his involvement in a previous act of piracy.

NCIS has deployed 32 live scan digital fingerprint devices to its field offices located around the world. These devices enable the automated capture, quality checks, transmission and enrollment of fingerprint data to the Integrated Automated Fingerprint Identification System within minutes. This is a major improvement over the previous process of sending fingerprint cards by mail that required weeks for processing. NCIS is currently implementing high-speed connectivity that enables rapid submission



NCIS utilized handheld biometric Secure Electronic Enrollment Kits.

(typically less than 15 minutes) of fingerprint data and Integrated Automated Fingerprint Identification System feedback on biometric matches of stored criminal records. For example, biometrics coordination between NCIS, Interpol and foreign authorities determined an individual originally identified as a lost fisherman had in fact been previously implicated in an act of piracy. As a result of this positive identification, the Belgian government is seeking to extradite the suspected pirate.

#### Forensic Technology and Graphics

On June 10, 2011, an NCIS special agent who specializes in forensic graphics presented the method of crime scene panoramic photography at the Federal Law Enforcement Training Center. This rapid technique of scene documentation allows for portable and high-resolution communication and briefings in real time. The panoramic photography technique is an inexpensive way to document crime scenes and provides a highly technical product that allows the viewer to “walk through” a crime scene. The ability to zoom in assists viewers in comprehending the overall perspective and the relationships of individual items of evidence within the scene. Based on the presentation, the Federal Law Enforcement Training Center has adopted the NCIS method of rapid 360-degree crime scene documentation as part of its standard curriculum in advanced law enforcement photography.

#### Safety Issues in Military Housing Areas in Hawaii

In March 2011, NCIS special agents in Hawaii responded to the death of a four-year-old dependent that fell from his second-story bedroom window. The following month, another four-year-old dependent child fell from her second-story window. Fortunately, this child did not suffer life-threatening injuries. During its investigation, NCIS learned that 15 additional dependent children were identified as having fallen from second-story windows in the Hawaii Military Family Housing since 2007. The injuries sustained included bumps, bruises, a fractured arm, a collapsed lung, skull fractures and one fatal head injury.

Although no criminal product substitution issues were identified, investigation has led to significant discussion regarding the installation of window fall-prevention devices. To prevent additional falls, NCIS met with the safety and acquisition leadership of the Naval Facilities Command Headquarters, briefed them on the identified issues, and learned that current guidelines are not implemented across all locations and services equally. Specifically, since 2006 DoD has required fall-prevention devices for all new government-managed homes. However, this requirement does not apply to Public/Private Venture homes unless specifically incorporated into the PPV agreement. In Hawaii, Public/Private Venture housing is managed by two different companies; one incorporates the window fall-prevention device while the other does not.

NCIS also briefed the commander, U.S. Navy Pacific Fleet, who in turned notified the vice chief of operations. The commander, Navy Installations Command, was promptly tasked with assembling a standardized fall-prevention safety program. This program will establish standardized policies and procedures that positively affect not just the Department of the Navy families of Hawaii but the families of the entire Department of Defense.

#### Gang Member Sentenced to Six Life Sentences Plus 163 Years

**Overview:** On December 9, 2009, a female sailor reported to the Norfolk, Va., police department that an unknown assailant broke into her apartment as she slept and raped and robbed her. On December 14, 2009, another female sailor reported to the Norfolk police department that she drove to an address in the local area to meet a shipmate after receiving a text message. Two armed men robbed the sailor and took her to a hotel room, where one of the men raped her repeatedly. Norfolk Police Department requested NCIS assistance to locate the suspects. Surveillances and tracking of two cell phones used over four days by one of the suspects led to a break in the investigation. One suspect, Santiago J. Powell, was identified as a “Blood” gang member. The NCIS investigative team developed and executed an operational

“...NCIS special agent who specializes in forensic graphics presented the method of crime scene panoramic photography at the Federal Law Enforcement Training Center.”

plan for taking the suspected gang member into custody. The second suspect, a juvenile, was later identified and taken into custody.

**Result:** The joint investigative efforts of NCIS and the Norfolk Police Department of Virginia resulted in the suspects' convictions in Norfolk Circuit Court. On January 10, 2011, Santiago Powell was sentenced to 6 life terms plus 163 years on 22 felony charges of Virginia State Code abduction with intent to extort money (Section 18.2-48); rape (Section 61); object sexual penetration (Section 67.2); armed statutory burglary (Section 90); robbery (Section 58); gang participation (Section 46.2); use of a firearm in the commission of a felony (Section 53.1); and extortion (Section 59). Powell was also ordered to pay court costs of \$29,098. On May 6, 2011, the juvenile plead guilty to five felonies and was sentenced to 53 years in prison (with 39 years suspended) and 10 years of supervised probation and was ordered to pay restitution of \$2,045.

### Three Years in Jail Plus 11-Year Debarment for Falsifying Submarine Inspections

**Overview:** On May 14, 2009, Robert R. Burks, a nonnuclear, nondestructive test inspector for Northrop Grumman Shipbuilding, Newport News, Va., admitted to supervisory personnel that he falsified inspections on Virginia Class Submarines. Preliminary investigation revealed that Burks had inspected more than 10,000 structural and piping welds since his original date of employment with Northrop Grumman in May 2005. Interrogations revealed he began falsifying inspections on various platforms circa 2006. All critical welds that were inspected by Burks were on Virginia Class Submarine hulls still at Northrop Grumman Shipbuilding. Aside from inaccessible welds, Northrop Grumman completed a 100 percent re-inspection of all accessible pipe and structural joint welds that were nondestructive test-certified by Burks on all affected Virginia Class Submarine and U.S. Navy aircraft carrier platforms. The cost of the re-inspection effort was \$600,000, and weld defects were discovered in several critical ship systems.

**Result:** On April 12, 2011, in U.S. District Court, Newport News, Va., Robert Burks was sentenced to 3 years confinement, followed by 3 years supervised release, and ordered to pay \$654,000

in restitution for fraud and false statements (18 U.S.C. 1000[a] [2] and [3]). The Department of the Navy, in accordance with Federal Acquisition Regulation Subpart 9.4, issued a notice of debarment excluding Burks from government contracting for 11 years.

### 25-Year Sentence for Daughter's Murder

**Overview:** An NCIS investigation was initiated after a three-year-old toddler was taken to the Urgent Care Center at Marine Corps Air Station, Cherry Point, N.C., by her parents and was later pronounced dead. During an initial interview with NCIS, the child's father, a USMC corporal, stated that the injuries occurred when his daughter slipped and fell down a flight of stairs he had just finished mopping. The autopsy determined that the cause of death was nonaccidental head trauma, and the manner was homicide. The corporal later admitted to knocking her down the stairs and voluntarily reenacted the events leading to his daughter's death, which was videotaped.

**Result:** On April 26, 2011, the corporal was found guilty at general courts-martial of murder (UCMJ Article 118) and false official statements (UCMJ Article 107). He was sentenced to 25 years confinement, reduced in rank, forfeited all pay and allowances and received a dishonorable discharge.

### 45-Year Sentence for Raping a Child

**Overview:** In April 2010, NCIS was contacted by the Pacific County, Wash., Sheriff's Office, which advised that the 16-year-old stepdaughter of a U.S. Navy master at arms petty officer first class assigned in Bangor, Wash., had reported being raped by her stepfather on multiple occasions during the 2004–2008 time frame while stationed in California. The petty officer was interrogated and denied any sexual contact with his stepdaughter but did admit to providing alcohol to all of his minor stepchildren.

**Result:** On June 23, 2011, the petty officer was found guilty at general courts-martial of rape of a child (UCMJ Article 120) and was sentenced to 45 years confinement, awarded a dishonorable discharge, reduced pay grade and forfeited all pay and allowances. He is required to register as a sex offender upon his release.



NCIS investigated inspector for falsifying inspections on Virginia Class Sub.

### 33-Year Sentence for Raping a Child

**Overview:** An NCIS investigation was initiated on a USMC gunnery sergeant when he reported to a Dallas-Fort Worth, Texas, police department that he was having thoughts of suicide and said he had engaged in “inappropriate contact with one of his children.” A joint NCIS and Dallas Police Department investigation determined the sergeant’s 11-year-old daughter had been raped and sodomized by her father while he was assigned to Marine Corps Air Station Iwakuni, Japan. A medical evaluation revealed the daughter was pregnant and subsequently underwent an abortion. Biological evidence submitted to the Armed Forces DNA Identification Laboratory revealed that, statistically, the sergeant was likely the father.

**Result:** On April 20, 2011, the sergeant was found guilty at general courts-martial of rape of a child (UCMJ Article 120), sodomy (UCMJ Article 125), witness tampering (UCMJ Article 134) and disobeying a lawful order (UCMJ Article 90). He was sentenced to 33 years confinement, received a dishonorable discharge, was reduced in rank and forfeited all pay and allowances. The sergeant is also required to register as a convicted sex offender following his release.

## 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; 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 teams at over 50 locations providing audit services to installation commanders. The Financial and Systems Audits Directorate, headquartered at March Air Reserve Base, Calif., directs audits related to financial management, financial support, information systems development, communications systems and system security. AFAA/FS also manages the Financial and Systems Audits Region located at

March ARB CA with 5 area audit offices at 19 Air Force installations and 5 operating locations.

The Support and Personnel Audits Directorate, headquartered at Randolph Air Force 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, Randolph, Texas, with five area audit offices at 14 Air Force installations and seven additional operating locations. The Acquisition and Logistics Audits Directorate, headquartered at Wright-Patterson AFB, Ohio, directs audits related to procurement, maintenance, supply, transportation and weapon systems acquisition. AFAA/QL also manages the Acquisition and Logistics Audits Region at Wright-Patterson AFB with five area audit offices and one additional operating location. In the last six months, 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; and Health Care. These efforts have resulted in more than \$1 billion in potential monetary benefits. Following are examples of audit coverage performed by the AFAA related to the following DoD management challenge areas:

### Joint Warfighting and Readiness

#### Base Drawdown Asset Management

The transition from Operation Iraqi Freedom to Operation New Dawn in August 2010 ended combat missions in Iraq. The resulting mission change reduced the number of Air Force personnel and associated logistical support. As of May 2010, support equipment accounts, located at four installations in Iraq, consisted of more than 372,000 items valued over \$461 million. While Air Force logistics personnel properly identified and documented installation items and planned their related disposition, they did not establish adequate plans and procedures for equipment item management at drawdown installations. As

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## Air Force

a result, logistics personnel did not delete more than \$19 million in excess authorizations or redistribute more than \$8 million in unneeded items. Reducing the excess authorizations and redistributing unneeded supply items could save the Air Force approximately \$9 million by making the items available to satisfy current Air Force requirements.

#### **Report F2011-0007-FC4000**

##### **Air Launched Cruise Missile Engine Maintenance**

The Air-to-Ground Missile-86B is a subsonic air-launched cruise missile developed to increase the effectiveness of the B-52H bomber aircraft. The Williams International F107 turbo fan engine powers the air-launched cruise missile for launch at sustained subsonic speeds. The Air Force maintains approximately 600 F107 engines valued at \$144 million in support of the air-launched cruise missile. Between FYs 2012 and 2017, the Air Force plans to overhaul 504 F107 engines valued at \$18 million. This audit determined Air Force personnel did not properly calculate annual F107 engine overhaul requirements and did not consider the remaining life-cycle time of serviceable engines in the Defense Logistics Agency storage facility when selecting engines for shipment. As a result, the Air Force could reduce the F107 engine overhaul budget by \$2.9 million from FYs 2012 through 2017.

#### **Report F2011-0004-FC2000**

##### **Engine Critical Parts**

Air Force personnel identify engine parts that are critical to accomplishing Air Force missions, weapon system performance and safety of operating personnel. This identification occurs when the parts initially enter the inventory. As of August 6, 2009, the Oklahoma City Air Logistics Center managed engine critical parts valued at over \$7 billion. Air Force personnel did not effectively manage the maintenance of engine critical parts, resulting in the accumulation of over 20,800 parts in supply that are not available to meet mission requirements. Correcting the issue will allow the Air Force to avoid condemning \$149 million in accumulated reparable parts and improve its ability to meet mission requirements. The Air Force could also

potentially avoid the cost of unnecessary repairs for 759 reparable assets with over 223,000 excess serviceable parts valued at approximately \$76 million. In addition, personnel did not properly identify engine critical parts. Proper identification of engine critical parts is necessary for the Air Force to protect its personnel and weapon systems. Finally, personnel did not properly maintain engine critical data in Air Force systems. As a result, procurement personnel extended acquisition lead times, which increased inventory levels. Correction of inaccurate data for 2,132 routinely procured engine parts would prevent additional Air Force costs of approximately \$86.8 million over 6 years (execution year and the Future Years Defense Program).

#### **Report F2011-0005-FC2000**

##### **Mobilization and Demobilization of Air Reserve Component Forces**

Air Reserve Component mobilization consists of activities necessary to orderly transition these forces from peacetime to active duty posture—necessary to support contingencies or national emergencies. Demobilization is the act of releasing mobilized Air Reserve Component members from active duty status and returning them to their reserve component home station. In FY 2010, over 9,000 Air Reserve Component members mobilized in support of contingencies around the world at an average enlisted and officer daily mobilization cost of \$240 and \$331, respectively. This audit determined 233 (51 percent) of 456 mobilized Air Reserve Component members reviewed were either mobilized to active duty before needed for deployment or improperly allowed to remain on active duty after the deployment requirement ended. Based on statistical projection, auditors estimated at least 1,099 Air Reserve Component members were unnecessarily mobilized a minimum of 8,770 days in FY 2010 at a cost of over \$2 million. Eliminating unnecessary mobilization days will increase the availability of Air Reserve Component members for other requirements and will reduce contingency operating costs by approximately \$1.8 million in FY 2012.

#### **Report F2011-0007-FD3000**



AFAA reviewed requirements for the engine overhaul of cruise missile.

## Information Assurance, Security and Privacy

### Selected Long-Haul Telecommunication Requirements

LeaveWeb is a management information system. Long-haul telecommunications are systems, equipment and services (Iridium satellite phones and Internet connectivity) used to facilitate long-distance dissemination, transmission or reception of information, including Internet-based capabilities. The Air Force maintains over 21,000 long-haul telecommunication circuits and services. In FY 2009, the Air Force expended over \$550 million on long-haul telecommunications. While long-haul telecommunication officials properly validated billing and receipt of services, they did not effectively implement network control over Internet-based capabilities bandwidth usage or effectively monitor Iridium satellite phone requirements. Properly managed Internet-based capabilities bandwidth usage will improve mission-related communication flow while keeping Air Force telecommunication costs reasonable. In addition, eliminating at least 93.7 percent of the 758 active Iridium satellite Subscriber Identity Module cards could enable the Air Force to put \$8.3 million to better use over 6 years (execution year and the Future Years Defense Program).

**Report F2011-0007-FB4000**

### Air Force Enterprise Architecture Implementation

The Air Force Enterprise Architecture is a strategic information resource that captures the “AS-IS” and “TO-BE” operational and business capabilities of the Air Force. When fully developed, the Air Force Enterprise Architecture will support Air Force organizational transformation, information technology modernization, strategic planning and gap analysis. The Air Force Enterprise Architecture eventually will feed the DoD enterprise architecture and, in turn, feed the larger federal enterprise architecture. For example, the Air Force Enterprise Architecture should assist in the planning, programming and budgeting process of the approximately \$313 billion FY 2010 assets. This audit determined

7 of 11 major commands did not develop a comprehensive current “AS-IS” enterprise architecture while 11 of 11 major commands did not develop a comprehensive target “TO-BE” enterprise architecture. Consequently, the chief information officer and other senior staff members may not be making decisions based on relevant or complete information. Also, the Air Force Enterprise Architecture is unable to fully support operational and business management activities such as organizational transformation, information technology modernization, strategic planning and gap analysis.

**Report F2011-0004-FB2000**

## Acquisition Processes and Contract Management

### Bomber Weapon System Simulators

Simulators are an essential tool to help maintain aircrew proficiency at the most economical cost. The current operational and budget environment makes simulators more important as the Air Force continues to use aging aircraft to train for and sustain contingency operations. Investment costs to modernize and lengthen aircraft service lives, such as the B-52 service life extension program extending the B-52 to the year 2040, coupled with flying hour reductions, are forcing the Air Force to explore training alternatives. During 2009, contract costs to support the B-1B, B-2A and B-52H weapon system simulators were \$16 million. Air Force personnel did not effectively identify all training events appropriate for simulator usage and did not optimize simulator usage based on all training events identified as simulator appropriate. Identifying and authorizing all simulator-appropriate events helps the Air Force more economically maintain readiness. Migrating the identified training events to simulators will allow the Air Force to put \$202.3 million in flying hour costs to better use over 6 years (execution year and the Future Years Defense Program) and help better meet training requirements. In addition, optimally using simulators to train simulator-appropriate events will allow the Air Force to put \$42.9 million in flying hour costs to better use over six years (execution year and the Future Years Defense Program) and help better meet training



AFAA reviewed contract costs for B-1B, B-2A and B-52H simulators.

“Air Force Smart Operations for the 21st Century is the Air Force’s dedicated effort to maximize value and minimize waste in all environments...”

requirements.

#### **Report F2011-0003-FD3000**

##### [Air Force Smart Operations for the 21st Century Contract Management and Oversight](#)

Air Force Smart Operations for the 21st Century is the Air Force’s dedicated effort to maximize value and minimize waste in all environments and fully integrate continuous improvement throughout the Air Force. In March 2007, Air Force personnel awarded a \$99 million blanket purchase agreement to provide contractor support for these efforts and raised the ceiling to almost \$124 million in April 2010. Contracting officers issue call orders against the blanket purchase agreement for required advisory support and assistance. As of September 2010, contracting personnel had awarded 79 call orders valued at nearly \$123 million. An audit identified that Air Force personnel did not conduct a proper source selection. As a result, the Air Force does not have assurance the blanket purchase agreement provided the most effective and best value to support the program. Additionally, the Air Force potentially paid between \$17 and \$36 million more for Air Force Smart Operations for the 21st Century support than it would have if one of the lower offers had been accepted. In addition, contracting personnel did not effectively manage call order awards. Issuing \$22.8 million in call orders to acquire work outside the scope of the blanket purchase agreement reduces the funds available to support the mission. Further, Air Force District of Washington contracting personnel did not perform quality assurance on the call orders. Adequate quality assurance is essential to ensure the contractors perform satisfactorily, contractor payments are justified, and that the Air Force receives the contracted services on the call orders valued at nearly \$123 million. Finally, Air Force personnel did not effectively manage call order closeout. Closing all completed task orders and deobligating the residual funds will provide over \$816,000 to DoD for other valid mission requirements.

#### **Report F2011-0005-FC1000**

##### [Headquarters Air Force Services Contract Management and Oversight](#)

Contracted services are a growing portion of

Headquarters Air Force staffing resources. Proper management of these contracted resources from requirements determination through contract execution is critical to mission success and maximizing Air Force resources. The Air Force District of Washington Contracting Office awards and administers services contracts for Headquarters Air Force, secretary of the Air Force and Air Force District of Washington organizations. As of September 2010, Air Force District of Washington/PK managed 689 services contracts valued at \$8.2 billion. An audit revealed Air Force District of Washington personnel did not accomplish adequate planning for services acquisitions. Effective planning helps ensure that the organizations acquired \$6.5 billion of contract services in an effective, economical and timely manner. In addition, personnel did not establish the proper level of management and oversight for services acquisitions. Identifying complex and high-dollar value contracts to the proper level of management will improve management and oversight of service acquisitions valued at \$4.2 billion. Further, personnel did not properly manage task/call order awards, resulting in the Air Force having no assurance orders awarded against contracts valued at \$744 million were within the scope of the selected contract vehicles. Nor did personnel perform adequate quality assurance to ensure contractors performed satisfactorily, contractor payments were justified, and that the Air Force received the \$5.5 billion of services under contracts. Finally, personnel did not adequately manage contract/task order funding. As a result, obligated balances of \$8.8 million on 19 contracts were excess to current requirements. Further, validating unliquidated obligations on another 32 contracts and deobligating excess funds could make as much as another \$23 million available for other mission requirements.

#### **Report F2011-0009-FC1000**

## **Financial Management**

### [Civilian Overtime and Compensatory Time](#)

Supervisors may require civilian employees to work outside of their normal duty hours to meet special mission-related, time-critical or increased work requirements. In these situations, employees earn overtime pay or compensatory

time. Overtime used represents a salary expense to the Air Force while compensatory time may be taken as leave at a later date. On some occasions, supervisors may require employees to work overtime and allow them annual leave in the same pay period. Sound business practice dictates limiting concurrent use of overtime and annual leave to instances when no other resource is available to fulfill the increased work requirement. In FY 2009, the Air Force paid \$255 million in overtime. Air Force personnel did not properly process overtime and compensatory time and did not adequately control concurrent annual leave and overtime use. Proper authorization helps control the use of overtime and compensatory time and saves scarce Air Force resources. Based on statistical sampling methodology, auditors estimated the Air Force approved at least \$51.7 million for improperly processed overtime or compensatory time from March through September 2009. In addition, controlling use of annual leave and overtime in the same pay period could have avoided about 4,100 overtime hours used during March through September 2009. Implementing clear guidance and effective management controls over concurrent annual leave and overtime use Air Force-wide will result in potential monetary benefits of \$17 million annually or \$102 million over 6 years (execution year and the Future Years Defense Program).

#### **Report F2011-0006-FD4000**

##### **Combat Pay and Tax Exclusion**

Depending on the location and length of time assigned, Air Force members are entitled to combat-related entitlements such as hostile fire pay, imminent danger pay and combat zone tax exclusion. In addition, when Air Force members are wounded, injured or become ill in the line of duty while serving in a combat operation, combat zone or hostile fire area, they are authorized combat pay and allowances continuation when they return from deployment. During FY 2009, over 38,000 airmen, including about 500 airmen enrolled in the combat pay and allowances continuation program, received more than \$103 million in hostile fire or imminent danger pay (hereafter referred to as combat pay). Air Force personnel did not properly process combat pay and combat zone tax exclusion or monitor

combat pay and allowances continuation. Properly processing combat pay and combat zone tax exclusion entitlements and monitoring combat pay and allowances continuation program eligibility ensure airmen receive timely, accurate pay and entitlements. In addition, improving combat pay and combat zone tax exclusion entitlement management could result in an estimated savings of \$1.6 million over 6 years (execution year and the Future Years Defense Program).

#### **Report F2011-0012-FD4000**

##### **Air Force Space Command Training Systems**

Part of Air Force Space Command's readiness goal is to provide realistic training at the optimum level of concurrency, fidelity and interoperability to enable mission accomplishment and effective joint operations. Air Force Space Command training systems include computers and servers capable of simulating crew operations such as satellite communications and vehicle launch. Air Force Space Command and the Space and Missile Center manage trainers for 10 satellite programs. The trainers' investment cost approaches \$250 million, and FY 2009 sustainment costs were \$9 million. Although Air Education and Training Command and Air Force Space Command personnel effectively managed initial and recurring space crew training, personnel did not use Standard Space Trainer applications or establish trainer requirements that met user needs for all 12 programs reviewed. Effective trainer requirements provide the warfighter optimal, realistic training on mission-critical space systems without needing workarounds that degrade the training experience. Further, clearly defining trainer requirements would allow the Air Force to identify the most efficient trainer, thereby reducing acquisition costs by almost \$12.6 million per system, or \$101 million over the next 5 years.

#### **Report F2011-0013-FD4000**

## **Health Care**

##### **Pharmaceutical Purchases**

The goal of Air Force pharmacies is to provide safe, timely and cost-effective pharmacy services to military members, retirees and their dependents. Air Force regulation and



AFAA reviewed costs of Air Force Space Command training systems.



AF Medical Service initiated the surgical optimization initiative for efficiency.

prudent business practices dictate medical personnel should purchase contracted, generic or other less expensive, but clinically equivalent, pharmaceuticals to minimize costs. In addition, Air Force pharmacies are eligible for manufacturer back-order credits when certain mandatory-use pharmaceuticals are unavailable. During FY 2009, Air Force pharmacies expended approximately \$612.5 million for 1.6 million pharmaceutical purchases. An audit determined pharmacy and medical logistics personnel did not purchase lower-priced pharmaceuticals, use mandatory contracts for 30 percent of pharmaceuticals reviewed, or request manufacturer back-order credits. Proper purchasing controls at the 15 military treatment facilities reviewed could decrease pharmaceutical costs by approximately \$19 million over 6 years (execution year and the Future Years Defense Program). In addition, establishing back-order credit procedures would allow personnel to obtain approximately \$182,000 in manufacturer back-order credits over the life of the contract.

#### **Report F2011-0005-FD2000**

#### **Air Reserve Component Members on Medical Continuation Status**

The DoD established the Medical Continuation program to provide pay and medical benefits to Air Reserve Component members incurring or aggravating an injury, illness or disease in the line of duty. Wing medical unit personnel have a significant role in the program, including processing Medical Continuation requests, monitoring member medical status and serving as the point of contact between Air Reserve Component units and active duty medical treatment facilities. During FY 2010, the Air Force spent over \$33 million for active duty military pay for Air Reserve Component members on Medical Continuation orders. An audit identified that medical officials did not either process complete and timely Medical Continuation requests or accomplish initial and ongoing eligibility reviews. Further, none of the locations reviewed implemented all Medical Continuation program elements. Properly managing members on Medical Continuation status is essential to ensure airmen receive appropriate medical treatment and benefits. Additionally, timely closing Medical Continuation orders for those

members no longer eligible would result in a potential monetary benefit to the Air Force of approximately \$4.8 million over 6 years (execution year and the Future Years Defense Program).

#### **Report F2011-0006-FD2000**

#### **Air Force Medical Service Surgical Optimization**

In 2008, the Air Force Medical Service initiated the surgical optimization initiative to improve provider satisfaction and operating room efficiency. The initiative, implemented at nine Air Force military treatment facilities between September 2008 and September 2009, involved a combination of productivity and efficiency concepts aimed at increasing surgeon caseload, reducing purchased care costs and recapturing disengaged patients to the military treatment facility. The initiative also strived for caseloads with more difficult and diverse surgical cases to support wartime readiness capability and skills, herein referred to as currency. Between May 1, 2009, and April 30, 2010, the Air Force expended over \$265.4 million for purchased care associated with general surgery and orthopedic services. While surgical services gained limited efficiencies, the surgical optimization initiative did not achieve its intended outcome. Specifically, 97 percent of providers reviewed either did not perform sufficient surgical caseload or complete required surgical currency cases to achieve optimization initiatives. Optimizing referral management, clinic appointments and operating room throughput within the military treatment facilities should improve provider satisfaction and allow military treatment facilities to provide greater quantities of care and avoid purchasing private sector medical care of approximately \$60.6 million over 6 years (execution year and the Future Years Defense Program).

#### **Report F2011-0007-FD2000**

## **Air Force Office of Special Investigations**

AFOSI operations facilitated the identification and capture of a Taliban commander who was involved with complex suicide attacks, improvised explosive devices and assassination operations in and around Kandahar Air

Field, Afghanistan. As the result of another AFOSI counterintelligence operation, U.S. forces and Afghan National Police conducted a joint counterthreat operation that led to neutralizing two suicide improvised explosive device facilitators who were targeting U.S. and coalition forces in the vicinity of Kandahar Air Field. Acting on intelligence information, agents assigned in the Kandahar Air Field area were able to guide coalition forces explosive ordnance disposal teams to an established rocket launch site. Upon arrival, the disposal teams disrupted a pending attack on Kandahar Air Field by neutralizing two rockets before their launch.

AFOSI members stationed in the vicinity of Bagram Air Field, Afghanistan, developed sensitive reporting that led to the kinetic destruction of two communication repeater stations that were being used by Taliban fighters to communicate and coordinate attack information between cells. As the result of other investigative activity, AFOSI members located near Bagram Air Field discovered and cultivated counterintelligence information regarding a specific indirect fire threat planned against coalition forces. After coordination with the local task force, direct action units sent to the area were successful at eliminating the enemies' ability to carry out the attack. Using AFOSI-developed information, a multinational team captured an insurgent with affiliation to Hizb-I Islami Gulbuddin. This insurgent was further identified as a member of a cell responsible for attacks on Bagram Air Field and other coalition locations. These attacks had resulted in casualties to coalition forces and limited freedom of movement.

As part of a multinational and multiservice effort, AFOSI members near Kirkuk Regional Air Base, Iraq, collected critical counterintelligence information used to capture a Jaysh Rijal Tariqah al-Naqshabandi cell leader. This particular cell was responsible for several attacks on U.S. and coalition forces, to include one that inflicted two U.S. casualties in November 2010. Other AFOSI operations near Kirkuk facilitated identifying two individuals wearing Iraqi Police uniforms who had launched rockets in an attack on coalition forces. The ensuing investigation revealed that

these two terrorists were members of the Iraqi Air Force assigned to the multinational facility they attacked. Upon capture, both tested positive for TNT, and one was identified as a contact of a high ranking Asa'ib Ahl Al Haq leader in the Baghdad, Iraq, area. In addition, as a direct result of information gathered through AFOSI operations, multinational forces were able to coordinate the capture of four Jaysh Rijal Tariqah al-Naqshabandi cell members who participated in rocket attacks against coalition forces in and around Kirkuk. Further exploitation revealed that two of the four captured were members of the Iraqi Army Brigade assigned to the Kirkuk area and that they possessed a video camera containing footage of one of the aforementioned rocket attacks.

Marking the culmination of an extensive operation, members of the AFOSI detachment at Joint Base Balad, Iraq, worked with local national police forces to capture a Jaysh al-Mahdi Special Group leader. This leader had ordered the November 2007 attack that killed three AFOSI special agents.

#### [Air Force Sergeant Receives Two Life Sentences for Murder](#)

**Overview:** A joint investigation with AFOSI and Escambia County Sheriff's Office, Pensacola, Fla., identified Air Force Staff Sergeant Donnie Ray Stallworth Jr. as having been involved in a home invasion robbery that resulted in the double homicide of a civilian husband and wife. On July 9, 2009, the sergeant and six accomplices entered a local residence by force and found the couple in their master bedroom. An accomplice demanded the victims open a safe believed to contained \$13 million and then shot both of them. Staff Sgt. Stallworth's identity was confirmed through the victims' home security video footage, and a "getaway" vehicle was found at his residence. Staff Sgt. Stallworth also informed a friend that \$300,000 was taken from the robbery, of which he was to receive \$70,000. The sergeant turned himself in to Alabama authorities and was extradited to Escambia County, Fla. This crime received national media attention revealing the couple had 18 children, 16 who were adopted.

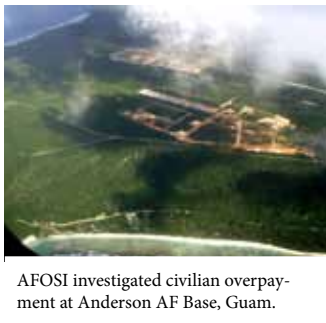
**Result:** In 2010 Staff Sgt. Stallworth was

“AFOSI operations facilitated the identification and capture of a Taliban commander who was involved with complex suicide attacks...”



AFOSI members discovered and cultivated counterintelligence information.

“Working with the local phone company, AFOSI was able to conduct an emergency cellular phone triangulation to locate both individuals...”



AFOSI investigated civilian overpayment at Anderson AF Base, Guam.

dismissed from the service under other than honorable conditions. On July 21, 2011, the former sergeant was found guilty by a jury in the Circuit Court for Escambia County on two counts of first-degree murder (Statutes 782.04 and 775.087) and one count of home invasion robbery with firearm (Statute 812.135[1]and[2] [a] and 775.087). He was sentenced to 2 life sentences to run consecutively and 30 years to run concurrently.

### Murder-Suicide

**Overview:** AFOSI initiated an investigation when two airmen stationed and living on Whiteman Air Force Base, Mo., failed to report for duty and were charged with desertion (UCMJ Article 85). A search of one of the missing airman, Kerby J. Barbe’s, vehicle yielded a receipt indicating he had purchased a semiautomatic rifle, five magazines and 200 rounds of ammunition. Working with the local phone company, AFOSI was able to conduct an emergency cellular phone triangulation to locate both individuals but was only successful in responding to the victim’s phone, which was established to be in Knob Noster State Park, Mo. This joint investigation with AFOSI, Missouri State Park Police Department, and the Johnson County, Mo., Sheriff’s Office was joined by the Blanco County, Texas, Sheriff’s Office and Texas Department of Public Safety after Airman Barbe’s girlfriend contacted AFOSI and 911 to report he was at her home in Blanco, Texas, armed with a rifle. The airman told his girlfriend he critically injured the other airman and provided directions to his body. As law enforcement agents arrived, Airman Barbe drove into the woods behind the home, and shots were heard.

**Result:** Airman Kerby Barbe was found dead with a self-inflicted gunshot wound and a semiautomatic rifle nearby. After an extensive search, the victim’s body was found at Knob Noster State Park, Mo.

### Airman Receives 8 Years in Prison for Abusive Sexual Contact

**Overview:** This investigation was initiated on information alleging a male airman had sexual intercourse with three underage civilian females and sexually assaulted two adult females, one of whom was under the influence of alcohol.

Later, the airman attempted to influence the testimony of one of the children and an adult while disobeying a direct order.

**Result:** At general courts-martial, the airman plead guilty to abusive sexual contact with a child (UCMJ Article 120), abusive sexual contact with a person substantially incapacitated (UCMJ Article 120), sodomy (UCMJ Article 125), violation of a lawful order (UCMJ Article 92), absent without leave (UCMJ Article 86), and impeding an investigation (UCMJ Article 134). He was sentenced to 8 years confinement, reduction in grade, forfeiture of pay and allowances, a dishonorable discharge and must register as a sex offender for life.

### Historian Shows History Cannot Be Rewritten

**Overview:** Andreas Fischer, an Air Force civilian hired to be the Air Force Wing Historian on Anderson Air Force Base, Guam, with a starting salary of \$57,709 per year was overpaid with a salary of \$81,093 per year plus bonuses and raises due to an administrative oversight. In November 2009, the Air Force Personnel Center and the Defense Finance and Accounting Service notified Fischer of their intent to recoup the overpayment, at which time he filed a grievance and provided documentation to support his claim. The District Court of Guam issued a search warrant for Fischer’s personal email account, which contained emails he sent with the same date and time stamp as those previously provided, as support with minor, but significant, differences in the wording of the text. Most notably, the official acceptance email Fischer sent from his personal account did not contain the words “tentative” or “temporarily,” whereas Fischer’s contention was that the email document he submitted as proof of authorization for the overpayment contained the words “tentative” and “temporarily.”

**Result:** On January 20, 2011, Andreas Fischer plead guilty in the District Court of Guam to false claim to a federal government agency (18 USC 1001). On June 7, 2011, he received 2 years probation and was ordered to pay DFAS \$46,267 in restitution.

# Appendices



## Audit, Inspection and Evaluation Reports Issued

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

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

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

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

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

	DoD IG	Military Depts.	Total
Joint Warfighting and Readiness	14	70	84
Information Assurance, Security, and Privacy	8	37	45
Acquisition Processes and Contract Management	20	51	71
Financial Management	16	31	47
Health and Safety	5	10	15
American Recovery and Reinvestment Act	15	13	28
Nuclear Enterprise	1	0	1
Other	3	15	18
<b>Total</b>	<b>82</b>	<b>227</b>	<b>309</b>

### Joint Warfighting and Readiness

Agency	Report Number	Report Title	Date
DoD IG	D-2011-056	Consistent Use of Supply Support Activities Could Increase Efficiency of Equipment Drawdown from Iraq	04/14/2011
DoD IG	D-2011-063	Antiterrorism Programs for U.S. Forces at Kandahar Airfield, Bagram Airfield, Camp Eggers and New Kabul Compound Need Improvement (Classified)	05/06/2011
DoD IG	D-2011-080	DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program	07/07/2011
DoD IG	D-2011-095	Afghan National Police Training Program: Lessons Learned During the Transition of Contract Administration	08/15/2011
DoD IG	D-2011-100	DoD Needs Bi-Directional Flow Agreements and Adequate Tracking Mechanisms on the Northern Distribution Network (Classified)	08/19/2011
DoD IG	D-2011-102	Afghan National Police Training Program Would Benefit from Better Compliance with the Economy Act and Reimbursable Agreements	08/25/2011
DoD IG	D-2011-103	Special Operations Forces Plans for Drawdown and Reset of Property in Iraq (Classified)	08/28/2011
DoD IG	D-2011-111	Guidance for Petroleum War Reserve Stock Needs Clarification (Classified)	09/27/2011
DoD IG	SPO-2011-007	Assessment of the U.S. Department of Defense Efforts to Develop an Effective Medical Logistics System within the Afghan National Security Forces	06/14/2011

Agency	Report Number	Report Title	Date
DoD IG	SPO-2011-008	Assessment of Planning for Transitioning the Security Assistance Mission in Iraq from Department of Defense to Department of State Authority	08/25/2011
DoD IG	11-INTEL-09	Questionable Intelligence Activity –SOLIC (Classified)	06/01/2011
DoD IG	11-INTEL-10	U.S. Cyber Command Authorities Pertaining to Use of National Security Agency Personnel (Classified)	05/09/2011
DoD IG	11-INTEL-12	Evaluation of the Under Secretary of Defense for Intelligence Continuity of Operations (Classified)	07/08/2011
DoD IG	11-INTEL-13	Improvements needed in Review of U.S. Forces-Afghanistan Sharing of Tactical Counterintelligence and HUMINT with International Security Assistance Force	07/25/2011
USAAA	A-2011-0103-IEU	Accountability of Left Behind Equipment in Europe	05/10/2011
USAAA	A-2011-0187-ALL	Agreed-Upon Procedures Attestation to Determine the Cost and Causes for Demurrage Fees Incurred Subject to the Host Nation Trucking Contracts, Afghanistan (FOUO)	09/16/2011
USAAA	A-2011-0154-ALL	Agreed-Upon Procedures Attestation to Provide Market Analysis Support of the National Afghanistan Trucking Contract Award Process (FOUO)	07/12/2011
USAAA	A-2011-0218-ALL	Agreed-Upon Procedures Attestation to Validate Army Fuel Deliveries in Northern Afghanistan (FOUO)	09/29/2011
USAAA	A-2011-0217-ALS	Ammunition Supply Point Resource Requirements	09/29/2011
USAAA	A-2011-0133-ALS	Army Workload Planning on the Deployment and Implementation of the Global Combat Support System-Army (FOUO)	06/14/2011
USAAA	A-2011-0182-ALL	Attestation Examination of Contractor Access to Dining Facility Services at Bagram Airfield, Afghanistan	08/18/2011
USAAA	A-2011-0107-ALC	Audit of Army's Short-Term Human Capital Plans - Contracting (Recruiting, Retention, and Relocation Incentives)	06/02/2011
USAAA	A-2011-0123-IEI	Audit of Excess, Vacant, and Not Utilized Buildings, U.S. Active Army	06/10/2011
USAAA	A-2011-0115-ALS	Audit of Funding Transfers for Ammunition Supply Points	05/24/2011
USAAA	A-2011-0129-IEO	Audit of Installation Facilities and Operations Support, U.S. Army Garrison Fort Benning - Notification of Potential Antideficiency Act Violation (FOUO)	06/10/2011
USAAA	A-2011-0197-ALS	Audit of Issuing Ammunition to Coalition Forces: Reporting Procedures, U.S. Army Central	09/02/2011
USAAA	A-2011-0072-ALL	Audit of U.S. Equipment Transferred to Iraq	05/25/2011
USAAA	A-2011-0169-FFF	Aviation Maintenance Services Contract for the U.S. Army Aviation Center of Excellence (AAEC)	08/25/2011
USAAA	A-2011-0132-ALA	Body Armor Testing Process (FOUO)	06/09/2011
USAAA	A-2011-0119-FFF	Civilian Requirements Determination Process	06/01/2011
USAAA	A-2011-0118-FFP	Class IX Repair Parts--Korea, Eighth Army	06/14/2011
USAAA	A-2011-0111-ALS	Container Operations Systems	05/18/2011
USAAA	A-2011-0189-ALM	Contracts for Maintenance Support--CECOM Life Cycle Management Command, Army Contracting Command-Aberdeen Proving Ground (FOUO)	09/07/2011
USAAA	A-2011-0206-FFS	Deployment Support Systems, Joint Base Lewis-McChord	09/21/2011
USAAA	A-2011-0159-ALL	Disposal of Army Material Into Dumpsites by Units in Iraq, United States Forces - Iraq	07/18/2011
USAAA	A-2011-0087-FFP	Equipment Maintenance, Hawaii	05/10/2011
USAAA	A-2011-0210-FFP	Equipment Maintenance--Alaska, U.S. Army Garrison Fort Richardson	09/26/2011
USAAA	A-2011-0113-ALM	Examination of Army Suggestion Program Idea Number SWRR10020C, Red River Army Depot (FOUO)	05/25/2011
USAAA	A-2011-0181-IEU	Financial Liability Investigations of Property Lost by Contractors	08/18/2011
USAAA	A-2011-0102-IEI	Followup Audit of Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Camp Dodge, Iowa	05/17/2011
USAAA	A-2011-0108-ALS	Followup Audit of Dormant Stock, Office of the Project Manager, Heavy Brigade Combat Team	05/18/2011
USAAA	A-2011-0171-ALS	Followup Audit of Dormant Stock, U.S. Army TACOM Life Cycle Management Command	08/03/2011
USAAA	A-2011-0140-ALM	Followup Audit of Field-Level Reset Requirements, U.S. Army National Guard	07/14/2011
USAAA	A-2011-0098-ALL	Followup Audit of Management of Shipping Containers in Southwest Asia - Iraq, Visibility	04/29/2011

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Agency	Report Number	Report Title	Date
USAAA	A-2011-0178-ALM	Followup Audit of Operational Loss Requirements, Offices of Deputy Chief of Staff, G-4 and G-8	08/23/2011
USAAA	A-2011-0186-ALS	Followup Audit of Program Managers' Use of Property Book Unit Supply-Enhanced System, Project Manager, Force XXI Battle Command Brigade and Below	08/24/2011
USAAA	A-2011-0137-ALS	Followup Audit of Project Manager Assets, Bradley Fighting Vehicles	06/15/2011
USAAA	A-2011-0216-ALS	Followup Audit of Property Book Unit Supply Enhanced System Property Accountability and Management, 10th Mountain Division	09/28/2011
USAAA	A-2011-0077-ALL	Followup Audit of Retrograde Operations in Iraq, Class VII Theater Provided Equipment, United States Forces - Iraq	04/12/2011
USAAA	A-2011-0076-ALL	Followup Audit of Retrograde Operations in Southwest Asia Multi class Iraq	04/14/2011
USAAA	A-2011-0207-FFF	Followup Audit of the Followup Audit of Management of Reserve Component Non-Participants, U.S. Army Reserve Command	09/22/2011
USAAA	A-2011-0110-FFM	Followup Audit of Unused Airline Tickets	05/19/2011
USAAA	A-2011-0142-ALM	Followup Audit on Automatic Reset Induction Criteria	07/06/2011
USAAA	A-2011-0082-ALA	Implementing Body Armor Recommendations (FOUO)	04/15/2011
USAAA	A-2011-0211-FFF	Improvised Explosive Device Defeat Home Station Lane Training, Office of the Deputy Chief of Staff, G-3/5/7 (FOUO)	09/22/2011
USAAA	A-2011-0097-IEO	Installation Facilities and Operations Support, U.S. Army Garrison Fort Belvoir	04/21/2011
USAAA	A-2011-0173-IEO	Installation Facilities and Operations Support, U.S. Army Garrison Fort Benning	08/04/2011
USAAA	A-2011-0174-IEO	Installation Facilities and Operations Support, U.S. Army Garrison Fort Riley	08/04/2011
USAAA	A-2011-0037-FFP	Joint Basing and Force Structure, Alaska	04/07/2011
USAAA	A-2011-0184-FFP	Managing Equipment Reset - Alaska	08/31/2011
USAAA	A-2011-0105-FFP	Managing Reset (Left Behind Equipment) in Hawaii	06/21/2011
USAAA	A-2011-0126-FFD	National Guard Civil Support Team Readiness, National Guard Bureau (FOUO)	06/20/2011
USAAA	A-2011-0128-ALM	National Source of Repair Selection Process - Workload Migration	06/10/2011
USAAA	A-2011-0177-IEE	Planning for Disposal of Chemical Demilitarization and Storage Facilities, U.S. Army Chemical Materials Agency	08/19/2011
USAAA	A-2011-0209-ZBI	Predeployment Intelligence Training	09/27/2011
USAAA	A-2011-0114-ALM	Reset of the Aviation Unit Maintenance and Aviation Intermediate Maintenance Shop Sets	07/19/2011
USAAA	A-2011-0155-FFF	Senior Leader Mentor Program	07/08/2011
USAAA	A-2011-0160-ALS	Tactical Vehicle Registration & Reporting	09/22/2011
USAAA	A-2011-0208-IEO	The Army Metering Program Summary Report	09/19/2011
USAAA	A-2011-0122-IEI	Utilities Privatization Policy and Procedures, U.S. Army Garrisons Aberdeen Proving Ground, Maryland; Fort Bliss, Texas; and Fort Lee, Virginia	06/24/2011
USAAA	A-2011-0112-IEU	Workload Survey of Property Accountability in Europe (FOUO)	05/20/2011
NAVAUDSVC	N2011-0051	Navy Operational Support Center Antiterrorism and Force Protection	08/19/2011
NAVAUDSVC	N2011-0055	Marine Corps Equipment Accountability	09/02/2011
AFAA	F-2011-0004-FC2000	Air Launched Cruise Missile Engine Maintenance	06/16/2011
AFAA	F-2011-0005-FC2000	Engine Critical Parts	07/29/2011
AFAA	F-2011-0006-FC4000	Patriot Express	04/01/2011
AFAA	F-2011-0007-FC4000	Base Drawdown Asset Management	04/25/2011
AFAA	F-2011-0014-FD1000	United States Air Forces Central Area of Responsibility Construction Planning	04/12/2011
AFAA	F-2011-0004-FD3000	Night Vision Equipment	04/04/2011
AFAA	F-2011-0007-FD3000	Mobilization and Demobilization of Air Reserve Component Forces	08/18/2011
AFAA	F-2011-0007-FD4000	Deployed Airmen and Family Support	04/28/2011
AFAA	F-2011-0008-FD4000	Active Duty Diversity Recruiting Effectiveness	05/25/2011
AFAA	F-2011-0009-FD4000	Rated Force Management	05/25/2011
AFAA	F-2011-0011-FD4000	Retiree Activities Program	08/11/2011

## Information Assurance, Security and Privacy

Agency	Report Number	Report Title	Date
DoD IG	D-2011-079	Defense Information Systems Agency Controls Placed in Operation and Tests of Operating Effectiveness as of October 1, 2010, through April 30, 2011 (FOUO)	06/30/2011
DoD IG	D-2011-085	Defense Civilian Pay System Controls Placed in Operation and Tests of Operating Effectiveness for the Period October 1, 2010 through April 30, 2011 (FOUO)	07/15/2011
DoD IG	D-2011-089	Reducing Vulnerabilities at the Defense Information Systems Agency Defense Enterprise Computing Centers (FOUO)	07/22/2011
DoD IG	D-2011-096	Improvements Are Needed to the DoD Information Assurance Vulnerability Management Program (FOUO)	08/12/2011
DoD IG	D-2011-114	Summary of Information Assurance Weaknesses as Reported by Audit Reports Issued From August 1, 2010, Through July 31, 2011	09/30/2011
DoD IG	D-2011-115	DoD Cannot Ensure Contractors Protected Controlled Unclassified Information for Weapon Systems Contracts (FOUO)	09/30/2011
DoD IG	D-2011-6-009	Quality Control Review of Air Force Audit Agency's Special Access Program Audits	08/15/2011
DoD IG	D-2011-6-012	Quality Control Review of Naval Audit Service's Special Access Program Audits	09/23/2011
USAAA	A-2011-0148-ALL	Agreed-Upon Procedures Attestation - Comparative Analysis of Contract Labor Billing Data With Government Installation Access Data, Camp As Sayliyah, Qatar (FOUO)	06/27/2011
USAAA	A-2011-0104-FFM	Agreed-Upon Procedures Attestation for Investigative Support to Crime Prevention Survey 0024-2010-CID592 (FOUO)	05/10/2011
USAAA	A-2011-0089-FFM	Agreed-upon Procedures Attestation for Investigative Support to the Fort Bragg 319th Airborne Field Artillery Regiment Case (FOUO)	04/06/2011
USAAA	A-2011-0094-FFM	Agreed-Upon Procedures Attestation of Homeowners Assistance Program, Fort Monmouth, New Jersey-Criminal Investigation Assistance (FOUO)	04/12/2011
USAAA	A-2011-0151-FFD	Agreed-Upon Procedures Attestation of Overtime and Leave of DA Police at Fort Monmouth, New Jersey (FOUO)	07/07/2011
USAAA	A-2011-0193-FFP	Agreed-Upon Procedures Attestation of U.S. Forces Korea Petroleum Tax Exempt Coupons (FOUO)	09/01/2011
USAAA	A-2011-0143-IET	Application Migration, Office of the Chief Information Officer/G-6	07/06/2011
USAAA	A-2011-0139-ZBI	Audit of Intel Funds--Site A	06/30/2011
USAAA	A-2011-0135-ZBI	Audit of Testing and Evaluation	06/15/2011
USAAA	A-2011-0136-ZBI	Audit of Testing and Evaluation	06/15/2011
USAAA	A-2011-0130-FFD	Biometrics Interoperability, Deputy Chief of Staff, G-3/5/7 (FOUO)	06/14/2011
USAAA	A-2011-0096-FFD	Contracted Support Functions, U.S. Army Asymmetric Warfare Group (FOUO)	05/03/2011
USAAA	A-2011-0100-IET	Data at Rest, Fort Bragg	04/29/2011
USAAA	A-2011-0152-FFD	Followup Audit of Force Protection Funds, Office of the Provost Marshal General	07/12/2011
USAAA	A-2011-0190-FFD	Followup Audit of Installation Contract Guards, Office of the Provost Marshal General	09/06/2011
USAAA	A-2011-0147-IET	Information Assurance Certification for Contractors, Office of the Chief Information Officer/G-6	06/23/2011
USAAA	A-2011-0149-IET	Internet Protocol Version 6, Chief Information Officer/G-6	07/11/2011
USAAA	A-2011-0204-FFD	Memorandum Report, Audit of Protection Requirements and Costs at Leased Facilities (FOUO)	09/14/2011
USAAA	A-2011-0215-IET	Memorandum Report, The Army's Use of Smart Phones	09/29/2011
USAAA	A-2011-0150-IET	The Army's Use of Social Media, External Official Presence Sites	07/26/2011
USAAA	A-2011-0099-FFD	Time-Sensitive Report, Audit of Vulnerability Assessments and Risk Mitigation plans for Non-Installation U.S. Army Corps of Engineers Sites (FOUO)	04/26/2011
USAAA	A-2011-0199-FFD	Vulnerability Assessments and Risk Mitigation for Off-Installation Sites, U.S. Army Accessions Command	09/08/2011
USAAA	A-2011-0163-FFD	Vulnerability Assessments and Risk Mitigation for Off-Installation Sites, U.S. Army Cadet Command (FOUO)	07/26/2011
USAAA	A-2011-0161-FFD	Vulnerability Assessments and Risk Mitigation for Off-Installation Sites, U.S. Army Recruiting Command	07/26/2011

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Agency	Report Number	Report Title	Date
USAAA	A-2011-0195-FFD	Vulnerability Assessments and Risk Mitigation for Off-Installation Sites, U.S. Military Entrance Processing Command (FOUO)	09/06/2011
NAVAUDSVC	N2011-0038	Controls Over Navy Marine Corps Intranet Contractors and Subcontractors Accessing Department of the Navy Information	05/26/2011
NAVAUDSVC	N2011-0040	Managing Personally Identifiable Information at Marine Corps Base Camp Lejeune	06/01/2011
NAVAUDSVC	N2011-0047	Certification and Accreditation of Information Systems within the Marine Corps	08/02/2011
NAVAUDSVC	N2011-0056	Contractors Accessing Department of the Navy Information on Non-Navy Marine Corps Intranet Networks	09/07/2011
NAVAUDSVC	N2011-0063	Information Systems Controls Within the Bureau of Medicine and Surgery	09/29/2011
AFAA	F-2011-0004-FB2000	Air Force Enterprise Architecture Implementation	05/09/2011
AFAA	F-2011-0003-FB4000	Access Controls for Electronic Medical Records	04/01/2011
AFAA	F-2011-0004-FB4000	Computer Network Incident Response and Reporting	04/20/2011
AFAA	F-2011-0005-FB4000	Computer Network Cyber Incident Response and Reporting (Classified)	05/02/2011
AFAA	F-2011-0006-FB4000	Privacy Breach Reporting	07/14/2011
AFAA	F-2011-0007-FB4000	Selected Long-Haul Telecommunication Requirements	08/17/2011
AFAA	F-2011-0008-FB4000	Router Management	08/18/2011

## Acquisitions and Contracting

Agency	Report Number	Report Title	Date
DoD IG	D-2011-061	Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract With Boeing to Support the Corpus Christi Army Depot (FOUO)	05/03/2011
DoD IG	D-2011-066	Incomplete Contract Files for Southwest Asia Task Orders on the Warfighter Field Operations Customer Support Contract	06/01/2011
DoD IG	D-2011-068	Additional Actions Can Improve Naval Air Systems Command's Use of Unfinalized Contractual Actions	06/08/2011
DoD IG	D-2011-073	Afghanistan National Army Equipment Maintenance Apprenticeship and Services Program Contract	06/14/2011
DoD IG	D-2011-077	Improved Management Can Reduce Costs of the Maintenance, Repair, and Operations Prime Vendor Contract for the Republic of Korea (FOUO)	06/24/2011
DoD IG	D-2011-078	Contracts Supporting Base Operations in Kuwait Need Stronger Management and Administration	06/30/2011
DoD IG	D-2011-081	Contract Management of Joint Logistics Integrator Services in Support of Mine Resistant Ambush Protected Vehicles Needs Improvement	07/11/2011
DoD IG	D-2011-083	Additional Actions Can Further Improve the DoD Suspension and Debarment Process	07/14/2011
DoD IG	D-2011-087	Procurement of High-Mobility Multipurpose Wheeled Vehicles and Troop Enclosures for the Afghan National Security Forces	07/20/2011
DoD IG	D-2011-088	Ballistic Testing for Interceptor Body Armor Inserts Needs Improvement	08/01/2011
DoD IG	D-2011-097	Army Contracting Command-Redstone Arsenal's Management of Unfinalized Contractual Actions Could Be Improved	08/12/2011
DoD IG	D-2011-104	Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract With Sikorsky to Support the Corpus Christi Army Depot (FOUO)	09/08/2011
DoD IG	D-2011-105	Competition for Interrogation Arm Contracts Needs Improvement	09/19/2011
DoD IG	D-2011-110	Better Management of Fuel Contracts and International Agreements in the Republic of Korea Will Reduce Costs	09/27/2011

Agency	Report Number	Report Title	Date
DoD IG	D-2011-112	Counterintelligence Interviews for U.S.-Hired Contract Linguists Could Be More Effective (FOUO)	09/30/2011
DoD IG	D-2011-113	Improved Pricing and Oversight Needed for the Afghan Air Force Pilot and English Language Training Task Order	09/30/2011
DoD IG	D-2011-6-010	Failure of Defense Contract Audit Agency (DCAA) to Provide Adequate Support in Response to a Request for Review of Interim Public Vouchers	09/02/2011
DoD IG	D-2011-6-011	Report on Hotline Allegation Regarding Lack of Agency Guidance on the Currency of Audit Testing in the Defense Contract Audit Agency	09/02/2011
DoD IG	11-INTEL-08	DoD Efforts to Protect Critical Program Information: The Air Force's Family of Advanced Beyond Line-of-Sight Terminals	04/15/2011
DoD IG	11-INTEL-11	Summary of FY 2010 Inspections on Security, Intelligence, Counterintelligence, and Technology Protection Practices at DoD Research, Development, Test, and Evaluation Facilities	06/27/2011
USAAA	A-2011-0175-IEU	Administration of the Joint Training and Exercise Support Contract	08/10/2011
USAAA	A-2011-0167-ALA	After Action Review of the Multi-Mission Unmanned Ground Vehicle Program	07/29/2011
USAAA	A-2011-0109-ALC	Arlington National Cemetery Operations - Government Purchase Card	05/18/2011
USAAA	A-2011-0106-ALA	Army Rapid Acquisition Processes-Tailored Acquisition (FOUO)	05/09/2011
USAAA	A-2011-0120-ALC	Audit of the Army's Human Capital Plans-Contracting (Reachback Capabilities)	07/06/2011
USAAA	A-2011-0141-ALC	Audit of the Army's Short-Term Human Capital Plans Contracting (Defense Acquisition Workforce Development Fund)	07/06/2011
USAAA	A-2011-0219-ALA	Configuration Management of Weapon Systems, Program Executive Offices, Ground Combat Systems, and Combat Support and Combat Service Support	09/30/2011
USAAA	A-2011-0145-ALL	Contract for Recycling and Disposing of Waste Material, Camp Steeler, Iraq	06/22/2011
USAAA	A-2011-0213-FFP	Contract Incentives, U.S. Army Pacific	09/29/2011
USAAA	A-2011-0212-ALC	Contract Requirements Definition - Base Operations Support, U.S. Army Installation Management Command	09/22/2011
USAAA	A-2011-0144-ALC	Contracting Operations in Support of Arlington National Cemetery, U.S. Army Corps of Engineers, North Atlantic Division, Baltimore District	06/28/2011
USAAA	A-2011-0200-ALS	Examination of the Statement of Work for a Regional Warehouse Consolidation Study, Great Lakes and Ohio River Division, U.S. Army Corps of Engineers	09/09/2011
USAAA	A-2011-0165-ALA	Followup Audit of Warfighter Information Network - Tactical, Fort Monmouth, New Jersey	07/21/2011
USAAA	A-2011-0101-ALC	Logistics Civil Augmentation Program (LOGCAP) III Contract Closeout, U.S. Army Contracting Command-Rock Island	04/28/2011
USAAA	A-2011-0146-FFP	Managing Military Construction Projects, Alaska	08/04/2011
USAAA	A-2011-0191-IEI	Military Construction Contract U.S. Army Corps of Engineers Albuquerque District, Brigade Combat Teams 1, 2, and 3 Company Operations Facilities, Fort Bliss, Texas	09/14/2011
USAAA	A-2011-0170-IEI	Military Construction Contract, Infantry Brigade Combat Teams 1 and 2, Unaccompanied Enlisted Personnel Housing, Fort Bliss, Texas	08/26/2011
USAAA	A-2011-0205-IEI	Military Construction Contract, U.S. Army Corps of Engineers Forth Worth District, Combat Aviation Brigade Unaccompanied Enlisted Personnel Housing, Fort Bliss, Texas	09/15/2011
USAAA	A-2011-0172-IEI	Military Construction Contract, U.S. Army Corps of Engineers Sacramento District, Brigade Combat Teams 1, 2, and 3 Headquarters Buildings, Fort Bliss, Texas	08/30/2011
USAAA	A-2011-0166-IEI	Military Construction Contracts U.S. Army Corps of Engineers Savannah District, U.S. Army Armor School, Fort Benning, Georgia	07/28/2011
USAAA	A-2011-0134-IEO	No-Cost Economic Development Conveyance, Oakland Redevelopment Agency	06/22/2011
USAAA	A-2011-0116-ALA	Paladin integrated Management Costs, Program Executive Office, Ground Combat Systems	05/20/2011
USAAA	A-2011-0153-ALA	Power and Energy Consumption in Weapon Systems, Office of the Secretary of the Army (Acquisition, Logistics and Technology)	07/06/2011
USAAA	A-2011-0198-ALA	Research, Development, Test and Evaluation Costs for the Ground Combat Vehicle, Office of the Program Manager Ground Combat Vehicle (FOUO)	09/08/2011
USAAA	A-2011-0188-IEU	Sole-Source Contracts in Europe, 409th Contracting Support Brigade, Expeditionary Contracting Command, Europe	08/25/2011

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Agency	Report Number	Report Title	Date
USAAA	A-2011-0203-IEU	Visibility and Oversight of Service Contracts in Europe, U.S. Installation Management Command, Europe Region	09/14/2011
NAVAUDSVC	N2011-0033	Contracts Awarded to Selected Contractors by Naval Supply Systems Command and Naval Facilities Engineering Command Contracting Activities	05/05/2011
NAVAUDSVC	N2011-0053	Naval Criminal Investigative Service Emergency and Extraordinary Expense Funds	08/26/2011
NAVAUDSVC	N2011-0054	Award-Fee Contracts at Naval Facilities Engineering Command	08/30/2011
NAVAUDSVC	N2011-0057	Incentive and Progress Payments at Naval Supply Systems Command	09/07/2011
NAVAUDSVC	N2011-0058	Spare Parts Contracts Awarded for Maintenance Centers Albany, GA and Barstow, CA for Selected United States Marine Corps Equipment	09/14/2011
NAVAUDSVC	N2011-0064	Diego Garcia Base Operating Support Contract	09/30/2011
AFAA	F-2011-0004-FC1000	Engineering and Technical Services Contract for Pacific Air Forces Command, Control, Communications, Computers, Intelligence, War Gaming, and Force Protection	04/20/2011
AFAA	F-2011-0005-FC1000	Air Force Smart Operations for the 21st Century Contract Management and Oversight	06/15/2011
AFAA	F-2011-0006-FC1000	Simplified Acquisition of Base Engineering Requirements Contracts	07/13/2011
AFAA	F-2011-0007-FC1000	Contractor Performance Assessment Reporting Program	08/13/2011
AFAA	F-2011-0008-FC1000	Multiple-Award Indefinite Delivery Indefinite Quantity Contracts at the Air Logistics Centers	08/13/2011
AFAA	F-2011-0009-FC1000	Headquarters Air Force Services Contract Management and Oversight	08/29/2011
AFAA	F-2011-0010-FC1000	Contracting Officer Representatives	08/30/2011
AFAA	F-2011-0011-FC1000	Item Unique Identification Requirements on Air Force Contracts	08/30/2011
AFAA	F-2011-0003-FC2000	Quality Assurance Over Contract Maintenance	04/11/2011
AFAA	F-2011-0005-FC3000	Interim Report of Audit, Acquisition Improvement Plan Implementation, Initiative 1	04/01/2011
AFAA	F-2011-0006-FC3000	Interim Report of Audit, Acquisition Improvement Plan Implementation, Initiative 2	04/14/2011
AFAA	F-2011-0007-FC3000	Interim Report of Audit, Acquisition Improvement Plan Implementation, Initiative 3	06/13/2011
AFAA	F-2011-0008-FC3000	Acquisition Improvement Plan Implementation	07/29/2011
AFAA	F-2011-0009-FC3000	B-2 Modifications	08/25/2011
AFAA	F-2011-0010-FC3000	C-27J Program Management Transition	09/07/2011
AFAA	F-2011-0015-FD1000	Cooperative Agreement for Environmental Services, Lowry AFB CO	08/12/2011
AFAA	F-2011-0019-FD1000	Alaska Military Construction	09/01/2011
AFAA	F-2011-0003-FD3000	Bomber Weapon System Simulators	04/01/2011
AFAA	F-2011-0005-FD3000	Follow-up Audit, United States Air Forces Central Services Contract Management	06/02/2011

## Financial Management

Agency	Report Number	Report Title	Date
DoD IG	D-2011-058	Defense Finance and Accounting Service Has Made Progress in Providing Staffing Levels to Support the Mission in Southwest Asia	04/07/2011
DoD IG	D-2011-059	Army Commercial Vendor Services Offices in Iraq Noncompliant with Internal Revenue Service Reporting Requirements	04/08/2011

Agency	Report Number	Report Title	Date
DoD IG	D-2011-060	Marine Corps Inventory of Small Arms Was Generally but Improvements Are Needed for Related Guidance and Training	04/22/2011
DoD IG	D-2011-064	Information Security Controls Over the Marine Corps Total Force System Need Improvement (FOUO)	05/05/2011
DoD IG	D-2011-070	Planning Needed on Special Purpose Entity Funds for the Guam Realignment (Classified)	06/15/2011
DoD IG	D-2011-072	Previously Identified Deficiencies Not Corrected in the General Fund Enterprise Business System Program	06/15/2011
DoD IG	D-2011-075	DoD Officials Need to Improve Reporting of Obligations and Expenditures for the Guam Realignment	06/17/2011
DoD IG	D-2011-084	Defense Finance and Accounting Service Needs More Effective Controls Over Managing DoD Contractor Debt	07/15/2011
DoD IG	D-2011-086	U.S. Marine Corps Forces Special Operations Command Needs to Improve Controls over Financial Transaction	07/20/2011
DoD IG	D-2011-090	Cost of War Data for Marine Corps Contingency Operations Were Not Reliable	07/22/2011
DoD IG	D-2011-091	DoD Indian Incentive Program Payments to Related Parties and Rebates to Excluded Parties	07/22/2011
DoD IG	D-2011-093	Active Duty Military Personnel Accounts Were Generally Valid and Secure, but DoD May Have Made Improper Payments	07/27/2011
DoD IG	D-2011-094	Internal Controls Over U.S. Army Corps of Engineers, Civil Works, Disbursement Processes	08/01/2011
DoD IG	D-2011-098	Defense Finance and Accounting Service Needs to Improve Controls Over the Completeness and Accuracy of the Cash Management Report	08/15/2011
DoD IG	D-2011-101	Controls over Army Deployable Disbursing System Payments Need Improvement	08/17/2011
DoD IG	D-2011-118	Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the FY 2011 Civilian Payroll Withholding Data and Enrollment Information	09/30/2011
USAAA	A-2011-0090-FFM	Audit Readiness: Statement of Budgetary Resources-Appropriations Received	04/01/2011
USAAA	A-2011-0196-FFM	Controls Over the Incentive Program in the California Army National Guard, Joint Force Headquarters, California Army National Guard and U.S. Property and Fiscal Office for California	09/06/2011
USAAA	A-2011-0192-FFM	Controls Over the Incentive Program in the Pennsylvania Army National Guard	09/01/2011
USAAA	A-2011-0162-FFM	General Fund Enterprise Business System Disbursing Process Control Points	07/26/2011
USAAA	A-2011-0124-IEE	Hurricane and Storm Damage Risk Reduction System: Project Funding, U.S. Army Corps of Engineers, Mississippi Valley Division and Task Force Hope	06/15/2011
USAAA	A-2011-0092-FFD	Reimbursement for Training Contractor Personnel	04/20/2011
USAAA	A-2011-0095-FFM	Review of Army Assertion Document on Existence and Completeness of 'Quick Win' Mission-Critical Assets (FOUO)	05/10/2011
USAAA	A-2011-0121-FFM	Review of Army Working Capital Fund Capital Leases (FOUO)	06/24/2011
USAAA	A-2011-0091-FFM	Review of the Army Working Capital Fund Cash Liability Analysis	04/05/2011
USAAA	A-2011-0156-FFM	Review of the Army's Compliance with the Federal Managers' Financial Integrity Act	07/12/2011
USAAA	A-2011-0214-ZBI	Temporary Duty Authorizations and Vouchers, Program Executive Office Missiles and Space, Lower Tier Project Office	09/27/2011
NAVAUDSVC	N2011-0030	Department of Defense Electronic Mail Internal Controls for the Navy	04/29/2011
NAVAUDSVC	N2011-0048	Budget Execution Transactional Review at Selected Fleet Warfare Enterprise Commands	08/04/2011
NAVAUDSVC	N2011-0049	Internal Controls Over Spending Within the Department of the Navy Shore Energy Program	08/09/2011
AFAA	F-2011-0004-FB1000	Audit Follow-up Program	05/16/2011
AFAA	F-2011-0005-FB1000	Air Force Office of Special Investigations Emergency and Extraordinary Expense Funds	08/30/2011
AFAA	F-2011-0006-FB1000	Official Representation Funds	08/30/2011
AFAA	F-2011-0005-FB2000	Standard Financial Information Structure Compliance	06/23/2011

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Agency	Report Number	Report Title	Date
AFAA	F-2011-0005-FB3000	Services Medical Activity - Air Force, Intragovernmental Transactions Related to the Exchange of Goods and Services	04/21/2011
AFAA	F-2011-0006-FB3000	Management Internal Control Program Over Nonfinancial Operations	04/22/2011
AFAA	F-2011-0007-FB3000	Cruise Missile, Target, and Drone Accountability	04/25/2011
AFAA	F-2011-0008-FB3000	Follow-up Audit, Travel Obligations	08/26/2011
AFAA	F-2011-0013-FD1000	Interim Report of Audit, Utilities Privatization Economic Analyses, Travis Electric	04/04/2011
AFAA	F-2011-0016-FD1000	Interim Report of Audit, Yeager Air National Guard WV Water Utilities Privatization Economic Analyses	08/25/2011
AFAA	F-2011-0017-FD1000	Interim Report of Audit, MacDill AFB FL Gas Utilities Privatization Economic Analyses	08/25/2011
AFAA	F-2011-0018-FD1000	Interim Report of Audit, Minot AFB ND Electric Utilities Privatization Economic Analysis	08/25/2011
AFAA	F-2011-0006-FD3000	Flag Exercise Funding	06/27/2011
AFAA	F-2011-0006-FD4000	Civilian Overtime and Compensatory Time	04/22/2011
AFAA	F-2011-0010-FD4000	Active Duty Military to Civilian Conversions	06/15/2011
AFAA	F-2011-0012-FD4000	Combat Pay and Tax Exclusion	08/12/2011
AFAA	F-2011-0013-FD4000	Air Force Space Command Training Systems	08/18/2011

## Health and Safety

Agency	Report Number	Report Title	Date
DoD IG	D-2011-092	Guam Medical Plans Do Not Ensure Active Duty Family Members Will Have Adequate Access to Dental Care	07/25/2011
DoD IG	D-2011-099	Additional Actions Needed to Mitigate Risks of Unsuitable Life Insurance Sales to Junior Enlisted Service Members	08/23/2011
DoD IG	D-2011-107	Improvements Needed in Procedures for Certifying Medical Providers and Processing and Paying Medical Claims in the Philippines	09/09/2011
DoD IG	SPO-2011-010	Assessment of DoD Wounded Warrior Matters – Fort Drum	09/30/2011
DoD IG	SPO-2011-009	Exposure to Sodium Dichromate at Qarmat Ali Iraq in 2003, Part II - Evaluation of Army and Contractor Actions Related to Hazardous Industrial Exposure	08/25/2011
USAAA	A-2011-0158-IEO	Army Traffic Safety Training Program, U.S. Army Installation Management Command	07/15/2011
USAAA	A-2011-0220-IEM	Behavioral Health Programs, Fort Carson and Evans Army Community Hospital	09/30/2011
USAAA	A-2011-0164-IEE	Safety and Occupational Health Professionals	08/05/2011
USAAA	A-2011-0117-IEM	Survivor Outreach Services, Office of the Assistant Chief of Staff for Installation Management	06/07/2011
NAVAUDSVC	N2011-0044	Navy Reserve Component's Access to Military Medical	07/14/2011
NAVAUDSVC	N2011-0045	Department of the Navy Civilian Drug-Free Workplace Program – Discipline	07/19/2011
NAVAUDSVC	N2011-0061	Post-Deployment Health Reassessment at the U.S. Navy: Fiscal Years 2008, 2009, and 2010 Data Analysis and Future Monitoring Recommendations	09/23/2011
AFAA	F-2011-0005-FD2000	Pharmaceutical Purchases	04/27/2011
AFAA	F-2011-0006-FD2000	Air Reserve Component Members on Medical Continuation Status	04/28/2011
AFAA	F-2011-0007-FD2000	Air Force Medical Service Surgical Optimization	08/10/2011

## American Recovery and Reinvestment Act

Agency	Report Number	Report Title	Date
DoD IG	D-2011-062	Motion Sensor Project at Fort Hood, Texas, Generally Complied With the American Recovery and Reinvestment Act	04/29/2011
DoD IG	D-2011-065	Project to Repair Nutrition Care Division at Fort Carson, Colorado, Generally Complied With the American Recovery and Reinvestment Act	07/22/2011
DoD IG	D-2011-067	American Recovery and Reinvestment Act Project "Hospital Replacement Phase I" at Fort Hood, Texas, Was Properly Planned; However, Transparency Could Be Improved	06/06/2011
DoD IG	D-2011-069	American Recovery and Reinvestment Act Small Business Innovation Research Projects in the DoD Near Term Energy-Efficient Technologies Program	06/09/2011
DoD IG	D-2011-071	U.S. Air Force Academy Could Have Significantly Improved Planning, Funding, and Initial Execution of the American Recovery and Reinvestment Act Solar Array Project	06/16/2011
DoD IG	D-2011-074	U.S. Army Corps of Engineers-Civil Works, Omaha District, Generally Met Recovery Act Requirements	06/16/2011
DoD IG	D-2011-076	American Recovery and Reinvestment Act--Department of the Navy Near Term Energy-Efficient Technologies Projects	06/23/2011
DoD IG	D-2011-082	American Recovery and Reinvestment Act Project to Construct Military Family Housing at Eielson Air Force Base, Alaska	07/11/2011
DoD IG	D-2011-106	The Department of the Navy Spent Recovery Act Funds on Photovoltaic Projects That Were Not Cost-Effective	09/22/2011
DoD IG	D-2011-108	Geothermal Energy Development Project at Naval Air Station Fallon, Nevada, Did Not Meet Recovery Act Requirements	09/19/2011
DoD IG	D-2011-109	American Recovery and Reinvestment Act "Heating, Ventilation, and Air Conditioning Replacement" Project at Naval Support Activity Norfolk-Planning and Initial Execution Could Have Been Improved	09/16/2011
DoD IG	D-2011-116	American Recovery and Reinvestment Act Wind Turbine Projects at Long-Range-Radar Sites in Alaska Were Not Adequately Planned	09/30/2011
DoD IG	D-2011-117	American Recovery and Reinvestment Act - Repair Project at Camp Pendleton, California, Needed Improvements in Planning	09/30/2011
DoD IG	D-2011-119	American Recovery and Reinvestment Act-Improper Planning of the Administrative Buildings Project at Camp Lejeune, North Carolina	09/30/2011
DoD IG	D-2011-120	Recovery Act-Funded Naval Hospital Replacement Project at Camp Pendleton, California, Was Adequately Justified and Planned and, if Implemented, Performance and Reporting Controls Should Be Effective	09/30/2011
USAAA	A-2011-0202-IEE	American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting, Oregon Army National Guard	09/21/2011
USAAA	A-2011-0093-IEE	American Recovery and Reinvestment Act of 2009 Project Execution, Aberdeen Proving Ground, Maryland	04/07/2011
USAAA	A-2011-0194-IEO	American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting, Dwight D. Eisenhower Army Medical Center, Fort Gordon, Georgia	09/08/2011
USAAA	A-2011-0131-FFF	American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting, Fort Knox, Kentucky	06/21/2011
USAAA	A-2011-0201-FFP	American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting, Fort Richardson, Alaska	09/19/2011
USAAA	A-2011-0138-IEE	American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting, Joint Base San Antonio	06/24/2011
USAAA	A-2011-0185-IEO	American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting, South Carolina Army National Guard	08/24/2011
USAAA	A-2011-0176-IEE	American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting, U.S. Army Corps of Engineers Fort Worth District	08/24/2011
USAAA	A-2011-0183-IEE	American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting, U.S. Army Corps of Engineers Kansas City District	08/24/2011

# Appendix A

Agency	Report Number	Report Title	Date
USAAA	A-2011-0125-IEE	Review of American Recovery and Reinvestment Act Projects, Joint Base Lewis-McChord, Washington	06/15/2011
USAAA	A-2011-0157-IEE	Summary Result for Phase II Audits of the American Recovery and Reinvestment Act of 2009	07/14/2011
NAVAUDSVC	N2011-0060	American Recovery and Reinvestment Act of 2009 – Photovoltaic Projects at Hampton Roads, VA and Navy Installations in Florida, Texas, and Mississippi	09/22/2011
NAVAUDSVC	N2011-0062	American Recovery and Reinvestment Act of 2009 – Advanced Metering Infrastructure Projects at Navy Installations in Florida, Mississippi, and Texas	09/23/2011

## Nuclear Enterprise

Agency	Report Number	Report Title	Date
DoD IG	11-ISPA-15	Review of United States Navy Nuclear Weapon Security Program	09/19/2011

## Other

Agency	Report Number	Report Title	Date
DoD IG	D-2011-6-008	Hotline Complaint Regarding A Defense Contract Audit Agency Employee Conducting Private For-Profit Tax Business Activity on Government Time and Using Government Equipment	06/28/2011
DoD IG	D-2011-6-007	Hotline Allegations Concerning a Field Audit Office in the Defense Contract Audit Agency Central Region	04/15/2011
DoD IG	D-2011-TAD-001	Assessment of BRAC 133 Final Environmental Assessment of July 2008 and Transportation Management Plan of July 2010	04/20/2011
NAVAUDSVC	N2011-0029	Verification of Operational Capabilities and Internal Controls at Joint Region Marianas	04/27/2011
NAVAUDSVC	N2011-0031	Responses to Phone Calls Made to Department of the Navy Sexual Assault-Related Phone Numbers	05/03/2011
NAVAUDSVC	N2011-0032	Naval Station Rota, Spain, Human Resources Office and Local National Employee Program	05/05/2011
NAVAUDSVC	N2011-0034	Department of the Navy Medical Corps Officer Contracts	05/12/2011
NAVAUDSVC	N2011-0035	Project Handclasp Internal Controls	05/19/2011
NAVAUDSVC	N2011-0036	Reporting of Marine Corps Personnel Mishaps	05/20/2011
NAVAUDSVC	N2011-0037	Marine Corps Community Services in Okinawa	05/24/2011
NAVAUDSVC	N2011-0039	Quality of Life Plans for United States Marine Corps Forces Relocating from Okinawa to Guam	05/27/2011
NAVAUDSVC	N2011-0041	Followup on Management of Privacy Act Information at Naval District Washington	06/15/2011
NAVAUDSVC	N2011-0042	Ethics Programs at Military Sealift Command Sealift Logistics Commands Atlantic and Pacific	06/27/2011
NAVAUDSVC	N2011-0043	Total Force Manpower Management System Civilian Requirements	07/08/2011
NAVAUDSVC	N2011-0046	Followup on Management of Personally Identifiable Information at Marine Corps Recruiting Command	07/29/2011
NAVAUDSVC	N2011-0050	Naval Audit Service Input for the Fiscal Year 2011 Statement of Assurance	08/15/2011
NAVAUDSVC	N2011-0052	Test of Department of the Navy Sexual Assault-Related Phone Numbers	08/26/2011
NAVAUDSVC	N2011-0059	Ethics Program at Naval District Washington	09/15/2011

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

## Reports Containing Potential Monetary Benefits

Reports Issued		Potential Monetary Benefits	
		Disallowed Costs	Funds Put to Better Use
D-2011-061 Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract with Boeing to Support the Corpus Christi Army Depot	05/03/2011	N/A	\$287,800,000
D-2011-077 Improved Management Can Reduce Costs of the Maintenance, Repair, and Operations Prime Vendor Contract for the Republic of Korea	06/24/2011	N/A	\$44,500
D-2011-080 DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program	07/07/2011	N/A	\$124,620,000
D-2011-082 American Recovery and Reinvestment Act Project to Construct Military Family Housing at Eielson Air Force Base, Alaska	07/11/2011	N/A	\$4,910
D-2011-091 DoD Indian Incentive Program Payments to Related Parties and Rebates to Excluded Parties	07/22/2011	N/A	\$4,170,000
D-2011-093 Active Duty Military Personnel Accounts Were Generally Valid and Secure, but DoD May Have Made Improper Payments	07/27/2011	N/A	\$4,200,000
D-2011-101 Controls Over Army Deployable Disbursing System Payments Need Improvement	08/17/2011	N/A	\$162,258
D-2011-102 Afghan National Police Training Program Would Benefit From Better Compliance With the Economy Act and Reimbursable Agreements	08/25/2011	N/A	\$75,600,000
D-2011-104 Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract With Sikorsky to Support the Corpus Christi Army Depot	09/08/2011	N/A	\$49,609,523
D-2011-110 Better Management of Fuel Contracts and International Agreements in the Republic of Korea Will Reduce Costs	09/27/2011	N/A	\$712,166
D-2011-113 Improved Pricing and Oversight Needed for the Afghan Air Force Pilot and English Language Training Task Order	09/30/2011	N/A	\$431,638
<b>Total</b>			<b>\$547,354,995</b>

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

## Follow-up Activities

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

Status	Number	Funds Put To Better Use <sup>1</sup> (\$ in thousands)
A. For which no management decision had been made by the beginning of the reporting period.	25	\$148,897
B. For which were issued during the reporting period.	74	547,355
Subtotals (A+B)	99	696,252
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.	67	645,195 <sup>2</sup>
D. For which no management decision has been made by the end of the reporting period.	32	\$51,057
Reports for which no management decision was made within six months of issue (as of September 30, 2011).	3 <sup>3</sup>	97

1. DoD IG issued no audit reports during the period involving “questioned costs.”
2. On these audit reports management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed.
3. DoD IG Report No. D-2010-083, “Construction of New Kabul Compound Lacked Planning and Coordination,” September 30, 2010; DoD IG Report No. D-2011-045, “American Recovery and Reinvestment Act Project – Solar and Lighting at Naval Station Norfolk, Virginia,” February 25, 2011; and DoD IG Report No. SPO-2011-005, “Assessment of Allegations Concerning Traumatic Brain Injury Research Inquiry in Iraq,” March 31, 2011, had no decision as of September 30, 2011, but action to achieve a decision is in process.

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

## Follow-up Activities

Status of action on central internal audits period ending September 30, 2011

Status	Number	Funds Put to Better Use <sup>1</sup> (\$ in thousands)
<b>DoD IG</b>		
Action in Progress - Beginning of Period	103	\$43,036
Action Initiated - During Period	67	645,195
Action Completed - During Period	69	164,312
Action in Progress - End of Period	101	43,036 <sup>2</sup>
<b>Military Departments</b>		
Action in Progress - Beginning of Period	509	4,759,222 <sup>3</sup>
Action Initiated - During Period	229	785,126
Action Completed - During Period	239	1,041,060
Action in Progress - End of Period	499	4,439,367

1. DoD IG issued no reports during the period involving “questioned costs”.
2. On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$1,147 million, DoD IG agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.
3. Incorporates retroactive adjustments.

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

## Contract Audit Reports Issued<sup>1</sup>

Type of audit <sup>2</sup>	Reports Issued	Dollars Examined (\$ in millions)	Questioned Costs <sup>3</sup>	Funds Put to Better Use
Incurring Costs, Ops Audits, Special Audits	1,912	\$12,314.9	\$1,498.2	--- <sup>4</sup>
Forward Pricing Proposals	1,143	\$50,977.1	---	\$5,076.6 <sup>5</sup>
Cost Accounting Standards	502	\$148.1	\$160.8	---
Defective Pricing	12	(Note 6)	\$7.3	---
<b>Totals</b>	<b>3,569</b>	<b>\$63,440.1</b>	<b>\$1,666.3</b>	<b>\$5,076.6</b>

- This schedule represents Defense Contract Audit Agency contract audit reports issued during the six months ended September 30, 2011. This schedule includes any audits that DCAA performed on a reimbursable basis for other government agencies and the associated statistics may also be reported in other DoD IG Semiannual Reports to Congress. Both “Questioned Costs” and “Funds Put to Better Use” represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication. In prior semiannual reporting periods, DCAA reported the total number of assignments completed. The total number of assignments completed during the six months ended September 30, 2011 was 5,076.6. 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.
- This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as:
  - Incurring Costs – Audits of direct and indirect costs charged to government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and provisions of the contract. Also included under incurred cost audits are Operations Audits, which evaluate a contractor’s operations and management practices to identify opportunities for increased efficiency and economy; and Special Audits, which include audits of terminations and claims.
  - Forward Pricing Proposals – Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts, and costs incurred but not yet covered by definitized contracts.
  - Cost Accounting Standards – A review of a contractor’s cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice, or noncompliance with a CAS regulation.
  - Defective Pricing – A review to determine whether contracts are based on current, complete and accurate cost or pricing data (the Truth in Negotiations Act).
- Questioned costs represent costs that DCAA has questioned because they do not comply with rules, regulations, laws, and/or contractual terms.
- 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.
- Represents potential cost reductions that may be realized during contract negotiations.
- Defective pricing dollars examined are not reported because the original value was included in the audits associated with the original forward pricing proposals.

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

## Status of Action on Post-Award Contracts<sup>1</sup>

	Number of Reports	Costs Questioned (\$ in millions)	Disallowed Costs <sup>6</sup>
Open Reports:			
Within Guidelines <sup>2</sup>	472	\$1,281.4	N/A <sup>7</sup>
Overage, greater than 6 months <sup>3</sup>	555	\$1,154.1	N/A
Overage, greater than 12 months <sup>4</sup>	424	\$1,266.7	N/A
In Litigation <sup>5</sup>	190	\$2,227.5	N/A
Total Open Reports	1,641	\$5,929.7	N/A
Closed Reports	389	\$1,072.7	\$236.3 (22.0%) <sup>8</sup>
All Reports	2,030	\$7,002.4	\$236.3 (3.4%)

1. This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by DoD Components. The status of action on significant post-award contract audits is reported in accordance with DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports." Because of limited time between availability of the data and reporting requirements, there is minimal opportunity to verify the accuracy of the reported data.
2. These reports are within the time frames established by OMB Circular A-50, "Audit Follow-up," and DoD Instruction 7640.02 as described in footnotes 3 and 4 below.
3. OMB Circular A-50 requires that audit reports be resolved within 6 months after report issuance. Generally, an audit is resolved when the contracting officer determines a course of action which is documented and approved in accordance with agency policy.
4. DoD Instruction 7640.02 states that audit reports are overage if not dispositioned within 12 months from date of issuance. Generally, disposition is achieved when the contractor implements audit recommendations, the contracting officer negotiates a settlement with the contractor, or the contracting officer issues a final decision pursuant to the Disputes Clause.
5. Of the 190 reports in litigation, 59 are under criminal investigation.
6. Disallowed costs are costs sustained by the contracting officer in negotiations with contractors.
7. N/A (not applicable)
8. Contracting officers disallowed \$236.3 million (22.0 percent) of the \$1,072.7 million questioned as a result of significant post-award contract audits during the period. The contracting officer disallowance rate of 22.0 percent represents a decrease from the disallowance rate of 53.4 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).

## Status of Reports with Action Pending

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

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

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

**Principal Action Office:** USAF, ASD(HA)

**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. ECD on DoDI is Nov 2011. ECD on the Manual is Oct 2012. The Army staffed the AR 380-67 revision to the JAG office for review on 9/5/2011. Air Force provided no estimated completion date for the creation of AFI 16-1401.

**Principal Action Office:** USD(I), Army, USAF

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

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

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

**Principal Action Office:** DFAS

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

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

**Reason Action Not Completed:** Extensive time needed to revise fee schedules.

**Principal Action Office:** ASD(HA)

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

**Description of Action:** Publish guidance to address deficiencies in interagency acquisitions on the proper use of Non-DoD contracts.

**Reason Action Not Completed:** The Army delayed staffing the draft directive pending a determination regarding future use of Directives within the Department of the Army. The Draft Directive was reformatting as a manual for issuance as an Appendix to the Army's Federal Acquisition Regulation Supplement.

**Principal Action Office:** Army

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

**Description of Action:** Review the requirements of Air Force Instruction 65.601, chapter 13, to clarify the use of Research, Development, Test, and Evaluation funds in the second year.

**Reason Action Not Completed:** Coordination and completion is expected by year end.

**Principal Action Office:** USAF

**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 issuance of the armor kits.

**Reason Action Not Completed:** Although action was initiated in late 2008, Army has yet to establish validated armor kit requirements for the FMTV.

**Principal Action Office:** Army

**Report:** D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, 05/13/2008

**Description of Action:** The Army is working to update its regulations, policies, and procedures for performing the annual and end-of-day inventory reconciliations.

**Reason Action Not Completed:** The Army has coordinated the revision of policy and guidance, which is in the process of being published.

**Principal Action Office:** Army

**Report:** D-2008-118, Host Nation Support of U.S. Forces in Korea, 08/25/2008

**Description of Action:** Conduct joint reviews of accounting and disbursing procedures for Labor Cost Sharing funds. Prepare and issue any required updates to current policies and procedures based on joint review results.

**Reason Action Not Completed:** Extensive time taken to complete coordination between DoD Components to conduct joint reviews of accounting and disbursing policy, and update appropriate policy guidance.

**Principal Action Office:** USD(C)

**Report:** D-2008-130, Approval Process, Tracking, and Financial Management of DoD Disaster Relief Efforts, 09/17/2008

**Description of Action:** Develop a memorandum of understanding with the Federal Emergency Management Agency that establishes guidelines and requirements for using and being reimbursed for DoD equipment used on mission assignments.

**Reason Action Not Completed:** The Department is reviewing current procedures to determine if they align with the recently published DODD 3025.18 and addresses issues identified.

**Principal Action Office:** USD(C)

**Report:** D-2009-028, Organizational Structure and Managers Internal Control Program for the Assistant Secretary of Defense and American Forces Information Service, 12/10/2008

**Description of Action:** Investigate potential misuse of funds, improper contracting, and statutory violations.

**Reason Action Not Completed:** The formal Antideficiency Act violation investigations are ongoing.

**Principal Action Office:** ASD(PA), WHS

**Report:** D-2009-030, Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistance Ambush Protected Vehicles, 12/05/2008

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Joint Staff has been delayed issuing revised guidance due to pending DoD overarching guidance being issued. Marine Corps action is on hold pending completion of JS corrective action.

**Principal Action Office:** JCS, USMC

**Report:** D-2009-037, TRICARE Controls Over Claims Prepared By Third-Party Billing Agencies, 12/31/2009

**Description of Action:** Resolve legal relationship between providers and billing agencies in accordance with requirements.

**Reason Action Not Completed:** Mediation discussions between TRICARE Management Activity and DoDIG have not yet been scheduled.

**Principal Action Office:** ASD(HA)

**Report:** D-2009-051, Controls Over Time and Attendance Reporting at the National Geospatial-Intelligence Agency, 02/09/2009

**Description of Action:** Revise guidance to improve internal controls over time and attendance, especially the use of overtime and compensatory time.

**Reason Action Not Completed:** Awaiting the issuance of final versions of two NGA instructions addressing time and attendance.

**Principal Action Office:** NGA

**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:** Extensive time required to develop and coordinate the policy.

**Principal Action Office:** USAF

**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 OMB and/or the Department of the Treasury is complete. Extensive coordination needed between DoD and its Components, and with the Treasury and OMB.

**Principal Action Office:** USD(C) DFAS

**Report:** D-2009-064, FY 2007 DoD Purchases Made Through the National Institutes of Health, 03/24/2009

**Description of Action:** Train contracting personnel, update financial records, and improve oversight of potential Antideficiency violations.

**Reason Action Not Completed:** Developing training, updating financial records, and tracking progress of potential Anti-deficiency investigations takes considerable time to implement.

**Principal Action Office:** USD(AT&L), USD(C)

**Report:** D-2009-066, Marine Corps' Management of the Recovery and Reset Programs, 04/01/2009

**Description of Action:** USMC efforts are ongoing to improve inventory visibility and validate existing approved acquisition objectives. Improvements resulting from that analyses will be implemented.

**Reason Action Not Completed:** Management has not responded to a request for current status of agreed-upon implementing action.

**Principal Action Office:** USMC

**Report:** D-2009-072, Monitoring Power Track Payments for DoD Freight Transportation, 04/09/2009

**Description of Action:** Use data mining to monitor problematic payments for duplicate payment indicators.

**Reason Action Not Completed:** The Third Party Payment System Oversight Council is implementing working group recommendations and the working group is exploring the use of data warehousing to assist reviews.

**Principal Action Office:** USD(AT&L)

**Report:** D-2009-086, Controls over the Contractor Common Access Card Life Cycle in the Republic of Korea, 06/09/2009

**Description of Action:** U.S. Forces Korea will rewrite Regulation 700-19 to address the issues stated in the recommendations.

**Reason Action Not Completed:** The rewrite to Regulation 700-19 is being re-staffed.

**Principal Action Office:** USFK

# Appendix F

**Report:** D-2009-098, Status of the Defense Emergency Response Fund in Support of the Global War on Terror, 07/30/2009

**Description of Action:** Review the Fund for Global War on Terror obligations and deobligate all unliquidated obligations, withdraw all excess funds provided to the DoD Components, and transfer the funds to the U.S. Treasury.

**Reason Action Not Completed:** Extensive time needed to coordinate deobligation of unliquidated obligations, withdrawal of excess funds, and transference of funds to U.S. Treasury.

**Principal Action Office:** USD(C)

**Report:** D-2009-104, Sanitization and Disposal of Excess Information Technology Equipment, 09/21/2009

**Description of Action:** ASD (NII) is updating DoDI 8500.02.

**Reason Action Not Completed:** Extended time is required for revision of DoD Instruction 8500.02.

**Principal Action Office:** ASD(NII)

**Report:** D-2009-108, U.S. Air Forces Central War Reserve Materiel Contract, 09/23/2009

**Description of Action:** The Air Force will ensure a qualified contracting officer reviews award fees and sales of government property and closes the old War Reserve Materiel contract. The DCAA will audit direct costs under the old War Reserve Materiel contract and perform required surveillance of internal controls.

**Reason Action Not Completed:** The Air Force has not completed corrective actions on contracting issues and DCAA has not completed its audit work.

**Principal Action Office:** USAF, DCAA

**Report:** D-2009-109, Contracts Supporting the DoD Counter Narcoterorism Technology Program Office, 09/25/2009

**Description of Action:** Army instructed the applicable contracting officers to make numerous corrections and improvements.

**Reason Action Not Completed:** The Army has not completed corrective actions on contracting issues.

**Principal Action Office:** Army

**Report:** D-2010-004, Cost Increases Related to the Producer Price Index for Titanium Mill Shapes on DoD Multiyear Contracts, 10/29/2009

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Corrective actions are on-going.

**Principal Action Office:** DLA

**Report:** D-2010-015, DoD Civil Support During the 2007 and 2008 California Wildland Fires, 11/13/2009

**Description of Action:** Update joint publication to add clarity to the process of staffing Federal Emergency Management Agency mission assignments, on the legal employment of surveillance by DoD assets providing assistance to civil authorities, and on specific events for command and control handoff guidance.

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

**Principal Action Office:** JCS, USD(C), NORTHCOM

**Report:** D-2010-023, Review of Defense Technical Information Center Internal Controls, 12/03/2009

**Description of Action:** Revise the DoD Financial Management Regulation to state when charging indirect costs to other DoD organizations is permitted. The Defense Technical Information Center establish a process for accumulating and reporting indirect costs that complies with the Financial Management Regulation and DoDI 4000.19, and return any fee surpluses to customers.

**Reason Action Not Completed:** DoD continues to revise guidance, processes and procedures in order to implement the report recommendations.

**Principal Action Office:** USD(AT&L), USD(C)

**Report:** D-2010-024, Contracted Advisory and Assistance Services for the U.S. Army Future Combat Systems, 11/24/2009

**Description of Action:** Report is FOUO.

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

**Principal Action Office:** USD(AT&L)

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

**Description of Action:** Update DoDI 5410.19 to clarify how to administer and manage the Joint Civilian Orientation Conference program. Initiate a preliminary Antideficiency Act review of the use of Joint Civilian Orientation Conference fees received since the inception of the Miscellaneous Receipts Statute.

**Reason Action Not Completed:** The Washington Headquarters Service is conducting a preliminary review of the potential ADA violations cited in the report. Guidance revisions are in process.

**Principal Action Office:** ASD(PA), WHS

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

**Description of Action:** Report is FOUO.

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

**Principal Action Office:** Navy

**Report:** D-2010-032, DoD Countermine and Improvised Explosive Device Defeat Systems Contracts - Husky Mounted Detection System, 12/31/2009

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Not adequate time to award contract in FY 11 because of limited resources.

**Principal Action Office:** Army

**Report:** D-2010-035, Defense Logistics Agency Contracts for M2 Machine Gun Spare Parts in Support of Operations in Southwest Asia, 01/11/2010

**Description of Action:** Evaluate the metrics used to manage the product quality deficiency reporting process and update the DLA product quality deficiency reporting instruction.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** DLA

**Report:** D-2010-036, Controls Over Navy Military Payroll Disbursed in Support of Operations in Southwest Asia at San Diego-Area Disbursing Centers, 01/22/2010

**Description of Action:** Develop an electronic storage capability for supporting documentation.

**Reason Action Not Completed:** Navy has been converting from the paper field service record to the Electronic Service Record, which will permit elimination of current stop-gap procedures and allow implementation of electronic storage capability.

**Principal Action Office:** Navy

**Report:** D-2010-037, Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System, 01/25/2010

**Description of Action:** Review the Deployable Disbursing System payments for FY 2006 and FY 2007 for duplicate payments and collect the over payments.

**Reason Action Not Completed:** The Marine Corps has reviewed the identified documents for duplicate payments and the demand letters have been issued.

**Principal Action Office:** USMC

**Report:** D-2010-043, Deferred Maintenance and Carryover on the Army Abrams Tank, 03/02/2010

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** The proposed change has been incorporated into the Financial Management Regulation, which will be published in the near future.

**Principal Action Office:** USD(C)

**Report:** D-2010-048, DoD Methodology for the Valuation of Excess, Obsolete, and Unserviceable Inventory and Operating Materials and Supplies, 03/25/2010

**Description of Action:** Develop methodologies for estimating net realizable value of excess, obsolete, and unserviceable inventory, operating material and supplies, munitions, and missiles.

**Reason Action Not Completed:** Developing methodologies for different assets takes time to complete.

**Principal Action Office:** USD(C)

**Report:** D-2010-051, Defense Contract Management Agency Acquisition Workforce for Southwest Asia, 04/08/2010

**Description of Action:** Revise DoDI 5000.66 to require military departments and defense agencies to develop guidance to identify acquisition, technology and logistics workforce requirements in accordance with other DoD instructions and the Financial Management Regulation.

**Reason Action Not Completed:** Extensive time required to revise and coordinate instructions/guidance.

**Principal Action Office:** USD(AT&L)

**Report:** D-2010-058, Selected Controls for Information Assurance at the Defense Threat Reduction Agency, 05/14/2010

**Description of Action:** Develop and implement a process to identify information assurance personnel and monitor their certification status. Review active accounts and suspend inactive accounts in accordance with DTRA guidance.

**Reason Action Not Completed:** Extensive time required to develop, coordinate and implement the guidance.

**Principal Action Office:** DTRA

**Report:** D-2010-063, Analysis of Air Force Secondary Power Logistic Solution Contract, 05/21/2010

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Air Force

**Report:** D-2010-064, Army Vessels Maintenance Contracts in Southwest Asia, 05/21/2010

**Description of Action:** Review contract files to ensure appropriate documentation is included; revise standard operating procedures; correct contract funding; and determine whether an Antideficiency Act violation occurred.

**Reason Action Not Completed:** Reviewing the contract files and revising the standard operating procedures takes time to complete. The preliminary Antideficiency Act report to the U.S. Army Material Command was legally insufficient, and a reinvestigation was necessary.

**Principal Action Office:** Army

**Report:** D-2010-065, (U) Validity and Security of Selected DoD Civilian Employee Accounts, 05/25/2010

**Description of Action:** Report is Classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** DFAS

**Report:** 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

**Description of Action:** The Marine Corps Systems Command will require contracting officials to implement quality assurance surveillance plans and newly appointed Contracting Officers Representatives will be trained.

**Reason Action Not Completed:** Corrective actions are in process.

**Principal Action Office:** USMC

**Principal Action Office:** D-2010-075, Foreign Allowances and Differentials Paid to DoD Civilian Employees Supporting Overseas Contingency Operations, 08/17/2010

**Description of Action:** Finalize and issue uniform DoD-wide policies and procedures to accurately and consistently authorize foreign allowances and differentials. Review foreign allowances and differential paid records to identify inaccuracies and make the necessary adjustments.

**Reason Action Not Completed:** Extensive time required to coordinate with DoD components and agencies. Additional time needed to evaluate the scope of the inaccuracies and take the necessary corrective actions.

**Principal Action Office:** USD (P&R)

**Report:** D-2010-078, Air Force Use of Time-and-Materials Contracts in Southwest Asia, 08/16/2010

**Description of Action:** The Air Force Center for Engineering and Environment will review invoices for time-and-materials task orders, request that DCAA provide assistance and obtain reimbursements for incorrect charges with attention to \$24.3 million for labor charges invoiced by the contractors but not authorized by the task orders.

**Reason Action Not Completed:** AFCEE requested funds for the review effort and DCAA is conducting its audit.

**Principal Action Office:** Air Force

# Appendix F

**Report:** D-2010-081, Army Use of Time-and-Materials Contracts in Southwest Asia, 08/27/2010

**Description of Action:** The Army Contracting Command will take appropriate administrative action on applicable contracting officers, and will establish a plan for reviewing invoices for 18 contracts and request Defense Contract Audit Agency assistance. White Sands Missile Range will review a task order and obtain a refund from a contractor.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** D-2010-086, Audit of the Utility Tax Relief Program in Germany, 09/29/2010

**Description of Action:** Develop regulatory guidance requiring eligible civilian personnel to participate in the Utility Tax Avoidance Program in Germany; and develop a standard form to prove participation or ineligibility for the program.

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

**Principal Action Office:** USD(P&R)

**Report:** D-2010-087, Weaknesses in Oversight of Naval Sea System Command (NAVSEA) Ship Maintenance Contract in Southwest Asia, 09/27/2010

**Description of Action:** NAVSEA will negotiate fair and reasonable prices for repair parts on all future orders; improve quality assurance; review ongoing contracts to ensure use of funds is in compliance with guidance, and; obtain cost and pricing data for review with Defense Contract Audit Agency.

**Reason Action Not Completed:** Navy has not yet modified applicable contracts, random sampling of contracts for review is not complete, guidance on use of funds in accordance with guidance has not been completed, delays by contractor in providing cost and pricing data preventing DoD review.

**Principal Action Office:** Navy

**Report:** D-2010-088, Accountability and Disposition of Government Furnished Property in Conjunction With the Iraq Drawdown - Logistics Civil Augmentation Program, 09/30/2010

**Description of Action:** Defense Contract Management Agency-Iraq to (1) provide a sufficiently supported account of all management decisions and actions taken concerning the acceptance, use and disposition of unused trash trucks; (2) determine whether personnel or cost recovery actions were warranted; and (3) determine proper disposition of the trucks.

**Reason Action Not Completed:** Two of the three actions have been completed. The third action, contingent upon completion of the other two actions, accomplished in June 2011, is underway.

**Principal Action Office:** DCMA

**Report:** D-2010-091, DoD Needs to Improve Management and Oversight of Operations at the Theater Retrograde-Camp Arifjan, Kuwait, 09/30/2010

**Description of Action:** Develop appropriate performance requirements for processing materiel that are applicable, auditable and measurable and coordinate those requirements with the Contracting Officer for inclusion in the newly awarded contract.

**Reason Action Not Completed:** Negotiations are ongoing to further refine the performance metrics on the new contract and final agreement with the contractor is expected by Nov 2011.

**Principal Action Office:** Army

- ▶ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C. Appendix, Section 5(b)(4).
- ▶ For this reporting period, there were disallowed costs of \$29.2 million on reports over 12 months old with final action pending.

## Contract Audits with Significant Findings

### DCAA

<b>Report No. 06211-2011C17200010</b>	Date: April 11, 2011
Subject: Independent Audit of Statement of Costs	
Prepared For: CECOM (CCCE) Army Contracting Command	
Report: \$64.8 Million Questioned Cost	
The contractor's claim was questioned in its entirety, including \$56.3 million of claimed costs and \$8.5 million of claimed profit. The contractor (1) was unable to support its claimed costs by its books and records, (2) included costs duplicated in other claims, and (3) did not provide adequate supporting documentation to substantiate that claimed labor was incurred only as a result of the asserted extra-contractual changes.	
<b>Report No. 06321-2009C17900003</b>	Date: April 14, 2011
Subject: Independent Audit of Voluntary Disclosure Report	
Prepared For: Air Force Office of Special Investigations	
Report: \$30 Million Questioned Costs	
The audit of the contractor's proposed \$1.5 million net credit resulted in the determination that it was understated by \$30 million. Of the \$30 million understatement, \$26.6 million relates to the proposed credit for labor billed for unqualified employees. DCAA took exception to the methodology used by the contractor in computing its proposed credit. The recommended credit to the government represents the disallowance of (1) a retroactively applied equivalency factor, (2) labor categories which were billed to the government but were not required on the applicable task orders, and (3) hours for employees reassigned by the contractor to a lower category since they were not qualified for the billed category. The audit of the contractor's termination settlement proposal resulted in \$31.2 million of questioned unallowable, unallocable or unreasonable costs, including \$10.0 million of direct labor, gifts, and bonuses; and \$9.9 million of general project expenses and construction equipment rental or purchases.	
<b>Report No. 03321-2010S10180003</b>	Date: April 28, 2011
Subject: Independent Audit of Incurred Subcontractor Costs	
Prepared For: Defense Contract Management Agency - Phoenix	
Report: \$12.2 Million Questioned Cost	
The audit of the billed subcontract costs for operation of a dining facility resulted in \$12.2 million of questioned costs because the billed costs used headcount band prices that were not representative of the actual headcounts experienced. The contractor failed to incorporate lower headcount bands into the subcontract terms, even though the subcontractor proposed these levels.	
<b>Report No. 03151-2008U17900002</b>	Date: May 3, 2011
Subject: Independent Audit of Deferred Production Costs	
Prepared For: Department of the Air Force – Headquarters Launch and Range Systems Wing	
Report: \$114.1 Million Questioned Cost	
The report questioned the proposed costs in their entirety because (1) the proposed costs are not supported by accounting records; (2) the proposal and advance agreement to amortize the deferred costs over future launches is non-compliant with CAS 406; and (3) the deferred costs contain losses on other contracts which are expressly unallowable.	

# Appendix G

<b>Report No. 06331-2009L17900002</b>	Date: June 17, 2011
Subject: Independent Audit of Historical Costs Through July 31, 2009	
Prepared For: U.S. Army Corps of Engineers	
Report: \$29.6 Million Questioned	
The audit of the contractor's \$285.4million proposed costs resulted in questioned costs of \$29.6 million because the costs were not allowable, allocable or reasonable in accordance applicable FAR provisions or contract terms; were not incurred in accordance with the contractor's internal procurement manual; or the contractor did not obtain mandatory approvals or give timely notification to the USACE when required by the terms of the contract. Significant questioned costs include \$13.1 million of subcontractor costs, \$3.3 million of bond costs, and \$12.5million of insurance costs.	
<b>Report No. 03521-2007B10100001</b>	Date: July 5, 2011
Subject: Independent Audit of Incurred Costs	
Prepared For: Defense Contract Management Agency – Western Regional Command	
Report: \$104.9 Million Questioned Cost	
The audit of the contractor's incurred cost submission resulted in \$117.8 million of questioned costs of which \$104.9 million related to government contracts. The claimed medical insurance plan costs were questioned in their entirety because the contractor does not maintain adequate supporting documentation necessary to support the eligibility of dependents included under the plan.	
<b>Report No. 03321-2010S10180014</b>	Date: July 13, 2011
Subject: Independent Audit of FY 2004 Incurred Costs	
Prepared For: Defense Contract Management Agency - Phoenix	
Report: \$10.1 Million Questioned Costs	
The audit of the FY 2004 claimed subcontract costs for leased vehicles resulted in questioned costs of \$10.1million. Of the \$10.1 million questioned costs, \$2.1 million relates to claimed lease costs for a period of 40 days prior to the date the subcontract was signed without adequate evidence to support that the vehicles were actually received prior to the subcontract date; and \$7.9 million relates to unreasonable costs due to inadequate price competition in the selection of the vendor.	
<b>Report No. 03191-2011W17900001</b>	Date: July 29, 2011
Subject: Independent Audit of Direct Costs Invoiced Under an Other Transaction Agreement	
Prepared For: Defense Contract Management Agency – Navy Special Emphasis Operations	
Report: \$14.4 Million Questioned Cost	
The audit of the invoiced costs resulted in \$14.4 million of questioned costs because the contractor did not provide any source documentation to support the costs. The contractor stated the records were destroyed in a flood.	
<b>Report No. 06501-2011C19500006</b>	Date: August 17, 2011
Subject: Independent Audit of General Dollar Magnitude Cost Impact Proposal for Non-Compliance with CAS 409 (Depreciation of Tangible Capital Assets)	
Prepared For: Defense Contract Management Agency – Naval Sea Systems Operations	
Report: \$36.6 Million Increased Costs	
The audit of the contractor's general dollar magnitude cost impact proposal resulted in the identification of \$36.6 million of increased costs paid by the government for the period of January 1, 2005 to December 31, 2008 due to the contractor's use of asset service lives that were not developed in accordance with the requirements of Cost Accounting Standard 409.	
<b>Report No. 06211-2005C10100007</b>	Date: August 18, 2011
Subject: Independent Audit of FY 2005 Incurred Costs	
Prepared For: Defense Contract Management Agency – Cost and Pricing Center	
Report: \$15 Million	
The audit of the contractor's incurred cost proposal for allocation of service center costs to other segments resulted in \$15 million of questioned costs, including \$9.1 million of claimed corporate allocations in excess of the audit determined amount; \$6.3 million of intercompany billings for computer/information services at greater than cost; and \$1.9 million unallowable consultant or lobbying costs. The questioned costs were offset by a \$4.6 million upward adjustment for allowable restructuring costs not included in the proposal.	

<b>Report No. No. 06501-2011C19500005</b>	Date: August 18, 2011
Subject: Independent Audit of General Dollar Magnitude Cost Impact Proposal for Non-Compliance with CAS 404 (Capitalization of Tangible Assets)	
Prepared For: Defense Contract Management Agency – Naval Sea Systems Operations	
Report: \$17.1 Million Increased Costs	
The audit of the contractor's general dollar magnitude cost impact proposal for non-compliance with Cost Accounting Standard 404 resulted in the identification of \$17.1 million of increased costs paid by the government. The non-compliance is the result of the contractor's failure to allocate indirect costs to self-constructed assets for the period January 1, 2005 through December 31, 2009.	

<b>Report No. 06121/06211-2004C10100002</b>	Date: August 26, 2011
Subject: Independent Audit of FY 2004 Incurred Cost	
Prepared For: Department of the Treasury, Internal Revenue Service	
Report: \$50.4 Million Questioned Costs	
The audit of the incurred cost proposal resulted in \$50.4 million of questioned costs, including \$41.9 million of claimed direct contract costs and \$8.5 million of claimed indirect costs. The questioned direct costs consisted primarily of \$37.5 million of inadequately supported intercompany facilities and other costs; and \$3.6 million of unallowable material costs. The questioned indirect costs consisted of unallowable Corporate and Home Office allocations, consultant costs, subcontractor costs, and executive compensation.	

<b>Report No. 02191-2011M17200001</b>	Date: August 29, 2011
Subject: Independent Audit of Parts of a Price Adjustment Proposal	
Prepared For: Defense Logistics Agency – Troop Support Subsistence Directorate	
Report: \$375.7 Million Questioned Cost	
The audit of the contractor's price adjustment proposal to provide delivery of food, water, and construction materials to forward operating bases in Afghanistan resulted in questioned costs of \$375.8 million, including \$203.3 million of questioned aircraft lease costs due to questioned flight hours and lease rates; \$67.9 million of questioned fuel costs due to lack of supporting documentation; \$77.5 million of truck cost due to lack of supporting documentation and differences between the claimed amounts and vendor agreements or actual truck manifests; and \$23.5 million of overhead.	

<b>Report No. 06211-2005C10100001</b>	Date: September 15, 2011
Subject: Independent Audit of Final Incurred Cost Proposal for FY 2005	
Prepared For: Defense Contract Management Agency – Cost & Pricing Center	
Report: \$66.1 Million Questioned Cost	
The audit of the contractor's incurred cost proposal resulted in total questioned costs of \$66.1 million, including \$44.8 million of previously reported questioned T&M labor costs (06211-2009C17900004); \$13.1 million of intercompany direct costs; and \$7.1 million of home office or shared services allocations.	

<b>Report No. 03511-2010E10180001</b>	Date: September 29, 2011
Subject: Independent Audit of Direct Costs Incurred and Billed from August 25, 2006 to September 30, 2008	
Prepared For: U.S. Agency for International Development	
Report: \$32.2 million Questioned Cost	
The audit of the contractor's \$135.5 million billed costs resulted in \$32.2 million of questioned costs including \$32.0 million of inadequately supported subcontract costs and \$159K of questioned air fare in excess of the lowest standard air fare. The claimed subcontract costs were based on subcontractor invoices; however, contractor did not provide documentation supporting the delivery, receipt, or acceptance of the subcontracted products or services.	

## DoD IG

<b>Report No. D-2011-116</b>	Date: September 30, 2011
Subject: American Recovery and Reinvestment Act Wind Turbine Projects at Long-Range Radar Sites in Alaska Were Not Adequately Planned	
Report: To Be Determined	
The Air Force did not ensure that wind turbine project at Cape Newenham was properly planned and supported to meet the minimum savings to-investment ratio and payback criteria. DoD IG recommended that the project be terminated and that the deputy under secretary of defense (installations and environment) develop plans to use the resulting savings.	

# Appendix G

<b>Report No. D-2011-110</b>	Date: September 27, 2011
Subject: Better Management of Fuel Contracts and International Agreements in the Republic of Korea Will Reduce Costs	
Report: \$712,166 of Funds Put to Better Use	
DLA officials did not effectively administer the contract for operating Army service stations. This occurred because contracting officers and their representatives did not verify that the contractor was paid for only work performed and the contract lacked provisions for adjusting fixed charges to reflect changes in customer requirements.	
<b>Report No. D-2011-104</b>	Date: September 8, 2011
Subject: Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract With Sikorsky to Support the Corpus Christi Army Depot	
Report: \$49.6 Million of Funds Put to Better Use	
Army Aviation and Missile Life Cycle Management Command officials did not effectively negotiate prices for 28 of 46 noncompetitive spare parts reviewed because neither Sikorsky nor AMCOM officials performed adequate cost or price analyses of proposed subcontractor prices. Sikorsky also paid excessive prices to subcontractors (pass-through costs) and did not always provide the most current, complete, and accurate cost data (defective pricing). In addition, the CCAD/Sikorsky contract established excessive inflation rates that were not tied to an economic index.	
<b>Report No. D-2011-102</b>	Date: August 25, 2011
Subject: Afghan National Police Training Program Would Benefit From Better Compliance With the Economy Act and Reimbursable Agreements	
Report: \$75.6 Million of Funds Put to Better Use	
Department of State Bureau of International Narcotics and Law Enforcement Affairs officials improperly obligated an estimated \$76.65 million of Afghanistan Security Forces Fund appropriations that DoD provided to support the ANP training program. Specifically, INL officials obligated an estimated \$75.60 million of funds for two INL rule of law programs and one INL counternarcotics program and \$1.05 million of funds for personal services contracts contrary to either Economy Act or reimbursable agreement limitations. This occurred because DoD did not appropriately monitor INL obligations, and INL did not have adequate procedures to ensure it obligated funds in accordance with the Economy Act and reimbursable agreements.	
<b>Report No. D-2011-080</b>	Date: July 7, 2011
Subject: DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program	
Report: \$124.6 Million of Funds Put to Better Use	
DOS officials did not appropriately obligate or return to DoD approximately \$172.40 million of approximately \$1.26 billion of DoD funds provided for the ANP training program. This occurred because DOS lacked adequate procedures for obligating, monitoring, and deobligating DoD funds for the ANP training program. Moreover, DoD officials did not validate whether the Bureau of International Narcotics and Law Enforcement Affairs officials obligated funds in accordance with the reimbursable agreements. In addition, the DOS contracting officer's representative approved contractor invoices for payment for approximately \$2.07 million that were either not authorized or were for services not provided. This occurred because DOS officials did not always perform a detailed review of invoices before payment and relied on a post-payment review of invoices to identify overpayments and obtain refunds from the contractor.	
<b>Report No. D-2011-061</b>	Date: May 3, 2011
Subject: Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract with Boeing to Support the Corpus Christi Army Depot	
Report: \$287.8 Million of Funds Put to Better Use	
Army Aviation and Missile Life Cycle Management Command officials did not effectively use \$339.7 million of existing DoD inventory before procuring the same parts from Boeing because DoD had inadequate policies and procedures addressing inventory use. In addition, AMCOM officials did not effectively negotiate prices for 18 of 24 high-dollar parts reviewed because neither AMCOM officials nor Boeing officials performed adequate cost or price analyses, and Boeing officials submitted cost or pricing data that were not current, complete, and accurate. Further, AMCOM officials overstated repair turnaround time improvements because they used inconsistent methodologies for calculating baseline and actual performance, showing a 46.7 percent improvement instead of an actual improvement of 26.1 percent to 36.9 percent. Also, AMCOM officials did not use the most cost-effective source of supply for consumable items because DoD had not developed an effective material management strategy.	

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

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## Results of Peer Reviews

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

The Department of Health and Human Services OIG conducted an external peer review of DoD IG Office of Audit and issued a final report on December 2, 2009. DoD IG received a peer review rating of pass. There are no outstanding recommendations. A copy of the external quality control review report can be viewed on at [www.dodig.mil/audit](http://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 OIG audit organization and issued a final report on March 31, 2010. USPS OIG received a peer review rating of pass. All outstanding recommendations have been implemented as of March 31, 2011. A copy of the external quality control review report in its entirety can be viewed on the USPS OIG website at [www.uspsoig.gov](http://www.uspsoig.gov).

### Peer Review of DCIS Operations by the U.S. Department of Health and Human Services Office of Inspector General

The U.S. Department of Health and Human Services OIG conducted an external peer review of DCIS's system of internal safeguards and management procedures in effect through July 2011 and HHS OIG also conducted an evaluation to determine DCIS' compliance with applicable internal policies and procedures from April 2009 to July 2011. Since DCIS does not derive its statutory law enforcement authority from the Attorney General or the Inspector General Act, it is not subject to the Council of the Inspectors General on Integrity and Efficiency thus DCIS's participation in this peer review was voluntary. After completing its review of DCIS, the HHS OIG issued a final report dated August 19, 2011, and concluded that the system of internal safeguards and management procedures for DCIS was in full compliance with the quality standards established by CIGIE and the Attorney General guidelines. These safeguards and procedures provide reasonable assurance that DCIS is conforming to the professional standards for investigations established by CIGIE.

- ▶ 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

ADA	Antideficiency Act	FAR	Federal Acquisition Regulation
ADFM	Active Duty Family Member	FBI	Federal Bureau of Investigation
AFAA	Air Force Audit Agency	FMTV	Family of Medium Tactical Vehicles
AFAA/FS	Air Force Audit Agency Financial Systems Audits Directorate	FOUO	For Official Use Only
AFAA/QL	Air Force Audit Agency Acquisition and Logistics Audits Directorate	GSA	General Services Administration
AFAA/SP	Air Force Audit Agency Support and Personnel Audits Directorate	HHS	Health and Human Services
AFB	Air Force Base	IG	Inspector General
AFCEE	Air Force Center for Engineering and Environment	IRS	Internal Revenue Service
AFOSI	Air Force Office of Special Investigations	ISAF	International Security Assistance Force
AIR	Aviation Into-Plane Reimbursement	ISF	Iraq Security Forces
AMCOM	Army Aviation and Missile Life Cycle Management Command	LOGCAP	Logistics Civil Augmentation Program
ANP	Afghan National Police	MRAP	Mine Resistant Ambush Protected Vehicles
ANSF	Afghan National Security Forces	NATO	North Atlantic Treaty Organization
Army CID	Army Criminal Investigation Command	NAVAUDSVC	Naval Audit Service
ASD(HA)	Assistant Secretary of Defense for Health Affairs	NCIS	Naval Criminal Investigative Service
ASD(NII)	Assistant Secretary of Defense for Networks and Information	NGA	National Geospatial Intelligence Agency
ASD(PA)	Assistant Secretary of Defense for Public Affairs	NORTHCOM	U.S. Northern Command
ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives	NSA	National Security Agency
BRAC	Base Realignment and Closure	OCCL	Office of Communications and Congressional Liaison
CAPS-C	Computerized Accounts Payable System-Clipper	OCO	Overseas Contingency Operations
CIGIE	Council of Inspectors General for Integrity and Efficiency	ODO	Other Defense Organizations
DCAA	Defense Contract Audit Agency	OIG	Office of Inspector General
DCIS	Defense Criminal Investigative Service	OMB	Office of Management and Budget
DCMA	Defense Contract Management Agency	PDHRA	Post Deployment Health Reassessment
DEA	Drug Enforcement Administration	PRC	People's Republic of China
DFAS	Defense Finance and Accounting Service	UCA	Undefinitized Contractual Actions
DLA	Defense Logistics Agency	USAAA	U.S. Army Audit Agency
DoD	Department of Defense	USACE	U.S. Army Corps of Engineers
DoDD	Department of Defense Directive	USACIL	United States Army Criminal Investigation Laboratory
DoD IG	Department of Defense Inspector General	USAF	U.S. Air Force
DoJ	Department of Justice	USAID	United States Agency for International Development
DoN	Department of the Navy	USCYBERCOM	United States Cyber Command
DOS	Department of State	USD(AT&L)	Under Secretary of Defense (Acquisition, Technology and Logistics)
DSS	Defense Security Service	USD(C)	Under Secretary of Defense (Comptroller)
DTRA	Defense Threat Reduction Agency	USFK	United States Forces-Korea
ESPC	Energy Savings and Performance Contracts	USMC	United States Marine Corps
		USML	U.S. Munitions List
		USPS	United States Postal Service



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# Inspector General Department of Defense

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