

Inspector General

United States
Department *of* Defense



Semiannual Report to the Congress

April 1, 2009 - September 30, 2009

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Key IG Accomplishments During this Reporting Period

RESULTS IN KEY CATEGORIES

SUMMARY OF AUDIT ACTIVITIES

Reports Issued.....	53
Monetary Benefits	
Recommendations Made on Funds Put to Better Use.....	\$695 million
Achieved Monetary Benefits (Funds Put to Better Use).....	\$875 million

SUMMARY OF INVESTIGATIVE ACTIVITIES¹

Total Returned to the U.S. Government.....	\$993 million
Civil Settlements.....	\$883 million
Civil Judgments.....	\$53 million
Administrative Recoveries ²	\$54 million
Recovered Government Property.....	\$3 million
Investigative Cases	
Indictments.....	197
Convictions.....	175
Suspensions.....	55
Debarments.....	81

Administrative Investigations

Cases Received.....	504
Cases Closed.....	485
Senior Official Investigations.....	239
Reprisal Cases.....	246

SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES

Existing and Proposed Regulations Reviewed.....	159
Evaluation Reports Issued.....	10
Inspector General Subpoenas Issued.....	224
Voluntary Disclosure Program Recoveries.....	\$4 million

SUMMARY OF INTELLIGENCE ACTIVITIES

Intelligence Reports Issued.....	10
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SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES

Assessment Reports Issued.....	5
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SUMMARY OF DEFENSE HOTLINE ACTIVITIES

Contacts.....	7,421
Cases Opened.....	1,153
Cases Closed.....	909

¹ Includes investigations conducted jointly with other law enforcement organizations.

² Includes contract cost adjustments, military non-judicial punishments, and voluntary contractor disclosures.

Message from the Inspector General



I am pleased to provide the Department of Defense Inspector General Semiannual Report to Congress for the reporting period April 1, 2009 to September 30, 2009. We have been aggressively working on the behalf of the warfighters and taxpayers to identify fraud, waste, and abuse and improve the operations and programs of the Department.

During this reporting period, the DoD IG has produced 53 audits, 10 evaluations, 10 intelligence reviews, and five assessments. In addition, the Defense Criminal Investigative Service, working closely with counterpart law enforcement agencies, was responsible for returning \$993 million in fines, restitutions, and recoveries to the U.S. government. Investigations resulted in 197 indictments and 175 convictions. Our auditors identified \$695 million of funds put to better use. Our Defense Hotline handled over 7,000 contacts.

The importance of our oversight work is signified by the enormity of the Department's mission, the numerous assets that DoD utilizes to accomplish its mission, the magnitude of the \$600 billion dollar budget, and the over three million personnel who are part of the DoD family, many of whom serve in harm's way each and every day.

While the DoD IG is responsible for providing oversight to improve the efficiency, transparency, and accountability of the Department, we accomplish this mission in partnership with other federal and Defense agencies. This report also includes summaries of work being done by our counterpart Defense oversight organizations, including the Defense Contract Audit Agency, the Army Audit Agency, the Naval Audit Service, the Air Force Audit Agency, the Army Criminal Investigation Command, the Naval Criminal Investigative Service, and the Air Force Office of Special Investigations.

The executive summary covers critical areas of oversight for the Department including fuel theft and corruption, financial transactions, Recovery Act initiatives, and munitions accountability. The featured article in this report reviews protections for whistleblowers and how their disclosures ultimately benefit the Department, the taxpayer, and most importantly—America's warfighters.

Section II of this report, *Accomplishments of the DoD IG*, highlights our work providing oversight of Overseas Contingency Operations and oversight of DoD programs. The operations section includes spotlights on the Afghan Security Forces, the Commander's Emergency Response Program, and fraud and corruption overseas.

I want to emphasize that one of our top priorities is oversight of the Department's operations in Iraq and Afghanistan and its assistance programs in support of the Government of Pakistan. I have created a new position, the Special Deputy Inspector General for Southwest Asia, in order to improve communications and address mission requirements in the region. Due to the upcoming strategic realignment of U.S. troops in Southwest Asia, it is essential that assets are accounted for and that there is a process for the proper transfer, reset, or disposal of these assets from the military, civilians, and contractors. We are also conducting several reviews of asset accountability as requested by the Commander, U.S. Central Command.

In closing, I want to express my appreciation for the accomplishments of all DoD IG employees and commend the entire Defense oversight community on their professionalism, dedication, and devotion to service. We want to thank the service members, who inspire our work, for their service and sacrifice. We look forward to the continued support of Congress and the Department to improve management, strengthen accountability and transparency, and ensure the most efficient use of taxpayer dollars.

A handwritten signature in dark ink, reading "Gordon S. Heddell". The signature is fluid and cursive, with the first name "Gordon" being the most prominent.

Gordon S. Heddell
Inspector General

Department of Defense
Inspector General
Semiannual Report to the Congress
April 1, 2009 to September 30, 2009



Inspector General Act of 1978,
as amended
Title 5, U.S. Code, Appendix

2. Purpose and establishment of Offices of Inspector General;
departments and agencies involved

In order to create independent and objective units--

- (1) to conduct and supervise audits and investigations relating to the programs and operations of the establishments listed in section 11(2);
- (2) to provide leadership and coordination and recommend policies for activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations; and
- (3) to provide a means for keeping the head of the establishment 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;

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DoD IG 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.

IG Act References	Reporting Requirements	Page
Section 4(a)(2)	"review existing and proposed legislation and regulations...make recommendations..."	N/A
Section 5(a)(1)	"description of significant problems, abuses, and deficiencies..."	17-60
Section 5(a)(2)	"description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies..."	17-60
Section 5(a)(3)	"identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed..."	165-166
Section 5(a)(4)	"a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted."	17-60
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, inspection, evaluation report issued." showing dollar value of questioned costs and recommendations that funds be put to better use.	110-124
Section 5(a)(7)	"a summary of each particularly significant report..."	17-60
Section 5(a)(8)	"statistical tables showing the total number of audit reports and the total dollar value of questioned costs..."	125
Section 5(a)(9)	"statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management..."	125
Section 5(a)(10)	"a summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period..."	125
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 804 [sic] 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(b)(2)	"statistical tables showing the total number of audit reports and the dollar value of disallowed costs..."	126
Section 5(b)(3)	"statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision..."	126
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..."	129-165
Section 8(f)(1)	"information concerning the number and types of contract audits..."	127

DoD IG MISSION & EXECUTIVE SUMMARY



SERVING THE CONGRESS AND THE DEPARTMENT

DEPARTMENT OF DEFENSE INSPECTOR GENERAL

The 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. We are dedicated to serving the warfighter and the taxpayer by conducting audits, investigations, inspections, and assessments that result in improvements to the Department. We provide guidance and recommendations to the Department of Defense and the Congress.

MISSION

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

VISION

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

CORE VALUES

Accountability • Integrity • Efficiency

SERVING THE WARFIGHTER



SERVING THE TAXPAYER



Goal 1

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

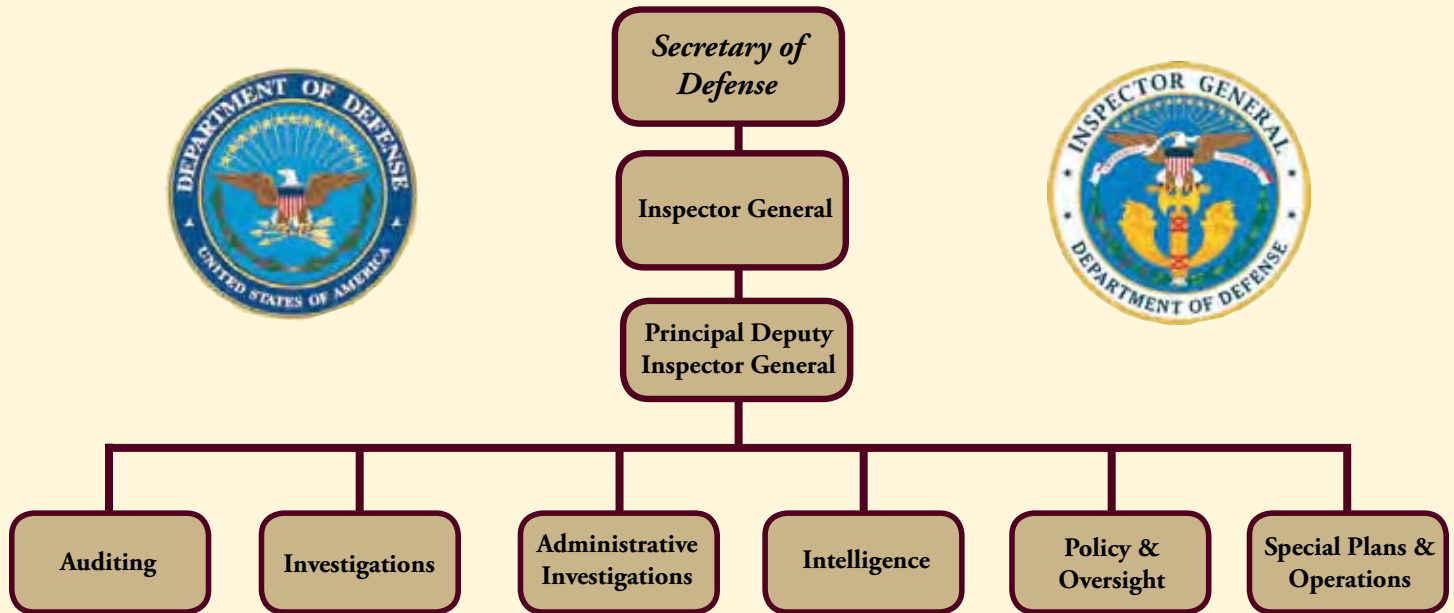
Goal 2

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

Goal 3

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

ORGANIZATION AND MISSIONS OF THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL



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 Defense Criminal Investigative Service is the criminal investigative arm of the DoD IG. At the direction of the Office of the Deputy Inspector General for Investigations, DCIS protects America's warfighters by conducting criminal investigations in support of crucial national Defense priorities.

ADMINISTRATIVE INVESTIGATIONS

The Office of the Deputy Inspector General for Administrative Investigations investigates and provides oversight of 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 for mental health evaluations for service members.

INTELLIGENCE

The Office of the Deputy Inspector General for Intelligence provides oversight by conducting 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 the Department of Defense.

POLICY AND OVERSIGHT

The Office of the Deputy Inspector General for Policy and Oversight provides oversight and policy for audit, investigative, and hotline activities in the Department; conducts inspections and evaluations of DoD programs; and provides technical advice and support to DoD IG projects.

SPECIAL PLANS AND OPERATIONS

The Office of Special Plans and Operations facilitates informed decision-making by senior leaders of the Department of Defense and U.S. Congress to accomplish national security objectives and support the warfighter, with current emphasis on the war on terrorism and Southwest Asia.

Department of Defense

Where We Are Today

ADDRESSING DOD CHALLENGES



The Department of Defense Inspector General performs audits, investigations, inspections, and assessments to support the Department's mission and goals to:

- Successfully Conduct Overseas Contingency Operations
- Reorient Capabilities and Forces
- Reshape the DoD Enterprise
- Develop a 21st Century Total Force
- Achieve Unity of Effort

Each year the DoD IG identifies the most serious management and performance challenges facing the Department and assesses its progress in addressing those challenges. The DoD IG identified the following challenges for fiscal year 2009:

- Financial Management
- Acquisition Processes and Contract Management
- Joint Warfighting and Readiness
- Information Assurance, Security and Privacy
- Health Care
- Equipping and Training Iraqi and Afghan Security Forces
- Nuclear Enterprise
- American Recovery and Reinvestment Act



DoD IG: Providing Oversight & Focusing on Critical Areas

Looking Forward

The DoD IG is focusing its resources and work force in critical areas for the Department to improve its programs and operations. Independent oversight of the Department is essential to ensure the public's confidence and to protect the warfighters.

The complete IG Summary of Management and Performance Challenges for FY 2009 is published with the DoD Agency Financial Report and can be viewed at www.defenselink.mil/comptroller/afr



Protecting the Total Force

- Body armor and armored vehicles
- Ensuring reliable equipment and vehicles

Fuel Theft and Corruption

- Procurement and distribution
- Implementing internal controls

Financial Transactions

- Defense Finance and Accounting Service - Rome
- Commander's Emergency Response Program

Recovery Act Initiatives

- Ensuring responsible distribution of funds
- Recovery Act conference

Training and Equipping - Afghanistan

- Security force development
- Mentoring and training teams

Accountability of Munitions

- Logistics supply chain
- Weapons Investigative Cell

To learn more about the Department of Defense Inspector General, please visit us on the Web at www.dodig.mil

Protecting the Total Force

The DoD IG remains committed to providing oversight of force protection related issues in Overseas Contingency Operations.

Accordingly, the DoD IG is conducting audits and investigations focused on armor capabilities such as body armor and armored vehicles to protect forces while maintaining a high level of mobility and survivability.



Body Armor



The DoD IG is performing a series of audits addressing the body armor used to equip deployed forces in Iraq and Afghanistan. The DoD IG is examining the contracts and contracting process for body armor and related test facilities, including evaluating the background and qualifications of the contractors, the criteria for awarding the contracts, the quality assurance process, and any relationships that may exist between the contractors and government officials. The review of the quality assurance process will include reviewing the results of first article testing and lot acceptance testing for the body armor contracts.

In addition, DoD IG is determining whether DoD is effectively managing the operations and support phase of the acquisition process for body armor components. During the course of this audit, the DoD IG identified that individual body armor of airmen in Kuwait en route to Iraq did not meet the required level of ballistic protection for the U.S. Central Command theater of operations. The DoD IG issued a quick reaction memorandum to AFCENT, which took immediate action to ensure that all airmen have body armor that meets the required level of protection.

Armored Vehicles

Continuing its oversight of armored vehicles, during its audit of Marine Corps' Management of the Recovery and Reset Programs, issued April 2009, the DoD IG found that the Marine Corps requested and received approximately \$10 million in supplemental funds for replacing four light armored vehicles that were not actual combat losses. The Marine Corps took effective action and did not include combat attrition in its reporting of combat losses.

In a second review of armored vehicles, the DoD IG is reviewing the maintenance and support of the Mine Resistant Ambush Protected vehicle. Specifically, the DoD IG is determining whether the MRAP vehicle program and contracting officials are adequately supporting MRAP vehicle maintenance requirements and appropriately awarding and administering maintenance contracts.

The DoD IG is also reviewing the Army acquisition actions in response to the threat to light tactical wheeled vehicles. The DoD IG is determining whether the Army effectively managed efforts to develop, test, and acquire armor solutions for light tactical wheeled vehicles. These solutions are needed in response to the threat to high mobility multipurpose wheeled vehicle variants and use in developing the next-generation vehicle. In addition, the DoD IG is determining whether DoD exercised adequate operational and live-fire test oversight of the Army's HMMWV program.

Fuel Theft and Corruption

The DoD IG has recognized fuels as an area subject to theft and abuse in DoD operations. Recently, some of the most significant fuel losses in Southwest Asia were caused by theft either before the tankers reached U.S. military bases or once on base.

The DoD IG is diligently pursuing the theft of fuel affecting DoD operations in Southwest Asia. Through audits and investigations of recent fuel losses and management of fuels, the DoD IG identified that poor internal controls and, in some cases, an absence of controls, directly contributed to problems with fuel accountability. This was attributed to inadequate training or lack of management oversight by contractors and DoD personnel. DoD auditors have also reported problems with billing and collecting fuel payments from Coalition partners.

The DoD IG is aggressively overseeing DoD controls over fuels in Iraq and Afghanistan. In conjunction with partner agencies in the National Procurement Fraud Task Force and International Contract Corruption Task Force, the DoD IG investigates those who seek to steal or collaborate in the theft of fuels. The investigations and subsequent prosecutions help ensure the fuel is not diverted to support the insurgencies in Iraq and Afghanistan.

DoD IG reports identified that fuel availability and distribution within the Afghan National Police was proving to be a systemic problem due primarily to corruption. Corruption, combined with hoarding fuel, has repeatedly created a bottleneck in the ability to distribute fuel from the provincial to the district police headquarters directly affecting security in the region.



Fuel Distribution in Southwest Asia

The DoD IG is also auditing Class III fuel procurement and distribution in Southwest Asia to determine whether fuel used for ground operations in Southwest Asia to support Operations Iraqi Freedom and Enduring Freedom is procured and distributed efficiently and effectively. The primary objectives are to determine whether fuel is procured at fair and reasonable prices, distributed economically and efficiently to operational commands, and supply points maintain accurate inventories. The DoD IG is examining many of these same issues in a review of the Defense Energy Support Center's award of a series of contracts to the International Oil Trading Company for the delivery of fuel through Jordan to U.S. troops in Iraq.

The DoD IG, in partnership with the National Procurement Fraud Task Force, identified fuel theft in Iraq and Afghanistan, which resulted in six convictions and identified over \$40 million in stolen fuel. One DoD IG investigation determined that three DoD contractors in Afghanistan accepted bribes from truck drivers in return for falsified documents confirming delivery of fuel. Forty-eight truckloads of fuel, valued at over \$800,000, were sold to parties outside the airfield. The first contractor to be sentenced was incarcerated for 84 months.

The DoD IG wanted to include U.S. military personnel and contractors in the solution. The DoD IG developed a series of fraud indicators specific to fuel theft in Southwest Asia and began briefing incoming personnel on these indicators and the associated reporting requirements in an effort to highlight the problem and hold guilty parties accountable.

Financial Transactions

The DoD IG is actively and aggressively combating illegal and improper expenditures and improving accountability of DoD resources that support operations in Southwest Asia and surrounding areas. Adequate management controls of financial transactions and oversight to verify that proper safeguards are in place and working as intended are essential in the fight against corruption, fraud, waste, and abuse. Conditions where internal controls are severely lacking or proper oversight is minimal create opportunities for corruption, fraud, waste, and abuse. As part of its overall oversight on financial transactions, the DoD IG is focused on analyzing the financial data already collected and stored at DFAS-Rome as well as the Commander's Emergency Response Program.

Defense Finance and Accounting Service-Rome, N.Y.

The DoD IG continues its proactive interagency project to analyze more than \$14 billion in payment vouchers related to U.S. Army purchases in Iraq and Afghanistan. The DoD IG uses data mining and predictive analysis to identify potential fraud and corruption and support ongoing investigations and oversight related to the war effort in Iraq and Afghanistan.

In the past six months, approximately 1,000 vouchers representing more than \$90 million in payments were provided to DCIS and its partners to support seven investigations. Since the DFAS - Rome data mining program began, auditors and investigators have compared more than 3,000 names to financial activity reports.

More than 200 of those names have been associated with a report that will be further scrutinized to determine if a full investigation of theft from the U.S. government is warranted. Additionally, another 13,000 names have been culled from DFAS' stored data and are in the process of being compared to financial activity reports for theft indicators. It is anticipated that well over 20,000 names will be compared to the financial activity reports via this initiative. The DoD IG is also expanding its financial analysis efforts and knowledge to perform additional financial related reviews in Afghanistan, including the Commander's Emergency Response Program.

Commander's Emergency Response Program

The DoD IG remains committed to ensuring adequate oversight of the expenditure of CERP funds. The CERP program enables local commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by carrying out programs that will immediately assist the indigenous population.

DoD IG audits and investigations have revealed occasions where soldiers with limited contracting experience were responsible for administering CERP funds. In some instances, there appeared to be scant, if any, oversight of the manner in which funds were expended. Complicating matters further is that in some Southwest Asian nations paying bribes and gratuities to government officials is a common business practice. Taken in combination, these factors led the DoD IG to collectively scrutinize CERP expenditures.

In 2006 and 2007, DoD IG began to identify weaknesses and unnecessary risks in DoD's implementation of CERP in Afghanistan. At that time, the established controls for CERP were not effective in many cases. One joint Army CID/DCIS investigation revealed U.S. citizens bribed U.S. Army contracting officers responsible for CERP

procurements. The DoD IG also found that some projects did not fully achieve the intent of CERP; there was a lack of appropriate physical security for storing cash, and some pay agents inappropriately disbursed cash. These weaknesses also led to inconsistent program implementation, unnecessary requirements, and insufficient documentation.

The DoD IG launched "PROJECT: CERP" to detect, analyze, and investigate fraud and corruption involving CERP funds. The DoD IG initiates separate investigations as potential criminal activities are discovered. In conjunction with the project, DCIS special agents and partner law enforcement agencies have begun providing fraud awareness briefings to incoming and newly assigned military project purchasing officers and pay agents responsible for administering CERP funds.



Recovery Act

In passing the American Recovery and Reinvestment Act of 2009 (Public Law 111-5), Congress provided supplemental appropriations to preserve and create jobs; promote economic recovery; assist those most affected by the recession; provide investments to increase economic efficiency through technological advances in science and health; and invest in transportation, environmental protection, and other infrastructure. Under the Recovery Act, Congress appropriated to DoD a total of \$7.4 billion for Energy Conservation Investment, Facilities Sustainment, Restoration, and Modernization, Homeowners Assistance Program, Military Construction, and Near Term Energy-Efficient Technologies. The U.S. Army Corps of Engineers received a \$4.6 billion appropriation for its civil works program, including \$2 billion for construction and \$2.075 billion for operations and maintenance.

DoDIG is executing a joint oversight approach with the service audit agencies to ensure maximum and efficient coverage of Recovery Act plans and implementation. The service audit agencies are focusing on determining whether their service is implementing the Act in accordance with the requirements of the Act, OMB guidance and subsequent related guidance. Consistent with the audit approach used by the DoD IG, the service auditors will focus on the planning, funding, project execution, and tracking and reporting of Recovery Act projects.

The DoD IG reviewed the DoD Agency plan and four of the five program specific plans (as of September 2009, DoD had not issued the Homeowners Assistance Program plan) and determined that they met the 12 minimum OMB requirements. USACE released its final Agency plan and nine program specific plans for review in September 2009; the DoD IG will issue the results of its review in the first quarter of FY 2010. The DoD IG is planning to evaluate DoD's implementation of plans for the Recovery Act of 2009. The audits will cover the planning, funding, project execution, and tracking and reporting of Recovery Act projects to ensure that the efforts of the military services and defense agencies facilitate accountability and transparency. A predictive analytics modeling approach was used to select DoD projects during the initial oversight activity. Factors, such as type of project, place of performance, dollar value, and number of projects in a district or location, were identified that may be correlated with different levels of risk. Using the factor weights, projects were ranked as to the likelihood of improper performance.



The DoD IG has noted that execution of the Recovery Act is not moving as quickly as the Department had planned, and much of the spending and actual work on the projects will not occur until FY 2010. This delay will impact the Recovery Act goals of commencing expenditures and activities as quickly as possible consistent with prudent management and could place added pressure on the Department's contracting professionals to award contracts in an expedited manner, thus potentially impacting the Recovery Act and Department's goal to competitively award a large portion of the contracts.

In August 2009, the DoD IG hosted a two-day Recovery Act Conference in Arlington, Virginia. Representatives from the Recovery Accountability and Transparency Board, the U.S. Department of Justice Antitrust Division, the Naval Facility Engineering Command Office of Inspector General, the U.S. Army Legal Services Procurement Fraud Branch, and DoD IG components made presentations. The conference provided the attendees with an overview of DoD IG's role in providing oversight on the expenditures of DoD Recovery Act funds, kicked off the DoD IG Recovery Act Training and Outreach Initiative, and offered the attendees an opportunity to network and exchange ideas for joint investigative efforts as they relate to the Recovery Act.

The DoD IG Recovery Act Training and Outreach Initiative goals are to educate federal, state, and local employees and contractors about the Recovery Act and the role of the Department in supporting the goals of the Act. This initiative also emphasizes the prevention and reporting of fraud, waste, abuse, and corruption on Recovery Act-funded contracts and grants. Individuals are encouraged to promptly report wasteful spending and criminal activities involving the use of Department and, more specifically, Recovery Act funds.

Training and Equipping the Afghan National Security Forces

Critical to achieving U.S. national security objectives in Southwest Asia is “developing increasingly self-reliant Afghan security forces that can lead the counterinsurgency and counterterrorism fight with reduced U.S. assistance.” To achieve this objective, Congress has provided approximately \$19 billion to the Afghanistan Security Forces Fund to fund the “train and equip” mission performed by U.S. forces in Afghanistan.

To that end, the responsible military authority, the Combined Security Transition Command–Afghanistan, has made notable progress in the development of the Afghan National Security Forces’ doctrine, training, leader development, material/logistics, and international cooperation with organizations contributing to ANSF capacity building.

CSTC-A and the Afghan National Army have surpassed their goal of fielding 84,000 soldiers by the end of FY 2009, and the ANA is on-track for expanding to 134,000 by December 2011. The ANA now participates in almost all combat operations, takes the lead in more than 50 percent of them and has established a reputation with their U.S., Coalition and ISAF counterparts as ready and capable fighters.

As of May 2009, the Afghan National Police had approximately 81,000 personnel assigned to meet a recently-increased authorized size of 96,800 personnel. Pay and rank reform initiatives were largely completed in 2008 and 52 selected districts are gaining or have gained more advanced capability via the Focused District Development program. Finally, an Integrated Civil-Military Assistance Group has been established to coordinate U.S. interagency actions in support of ANA and ANP development.

However, much work remains. CSTC-A, Coalition, and ISAF mentoring and training teams have historically been under-resourced against required personnel levels. In March 2009, only 40 percent of the 2,375 authorized billets for the police mentoring teams were filled. This has delayed the development of the ANA and ANP. The DoD approved deployment of a second brigade combat team to support the ANSF train and equip mission, which, when deployed, will increase the fill rate of current training/mentoring personnel requirements to excess of 90 percent. Moreover, expanding the ANA and ANP beyond the current approved ceilings will require additional U.S., Coalition, and ISAF personnel resources to be assigned in support of the train and equip mission.

The ANSF logistics sustainment capability significantly lags its operational capacity. U.S., Coalition, and ISAF trainers and mentors; staff members in the Afghan Ministries of Defense and Interior; as well as ANSF commanders in the field, uniformly described fundamental shortcomings with the ANSF logistics system. Several factors have contributed to this situation, including the previous priority given to combat force generation, lack of equipment, difficult geography and terrain, problems with facility construction and equipment availability, the lingering effects of Soviet-imposed military logistics doctrine, and Afghan cultural mores. While these and other areas require continued careful attention and much work remains, CSTC-A, and its mentoring and training teams merit recognition for the significant progress they have made conducting an extremely complex and difficult mission.



Accountability of Munitions

The mission of the munitions logistics supply chain is to provide an effective end-to-end system that delivers materiel to the warfighter while maintaining the security and safety of the materiel and the public. Inherent in this mission is the requirement to implement procedures and mechanisms throughout the supply chain that ensure accountability and control of munitions while enabling mission execution.

To ensure proper oversight of this complex system, the DoD IG has conducted a series of audits, assessments, and investigations regarding the accountability and control of U.S. weapons and ammunitions provided to Iraqi and Afghan security forces.

In Iraq, the DoD IG has been a leader in the interagency Weapons Investigative Cell, established in 2007, to explore potential criminal violations related to weapons accountability and control. The WIC is currently working with Iraqi government officials and places special emphasis upon allegations involving diversion of weapons to insurgent groups and weapons transported outside of Iraq. The WIC identified numerous criminal allegations deemed worthy of investigation.

Additionally, the DoD IG is a lead agency in the Iraqi Firearms Interdiction and Recovery Effort, an interagency initiative designed to proactively deter the illegal diversion of firearms, including DoD weapons, to the U.S. and other countries. I-FIRE attempts to identify potential methods and routes used to illegally export and smuggle weapons out of Iraq as trophies or for profit. The multi-stage project is designed to reduce arms smuggling through education, interdiction, investigation and prosecution.

In Afghanistan, the DoD IG conducted a physical count of 11,134 weapons at Depot 1, the national weapons storage depot for the Afghan National Army, to determine whether CSTC-A could correctly account for weapons purchased with the Afghanistan Security Forces Fund. During the audit, it became evident that CSTC-A did not have standard operating procedures for receipt, storage and issue of munitions or a formal process in place to transfer

weapons to the Afghan National Army. Further, CSTC-A records did not list all weapons by serial number, and accountability systems used at Depot 1 had significant data integrity problems. In response to the audit, CSTC-A has implemented corrective actions to address the problems.

In January 2009, the Commander, U.S. Central Command communicated his concern regarding weapons accountability in Afghanistan, and requested a DoD IG assessment. The DoD IG deployed a team to Afghanistan in March 2009 to assess the munitions supply chain from port of entry, through transportation, storage, distribution and formal turnover to the Afghan National Security Forces, to issuing weapons to individual Afghan military and police personnel.

The team found that since June 2008, CSTC-A had made significant progress toward improving internal munitions accountability and control due to excellent leadership supported by the impressive commitment of its training and mentoring teams. The ANSF, comprised of the army and police, had also developed more effective systems for munitions accountability and control due to clear and forceful weapons oversight guidance issued by the Ministers of Defense and Interior and reinforced by the vigorous support of CSTC-A, Coalition and ISAF training and mentoring personnel.

However, CSTC-A and the ANSF still each need to make additional munitions oversight progress. The Afghan Police significantly lag the Army in establishing a comprehensive oversight system, including developing a “culture of accountability.” Recent oversight improvements achieved must be reinforced and institutionalized through continuous U.S., Coalition, and ISAF training and mentoring, and Afghan government leadership. Finally, without sufficient and appropriately trained U.S. and international police mentors, the rate of development of Ministry of Interior and Police oversight capability will be impeded.



Summary of Performance

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

- Overseas Contingency Operations
- Acquisition management
- Contract administration and oversight
- Financial stewardship
- Information security and information technology
- Health care for the service members and their families
- Force protection
- Implementation of the American Recovery and Reinvestment Act

Investigations focused resources on the following areas of criminal activity:

- Corruption and fraud
- Defective, substituted, and substandard products
- Cybercrime and computer intrusion
- Illegal transfer of technology, systems, and equipment
- Homeland security/terrorism

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

Results Attained

AUDIT

Reports Issued	53
Potential funds put to better use	\$695 million
Achieved monetary benefits	\$875 million

INVESTIGATIONS

Indictments	197
Convictions	175
Suspensions	55
Debarments	81
TOTAL RECOVERIES	\$993 million

DoD IG Profile

Staffing and Budget

As of September 30, 2009, our workforce totaled 1,570 employees. The fiscal year 2009 budget was \$271.8 million.

Office Locations

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

About Our People

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



The DoD Whistleblower Program

The DoD IG is committed to ensuring that whistleblower protection programs succeed in training DoD personnel regarding whistleblower rights

In 2009, the Inspector General targeted the Whistleblower Protection Program as a top priority for the DoD IG. For over 20 years, the DoD IG has investigated allegations of whistleblower reprisal involving the Department's military members, civilian employees, and Defense contractor employees. During this time, through informational articles, posters, and briefings, the DoD IG has significantly increased the public's awareness of whistleblower programs and provided information to Members of Congress regarding legislation to strengthen whistleblower protections. The DoD IG is committed to the objective and timely resolution of each reprisal complaint.

EVOLUTION OF THE DOD WHISTLEBLOWER PROGRAM

The origin of DoD's whistleblower program can be traced back to the military procurement scandals of the 1980s when stories concerning overpriced spare parts and underperforming weapon systems dominated the headlines. Members of Congress concerned about those issues championed the cause of service members who alleged they were reprisal against for exposing such procurement-related wrongdoing. Over the years, and continuing to the present, Congress has enacted, and amended, a series

of laws aimed at protecting military members, appropriated and non-appropriated fund employees, and Defense contractor employees from reprisal for engaging in whistleblowing activities.

In December 1982 the Secretary of Defense first mandated "no adverse action is taken against any employee because the employee reports" questionable activities within the intelligence community. A year later, Congress passed a law prohibiting reprisals against non-appropriated fund employees for blowing the whistle on wrongdoing at military base facilities.

In 1986, the first statute aimed at Defense contractor employee whistleblower protection was enacted. At this time, members of the Congressional Military Reform Caucus also became concerned about military service members who chose to "blow the whistle" on DoD waste, fraud, and abuse. One specific story involved an Air Force colonel working on the development of the Bradley Infantry Fighting Vehicle. He openly challenged whether the operational testing of the vehicle was realistic enough. This angered Army officials to the extent that they threatened him with an unfavorable reassignment in reprisal. His reassignment was cancelled after congressional intervention.

In 1987, a congressional committee held hearings on whistleblower protections for military service members. Responding to the testimony from, and press reports about, service members who claimed they were punished for reporting wrongdoing to members of Congress and Inspectors General, Congress passed the "Military Whistleblower Protection Act" (Title 10, United States Code, Section 1034). The most recent version of the Military Whistleblower Protection Act and its implementing directive provide that service members may not be restricted from communicating with an IG or Member of Congress. It prohibits taking or threatening unfavorable personnel actions—such as downgraded performance evaluations, reassignments, and disciplinary actions—or withholding or threatening to withhold favorable personnel actions, as reprisal against those who report or prepare to report violations of law or regulation, gross mismanagement, gross waste of funds, safety violations, discrimination, or abuse of authority, to Members of Congress, inspectors general, investigators, and certain individuals in their chains of command.

In the early 1990s, Congress enhanced protections for military members after learning about reports that service members who "blew the whistle" were being sent for invol-

untary mental health evaluations in reprisal. Congress added that a referral for an involuntary mental health evaluation was an unfavorable personnel action under Title 10 U.S.C. 1034 and required the Department to implement strict regulations governing the referral process to ensure service members' due process.

In 1996, the National Security Agency proactively issued the first whistleblower protection directive authored by a Defense intelligence agency. The same year, the U.S. Office of Special Counsel suggested that executive branch agencies establish an ombuds system to assist appropriated fund whistleblowers within the federal government.

Over the years, amendments to the statutes have broadened their application and expanded the protections for whistleblowers. Although the categories of DoD employees covered by these laws vary, there is a common thread running through each of these statutes—Congress entrusted the DoD IG with the responsibility for either conducting or oversee-

ing inquiries and investigations into whistleblower reprisal allegations.

DOD WHISTLEBLOWER PROGRAM TODAY

The DoD IG has always encouraged whistleblowing and upheld the protections afforded to those who choose to report fraud, waste, and abuse. Within the DoD IG, the Deputy Inspector General for Administrative Investigations is assigned the mission of ensuring that allegations of whistleblower reprisal are resolved in an objective and timely manner. The Military Reprisal Investigations directorate has the statutory responsibility to investigate allegations of whistleblower reprisal filed by military members, DoD non-appropriated fund employees, and DoD contractor employees. The Civilian Reprisal Investigations directorate, working in coordination with U.S. Office of Special Counsel, reviews and investigates allegations of reprisal filed by DoD appropriated fund civilian employees.

MILITARY REPRISAL INVESTIGATIONS

Shortly after the Military Whistleblower Protection Act was enacted, DoD IG implemented a program to thoroughly and independently investigate allegations of whistleblower reprisal. The number of whistleblower cases has grown steadily over the years, from 150 in 1994 to over 550 in 2009. Of complaints that proceed to full investigation, the historic substantiation rate has been nearly 25 percent.

In 2009, the Inspector General reemphasized his commitment and focus on DoD whistleblower protections authorizing a signifi-

cant staffing increase in MRI. The professional staff of 26 investigators resolves whistleblower reprisal allegations, conducts outreach and training for service IG counterparts, and establishes and revises policy to ensure DoD's implementation of whistleblower statutes fully satisfies congressional intent and affords whistleblowers every consideration and right to which they are entitled.

Complaints of whistleblower reprisal may be filed with DoD IG or a service IG. MRI predominantly receives allegations of reprisal through the Defense Hotline and Members of Congress. However in some instances, service IGs refer allegations to MRI if the service member is serving in a joint assignment or other special circumstances exist. MRI conducts a preliminary analysis of each case to determine whether investigation is warranted. If warranted, MRI has the discretion to either conduct the investigation or forward it to the service IG for investigation. Examples of substantiated allegations investigated by MRI include:

- A Defense contractor employee working as the family advocacy program manager received a five-day suspension without pay and an unfavorable employee performance review in reprisal for her disclosures to an IG regarding a violation of the contract's provisions by company and government employees. As a result of the substantiated findings, the Office of the Secretary of the Army directed that the complainant be awarded \$25,000 and receive preferential consideration in competing for a current position opening.



- A Navy lieutenant received two unfavorable fitness reports because he complained to an IG that his commander violated Navy physical fitness assessment requirements, and pressured the command fitness leader to accept for the record results of his personally administered test. The commander received a letter of counseling and a letter of instruction on the provisions of Title 10 U.S.C. 1034.

Although the service IGs may also independently receive and investigate reprisal allegations, Title 10 U.S.C. 1034 charges the DoD IG with a critical oversight role—to approve any decision made by a service IG that investigation of military whistleblower reprisal is not warranted and to approve the results of all military whistleblower reprisal investigations conducted by service IGs. This requires extensive collaboration with the service IG counterparts to ensure each allegation of whistleblower reprisal receives a thorough and independent review. Examples of allegations service IGs substantiated and MRI approved include:

- An Air Force lieutenant colonel and a chief master sergeant downgraded a technical sergeant's enlisted performance report and denied him an end of tour award in reprisal for his communication to the group commander about an improper relationship in the unit. As a result of the substantiated findings, the lieutenant colonel and chief master sergeant received letters of counseling and the lieutenant colonel was denied a decoration upon his retirement.
- An Army investigation determined that two officers reprised against an Army National Guard first lieutenant by not recommending him for an award for his service in Iraq and issuing him a relief for cause officer evaluation report for his communications to Members of Congress. The two officers received letters of reprimand.
- An Air Force colonel reprised against a major by removing her from her position as the medical group complaints officer for allegedly leaking information to an IG. The colonel also "restricted" the members of his command from making protected communications by issuing an order that no one was to go outside the chain of command with any complaint. The colonel received a letter of reprimand and was directed to post a notice in the medical clinic that members of his command could communicate with IGs without fear of reprisal from him or members of his staff.

MRI continually strives to strengthen guidance and provide support to our service IG counterparts. For the past several years, MRI has expanded its outreach programs for training military and civilian employees working in IG offices throughout the Department. In addition to training workshops at the DoD IG headquarters, MRI conducts outreach nationwide. Recent training efforts have been attended by over 450 IG staff and investigators and include: the Joint and Combatant Command IG Course, workshops and briefings at the Air Force World Wide IG Conference, the Air Combat Command

IG Symposium, the Army Medical Command IG Conference, and the National Guard's Central, Western, and Southeastern Regional IG Conferences. Additionally, MRI investigators and team leaders have daily interaction with military counterparts seeking assistance with reprisal investigative and policy issues.

During the last year, the Department of Justice IG conducted a peer review of MRI processes and effectiveness. While the DoJ report findings were generally positive about MRI's implementation of the military whistleblower program, the report included 12 recommendations for organizational, staffing, and process improvement. MRI implemented several of the recommendations immediately and is actively pursuing implementation of the remainder.

CIVILIAN REPRISAL INVESTIGATIONS

In January 2004, the DoD IG established CRI to address whistleblowing by civilian appropriated fund employees within the Department. Two DoD employee groups were of particular concern: employees working in areas giving them access to potential procurement fraud information and employees working for the Defense intelligence agencies and the military departments' intelligence offices.

The first office to establish an ombuds program to assist appropriated fund civilians with whistleblowing issues was the Inspector General of the Department of Interior in 2002. That office limited its focus to outreach, rather than investigations. CRI uses a similar model, but added an investigations component to the concept of promoting whistleblow-

ing issues. In 2007, the Internal Revenue Service created an ombudsman office. The Departments of Education and Homeland Security are currently considering establishing offices to conduct outreach and investigate allegations of whistleblower reprisal against appropriated fund civilian employees.

To date, CRI has opened 17 investigations, in addition to actively conducting outreach and training to advance whistleblower protection for civilian appropriated fund employees. One significant investigation analyzed whether agency officials took action to suspend access by the whistleblower to classified information and revoke their security clearance after the individual communicated with Members of Congress and the 9/11 Commission staff. Another investigation involved examining the security clearance decision-making process to determine whether religious discrimination affected the adjudication of a whistleblower's security clearance. CRI also supported one of the two Intelligence Community Whistleblower Protection Act investigations opened between 1992 and 2009. During these investigations, CRI developed the first protocol for reviewing the integrity of the security clearance decision-making process based on Title 5, United States Code, which provides statutory whistleblower protections administered by the U.S. Office of Special Counsel.

Examples of CRI's substantiated reprisal allegations include: a law enforcement officer who received a lowered performance evaluation after reporting alleged safety viola-

tions at a U.S. military base guarding chemical weapons, a traffic management official who received a suspension after reporting alleged procurement fraud relating to transportation contracts in Europe, and a civilian employee who was terminated after reporting alleged fraud and gross mismanagement related to the fielding of biometric technologies in Iraq and Afghanistan.

Consistent with these efforts, CRI has organized and administered the Inspector General's Section 2302(c) Certification through the U.S. Office of Special Counsel. From 2003 through 2011, the Office of the Inspector General has been continuously certified as compliant with those provisions of Title 5 that require an agency head to advise employees of their whistleblowing rights and responsibilities.

FUTURE OF THE PROGRAM



The DoD IG is committed to ensuring that whistleblower protection programs succeed in training DoD personnel regarding whistleblower rights, offering a deterrent to those who would reprise by ensuring prompt and thorough investigation into alleged violations, and provid-

ing for a remedy to those who have been reprised against. The DoD IG will continue to strengthen and invigorate these programs in the future. Timeliness of investigations is a continuing challenge because of the complexity of reprisal situations, but the DoD IG is determined to become the benchmark for timely, high quality investigations while fostering an environment within the DoD where employees are encouraged to come forward to "blow the whistle" on fraud, waste, and abuse.

To realize this vision, the IG is continually reassessing its programs, evaluating the need for legislative changes, and expanding the awareness of the protections available to whistleblowers in all categories. Some of the more significant issues for the future include: protections for Title 32 Military Technician employees, expanding the U.S. Office of Special Counsel Section 2302(c) Certification effort throughout the Department, and improving the protections for appropriated fund employees within the intelligence community.

DoD IG recognizes the service and importance of whistleblowers and how their disclosures ultimately benefit the Department, the taxpayer, and most importantly—America's warfighters, and will continue to promote the protections afforded whistleblowers within the Department. Only through effective enforcement and robust education can DoD IG create an environment where DoD employees feel comfortable coming forward to raise concerns about waste, fraud, and abuse without the fear of reprisal.

ACCOMPLISHMENTS OF THE DOD IG



ABOUT THE DoD IG SEMIANNUAL REPORT

The Inspector General Act of 1978, as amended, states that Inspectors General will conduct and supervise audits and investigations relative to the operations and programs of the establishment. Accordingly, the significant accomplishments of the DoD IG are listed in this Semiannual Report under “Oversight of Overseas Contingency Operations” and “Oversight of DoD Programs.” This report presents oversight of DoD operations by topics related to the current conflicts in Iraq, Afghanistan, and Pakistan. This report presents oversight of DoD programs by focus areas for audits, investigations, administrative investigations, policy, and intelligence.

The following reports were completed during the reporting period. The full reports can be viewed on the Web at www.dodig.mil. Instructions are provided to file a Freedom of Information Act request, if necessary.

Audit Reports Issued

1. D-2009-120 Agreed-Upon Procedures for Reviewing the FY 2009 Civilian Payroll Withholding Data and Enrollment Information
2. D-2009-119 Defense Civilian Pay System Controls Placed in Operation and Tests of Operating Effectiveness for the Period From October 1, 2008 Through June 30, 2009
3. D-2009-118 Internal Controls Over Naval Special Warfare Command Comptroller Operations in Support of Contingency Operations
4. D-2009-117 Controls Over Air Combat Command and Pacific Air Forces Unliquidated Obligations from Department of the Air Force Contracts Supporting Contingency Operations
5. D-2009-116 Financial Management of International Military Education and Training Funds
6. D-2009-115 Summary of Information Operations Contracts in Iraq
7. D-2009-114 Transition Planning for the Logistics Civil Augmentation Program IV Contract
8. D-2009-113 Medical Equipment Used to Support Operations in Southwest Asia
9. D-2009-112 Deferred Maintenance on the Air Force C-130 Aircraft
10. D-2009-111 Controls Over Information Contained in BlackBerry Devices Used Within DoD
11. D-2009-110 Summary of Information Assurance Weaknesses Identified in Audit Reports Issued From August 1, 2008 Through July 31, 2009
12. D-2009-109 Contracts Supporting the DoD Counter Narcoterrorism Technology Program Office
13. D-2009-108 U.S. Air Forces Central War Reserve Materiel Contract
14. D-2009-107 DoD Enterprise Staffing Solution
15. D-2009-106 General and Application Controls for the Distribution Standard System
16. D-2009-105 The U.S. Army Corps of Engineers Temporary Roofing and Temporary Power Response to the 2008 Hurricane Season
17. D-2009-104 Sanitization and Disposal of Excess Information
18. D-2009-103 The U.S. Army Corps of Engineers Ice and Water Response to the 2008 Hurricane Season
19. D-2009-102 Price Reasonableness Determinations for Contracts Awarded by the U.S. Special Operations Command
20. D-2009-101 Information Assurance and Data Reliability of the Automated Disbursing System
21. D-2009-100 Afghanistan Security Forces Fund Phase III - Accountability for Equipment Purchased for the Afghanistan National Police
22. D-2009-099 Afghanistan Security Forces Fund Phase III - Accountability for Equipment Purchased for the Afghanistan National Army
23. D-2009-098 Status of the Defense Emergency Response Fund in Support of the Global War on Terror
24. D-2009-097 Data Migration Strategy and Information Assurance for the Business Enterprise Information Services
25. D-2009-096 Contracts for the U.S. Army's Heavy-Lift VI Program in Kuwait
26. D-2009-095 Contracting for Transportation Services for U.S. Army Corps of Engineers, Gulf Region Division

Audit Reports Issued

27. D-2009-094 Defense Industrial Financial Management System Controls and Compliance
28. D-2009-093 Ship Utilization in Support of the Global War on Terror
29. D-2009-092 Validity of DoD Civilian Employee Accounts
30. D-2009-091 Information Operations Contracts in Iraq
31. D-2009-090 Information Operations Career Force Management
32. D-2009-089 Internal Controls Over Government Property in the Possession of Contractors at Two Army Locations
33. D-2009-088 Long-Term Travel Related to the Defense Comptrollership Program
34. D-2009-087 Controls Over Contract Obligation Data in the Logistics Modernization Program
35. D-2009-086 Controls Over the Contractor Common Access Card Life Cycle in the Republic of Korea
36. D-2009-085 Contracting for Nontactical Vehicles in Support of Operation Enduring Freedom
37. D-2009-084 Controls Over Army Working Capital Fund Real Property Assets
38. D-2009-083 Logistics Support Contracting for the United States Special Operations Command
39. D-2009-082 SeaPort Enhanced Program
40. D-2009-081 General and Application Controls of the Vulnerability Management System
41. D-2009-080 Endorsement of the Management Letter on Internal Controls over Financial Reporting
42. D-2009-079 Controls Over the Department of the Navy Military Payroll Disbursed in Support of the Global War on Terror
43. D-2009-078 Health Care Provided by Military Treatment Facilities to Contractors in Southwest Asia
44. D-2009-077 Endorsement of the Acuity Consulting's Management Letter for the FY 2008 Military Retirement Fund Financial Statements
45. D-2009-076 Afghanistan Security Forces Fund Phase III-U.S. Army Corps of Engineers Real Property Accountability
46. D-2009-075 Afghanistan Security Forces Fund Phase III-Accountability for Weapons Distributed to the Afghanistan National Army
47. D-2009-074 Review of Defense Contract Management Agency Support of the C-130J Aircraft Program
48. D-2009-073 DoD Components' Use of Global War on Terror Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation
49. D-2009-072 Monitoring PowerTrack Payments for DoD Freight Transportation
50. D-2009-071 Summary of DoD Office of Inspector General Audits of Acquisition and Contract Administration
51. D-2009-070 Government Purchase Card Controls at United States Special Operations Command
52. D-2009-067 Controls Over Air Force Materiel Command Unliquidated Obligations on Department of the Air Force Contracts Supporting the Global War on Terror
53. D-2009-066 Marine Corps' Management of the Recovery and Reset Programs

OVERSIGHT OF DOD OPERATIONS AND PROGRAMS



Other Reports Issued

54. 09-INTEL-15 Summary Report of FY 2008 Inspections on Security, Technology Protection and Counterintelligence Practices at DoD Research, Development, Test and Evaluation Facilities
55. 09-INTEL-14 Inspection of a USD(I) Program
56. 09-INTEL-13 Investigation of Allegations of the Use of Mind-Altering Substances to Facilitate Interrogations of Detainees
57. 09-INTEL-12 B61 Nuclear Weapon Use-Control
58. 09-INTEL-11 Status of Recommendations to Improve the Air Force Nuclear Enterprise
59. 09-INTEL-10 DoD Intelligence Agencies' FY 2009 Report on the Security Status of the Federal Information Security Management Act
60. 09-INTEL-09 Audit of Issues Related to the Modifications of the Joint Air-to-Surface Standoff Missile
61. 09-INTEL-08 Report on Review of the President's Surveillance Program
62. 09-INTEL-07 Information Technology Portfolio for DoD Intelligence Databases
63. 09-INTEL-06 Evaluation of DoD Polygraph Support to U.S. Special Operations Command
64. SPO-2009-007 Report on the Assessment of U.S. and Coalition Plans to Train, Equip, and Field the Afghan National Security Forces
65. SPO-2008-001 Assessment of the Accountability of Arms and Ammunition Provided to the Security Forces of Iraq¹
66. SPO-2009-006 Assessment of the Accountability and Control of Arms, Ammunition, and Explosives Provided to the Security Forces of Afghanistan
67. SPO-2009-005 Assessment of Electrical Safety in Afghanistan
68. SPO-2009-004 Assessment of DoD-Managed Programs in Support of the Government of Pakistan
69. IE-2009-007 Interagency Evaluation of Section 1206 Global Train and Equip Program
70. IE-2009-006 Review of Electrocution Deaths in Iraq: Part I
71. IE-2009-005 Evaluation of the DoD Voting Assistance Program
72. IPO-2009-E001 Review of Electrocution Deaths in Iraq: Part II
73. D-2009-6-009 Defense Contract Audit Agency Audit Work Deficiencies and Abusive Work Environment Identified by the Government Accountability Office
74. D-2009-6-008 Report on Hotline Complaint Regarding the Action by a Contracting Officer at the Defense Contract Management Agency, East Hartford Office
75. D-2009-6-007 Report on Quality Control Review of Deloitte & Touche, LLP FY 2007 Single Audit of Battelle Memorial Institute and Subsidiaries
76. D-2009-6-005 Report on Review of the Department of Military and Veterans Affairs Single Audit for the Audit Period
77. D-2009-6-006 Quality Control Review of the Ernst & Young FY 2007 Single Audit of the University of Dayton
78. D-2009-6-004 Defense Contract Management Agency Actions on Audits of Cost Accounting Standards and Internal Control Systems on DoD Contractors Involved in Iraq Reconstruction Activities

¹ Redacted version issued September 28, 2009



OVERSIGHT OF OVERSEAS CONTINGENCY OPERATIONS

The DoD IG continues to provide oversight of Overseas Contingency Operations in Iraq, Afghanistan, Pakistan, and around the globe. The DoD IG has focused in the following areas affecting the Department: Oversight of Operations; Information Operations; Force Protection and Safety; Weapons Accountability; Military Intelligence; Development of Afghan Security Forces; Coalition Support Funds; Commander's Emergency Response Program; Global Train and Equip; Fraud and Corruption; and Other Support to Overseas Contingency Operations.

In addition, the DoD IG is reviewing asset accountability in Southwest Asia as requested by the Commander, USCENTCOM. With the shifting footprint of U.S. forces in Southwest Asia, it is essential that assets are accounted for and that there is a process for the proper transfer, reset, or disposal of these assets from the military, civilians, and contractors.

IRAQ, AFGHANISTAN, AND PAKISTAN

The Department has been engaged in military operations in Southwest Asia for nine years, which has put incredible stress on its personnel and equipment. In Iraq, the United States is making preparations for the responsible drawdown of combat forces in coordination with the Government of Iraq, while laying the groundwork for deploying "advise and assist" brigades that will conduct a mission to mentor and train the Iraq Security Forces until December 31, 2011. In Afghanistan, the United States and its partners are confronting a renewed insurgent threat with additional combat forces, while conducting a high-level strategy review. In Pakistan, the United States focuses on building the capability of the Pakistani security forces to interdict Taliban insurgent forces along its western frontier and to disrupt terrorist networks to degrade any ability they have to plan and launch international terrorist attacks.



IRAQ

The United States seeks to assist in establishing an Iraq that is sovereign, stable and self-reliant; an Iraqi government that is just, representative, and accountable; neither a safe haven for, nor sponsor of, terrorism; integrated into the global economy; and a long-term partner contributing to regional peace and security. The Department is executing the responsible drawdown of U.S. forces in Iraq and the change in mission by August 31, 2010. The DoD IG is actively providing oversight of operations in Iraq and has field office locations at the International Zone, Victory Base Camp, and Joint Base Balad, Iraq. DoD IG oversight efforts in Iraq include:

- Conducting three audits on Information Operations in Iraq at the request of the Commander, U.S. Central Command.
- Partnering with the Bureau of Alcohol, Tobacco, Firearms, and Explosives as part of the Iraq Weapons Investigative Cell team.
- A review of 18 incidents where U.S. military or contractor personnel were accidentally electrocuted.

AFGHANISTAN

The United States seeks to ensure that Afghanistan is never again a safe haven for terrorists. Achieving this strategic goal requires a comprehensive plan that coordinates the security, governance, and development efforts of the United States and the international community. The DoD IG is providing oversight of operations in Afghanistan and has field office locations in Camp Eggers in Kabul, Kandahar Airfield, and Bagram Airfield, Afghanistan. DoD IG oversight efforts in Afghanistan include:

- A series of reports on the Department's use of the Afghanistan Security Forces Funds identifying deficiencies with the transfer of real property to the Afghan National Army.
- Actively investigating fraud, theft, and corruption in Afghanistan.
- Assessment reports issued regarding the accountability and control of sensitive defense technology supplied by the United States to the Afghan National Security Forces.
- A report evaluating whether DoD, Coalition, International Security Assistance Force, and Afghan Ministry of Defense and Ministry of Interior plans to train, equip, field, and mentor the ANSF were effective.

PAKISTAN

Pakistan is a key to successfully waging the war against terrorism and is one of the largest recipients of U.S. military and economic support. Success in Afghanistan is partially dependent on Pakistan's ability to deny safe havens for terrorists. The Federally Administered Tribal Areas along the Afghanistan/Pakistan border are a known sanctuary for terrorist and extremists, as well as launching pad for attacks on U.S., Coalition and ISAF forces in Afghanistan. Pakistan also provides critical supply and logistics support for Operation Enduring Freedom in Afghanistan. DoD IG oversight efforts in Pakistan include:

- A strategic assessment of DoD-funded and managed bilateral assistance programs in Pakistan, including the Coalition Support Funds and the Section 1206-like Train and Equip program for the Frontier Corps.

INFORMATION OPERATIONS

The DoD IG, at the request of the Commander, U.S. Central Command, conducted two projects and is conducting a third project on Information Operations in Iraq. The DoD IG reported that the Joint Contracting Command-Iraq/Afghanistan awarded contracts valued at \$300 million to four contractors in accordance with the Federal Acquisition Regulation. However, JCC-I/A combined psychological operations and public affairs requirements in one contract. Although the DoD IG did not obtain any evidence that psychological operations were intended for a U.S. audience, the contract language did not clearly differentiate between psychological operations and public affairs, as required by doctrine, creating the appearance that psychological operations were associated with a U.S. audience. (Report No. D-2009-091)

As requested by the Commander, U.S. Central Command, the DoD IG identified the universe of information operation contracts in Iraq from FY 2006 through FY 2008. U.S. Central Command used 172 contract vehicles for information operation in Iraq totaling \$270.1 million during FY 2006 through FY 2008. (Report No. D-2009-115)

The third project is evaluating information operations activities in support of Operation Iraqi Freedom. Specifically, the review is determining the process for establishing psychological operations requirements, and identifying the resources applied against those requirements.



FORCE PROTECTION AND SAFETY

The DoD IG remains committed to providing oversight of force protection and safety-related issues in Overseas Contingency Operations. Accordingly, the DoD IG is examining existing armoring capabilities and those being developed to protect forces deployed in Iraq and Afghanistan, as well as the electrical safety of deployed personnel. Other ongoing force protection oversight efforts include reviews of Marine Corps fulfillment of urgent universal need statements for laser dazzlers; DoD Countermine and Improvised Explosive Device Defeat Systems contracts; Counter Radio-Controlled Improvised Explosive Device Electronic Warfare Program contracts; and using system threat assessments in the acquisition of tactical wheeled vehicles.

FORCE PROTECTION

Force Protection remains critical to the success of U.S. operations in the Overseas Contingency Operations. The Department is focusing on providing an array of body armor, protection equipment, and armored vehicles to protect forces while maintaining a high level of mobility and survivability. The DoD IG is continuing its oversight on armoring capabilities for DoD forces by conducting audits and investigations focused on armor capabilities such as body armor and armored vehicles to protect forces.

DOD BODY ARMOR CONTRACTS

The DoD IG is performing this project by congressional request. The objective is to examine the contracts and contracting process for body armor and related test facilities. Specific objectives include evaluating the background and qualifications of the contractors, the criteria for awarding the contracts, the quality assurance process, and any relationships that may exist between the contractors and government officials. The review of the quality assurance process will include reviewing the results of first article testing and lot acceptance testing for the body armor contracts.



BODY ARMOR ACQUISITION LIFE CYCLE

The objective is to determine whether DoD effectively managed the operations and support phase of the acquisition process for body armor components. In April 2009, the DoD IG issued a quick action memo based on issues identified during site visits in Southwest Asia. DoD IG identified that some service members were issued body armor that did not meet the approved level of protection and immediate action was required. The command took immediate action to address the identified issue.

MAINTENANCE AND SUPPORT OF THE MINE RESISTANT AMBUSH PROTECTED VEHICLE

The objective is to determine whether mine resistant ambush protected vehicle program and contracting officials are adequately supporting resistant ambush protected vehicle maintenance requirements and appropriately awarding and administering maintenance contracts.

ARMY ACQUISITION ACTIONS IN RESPONSE TO THE THREAT TO LIGHT TACTICAL WHEELED VEHICLES

The objective is to determine whether the Army effectively managed efforts to develop, test, and acquire armor solutions for light tactical wheeled vehicles. These solutions are needed in response to the threat to high mobility multipurpose wheeled vehicle variants and use in developing the next-generation vehicle for the Global War on Terror. In addition, the DoD IG will determine whether DoD exercised adequate operational test and live fire test oversight of the Army's high mobility multipurpose wheeled vehicle program.

SAFETY: PROTECTING THE TOTAL FORCE

The men and women engaged in Operation Iraqi Freedom and Operation Enduring Freedom, whether service members, federal employees, or contractor personnel, deserve an environment that is free from preventable dangers. Injuries and deaths related to accidents have a high impact on the DoD in terms of readiness, morale, costs, and lost productivity. Accidents are one of the leading causes of casualties in Iraq and Afghanistan. The DoD IG and its components are focused on investigations related to accidental electrocutions, electrical safety and fire services.

ELECTRICAL SAFETY

In response to concerns regarding electrocution deaths of several service members, the DoD IG completed three reviews in July 2009 of electrical safety issues in Iraq and Afghanistan. The DoD IG is performing an additional review of electrical safety in Afghanistan.

ELECTROCUTION ACCIDENTS IN SOUTHWEST ASIA

In the first review of electrocutions in Iraq, the DoD IG reviewed the death investigations the Army CID and NCIS conducted and found the reports to be thorough, timely, and legally sufficient. The DoD IG did not identify a uniform cause for the electrocution deaths in Iraq from 2003 through 2008, but instead found a number of different causes. After reviewing the investigations, it was apparent that Iraq's electrical infrastructure is dangerous due to neglect, failure to upgrade electrical systems that were not properly grounded, and the use of old and substandard electrical equipment. (Report No. IPO-2009-E001)

AFGHANISTAN

A DoD IG assessment team inspects electrical safety.



In a second review of electrical safety in Iraq, the DoD IG found that multiple systems and organizations failed, leaving U.S. service members exposed to unacceptable risk of injury or death. Specifically, commanders and other key decision makers were not informed, as part of the facility maintenance process, of facility deficiencies that could affect life, health, and safety, or of their repair. Service members who received electrical shocks or were aware of electrical shocks did not always report the incidents. In addition, the contractor providing maintenance and installation did not have personnel with adequate electrical experience or training and did not ground equipment during installation or report improperly grounded equipment identified during routine maintenance. As a result, at least one U.S. soldier was electrocuted. (Report No. IE-2009-006)

In Afghanistan, the DoD IG found that although actions were taken to improve electrical safety, additional effort was required. Specifically, the DoD IG found potentially dangerous situations that required immediate attention at Camp Brown and Forward Operating Base Spin Boldak and found that service members were not sufficiently educated regarding electrical safety, incident reporting, and personal responsibility. In addition, DoD IG found there was a need for a full-time cadre of individuals dedicated to promoting electrical safety throughout Afghanistan, a complete inventory of U.S. controlled facilities in Afghanistan, a comprehensive inspection plan and for additional

contracting officer's representatives and other oversight personnel to oversee the electrical work being performed in Afghanistan. USCENTCOM and U.S. Forces Afghanistan are taking action to address the issues DoD IG identified. (Report No. SPO-2009-005)

MAINTENANCE OF ELECTRICAL WIRING IN BUILDINGS AT KANDAHAR, AFGHANISTAN

As a result of the completed work in Iraq and Afghanistan and DoD IG's ongoing investigations of electrical issues in Afghanistan, the DoD IG is planning to review the electrical wiring in buildings at Kandahar. The DoD IG is determining whether the contractor properly maintains electrical wiring in buildings at Kandahar Airfield in accordance with provisions of the Logistics Civil Augmentation Program contract.

FIRE SERVICES AND WORKING CONDITIONS

FIRE SUPPRESSION SYSTEMS-AFGHANISTAN

The DoD IG identified that the water pumps supporting the fire suppression system were not operating within specifications as part of its review of the construction of the Kabul Compound s. As a result, U.S. forces occupying the facility did not have adequate fire suppression safeguards and did not have established fire watches in lieu of an operational fire suppression system. Thus, U.S. forces were exposed to risk of injury or death. The DoD IG issued a quick reaction memorandum in September 2009 to the Commanding General, United States Forces – Afghanistan, to address this critical safety issue.

AFGHANISTAN

DoD IG auditors inspect the new Kabul Compound.



FIRE SERVICES INSPECTION AND TRAINING CONTRACT-IRAQ

The DoD IG is reviewing the Multi-National Force-Iraq/ Multi-National Corps-Iraq Fire Services Inspection and Training Program to assess whether MNF-I is meeting requirements for fire services inspection and training through the use of contracted services. The DoD IG is reviewing fire inspection reports to determine whether fire inspection personnel are properly performing fire safety reviews and whether contracted personnel assigned as expeditionary fire fighters possess the proper level of training to meet contract, DoD, and Army requirements.

UNSAFE WORKING CONDITIONS AT CONSTRUCTION SITES

The DoD IG, during its audit of U.S. Army Corps of Engineers real property accountability in Afghanistan, discovered unsafe working conditions. The DoD IG found that the USACE, Afghanistan Engineering District did not ensure that required quality control procedures were in place on four contracts valued at \$52.6 million. This resulted in faulty construction, unsafe working conditions, and the construction contractor's failure to meet the contract requirements. In response to the DoD IG report of the weaknesses, the CSTC-A and USACE finalized and signed the ANA Program Management Plan. In addition, AED has taken corrective actions to assist non-U.S. contractors in their performance of their responsibilities, including increased training, mentoring, and site support. (Report No. D-2009-076)

WEAPONS ACCOUNTABILITY

The mission of the munitions logistics supply chain is to provide an effective end-to-end system that delivers materiel to the warfighter while maintaining the security and safety of the materiel and the public. Inherent in this mission is the requirement to implement procedures and mechanisms throughout the supply chain that ensure accountability and control of munitions while enabling mission execution.

To ensure proper oversight of this complex system, the DoD IG has conducted a series of audits, assessments and investigations evaluating the accountability and control of U.S. weapons and ammunitions provided to the Iraqi and Afghan security forces.

IRAQ AND AFGHANISTAN

A DoD IG assessment team inspects weapons provided to the Iraqi and Afghan security forces.



The DoD IG is a leader in the interagency Weapons Investigative Cell, established in 2007 to explore potential criminal violations related to weapons accountability in Iraq. The WIC is currently working with Government of Iraq officials and places special emphasis upon allegations involving diversion of weapons to insurgent groups and weapons transported outside of Iraq. Diligence exhibited by WIC members has resulted in identifying numerous criminal allegations deemed worthy of investigation. This project is ongoing.

Additionally, the DoD IG is a lead agency in the Iraqi Firearms Interdiction and Recovery Effort, an interagency initiative designed to proactively deter the illegal diversion of firearms, including DoD weapons, to the U.S. and other countries. The project attempts to identify potential methods and routes used to illegally export and smuggle weapons out of Iraq as trophies or for profit. I-FIRE is a multi-stage project designed to reduce arms smuggling through education, interdiction, investigation, and prosecution.

Furthermore, the DoD IG has embedded a senior-level liaison with the Multi-National Security Transition Command-Iraq to help build the institutional oversight capability of the Iraqi Ministries of Interior and Defense Inspectors General. The liaison is also providing support to a number of organizations, including U.S. Mission-Baghdad's Interagency Anti-Corruption Program. In direct support of increasing weapons accountability in Iraq, the liaison has assisted the Iraqi Inspectors General in developing an assessment plan to conduct their own bottom-up review of Iraqi army and police weapons accountability and control processes.

AFGHANISTAN SECURITY FORCES FUND PHASE III – ACCOUNTABILITY FOR WEAPONS DISTRIBUTED TO THE AFGHANISTAN NATIONAL ARMY

The DoD IG conducted a physical count of 11,134 weapons at Depot 1, the national weapons storage depot for the Afghan National Army, to determine whether the Combined Security Transition Command-Afghanistan could correctly account for weapons purchased with the Afghanistan Security Forces Fund. CSTC-A did not have standard operating procedures for receipt, storage and issue of munitions or a formal process in place to transfer weapons to the Afghan National Army. Further, CSTC-A records did not list all weapons by serial number, and accountability systems used at Depot 1 had significant data integrity problems.

In addition, ammunition supply points in Gardez, Herat and Mazar-e Sharif built with Afghanistan Security Forces Funds lacked the physical security needed to secure ANA weapons and ammunition in accordance with DoD guidance. In response to the audit, CSTC-A has implemented corrective actions to address the problems. (Report No. D-2009-075)

ASSESSMENT OF THE ACCOUNTABILITY AND CONTROL OF ARMS, AMMUNITION, AND EXPLOSIVES PROVIDED TO THE SECURITY FORCES OF AFGHANISTAN

In January 2009, the Commander, U.S. Central Command, communicated his concern to the Inspector General regarding weapons accountability in Afghanistan and requested a DoD IG assessment. The DoD IG deployed a team to Afghanistan in March 2009 to assess the current U.S. and Afghan systems for munitions accountability and control to determine if they are adequate. The team evaluated the munitions supply chain from port of entry, through transportation, storage, distribution and formal turnover to the Afghan National Security Forces, to issuance to individual Afghan military and police personnel.

AFGHANISTAN

A DoD IG assessment team inspects mobile arms room containers used to transport and store U.S.-provided weapons.



The team found that since June 2008, CSTC-A has made significant progress toward improving internal munitions accountability and control due to excellent leadership supported by the impressive commitment of its training and mentoring teams. The ANSF, comprised of the army and police, had also developed more effective systems for munitions accountability and control, due to clear and forceful weapons oversight guidance issued by the Ministers of Defense and Interior, reinforced by the vigorous support of CSTC-A and Coalition training and mentoring personnel.

However, CSTC-A and the ANSF each still need to make additional munitions oversight progress. The Afghan Police significantly lag behind the Army in establishing a comprehensive oversight system, including developing a “culture of accountability.” Recent oversight improvements achieved must be reinforced and institutionalized through continuous U.S., Coalition, and ISAF training and mentoring and through Afghan government leadership. Finally, without sufficient and appropriately trained U.S. and international police mentors, the rate of development of Ministry of Interior and Police oversight capability will be impeded. (Report No. SPO-2009-006)

MILITARY INTELLIGENCE

Continuous enhancements of U.S. intelligence capabilities as well as improvements of traditional and non-traditional intelligence operations are essential to military Overseas Contingency Operations. Intelligence, counterintelligence, surveillance, and reconnaissance activities remain critical to the effectiveness of OCO. Adversaries continue to develop resources to counter defense capabilities and erode United States access to vital intelligence. The DoD IG examines intelligence missions and resources of the warfighter, management controls of sensitive projects, and nuclear enterprise oversight.

INVESTIGATION OF ALLEGATIONS OF THE USE OF MIND-ALTERING DRUGS TO FACILITATE INTERROGATIONS OF DETAINEES

The objective of this investigation was to determine the facts surrounding reports that detainees and prisoners captured in Southwest Asia may have been administered mind-altering drugs to facilitate interrogations while in DoD custody. The allegations were not substantiated. The DoD IG conducted the investigation in response to a request from members of the United States Senate. (Report No. 09-INTEL-13)

DEVELOPMENT OF AFGHAN SECURITY FORCES

Critical to achieving U.S. national security objectives in Southwest Asia is developing increasingly self-reliant Afghan National Security Forces that can lead the counterinsurgency and counterterrorism fight with reduced U.S. assistance. To achieve this objective, Congress has provided approximately \$19 billion to the Afghanistan Security Forces Fund to fund the “train and equip” mission performed by U.S. forces in Afghanistan. In support of this critical mission, the DoD IG conducted the following assessment:

ASSESSMENT OF U.S. AND COALITION PLANS TO TRAIN, EQUIP, AND FIELD THE AFGHAN NATIONAL SECURITY FORCES

In March 2009, a DoD IG assessment team evaluated whether DoD, Coalition, International Security Assistance Force, and Afghan Ministry of Defense and Ministry of Interior plans to train, equip, field, and mentor the ANSF were effective.

AFGHANISTAN

Female Afghan National Police officers undergoing weapons training at a Regional Training Center.



During the assessment, the team identified notable progress that had been made in the areas of ANSF doctrine, training, leader development, material/logistics, and international cooperation. The Afghan National Army is leading approximately 54 percent of current combat operations. The Focused District Development police training program is maturing. Training schools for ANA non-commissioned officers have been established. Finally, an Integrated Civil-Military Assistance Group has been established to coordinate U.S. interagency actions in support of ANA and Afghan National Police development.

As of May 2009, ANA end strength was approximately 86,000 with approved plans to expand to 134,000 by the end of calendar year 2011. In May 2009, ANP end strength was approximately 81,000 with approved plans to increase its strength to 96,800.

While these and other focus areas require continued careful attention in the future and much work remains to be done, the Combined Security Transition Command–Afghanistan, its Embedded Training Teams, and its Police Mentoring Teams merit recognition for their significant progress made to date while conducting an extremely complex and difficult mission.

Development of the logistics sustainment capability of the ANSF significantly lags behind its operational capacity. U.S., International Security Assistance Force, and Coalition trainers and mentors, staff members in the MoD and MoI, as well as ANSF commanders in the field, uniformly described fundamental shortcomings with the ANSF logistics system. Several factors have contributed to this situation, including the previous priority given to combat force generation, difficult geography and terrain, problems with facility construction and lack of equipment, the lingering effects of Soviet-imposed military logistics doctrine, and Afghan cultural tendencies. Consequently, much work remains to be accomplished to build an appropriate, sustainable ANSF logistics capacity, upon which the ability of the Afghan security forces to eventually operate independently relies. CSTC-A will require the necessary support to provide the logistics-related training, equipping, and mentoring required by the ANSF.

The professional coordination and cooperation between the ANP and the criminal justice system at the district level in Afghanistan was tenuous at best. This presented a serious impediment to establishing a local environment

characterized by effective civil policing, and, therefore, to achieving the establishment of security and order necessary for the protection of the population in support of counterinsurgency objectives.

The ANSF train and equip mission is complex, broad-based, and especially difficult. It is challenging at both the field and CSTC-A headquarters levels. In the case of the latter, almost all of the officers and NCOs assigned are “dual-hatted,” e.g., they have two primary missions. While serving as full-time CSTC-A staff members planning and directing the train and equip assistance mission for the ANSF, they also have responsibilities as mentors to senior Afghan officials in the MoD, General staff, and MoI. CSTC-A staff personnel reported that they lack sufficient time to perform both missions. Even if assigned personnel reach full-authorization, CSTC-A headquarters would not appear to have the personnel capability it requires to carry out all of its missions.

CSTC-A’s Embedded Training and Police Mentoring Teams, and the international Operational Mentor and Liaison Teams, have historically been under-resourced against required personnel levels, which has delayed the development of the ANA and ANP. There has been about a 51 percent overall fill rate against the combined ANA and ANP mentor requirement. U.S. forces have recently committed significant additional manpower to support the ANSF train and equip mission. In the fall of 2009, an additional brigade will deploy dedicated to the mentoring and training mission, doubling the size of that force capability. However, mentor and trainer personnel challenges will likely still remain. Moreover, expanding the ANA and ANP beyond the current approved personnel ceilings will require additional U.S., Coalition, and ISAF personnel resources assigned in support of the train and equip mission. Expansion of the ANSF beyond currently approved levels will face major challenges because of issues associated with:

- Insufficient ANSF leadership capability (specifically junior officers/non-commissioned officers)
- Shortages of certain lines of essential unit equipment (howitzers, mortars, communications, and engineer)
- Insufficient training facility capacity
- Limited capacity to construct ANSF permanent bases/facilities “down-range”
- Limited ANSF logistics capability lagging operational requirements
- Time necessary to develop ethical, competent leaders

Overcoming these challenges will require additional resources from the United States, ISAF, and the greater international community with respect to financing, personnel, equipment, and facilities. (Report No. SPO-2009-007)

COALITION SUPPORT FUNDS

Coalition Support Funds enable the Department’s continuing effort to work with or through Coalition partners, thereby reducing the burden on the U.S. Armed Forces. The participation and commitment of U.S. allies is a critical element of Overseas Contingency Operations, helping to reduce stress on U.S. troops and increasing the military capacity devoted to counterterrorism.

The foundation of U.S. military support to Pakistan has been the Coalition Support Fund program, which is congressionally-authorized money designed to reimburse allies for incremental costs associated with supporting U.S. combat operations. At the time of our assessment, the U.S. had transferred approximately \$6.5 billion to Pakistan under the Coalition Support Fund program.

ASSESSMENT OF DOD-MANAGED PROGRAMS IN SUPPORT OF PAKISTAN

The DoD IG conducted a strategic assessment of DoD funded and managed bilateral assistance programs in Pakistan, including the Coalition Support Funds, Section 1206 Global Train and Equip, and the Section 1206-like Train and Equip program for the Frontier Corps. The team also reviewed the organizational capabilities and structure of the Office of Defense Representative-Pakistan, which is the umbrella organization within the Embassy for most DoD elements in Pakistan. The DoD IG team plans to return to Pakistan the first half of FY 2010 to follow up on the assessment. (Report No. SPO-2009-004)

COMMANDER'S EMERGENCY RESPONSE PROGRAM

The Commander's Emergency Response Program enables local commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by carrying out programs that will immediately assist the indigenous population. "Urgent" is defined as "any chronic or acute inadequacy of an essential good or service that, in the judgment of a local commander, calls for immediate action." CERP is intended to be used for small-scale projects that, optimally, can be sustained by the local population or government. CERP funds are appropriated through the DoD and allocated through each major command's sector of operations. Up to \$500,000 can be allocated to individual projects, and beneficiaries often receive payments in cash.



DoD IG audits and investigations have revealed control weaknesses in the program to include occasions whereby soldiers with limited contracting experience were responsible for administering CERP funds. In some instances, there appeared to be scant, if any, oversight of the manner in which funds were expended. Complicating matters is that payment of bribes and gratuities to government officials is a common business practice in some Southwest Asia nations. Taken in combination, these factors led IG components to collectively scrutinize CERP expenditures.

The DoD IG conducted a review involving DoD's implementation of the CERP in Afghanistan. The audit reported that the Commander, Combined Forces Command Afghanistan established controls over the CERP program; however, controls were not effective in all cases. The audit concluded that some of the projects reviewed did not fully achieve the intent of the CERP. Additionally, the audit revealed that 15 pay agents did not have appropriate physical security for storing cash. Another pay agent did not hold cash because the pay agent was collocated with a finance office. Of the 16 pay agents, two inappropriately disbursed cash. DoD IG also identified weaknesses in administrative processes, which led to inconsistent program implementation, unnecessary requirements, and insufficient documentation. The DoD IG recommended that the Commanding General, Third Army, U.S. Army Central develop and implement procedures so that projects meet the intent of the CERP to comply with DoD Financial Management Regulation guidance; safeguard public funds; and develop and implement a standardized quality assurance and quality control program for all subordinate units and organizations administering CERP projects.

Subsequent to release of the audit report, the Defense Criminal Investigative Service launched an investigative project designed to proactively scrutinize CERP expenditures in an attempt to identify potential criminal abuses. PROJECT: CERP was initiated to detect, analyze, and investigate fraud and corruption involving use CERP funds. Separate investigations are initiated as criminal activities are discovered. In conjunction with the project, DCIS special agents and partner law enforcement agencies have begun providing fraud awareness briefings to incoming and newly assigned military project purchasing officers and pay agents responsible for administering CERP funds.

As a result of investigative and audit findings, the DoD IG recommended military components enhance the extent to which they train personnel regarding CERP disbursements. Even a small amount of contract training provided through command channels and some basic ground-level oversight that does not impinge on the CERP's objective would lower the risk in this susceptible area. Enhanced training would be particularly effective considering that CERP funds are often controlled by lower grade non-commissioned officers who are dealing with large amounts of money, in cash, probably for the first time in their lives.

The DoD IG, in coordination with the Army Audit Agency and the Special Inspector General for Afghanistan Reconstruction, is preparing upcoming reviews of the use of CERP funds in Afghanistan. The Investigations component continues to work diligently on PROJECT: CERP.

GLOBAL TRAIN AND EQUIP

Section 1206 of the FY 2006 National Defense Authorization Act provides the Secretary of Defense the authority to train and equip foreign military forces to perform counterterrorism operations, and to participate in or support military and stability operations in which the U.S. Armed Forces are a participant. An interagency Department of Defense and Department of State IG team conducted this inspection to evaluate program effectiveness in building capacity for counterterrorist operations, and stability and military operations. The team found that the Section 1206 program generally is effective in accomplishing the mission for which it was established. Overall, the Section 1206 projects functioned well and included procedures to ensure compliance with statutory requirements. However, there are management opportunities to improve effectiveness and efficiency of the process for project selection, program execution, and project implementation. The August 2009 report made recommendations that affect the following areas: the proposal submission template; DoD directives for program policies and instructions; shipment priorities; management review processes; military-to-military training objectives; security assistance officer training; munitions safety training; and performance measures. During the course of the review, the Departments of Defense and State began management actions to develop and refine the Section 1206 program further. (Report No. IE-2009-007)

FRAUD AND CORRUPTION

As a partner in the International Contract Corruption Fraud Task Force, DCIS works alongside agents from the MCIOs and the Department of Justice to ensure that contractors and contracting personnel are held accountable for bribery, theft and other improprieties that illegally divert taxpayers dollars spent in Southwest Asia. The multi-agency cooperation continues after the cases are transferred to the U.S. for prosecution. The following are a few of the highlights from the last six months of FY 2009.

BRIBERY INVOLVING TRUCKING COMPANIES IN AFGHANISTAN

On August 7, 2009, a former U.S. Army contracting official pled guilty to corruptly steering service contracts to two Afghanistan-based trucking companies. The contracting official received more than \$87,000 in bribes from the two companies in exchange for assigning them additional days of trucking service at the U.S. Army's Bagram Airfield. The contracting official faces a maximum penalty of 15 years in prison and a fine of up to \$250,000.

FORMER ARMY CORPS OF ENGINEERS EMPLOYEE INDICTED

On May 21, 2009, a former U.S. Army Corps of Engineers civilian employee was indicted in the U.S. District Court, Northern District of Illinois, charged with bribery. A DCIS undercover operation found the USACE employee demanded and accepted \$50,000 in exchange for steering the award of a contract to a construction contractor. USACE terminated the employee, and the individual was returned to the United States. On April 29, 2009, DCIS, the Federal Bureau of Investigation, and Army CID apprehended the employee upon his arrival at Baltimore International Airport. This was a joint investigation by DCIS, the FBI, and Army CID.

BRIBERY OF A PUBLIC OFFICIAL

On August 21, 2009, a contractor was sentenced to 84 months imprisonment in the U.S. District Court, Eastern District of Virginia, for conspiracy, false statements, false claims, and bribery of a public official. The subject was one of three contractors prosecuted for conspiring to accept bribes from Afghan truck drivers in return for falsifying government documents that indicated receipt of the fuel. The three employees carried out the conspiracy while working for a company assigned to control fuel deliveries to Bagram Airfield in Afghanistan between May and September 2006. This was a joint investigation by DCIS, the FBI, and Army CID.

PASSING SENSITIVE PROCUREMENT INFORMATION

In August 2009, a former U.S. Army Corps of Engineers contracting official, her sister, and a Lebanese company official pled guilty in the U.S. District Court, Eastern District of Virginia, to conspiracy and bribery. The three co-conspirators involved in the scheme were indicted on May 16, 2009. The investigation found the former USACE employee passed sensitive procurement information to her sister, an employee of the Lebanese company, to ensure the company received payments on outstanding requests for \$13 million in equitable adjustments under DoD reconstruction and supply contracts in Afghanistan. In return, the company agreed to pay the USACE employee one percent of the total value of the requests submitted. All of the defendants benefitted from the scheme. The case was the result of efforts by the International Contract Corruption Task Force members, including DCIS, the FBI, and Army CID.

WIRE FRAUD AND MONEY LAUNDERING

On May 1, 2009, a DoD civilian contractor, a U.S. Army major, and the major's civilian wife were indicted for bribery, wire fraud, money laundering, and conspiracy in the U.S. District Court, Northern District of Alabama. The contractor allegedly bribed the major, who was a contracting officer at Camp Arifjan between 2004 and 2006, to arrange for blanket purchase agreements for bottled water to be awarded to the contractor's companies. The contractor received approximately \$21 million in these contracts and the major received approximately \$2.8 million in bribe payments. The three then created fictitious companies and consulting agreements to funnel bribe money into the United States through offshore bank accounts in the United Arab Emirates and the Cayman Islands. In addition to the criminal indictment, a forfeiture indictment was levied on the defendants' commercial real estate, residences, and expensive automobiles. This case was the result of joint efforts by the International Contract Corruption Task Force members, including DCIS, the FBI and Army CID.

HEADQUARTERS

DCIS special agents conduct a search related to a fraud case.



GUILTY PLEA TO OFFERING \$1 MILLION IN BRIBES TO ARMY CONTRACTING OFFICER

On August 7, 2009, two dual Afghan/U.S. citizens pled guilty after being charged with conspiracy and bribery in connection with a scheme to offer \$1 million in bribes to a U.S. Army contracting official to influence the award of a road construction contract in Afghanistan. The two subjects allegedly offered a bribe of \$1 million to the Contracting Officer's Representative in return for the award of the Commander's Emergency Response Program project.

The CERP project was for the construction of a road from Pule Alam, Afghanistan to Akundkhel, Afghanistan. The subjects estimated they could construct the road for about \$9 million; however, they intended to bid \$18 million for the project and offered the COR \$1 million in exchange for the COR's influence in awarding them the contract. The contractors threatened that if they did not get the award, they would use their political connections to blacklist the awardees and DoD's efforts to fulfill the contract would be severely disrupted. On May 31, 2009, the contractors were arrested, interviewed, and transported to Bagram Airfield for transportation to the United States. This case was the result of efforts by the International Contract Corruption Task Force members, including DCIS, the FBI and Army CID.

OTHER SUPPORT TO OVERSEAS CONTINGENCY OPERATIONS

The DoD IG issued 18 additional audit reports that focused on Overseas Contingency Operations related to a variety of areas including contracting-related issues, efficient use of funds, and quality of life. In addition, the DoD IG is involved in building ministerial capability within the Iraqi Ministries of Defense and Interior.

DEVELOPMENT OF MINISTERIAL CAPABILITY IN IRAQ

The DoD IG has embedded a senior-level liaison with the Multi-National Security Transition Command-Iraq to help build the institutional oversight capability of the Iraqi Ministries of Interior and Defense Inspectors General. The liaison is providing independent, personal advisory to the inspectors General, as well as providing support to a number of organizations, including U.S. Mission-Baghdad's Interagency Anti-Corruption Program.

DEFENSE EMERGENCY RESPONSE FUND IN SUPPORT OF THE GWOT

Although DoD had transferred more than \$126 million from DERF to the Iraq Freedom Fund by April 2004, DoD did not transfer the DERF balance to the Global War on Terror balances to Iraq Freedom Fund as required by public laws. The DoD did not review its obligations to ensure that they were valid and accurate and that unliquidated obligations were deobligated. As a result, five years and six months after the public law mandated the transfer of the balance in DERF to Iraq Freedom Fund, about \$108.9 million, classified as unpaid obligations, and an additional \$151.1 million, classified as unobligated, for a total of \$260 million in DERF for the Global War on Terror. Public law requires DoD to transfer the \$260 million to the Department of Treasury because the funds for the Iraq Freedom Fund had expired. In addition, DoD needs to transfer \$15.3 million in DERF, originally for disaster and humanitarian assistance, to the Department of Treasury. (Report No. D-2009-098)

AFGHANISTAN SECURITY FORCES FUND PHASE III - U.S. ARMY CORPS OF ENGINEERS REAL PROPERTY ACCOUNTABILITY

The DoD IG reviewed 25 construction contracts valued at \$420.0 million, which were awarded by USACE, Afghanistan Engineering District in support of the ANA. Of those, the AED did not properly negotiate and award two contract modifications, valued at \$1.4 million, related to the construction of the Kabul National Military Hospital. AED also improperly exercised a contract option that did not have well-defined requirements on one of the National Military Hospital contracts, which resulted in AED unnecessarily spending more than \$770,000. In addition, AED did not ensure that required quality control procedures were in place on four contracts valued at \$52.6 million, which resulted in faulty construction, unsafe working conditions, and the construction contractor's failure to meet the contract requirements. (Report No. D-2009-076)

AFGHANISTAN SECURITY FORCES FUND PHASE III - ACCOUNTABILITY FOR EQUIPMENT PURCHASED FOR THE AFGHANISTAN NATIONAL ARMY

Combined Security Transition Command-Afghanistan did not have complete serialized inventory records of all vehicles and radios purchased for the ANA. Basic inventory controls were not established as required by DoD guidance, and therefore, CSTC-A could not account for vehicles and radios in storage planned for transfer to the ANA. In addition, CSTC-A lacked a formal process to transfer the accountability and physical control of vehicles and radios to the ANA in accordance with DoD guidance. (Report No. D-2009-099)

AFGHANISTAN SECURITY FORCES FUND PHASE III - ACCOUNTABILITY FOR WEAPONS DISTRIBUTED TO THE AFGHANISTAN NATIONAL ARMY

CSTC-A did not have a formal process in place to transfer weapons to the Afghan National Army. In addition, CSTC-A was unable to account for weapons, including weapons purchased with the Afghanistan Security Forces Fund. CSTC-A records did not list all weapons by serial number, and accountability systems used at ANA Depot 1

had significant data integrity problems. The CSTC-A Logistics Office has implemented corrective action to address these problems. In addition, the DoD IG identified weaknesses in safeguarding ANA weapons. Ammunition supply points in Gardez, Herat, and Mazar-e-Sharif built with ASF funds lacked the physical security needed to secure ANA weapons and ammunition in accordance with DoD guidance. (Report No. D-2009-075)

CONTRACTS SUPPORTING THE COUNTER NARCOTERRORISM TECHNOLOGY PROGRAM

The DoD IG identified weaknesses in the management, surveillance, and billing processes of the contracting officials and the Counter Narcoterrorism Technology Program Office. The DoD IG found that:

- U.S. Army Space and Missile Defense Command/Army Forces Strategic Command contracting officials and contracting officer's representatives did not perform proper contract management for the 35 task orders reviewed, valued at \$98.8 million, and could waste \$439,000 on fees to acquire commercial items.
- SMDC contracting officials and CORs did not develop surveillance plans, use receiving reports to formally accept goods and services, or review expenses charged by contractors.
- DoD officials did not ensure that the contractors were entitled to the \$47.9 million paid on the Counter Narcoterrorism Technology Program Office indefinite-delivery, indefinite-quality task orders.
- Counter Narcoterrorism Technology Program Office officials had four potential Purpose Statute violations, which could result in potential Antideficiency Act violations amounting to approximately \$20.5 million (Report No. D-2009-109)

CONTRACTING FOR NONTACTICAL VEHICLES IN SUPPORT OF OEF

While the Combined Joint Task Force-101 and the Combined Security Transition Command-Afghanistan have recently improved controls over the NTV acquisition process, more can be accomplished to improve the management of recurring NTV requirements. The DoD IG estimated that 68 percent of NTV contract files did not contain adequate justification for the NTVs and 85 percent did not contain documentation to how contracting officers appointed contracting officer's representatives to oversee contracts. Therefore, DoD did not have reasonable assurance that 795 vehicles, at a cost of more than \$14 million, were mission-essential, complied with the contract requirements, or represented the best value to the government.

In addition, the DoD IG identified more than \$1.4 million paid for NTV leases that the NTV review board later disapproved. Additional oversight and centralized management of NTVs could increase the efficiency of acquiring the NTVs necessary to support Operation Enduring Freedom. Despite these issues, the DoD IG commended the Joint Contracting Command-Iraq/Afghanistan for updating its acquisition instruction to include guidance for maintaining contract files. Implementing this guidance will help ensure contracting officers maintain contract files that provide an adequate history of transactions. (Report No. D-2009-085)

CONTRACTING FOR TRANSPORTATION SERVICES FOR USACE, GULF REGION DIVISION

The U.S. Army Corps of Engineers, Gulf Region Division did not effectively administer the task order for transportation services because it did not establish or implement processes for invoice and inventory reconciliation and discrepancy resolution. In addition, it did not establish standard policies for justification and utilization of nontactical vehicles. As a result, discrepancies in vehicle inventories could cost GRD at least \$1.2 million a year for vehicles it may not currently have. GRD could not provide assurance that the contractor complied with all contract requirements for transportation services under the task order. This occurred because GRD did not develop and implement a quality assurance surveillance plan or ensure that contracting officer's representatives adequately documented contractor performance. As a result, GRD cannot validate that it received transportation services totaling approximately \$69.9 million. (Report No. D-2009-095)

TRANSITION PLANNING FOR LOGISTICS CIVIL AUGMENTATION PROGRAM IV CONTRACT

Although the LOGCAP office planned for the transfer of 11 task orders to new performance contractors, which accounted for \$5 billion of \$31 billion spent on the LOGCAP III contract, planning efforts still needed improvement. The DoD IG identified weaknesses in planning, controlling costs, and overseeing property and contractors. The LOGCAP office did not validate that all organizations involved in the transfer process had the most up-to-date version of the transition plan. Despite spending \$31 billion on LOGCAP III work, the LOGCAP procuring contracting officer did not develop a standard performance work statement or identify goods and services that could be acquired under firm-fixed-price task orders, both of which would have reduced costs to the Army. In addition, the LOGCAP office did not properly oversee \$4 billion in LOGCAP property and has no assurance that all government property will transfer to new performance contractors. The quality assurance representative and contracting officer's representatives in Kuwait did not evaluate contractor performance on a consistent and routine basis. (Report No. D-2009-114)

HEALTH CARE PROVIDED BY MILITARY TREATMENT FACILITIES IN SOUTHWEST ASIA

The DoD did not always adequately address contract terms for health care provided by military treatment facilities to contractors in Southwest Asia. Based on a statistical sample of 2,561 DoD contracts, the DoD IG projected that 1,383 or 54 percent of the contracts had health care terms that were vague and subject to interpretation, or were silent on health care terms. DoD military treatment facilities were not billing and collecting payment from contractors that receive health care from military treatment facilities in Southwest Asia. As a result, DoD military treatment facilities in Southwest Asia may have provided health care billable in the millions without seeking reimbursement. The DoD IG did not project a potential monetary benefit. During the audit, DoD officials from various organizations responded by establishing a working group to discuss how to implement a billing and collection process in contingency operations. (Report No. D-2009-078)

IRAQ

An American military hospital in Balad.



WAR RESERVE MATERIEL CONTRACT

U.S. Air Forces Central officials did not effectively manage or administer the war reserve materiel contract in accordance with federal or DoD policies or provide sufficient oversight of contract administration actions and decisions. The DoD IG found that the contracting officer:

- could not provide basic, general information and documentation on the contract; executed 75 of the 120 contract modifications that did not completely define or specify the work to be accomplished by DynCorp;
- did not effectively monitor or track \$161.1 million in costs incurred on the contract and frequently failed to document key decisions;
- inappropriately authorized \$893,160 in award fees after actual costs were determined, resulting in a prohibited cost-plus-a-percentage-of-cost system of contracting; and
- improperly obligated \$6 million and as much as \$56 million in Operations and Maintenance funds for minor military construction projects.

The DoD IG also identified potential monetary benefits totaling approximately \$273,000 because contracting personnel did not adequately oversee the sale of government property. As a result of issues raised during the audit, Air Force officials revoked the contracting officer's warrant in September 2008. (Report No. D-2009-108)

CONTRACTS FOR THE U.S. ARMY'S HEAVY-LIFT VI PROGRAM IN KUWAIT

The U.S. Army Contracting Command, Southwest Asia-Kuwait did not develop appropriate surveillance methods to assess contractors' compliance to performance objectives, approve contractors' quality control plans at the time of award, or perform timely legal reviews and key contracting documents were not always available.

Contract oversight improved after procuring contracting office responsibilities were transferred to ACC Rock Island Contracting Center and administrative contracting office responsibilities were delegated to the Defense Contract Management Agency-Kuwait. However, clear guidance was not in place to assist in the oversight process, and the command needed a memorandum of agreement between the procuring contracting office and the administrative contracting office to detail contract administration responsibilities. Although ACC Rock Island Contracting Center and Defense Contract Management Agency- Kuwait have taken corrective actions to strengthen the administration and oversight of the Heavy-Lift VI program, DoD did not have reasonable assurance that contractors were complying with requirements, achieved standards, and that the \$522 million spent for contractors' services represented the best value to the government. (Report No. D-2009-096)

ORGANIC SHIP UTILIZATION IN SUPPORT OF THE GLOBAL WAR ON TERROR

The U.S. Transportation Command's commercial vessel selection process does not evaluate whether liners or charter vessels are the most cost-effective. In addition, USTRANSCOM officials did not document Southwest Asia vessel selection rationale when selecting from Surface Deployment and Distribution Command recommendations. The Surface Deployment and Distribution Command do not enforce penalties for late delivery of cargo under the Universal Service Contract-5. USTRANSCOM has no formal process to implement or document DoD requirements to annually size the U.S. sealift fleet to meet peacetime, contingency, and projected wartime requirements. (Report No. D-2009-093)

PRICE REASONABLENESS FOR CONTRACTS AT U.S. SPECIAL OPERATIONS COMMAND

On 4 of 15 contracts reviewed, U.S. Special Operations Command contracting officials did not perform or document the price reasonableness determination in accordance with the Federal Acquisition Regulation. In total, USSOCOM did not adequately document \$721 million in negotiated prices on the four contracts. Of the \$721 million, USSOCOM did not adequately support \$356 million on one contract for commercial hardware items. On two contracts, the DoD IG was unable to fully evaluate the contracting officers' decisions on price reasonableness because essential documentation was not retained as part of the contract file. As a result, the DoD IG was unable to verify USSOCOM's analyses of the \$360 million not-to-exceed amount for time-and-materials and firm-fixed price direct labor costs. On the final contract, USSOCOM did not completely translate the supporting documentation for \$5.0 million into English. USSOCOM internal controls were not adequate to ensure that USSOCOM contracting officials approved required contracting documentation or that the contract files contained the supporting documentation of the price reasonableness decisions. In addition, the USSOCOM policies and procedures did not address the alpha contracting methods used to negotiate the contracts. (Report No. D-2009-102)

LOGISTICS SUPPORT FOR THE U.S. SPECIAL OPERATIONS COMMAND

The Special Operations Forces Support Activity contracting officers did not develop and implement a quality assurance surveillance plan or designate properly trained contracting officer's representatives for 44 service task orders valued at more than \$514 million. This is approximately 30 percent of the overall \$1.74 billion obligated as of July 2008 for the two contracts. The SOFSA Contracting Office did designate a COR for the overall contracts; however, it is not feasible for one individual to effectively oversee 2,148 task orders requiring surveillance in 20 locations. SOFSA allowed contractor employees to perform inherently governmental functions for task orders valued at approximately \$82 million. The United States Army Special Operations Command, Technology Applications Program Office incorrectly

funded at least one task order with \$63.6 million in procurement funds rather than research, development, test, and evaluation funds. (Report No. D-2009-083)

DOD USE OF GLOBAL WAR ON TERROR SUPPLEMENTAL FUNDING PROVIDED FOR PROCUREMENT AND RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

The DoD IG could not determine whether \$6.23 billion in appropriated funds were obligated for the purposes authorized by Congress or used in support of the Global War on Terror. The Office of the Under Secretary of Defense (Comptroller) and four DoD components (the Army, the Navy, the Marine Corps, and the Washington Headquarters Service) did not consistently maintain adequate audit trails or separate Global War on Terror supplemental and bridge funding from annual and other supplemental appropriations in their accounting systems. (Report No. D-2009-077)

CONTROLS OVER AIR FORCE MATERIEL COMMAND UNLIQUIDATED OBLIGATIONS ON DEPARTMENT OF THE AIR FORCE CONTRACTS SUPPORTING THE GWOT

DFAS Columbus and six Air Force bases erroneously reported that they reviewed and validated 100 percent of Air Force Materiel Command unliquidated obligations. This increased the risk of Air Force losing funds not deobligated timely. DFAS Columbus could not provide evidence that it accomplished tri-annual reviews for 31 ULOs. As a result, the Air Force has no assurance that DFAS Columbus reviewed and validated ULOs valued at \$169.7 million and that the Air Force still needs the obligated funds. (Report No. D-2009-067)

MARINE CORPS' MANAGEMENT OF THE RECOVERY AND RESET PROGRAMS

The Marine Corps' recovery and reset efforts for the items of equipment reviewed were generally effective. Most of the Marine Corps' \$6.9 billion in supplemental procurement fund requirements for FY 2007 were supported by documentation that included justifications and priorities. However, \$383.3 million in requirements, or approximately 5.6 percent of the supplemental funds requested, did not meet DoD or Marine Corps guidance for inclusion in its supplemental funds request. Specifically, the Marine Corps requested: \$266.6 million in requirements that the Marine Corps categorized as low priority and desirable but not essential; \$61.8 million in estimated, not actual, combat losses; \$29.9 million in requirements that were based on inaccurate unit prices; and \$25 million in requirements that exceeded approved requirements. Additionally, the Marine Corps did not prioritize about \$1.9 billion in requirements and \$138 million could not be traced to supporting documents. As a result, the Marine Corps requirements for \$383.3 million in supplemental funds may have been put to better use and \$138 million was unsupported. (Report No. D-2009-066)

CONTROLS OVER THE DEPARTMENT OF THE NAVY MILITARY PAYROLL DISBURSED IN SUPPORT OF THE GLOBAL WAR ON TERROR

Norfolk-area disbursing center personnel did not maintain supporting documentation for combat zone entitlements according to record retention requirements. They also did not always obtain adequate supporting documentation to substantiate combat zone entitlements. The DoD IG reviewed the adequacy of the support for the combat zone entitlements received by 338 Navy military members. The disbursing centers provided complete support for the entitlements of 73 members. However, they only provided partial support for the entitlements of 107 members and no support for the entitlements of 158 members. Therefore, the Navy could not substantiate whether at least 158 of 338 Navy military members received proper combat zone entitlements during deployments supporting the GWOT. This could cause financial hardship on Navy warfighters and their families. In addition, the lack of proper supporting documentation adversely affects the Navy's ability to detect fraud or improper payments. (Report No. D-2009-079)

OVERSIGHT OF DOD PROGRAMS

AUDITS

Over the last six months, the DoD IG continued to provide oversight and make recommendations for corrective action to address program and management challenges identified in the following areas:

- Acquisition Processes and Contract Management
- Financial Management
- Health Care
- Information Assurance, Security, and Privacy

The following sections discuss some of the significant reports, findings, and recommendations for corrective action.

ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

The Department has faced tremendous challenges providing oversight for many years, but in recent years the challenge has increased. Spending for goods and services in FY 2008 exceeded \$380 billion and the Department was confronted with ramping up oversight and contracting staff to keep pace with the large spending increases. In addition, the ever-changing nature of the war made it difficult to get these resources to the right



place at the right time even when the resources were available. Much as the Department has tried to learn from past mistakes, it will be very important to incorporate lessons learned from prior situations where rapid actions and acquisitions occurred, such as the Hurricane Katrina disaster relief and support for contingency operations in Iraq and Afghanistan. Knowing the past mistakes and incorporating solutions continues to be an ongoing challenge for the Department. Similar to problems identified in previous emergency and contingency operations, eight years into the war effort in Iraq and Afghanistan the contract and acquisition audits continued to find a pattern of problems with oversight and accountability. Nine of the audit reports DoD IG issued in the past six months, involving contracting and acquisition issues, identified problems with

oversight and accountability by DoD organizations.

The audit of the SeaPort Enhanced Program found that 118 task orders, valued at \$1.4 billion, did not meet quality assurance requirements. The SeaPort-e program manager did not ensure task orders were written to be performance based, had quality assurance surveillance plans, or had contracting officer's representatives assigned. An estimated 1,106 total task orders (89 percent) did not meet quality assurance requirements. (Report No. D-2009-082)

Similarly, another audit found problems with quality assurance oversight noting that contractors performed inherently government functions and used incorrect funds. The Special Operations Forces Support Activity contracting officers did not develop and implement a quality assurance surveillance program or designate properly trained contracting officer's representatives for 44 service task orders valued at more than \$514 million. This is approximately 30 percent of the overall \$1.74 billion obligated as of July

2008 for the two contracts. The SOFSA contracting office did designate a COR for the overall contracts; however, it is not feasible for one individual to effectively oversee 2,148 task orders requiring surveillance in 20 locations. In addition, SOFSA allowed contractor employees to perform inherently governmental functions for task orders valued at approximately \$82 million.

In addition, SOFSA awarded a task order on February 24, 2005, for an initial value of more than \$30.4 million to L-3 Communications Integrated Systems. As of December 2008, SOFSA modified the task order seven times to increase the cost to \$63.6 million. According to the statement of work, the purpose of the task order was to modify one government-furnished UH-60M aircraft, a prototype, into the Special Operations Aviation MH-60M aircraft and provide special instructions to the government for the purposes of manufacturing the 60 subsequent MH-60M aircraft. The entire \$63.6 million came from procurement funds.

CONTRACT MANAGEMENT

UH-60M Black Hawk helicopter.



The task order increased the performance of a major end item already in production and required the developmental testing of the new prototype. Accordingly, this task order should have been funded with research, development, test and evaluation funds. (Report No. D-2009-083)

The audits that focused specifically on the Southwest Asia area of operations also identified the same types of problems with oversight and accountability. For instance, the U.S. Army Corps of Engineers, Gulf Region Division did not effectively administer the task order for transportation services because it did not establish or implement processes for invoice and inventory reconciliation and discrepancy resolution. In addition, it did not establish standard policies for justification and utilization of nontactical vehicles. As a result, discrepancies in vehicle inventories could cost Gulf Region Division at least \$1.2 million a year for vehicles it may not currently have.

Additionally, the GRD could not provide assurance that the contractor complied with all contract requirements for transportation services under a task order. This occurred because GRD did not develop and implement a quality assurance surveillance plan or ensure that contracting officer's representatives adequately documented contractor performance. As a result, GRD cannot validate that it received transportation services totaling approximately \$69.9 million. (Report No. D-2009-095)

The audit on contracts supporting the DoD Counter Narcoterrorism Technology Program Office also identified significant contract management and oversight problems. U.S. Army Space and Missile Defense Command/Army Forces Strategic Command contracting officials and contracting officer's representatives did not perform proper contract management for the 35 task orders reviewed valued at \$98.8 million and could waste \$439,000 on fees to acquire commercial items. Space and Missile Defense Command contracting officials and CORs did not develop surveillance plans, use receiving reports to formally accept goods and services, or review expenses charged by contractors. In addition, DoD officials did not ensure that the contractors were entitled to the \$47.9 million paid on the Counter Narcoterrorism Technology Program Office indefinite delivery, indefinite quality contracts and task orders. (Report No. D-2009-109)

The U.S. Army Contracting Command Southwest Asia - Kuwait did not develop appropriate surveillance methods to assess contractors' compliance with performance objectives, approve contractors' quality control plans at the time of award, or perform legal reviews in a timely manner, and key contracting documents were not always available.

Although Army Contracting Command Rock Island Contracting Center and Defense Contract Management Agency-Kuwait have taken corrective actions to strengthen the administration and oversight of the Heavy-Lift VI program, DoD did not have reasonable assurance that contractors were complying with requirements, achieved standards, and that the \$522 million spent for contractors' services represented the best value to the government. (Report No. D-2009-096)

CONTRACT MANAGEMENT

Heavy lift vehicle operations.



FINANCIAL MANAGEMENT

The DoD IG is working closely with the Department to address long-standing financial management challenges and supports the DoD goal of achieving a favorable audit opinion for the DoD agency-wide financial statements and the major DoD components. The Under Secretary of Defense (Comptroller)/Chief Financial Officer issued the DoD Financial Improvement and Audit Readiness Plan as part of an initiative to improve financial management in the Department. The DoD IG supports the objective of the plan, which is to provide ongoing, cross-functional collaboration with DoD components to yield standardized accounting and financial management processes, business rules, and data that will provide a more effective environment to better support the war-fighting mission. The DoD IG also supports the Department's ongoing efforts to target achievable, incremental change and to initiate the change necessary for continual, sustainable improvement in financial management.

FINANCIAL SYSTEMS AUDITS

Financial system audits are performed to evaluate the adequacy of system controls. The performances of 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. The DoD IG issued a report on the data migration strategy and information assurance for the Business Enterprise Information Services. Using a "family of systems" concept, the Business Enterprise Information Services uses existing legacy financial system capabilities transferred into the DoD enterprise financial solution.

DoD IG auditors tested the design and effectiveness of the data migration strategy and determined that the Business Transformation Agency, responsible for the development and implementation of the Business Enterprise Architecture, had not provided detailed guidance or best practices for the components to follow for migrating their data and aligning their systems to the Business Enterprise Architecture. The Business Transformation Agency also had not implemented an adequate security plan for the "family of systems," and had not conducted a Federal Financial Management Improvement Act compliance review for those systems since 2001. The Business Transformation Agency needed improvements to strengthen the data migration guidance for the components, develop information assurance security plans, and assess FFMIA compliance for the "family of systems." (Report No. D-2009-097)

FINANCIAL-RELATED AUDITS

Several financial-related audits focused on providing insightful and valuable recommendations to managers as they prepared for audit readiness. During the reporting period, auditors covered areas such as contract obligations,

unliquidated obligations on contracts supporting the Global War on Terror, PowerTrack payments, and DoD civilian employee accounts. The DoD IG reported the following concerns:

- Although the Army had implemented system process changes and internal control procedures that had improved the accuracy of obligations recorded for purchase orders in the Logistics Modernization Program, it had not fully documented the improved processes and controls. In addition, the Communications-Electronics Life Cycle Management Command did not comply with established laws and the DoD Financial Management Regulation when obligating funds at fiscal year-end using miscellaneous obligation documents. Furthermore, LMP did not correctly adjust recorded commitment balances for purchase requisitions when different units of measurement were used on the purchase requisition and purchase order. As a result, Army Materiel Command lacked assurance that the improved processes and controls would be applied uniformly and consistently in the event of personnel changes or during future LMP deployments. In addition, CECOM overstated the year-end obligation balance reported on the Army Working Capital Fund Statement of Budgetary Resources by at least \$24.4 million. (Report No. D-2009-087)
- DFAS Columbus could not provide evidence that it accomplished the reviews for 31 unliquidated obligations for the FY 2007 third period tri-annual review. As a result, the Air Force has no assurance that DFAS Columbus reviewed and validated unliquidated obligations valued at \$169.7 million or that the Air Force still needs the obligated funds. DFAS Columbus needed to review the unliquidated obligations valued at \$169.7 million, maintain supporting documentation of its review, and provide results of its review to the Air Force. In addition, the Air Force needed to de-obligate \$2.7 million related to one unliquidated obligations because the Air Force no longer needed the funds. The DoD IG found that DFAS Columbus and six Air Force bases erroneously reported that 100 percent of Air Force Materiel Command unliquidated obligations were reviewed and validated during the tri-annual review process. The erroneous reporting increased the risk of the Air Force losing funds not reviewed and de-obligated in a timely manner. (Report No. D-2009-067)
- The U.S. Transportation Command is the single manager of the DoD global transportation function. In FY 2007, DoD transportation offices paid freight shippers \$2.3 billion using PowerTrack, a U.S. bank system DoD adopted in FY 1999 to pay freight services electronically. DoD internal controls over PowerTrack payments were not adequate. The DoD IG estimated DoD should have identified between \$33.9 million and \$68 million in duplicate and improper payments in FY 2007 for freight transportation. The U.S. Transportation Command also did not take necessary steps to recover overpayments before the General Services Administration posted payment auditors recovered the funds and returned them to the Treasury. These events occurred because DoD did not have processes in place to identify likely overpayments and did not take advantage of the resources available to monitor payments, identify overpayments, and immediately recover funds. DoD could avoid or recover and retain up to an estimated \$307.3 million in overpayments over the Future Years Defense Program by improving the process of monitoring PowerTrack payments. Additionally, the DoD Annual Financial Report did not contain information on duplicate or improper payments for freight transportation actually identified during payment reviews. As a result, the FY 2007 Annual Financial Report did not identify PowerTrack payments as being a high-risk area. (Report No. D-2009-072)
- As of May 2008, the Defense Civilian Pay System included 7.3 million DoD civilian employee accounts with more than \$148 billion in taxable earnings during the period January 2002 through April 2008 (excluding taxable earnings for calendar year 2007). However, DFAS did not ensure that DCPS contained only valid DoD civilian employee accounts. Specifically, DCPS included invalid Social Security numbers, employees under the legal employment age, and multiple employee accounts that shared the same bank account. As a result, DFAS may have paid approximately \$15.4 million to more than 2,300 invalid DoD civilian employee accounts from January 2002 through April 2008 (excluding 2007). By reviewing the DoD civilian employee accounts identified and ensuring the accuracy of future accounts, DFAS will reduce the likelihood of paying invalid DoD civilian employees. (Report No. D-2009-92)

HEALTH CARE

The DoD Military Health System must provide quality care for approximately 9.5 million beneficiaries within fiscal constraints while facing increased user demands, legislative imperatives, and inflation that make cost control difficult in both the public and private sectors. Because the Military Health System provides health care support for a full range of military operations, the DoD challenge is magnified. The increased frequency and duration of military deployment further stresses the Military Health System in both the active and reserve components. Part of the challenge in delivering health care is combating fraud.

A major challenge to the Department is sufficient oversight of the growing cost of health care. During a hearing with the Senate Appropriations Subcommittee on Defense, the Secretary of Defense stated, as one concern, that the cost of health care must be controlled.

The DoD budget for health care costs was approximately \$45 billion in 2009, a 45 percent increase since FY 2005 (\$31 billion). In addition, the American Recovery and Reinvestment Act of 2009 provides \$0.4 billion for facilities sustainment, restoration and modernization, and \$1.3 billion for construction of hospitals. Another part of the challenge in containing health care costs is combating fraud. Increasing health care benefits also provides additional pressure to manage and contain costs.

HEALTH CARE

The Military Health System continues to face challenges.



The ability to support and develop the people in the Military Health System continues to be a challenge. Maintaining medical readiness of the medical staff and units includes ensuring that medical staff can perform at all echelons of operation and that the units have the right mix of skills, equipment, logistics support, and evacuation and support capabilities. The challenge of keeping members of the reserves and National Guard medically ready to deploy continues because of the frequency and duration of deployments.

Strengthening comprehensive and integrated health care from accession through active service to rehabilitation and transition to Department of Veterans Affairs care is a major challenge for the Department. The number of wounded warriors associated with Southwest Asia and other such conflicts requires diligent management of health care resources. Another related challenge to force health protection and medical readiness is oversight of post-deployment health needs, including identifying and managing those requiring care.

Although the DoD and the VA identified a number of objectives and initiated appropriate programs, the quality and oversight of these programs must be tightly managed. Transitioning wounded, ill, or injured service members to post-deployment care will grow as a challenge while operations in Southwest Asia continue. The Department needs to improve the medical care and benefits transition program to achieve a streamlined, transparent, and timely process as wounded warriors move from the DoD system to the VA system.

Increased numbers of returning service members with psychological health issues and traumatic brain injuries, along with a shortage of uniformed and civilian mental health workers, will require examining automated screening tools and improved diagnostics to provide earlier detection and intervention. In addition, addressing the psychological effects of deployment on family members and non-active duty personnel will continue to be a challenge.

Providing information to the right people so they can make decisions that are more informed continues to be a challenge in the health care community. Along with the benefits of expanding automation efforts comes the increased risk to information security and privacy issues. The transition from paper to electronic patient records increases the exposure of sensitive patient information to inadvertent or intentional compromise, highlighting the need for appropriate information assurance procedures. Maintaining information operations that ensure the protection and privacy of data will continue to grow as a challenge.

Implementing recommendations resulting from the 2005 Base Realignment and Closure process will continue to be a challenge. In addition to improving the readiness and cost efficiency associated with realigning base structure, a primary objective of the process was to examine and implement opportunities for greater joint activity among the Military Departments. Recapitalization of the physical infrastructure is a challenge. Military treatment facilities are aging and in need of replacement. Managing funds provided by the American Recovery and Reinvestment Act of 2009 for facilities sustainment and construction is also a concern.

The DoD has identified its expanded role in providing humanitarian assistance and disaster relief to support U.S. strategic objectives and promote human dignity through better health as a core capability of the Military Health System. However, this role will continue to create financial and organizational challenges.

The Military Health System will need to develop a strategy that complements the overall DoD strategy and that interfaces well with other executive agencies, including the Agency for International Development, and the Departments of State, Health and Human Services, and Homeland Security, which have traditionally played the lead role in humanitarian assistance and disaster response.

During this semiannual reporting period, the audit efforts focused on medical support to the troops involved with operations in Southwest Asia.

MEDICAL EQUIPMENT USED TO SUPPORT OPERATIONS IN SOUTHWEST ASIA

The DoD IG completed an audit of medical equipment used to support operations in Southwest Asia. The theater lead-agent for medical logistics supports military treatment facilities and medical logistics activities; however, the lead agent cannot effectively perform life-cycle management because it does not have the visibility or oversight of all theater-wide medical equipment and repair part procurements.

HEALTH CARE

Medical equipment at a military hospital in Balad, Iraq.



In addition, the theater lead-agent military treatment facilities and medical logistics activities do not have an interoperable system for tracking medical equipment procurements, inventory, and maintenance information. The DoD IG identified several management initiatives that should facilitate life-cycle management of medical equipment. (Report No. D-2009-113)

INFORMATION ASSURANCE, SECURITY, AND PRIVACY

The Department continues to face persistent weaknesses in information security policies and practices that threaten the confidentiality, integrity, and availability of critical information and information systems used to support operations,

assets, and personnel. Many of the weaknesses reported occurred because management of DoD Information systems was inadequate and security policies and procedures were not in place.

Without effective management oversight, the DoD cannot be assured that systems are accurately reported and maintained, information systems contain reliable data, and personnel are properly trained in security policies and procedures. Effective management oversight will remedy persistent IA weaknesses, thereby increasing assurance that DoD information systems maintain an appropriate level of confidentiality, integrity, authentication, and availability.

INFORMATION SECURITY

DoD systems must be accurately reported and maintained.



DoD issued a directive-type memorandum on July 31, 2009, establishing a new policy for managing the security of unclassified DoD information on non-DoD information systems. The DoD Chief Information Officer noted that a number of DoD IG audits had identified the requirement to provide protection of DoD information resident on contractor systems. Increased reliance on the Internet as a venue for sharing and storing information has exposed DoD information on non-DoD systems to the full range of cyber threats. Intrusions specifically targeting DoD information resident on contractor systems have also increased.

SANITIZATION AND DISPOSAL OF EXCESS INFORMATION TECHNOLOGY EQUIPMENT

DoD components did not properly sanitize, document, or fully account for excess unclassified information technology equipment before releasing the equipment to other organizations. Furthermore, the Defense Reutilization and Marketing Service processing centers processed excess unclassified IT equipment for disposal or redistribution without proof that the equipment had been properly sanitized. These instances of nonperformance occurred because DoD components did not follow policies, adequately train personnel, or develop and implement site-specific procedures to ensure personnel sanitized and properly disposed of excess unclassified equipment.

In addition, DoD guidance issued by the Assistant Secretary of Defense for Networks and Information Integration/DoD Chief Information Officer and the Navy Chief Information Officer was out of date and did not cover sanitizing and disposing of newer types of information storage devices. As a result, four DoD components could not ensure personally identifiable information or other sensitive DoD information was protected from unauthorized release, and one DoD component could not account for an excess unclassified computer. (Report No. D-2009-104)

CONTROLS OVER INFORMATION CONTAINED IN BLACKBERRY DEVICES USED IN DOD

DoD components did not always implement adequate controls to properly secure information on BlackBerry devices. Passwords did not always meet the length and complexity requirements of DoD Instruction 8500.2 and the Assistant Secretary of Defense (Networks and Information Integration)/Chief Information Officer allowed DoD components to use their discretion in not implementing required controls, such as encrypting data stored on BlackBerry devices, properly implementing user agreements, and requiring passwords to expire and devices to lock out after a specified period. Annual information assurance training did not always include wireless topics in accordance with DoD Directive 8100.02. (Report No. D-2009-111)

INVESTIGATIONS

The following cases highlight oversight activities of the Defense Criminal Investigative Service, the criminal investigative arm of the DoD IG, and its federal law enforcement partners. DoD IG significant accomplishments in investigations relating to oversight of DoD programs and operations are listed under the following categories:

- Corruption and Fraud
- Defective, Substituted, and Substandard Products
- Cybercrime and Computer Intrusion
- Illegal Transfer of Technology, Systems, and Equipment
- Homeland Security/Terrorism
- Other Initiatives

CORRUPTION AND FRAUD

Each year, millions of dollars intended for DoD people and programs are lost due to financial crime, public corruption, health care fraud, and major theft. DoD IG investigative efforts target abuses such as deliberate overcharges, bribes, and kickbacks. The DoD IG works closely with its federal law enforcement partners to proactively identify areas of vulnerability to combat these crimes and is a key member of the ongoing national effort to combat fraud through the multi-agency National Procurement Fraud Task Force and the International Contract Corruption Task Force.

FRAUD ON POST-9/11 WORK AT THE PENTAGON

On April 17, 2009, three DoD contractor employees were each sentenced to a total of 125 months imprisonment and three years supervised release, and ordered to pay more than \$1.1 million in restitution for major fraud against the government, theft, mail fraud, and conspiracy. The defendants defrauded the government and two other victims by submitting false time and material bills for reconstruction work during the post-9/11 reconstruction of the Pentagon. Some of the falsely billed labor and materials represented work on a newly constructed bar and restaurant owned by two of the defendants. On May 1, 2009, a subcontractor involved in the scheme was sentenced to two years probation and fined \$10,000 for conspiracy to defraud the government. The subcontractor received home remodeling materials and labor that he charged to the Pentagon reconstruction contract.



SHERMAN ANTITRUST ACT VIOLATION

On May 15, 2009, a DoD contractor was sentenced in the U.S. District Court, Southern District of Florida, and ordered to pay a \$3.5 million fine for violating the Sherman Antitrust Act. On June 15, 2009, a second DoD contractor involved in the scheme was sentenced in the U.S. District Court, Eastern District of Virginia, and ordered to pay a \$7.5 million fine for violating the Sherman Antitrust Act. Both companies fixed prices

and rigged bids for U.S. government contracts on marine buoys and marine hoses over several years. These are the second and third companies to plead guilty in a continuing Antitrust investigation.

CONFLICT OF INTEREST

On July 8, 2009, the vice president of an engineering contractor pled guilty to obstruction charges for helping the president of the company alter corporate records in an attempt to hide a conflict of interest with an Air Force Research Laboratory program manager. The program manager was simultaneously serving as a director at the company and was steering AFRL contacts to the company for personal financial gain.

On July 14, 2009, the former CEO of another corporation pled guilty to submitting false claims and obstruction of justice charges in a related case for conspiring with the engineering company to submit fraudulent invoices to divert \$1.8 million from a government contract for personal gain.

On July 20, 2009, the AFRL program manager pled guilty to submission of false statements and acts affecting a personal financial interest. Evidence at trial showed he created a company to mask his relationship with the president of the engineering company and hide a \$60,000 payment he received from that company. That payment came directly from a fraudulent invoice he knowingly approved for the other corporation. The program manager further defrauded the government by billing the Air Force for flights taken on the engineering company's aircraft on government business. The engineering company's president assisted in creating the fraudulent invoices.

On July 31, 2009, the president of the engineering company was convicted of obstruction of justice, perjury, making false statements to the U.S. Air Force in a debarment proceeding, and acts affecting a personal financial interest.

CIRCUMVENTING THE COMPETITIVE BIDDING PROCESS

Between May and July 2009, four U.S. Army civilian employees, a former Army major, and a DoD contractor were sentenced to serve a combined 121 months imprisonment and ordered to pay more than \$116,000 in restitution to the government for conspiracy to defraud the United States. Acting as public officials on behalf of the Army, the co-conspirators circumvented the government's competitive bidding process to influence and steer the award of lucrative government computer contracts to an information technology company in return for cash and merchandise.

The co-conspirators provided the IT company with internal procurement information related to impending U.S. Army acquisitions, which allowed the company to submit the lowest bid and obtain contract awards in lieu of fair and open competition. In addition to influencing the bidding process, the co-conspirators engaged in a scheme where they shipped undamaged government property from the Tobyhanna Army Depot to the IT company for repairs, but the items were misbranded as new equipment and resold to the government.

RESEARCH FUND FRAUD

On March 5, 2009, Weill Medical College of Cornell University agreed to pay \$2,606,751 to resolve civil charges that Weill defrauded the U.S. government in connection with research funds awarded under DoD, National Institute for Health, and Health and Human Services grants. The investigation disclosed the college made false statements to DoD and NIH in connection with the grant applications.

The principal research investigator for the grants at Weill fraudulently omitted the full extent of her various active research projects, which deprived DoD and NIH of their ability to assess the researcher's ability to perform on the projects in the grant applications. Of the \$2.6 million, Weill Medical College returned \$2.1 million to the government.

LABOR MISCHARGING CIVIL SETTLEMENT

On May 5, 2009, a DoD contractor agreed to pay the U.S. government more than \$1.9 million in a civil settlement for labor mischarging reported under a DoD Voluntary Disclosure. This was a joint investigation with U.S. Army CID and the General Services Administration Inspector General. The contract was for information technology and administrative services at Fort Hood, Texas. The subcontractor encouraged its employees to falsify their timecards and fraudulently claim overtime beyond the lifetime of the original contract and the follow-on contract. The contractor's original estimate of the mischarging was \$966,540, but further investigation revealed other subcontractors with the same practice, which increased the amount owed to the government to almost \$2 million.

HEALTH CARE FRAUD

On January 13, 2009, an individual was sentenced in the U.S. District Court, Southern District of Georgia, to 60 months incarceration and 36 months supervised probation for conspiring to commit health care fraud after an investigation revealed he billed TRICARE and Medicare for non-existent blood transfusions. On November 5, 2008, another individual was sentenced to 51 months incarceration and 36 months supervised probation in the same scheme. Neither of the two had ever provided treatment of any kind at a storefront facility called Longevity Care Services, Saint Marys, Ga. The defendants were ordered to pay more than \$1 million in restitution jointly. Two additional suspects fled the United States to avoid prosecution.

FALSE HEALTH CARE CLAIMS

On June 11, 2009, an Oklahoma orthopedic surgeon agreed to pay the government \$3.5 million to settle allegations of fraudulent billing, which first became known through a qui tam suit filed under the civil False Claims Act. The surgeon further agreed not to participate in any federal health care benefit program for three years. The joint investigation with DCIS and the Federal Bureau of Investigation found the surgeon filed false claims with Medicare, Medicaid, and TRICARE.

PFIZER, INC. AGREES TO \$1 BILLION CIVIL SETTLEMENT

On August 31, 2009, Pfizer, Inc. signed a \$1 billion civil settlement of which approximately \$566 million went to the government to resolve allegations that the company illegally promoted the drugs Bextra, Geodon, Zyvox, and Lyrica and caused false claims to be submitted to government health care programs, to include TRICARE, for unapproved uses of the drugs that were not covered. On September 15, 2009, Pharmacia and Upjohn Company, Inc., a subsidiary of Pfizer, pled guilty to violating the Food, Drug, and Cosmetic Act for illegally promoting the drug Bextra for several uses and dosages that the Food and Drug Administration specifically declined to approve due to safety concerns. This was a joint investigation conducted by DCIS, the FBI, the FDA and Offices of Inspector General for the Department of Health and Human Services, the Department of Veterans Affairs, the Office of Personnel Management, and the Postal Service.

UNAUTHORIZED TRIALS OF A MEDICAL DEVICE

On June 16, 2009, a large multinational medical device manufacturer and four of the company's executives were charged with conducting unauthorized trials of a medical device in surgeries treating spine fractures. These surgeries were allegedly performed despite a warning on the Food and Drug Administration-cleared label against this use. Pilot studies had shown a reaction between the medical device and human blood in test tubes causing blood clots. The research also showed blood clots caused by the device became lodged in the lungs of test animals. The indictment alleged the company did not stop marketing the product until after a third patient died on the operating table. Following the indictments, four of the company's executives pled guilty to introducing into interstate commerce adulterated and misbranded medical devices. This was a joint investigation with DCIS, FDA, and the Offices of Inspector General for the Department of Health and Human Services and the Department of Veterans Affairs.

DEFECTIVE, SUBSTITUTED, AND SUBSTANDARD PRODUCTS

Investigations of defective, substituted, and substandard products and parts ensure the procurement system provides exactly what is required to maintain the warfighters' operational readiness. These products and parts often involve flight safety issues or other mission-critical applications.

DEFECTIVE BLANKET KIT INSTALLATION IN KC-10 AIRCRAFT

On July 16, 2009, Boeing Aerospace Operations agreed to pay the U.S. government \$25 million, of which \$2.6 million went to relators, as a result of a qui tam settlement. Based on information from two former employees, an investigation found Boeing defectively installed insulation blanket kits in KC-10 aircraft. The investigation also found Boeing overcharged for the installation. The settlement consisted of Boeing paying \$18.4 million in cash and \$6.6 million worth of repair work to be performed on the defective blankets at the manufacturer's expense. The blanket kit is a critical component in the KC-10 Extender. The KC-10 Extender is a mainstay of the Air Force's aerial refueling fleet in Iraq and Afghanistan. This was a joint investigation with DCIS, Air Force Office of Special Investigations, and the Defense Contract Audit Agency.

DEFECTIVE PRODUCTS

KC-10 Extender refuels a fleet of aircraft.



DEFECTIVE AIRCRAFT PARTS

On March 18, 2009, Lockheed Martin Aircraft and Logistics Centers agreed to pay the U.S. government \$975,000 to settle claims resulting from one of its vendor's failure to properly perform cadmium plating on various parts used in the U.S. Navy C-9, P-3, and C-130 aircraft; the U.S. Coast Guard C-130 aircraft; and the U.S. Air Force C-130 aircraft. During a periodic quality audit, Lockheed discovered the vendor was not an approved plating vendor and did not comply with the product specification for cadmium processes on various parts. Lockheed directed the vendor to issue a Government Industry Data Exchange Program alert for all other vendors who may have used Wackenhut Services Inc. to perform cadmium plating. This was a joint investigation with DCIS, Air Force Office of Special Investigations, and Naval Criminal Investigative Service.

MANUFACTURE OF INFERIOR EQUIPMENT USED ON SUBMARINES AND AIRCRAFT

On July 14, 2009, a former DoD contractor was sentenced to 16 years, two months imprisonment, and ordered to pay \$284,734 in fines and restitution after avoiding capture as a fugitive for almost 21 years. The contractor was previously convicted in 1988 of mail fraud, false statements, false claims, and conspiracy to defraud the government, but had fled the United States before sentencing. The contractor manufactured inferior electrical brushes used on nuclear submarines, fighter aircraft, and various weapons and equipment. The contractor was apprehended on October 13, 2008 in the Bahamas and returned to the United States.

\$325 MILLION SETTLEMENT FOR DEFECTIVE TRANSISTORS

On April 2, 2009, Northrop Grumman Corporation agreed to pay the U.S. government \$325 million, of which

\$48.7 million went to relators, to resolve a qui tam suit. The investigation found Northrop failed to properly test and qualify certain microelectronic parts, known as heterojunction bipolar transistors that were found to be defective. The defective HBTs were integrated into National Reconnaissance Office satellite equipment as a result of the companies' failure to test them. This was a joint investigation with DCIS, the Federal Bureau of Investigation, and National Reconnaissance Inspector General.

CYBERCRIME AND COMPUTER INTRUSION

The DoD IG continued to emphasize combating cybercrime through several proactive initiatives around the country and maintains an on-site presence within the DoD Joint Task Force for Global Network Operations and will continue that presence with the establishment of the U.S. Cyber Command. The cybercrime program placed new emphasis on crimes involving the compromise and theft of sensitive Defense information contained in government and DoD contractor information systems while still positioned to respond to traditional computer intrusions against DoD and provide the full range of digital forensics services in support of investigations.

CYBERCRIME AND COMPUTER INTRUSION

A DCIS special agent monitors a surveillance camera.



DCIS efforts in crimes targeting members of the Defense Industrial Base led to issuing a directive-type memorandum in which the Department directed that all future acquisition contracts contain requirements for the protection of unclassified Defense data maintained in DIB information systems. DCIS also redoubled efforts to examine intrusions into contractor-administered DoD information systems for evidence of contract violations pertaining to insufficient network security. One such case resulted in an administrative recovery of approximately 25 percent of a \$5.1 million information technology contract.

IDENTITY THEFT

On April 22, 2009, a former U.S. Army specialist pled guilty to aggravated identity theft resulting in a two-year minimum confinement. The specialist was arrested while he was accessing a U.S. military member's Defense Finance and Accounting Service MyPay account from a publicly accessible computer at an area college. The joint DCIS and Army Criminal Investigation Command investigation found the specialist, while serving as a finance technician in Korea, used his position to access military Social Security numbers and MyPay account passwords to change direct deposit bank accounts for more than 35 military members and attempted to divert more than \$36,869 in payroll funds to his bank account.

ILLEGAL TRANSFER OF TECHNOLOGY AND EQUIPMENT

The DCIS Technology Protection Program is the agency's fastest growing program and one of its most critical, combating the threat posed to the warfighter and the nation concerning loss of critical technology. In 2009, DCIS was involved in more than 424 technology protection investigations, to include investigations that led to the guilty plea

of subjects who stole and shipped high-grade military optics and other Defense articles to purchasers in the People's Republic of China and Iran.

DCIS recently joined a technology transfer task force hosted by the Air Force Office of Special Investigations at Wright-Patterson Air Force Base, Ohio. DCIS also teams with the U.S. Immigration and Customs Enforcement, National Export Enforcement Counter-Proliferation Network and ICE's Operation Tech Defense to enhance investigative efforts into the illegal export of restricted military technology.

DCIS continues to work with federal partners to garner intelligence to combat illicit technology transfer and weapons of mass destruction proliferation activities. The United States faces an enemy that does not recognize organizational boundaries or jurisdictional authorities. Through a collaborative process with federal partners, the DoD IG can minimize duplicative efforts and provide for a safer America.

ATTEMPT TO PURCHASE MILITARY-GRADE NIGHT VISION TECHNOLOGY

On July 1, 2009, the company manager of a science and technology business in Nanjing, People's Republic of China, was sentenced to 22 months incarceration by the U.S. District Court, District of New Jersey. The company manager, a Chinese national, admitted to conspiring with others to purchase military-grade night vision technology from a company in the United States and illegally export it to the PRC. The night vision technology he attempted to purchase required a license from the Department of State for export. The United States maintains an arms embargo with PRC, and DoS policy is to deny permission for the export of Defense articles such as the night-vision technology he sought to purchase. The company manager admitted he knew his conduct was illegal and was aware a license was required to export the technology. The success of this case was due to a joint investigation between DCIS and ICE.

EXPORTING DUAL-USE AIRCRAFT PARTS TO IRAN

On June 11, 2009, a former Romanian national and now a naturalized U.S. citizen was sentenced in Miami federal court to 35 months imprisonment and three years of supervised release for his role in a conspiracy to illegally export military and dual-use aircraft parts to Iran in violation of the International Emergency Economic Powers Act and the Arms Export Control Act.

The Romanian national admitted that he used his corporation to sell aircraft parts to purchasers in Iran and exported the aircraft parts to Iran by way of freight forwarders in Dubai, United Arab Emirates. Some of the aircraft parts he illegally exported to Iran were designed exclusively for the F-14 fighter jet, Sikorsky CH-53E military helicopter, and AH-1 Cobra attack helicopter as shown in the pictures below. All of these aircraft are part of the Iranian military fleet, and the F-14 is now used exclusively by the Iranian military. All of the parts the Romanian national supplied as part of the conspiracy are manufactured in the United States, designed exclusively for military use, and have been designated by the U.S. Department of State as "Defense articles" on the U.S. Munitions List. The Romanian national was not registered with DoS, and he did not possess the required licenses to ship Defense articles to Iran. This was a joint investigation by DCIS, the Department of Commerce, and ICE.



ILLEGALLY EXPORTING HIGH-TECH INTEGRATED CIRCUITS TO CHINA

On August 3, 2009, a Beijing resident was sentenced to 40 months imprisonment for his role in exporting high-tech integrated circuits with military applications to the People's Republic of China. These high-tech integrated components consisted of U.S. radar systems microcircuits and satellite communication components. The subject components are categorized as "A3001," a National Security Classification that restricts exportation to the PRC. The investigation disclosed the Beijing resident, operated a company that engaged in the illegal exportation of these components to the PRC. This was a joint investigation conducted by the Export and Anti-Proliferation Global Law Enforcement Task Force with DCIS as a participating member.

CONSPIRING TO STEAL AND EXPORT HIGH-GRADE OPTICS

On June 1, 2009, two brothers, one a lance corporal and the other a former lance corporal with the U.S. Marine Corps, were sentenced to a total of 26 months imprisonment in the U.S. District Court, Southern District of West Virginia, after being convicted of knowingly and unlawfully conspiring to steal items from the U.S. Marine Corps and then exporting the items through sales on eBay. These items were U.S. high-grade military optics, Defense articles subject to restricted export controls and on the U.S. Munitions List, and were illegally exported to purchasers in Hong Kong, Japan, and Taiwan. The conviction of the two brothers was the result of a joint DCIS, ICE, and NCIS investigation.

HOMELAND SECURITY/TERRORISM

The DoD IG continues to participate in Joint Terrorism Task Forces throughout the country and currently staffs 40 JTTFs on a full-time or part-time basis. Additionally, a full-time representative is assigned to the National Joint Terrorism Task Force located at the National Counterterrorism Center, McLean, Va.

The JTTF concept is based on the premise that success against terrorism is best achieved through a collaborative effort among federal, state, and local agencies. Cooperation blends the skills and resources of several agencies, enhancing the capabilities of all involved. The mission of the JTTF is to detect, prevent, and respond to domestic and international terrorist organizations that may threaten U.S. citizens or interests.

HOMELAND SECURITY

DCIS special agents conducting an investigation.



The JTTFs have foiled attacks on the Fort Dix Army base, N.J., at JFK International Airport in New York, and on various military and civilian targets in Los Angeles, Calif. The JTTFs have traced sources of terrorist funding, responded to anthrax threats, halted the use of counterfeit identification, and quickly arrested suspicious persons possessing a variety of deadly weapons and explosives.

The NJTTF brings together senior personnel from agencies representing the intelligence, law enforcement (state, local, and other federal), and public safety communities. The NJTTF serves as a multi-agency information collaboration and fusion center.

Creating JTTFs involves a costly investment of personnel and equipment; however, this initiative realizes qualitative benefits in the form of improving interagency coordination and cooperation, sharing intelligence, and obtaining arrests and convictions in counterterrorism investigations. The DoD IG will continue to support JTTFs in

an effort to reduce the threat of terrorist acts against DoD interests and furthering its mission of Protecting America's Warfighters.

DISCLOSING CLASSIFIED INFORMATION

On April 3, 2009, a former U.S. Navy member was sentenced to 120 months imprisonment and three years supervised release. This was a joint investigation conducted by DCIS, ICE, the FBI, the Internal Revenue Service - Criminal Investigations Division, and the NCIS.

On March 7, 2007, the former Navy member was arrested in connection with allegations of providing material support to a group promoting terrorism and delivering classified information to persons not entitled to receive it. In March 2008, the former Navy member was convicted of disclosing classified information relating to national defense. The former Navy member was an enlistee on active duty in the Middle East stationed aboard USS Benfold when he allegedly made donations to a London-based organization known as Azzam Publications. Azzam advocated violent jihad and terrorist attacks against the United States.

Additionally, other information indicated that the enlistee provided Azzam representatives with information regarding the movements of a U.S. Navy battle group, whose mission included enforcing sanctions against the Taliban and engaging in operations against Al Qaeda.

POSSESSION OF MACHINE GUNS IN FURTHERANCE OF A CRIME OF VIOLENCE

In April 2009, three of five defendants were sentenced to life in prison with an additional consecutive 360 months for conspiracy to murder members of the U.S. military, possession of machine guns, and attempted possession of machine guns for use in violent crimes.

A Philadelphia Joint Terrorism Task Force investigation revealed a terrorist plot to kill American service personnel in Pennsylvania, New Jersey, and Delaware. The investigation involved recordings of the co-conspirators discussing tactics, surveillance, plans for attacking U.S. military bases, killing military personnel, radical theology, and hatred of America and support of jihad. Members of the terrorist group conducted surveillance at Fort Dix, Fort Monmouth, and Lakehurst Naval Air Station, N.J.; Dover Air Force Base, Del.; and the U.S. Coast Guard in Philadelphia, Pa.

One of the terrorists obtained a detailed map of Fort Dix, where they hoped to use assault rifles and rocket-propelled grenades to kill as many soldiers as possible. The terrorism group also conducted small arms training at a shooting range in the Pocono Mountains of Pennsylvania, conducted paint ball and tactical training in southern New Jersey, and distributed terrorist training videos amongst themselves. The terrorist group obtained semi-automatic rifles, semi-automatic pistols, a revolver, and shotgun. The co-conspirators further sought fully automatic weapons for the attack on Fort Dix.

CONSPIRACY TO LEVY WAR AGAINST THE UNITED STATES

In April 2009, an individual pled guilty to a charge of conspiracy to levy war against the United States through terrorism. In August 2009, the same individual was sentenced to 70 months incarceration and three years supervised release for his role in a terrorist plot against DoD facilities and personnel. Information developed during a Torrance, Calif., police investigation found two individuals involved in armed robberies in the Los Angeles county area were also involved in plans to attack U.S. military recruiting stations, California National Guard installations, and additional civilian targets as part of a violent jihad against the U.S. government.

Further investigation revealed the individuals were leaders of a terrorist cell. One of them admitted he had been recruited into a radical Islamist organization known as Jam'iyyat ul-Islam is-Shaheen ("Assembly of Authentic Islam," aka "JIS") by its leader, Kevin Lamar James, while incarcerated at Folsom prison in California. He admitted that James appointed him as the leader of that terrorist cell, and upon his release from prison, he was to recruit additional members and carry out terrorist operations.

OTHER INVESTIGATIVE INITIATIVES

ASSET FORFEITURE

The Department of Justice's Asset Forfeiture Program is a nationwide law enforcement program that continues to be an effective and powerful strategy in the fight against crime. The goal of the program is to employ asset forfeiture powers in a manner that enhances public safety and security by removing the proceeds of crime and other assets criminals and their associates rely on to perpetuate criminal activity. Asset forfeiture has the power to disrupt or dismantle criminal organizations that would otherwise continue to function. DCIS is an active member of the DoJ asset forfeiture program and since admission into the program in May 2007, successfully obtained court orders of final forfeiture for approximately \$148 million and an additional \$43 million in seizures for forfeiture is pending.

DCIS obtained a court order of final forfeiture for approximately \$23 million as result of a joint investigation with the Federal Bureau of Investigation. The investigation disclosed an individual sold fraudulent and counterfeit surety bonds using the names of legitimate authorized insurance companies to contractors as a form of insurance on construction projects. These construction projects included the U.S. Navy, Federal Aviation Administration, and U.S. Army Corps of Engineers. The forfeiture obligation was part of a criminal information and related plea agreement filed against the defendant consisting of a money judgment for personally obtaining at least \$22.5 million in proceeds as a result of wire and mail fraud. The individual also forfeited assets in the form of conveyances and bank accounts. Additional assets in the form of real property and conveyances are pending.

UNDERCOVER PROGRAM

DCIS has continued to use undercover operations to proactively combat terrorism, bribery, product substitution, computer crimes, and the illegal exportation and theft of critical U.S. technology at an unprecedented rate. In FY 2009, DCIS partnered with Immigration and Customs Enforcement, the Federal Bureau of Investigation, the Department of Commerce, and National Aeronautics and Space Agency Inspector General utilizing 28 undercover operations to infiltrate, investigate, and prosecute criminal organizations posing a threat to the Department. In this inaugural year, from October 1, 2008, through August 31, 2009, undercover operations resulted in 42 spinoff investigations. Investigations utilizing undercover operations resulted in 24 arrests; 46 criminal charges; 32 convictions; \$323,682 in restitution, fines, and penalties; 558 months imprisonment; 1,035 months of probation; \$187,278 in forfeitures; and more than \$1.2 million in recovered government property.

UNDERCOVER PROGRAM

A DCIS special agent reviewing a taped conversation.



SOUTH KOREA OFFICE OPENING

In September 2009, the DoD IG opened an investigative office in Yongsan, South Korea. This initiative was a direct result of DoD IG audit and investigative support to the \$16 billion project relocating United States Forces Korea troops from Seoul to Camp Humphreys, South Korea. The DoD IG established a partnership with Criminal Investigations Command, Ministry of National Defense, South Korea and hosted a visit by the KCIC Commander in July 2009. The outcome was a memorandum of understanding formally establishing the ground breaking partnership.

ADMINISTRATIVE INVESTIGATIONS

During this period, the DoD IG closed 504 investigations reinforcing its commitment to enhancing public trust and confidence in DoD senior leadership and maintaining a robust whistleblower protection program. The following highlight some cases and initiatives:

- Substantiated that the former Chief of Staff of the Air Force provided preferential treatment to a contractor, misused subordinates and government resources, and solicited and received gifts from a prohibited source.
- Co-sponsored a RAND study with the Office of Under Secretary of Defense (Personnel and Readiness) to review service adverse/reportable information processes and better facilitate the OSD senior uniformed officer nomination process.
- Substantiated findings that resulted in a Defense contractor employee, who was terminated in reprisal for filing an IG complaint, receiving a \$25,000 settlement and having her erroneous employment record expunged.
- Substantiated that a law enforcement officer was reprisal against for reporting violations of safety standards at a DoD facility charged with the storage and security of chemical weapons. Parties are currently mediating the substantiated findings.

INVESTIGATIONS OF SENIOR OFFICIALS

The DoD IG promotes public trust and confidence in the integrity of senior leadership, both civilian and military, in the Department. Investigations during this period covered topics such as inappropriate relationships, inequities in the Base Realignment and Closure process, and inaccurate testimony to Congress. Thirty percent of the open cases have significant public or congressional interest.

On September 30, 2009, there were 252 ongoing investigations into senior official misconduct throughout the Department, representing a 6 percent decrease from March 31, 2009, when 267 open investigations were reported. Over the past six months, the Department closed 239 senior official cases, of which 29 (8 percent) contained substantiated allegations. Examples of corrective action included: removal from position, reimbursement to the government, and failure to assess to the next highest rank.

As part of its responsibility to fully inform the President and the Senate Armed Services Committee of adverse information concerning senior officials being nominated for promotion, reassignment, or other action, the DoD IG processed over 425 requests—totaling over 7,400 individual names—in the past six months. The confirmation process relies on the accuracy of these name checks.

MILITARY REPRISAL INVESTIGATIONS

On September 30, 2009, the DoD IG had 423 open cases involving allegations of whistleblower reprisal filed by military service members, Defense contractor employees, and non-appropriated fund employees. About 75 percent of those cases are processed by service IGs prior to being forwarded to the DoD IG for final approval.

During the reporting period, the DoD IG and the service IGs received 296 complaints of whistleblower reprisal and closed 243 cases. Of the 243 cases, 152 were closed after preliminary analysis determined further investigation was not warranted and 38 were closed after investigation. Of the 38 cases investigated, eight (21 percent) contained one or more substantiated allegations of whistleblower reprisal.

EXAMPLES OF SUBSTANTIATED WHISTLEBLOWER REPRISAL CASES

- An Army captain received an unfavorable officer evaluation report from his commander in reprisal for his protected communications to his chain of command. The captain alleged his commander inappropriately used a government vehicle and had an inappropriate relationship with a subordinate. Based on the findings, the captain's commander received a general officer letter of reprimand for personal acts of misconduct and for professional dereliction of duty.
- An Army staff sergeant was removed as the Training Center Non-Commissioned Officer in Charge after he reported to his director that he would no longer perform illegal acts associated with "covering up" the director's absences. The director claimed that he influenced the staff sergeant's recall from the position because he did not have a final security clearance. However, the director knew, or should have known, that the staff sergeant did not have a clearance for two years due to administrative error, but did not take action until after the staff sergeant made his protected communication. As a result of the substantiated reprisal finding, the director was removed from his position and retired.
- A Navy senior chief petty officer was reprised against after he reported to his chain of command that his superior NCO did not comply with the unit's physical fitness program. The superior NCO reported false information up the chain of command regarding the senior chief petty officer's job performance and refused to assist him in completing qualifications to authorize aircraft as "Safe for Flight," which resulted in the senior chief petty officer's relief from duties and transfer. As a result of the substantiated reprisal finding, the superior NCO was detached for cause and retired.

REFERRALS FOR MENTAL HEALTH EVALUATIONS

The DoD IG closed 19 cases involving allegations of improper referrals for mental health evaluation during the reporting period. Eleven (58 percent) of those cases substantiated that command officials and mental health care providers failed to follow the procedural requirements for referring service members for mental health evaluations under DoD Directive 6490.1, "Mental Health Evaluations of Members of the Armed Forces." There were no substantiated allegations of a mental health evaluation being used in reprisal for making a protected communication.

CIVILIAN REPRISAL INVESTIGATIONS

The DoD IG raised the awareness of DoD appropriated fund civilian employees' whistleblower protections, specifically within the intelligence community and ensured compliance with the Office of Special Counsel's Section 2302(c) whistleblower certification program.

On September 30, 2009, the DoD IG had 19 open cases and was providing oversight of two investigations being conducted by Defense intelligence agencies. During the second half of FY 2009, the DoD IG advised on 34 intakes, accepted seven complaints for investigation, and closed three investigations. Twenty-seven percent of CRI open cases concern intelligence or counterintelligence activities, and the remaining cases are focused on cases involving procurement fraud sources.

EXAMPLE OF SUBSTANTIATED CIVILIAN WHISTLEBLOWER REPRISAL CASES

A law enforcement officer stationed at a chemical weapons depot was reprised against for reporting inappropriate weapons handling and failure to follow safety procedures during a security drill involving chambered weapons. The employee received a downgraded performance evaluation and, subsequently, was ineligible to receive a within grade pay increase.

POLICY AND OVERSIGHT

This section highlights policy and oversight programs and inspections in the several areas of focus, such as:

- Disclosure Programs
- Other Oversight Initiatives

DISCLOSURE PROGRAMS

VOLUNTARY DISCLOSURE PROGRAM

The DoD Voluntary Disclosure Program, which has been superseded by the Contractor Disclosure Program as of December 2008, provides incentives for federal contractors to voluntarily disclose to government authorities potential civil or criminal violations. Over \$4.2 million was recovered this period from previously reported disclosures; 24 disclosures remain open. The following presents details regarding recoveries:

- A major Defense contractor disclosed that seven direct commercial contract sales were improperly approved for foreign military finance funding because either items were not manufactured and assembled in the United States or because U.S. content in those sales was less than the 51 percent required. As a result, the company was required to remit \$2,238,000 to the government of Israel's Foreign Military Finance Trust Fund Account.
- A major Defense contractor disclosed that two task order contracts, involving information technology support services to the Army, showed overcharges for labor costs. The investigation revealed that employees submitted fraudulent time cards for overtime. The Department of Justice and the company reached a final settlement of \$1,933,080.

CONTRACTOR DISCLOSURE PROGRAM

The Federal Acquisition Regulation requires federal contractors and subcontractors to disclose to the DoD IG violations of criminal law and of the civil False Claims Act in connection with their contracts, or face potential suspension and/or debarment. Contractors made 73 disclosures to the DoD Contractor Disclosure Program since the program's inception in December 2008. Program management established a coordinated processing system that affords federal and Defense agencies immediate access to disclosures. This processing system has resulted in timely remedies and prompt initiations of investigations when deemed appropriate.

Currently, the program emphasizes contractor compliance and notice to the government of criminal violations and the impact on the affected DoD procurements. Most disclosures are handled administratively; however, the Department of Justice opened three matters and referred seven disclosures to the servicing Assistant United States Attorney Offices. Timely contractor notice and prompt government resolution are the Contractor Disclosure Program's basic tenets.



OTHER OVERSIGHT INITIATIVES

EVALUATION OF THE DOD VOTING ASSISTANCE PROGRAM

Section 1566, Title 10, United States Code, “Voting assistance; compliance assessments; assistance,” as amended, requires that the inspectors general of the Army, Navy, Marine Corps, and Air Force conduct an annual review of the effectiveness of voting assistance programs and compliance with voting assistance programs of their respective service. The statute also requires that the DoD IG submit to Congress a report on the effectiveness of and level of compliance with voting assistance programs.

The service inspectors general reported that their programs were effective and in compliance with DoD regulations and public law. The oversight programs of the Federal Voting Assistance Program office and the services continue to evolve, presenting opportunities to improve the effectiveness and compliance aspects of the Voting Assistance Program. For example, in 2008, FVAP managers established a program metrics tool to measure effectiveness and compliance. The data collected for these metrics serve to describe program activities and sets the baseline for examining the program going forward. Furthermore, the results of the services’ surveys provide the indicators and targets for program improvement. Service inspectors general provided detailed service-wide compliance reporting in all five compliance focus areas identified in DoD Directive 1000.04, “Federal Voting Assistance Program,” April 14, 2004. As an additional cross-check on program management, the combatant command inspectors general reported that the services’ voting assistance programs in their areas of operations were effective and compliant. (Report No. IE-2009-005)

FRAUD PREVENTION AND DETECTION 2009 CONFERENCE

FRAUD CONFERENCE

Honorable Thomas M. Davis III, former Chairman of the House Committee on Government Reform, delivers the keynote address.



The DoD IG educates DoD personnel about fraud, to include hosting a fraud conference in partnership with the DoD Panel on Contracting Integrity and the Defense Acquisition University. The DoD IG facilitated the conference at the Defense Acquisition University, Fort Belvoir, Va., from June 1 to 3, 2009. Over 320 auditors, investigators, attorneys, and acquisition and contracting personnel from more than 60 organizations participated in the conference.

FOLLOW-UP REVIEW ON DCAA

At two Defense Contract Audit Agency Western Region offices, DCAA employee concerns with time pressures, uncompensated overtime, changes to audit results and opinions, and unprofessional behavior created a work environment that was not conducive to performing quality audits. External impairments to auditor independence caused a regional DCAA audit manager to direct a flawed audit and change the audit results, allowing a contractor the ability to recover \$271 million in unallowable costs. Because of the flawed audit, DCAA initiated new corrective audits, the Air Force Space and Missiles Systems Center suspended future contract payments, and the DCAA took

actions to reassess certain advance agreements. Additionally, DCAA provided ineffective audit advice and services to a contracting officer; four audits contained insufficient evidence to adequately support overall opinions or conclusions, including the reason why certain findings were dropped; and one audit report was not appropriately qualified. The DoD IG recommended additional improvements to DCAA audits in six other cases. (Report No. D-2009-6-009)

AUDITS OF COST ACCOUNTING STANDARDS AND INTERNAL CONTROL SYSTEMS AT DOD CONTRACTORS INVOLVED IN IRAQ RECONSTRUCTION ACTIVITIES

Defense Contract Management Agency contracting officers did not adequately justify their actions on two DCAA audit reports of potential cost accounting standard noncompliances and one audit report of accounting system deficiencies. In addition, a contracting officer did not adequately coordinate with DCAA in responding to reported estimating system deficiencies. DCMA Philadelphia and Houston were not timely in processing reported cost accounting standard non-compliances in accordance with FAR 30.605, and did not accurately report contract audit follow-up data. DCMA concurred with the recommendations. (Report No. D-2009-6-004)

HOTLINE COMPLAINT REGARDING THE ACTIONS BY A CONTRACTING OFFICER AT THE DEFENSE CONTRACT MANAGEMENT AGENCY EAST HARTFORD OFFICE

Allegations that a contracting officer had been untimely when acting on contract audit reports, failed to take any action on one significant contractor estimating system deficiency, and did not prepare an adequate negotiation memorandum were substantiated. In seven instances, the contracting officer also had not demonstrated a sufficient understanding of federal and DoD acquisition policies, in one case resulting in a failure to assess approximately \$466,000 in interest that was due the government. Finally, the contracting officer did not maintain accurate records of contract audit follow-up data included in the DoD IG Semiannual Report. DCMA concurred with the report findings. (Report No. D-2009-6-008)

REPORT ON THE REVIEW OF THE DEPARTMENT OF MILITARY AND VETERANS AFFAIRS SINGLE AUDIT FOR THE AUDIT PERIOD OCTOBER 1, 2005 TO SEPTEMBER 30, 2007

The Auditor General, State of Michigan, did not perform an adequate audit of the National Guard Operations and Maintenance and the Civilian Youth Opportunities cooperative agreements. DoD expenditures were \$129.1 million for the audit period. The Department of Military and Veterans Affairs failed to identify the National Guard Military Construction Cooperative Agreement awards in the Schedule of Expenditures of federal awards. The Auditor General audit procedures also failed to identify this program and, as a result, did not evaluate or test program internal controls and compliance with laws, regulations, and agreement terms and conditions. Based on information provided by the National Guard, the DoD IG estimated military construction expenditures of \$47.5 million for the audit period. The audit of the Operations and Maintenance program was inadequate because the auditors did not have sufficient evidence to support the audit opinion that the Department of Military and Veterans Affairs complied with all significant regulations and agreement terms and provisions.

The Department of Military and Veterans Affairs and the Office of the Auditor General non-concurred with the recommendation to prepare and submit the financial statements required under the Single Audit Act Amendments of 1996. The Office of the Auditor General concurred with the findings and recommendations to perform additional audit procedures and to re-issue the single audit report for the period October 1, 2005, through September 30, 2007. The Department of Military Affairs agreed to identify the single audit costs as unallowable pending the state auditor's performance of additional audit procedures to correct the cited deficiencies. (Report No. D-2009-6-005)

INTELLIGENCE

DoD IG intelligence efforts include auditing, evaluating, monitoring, and reviewing the programs, policies, procedures and functions of the Intelligence Enterprise, Special Access Programs and Nuclear Surety Issues within the Department of Defense. This section highlights intelligence reports issued by the DoD IG in the following areas of focus:

- Acquisitions and Contract Management
- Nuclear Enterprise
- Significantly Improve Intelligence Capability
- Information Security and Privacy

Additional details can be found in the Classified Annex to this Semiannual Report.

ACQUISITIONS AND CONTRACT MANAGEMENT

AUDIT OF ISSUES RELATED TO THE MODIFICATIONS OF THE JOINT AIR-TO-SURFACE STANDOFF MISSILE

The audit was in response to a DoD Special Access Program Central Office request to evaluate the execution of modifications to the Joint Air-to-Surface Standoff Missile. DoD IG made recommendations to the Director, DoD SAPCO; the Director, Air Force SAPCO; the Commander 308th Armament Systems Group; and the Commander, Global Positioning System Wing. The report dealt with security and contracting issues. (Report No. 09-INTEL-09)

SUMMARY REPORT OF FY 2008 INSPECTIONS ON SECURITY, TECHNOLOGY PROTECTION AND COUNTERINTELLIGENCE PRACTICES AT DOD RESEARCH, DEVELOPMENT, TEST AND EVALUATION FACILITIES

This annual report provides summaries of inspection results from the service Inspectors General inspection of technology, security and protection of DoD research, development, test and evaluation facilities and, where available, notes the best practices of participating Inspectors General. (Report No. 09-INTEL-14)

NUCLEAR ENTERPRISE

STATUS OF RECOMMENDATIONS TO IMPROVE THE AIR FORCE NUCLEAR ENTERPRISE

This report was one of a multi-phased approach to respond to concerns raised by Senate Armed Service Committee Chairman Carl Levin and Ranking Member John McCain in an April 18, 2008, letter to the DoD Inspector General. The concerns addressed a flight from Minot Air Force



Base, N.D. to Barksdale Air Force Base, La., that mistakenly carried nuclear warheads. The DoD IG found that the Air Force is addressing all recommendations in three reports: the “Defense Science Board Report on the Unauthorized Movement of Nuclear Weapons;” the “Air Force Blue Ribbon Review of Nuclear Weapons Policies & Procedures;” and the “Commander Directed Report of Investigation Concerning an Unauthorized Transfer of Nuclear Warheads between Minot AFB, North Dakota and Barksdale AFB, Louisiana.” The Air Force closed 74 of the 107 unclassified recommendations. The Air Force is making progress in re-invigorating its nuclear weapons enterprise. Key actions include two new command structures, and increased emphasis on nuclear maintenance and management. (Report No. 09-INTEL-11)

B61 NUCLEAR WEAPON USE-CONTROL

The DoD IG evaluated the policies, practices, plans, and capabilities for security and control of U.S. nuclear weapons. This report addresses issues related to the Nuclear Enterprise management challenge. (Report No. 09-INTEL-12)

SIGNIFICANTLY IMPROVE INTELLIGENCE CAPABILITY

EVALUATION OF DOD POLYGRAPH SUPPORT TO U.S. SPECIAL OPERATIONS COMMAND

The DoD IG recommended that the Under Secretary of Defense for Intelligence USD(I) publish DoD-level guidance detailing DoD policy regarding quality control and records maintenance. The USD(I) concurred. The report also recommended that the Commander, USSCOM ensure that personnel receive recurring and systemic training. The Commander, USSOCOM concurred. (Report No. 09-INTEL-06)

REPORT ON REVIEW OF THE PRESIDENT’S SURVEILLANCE PROGRAM

The DoD IG issued a report in response to a congressional mandate of the FISA Amendments Act of 2008, which required a review of the President’s Surveillance Program. Former President Bush authorized the President’s Surveillance Program, which is defined as the intelligence activity involving communications for the period beginning on September 11, 2001, and ending on January 17, 2007. The President’s Surveillance Program included the Terrorist Surveillance Program, which the President referred to in a radio address on December 17, 2007. The DoD IG report highlighted the depth of the DoD’s involvement the President’s Surveillance Program. This report was published in a government inspectors general capstone report. (Report No. 09-INTEL-08)

INSPECTION OF A USD(I) PROGRAM

Refer to the Classified Annex of this Semiannual Report for more details. (Report No. 09-INTEL-14)

INFORMATION SECURITY AND PRIVACY

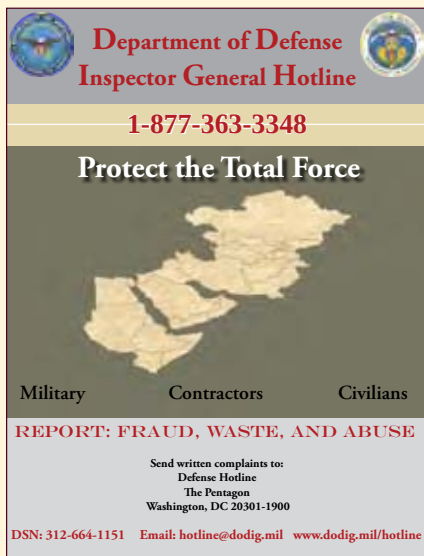
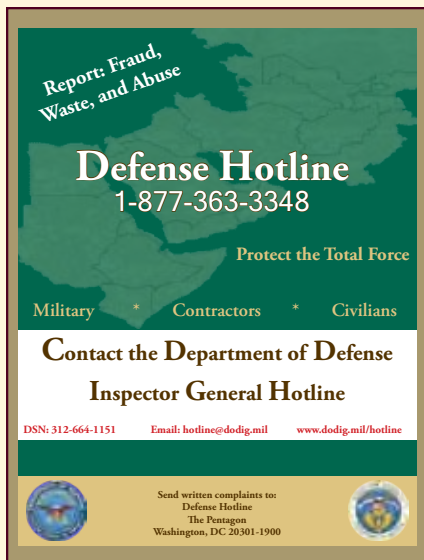
INFORMATION TECHNOLOGY PORTFOLIO FOR DOD INTELLIGENCE DATABASES

The audit of Office of the Under Secretary of Defense for Intelligence identified did not have an information technology portfolio. OUSD(I) also did not fully establish control mechanisms to identify duplication of systems, facilities, and services; identify gaps and opportunities for technology insertions; ensure information collected, stored, and disseminated were properly maintained; and that all available information was available to make informed decision concerning acquisition program. (Report No. 09-INTEL-07)

DOD INTELLIGENCE AGENCIES’ FY 2009 REPORT ON THE SECURITY STATUS OF THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT

Refer to the Classified Annex of this Semiannual Report for more details. (Report No. 09-INTEL-10)

DEFENSE HOTLINE



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 is operational Monday through Friday from 8:00 a.m. to 5:00 p.m., and is staffed by 16 full-time DoD IG employees, who examine and evaluate allegations pertaining to Department of Defense programs and operations. Complaints may also be submitted to the Hotline 24 hours a day via the Internet and e-mail.

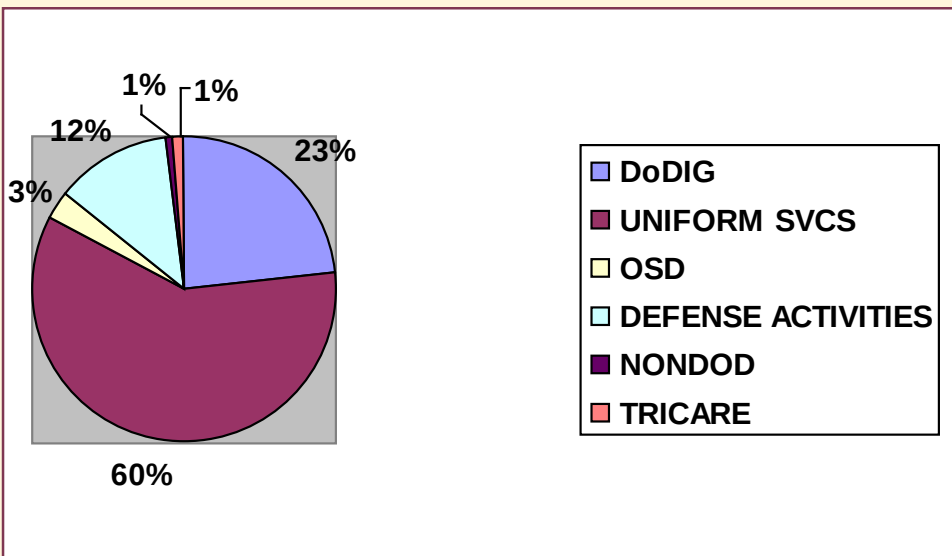
During this reporting period, the Defense Hotline received 7,421 contacts from the public and members of the DoD community: 26 percent by U.S. mail, 33 percent received by e-mail, 24 percent through the Hotline's Web page, 10 percent from the Government Accountability Office, 4 percent by telephone, and 3 percent from congressional inquiries. Based on these contacts, the Hotline initiated 1153 cases.

In an effort to increase the ability of the military, contractors, and civilians in the Southwest Asia region to report allegations of fraud, waste, and abuse, the DoD IG has a toll-free Defense Hotline number for the exclusive use of personnel stationed in the region: 1-877-363-3348.

The Hotline closed 909 cases this reporting period. Investigations initiated exclusively by the Hotline returned \$752,659 to the federal government during this reporting period.

Each year the Hotline works with the DoD Standards of Conduct Office in selecting cases involving individuals who have intentionally or unwittingly violated the standards of conduct. The Standards of Conduct Office uses these cases as training tools.

DISTRIBUTION OF REFERRALS



OTHER DEPARTMENT OF DEFENSE OVERSIGHT



ARMY

ARMY AUDIT AGENCY

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

USAAA also maintains a significant presence in the Central Command area of responsibility assisting Army commanders. At the end of September 2009, it had 24 deployed auditors in Iraq, Kuwait, and Afghanistan. Overall, USAAA has deployed over 140 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 improve the Army by doing the right audits at the right time and achieving desired results. To ensure its audits are relevant to the needs of the Army, USAAA prepared its Strategic Audit Plan to align its audit resources with the Army's four imperatives:

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

During the second half of FY 2009, USAAA published over 100 reports, made over 400 recommendations, and identified over \$1 billion in potential monetary benefits agreed to by Army activities. The following paragraphs describe a few of USAAA's significant reports.

EFFECT OF MINE RESISTANT AMBUSH PROTECTED VEHICLE UPON TACTICAL VEHICLE SYSTEM REQUIREMENTS

USAAA performed the audit to determine if the Army adequately planned, assessed, and adjusted requirements for new and existing vehicle systems impacted by the acquisition and deployment of the MRAP vehicle system.

USAAA found the Army and Marine Corps quickly identified and met an urgent in-theater need for the MRAP vehicle system to fill capability gaps encountered by the up-armored HMMWVs. However, the Army could make the most of the MRAP vehicle system by:

- Developing a long-range plan for the vehicle after its current mission in theater and make the vehicle system a program of record.
- Further assessing the vehicle's impact on and adjust in-theater HMMWV requirements; a one-for-one (MRAP for UAH) replacement ratio will save the Army \$620 million over three years.
- Planning for the displacement or disposal of HMMWVs replaced by MRAP vehicles.
- Determining to what extent the mission of the MRAP overlaps with the mission and requirements of the future joint light tactical vehicle and incorporate these changes in tactical vehicle fleet mix in its tactical wheeled vehicle strategy.



A mine resistant ambush protected vehicle.

USAAA reviewed the strategy to transport MRAP vehicles to the Iraq/Afghanistan theater. The three weeks time saved did not justify cost of airlift. USAAA briefed its results to Army and USCENTCOM personnel, who took action to discontinue airlifting vehicles. By discontinuing airlift in favor of sealift, the Army saved about \$254 million

through December 2008. (Report No. A-2009-221-ALA, FOUO)

ARMY ACQUISITION OBJECTIVE

USAAA conducted this audit based on concerns of the Offices of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) and Deputy Chief of Staff, G-3/5/7 regarding how the Army was setting the AAO for materiel during a time of war. The process had been inconsistent and complicated by wartime needs. The audit showed that the Army did not have a deliberate, orderly process to identify and adjust its AAO requirements to account for wartime needs. The Army's process did not include key AAO components in the calculations, such as war reserve stocks and maintenance float.

The Army also did not properly update AAOs and did not adequately document initial AAO and adjustment decisions. These AAO issues existed because:

- Detailed standard operating procedures for determining, updating and documenting AAOs did not exist.
- Responsibility for ownership of the AAO process was not clearly defined in guidance.
- The Army claimed that production could not develop enough materiel to stock war reserve supplies.
- There was no clear mechanism for triggering AAO updates in approved Army guidance.
- There was no guidance requiring the establishment of an official AAO and the process to be documented.

Without an effective and reliable AAO process, the Army could not accurately represent the complete, unconstrained requirements for budgetary purposes. In addition, the modernization and future readiness levels of Army units could be at risk. The Army agreed with USAAA's recommendations to correct these issues. (Report No. A-2009-0233-ALA)

FOLLOW-UP AUDIT OF GARRISON UTILITIES AND ENERGY SERVICES, FORT STEWART AND HUNTER ARMY AIRFIELD, GEORGIA

The Army spends over \$1.2 billion annually for energy operating costs at its installations. In 2004 and 2005, USAAA conducted a series of audits that recommended efficiencies in garrison utilities and energy services. In FY 2009, USAAA conducted a follow-up audit at Fort

Stewart. The installation made significant progress in achieving utility and energy goals. Although the garrison did not implement all recommendations USAAA reviewed, its actions to date and those in process locally and Army wide will fix the problems the original report identified. The energy conservation measures installed to date have reduced energy consumption by about 18 percent. The original report also identified potential monetary benefits of \$18.3 million through FY 2014 if Army implements energy conservation measures that USAAA recommended. Although the installation encountered contract delays and a reduction in the number of buildings that will receive the energy initiatives, the garrison should still achieve benefits of about \$11.5 million. (Report No. A-2009-128-ALO)

MILITARY AND FAMILY COUNSELING SERVICE CONTRACT - U.S. ARMY FAMILY AND MORALE, WELFARE, AND RECREATION COMMAND
USAAA initiated this audit because of FMWRC concern over the cost-effectiveness of Army MWR funds spent to supplement this DoD-wide contract. The Army received informal counseling services from military and family life consultants under the DoD contract, valued at about \$300 million. In the second half of FY 2009, USAAA issued its Fort Benning, Ga. site report and its final summary report on this audit, which was the culmination of work at Department of the Army and at three sites (USAAA published reports on Forts Hood and Lewis, Texas in the first half of FY 2009).

Counseling services generally improved with the hiring of military and family life consultants. MFLCs were integrated into installation programs, used to train staff members, and provided non-attribution counseling to soldiers and family members. However, the Army sometimes did not have clear administrative procedures for assigning new MFLCs to a garrison and removing MFLCs who did not meet the garrison's needs. USAAA made recommendations to correct these problems, to which FMWRC and ACSIM agreed. In addition, while the garrisons effectively used funds the Army provided to hire additional MFLCs, the Army did not have a method to measure return on investment from the services MFLCs provided. USAAA recommended that FMWRC develop a metric for assessing the effectiveness and use of services provided by MFLCs. FMWRC agreed and said

they would work with OSD and the contracting officers' representative for the MFLC program to accomplish this. The DoD also provided the contract administration for the military and family counseling service contract at Army garrisons.

Although the Army financed almost \$24 million in FY 2007 and FY 2008 to hire additional consultants to support family readiness requirements, it did not have visibility over how the funds were used. Because USAAA scope was limited to the quality and need for services provided to Army soldiers and families, USAAA could not make assertions or conclusions on invoicing, billing, and payment procedures for a DoD contract. (Report No. A-2009-177-ALO)

FOLLOW-UP AUDIT OF USE OF ROLE-PLAYERS AT THE JOINT MULTINATIONAL READINESS CENTER

Joint Multinational Readiness Center implemented all recommendations in USAAA's report and its actions corrected the reported conditions. Specifically, JMRC reduced contract requirements, improved its quality assurance surveillance plan, developed standing operating procedures, and implemented controls to better monitor and track role-player performance and attendance. U.S. Army Expeditionary Contracting Command, Europe also recouped overpayments made to the contractor. These actions resulted in monetary benefits totaling about \$9.4 million, exceeding the estimate of \$8.9 million from the original report. (Report No. A-2009-0170-ALE, FOUO)



U.S. Army soldiers practice patrol procedures during training at the Joint Multinational Readiness Center.

CONTRACT FOR PROGRAM MANAGEMENT SERVICES, U.S. ARMY CORPS OF ENGINEERS, FAR EAST DISTRICT, SOUTH KOREA

The audit was one of a series completed in response to the Commanders', U.S. Forces Korea and Eighth U.S. Army request that USAAA determine if the Army has effective controls in Korea to acquire and manage the infrastructure that it needs to transform. Most commands and activities will relocate south of Seoul to Garrison Humphreys and substantially reduce the overall Army footprint in South Korea, even though Garrison Humphreys will nearly triple in size (from about 1,200 acres to more than 3,500 acres) to accommodate 25 million square feet of facilities.

On this audit, USAAA evaluated management of the contract used to provide program management services for the Korea Relocation Program. The Korea Relocation Program facilitates the Army's transformation. The Republic of Korea and private investments will fund most new construction, totaling over \$12 billion. USAAA found that the U.S. Army Corps of Engineers, Far East District had adequate procedures for submitting invoices and reviewing contractor personnel's invited status. FED also had an adequate award fee plan to assess performance and determine the award-fee amount. However, the award-fee evaluation process needed improvement and FED took corrective actions during the audit. Further, FED took steps to reduce risk by involving the Defense Contract Audit Agency. USAAA did find problems with contractor's surveillance and invoice review activities. Specifically:

- A written contract surveillance plan to ensure that the Program Management Consortium fulfilled contract requirements was not established.
- Periodic surveillance did not always occur and documentation to support the surveillance activities that were done was not available.
- Invoice reviews were not timely, and supporting documentation was not provided.

The contractor was paid about \$1.4 million in labor, travel, mobilization, and other direct costs that were unallowable, questionable or unsupported on the invoices USAAA reviewed. FED took action to address some of these costs, but will need to review remaining invoices to verify that costs are reasonable and supported. Overall, USAAA made 11 recommendations to improve contract oversight, control quality and costs, and recoup

overpayments. Follow on audits of Garrison Humphreys' master plan and construction oversight activities are ongoing. (Report No. A-2009-0200-FFP, FOUO)

MANAGING "THE EDGE" OF THE NETWORK: ENTERPRISE CONTROL OVER USER OPERATIONS ON THE LANDWARNET

USAAA evaluated whether the Army had a process in place to achieve its vision of enterprise management and control over how new or existing technologies could be added to the LandWarNet. USAAA concluded that the Army continues to struggle to gain control over end users as they operate on the outermost "edge" of the network. This was primarily because the Army has been unable to gain complete control and visibility of its network and to manage it as an enterprise. The Office of the CIO/G-6 had many ongoing initiatives designed to gain greater control over what should be allowed to operate on the network. However, without complete visibility and control over the entire network, the office has not been able to enforce compliance with its initiatives. Personnel at the user level, or the outermost "edge" of the network, have been able to add technologies to the network with impunity. This has caused vulnerabilities to the network, inconsistent implementation, and poor network planning.

The recent development of the Global Network Enterprise Construct should help CIO/G-6 gain the necessary enterprise control of the edge of the network. The Global Network Enterprise Construct is a concept in which the Army will use theater-based network service centers—including CONUS—to improve effectiveness, close capability gaps, realize savings through more efficient operations, and establish enterprise-level governance and oversight. While this construct is an important catalyst, it will require sustained support among leaders in both operational and institutional organizations to achieve true enterprise control of the edge of the LandWarNet. (Report No. A-2009-0140-FFI)

ASSESSING ARMY'S FUTURE BASE BUDGET REQUIREMENTS

USAAA initiated this audit to assess the impact of assumptions and decisions on the future base budget, and to evaluate the risk associated with the FY 2010 to FY 2015 Program Objective Memorandum. USAAA

structured the audit as a multi-location audit performed at Headquarters, DA; Army Program Evaluation Groups; and other commands and activities.

In September 2009, USAAA issued its final summary report on this audit. It reported that the Army did an adequate job of identifying requirements in the FY 2010 to FY 2015 POM. However, the process that five of the six PEGs used to determine critical requirements was not fully transparent, and in many cases, requirements were not classified as critical if supplemental funds were available. USAAA also identified that Army did not fully consider enduring requirements totaling as much as \$108 billion (FY 2010 to FY 2015) while building the FY 2010 to FY 2015 POM. These conditions occurred primarily because of conflicting and changing DoD guidance and the Army's continued reliance on the supplemental funds. Additionally, the Army needed greater transparency and better criteria for identifying incremental costs of war to be included in Overseas Contingency Operations requests and for those enduring requirements that need to migrate to the base budget. If Army implements the recommendations in the report, it can better make its case for increases in base budget funding, and make more informed and transparent decisions on where to take additional risks. (Report No. A-2009-188-FFM, FOUO)

FOLLOW-UP AUDIT OF MANAGEMENT OF THE ARMY'S POLLUTION PREVENTION PROGRAM
USAAA followed up on corrective actions the Commander, U.S. Army Installation Management Command took to implement recommendations addressed in a 2005 audit. The original audit showed that the Army's Pollution Prevention Program was not fully effective to achieve program goals and objectives. Many installations spent their scarce resources on salaries and studies to identify ways to reduce, conserve, or recycle pollutants. Also, many P2 initiatives identified as having a cost benefit, return on investment, or mission enhancement were not executed. A limited review showed that the Army could have achieved at least \$44.9 million in environmental and costs benefits by updating existing P2 plans in-house and investing in viable P2 projects.

USAAA concluded that the actions the command took fixed part of the previously reported problem and

the Army realized some monetary benefits. The command issued policy in July 2008 directing installations to use in-house personnel to update its P2 plans. USAAA estimated the Army would realize about \$456,000 in monetary benefits. However, the command did not implement the second part of the recommendation to direct installations to implement viable P2 initiatives because projected funding was only available for essential and legally required environmental requirements. USAAA concluded that the recommendation was overcome by events due to implementation of Common Levels of Support and the Army's new Environmental Sustainability Strategy. These new initiatives impact how the Army will fund the P2 in the future. The Army also conducted follow-up P2 assessments at Fort Bragg and Fort Bliss and these actions fixed the previously reported condition. (Report No. A-2009-0209-FFE)

PROLIFERATION OF THE WIDE AREA WORKFLOW SYSTEM

USAAA conducted this audit to evaluate the proliferation of the Wide Area Workflow, a Web-based process that creates and maintains invoices and receiving reports. WAWF is part of the DoD electronic commerce initiative to pay vendors in a timely manner and reduce payment-processing costs. For FY 2008, the goal of the Joint Requirements Board and the Army was to process 75 percent of the vendor payments as WAWF payments. USAAA reported that the Army did not meet its WAWF implementation goal in FY 2008. This occurred primarily because there was no single organization responsible for the implementation.

The WAWF system significantly reduces the Army's payment processing costs charged by the Defense Finance and Accounting Service. USAAA believes that an appointment of a responsible organization, system upgrades, increased WAWF role training, and changes to some factors in the external WAWF environment would allow the Army to meet its implementation goals. If Army implements the recommendations in the report, it can achieve its desired goal of processing at least 75 percent of its payments using WAWF. This would result in lower transaction fees and could save about \$36 million over the next six years. (Report No. A-2009-0100-FFM)

READINESS OF MODULAR UNITS – ARMY NATIONAL GUARD

USAAA reported that although the Army National Guard completed the conversion of its modular units in FY 2008, the modular units reviewed did not have the skilled personnel or equipment necessary to adequately fulfill their federal mission. The Army National Guard had pre-existing personnel and equipment shortages that were carried forward when it formed its modular units. This resulted in the units having to cross-level personnel and equipment from other units to mobilize and deploy. Continuous cross-leveling decreases unit cohesiveness, affects soldier dwell times, and causes further cross-leveling to meet future requirements. It was also reported that trainees filled about 14 percent of the units' authorized positions. This limited recruiting efforts and burdened the units with untrained non-deployable soldiers.

Further, the units had significant excess equipment on-hand and received new equipment they were not able to properly store and maintain because they did not have updated fielding information and the Guard did not properly consider facility requirements when it fielded the equipment. USAAA made six recommendations to the Deputy Chief of Staff, G-3/5/7 and the Army National Guard to address these issues and improve the readiness of its National Guard units. Both commands agreed with the recommendations and initiated or completed corrective actions. (Report No. A-2009-0211-FFS, FOUO)

REQUIREMENTS FOR MOBILIZED SOLDIERS

USAAA reviewed the requirements for soldiers mobilized and activated in support of contingency operations outside of theater. The Army had about 20,000 soldiers in this status during the review (both voluntary and involuntary). USAAA reported that for the most part mobilized soldiers continued to have valid mission essential requirements to support contingency operations outside of theater; however, the Army lacked a clear definition of requirements that were valid and a process for Army organizations to validate the requests.

USAAA found that some soldiers were performing duties that were not mission essential to contingency operations, other soldiers were not performing duties for which they were mobilized, and others were performing enduring requirement duties that would be necessary

even if contingency operations ceased. Overall, the Army did not have an accurate picture of its requirements for mobilized soldiers outside of theater and may not be making optimal use of soldiers considering the current demands on the Operating Force.

Additionally, the continued use of mobilized soldiers may not be the best force structure option for meeting these contingency requirements. USAAA found that 51 percent of the requirements reviewed could be effectively performed by civilian or contractor personnel at a lower cost and in the future could offer a more long-term or permanent solution for meeting mission needs than using mobilized soldiers. USAAA made 10 recommendations to the Deputy Chiefs of Staff for G-1 and G-3/5/7 to improve the use of mobilized soldiers for requirements outside of theater. Both commands agreed with the recommendations and initiated corrective actions. (Report No. A-2009-0212-FFS)

BODY ARMOR REQUIREMENTS, OFFICE OF THE DEPUTY CHIEF OF STAFF, G-3/5/7 USAAA evaluated the Army's process for determining quantitative requirements for body armor and the adequacy of fielding plans. The Army needed to improve the process for reviewing and formally documenting body armor requirements. About 20 percent of the quantitative requirements (194,000 of the 966,000 sets) were not adequately supported. The requirements determination process also did not take into account historical data to derive quantities for initial spares and sizing, or include factors for equipping Department of the Army civilians and contractors working in deployed environments.

In addition, the Army used about \$3 billion of supplemental funds to procure body armor from FY 2003 to FY 2007 but only programmed about \$40 million a year—about 7.5 percent of the funds expended. For the most part, the Army had an adequate plan for fielding the newer generation improved outer tactical vest, which addressed 25 of the 26 criteria specified in Army Regulation 700-142. However, the fielding plan needed to specifically address a redistribution process for the displaced prior generation body armor. (Report No. A-2009-0130-FFD)

SUSTAINING LEFT-BEHIND EQUIPMENT, U.S. ARMY SUSTAINMENT COMMAND

This audit focused on the Army Sustainment Command's processes for managing left-behind equipment to determine if the processes supported the Army's equipment needs. The audit addressed three key phases of the LBE cycle--induction, maintenance, and lateral transfers. The mission to manage LBE originated when the Army deployed in 2003 for Operation Iraqi Freedom. Because prepositioned assets were available in theater, units did not need to take all of their equipment and they left equipment at home stations.

ASC issued guidance to manage LBE and Army activities effectively followed the guidance. However, the program did not prioritize critical equipment during the induction, technical inspection, and maintenance processes to help alleviate equipment shortages. About 20 percent of the LBE inventory were critical items requiring maintenance. Additionally, ASC did not have controls in place to make sure contractors entered all LBE into the Standard Army Maintenance System and promptly opened work orders. Over three months, contractors did not enter about 33 percent of equipment requiring maintenance into the maintenance system, causing a loss of visibility and the ability to influence workflow for critical equipment.

USAAA made five recommendations focused on developing equipment and maintenance priorities for LBE, and for making sure priority equipment entered the maintenance process. The Deputy Chiefs of Staff, G-4 and G-8 and ASC agreed with the recommendations. In some cases, they took the recommended corrective actions during the audit. (Report No. A-2009-0146-ALM)

COMMANDER'S EMERGENCY RESPONSE PROGRAM - IRAQ

The Commander, Multi-National Force-Iraq requested this audit. USAAA performed the audit to assess whether the CERP in Iraq had adequate controls in place to make sure commanders implemented the program properly. USAAA performed work at four locations throughout Iraq and issued separate reports on the results of each site review. USAAA will incorporate its overall audit results in a summary report that it will issue in FY 2010. The summary report will include the Army's official

position on the overall audit results, conclusions and recommendations. None of the four reports USAAA issued included an official Army position, and all four reports were classified FOUO.

Audit results showed that the vast majority of projects reviewed were valid. However, USAAA identified numerous challenges related to the application of CERP guidance in the Money As A Weapons System Manual. Some of the common challenges the audits identified included that the sites ensure that:

- Project files had required documents, such as memorandums of agreement, financial forms, and letters of justification, to allow program officials to determine that projects were authorized and sustainable.
- Statements of work were sufficiently detailed and clearly written so command could effectively monitor contractor performance and could determine actual receipt of paid goods and services.
- Project purchasing officers accompanied purchasing agents when making payments to minimize the potential for questionable payments.

The challenges USAAA identified occurred primarily because of shortfalls in training and the experience level of personnel performing the fund's management, oversight, and execution actions. Generally, commanders agreed with the audit results and took prompt, aggressive corrective actions. The overall summary report will include additional recommendations to strengthen guidance and controls over CERP throughout the MNF-I. (Report No. A-2009-0119-ALL, FOUO).

AUDIT OF CONTROLS OVER VENDOR PAYMENTS – KUWAIT (PHASE I – U.S. ARMY CONTRACTING COMMAND, SOUTHWEST ASIA)

USAAA performed this audit as part of a series of audits on controls over vendor payments in Southwest Asia. The Army had taken positive steps to increase the validity and accuracy of vendor payments for contracts awarded or administered by U.S. Army Contracting Command, Southwest Asia – Kuwait. One primary factor was redirecting vendor pay operations to DFAS Rome and DFAS Columbus. During the audit, the Kuwait office updated its standard operating procedures to include invoice and receiving report requirements.

However, the Army needed to take additional measures to improve overall payment integrity. For instance, personnel were not aware of their responsibility to review invoice packages before submitting the packages to DFAS for payment. USAAA found that DFAS returned 32 percent of the invoice packages the Kuwait office submitted for payment because they were incomplete or incorrect. The office also needed to improve its tracking log (used to document the status of the invoices it submitted) to provide a detailed and reliable audit trail.

Until the Army resolves these issues, it will continue to submit questionable invoice packages for payments. To strengthen the accuracy of vendor payments (as well as deter fraud, waste, and abuse), the Army needs to educate units to make sure they are aware of payment procedures and put proper controls in place before units submit invoice packages for payment. (Report No. A-2009-0173-ALL)

SENSITIVE ITEMS ACCOUNTABILITY AND CONTROL, ABU GHRAIB WAREHOUSE, IRAQ
USAAA performed the audit at the request of the Director, CJ 1/4/8, Multi-National Force-Iraq. USAAA found that processes and procedures were adequate to ensure property accountability and controls over sensitive items at the Abu Ghraib warehouse. However, the Commercial Logistics Distribution Agency needed to improve how it monitored contractor performance and documented compliance with the established quality assurance plans for contracts associated with the Abu Ghraib warehouse mission. MNF-I agreed with the report's conclusions and recommendations and stated it had taken or would take action to implement the recommendations. (Report No. A-2009-0219-ALL, FOUO)

FOLLOW-UP AUDIT OF MANAGEMENT CONTROLS OVER OFFLINE PURCHASES

USAAA followed up on actions the Office of the Deputy Chief of Staff, G-4 took to implement recommendations in Report No. A-2006-0136-ALL, Management Controls over Offline Purchases. The original audit concluded that activities circumvented established controls in the standard Army supply and procurement systems, and purchased property and materiel through offline systems without the knowledge of fund control and materiel managers. USAAA found that:

- ODCS, G-4 reported offline purchases as an area of concern in the FY 2006 Annual Assurance Statement. However, the Army did not appropriately monitor the area of concern, and, therefore, the action did not correct the problem.
- ODCS, G-4 did not establish upfront interfaces with offline purchasing systems and the Army's supply and financial systems. Instead, it established supply policies and selective control mechanisms in an attempt to control offline purchases. However, these actions did not fully resolve the control weaknesses.

USAAA also found that offline purchases had increased since its original audit. Consequently, unauthorized offline purchases continue to affect Army supply and financial systems' integrity by weakening the ability of fund control and materiel managers to budget and forecast properly, hindering the Army's visibility and accountability of supplies and materiel, and opening the door to abuse and illegal acts, and possible Antideficiency Act violations. To help resolve these issues, USAAA recommended the ODCS, G-4:

- Report offline purchases as a material weakness to the Secretary of the Army for inclusion in the FY 2009 Annual Assurance Statement.
- Implement interfaces and control mechanisms between offline purchase systems and the Army supply and financial systems.
- Include supply policy governing offline purchases in Army Regulations.
- Develop metrics to capture the amount of offline purchases and disseminate that information to subordinate commands to enforce supply discipline and reduce the risks associated with offline purchases. (Report No. A-2009-0165-ALL)

BASE REALIGNMENT AND CLOSURE 2005 CONSTRUCTION REQUIREMENTS

At the request of Assistant Secretary of the Army (Installations and Environment) and Assistant Chief of Staff for Installation Management, USAAA is devoting significant resources to audit military construction requirements to implement of Base Realignment and Closure 2005 recommendations. During the second half of FY 2009, USAAA published 21 BRAC-related audit reports and identified about \$525 million of potential monetary benefits. The objective of the BRAC audits

was to determine whether construction requirements were valid and supported. To compute requirements and costs for BRAC facilities, USAAA identified and was instrumental in resolving a variety of issues related to BRAC construction requirements. These issues involved existing facilities, demolition, support costs, antiterrorism costs, population data, and incremental funding for BRAC contracts. USAAA issued recommendations to update cost estimates, standard designs, automated systems, and military construction guidance. USAAA's audit work helped make the Army use correct funding and build appropriate military facilities and infrastructure to implement the BRAC 2005 recommendations.

FORCE PROTECTION AUDITS – FY 2009

The U.S. Army Audit Agency's Force Protection Audits Division published 11 audit reports during FY 2009, which evaluated Army strategies, programs and initiatives focused on protecting soldiers, civilians, installations, and providing support to local communities. The USAAA made about 50 recommendations to various levels in the Army to help improve processes and controls over Army "all hazards" protection training, projects, equipment, and construction. Implementing some of these recommendations could result in about \$240 million in benefits to the Army.

For example, USAAA audited improvised explosive device training for individual explosive ordnance disposal soldiers and concluded that the Army could improve the effectiveness of the training by establishing a centralized center of excellence to obtain and incorporate current IED intelligence into the training courses, and training EOD soldiers on the same equipment that they will encounter in theater. The USAAA also audited the program management of intrusion detection systems for Army installations. It concluded that the Army could achieve economies of scale, improved standardization, and reduced monitoring and maintenance costs if it centralized the requirements determination, acquisition, and sustainment phases at the Army enterprise-level.

In addition, the USAAA has 10 ongoing audits focused on key issue areas such as readiness of units assigned chemical, biological, radiological, nuclear, and high yield explosive missions; vulnerability assessments of Army activities and facilities not located on installations; antiterrorism training requirements and quality for soldiers

and civilians; and physical security over privatized base operations infrastructure. USAAA's approach to Army "all hazards" force protection is to provide continuous and varied audit coverage from soldiers and civilians to installations and assets to maintain constant vigilance and awareness.

SPECIAL EVENTS

The Army conducts and participates in several special events each year. In FY 2009, USAAA provided audit support for several of these events, including the Army Birthday Ball and the 2009 Presidential Inaugural.

ARMY BIRTHDAY BALL

The Army celebrates its birthday every year with a birthday ball. About 2,000 soldiers, their families, and civilians attend the ball. The event costs about \$575,000 to host. The Ball is treated as a category B morale, welfare, and recreation event and about 65 percent of its expenses are paid with appropriated funds. Non-appropriated funds obtained through ticket sales and corporate donations fund the remaining 35 percent. USAAA has participated in the Army Birthday Ball task force to provide planning process oversight. After the 2007 Army Birthday Ball, USAAA made two recommendations to the Administrative Assistant to the Secretary of the Army. USAAA recommended that revenues and expenses be accurately reported and reasonably supported, and internal controls over financial transactions be put in place and operating. The office agreed with both recommendations and has since assumed responsibility for preparing the final position spreadsheet for the 2008 and 2009 balls. (Report No. A-2009-0186-ALO)

2009 PRESIDENTIAL INAUGURAL

At the request of the Commander, Joint Forces Headquarters, National Capital Region and Military District of Washington, USAAA audited DoD support of the 2009 Presidential Inaugural. USAAA evaluated whether the Armed Forces Inaugural Committee adequately planned, coordinated, and executed operational support for the 2009 Presidential Inaugural following regulatory and DoD guidelines.

Specifically, USAAA focused on internal controls over funds, personnel, property, and contracts to support the event. USAAA audit strategy coincided with the three

key phases of the 2009 Presidential Inaugural—planning, execution, and closeout.

ARMY CRIMINAL INVESTIGATION COMMAND

OPERATION IRAQI FREEDOM/

OPERATION ENDURING FREEDOM

The U.S. Army Criminal Investigation Command continues to provide worldwide criminal investigative support to all U.S. Army elements, conduct protective services operations for senior members of the DoD and the Army, provide forensic laboratory support to all DoD, maintain Army criminal records, and conduct logistic security operations supporting Army operations and the Global War on Terror. Over 170 Army CID special agents and support personnel are currently deployed to Iraq, Kuwait and Afghanistan supporting the GWOT.

Army CID continues to serve as the executive agency for the DoD Criminal Investigation Task Force (comprised of agents from Army CID, NCIS and the AFOSI) that conducts criminal investigations to substantiate or refute alleged war crimes and acts of terrorism committed against the U.S. and U.S. interests by non-U.S. citizens.

CITF agents, analysts and attorneys continue to support the Guantanamo Detainee Review Task Force and the Habeas Project as priority initiatives. Although prosecuting suspected terrorists has been suspended pending the outcome of the review task force, CITF has been instrumental in producing 229 assessments for the Deputy Assistant Secretary of Defense regarding continued prosecution, detention or release of detainees.

CITF established a Global Threat Finance Cell at its headquarters in Fort Belvoir, Va. to support forward deployed operations by identifying sources and logistics routes being used to fund, equip, and provide resources to terrorist and insurgency groups. The cell augments overseas operations through continuing analysis and providing leads and intelligence products for execution at locations worldwide.

CITF agents were able to identify and locate previously unknown evidence in two separate terrorist attacks that occurred on November 28, 2002, near

Mombasa, Kenya. The first incident involved an attempted rocket attack on an Israeli airliner carrying 264 civilian passengers, while the second attack was a vehicle-borne improvised explosive device detonated at the Paradise Hotel, which resulted in 13 deaths and 80 injured. CITEF agents were able to recover the rocket motor bodies from two SA-7 missiles used in the airliner attack, as well as shrapnel from the attack on the hotel.

The U.S. Army Protective Services Battalion continues to provide worldwide executive level personal protection from assassination, kidnapping, injury or embarrassment for designated senior High Risk Personnel of DoD, the Joint Chiefs of Staff, DA, as well as their foreign counterparts during official visits to the United States. The PSB also provides a training, readiness and oversight role for Combatant Commander Protective Service Details supporting U.S. Central Command, U.S. Southern Command and U.S. Forces Korea.

From April 1 to August 30, 2009, the PSB conducted six Operation Enduring Freedom and three Operation Iraqi Freedom protective missions; 40 protective missions to other OCONUS locations, and 117 CONUS protective missions. The PSB also provided daily full-time protective services for supported HRP in the National Capital Region. Additionally, the PSB conducted three Personal Security Vulnerability Assessments for forward deployed CENTCOM HRP in Egypt and Saudi Arabia. The PSB Protective Intelligence section conducted threat assessments for every travel mission and PSVA, incorporating terrorist and criminal threat data into a comprehensive risk analysis program.

The PSB also deploys special agents to Afghanistan, Iraq and Kuwait to lead Protective Services Details for senior U.S. Commanders, including Combined Joint Task Force - 82, the Combined Security Transition Command – Afghanistan, the Coalition Forces Land Component Command and the International Security Assistance Force. Additionally, the PSB deployed a detachment to Kuwait to support protective service operations throughout the OEF and OIF theaters of operation.

As the only full-service accredited forensic laboratory in DoD, the U.S. Army Criminal Investigation Laboratory plays a vital role in developing an enduring expeditionary forensic capability to support warfighter operations across the globe. During the last six months, USACIL has continued to increase its capability to support

the growing demand for forensic analysis in the GWOT by restructuring its headquarters and subordinate divisions to task organize the primary functions of traditional support to law enforcement, training and research and expeditionary forensic support. USACIL's Expeditionary Forensic Division has established a Reach-Back Operations Center to support the Joint Expeditionary Forensic Facilities currently deployed and developed a timetable to relieve the current contracted forensic examiners staffing the JEFFs with USACIL Department of the Army Civilian examiners.



Army CID special agents search a suspect.

The Law Enforcement Professional program provides experienced law enforcement professionals to embed with all echelons from corps to battalion. The LEP mission is to assist commanders with enhanced expertise and methodology to understand, identify, penetrate, interdict, and suppress international insurgent and criminal-like network enterprises to include their employing improvised explosive devices. LEP personnel are former law enforcement professionals with criminal enterprise investigative and analytical skills developed working for a federal/state agency or large metropolitan police force with federal task force experience. Each LEP member has on average 20 to 30 years of analytical and investigative experience.

These law enforcement and military personnel must have an understanding of international organizations to effectively combat extremist and insurgent groups. They must understand the groups' intent, motives, structure and methods for moving personnel, money and arms. The LEP provides subject matter expertise in Policing Standards and Tactical Law Enforcement as they relate to counter-intelligence. When deployed with a unit, LEP personnel:

- conduct real time training to enhance the unit's skills in forensic materials collection and exploitation; tactical site exploitation procedures; detainee prosecution packet assembly; and intelligence collection capabilities;
- assist in evidence collection missions;
- assist in coordination and execution of TSEs;
- open and close cases of IED instances;
- participate in patrols;
- conduct tactical questioning events; and
- respond to requests for information.

The LEP embedded at the U.S. Army Combat Training Centers provides a wide range of standardized training opportunities to soldiers. The LEP assists commanders, staff and the OPFOR to plan scenarios based on firsthand experience and lessons learned to create training experiences that enable the military to develop current, relevant instincts and skills as they relate to law enforcement. LEP personnel embedded with the Combat Training Centers must have had a successful deployment and have served as trainers or in a supervisory role for at least one year.

Army CID's Computer Crime Investigative Unit continued to support the President's Comprehensive National Cybersecurity Initiative and the emerging U.S. Cyber Command by aggressively investigating intrusions and related malicious activities targeting Army computer networks (collectively referred to as LandWarNet). CCIU's ongoing partnership with the Army Chief Information Officer to conduct proactive LandWarNet vulnerability assessments produced noteworthy and quantifiable successes. This proactive crime prevention effort, part of CCIU's multi-faceted Virtual Community Policing campaign, identifies and remediates vulnerabilities before cyber criminals or other adversaries can access and damage

Army systems, steal or alter sensitive information, or disrupt network operations. During this reporting period, CCIU's vulnerability assessment program identified \$78 million in cost avoidance to the Army, far exceeding the \$48 million avoidance for FY 2008. Following the mandatory remediation of these vulnerabilities, no computer network compromises occurred at assessed installations for the remainder of this reporting period.

In April 2009, the International Association of Chiefs of Police selected CCIU for the Excellence in Technology Award in the "Response to Computer Related Crime" category, based on CCIU's innovative and highly effective Rapid Extraction and Analysis Program. The IACP also selected CCIU's lead forensic agent for the 2009 August Vollmer Excellence in Forensic Science Award for proactive and innovative use of forensic technologies by law enforcement. No other law enforcement organization in the world received this amount of recognition from the IACP during 2009.

The Army CID Major Procurement Fraud Unit continues to combat fraud and corruption related to GWOT funding. As a founding International Contract Corruption Task Force member, MPFU works in conjunction with member agencies including DCIS, Department of State IG, FBI, Special Inspector General for Iraq Reconstruction, U.S. Agency for International Development, under the Department of Justice, International Contract Corruption Initiative. MPFU has forward operating investigative offices in Afghanistan, Kuwait and Iraq. MPFU focuses its investigative activities primarily on contingency fund contractual fraud involving GWOT and various military operations under OEF and OIF. Since February 2009, the MPFU has initiated 56 investigation reports on this focus, with \$13.5 million total recoveries, criminal fines, and cost avoidances.

OTHER CASE SUMMARIES

\$3 MILLION RECOVERED IN FALSE CLAIMS INVESTIGATION

A joint Army CID investigation with DCIS disclosed a German company requested admission into the Department of Defense Inspector General Voluntary Disclosure Program for reporting allegations of fraud. The investigation disclosed the company conducted an

internal investigation and audit that revealed the former branch manager of the Heidelberg office submitted several false claims by failing to pass on rebates and discounts related to several time and materials contracts with the U.S. government. The U.S. government was previously aware of this company's failure to pass on rebates prior to its' disclosure; therefore, DoD IG declined the company's admission into the VDP. The investigation resulted in a recovery of \$3 million and debarment of the company.

LARCENY OF GOVERNMENT AND PRIVATE PROPERTY

A joint Army CID and FBI theft of government property investigation at Fort Bragg, N.C. identified five individuals responsible for 20 larcenies of over \$326,000 government and private property dating back to 2003. During the investigation, over \$195,000 of government property was recovered. The three military suspects are pending courts martial and two civilians pending trial in federal district court.

THEFT OF GASOLINE CREDIT CARDS

An Army CID theft investigation disclosed that a government employee used her position at the U.S. Property and Fiscal Office to steal 105 Voyager gasoline credit cards, which she provided to a friend. They subsequently devised a scheme whereby the friend solicited customers to pay cash at various gas stations and convenience stores to purchase fuel from him at a discounted price. The friend would then use the stolen cards and provide the customers fuel directly at the gas pumps. The stolen cards were overcharged a total of \$645,135 over six years. Both individuals pled guilty to conspiracy and were sentenced to 37 months confinement and required to make a joint restitution of \$645,135.

UNIVERSITY REPAYS \$7.6 MILLION

A joint Army CID, DCIS, FBI, Health and Human Service IG and National Science Foundation IG false claims investigation disclosed that over five years, the U.S. Army awarded over \$16.8 million in contracts, grants and cooperative agreements to a U.S. university. The Grant and Contract Administration office of the university subsequently submitted invoices for costs not related to grants in order to use all of the money allocated in the

grant, instead of returning unused funds to the grant agency. The university entered into a settlement agreement and agreed to pay the government \$7.6 million.

\$5 MILLION REMITTED ON MISCHARGING OVERHEAD COSTS

A joint Army CID and DCIS false claim investigation disclosed AM General Corporation mischarged commercial overhead costs associated with, and incurred through the manufacture of civilian high mobility multipurpose wheeled vehicle as costs associated with the U.S. government's HMMWVs produced pursuant to government contracts. AM General Corporation remitted \$5 million to the U.S. Army as a result of a contractual settlement.

THEFT OF DIGITAL RADIOS

A joint Army CID and FBI theft of government property investigation disclosed a sergeant stationed at the U.S. Army Garrison, West Point, N.Y. entered a logistics warehouse building and stole 330 Motorola portable digital radios, 600 NiCad batteries and 350 antennas. He sold the radios throughout the U.S. and shipped them via the U.S. Postal Service. He also negotiated the sale of the radios via e-mail and received payment via wire transfer. The sergeant was sentenced to 18 months confinement, reduced in grade to E-1, ordered to forfeit all pay and allowances, and received a bad conduct discharge.

NAVY

NAVAL AUDIT SERVICE

The mission of the Naval Audit Service is to provide independent and objective audit services to assist Naval leadership in assessing risk to improve efficiency, accountability, and program effectiveness. Working collaboratively with senior Navy officials, the NAVAUDSVC develops a risk-based annual audit plan that addresses critical areas that officials feel merit additional oversight. In the past six months, the audits have addressed such important and, at times, high-profile DoN issues such as the disposal of computer hard drives containing classified and official DoN data and personally

identifiable information; planning and funding issues related to the Marine Corps relocation from Okinawa, Japan, to Guam; controls over acquisition and disbursing in the Horn of Africa; and DoN's efforts during weapons systems development to mitigate the systems' potentially hazardous levels of noise. NAVAUDSVC-assist reports for the Naval Criminal Investigative Service identified over \$1.6 million in potential fraud, and some reports have been used as evidence in court cases. NAVAUDSVC is continuing its audit work, undertaken at the request of the Secretary of the Navy, to assess controls over overseas acquisition in such locations as the Western Pacific, Dubai, and Bahrain. It also continues the series of audits on the Department's accountability over small arms. The NAVAUDSVC has worked, and will continue to work, with senior DoN officials to provide them with an expert and impartial assessment of critical DoN issues, risks, and opportunities.

GLOBAL WAR ON TERROR

NAVAUDSVC supports the DoN GWOT goals by auditing selected policies, procedures, and activities to ensure they achieve the stated objectives and maximize efficiencies. In support of the DoN GWOT goals and risk assessments, NAVAUDSVC's efforts during this reporting period include ongoing and completed audits in the areas of acquisition and disbursing internal controls, anti-terrorism/force protection, medical health, safety, intelligence and security, and small arms and ammunition. The NAVAUDSVC oversight includes Navy-wide programs as well as functions performed specifically in Southwest Asia, including Bahrain, Dubai, and Djibouti. The NAVAUDSVC is also working with the Southwest Asia Joint Planning Group and its members and guests to ensure the full spectrum of Department of Defense oversight is engaged in support of DoD's Southwest Asia effort.

CONSIDERATION OF HAZARDOUS NOISE IN THE ACQUISITION OF THE CVN-78 AIRCRAFT CARRIER

The NAVAUDSVC found that efforts were made to mitigate noise hazards on the CVN-78 aircraft carrier through design selection. While in some cases the design changes did not mitigate noise to required levels, efforts to mitigate these hazards through design selection helped

reduce the sailors' exposure to hazardous noise. However, some known noise hazards, including gallery deck and flight deck noise hazards, were not officially identified or sufficiently addressed. Efforts were made to mitigate the gallery deck noise, but no attempt was made to mitigate exposure to hazardous noise on the flight deck. Officially identified noise hazards and residual mishap risks were not sufficiently tracked, and risk acceptance authority levels were not established. Management concurred with all recommendations, and corrective actions met the intent of the recommendations. (Report No. N2009-0022)



A conceptual rendering of CVN-78 Aircraft Carrier.

DEPARTMENT OF THE NAVY ACQUISITION AND DISBURSING CHECKS AND BALANCES AT CAMP LEMONIER, DJIBOUTI, AFRICA
NAVAUDSVC reported significant internal control weaknesses in the oversight and management of contracting and disbursing operations in Djibouti. These internal control weaknesses have adversely affected the DoN's ability to provide reasonable assurance to DoD and DoN leadership that it is achieving internal control objectives. The audit showed the overall operational environment was highly conducive to allowing fraud, waste, and abuse to go either undetected or not reported in a timely manner. As a result, internal controls within contracting and disbursing functions were not operating

as intended, and were not achieving expected outcomes. NAVAUDSVC made recommendations to strengthen internal controls. Management concurred and has taken appropriate corrective actions. (Report No. N2009-0041)

MARINE CORPS TRANSITION ASSISTANCE MANAGEMENT PROGRAM - PRE-SEPARATION COUNSELING REQUIREMENT

The NAVAUDSVC determined that, in FY 2007, 29 percent of active service members were not receiving timely, mandatory pre-separation counseling as required by Public Law. The Marine Corps' FY 2008 Annual Report to the Office of the Secretary of Defense showed a slightly greater percentage of Marines not receiving timely pre-separation counseling, indicating that the conditions identified in FY 2007 continued through at least the end of FY 2008.

In the first two quarters of FY 2009, the Marine Corps reported that 41 percent and 26 percent, respectively, of separating Marines did not meet the 90-day requirement for pre-separation counseling. By not providing counseling when required, the Marine Corps did not ensure that the affected service members received timely information about the transition services and the benefits and entitlements available to assist them in adjusting to civilian life. NAVAUDSVC found that 71 percent of the forms used to record reasons for nonattendance were missing, incomplete, or inaccurate; therefore, NAVAUDSVC was not able to determine why Marines did not receive training as required.

In addition, Transition Assistance Management Program Office managers had not determined why Marines were not attending pre-separation counseling. Management concurred with all recommendations, and all planned and completed corrective actions met the intent of the recommendations. (Report No. N2009-0046)

INFORMATION SECURITY & PRIVACY

PROCESSING OF COMPUTERS AND HARD DRIVES DURING THE NAVY MARINE CORPS INTRANET COMPUTER DISPOSAL PROCESS

NAVAUDSVC found hard drives that contained

both classified information and personal identifiable information at two warehouses used by contractors were not properly secured and were readable with commercially available recovery software. Most of the hard drives containing classified information had been certified by government officials as having been degaussed (rendered inoperable), although some could still be read. Using discovery sampling, auditors also found a computer ready-for-sale to the public that still contained DoN data and PII (including 605 unique Social Security numbers at one of the warehouses). Unauthorized access to classified and sensitive DoN information poses a national security risk, and unauthorized access to PII increases the risks of identity theft for DoN military and civilian personnel. Strengthening policies and procedures over the disposal process, including, but not limited to, requiring the physical destruction of all hard drives to be removed from DoN control will help mitigate these risks. Management planned appropriate corrective action on all recommendations. (Report No. N2009-0027)

ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

MANAGEMENT OF SPECIAL TOOLING AND SPECIAL TEST EQUIPMENT AT NAVAL AIR SYSTEMS COMMAND

The audit objective was to verify that Naval Air Systems Command processes and controls ensure accountability and visibility of Navy-owned ST/STE. NAVAUDSVC found that NAVAIR did not have sufficient visibility and accountability over its portion of Navy-owned ST/STE that was in the possession of contractors. In addition, NAVAIR relied on contractors' property control systems that did not accurately reflect Navy-owned ST/STE. NAVAUDSVC concluded that contributing factors included a lack of uniform processes for managing ST/STE, and no centralized database for maintaining its accountability and visibility. As a result, the possibility exists that NAVAIR could lose ST/STE in the possession of contractors, and may be unnecessarily purchasing duplicate ST/STE. NAVAUDSVC recommended that NAVAIR develop and implement an efficient and effective ST/STE management process, establish a central office/point-of-contact at NAVAIR Headquarters, and

update the current material management policies and guidance to provide more detail and accountability in the management of ST/STE. (Report No. N2009-0026)

VERIFICATION OF AN ACQUISITION STRATEGY FOR THE UNITED STATES MARINE CORPS' RELOCATION EFFORT

The audit objective was to verify that an "acquisition strategy" for executing the Marine Corps' Guam relocation effort was established and implemented in accordance with applicable guidance. NAVAUDSVC found that the DoN did not develop, implement, or maintain an official Acquisition Strategy to manage the Marine Corps relocation effort, and opportunities for improvement were identified within the core elements of an acquisition strategy (cost, schedule, performance, and assessment of risks.)

Specifically, a critical path analysis had not been completed, so tasks that must be performed sequentially were scheduled to be done concurrently. These conditions existed, in part, because DoN needed to sufficiently define and clarify lines of communication, authority, accountability, and responsibility between the Joint Guam Program Office, NAVFAC, and U.S. Marine Corps management. In developing an acquisition strategy and program management functions and responsibilities. As a result, JGPO's ability to provide sufficient oversight, plan, make informed decisions, and provide strategic direction to DoN leadership had been adversely impacted.

Ultimately, the realization of achieving the desired completion date agreed to by the U.S. government and the government of Japan, and within associated cost, would likely be adversely affected. (Report No. N2009-0028)

VENDOR LEGITIMACY

The audit objective was to verify that selected purchase card transactions were conducted with legitimate business entities and in accordance with Navy policy. NAVAUDSVC performed a partial review of task orders and invoices from each fiscal year of the contract performance period. The auditors found the selected task orders were in accordance with Federal Acquisition Regulations.

However, auditors did note weaknesses in Naval Air Warfare Center Training Systems Division's contract administration. NAVAUDSVC recommended NAWCTSD establish procedures and controls and provide oversight to ensure that: contractor invoices be submitted containing information required by contract specification; the contractor retains supporting documentation for three years after the final payment is made; the contractor prepares and implements a quality control program to monitor subcontractor performance; and the contracting officer's representative performs contract duties in accordance with FAR and DFAR.

Based on the contracting activity's in-process review, NAVAUDSVC identified approximately \$606 thousand of savings collected from the contractor. Management concurred with all recommendations, and corrective action is considered complete. (Report No. N2009-0034)

CONTRACT ADMINISTRATION AT FLEET AND INDUSTRIAL SUPPLY CENTER SAN DIEGO AND SUPPORTED ACTIVITIES

The audit objective was to verify that contract administration procedures for Fleet Industrial and Supply Center San Diego contracts were effectively implemented to protect the DoN's interest. NAVAUDSVC found that FISC San Diego and selected activities did conduct contract administration; however, all files were missing at least some form of required documentation and it was not well documented that sufficient contract administration oversight was in place. These conditions occurred because contract award was prioritized over contract administration, and requiring activity personnel were not aware of the level of detail and documentation required by their contract administration duties.

As a result of not performing or documenting all required contract administration duties, FISC San Diego was at risk of not ensuring compliance with contract terms and safeguarding the interests of the DoN in its contractual relationships. NAVAUDSVC recommended FISC San Diego formally appoint and clearly define contract administration duties, establish controls and provide oversight. Management planned appropriate corrective action on all recommendations. (Report No. N2009-0037)

FINANCIAL MANAGEMENT

NAVY AVIATION CAREER INCENTIVE PAY
NAVAUDSVC found that Navy ACIP was not managed in full compliance with federal and DoD guidelines. Management weaknesses mainly occurred because Naval Personnel Command (PERS-435) did not have access to review or track individual flight hours, and considered tracking flight hours to be outside of their purview. Insufficient Navy guidance, limited ACIP reviews, administrative paperwork delays, personnel system programming issues, and clerical errors also contributed to the above weaknesses. These conditions resulted in approximately \$1.3 million in overpayments between March 2005 and March 2007 to officers tested during the audit, and a possible estimated overpayment of \$3.4 million to officers not tested during the audit. NAVAUDSVC made recommendations to the Deputy Chief of Naval Operations (Total Force) (N1) and NAVPERSCOM (PERS-435) to establish guidance, schedule reviews, and develop and implement Navy ACIP data for managing ACIP. Management took or planned appropriate corrective action on all recommendations. (Report No. N2009-0025)

STATUS OF THE DON PROCESSES AND CONTROLS REGARDING THE MANAGEMENT OF THE GOVERNMENT OF JAPAN FUNDS RELATED TO THE MARINE CORPS' RELOCATION

The audit objective was to verify that the DoN has controls in place to efficiently and effectively manage GoJ funding related to the Marine Corps' relocation from Okinawa, Japan, to Guam. NAVAUDSVC found that, although plans were in progress to facilitate the flow and execution of the GoJ Mamizu funds, the JGPO had not fully developed a process with internal management controls to ensure that it maintained oversight over the funds. This occurred because JGPO was primarily focused on negotiations with GoJ and had not clearly defined or promulgated roles and responsibilities related to the management of GoJ Mamizu funds.

As a result, DoN's ability to provide GoJ assurance that their funds would be sufficiently managed, expended according to agreements, and accurately reported, may be jeopardized. Management planned appropriate corrective

actions on all recommendations. (Report No. N2009-0038)

INFRASTRUCTURE & ENVIRONMENT

SELECTED DEPARTMENT OF THE NAVY MILITARY CONSTRUCTION PROJECTS PROPOSED FOR FISCAL YEAR 2011

The NAVAUDSVC audited selected Military Construction projects originally proposed for FY 2010 but rescheduled for FY 2011. The audit objective was to verify that the Navy provided support for the scope requirements for the two selected MILCON projects. NAVAUDSVC identified scoping issues associated with both MILCON projects. Navy over-scoped one project, valued at \$105 million, by about \$5.225 million, and over-scoped another project, valued at about \$26 million, by about \$540,000. The Commander, Navy Installations Command reduced the scope of the two projects and agreed with the amount of funds available for other use. NAVAUDSVC determined that the command had an effective ethics program in place; however, NAVAUDSVC found that two individuals had not filed their Confidential Financial Disclosure Reports (Office of Government Ethics Form 450). Subsequent to the site visit, the individuals filed their OGE Forms 450. (Report No. N2009-0033)

OTHER

AUDITOR GENERAL ADVISORY - DEPARTMENT OF THE NAVY'S PROCESSES USED TO ESTABLISH WATER RATES FOR GUAM WATERWORKS AUTHORITY

The Navy operates, maintains, and repairs water production and distribution systems in Guam through the Navy Working Capital Fund, which is a revolving fund that relies on sales revenue instead of direct appropriations to finance its operations. The audit objective was to verify that the DoN's process for determining and establishing water rates for GWA customers was reasonable. Based on NAVAUDSVC review and analysis of the DoD's and the DoN's Financial Management and Budget preparation guidance, and interviews with NAVFAC personnel, NAVAUDSVC determined that the DoN's Process for determining and establishing water rates for GWA customers was reasonable. (Report No. N2009-0024)

NAVAL CRIMINAL INVESTIGATIVE SERVICE

The Naval Criminal Investigative Service, primarily through its Combating Terrorism Directorate, supported efforts aimed at detecting, deterring and disrupting terrorism against Department of Defense and Department of the Navy personnel and assets worldwide. The CbT Directorate brings to bear a wide array of offensive and defensive capabilities to the mission of combating terrorism. Offensively (counterterrorism), NCIS conducts investigations and operations aimed at interdicting terrorist activities. Defensively (antiterrorism), NCIS supports key DoN leaders with protective services and performs vulnerability assessments of military installations and related facilities to include ports, airfields, and exercise areas to which naval expeditionary forces deploy.

NCIS special agents, analytical and support personnel, primarily drawn from the NCIS Contingency Response Field Office, deployed around the globe to support DoD and DoN efforts to combat terrorism. During this reporting period, the following deployments and related activities in support of Operations Iraqi Freedom and Enduring Freedom were conducted:



NCIS special agents conduct a post-rescue investigation.

- NCIS served as law enforcement advisors to Combined Task Force 151, the multi-national effort conducting counter piracy operations in the Gulf of Aden, Arabian Sea, Indian Ocean, and the Red Sea.
- CTF-151 elements engaged in several anti-pirate actions in the Gulf of Aden/Arabian Sea in May 2009 resulting in capturing 24 suspected pirates. Embarked NCIS special agents coordinated the post-capture investigation, evidence collection and handling, and transferring the suspects to Kenyan law enforcement authorities for prosecution or prosecutive consideration.
- NCIS special agents conducted post-rescue investigation of the April 2009 pirating of the M/V MAERSK ALABAMA in conjunction with the Federal Bureau of Investigation. Deployed NCIS special agents interviewed crewmembers, conducted the initial interrogation of the surviving pirate, and collected evidence from the hostage lifeboat.
- NCIS special agents, including counterintelligence trained special agents and polygraph examiners, were deployed to the Joint Counterintelligence Unit-Iraq to fulfill operational and strategic counterintelligence requirements and provide counterintelligence support to the unified and special commands. Included among those deployed were counterintelligence trained special agents and polygraph examiners. During this reporting period, NCIS special agents filled the billet of JCIU-I Operations Chief.
- NCIS special agents were deployed to the Multi-National Security Transition Team – Iraq in support of the intelligence transition team at the Iraqi National Information and Investigation Agency.
- The Transition Team advised Iraqi counterparts on force protection and security issues, which the Ministry of Interior incorporated, as well as the procedures and processes used by the NIIA Counter Terrorism Center for conducting its investigations and operations against anti-government terrorists in Iraq.
- An NCIS analyst serves as the program manager for the “Gryphon” project. This project uses lessons learned from fighting terrorism in Northern Ireland and other countries with indigenous terrorist problems.
- The NCIS Resident Agency Iraq provided criminal investigative support for the Marine Expeditionary Forces – Iraq I/II.
- NCIS Iraq initiated 134 investigations, closed 123 cases, produced four criminal intelligence reports and recruited seven criminal sources. The investigations included death, bribery, narcotics, counterfeiting, and

stolen government property.

- NCIS special agents served as staff counterintelligence officers on the I/II Marine Expeditionary Forces staff.
- NCIS developed counterintelligence collection operations, which enabled two threat-specific initiatives that mitigated foreign intelligence and security service attempts to gain access to MNF-I facilities.
- JPEC personnel were deployed to USMC JPEC, Iraq to conduct criminal investigations and evidence analysis on non-U.S. suspects for prosecution by the Central Criminal Court of Iraq.
- JPEC personnel produced 100 prosecution packages for the Central Criminal Court of Iraq against insurgents and al Qaeda members. They also provided seven training courses for Iraqi Police and Judges.
- The Joint Counterintelligence Unit-Afghanistan fulfilled operational and strategic counterintelligence requirements and provided counterintelligence support to the unified and specified commands in that area of operation. Included among those deployed were counterintelligence trained special agents, polygraph examiners, and cyber forensics experts. During this period, NCIS special agents filled the billets of JCIU-A Operations Chief and Deputy Director.
- NCIS personnel served as personal security advisors to the Commander, Joint Task Force – Horn of Africa. The PSA supervised security teams composed of USMC military policemen and USN Masters-at-Arms while providing continuous coordination with non-U.S. security forces to ensure the safety of CJTF HOA when traveling outside of U.S. control.
- NCIS special agents provided counterintelligence and force protection support to the CJTF HOA, as well as force protection and criminal investigative support for the Commanding Officer of Camp Lemonier.
- Agents produced intelligence reports and employed numerous sources that provided intelligence on foreign intelligence service activity, piracy, and terrorist activity in the Horn of Africa.
- Nine special agents were assigned as members of the Criminal Investigations Task Force at Fort Belvoir, Va., including its special agent in charge. Additionally during this period, ten Naval Reservists from NCIS units were mobilized to CITFHQ.

Pursuant to a Presidential Order, CITF is responsible for investigating war crimes associated with acts of international terrorism.

- Special agents were deployed in support of CITF missions in Iraq, Afghanistan, and Cuba.
- CITF efforts in Iraq have resulted in well over 500 convictions in the Central Criminal Court of Iraq; its conviction rate is 77 percent.
- The CITF focus in Afghanistan is the interdiction of international threat financing, narcoterrorism, and foreign fighter networks. CITF investigations resulted in two convictions in the Afghanistan National Defense Court.
- NCIS supported the International Contract Corruption Task Force missions in Iraq and Kuwait and have initiated more than 25 fraud investigations involving Iraqi and U.S. companies.
- NCIS provided advice and coordinated counterintelligence collection operations, as well as provided criminal investigative support to the 2nd Marine Expeditionary Battalion, Afghanistan.

The NCIS Directorate of Intelligence and Information Sharing is the information hub for NCIS efforts to combat terrorism and support the Global War on Terror. DIIS analytical support is wide ranging and affecting; providing analytical support to investigations and operations, supporting NCIS force protection efforts, brokering partnerships, and providing finished intelligence. The DIIS produced and published 273 threat assessments directly to U.S. Navy and Marine Corps deployed assets to assist in force protection planning. The DIIS also published 2,717 intelligence information reports and 143 daily threat summary articles.

NCIS supports U.S. Navy Theater Security Cooperation efforts by engaging in capacity-building activities with its law enforcement, counterintelligence, and security partners, primarily through its Security, Training, Assistance, and Assessment Teams, foreign-based special agents and operations specialists, and deployed country referent specialists.

- In support of the Commander, Naval Forces Southern Command's Southern Partnership Station 2009, NCIS STAAT personnel provided port security and physical security training seminars to port law enforcement, coast guard, and security agencies in El Salvador, Panama, Jamaica, Barbados, Colombia, Nicaragua, and the Dominican Republic.

- NCIS special agents presented a crime scene investigation seminar to 30 officers, lead investigators, and detectives from the Commonwealth of Dominica Police Force. The seminar was in response to a priority identified by Attorney General Eric Holder following a visit to Barbados.
- NCIS and Air Force Office of Special Investigations special agents from the Force Protection Detachment in Amman, Jordan have partnered with the Jordanian Directorate of Military Security and created a personnel exchange program. The program will develop language and cultural expertise, familiarize DMS officers with NCIS/AFOSI law enforcement protocols, and train NCIS personnel on Middle East mindset/cultural issues.



NCIS special agents conduct a raid operation.

- NCIS STAAT trainers presented a Law Enforcement and Security “train the trainers” seminar to a combined class of senior training officers from the Malta National Police and the Armed Forces of Malta. One focus was to demonstrate the benefits associated with training and working together. The Malta Commissioner of Police attended a portion of the training and directed that it be incorporated into the Malta Policy Academy curriculum.

SIGNIFICANT CASE NARRATIVES

HOMICIDE INVESTIGATION AT CAMP PENDLETON

A NCIS homicide investigation implicated a Navy petty officer second class in the shooting death of a Navy seaman at Camp Pendleton, Calif. Although preliminary information suggested a possible hate crime element based on the victim’s sexual orientation, the investigation refuted this theory and revealed the victim was on guard duty and confronted the suspect when he entered a secure compound.

NCIS interrogated the suspect who confessed shooting the victim and setting him on fire after the victim discovered the suspect had entered the compound to destroy government property. The suspect was arrested in July 2009 and placed in pre-trial confinement for the murder. Prior to trial, the suspect was found dead in his cell from an apparent suicide.

EMBEZZLEMENT OF OVER \$105,000

An NCIS investigation disclosed three Philippine national employees, including the on-site supervisor of a construction company at the Al Asad Air Base in Iraq, were implicated in embezzling more than \$105,000 from funds for subcontracted work at AAAB. The on-site supervisor forged letters of authorization from AAAB and fled to Kuwait on a military flight. The supervisor was detained in Kuwait and found in possession of \$70,000. The supervisor confessed to the embezzlement and implicated the other two employees, who subsequently confessed to the theft. An additional \$38,400 was recovered following searches of the accomplices.

The investigation was presented for Military Extraterritorial Jurisdiction Act consideration at Camp Victory, Iraq, but was declined in favor of debarring the individual from Multi-National Forces-Iraq facilities and restoring funds to the construction company.

COMPROMISE AND DISCLOSURE OF CLASSIFIED INFORMATION

An NCIS investigation implicated seven current and former U.S. Marine Corps members in the improper handling, compromise, and disclosure of classified and compartmented information. A reserve U.S. Marine

Corps colonel, the former officer-in charge of the I Marine Expeditionary Force, Special Technical Operations Section, had members of his unit improperly transfer classified international terrorism information to him to use in his civilian capacity as a Los Angeles County Sheriff's Department detective. Special agents seized a substantial amount of classified material when executing search warrants at the residence and workplace of the former OIC.

The investigation did not surface a foreign intelligence service connection; however, the former OIC improperly shared classified information with foreign counterterrorism officials. Two suspects pled guilty and charges have been preferred against three of the remaining suspects, including the former OIC.

AIR FORCE

AIR FORCE AUDIT AGENCY

The Air Force Audit Agency provides all levels of Air Force management with independent, objective, and quality audit services by reviewing and promoting the economy, effectiveness, and efficiency of operations; evaluating programs and activities and assisting management in achieving intended results; and assessing and improving Air Force fiduciary stewardship and accuracy of financial reporting. Organized into three line directorates, the AFAA conducts centrally directed audits in 12 functional areas that provide support to Air Force senior leaders. The AFAA also has audit teams at over 50 locations providing audit services to installation commanders.

The Financial and Systems Audits directorate, headquartered at March AFB, Calif., directs audits related to financial management, financial support, information systems development, communications systems, and system security. The Support and Personnel Audits Directorate, headquartered at Brooks City-Base, Texas, directs audits related to operational support, personnel, training, engineering support, support services, environmental issues, intelligence operations, and health care. The Acquisition and Logistics Audits directorate, headquartered at Wright-Patterson AFB, Ohio, directs audits related to procurement, maintenance, supply, transportation, and weapon systems acquisition.

In the last six months, audit efforts focused in

the following key management challenge areas: Joint War Fighting and Readiness, Information Security and Privacy; Acquisition Processes and Contract Management; Financial Management; and Health Care. These efforts have resulted in more than \$1.4 billion in potential monetary benefits.

JOINT WARFIGHTING AND READINESS

AIR FORCE NUCLEAR ROADMAP ASSESSMENT

Two incidents, along with other impairments, caused the Air Force to put high-level management emphasis on the nuclear mission. In 2006, critical nuclear-related intercontinental ballistic missile parts, labeled as helicopter batteries, were mistakenly sent to Taiwan. In 2007, a B-52 crew mistakenly flew six nuclear weapons from Minot AFB, N.D. to Barksdale AFB La. As a result of these incidents and subsequent investigations, the Air Force established a Nuclear Task Force to develop a nuclear enterprise roadmap. The Task Force published the Roadmap titled "Reinvigorating the Air Force Nuclear Enterprise" (hereafter referred to as the Roadmap) on October 24, 2008. The Roadmap requires an assessment method capable of measuring progress made to improve the nuclear enterprise through action plans. This method uses measures of performance and effectiveness (hereafter referred to as measures) to determine how well the Air Force is implementing Roadmap objectives and to determine if the Air Force is accomplishing a safe, secure, effective, and reliable nuclear mission.

This audit concluded the Air Force nuclear enterprise assessment methodology, while generally adequate, needed strengthening. Specifically, Air Force nuclear personnel developed measures adequately addressing root causes identified in the Roadmap and the measures should facilitate reporting to responsible oversight bodies. However, 11 (14 percent) of 79 measures did not fully address Roadmap objectives. Incomplete measures could lead to inaccurate nuclear program assessments. Additionally, nuclear personnel did not develop adequate internal controls over data collection to guide major commands and wings in their data collection efforts. Without these controls, nuclear assessment data is more susceptible to errors and inconsistencies. From November 2008 through January 2009, Air Force

personnel corrected the deficient evaluation measures this audit identified.

Further, in February 2009, Assistant Chief of Staff, Strategic Deterrence and Nuclear Integration officials established a data collection internal control plan in response to audit concerns. These completed management actions properly address identified deficiencies and the auditors plan to perform a follow-on audit to validate the accuracy of data collected and reported through the established Roadmap measures. (Report No. F-2009-0005-FD3000)

AIR FORCE INSTALLATION PROTECTION PROGRAM

The terrorist attacks in the fall of 2001 increased attention and concern over improving defense against chemical, biological, and radiological/nuclear weapons incidents. The Secretary of Defense established the Air Force Installation Protection Program to control possible chemical, biological, and radiological/nuclear incidents and reduce casualties by providing a warning notification and first response capability for military installations. The Air Force Civil Engineering Support Agency is responsible for implementing the Air Force installation protection program. Contract Logistic Support contractors were used at selected installations to implement the program and assist with daily chemical, biological, and radiological/nuclear operations.

For FY 2008, the installation protection program budget was approximately \$4.9 million for equipment, sustainment, and 29 contractors at 27 installations. The audit disclosed that at the nine installations reviewed installation protection program personnel did not properly maintain equipment readiness or account for more than 30 percent the program equipment items, and did not adequately train first responders. A robust installation protection system is necessary to prepare, react, and respond to a chemical, biological, and radiological/nuclear incident as well as transfer critical missions as soon as possible, thereby protecting personnel, maintaining critical military missions, and resuming essential operations. (Report No. F-2009-0006-FD1000)

ENGINE MODULE MATCHING

Engines for the B-1 aircraft (F101) and the F-15 and F-16

aircraft (F100) contain major sub section or assembly modules (such as a gearbox, fan drive, or core) that are individually managed and tracked. When an engine module reaches its maximum serviceable life, maintenance personnel must remove the engine from the aircraft and replace the module. Module matching aligns modules with similar remaining life to maximize engine time on the aircraft between scheduled removals. During FY 2007, the Air Force performed 397 scheduled removals of F101 and F100 engines, costing approximately \$17.8 million.

The audit concluded that engine maintenance personnel did not effectively align 101 of the 339 engines reviewed and did not identify and make available 30 serviceable engine modules for use at other locations. In addition, module-matching algorithms did not always select F100-220 engine modules that maximized time on the aircraft or minimized engine removal costs.



U.S. Air Force technician works on an aircraft engine module.

As a result, the Air Force could increase engine time on wing between scheduled removals and save approximately \$41.4 million in parts and labor costs. Additionally, effectively advertising available modules would have provided better alignment of at least 10 additional engines and saved approximately \$1.8 million. Finally, updating algorithms would improve engine time on

wing between scheduled removals and save approximately \$12 million in parts and labor costs. (Report No. F-2009-0005-FC2000)

AIR AND SPACE EXPEDITIONARY FORCE UNIT TYPE CODE REPORTING TOOL

The Air and Space Expeditionary Force Unit Type Code Reporting Tool is a secure, Web-based system that addresses unit type code readiness. The Air Force Personnel Center directorate of Air and Space Expeditionary Force Operations uses reporting tool readiness assessments to determine the most effective force tasking for deployment. Unit commanders, unable to support a tasking due to the lack of required personnel, submit a waiver requesting approval to substitute personnel and submit a reclama if either the requesting commander denies the waiver or the unit does not have substitute personnel. As of April 7, 2009, Air Force commanders reported readiness for nearly 129,000 unit type codes in the reporting tool, representing approximately 339,000 personnel and 250,000 tons of equipment.

The review showed Air Force officials did not accurately report unit type code readiness assessments at 12 of 14 wings reviewed. Additionally, on average for calendar year 2008, commanders did not report or timely report readiness assessments for 12 percent of 129,000 unit type codes in the reporting tool. Furthermore, Air Force personnel did not timely process the reporting tool tasking reclaims and waivers at 11 and 10 wings, respectively. Accurate and timely unit type code readiness assessments in the reporting tool provide Air Force managers readiness information needed to effectively select personnel and equipment to support combatant commander requirements. Timely reclaims and waivers also help the air expeditionary force process and increase short-notice taskings to Air Force personnel. (Report No. F-2009-0010-FD3000)

POSTURE CODING MINIMUM HOME STATION REQUIREMENTS

Contingency planners use a deliberate process (termed posturing) to identify work force requirements and assign these requirements to unit type codes and respective air and space expeditionary forces. This process includes identifying the maximum work force that could deploy from an installation while leaving enough personnel in

place to keep the home station operating. The Air Force uses three-character posture codes (P codes) to distinguish which UTC authorizations are available for deployment (vice home station). As of April 22, 2009, the Air Force had approximately 27,000 unit type codes, containing more than 52,000 work force authorizations, P-coded as minimum home station requirements.

The review disclosed Air Force officials did not identify and validate minimum work force authorizations necessary to support home station requirements during deployments. Although major command functional area managers P-coded unit type codes for home station requirements, unit commanders did not validate approximately 5,000 manpower authorizations postured in over 1,700 unit type codes reviewed. Further, base support plans did not identify minimum home station work force requirements or address mitigating factors and risk associated with loss of military work force.

Consequently, auditors could not assess whether data in the unit type codes availability database over- or understated minimum home station requirements. Identifying minimum work force authorizations needed to support home station requirements and mitigation actions required for the loss of work force during extended deployments allows Air Force officials to accurately articulate potential capability shortfalls to senior leadership and Congress and helps ensure mission accomplishment. (Report No. F-2009-0011-FD3000)

AIR FORCE TACTICAL TERMINALS

Air Force tactical terminals provide ultra high frequency satellite communications beyond line-of-sight access via a classified network for near real-time situational awareness, threat awareness/avoidance, and friendly force tracking data. These terminals help ensure war fighters in austere and garrisoned facilities receive up-to-date intelligence. In FY 2008, the Air Force received over \$17 million in tactical terminal funding and managed over 500 classified assets valued at over \$47 million. The review concluded that although Air Force financial managers generally recorded transactions properly, they did not properly execute or support \$23.3 million of tactical terminal funds. Additionally, Air Force personnel at 23 of 33 locations reviewed did not maintain adequate accountability of 65 percent of classified tactical terminal assets reviewed valued at \$14.1 million. As a result, the Air Force lost control

of sensitive (classified) intelligence gathering equipment. Proper funds execution is essential for the Air Force to sustain an effective tactical terminal program at all levels to include aircraft integration, procurement, customer requirements, software maintenance, contractor logistic support, and training. Proper control and accountability over intelligence assets help:

- prevent equipment loss or misappropriation;
- avoid purchasing unneeded equipment;
- establish pecuniary liability for loss, damage, or destruction of equipment; and
- ensure assets are available to accomplish assigned intelligence missions. (Report No. F-2009-0012-FD3000)

AIR-TO-AIR WEAPON SYSTEM EVALUATION PROGRAM

The Air Force requires the Combat Air Force to continually assess the effectiveness and suitability of fielded weapon systems under realistic operational scenarios. Accordingly, Air Combat Command conducts a live fire Air-to-Air Weapon System Evaluation Program for participation by all Combat Air Force units with an air-to-air role. The program ensures proper integrated weapon performance in combat and supports decisions relating to operational capabilities, force structure, required modifications, and tactical missile procurement requirements. The Weapon System Evaluation Program is the only Air Force venue providing live fire experience outside of actual combat. During FY 2008, the investment in Weapon System Evaluation Program execution totaled approximately \$136 million.

The review determined Air Combat Command program management officials effectively executed Weapon System Evaluation Program consistent with test and evaluation guidance and established adequate long-range financial plans consistent with program requirements. However, Air Force tactical missile inventories could not always sustain Weapon System Evaluation Program test requirements. Risk-based adjustments to requirements planning will provide better assurance that missile inventories will support future testing, provide accurate assessment of the probability of mission success for key weapon system combinations, and optimize the program's live fire training benefits. (Report No. F-2009-0007-FC3000)

PERSONNEL SECURITY CLEARANCES

Air Force personnel requiring access to classified or sensitive information must undergo security investigations. The type of investigation conducted is based on the information and level of access required. Further, while Air Force policy and Air Force Specialty mandate some clearances, commanders may also designate security clearance requirements for certain positions that involve sensitive duties, such as Security Police for the National Air and Space Intelligence Center. The Administrative Assistant to the Secretary of the Air Force Information Protection Directorate has responsibility for the personnel security clearance program. In FY 2007, the Air Force Central Adjudication Facility spent more than \$96.5 million for security clearance investigations and the Air Force had over 98,938 Top Secret and 277,913 Secret positions requiring clearances as of December 31, 2007.

The audit disclosed while more than 96 percent of military, civilian, and Air Force Specialty Code Top Secret clearances met minimum security requirements and were current, unit commanders incorrectly designated 172 of 918 (19 percent) statistically selected Top Secret positions reviewed, and an additional 120 individuals in commander-designated Top Secret positions did not have the required clearance. Further, unit security managers did not properly document all civilian security access requirement and position sensitivity codes. Properly administered security clearances provide assurance only authorized personnel have access to sensitive classified information. Based on statistical methodology, the auditors estimate units can eliminate over 9 percent of commander-designated Top Secret positions Air Force-wide, reducing initial and periodic reinvestigation costs by more than \$12.4 million over the six-year Future Years Defense Program. (Report No. F-2009-0007-FD4000)

FOLLOW-UP AUDIT, FAMILY CARE PLANS

To support contingency operations, all Air Force members should make adequate arrangements for the care of family members. DoD Instruction 1342.19, Family Care Plans, July 13, 1992, requires all single military parents and dual military couples with dependents initiate and maintain documented family care plans. As of December 3, 2008, the Air Force Military Personnel Data System included over 15,205 active duty members requiring family care plans. The audit determined, at the 11 locations reviewed,

members did not establish family care plans (32 percent) or maintain complete and workable family care plans (65 percent). Complete and workable family care plans are essential to provide seamless transfer and care of dependents and improve member deployment readiness (repeat finding). (Report No. F-2009-0010-FD4000)

FOLLOW-UP AUDIT, AIR RESERVE COMPONENT FAMILY CARE PLANS

To support contingency operations, all Air Force members should make adequate arrangements for the care of family members. DoD Instruction 1342.19, Family Care Plans, July 13, 1992, requires all military members, single or married, with dependents to initiate and maintain documented family care plans. As of September 2, 2008, the Air Force Military Personnel Data System included over 7,400 Air Reserve component members (Air National Guard and Air Force Reserve Command) requiring family care plans.

Auditors concluded that, at the six Air National Guard locations reviewed, members either did not establish family care plans (32 percent) or maintain complete and workable family care (95 percent). At the six Air Force Reserve Command locations reviewed, members either did not establish family care (9 percent) or maintain complete and workable family care (40 percent). Complete and workable family care plans are essential to provide seamless transfer and care of dependents and improve Air Reserve component member deployment readiness (repeat finding). (Report No. F 2009-0011-FD4000)

INFORMATION SECURITY AND PRIVACY

FOLLOW-UP AUDIT, CONTROLS OVER ACCESS TO AIR FORCE NETWORKS AND SYSTEMS

The Air Force employs foreign nationals and contractors who must meet certain information assurance requirements before being granted access to computer networks and automated information systems. The Air Force must perform trustworthiness investigations before granting network and system access and background investigations for Top Secret security clearances before granting privileged access. Additionally, e-mail accounts must properly identify foreign nationals and contractors to preclude unintended disclosure of sensitive information. AFAA performed this audit to determine whether effective

management actions were implemented in response to recommendations reported in AFAA report no. F-2006-0008-FB4000 Follow-up Audit, "Controls Over Access to Air Force Networks and Systems" (FOUO), September 11, 2006. The audit disclosed management corrective actions were generally effective to properly authorize foreign nationals' access to networks and systems.

However, management corrective actions to strengthen controls over contractor access to networks and systems, and identify contractor and foreign national e-mail accounts were not effective. Specifically, communications personnel:

- granted privileged network access to contractors without the required Top Secret security clearance (repeat condition),
- granted network access to contractors without the required trustworthiness determination (repeat condition), and
- established e-mail accounts that did not identify users as contractors or foreign nationals in the e-mail display names and addresses (repeat condition).

Allowing contractors without proper clearances uncontrolled access to Air Force networks and systems, and not properly identifying their or foreign nationals' in e-mail accounts exposes the entire network and the mission critical information contained therein to increased risk of sabotage or unauthorized disclosure, potentially jeopardizing the Air Force war fighting capability. (Report No. F-2009-0003-FB4000)

FREEDOM OF INFORMATION ACT

The Freedom of Information Act provides any person the right, enforceable in court, to access federal agency records, except for those records (or portions thereof) protected from public disclosure exemption or special law enforcement record exclusion. FOIA requires the Air Force to provide requested records within 20 working days and post frequently requested records on an Air Force Web site, referred to as an electronic reading room. The Air Force received 8,287 FOIA requests for records in FY 2008.

This audit concluded that although the Air Force increased staffing and developed new software to better manage the program and reduce its backlog of requests, it still needed improvements in recording and tracking requests for records, processing requests, public

Web access to records, recovering costs incurred, and plans to minimize request backlogs. Specifically, FOIA program managers did not properly record or track FOIA requests.

As a result, the Air Force overstated the number of requests received and understated response times in the Air Force's annual FOIA report submission to DoD for inclusion in its Annual FOIA Report to Congress. In addition, FOIA program managers did not efficiently or properly process FOIA requests. Through more efficient and proper FOIA request processing, the Air Force could reduce response times while also reducing time and resources expended.

Additionally, the Air Force electronic reading room did not include all frequently requested records, and the public could not access all Air Force electronic reading rooms. As a result, records were not readily available to the public, decreasing Air Force responsiveness and causing Air Force FOIA personnel to expend unnecessary time and resources duplicating work. Further, FOIA program managers did not accurately assess or collect fees for processing FOIA requests. As a result, the Air Force understated its FOIA program cost and did not recoup appropriate costs.

Finally, FOIA program managers did not have sufficient plans in place to minimize FOIA request backlogs. Automated records reviewed showed FOIA program offices had 688 open requests as of July 2008. Of those, 543 (79 percent) were open more than 20 working days and 248 (36 percent) were open more than six months. As a result, FOIA requesters have successfully sued the Air Force in federal court over response timeliness. (Report No. F-2009-0004-FB4000)

ELECTRONIC PERSONAL DATA PROTECTION

The Privacy Act of 1974 states that federal agency collection, maintenance, use, and dissemination of personal information directly affects an individual's privacy. DoD policy prohibits organizations from disclosing personally identifiable records maintained in government systems without a person's consent, and it grants individuals the right to access and amend those records if they are not accurate, relevant, current, or complete. According to information in the Air Force Enterprise Information Technology Data Repository as of May 2008, 216 (14

percent) of 1,534 registered Air Force information systems contained Privacy Act data.

This audit disclosed Air Force personnel could more effectively protect electronic personal data. In particular, Privacy Act officers and system managers did not identify and categorize personally identifiable information resident in all information systems. Properly identifying and categorizing information in systems ensures proper controls are used to minimize the risk of unauthorized access, use, disclosure, disruption, modification, or destruction.

In addition, responsible personnel did not review and minimize the use of Social Security numbers. Minimizing the collection or use of Social Security numbers limits the magnitude of harm that could result from unauthorized access, use, disclosure, disruption, modification, or destruction of records containing personal information. Finally, Privacy Act officers and system managers did not monitor, follow up, resolve, and evaluate all security incidents to identify trends and implement preventive controls. Preventive controls established from identified trends in security incidents help prevent similar incidents from recurring. (Report No. F-2009-0006-FB4000)

ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

ACQUISITION STRATEGY TRENDS FOR TANKER SUPPORT REQUIREMENTS

The Federal Acquisition Regulation provides guidance for developing acquisition strategies. A strategy prescribes the techniques and procedures for acquiring commercial items and services that are normally available in the common market place (FAR Part 12, Acquisition of Commercial Items) or items that are government-unique and not similar to those for sale within the industry or the common market place (FAR Part 15, Contracting by Negotiation). The KC-135 Tanker Aircraft Program, located at the Oklahoma City Air Logistics Center, uses both organic and contract efforts to support 484 KC-135 aircraft assigned to 34 Air Force locations worldwide. The contract support portion of the program is based on both commercial and government-unique acquisition strategies.

As of November 1, 2008, the KC-135 program included 21 active support contracts valued at \$4.1 billion. The audit determined Air Force acquisition professionals improperly used FAR Part 12 for KC-135 tanker support contracts for major depot-level aircraft repair and overhaul services. Specifically, Air Force officials made commercial determinations for two (\$1.6 billion) of six (\$3.7 billion) contracts even though they pertained to military-unique aircraft, involved remanufacturing services, and included terms inconsistent with FAR Part 12. As a result, contracting personnel did not establish oversight and control techniques normally associated with government-unique acquisitions to mitigate the risk of inadequate contract performance and unfair pricing. (Report No. F 2009-0005-FC1000)

C-17 BUSINESS CASE ANALYSIS

The Air Force has relied on a partnership with the Boeing Company for C-17 Globemaster III product support since 1998. In January 2002, the Deputy Chief of Staff, Logistics, Installations, and Mission Support, Director of Maintenance, and the Assistant Secretary of the Air Force for Acquisition issued a joint memorandum directing C-17 product support be managed through a performance-based partnership between Boeing and the Air Force, with Boeing retaining total system support responsibility.

The joint memorandum directed the C-17 System Program Director to develop a business case analysis to support that decision. In 2003, the C-17 System Program Office completed the business case analysis, and program officials awarded Boeing a long-term sustainment contract for FY 2004 to 2008 totaling approximately \$5.9 billion. However, as a result of a DoD IG report issued in July 2006, the C-17 program officials contracted with Booz Allen Hamilton to re-accomplish the C-17 Sustainment business case analysis.

This audit concluded Air Force personnel appropriately identified and applied Air Force business case analysis criteria/methodology, metrics, and data sources. However, the 516th Aeronautical Systems Group and Booz Allen Hamilton could improve documentation of data sources related to business case analysis cost estimates and the cost model. Furthermore, although the 516th Aeronautical Systems Group identified existing Air Force business case analysis policy in the performance work

statement and task order with Booz Allen Hamilton, the analysis initially excluded two Office of the Under Secretary of Defense for Acquisition, Technology and Logistics required performance-based logistics metrics. Because the data source documentation issue did not materially affect the outcome, Air Force leadership had the necessary information to make an informed decision regarding C-17 aircraft sustainment. Nevertheless, maintaining data source documentation allows the Air Force to effectively use the business case analysis as a living document and track the success of the business case analysis decision over time. Additionally, including performance based logistics metrics allows the Air Force to better support and defend business case analysis recommendations while meeting Office of the Under Secretary of Defense requirements. (Report No. F-2009-0007-FC3000)



The sun sets behind a C-17 Globemaster III at Joint Base Balad, Iraq, as soldiers begin boarding.

CELLULAR SERVICES

The Air Force spends approximately \$40 million annually for cellular services and devices. In March to July 2006, the Air Force Information Technology Commodity Council negotiated blanket purchase agreements with four nationwide wireless carriers to lower Air Force cellular commodity costs. In turn, the Chief, Warfighting Integration and Chief Information Officer issued a memorandum on August 18, 2006, requiring Air Force

organizations to transition existing cellular service plans with these providers to the blanket purchase agreements by November 1, 2006.

As of November 20, 2007, the Air Force transitioned 52,000 of the estimated 100,000 cellular telephones and e-mail-enabled devices to blanket purchase agreements. Auditors concluded Air Force organizations did not transition all cellular service plans to required blanket purchase agreements or optimal plans. Air Force organizations also did not effectively establish authorizations and validate cellular device requirements. The Air Force could save \$2.3 million annually, or \$13.7 million over the six-year Future Years Defense Program, by transitioning cellular service plans to the blanket purchase agreements and optimal plans. An additional savings of approximately \$206,000 annually, or \$1.2 million over the six-year Future Years Defense Program, could be realized by terminating cellular plans for non-mission, low usage devices. (Report No. F-2009-0007-FB4000)

AIR FORCE USE OF NON-DoD CONTRACTS

The Air Force spends billions of dollars annually to procure goods and services through non-DoD contracts (interagency acquisitions). Contracting activities are encouraged to use non-DoD contracts to support Air Force requirements when they provide the best value to the Air Force. From September 2007 through August 2008, Air Force interagency acquisitions exceeding the \$100,000 simplified acquisition threshold totaled almost \$2 billion. While personnel adequately monitored and managed funds obligated on non-DoD contracts, the audit also determined Air Force personnel did not adequately justify or obtain required approval to acquire goods or services using non-DoD contracts. Conducting adequate market research and obtaining required approval helps ensure acquisitions are in the best interest of the Air Force.

Additionally, personnel did not always request price reductions for interagency orders on the federal Supply Schedule. As a result, the Air Force may not have obtained the best value for interagency acquisitions valued at \$138.9 million. Finally, the Air Force may not have achieved the best value for interagency acquisitions valued at over \$34.6 million because Air Force personnel did not comply with competition requirements for interagency acquisitions. (Report No. F-2009-0007-FC1000)

FINANCIAL MANAGEMENT

DEFENSE TRAVEL SYSTEM AND LEAVE

The Defense Travel System is a fully integrated, electronic, end-to-end financial management system that automates temporary duty travel planning and recording and meets unique DoD mission, security, and financial system requirements. Military and DoD civilian personnel use DTS to enter travel authorizations and vouchers. Although the system allows personnel to document personal leave days taken in conjunction with official travel, it does not offer automatic leave reporting and processing.

From July 1, 2007 to June 30, 2008, Air Force travelers processed approximately 540,000 travel vouchers using DTS. Approximately 35,000 (6 percent) included personal leave. An audit, requested by the Deputy Assistant Secretary, Financial Operations, disclosed finance personnel and travel approving officials did not ensure leave shown in DTS was properly charged in military and civilian pay systems. The auditors identified 1,104 personal leave days valued at \$295,123 were not properly charged from July 2007 through June 2008. Based on sample results, the auditors projected at least 8,370 days valued at approximately \$2.4 million were not properly charged during this 12 month period.

In addition, authorized officials approved per diem payments to Air Force personnel for days classified and taken as personal leave. Recouping funds paid in error and preventing future overpayments will save the Air Force approximately \$124,000 over the six-year Future Years Defense Program. (Report No. F-2009-0004-FB1000)

AIR FORCE SMART OPERATIONS FOR THE 21ST CENTURY INITIATIVES VALIDATION

In November 2005, the Secretary and the Chief of Staff directed Air Force organizations to implement and institutionalize a strategic continuous process improvement approach called Air Force Smart Operations for the 21st century. To meet future-year budget constraints, the Secretary established an FY 2009 innovation account totaling nearly \$1 billion earmarked for AFSO21 efficiencies. In a March 2008 message to senior leaders, the Secretary provided AFSO21 innovation account guidance for justifying and funding initiatives over \$1 million, to include business case analyses, return on

investment, payback periods, and net savings. Initiative savings would then be used to fund future year critical investment accounts.

The secretary funded the innovation account with FY 2009 Operation and Maintenance dollars, a one-year appropriation. As of October 2008, the Air Force used the account to fund 117 initiatives valued at \$777 million. The Air Force Corporate Structure is responsible for evaluating service-wide budget requirements, and it makes resource allocation recommendations to the Secretary and Chief of Staff. This audit concluded AFSO21 program managers did not effectively implement the Secretary's AFSO21 validation process. Program managers did not submit accurate, complete, and supported business case analysis packages; included initiatives having negative return on investment; and did not provide required risk assessments.

As a result, Air Force Corporate Structure resource allocation members did not have assurance that FY 2009 initiatives were funded based on sound financial and business practices, and they may have lost opportunities to fund other critical Air Force requirements. Program managers also did not effectively manage FY 2009 innovation account funding. As a result, Air Force Corporate Structure members may have made suboptimal resource allocation recommendations to the Secretary because eight initiatives valued at \$170 million may not be executed. Together, AFSO21 program managers and Air Force Corporate Structure officials took corrective action by cancelling three initiatives and reducing the investment for another, allowing \$163 million to be realigned for other unfunded Air Force priorities. The audit recommended program managers revalidate approved FY 2009 initiatives to assess the impact on FY 2009 budget execution. (Report No. F-2009-0007-FB1000)

FOREIGN MILITARY SALES REFUELING

The Arms Export Control Act authorizes both the Foreign Military Sales and Foreign Government Support programs to provide in-flight refueling support to foreign governments. Under Foreign Military Sales, the foreign government pays all costs for tanker flying hours and offloaded fuel. Conversely, under the Foreign Government Support program, the foreign government receives air refueling support (tanker flying hours) free of charge

but must pay for offloaded fuel. During FY 2007, the Air Force billed foreign customers over \$48.6 million in flying hour costs and fuel associated with in-flight refueling missions.

This audit concluded Air Force personnel could improve in-flight refueling of foreign customers. Specifically, unit refueling personnel did not submit transactions for 472,509 gallons of fuel valued at over \$1.2 million and did not identify discrepancies between refueling documents. Properly billing foreign government customers for all refueling transactions would increase Air Force reimbursements by \$6.5 million over the period reviewed and the Future Years Defense Program.

In addition, Air Mobility Command personnel did not timely process all flying hour claims for reimbursement. Timely reimbursement would return \$1.6 million of Air Force funding for other current valid mission requirements.

Finally, Air Mobility Command personnel did not validate the FY 2008 KC-135 composite flying hour rate. The incorrect formula did not fully reimburse the Air Force for refueling support and would have resulted in under billing Foreign Military Sales customers \$150,920 from FY 2008 through the Future Years Defense Program. (Report No. F-2009-0002-FC2000)

HEALTH CARE

MEDICAL WAR RESERVE MATERIEL REQUIREMENTS

The War Reserve Materiel program acquires, positions, and maintains assets to meet the objectives of the National Defense Strategy. In addition to primary operating stocks and deployment equipment, assets designated as War Reserve Materiel support wartime activities reflected in the Air Force War and Mobilization Plan. As of July 2008, the Air Force maintained medical War Reserve Materiel requirements totaling over \$547 million. Air Force officials did not adequately maintain requirements for medical War Reserve Materiel deployment packages.

Specifically, Air Force component and Surgeon General planners did not appropriately identify and adequately support 18 of 27 (67 percent) judgmentally selected deployment packages (four understated and 14 overstated requirements). Understated War Reserve

Materiel requirements could delay or impede mission accomplishment, while eliminating overstatements could save the Air Force over \$41 million. (Report No. F-2009-0006-FD2000)

AIR RESERVE COMPONENT LINE OF DUTY DETERMINATIONS

A line of duty determination is a finding made after an investigation into the circumstances of a member's illness, injury, disease, or death. In the case of an Air Reserve component (Air National Guard and Air Force Reserve Command) member, makes a finding whenever the member requires medical treatment while in an active duty status. Line of duty determinations are required for members to receive incapacitation pay, medical continuation orders, and payment for medical care resulting from the determination.

During calendar years 2006 and 2007, Air Reserve component units initiated more than 5,500 line of duty determinations. Auditors determined that while airmen were, in general, properly reimbursed for line of duty-related medical treatment, Active Duty and Air Reserve component officials took as long as three years to complete line of duty determinations and approved nearly 22 percent of the determinations without adequate support. Timely processed and properly approved determinations are essential to ensure airmen receive all authorized medical treatment and entitlements in a timely manner and, at the same time, mitigate unnecessary risk to DoD. (Report No. F-2009-0007-FD2000)

POST-DEPLOYMENT HEALTH ASSESSMENTS

Immediately upon return from deployments, airmen are required to complete a post-deployment health assessment, a tool used to assess each member's current physical and mental health as well as psychosocial issues commonly associated with deployments. In March 2005, the Assistant Secretary of Defense for Health Affairs directed the military services to implement a post-deployment health reassessment program targeting airmen who have been home from deployment for 90 or more days. During the reassessment, service members identify any post-deployment health concerns. During FY 2006 and 2007, the Air Force deployed over 144,000 Active Duty and Reserve component service members. The

AFAA issued a related audit report (Report No. F-2005-0008-FD2000; "Deployment Health Assessments," September 20, 2005) concluding airmen returning from deployment were not always provided a post-deployment health assessment. AFAA auditors re-addressed this issue as part of the current audit.

The audit revealed that while Air Force officials implemented effective action to correct previously reported post-deployment health assessment program deficiencies, opportunities existed to improve the management of the post-deployment health reassessment program. Specifically, for more than 39 percent of reassessments reviewed, Air Force officials either did not always require service members to complete the reassessment or complete the reassessment process within required time frames. Additionally, for nearly 21 percent of positive reassessments analyzed, medical teams did not conduct the required reviews. They also did not always complete them within 30 days as required. Completion of post-deployment health reassessments helps ensure redeploying members who indicate potential medical problems get the clinical attention they require and are fit to fight in support of their respective missions. Likewise, completing reassessments in a timely manner is essential to identify medical concerns not always evident when service members initially return from contingency operations. (Report No. F-2009-0009-FD2000)

IMMUNIZATION SERVICES REIMBURSEMENTS

Title 10 U.S.C. 1095, "Health Care Services Incurred on Behalf of Covered Beneficiaries: Collection from Third-Party Payers," requires the Air Force to collect reasonable costs for medical services provided, to include immunizations, when non-active duty (military retirees, dependents, and other beneficiaries) have health insurance. Immunizations may be provided as part of a patient appointment when seeing a medical provider, or may be provided in immunization clinics to meet childhood, school, or annual flu vaccination program requirements. Over 97 percent of these immunizations are given in immunization clinics rather than during patient appointments.

During calendar year 2008, Air Force immunization clinics provided almost 1.2 million

immunizations to non-active duty beneficiaries at an estimated reimbursable value of \$83 million. An auditors' review disclosed that opportunities exist for military treatment facility officials to increase third party collections for immunization services. Specifically, medical personnel did not bill third party insurance companies for immunizations provided to non-active duty personnel. Improving immunization reimbursement procedures will help ensure compliance with public law and allow the Air Force to collect an additional \$14 million over the six-year Future Years Defense Program to further support military treatment facility operations. (Report No. F-2009-0010-FD2000)

AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

The Air Force Office of Special Investigations is a field operating agency, accountable to the SECAF, under the direction and guidance of the Inspector General of the Air Force. It is a combat-ready military organization that provides the Air Force a wartime capability to conduct, in hostile and uncertain environments, counter-threat operations to find, fix, track, and neutralize enemy threats. It is the Air Force's focal point for working with United States and foreign nation law enforcement and security services to provide timely and accurate threat information in all environments. It also performs as a federal law enforcement agency with responsibility for conducting criminal investigations, counterintelligence, specialized investigative activities, protective service operations, and integrated force protection for the Air Force.

ROLES IN OPERATION ENDURING FREEDOM AND OPERATION IRAQI FREEDOM

For OEF and OIF, the AFOSI:

- conducts specialized criminal investigation activities and uses a confidential sources network as the only Air Force investigative agency chartered to do;
 - works in conjunction with host nation counterparts, Coalition forces, Air Force assets such as intelligence, explosive ordnance disposal, security forces, and joint assets such as special operations forces and army units; and
 - provides real time actionable information to direct action units.
- Successful OEF/OIF operations by Direct Action Units based on AFOSI target packages and military source operations include the following:
- Threats Identified-Total number: 3,778. Individuals linked to insurgent groups, terrorist groups, or intelligence services, which represent a threat to Air Force installations/resources.
 - Target Packages-Total number: 140. Targeting information provided by AFOSI to DAU (Army, SOF, Coalition Forces, Host Nation Police/Army, etc) for exploitation.
 - Captured/Neutralized-Total number: 313. Individuals captured/neutralized by DAU based on AFOSI collected information include 13 high value targets, four Al Qaeda in Iraq members, and 30 Taliban insurgents.

WEAPONS CACHES

AFOSI Counter Threat Operations have resulted in seizing multiple intact improvised explosive devices and rockets targeting host nation security forces, Coalition forces and Air Force installations. CTO operations have also netted numerous small arms weapons and explosives caches destined for use against Coalition and host nation security forces.

OPERATION IRAQI FREEDOM

- At Joint Base Balad, Iraq, AFOSI reporting provided key intelligence leading to the capture of a terrorist cell leader responsible for recruiting, supplying weapons and spreading propaganda. This cell leader was also a primary weapons facilitator for multiple terrorist organizations, supplying them with indirect fire weapons that were used against Coalition bases and supplying improvised explosive device materials used to specifically target Coalition forces.
- After several failed attempts to capture a wanted insurgent, the Iraqi Police made an official request for assistance to AFOSI agents at Joint Base Balad, Iraq. Specifically, the Iraqi Police requested AFOSI detain a cell member because he facilitated indirect fire attacks on Joint Base Balad. AFOSI located and detained the insurgent and transferred custody to the Iraqi Police responsible for the area.

- At Joint Base Balad, AFOSI provided critical post-indirect fire attack evidence and information to Iraqi authorities. This information led to apprehending three local nationals responsible for the indirect fire attack that seriously wounded two third-country nationals. Additionally, one of the three was wanted by the government of Iraq for kidnapping.
- AFOSI reporting led to the detention of a terrorist operating near Joint Base Balad, Iraq, who was wanted for terrorism and had violated terms of reconciliation by attending meetings with high-level insurgents and conducting improvised explosive device attacks against Coalition forces. The insurgent was also responsible for attacking Joint Base Balad with indirect fire weapons.
- AFOSI counterintelligence efforts lead to the peaceful arrest of an insurgent cell leader who had directed IED and indirect fire attacks against Coalition forces and Joint Base Balad. The insurgent was wanted by Iraqi officials for murdering 13 Iraqis and violating his terms of reconciliation.
- AFOSI and the Iraqi Army conducted a raid, near Joint Base Balad, on the compound of an indirect fire shooter. The insurgent was employed as an Iraqi Police Officer. AFOSI and the Iraqi Army seized weapons, ammunition, communication devices and two indirect fire targeting devices in the raid.
- AFOSI members at Joint Base Balad, Iraq, identified a known terrorist cell leader who was responsible for directing IED and indirect fire attacks against Coalition personnel and installations. Through a combined effort by AFOSI and local national workers, the terrorist's vehicle was stopped, he was detained, and he was turned over to the Iraqi Police. The cell leader was also wanted by the Iraqi Police for premeditated murder.
- AFOSI agents at Kirkuk Regional Air Base, Iraq, supported the Iraqi Police in Kirkuk with actionable intelligence in the apprehension of an insurgent operating in the Kirkuk area. The insurgent was involved in weapons smuggling, kidnappings, murders and indirect fire attacks against Kirkuk Regional Air Base, Iraq.
- AFOSI agents at Kirkuk Regional Air Base, Iraq, collected information that directly led to apprehending an insurgent responsible for planning and conducting multiple attacks against Coalition forces.
- AFOSI reporting was instrumental in a joint operation targeting terrorist leaders in and around Kirkuk Regional Air Base, Iraq. The operations produced two captured terrorists, including a cell commander responsible for firing rockets at Coalition forces.
- AFOSI at Kirkuk Regional Air Base, Iraq, provided actionable intelligence information on suicide vests and the personnel associated with their production. The Iraqi Police used this information to conduct a raid, which resulted in one insurgent captured and two suicide vests seized.
- Iraqi Police in Kirkuk issued four arrest warrants based on AFOSI information. The named individuals were involved in murdering two Iraqis and a U.S. soldier. Iraqi Police successfully arrested the four individuals.
- AFOSI obtained information that disclosed the location of a terrorist who attacked a Coalition forces convoy and was wanted for throwing a grenade at another Coalition force's convoy. The suspect was identified and detained by local authorities in Baghdad.



AFOSI special agents in Iraq in support of Operation Iraqi Freedom.

OPERATION ENDURING FREEDOM

- AFOSI's actionable reporting facilitated a raid near Kandahar, Afghanistan, which resulted in neutralizing an Afghan national responsible for making and emplacing improvised explosive devices. The

insurgent was responsible for the deaths of numerous Coalition personnel. During this operation, AFOSI agents discovered multiple weapons, munitions and improvised explosive device materials during a search of the target compound. Five other suspected cell members were also detained during the raid.

- AFOSI agents at Kandahar Airfield, Afghanistan, compiled and collected information needed to support an operation against an IED facilitator. During this multi-national operation, an improvised explosive device facilitator was captured. The facilitator had cooperated and trained several insurgent networks in southeastern Afghanistan. In addition to the primary facilitator, three other terrorists were captured in this operation.
- AFOSI agents and analysts at Bagram Airfield provided information that culminated in capturing six terrorists convening at a known location in Kabul, Afghanistan. One of the terrorists was a suicide bomber facilitator with ties to high-level insurgent commanders.
- AFOSI obtained information that led to developing a multi-national operation targeting an insurgent improvised explosive device facilitator. During a search of operational areas, 125 kilograms of homemade explosives were seized. The insurgent was linked to other terrorist cells in the area.
- As a direct result of information AFOSI obtained, the Afghan National Police arrested an insurgent fighter who admitted his involvement in IED and indirect fire attacks near Kandahar Airfield. When arrested, he was in possession of multiple IED components and valuable intelligence. AFOSI, in concert with multinational partners, developed and executed operations targeting an insurgent cell leader operating near Kandahar Airfield, Afghanistan. The insurgent leader had coordinated indirect fire and IED attacks against Coalition forces. He was also directly tied to other insurgent cell networks in central Afghanistan.
- AFOSI reporting lead to a Coalition forces raid in east central Afghanistan targeting a high-level terrorist. During this operation, a known insurgent cell commander and at least four of his fighters were neutralized.
- AFOSI information enabled Afghan National Police

to locate and arrest an indirect fire cell member operating near Kandahar Airfield, Afghanistan. This terrorist was a critical node in an indirect fire cell targeting Coalition forces, bases and assets. The arrest was important in impeding the emplacement of IED targeting Afghan National Army, Afghan National Police and Coalition forces.

- An AFOSI led operation near Kandahar, Afghanistan, resulted in 25 insurgents neutralized. The operation also disclosed the location and exploitation of an IED production facility and an insurgent hospital, and the destruction and exploitation of an insurgent supply point.



AFOSI special agents in Afghanistan in support of Operation Enduring Freedom.

CASE SUMMARIES

ATTEMPT TO USE WEAPONS OF MASS DESTRUCTION

A joint AFOSI and FBI investigation identified four suspects who expressed interest in conducting rocket attacks against military transport aircraft at Stewart Air National Guard Base, N.Y. The suspects purchased two inert Stinger missiles and three inert IEDs from the agents. They finalized operational planning to simultaneously employ two IEDs against a Jewish Community Center, one IED against a synagogue, and both Stinger missiles against airborne military aircraft at Stewart ANG Base.

After agents staged the IEDs, FBI and local SWAT teams, in coordination with AFOSI agents arrested all four suspects and transported them to confinement.

The four suspects were indicted by the United States Attorney's Office, New York, on charges of conspiracy to use weapons of mass destruction, attempt to use weapons of mass destruction, conspiracy to acquire and use anti-aircraft missiles, attempt to acquire and use anti-aircraft missiles, conspiracy to kill officers and employees of the U.S. government, and attempt to kill officers and employees of the U.S. government.

VIOLATION OF EXPORT CONTROL AND INTERNATIONAL TRAFFIC IN ARMS RESTRICTIONS

A joint AFOSI and FBI investigation disclosed that a Professor Emeritus, University of Tennessee, Knoxville, Tenn., violated export control and International Traffic in Arms Act restrictions of an Air Force contract by allowing a foreign Chinese and an Iranian national graduate research assistant to conduct work on an Air Force contract. The professor was sub-contracted, via the University of Tennessee, to a company in Knoxville to perform a task order to augment unmanned aerial vehicle flight performance using non-thermal plasma actuators. An export license is required before assigning any foreign source to perform work under this contract or before granting access to foreign persons to any equipment and technical data. Investigators determined that both the professor and company knowingly took steps to circumvent technology transfer restrictions and export control procedures.

Additionally, during the course of this investigation, forensic analysis proved that a Visiting Researcher at the U.S. Air Force Academy deleted specific phrasing from the contract in an effort to influence the Air Force Academy to acquire export-controlled equipment. The professor was sentenced to four years in prison, \$1700 fine and two years supervised probation after his prison term for conspiracy to defraud the Air Force, violation of the Arms Export Control Act and wire fraud. The researcher was sentenced to 14 months in prison and two years probation for conspiracy to violate the Arms Export Control Act. This case marked the first time the government used the Arms Export Control Act to crack

down on the distribution of restricted data, not hardware, to foreigners in a university setting.

SALE OF CLASSIFIED DOCUMENTS

A joint AFOSI and FBI espionage investigation disclosed that a former deputy director of the Washington Liaison Office for deputy director U.S. Pacific Command, Pentagon sold both classified and unclassified documents that contained DoD information for between \$350 and \$800 apiece to a naturalized U.S. citizen from Taiwan. This naturalized U.S. citizen worked under the direction of a People's Republic of China official who provided him detailed instructions to collect certain documents and information from the former deputy director and other U.S. government officials, including a former weapons policy analyst at the Defense Security Cooperation Agency. The PRC official paid the naturalized citizen approximately \$50,000 for completing those tasks. The PRC official also instructed him to mislead the former deputy director into believing the information was for Taiwan military officials. Nevertheless, the former deputy director was aware that the naturalized citizen was providing the information to an agent of a foreign government. The naturalized citizen and both former DoD employees were convicted on espionage charges. The naturalized citizen and the former weapons analyst were sentenced to 188 and 57 months in prison, respectively. The former deputy director is scheduled for sentencing in January 2010.

RECEIVING KICKBACKS

A joint investigation between AFOSI, Army CID, FBI, and Immigrations and Customs Enforcement disclosed a structuring violation with a bank account maintained by David Ricardo Ramirez, a civilian contractor working for the Air Force in Balad, Iraq. Over seven days, 11 deposits in increments averaging \$9,700 were made into Ramirez's bank account at several different branches of the San Antonio Federal Credit Union, San Antonio, Texas. Each deposit consisted of sequentially numbered \$50 and \$100 dollar bills. Deposits were below the \$10,000 threshold in an effort to avoid federal transaction reporting requirements by the bank. CTRs are filed for cash transactions exceeding \$10,000. The investigation further revealed within a year's time, Ramirez took delivery of a white 25th Anniversary Lamborghini sports car valued at approximately \$87,000;

a Ducati motorcycle valued at approximately \$30,000; and a condominium on Lake Travis in Largo Vista, Texas, valued at approximately \$98,000. The investigation also revealed Ramirez received kickbacks from contractors by providing proprietary contract information in return for monetary compensation of 3 to 4 percent of the contract value. Ramirez was sentenced to 50 consecutive months in federal confinement on two counts of structuring and the forfeiture of all rights, titles and interests in the above property.

\$2 MILLION SETTLEMENT FOR OVERCHARGING

AFOSI and DCIS initiated a joint investigation based on a Defense Hotline allegation that Boeing overcharged the Air Force for work on the KC-135 at the Boeing Aerospace Support Center, San Antonio, Texas. The government had a contract with Boeing to conduct scheduled maintenance on the KC-135 every five years. Overcharging occurred during “over-and-above maintenance work,” which is work that was not part of basic, scheduled maintenance. The Hotline complainant filed a qui tam lawsuit. Boeing conducted an internal investigation into the allegation and found that the company had fraudulently charged the Air Force \$1.3 million. The Defense Contract Audit Agency reviewed the results of Boeing’s internal investigation and verified the Air Force’s loss was \$1.3 million. The Boeing Company and the Department of Justice entered into a settlement agreement wherein Boeing agreed to pay \$2 million to the United States to settle the qui tam lawsuit.

JOINT INVESTIGATION WITH GERMAN POLICE

In June 2007, AFOSI initiated a joint investigation with the German Police Presidium Westpfalz, Arbeitsgemeinschaft Air Base, Kaiserslautern, into the construction and condition of the Kaiserslautern Military Community Center roof. A German government entity that oversees construction projects on behalf of guest forces in Germany, hired an independent engineering

firm to perform a technical assessment and issue a report on the roof. The government oversight entity provided Headquarters United States Air Force Europe with the independent engineering firm’s official report which documented several deficiencies made by the roofing company and showed the roof could not be repaired but had to be replaced. HQ USAFE stopped payments to the roofing contractor because of the deficient work performed and damages to the roof. Investigation revealed negligence by the design and construction management firm on the project responsible for ensuring the roofing company performed work according to the contractual specifications contributed to the deficiencies in the original KMCC roof construction. The management firm was also responsible for ensuring that requested change orders were necessary and invoices corresponded to actual completed work. Due to the management firm’s failure to properly execute these duties, replacing the roof caused a significant delay in the project’s completion and cost an estimated additional \$13.5 million to the original cost of the roof, for which the U.S. government paid \$6.87 million. The Federal Republic of Germany agreed to pay up to 25 million euro (approximately \$35 million USD) as a one-time measure to the German government oversight entity so that the KMCC project could be finished.

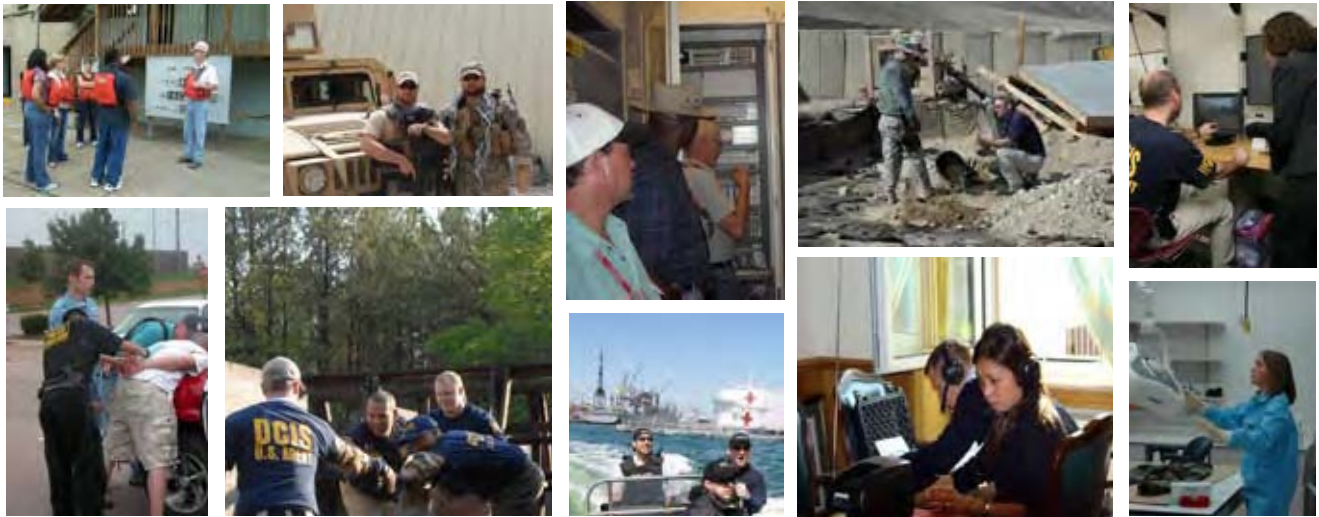
DOD INTELLIGENCE

The Inspectors General of the Department of the Air Force, Defense Intelligence Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office, and National Security Agency/Central Security Service; the Army Audit Agency; the Naval Audit Service; the Air Force Audit Agency; the Naval Criminal Investigative Service, and the Defense Contract Audit Agency completed 131 intelligence-related and other classified and sensitive reports. A listing and summary of the 131 reports can be found in the Classified Annex to this Semiannual Report.



DEFENSE OVERSIGHT COMMUNITY

Providing Oversight for the Department...



and making a difference!

CONGRESSIONAL BRIEFINGS & TESTIMONY



WORKING WITH CONGRESS

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.” The DoD IG is given the opportunity to provide information to Congress by participating in congressional hearings and briefings. During this reporting period, representatives from the DoD IG testified three times before Congress.

On April 29, 2009, Mr. Charles W. Beardall, the Deputy Inspector General for Investigations, Department of Defense, testified before the Senate Homeland Security and Governmental Affairs Committee, Subcommittee on Contracting Oversight, regarding “Improving the Ability of Inspectors General to Detect, Prevent, and Prosecute Contract Fraud.” During his testimony, Mr. Beardall emphasized that procurement fraud is one of the top priorities for the Defense Criminal Investigative Service, with 61 percent of over 1,800 active DCIS investigations involving DoD contracting. He noted that DCIS has an ever-increasing workload, and competing priorities have reduced the ability of DCIS to devote additional resources to fraud and corruption. During the past eight fiscal years, DoD contracting increased more than 250 percent, while the number of DCIS special agents has grown 13 percent. DCIS is a key participant in various procurement fraud task forces and working groups that have proven to be effective alliances to combat contract

fraud. Mr. Beardall highlighted that the DoD Inspector General strongly supports improving contractors’ internal oversight and ethics programs to enhance the government’s ability to prevent and detect fraud. In addition, requiring contractors to implement internal compliance programs before a new contract is awarded will help prevent fraud.



Senators Susan Collins and Claire McCaskill at a hearing involving prosecuting contract fraud.



On September 9, 2009, Inspector General Heddell testified before the House Oversight and Government Reform Committee, Subcommittee on National Security and Foreign Affairs, on “Afghanistan and Pakistan: Accountability Community Oversight of a New Interagency Strategy.” Inspector General Heddell highlighted IG efforts to increase oversight by enhancing its in-theater presence and ensuring comprehensive and effective interagency coordination. The DoD IG has a central field office at Bagram Airfield, and has staffed new offices in Kandahar and Kabul with 14 deployed personnel. In addition, staff members travel as needed for fieldwork in Afghanistan. Inspector General Heddell added that he created a new key position in the DoD IG to ensure there is effective coordination and communication within the oversight community in Southwest Asia. In addition, the DoD IG, as the lead oversight agency for accountability in the Department, is extensively involved in three critical coordination and planning mechanisms: the Southwest Asia Joint Planning Group, the Comprehensive Oversight Plan for Southwest Asia, and investigative task forces.



Inspector General Heddell testifies before the House Oversight and Government Reform Committee, Subcommittee on National Security and Foreign Affairs, on oversight in Afghanistan and Pakistan.

Inspector General Heddell testifies before the Senate Homeland Security and Governmental Affairs Committee on reforming the Defense Contract Audit Agency.



On September 23, 2009, Inspector General Heddell testified before the Senate Homeland Security and Governmental Affairs Committee on “Defense Contract Audit Agency: Who is Responsible for Reform.” Inspector General Heddell testified that the DoD IG has a responsibility to verify that audits by all DoD audit agencies, including DCAA, comply with stringent standards. On August 31, 2009, the DoD IG issued a report following up on earlier identified DCAA deficiencies, which found that audit opinions were not sufficiently supported; audits performed by trainee auditors at one location did not comply with standards; and audit findings were dropped without sufficient justification. The DoD IG also found that a flawed audit could have allowed a contractor to recover millions of dollars in unallowable costs on

a major aerospace program. In addition, employee concerns with time pressures, uncompensated overtime, changes to audits, and unprofessional behavior created a work environment not conducive to producing quality audits. Several recommendations were made to DCAA, including that it rescind an additional five audit reports and notify contracting officials not to place reliance on the reports’ conclusions. The report also recommended that DCAA take appropriate corrective action regarding the performance of the two supervisors associated with the majority of cases reviewed by the DoD IG and GAO. As a result of the deficiencies identified, the DoD IG notified DCAA that an “adequate” opinion on DCAA’s system of quality control would expire as of August 26, 2009.



Inspector General Heddell with Senators Susan Collins and Joe Lieberman.

OFFICE OF COMMUNICATIONS AND CONGRESSIONAL LIAISON

CONGRESSIONAL REQUESTS AND BRIEFINGS

From April 1, 2009 through September 30, 2009, the DoD IG received 118 new congressional inquiries and closed 112 cases. New inquiries involved issues such as the Battle of Wanat, Afghanistan; soldiers’ exposure to sodium dichromate; and a review of the financial statement of the National Security Agency.

In addition, the DoD IG held 66 meetings with Members of Congress or their staff on issues such as the review of electrocution deaths in Iraq, the report on Public Affairs Outreach Program, a review of allegations of misconduct related to the BRAC decision to close Fort Monmouth, and reports regarding information operations.

COMPONENT OVERVIEW

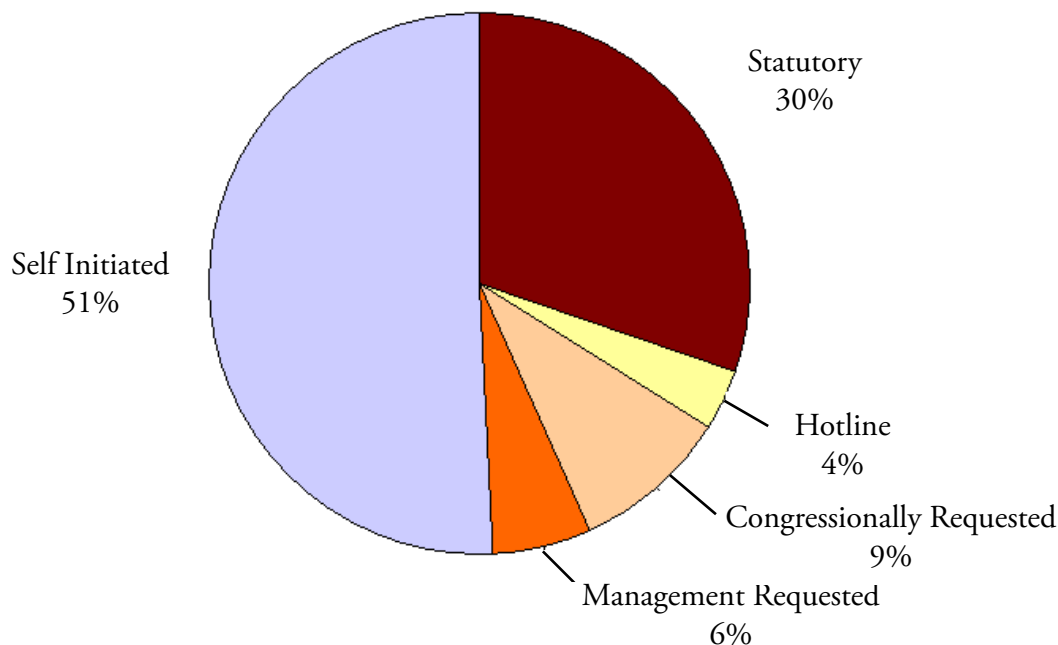


AUDIT

The Office of the Deputy Inspector General for Auditing, with approximately 700 auditors dispersed world-wide, promotes the economy and efficiency of DoD operations and programs and detects and deters fraud, waste, and abuse in the Department of Defense through audits, assessments and other non-audit services. The DoD IG plans audits each year to provide coverage of DoD organizations, programs, activities, and functions as an integral part of the DoD management system, taking into consideration high-risk areas as identified by prior audits, the Department's priorities, and GAO high-risk areas.

From April 1, 2009 through September 30, 2009, the DoD IG issued 53 audit reports, made 365 recommendations and identified \$695 million in potential monetary benefits. The DoD IG achieved \$875 million in identified funds put to better use from audit reports issued in previous years. The reports addressed deficiencies and internal control weaknesses in DoD's business operations, military programs, national security, compliance with laws and regulations, and the effectiveness, safety, and care of the service members. The oversight performed is derived from congressional and management requested projects, statutory requirements, Defense Hotline allegations, and self-initiated audits of high-risk areas such as overseas contingency operations, financial management, contracting, health care, force management, information assurance, and DoD physical security.

SOURCES OF REPORTS ISSUED

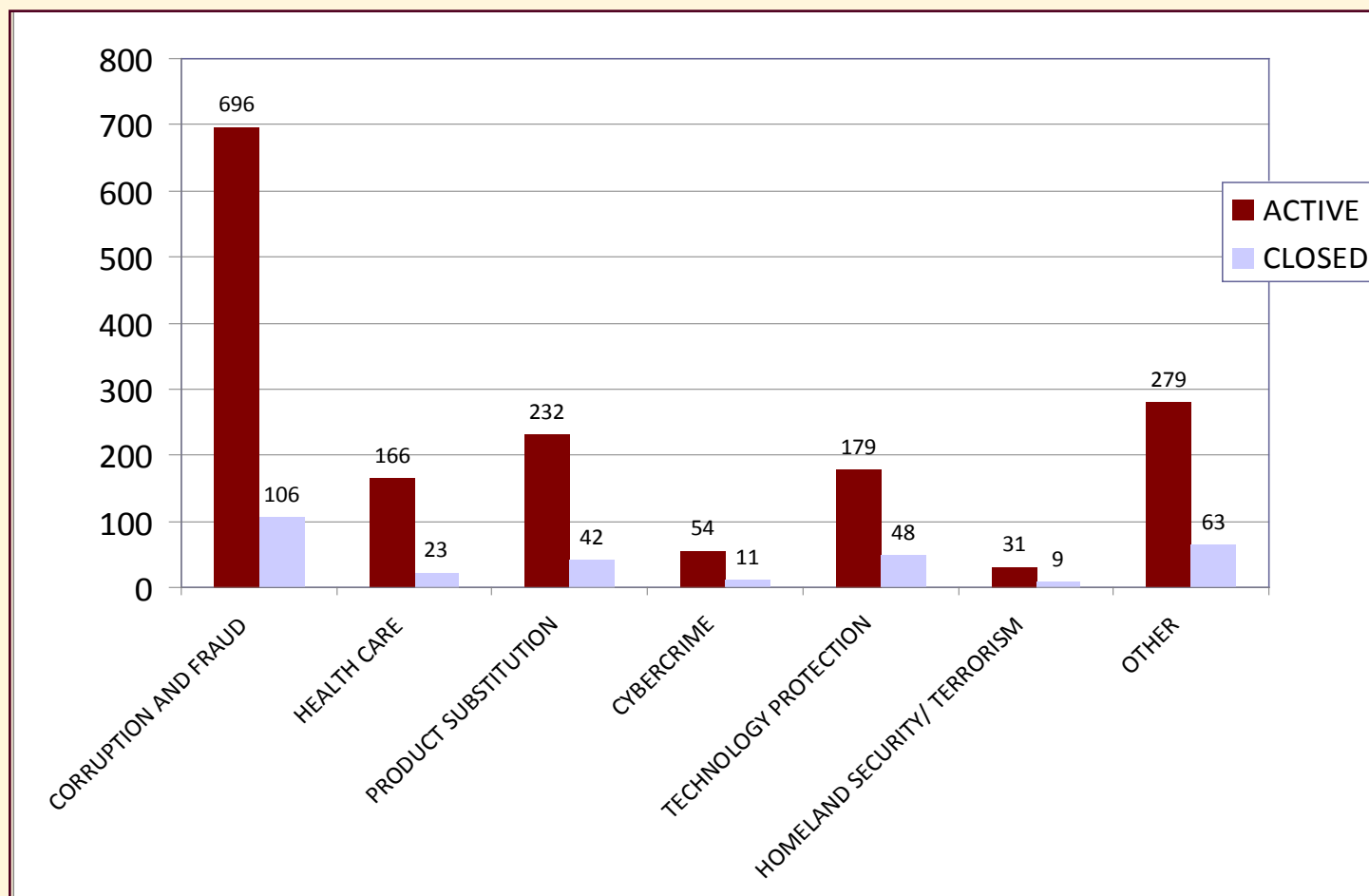


INVESTIGATIONS

The Defense Criminal Investigative Service is the criminal investigative arm of the DoD IG and conducts criminal investigations of fraud, corruption, product substitution, computer intrusion, illegal transfer of technology, and theft related to Department contract spending. DCIS also continues to participate in the Joint Terrorism Task Forces throughout the country and work terrorism investigations jointly with the JTTF.

During this reporting period, nearly 53 percent of case inventory was in the area of fraud, corruption and health care fraud. Investigations resulted in 197 federal criminal charges, 175 convictions, 55 suspensions, and 81 debarments. Additionally, the DoD IG recouped \$993 million for the U.S. government. Of these, 27 federal criminal charges, 31 convictions, four suspensions, 19 debarments, and the recoupment of \$15 million were the result of DCIS' investigations of fraud, corruption, and theft related to Overseas Contingency Operations and efforts in Southwest Asia.

DCIS INVESTIGATIONS ACTIVE AND CLOSED BY CATEGORY



ADMINISTRATIVE INVESTIGATIONS

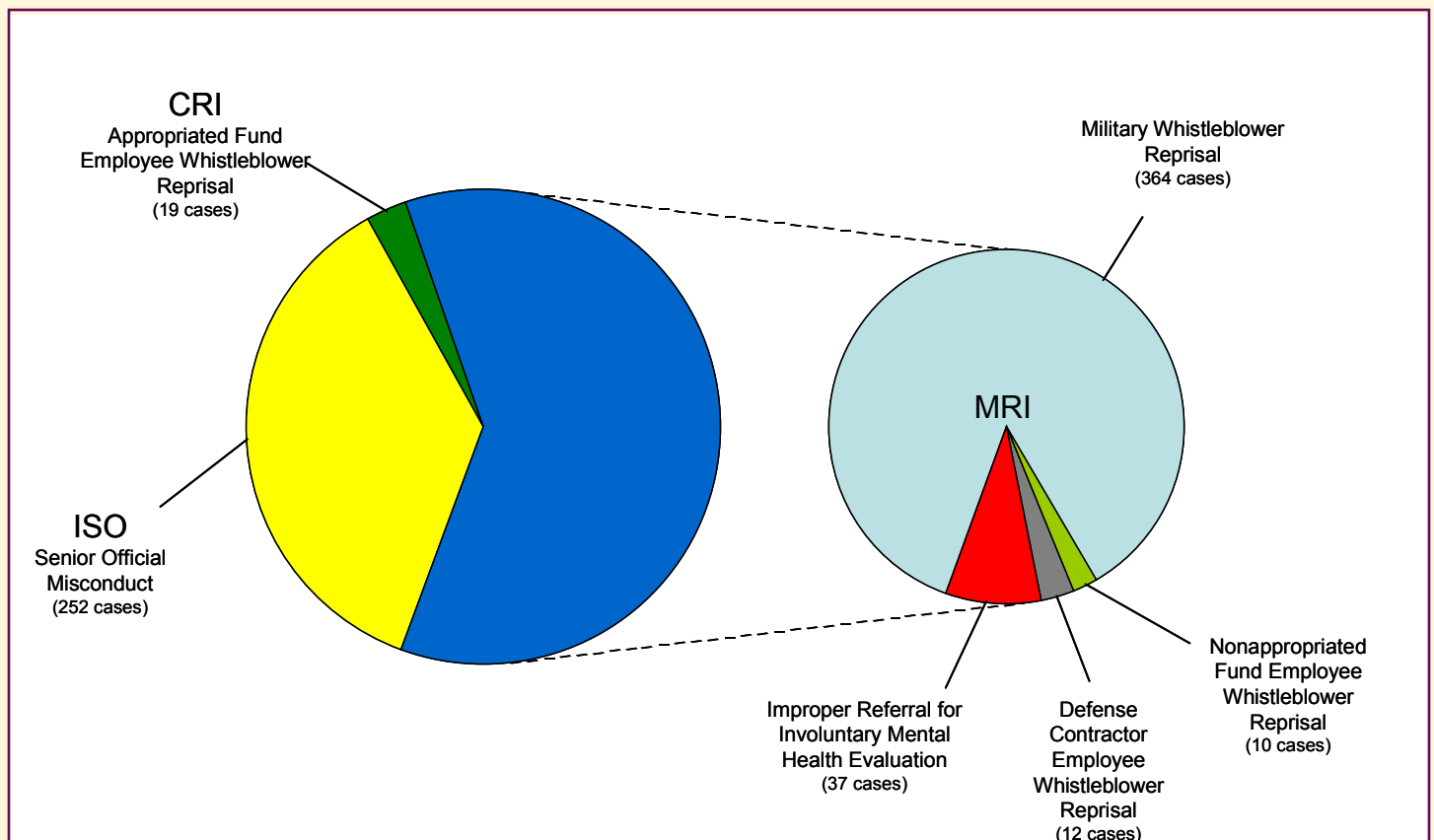
The Office of the Deputy Inspector General for Administrative Investigations promotes public confidence in the integrity and accountability of DoD leadership by investigating allegations of misconduct by senior DoD officials and protecting whistleblowers from reprisal. The DoD IG conducts investigations and also performs oversight of investigations conducted by the service component and Defense agency IGs. The DoD IG is committed to protecting whistleblowers and ensuring that allegations against the Department's senior leadership are expeditiously investigated.

During the reporting period, the DoD IG completed 504 cases involving senior official misconduct and whistleblower reprisal. The case substantiation rate for full investigations was over 15 percent and corrective actions ranged from relief for cause, letters of reprimand, to reimbursement to the government.

The timely resolution of allegations and accountability for substantiated allegations continues to be a priority for the DoD IG. The DoD IG recently authorized a significant increase to the investigative staff realize this vision. The DoD IG is also developing an initiative to assist Defense Inspectors General with becoming compliant with the Office of Special Counsel's Section 2302(c) Whistleblower Certification Program.

ADMINISTRATIVE INVESTIGATIONS OPEN CASES

(Total of 694 Cases as of September 30, 2009)



SPECIAL PLANS & OPERATIONS

The Office of Special Plans and Operations was established in 2007 to facilitate informed decision-making by senior leaders of the Department and Congress to accomplish national security objectives and support the warfighter, with current emphasis on Southwest Asia. To accomplish the mission, the DoD IG:

- rapidly deploys teams tailored to assessment objectives using interdisciplinary DoD and interagency experts;
- conducts actionable assessments of DoD operational challenges; and
- enables accelerated improvements in management performance by providing in-theater briefings and timely reports.

During this reporting period, the DoD IG released five assessment reports addressing challenges facing the Department. Topics include munitions accountability and control in Afghanistan; electrical safety of DoD-occupied buildings in Afghanistan; security assistance and Coalition Support Fund programs in Pakistan; and U.S. and Coalition Plans to train, equip and field the Afghan National Security Forces. In addition, the DoD IG released a redacted version of a classified report on weapons accountability in Iraq.

CURRENT AREAS OF FOCUS

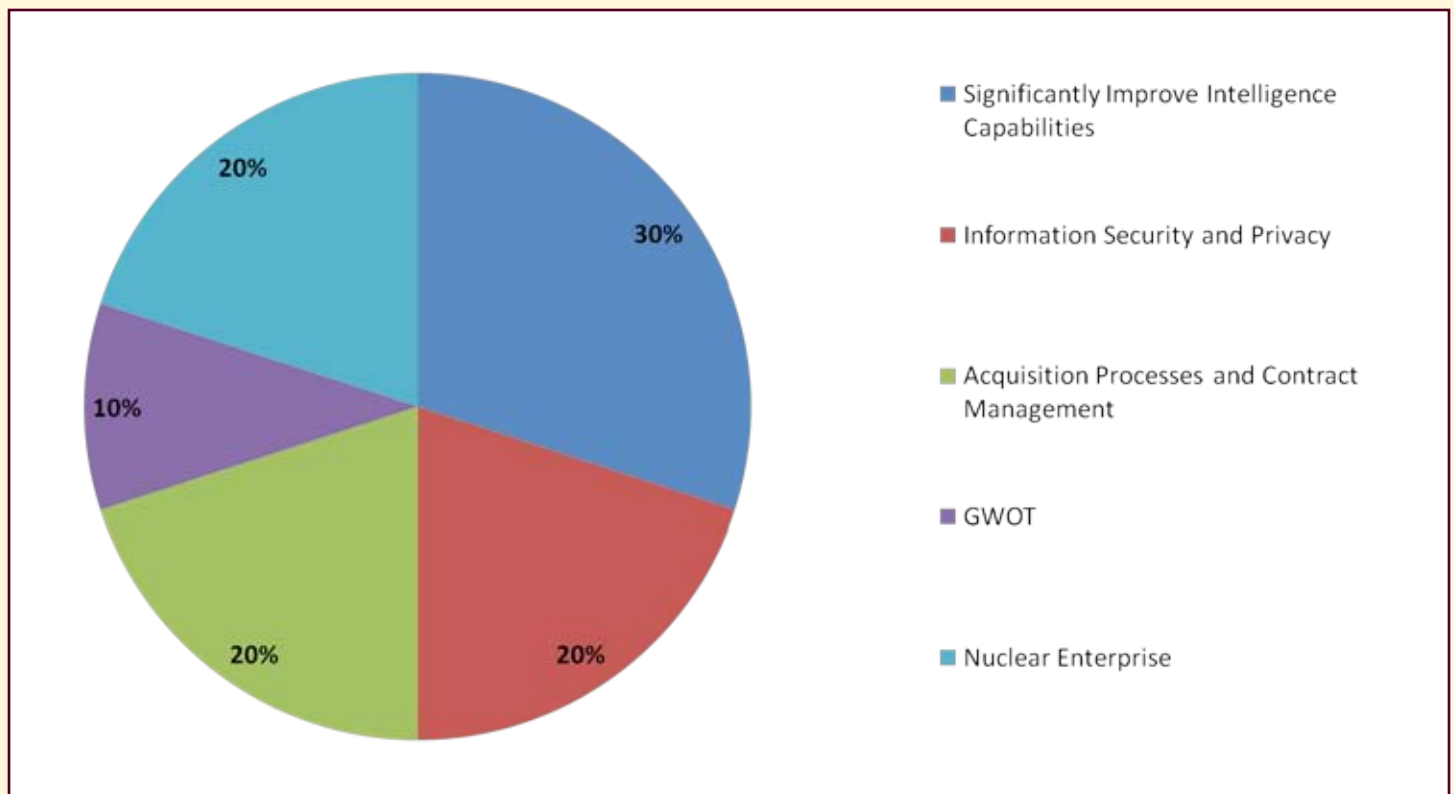
	Iraq	Afghanistan	Pakistan	Theater	Global
Sensitive Items: Munitions, Night Vision Devices	X	X		X	
Security Forces Development	X	X	X		
Security Assistance Programs: Section 1206, Coalition Support Funds, Foreign Military Sales, etc.	X	X	X		X
Wounded Warrior	X	X		X	
Drawdown from Iraq	X			X	

INTELLIGENCE

The Office of the Deputy Inspector General for Intelligence audits, evaluates, monitors, and reviews the programs, policies, procedures, and functions of the Intelligence Enterprise, Special Access Programs, Nuclear Enterprise and related security issues within the Department. The DoD IG ensures that DoD intelligence and intelligence-related resources are properly, effectively and efficiently managed. In addition, the DoD IG conducts oversight of service and Defense agency reviews related to security and counterintelligence in all DoD test and laboratory facilities. The DoD IG is dedicated to enhancing the capabilities of the DoD intelligence activities through an informed and authoritative oversight program. The DoD IG issued 10 intelligence reports during this reporting period. The chart below represents the percentage of intelligence reports by categories.

The DoD IG, through the Joint Intelligence Oversight Coordination Group, continues to coordinate and share information with other DoD intelligence inspectors general and auditors general to improve the effectiveness and efficiency of oversight of DoD intelligence activities. Within DoD, the Joint Intelligence Oversight Coordination Group comprises senior representatives from the Office of the Secretary of Defense, the inspectors general of the Defense intelligence agencies, and military departments audit, evaluation and inspection organizations. The objectives of the group are to improve the effectiveness and efficiency of DoD oversight of intelligence activities by identifying areas needing more emphasis and by deconflicting oversight programs. In addition, the DoD IG participates in the Intelligence Community Inspectors General Forum to coordinate and share information in the broader government intelligence oversight community.

INTELLIGENCE FOCUS AREAS



POLICY & OVERSIGHT

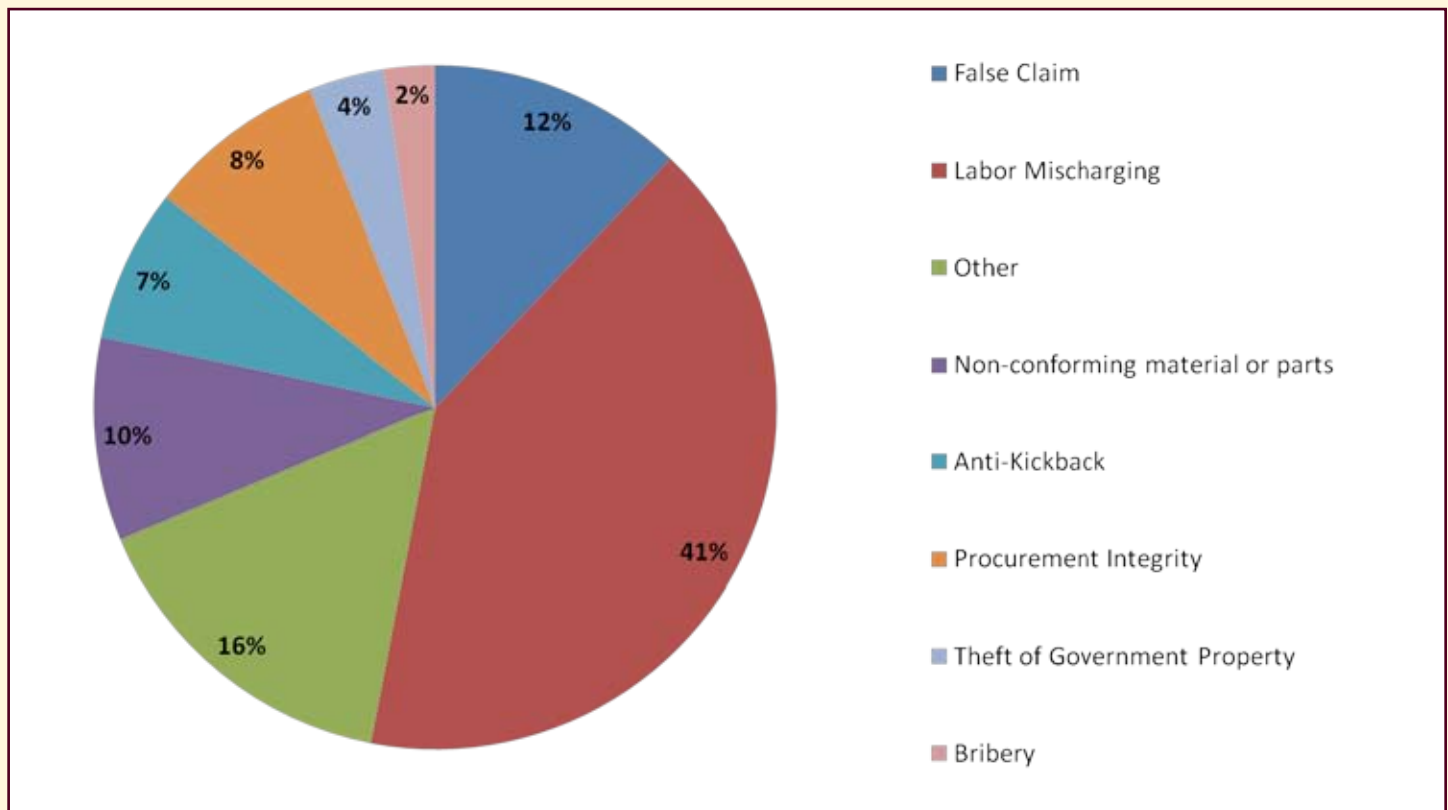
The Office of the Deputy Inspector General for Policy and Oversight provides policy to, and oversight of, DoD auditors and criminal investigators; performs inspections and evaluations of DoD programs; and provides engineering support to DoD IG projects and other Defense agencies. The DoD IG issued 10 oversight reports in such areas as Defense contracting, voter assistance, the global train and equip program, and electrocutions in Iraq. The DoD IG continued to participate in and lead various audit and investigative oversight commissions/groups addressing such areas as procurement fraud and sexual assaults. In addition, the DoD IG managed the coordination of 198 draft DoD and federal policies.

The DoD IG hosted a “Fraud Indicators in Procurement and Other Defense Activities” conference. The conference was attended by 320 auditors, investigators, attorneys, and acquisition/contracting personnel from over 60 organizations within and outside the Department. The conference was in partnership with the Panel on Contracting Integrity and the Defense Acquisition University.

Finally, the DoD IG manages the Contractor Disclosure Program, successor to the DoD Voluntary Disclosure Program. The DoD IG is in the process of closing out the DoD Voluntary Disclosure Program, which provided incentives to federal contractors for voluntarily disclosing to government authorities potential civil or criminal violations. Over \$4.2 million was recovered this reporting period.

Starting in December 2008, the Federal Acquisition Regulations requires federal contractors and subcontractors to disclose to the DoD IG violations of criminal law and of the civil False Claims Act in connection with their contracts, or face potential suspension or debarment. Contractors made 81 disclosures to the DoD IG through the DoD Contractor Disclosure Program since the program’s inception in December 2008. The chart below represents the percentage of contractor disclosures by categories.

CONTRACTOR DISCLOSURES





DEPARTMENT OF DEFENSE INSPECTOR GENERAL

These are the people we work for....



and they deserve the best!

APPENDICES



Appendices

A. Audit, Inspection, and Evaluation Reports Issued.....	110
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G. Significant Open Recommendations.....	165
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APPENDIX A

AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED

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

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

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

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

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

REPORTS ISSUED BY MANAGEMENT CHALLENGE AREA

April 1, 2009 to September 30, 2009

	DoD IG	Military Depts.	Total
Joint Warfighting and Readiness	15	89	104
Information Security and Privacy	11	20	31
Acquisition Processes/Contract Management	19	53	72
Financial Management	17	77	94
Health Care	2	9	11
Significantly Improve Intelligence Capabilities	3		3
Nuclear Enterprise	2		2
Single Audit	3		3
Other	6	6	11
Total	78	254	331

JOINT WARFIGHTING AND READINESS

DoD IG

SPO-2009-004 Assessment of DoD-Managed Programs in Support of the Government of Pakistan (Classified) (5/20/09)

SPO-2009-005 Assessment of Electrical Safety in Afghanistan (7/24/09)

SPO-2009-006 Assessment of the Accountability and Control of Arms, Ammunition, and Explosives Provided to the Security Forces of Afghanistan (9/11/09)

SPO-2008-001 Assessment of the Accountability of Arms and Ammunition Provided to the Security Forces of Iraq (Redacted Version) (9/28/09)

SPO-2009-007 Report on the Assessment of U.S. and Coalition Plans to Train, Equip, and Field the Afghan National Security Forces (9/30/09)

IE-2009-007 Interagency Evaluation of the Section 1206 Global Train and Equip Program (8/31/09)

D-2009-066 Marine Corps' Management of the Recovery and Reset Programs (4/1/09)

D-2009-075 Afghanistan Security Forces Fund Phase III – Accountability for Weapons Distributed to the Afghanistan National Army (5/21/09)

D-2009-076 Afghanistan Security Forces Fund Phase III – U.S. Army Corps of Engineers Real Property Accountability (4/14/09)

D-2009-086 Controls Over the Contractor Common Access Card Life Cycle in the Republic of Korea (6/9/09)

D-2009-090 Information Operations Career Force Management (7/2/09)

D-2009-093 Ship Utilization in Support of the Global War on Terror (7/15/09)

D-2009-099 Afghanistan Security Forces Fund Phase III – Accountability for Equipment Purchased for the Afghanistan National Army (8/12/09)

D-2009-100 Afghanistan Security Forces Fund Phase III – Accountability for Equipment Purchased for the Afghanistan National Police (9/22/09)

D-2009-112 Deferred Maintenance on the Air Force C-130 Aircraft (9/25/09)

ARMY AUDIT AGENCY

A-2009-0084-ALI Base Realignment and Closure 2005 Construction Requirements, Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance, Aberdeen Proving Ground, Maryland (4/8/09)

A-2009-0088-FFP Follow-up Audit of Public Works Operations in Korea (4/7/09)

A-2009-0095-ALI Base Realignment and Closure 2005 Construction Requirements, U.S. Army Armor School Maintenance Activity, Fort Benning, Georgia (4/30/09)

A-2009-0096-ALI Base Realignment and Closure 2005 Construction Requirements, Infrastructure Support, Fort Benning, Georgia (4/30/09)

A-2009-0098-ALO Base Realignment and Closure 2005 Construction Requirements, Restation Air Defense Artillery Brigade, Fort Sill, Oklahoma (4/21/09)

A-2009-0099-ALE Requirements Validation for Mobilized Soldiers in Europe (FOUO) (4/24/09)

A-2009-0104-FFF Unit Status Reporting Process, U.S. Army Reserve Command (5/14/09)

A-2009-0105-ALI Base Realignment and Closure 2005 Construction Requirements, Battle Command Training Center, Fort Bliss, Texas (5/26/09)	A-2009-0121-ALA Development and Management of Army Aviation Training Aids, Devices, Simulators, and Simulations (5/22/09)	A-2009-0139-ALI Base Realignment and Closure 2005 Construction Requirements, Joint Maintenance Facility and Equipment Concentration Site, Fort Chaffee Maneuver Training Center, Fort Smith, Arkansas (6/25/09)
A-2009-0107-ALM National Maintenance Program Effects (5/18/09)	A-2009-0126-FFD Follow-up Report of Program Management to Restore and Enhance the Southern Louisiana Hurricane Protection System, U.S. Army Corps of Engineers (6/4/09)	A-2009-0142-FFF Army Continuing Education System, Office of the Deputy Chief of Staff, G-1 (6/17/09)
A-2009-0108-ALI Base Realignment and Closure 2005 Construction Requirements, U.S. Army Armor School Trainee Barracks, Fort Benning, Georgia (5/26/09)	A-2009-0128-ALO Follow-up Audit of Garrison Utilities and Energy Services, Fort Stewart and Hunter Army Airfield, Georgia (6/3/09)	A-2009-0146-ALM Sustaining Left-Behind Equipment, U.S. Army Sustainment Command (6/22/09)
A-2009-0109-FFM Initial Entry Training Centrally Managed Account, Army National Guard Readiness Center (5/12/09)	A-2009-0129-ALI Base Realignment and Closure 2005 Construction Requirements, Digital Multipurpose Training Range, Fort Bliss, Texas (7/14/09)	A-2009-0147-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, El Paso, Texas (7/27/09)
A-2009-0111-ALO Follow-up Audit of Military Construction Process, National Guard Bureau (5/18/09)	A-2009-0130-FFD Body Armor Requirements, Deputy Chief of Staff, G-3/5/7 (6/8/09)	A-2009-0148-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, West Oklahoma City, Oklahoma (6/25/09)
A-2009-0114-FFF Support to Recruiters in the Field, U.S. Army Recruiting Command, Fort Knox, Kentucky (5/14/09)	A-2009-0131-ALI Base Realignment and Closure 2005 Construction Requirements, Combined Arms Collective Training Facility, Fort Bliss, Texas (6/22/09)	A-2009-0149-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Norman, Oklahoma (7/7/09)
A-2009-0116-FFD Force Protection Requirements for New Construction, Assistant Chief of Staff for Installation Management and U.S. Army Corps of Engineers (FOUO) (5/26/09)	A-2009-0134-ALI Base Realignment and Closure 2005 Construction Requirements, Addition and Alteration, Evans Army Community Hospital, Fort Carson, Colorado (6/09/09)	A-2009-0150-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Montgomery, Alabama (7/2/09)
A-2009-0120-FFD Improvised Explosive Device Training for Explosive Ordnance Disposal Soldiers, Deputy Chief of Staff, G-3/5/7 and U.S. Army Training and Doctrine Command (FOUO) (6/17/09)	A-2009-0138-ALI Base Realignment and Closure 2005 Construction Requirements, Addition and Alteration, William Beaumont Army Medical Center, Fort Bliss, Texas (7/27/09)	A-2009-0154-ALR Cash Subsidy Direct Payments for the Transportation Working Capital Fund, Military Surface Deployment and Distribution Command (7/6/09)

A-2009-0156-ALM Field Level Maintenance Operations, U.S. Army Sustainment Command and U.S. Army Garrison, Fort Hood, Texas (7/9/09)	A-2009-0187-FFF Pre-commissioning Training Basic Officer Leader Course I (8/20/09)	A-2009-0207-ALM Follow-up Audit of Specialized Repair Authority (9/30/09)
A-2009-0161-ALI Base Realignment and Closure 2005 Construction Requirements, Single Drill Sergeant School, Fort Jackson, South Carolina (7/9/09)	A-2009-0190-ALR Time-Sensitive Report, Implementation of Logistics Bridging Systems (8/21/09)	A-2009-0210-ZBI Billing Validation Process for Personnel Security Investigations, Office of the Deputy Chief of Staff, G-2 (9/16/09)
A-2009-0162-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Northwest Houston, Texas (7/7/09)	A-2009-0191-ZBI Follow-up Audit of the Military Intelligence Civilian Excepted Career Program (8/24/09) (Classified)	A-2009-0211-FFS Readiness of Modular Units, Army National Guard (FOUO) (9/11/09)
A-2009-0166-FFS Follow-up Audit of the Army's Mobilization Station Process (7/15/09)	A-2009-0193-ALM Follow-up Audit of Procurement of Axle Assemblies, U.S. Army TACOM Life Cycle Management Command (9/08/09)	A-2009-0212-FFS Requirements for Mobilized Soldiers (9/17/09)
A-2009-0167-ALI Base Realignment and Closure 2005 Construction Requirements, Physical Fitness Center, Fort Bliss, Texas (8/11/09)	A-2009-0198-ALI Base Realignment and Closure 2005 Construction Requirements, Consolidated Family Care and Troop Clinic, Fort Bliss, Texas (9/16/09)	A-2009-0219-ALL Sensitive Items Accountability and Control, Abu Ghraib Warehouse, Iraq (FOUO) (9/21/09)
A-2009-0170-ALE Follow-up Audit of Use of Role Players at the Joint Multinational Readiness Center, U.S. Army, Europe and Seventh Army (FOUO) (7/28/09)	A-2009-0202-FFF Use of Role-players for Training - Exclusive of Combat Training Centers (8/28/09)	A-2009-0220-ALI BRAC 05 Construction Requirements, Consolidated Family Care and Troop Medical and Dental Clinic, Fort Carson, Colorado (9/28/09)
A-2009-0176-ALO Fort McPherson Transportation Office, Fort McPherson, Georgia (8/14/09)	A-2009-0203-ALR Property Accountability Problems Identified During Our Audit of U.S. Army Reserve Command's Maintenance Management Systems (9/01/09)	A-2009-0227-ALI BRAC 05 Construction Requirements, U.S. Army Sustainment Center of Excellence, Fort Lee, VA (FOUO) (9/28/09)
A-2009-0181-ALR Property Accountability, 3rd Infantry Division, Rear Detachment, Fort Stewart, Georgia (8/18/09)	A-2009-0205-ALM Depot-Level Maintenance Workload Reporting-- FY 2008 (9/16/09)	A-2009-0228-ALL Retrograde Operations in Southwest Asia, Management of Automatic Return and Critical Items, Office of the Deputy Chief of Staff, G-4 (9/30/09)
A-2009-0184-FFP Real Property Requirements, U.S. Army Garrison, Hawaii (FOUO) (8/18/09)	A-2009-0206-ALR Follow-up Audit of Purchase of Modern Burner Units, Office of the Product Manager, Force Sustainment Systems (9/10/09)	A-2009-0234-ALC Management of Ammunition Production Base Modernization (9/25/09)

A-2009-0242-ALR Property Book Unit Supply Enhanced, I Corps and Fort Lewis (9/30/09)

A-2009-0245-ALL Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom - Power Generators (9/30/09)

NAVAL AUDIT SERVICE

N2009-0030 Naval Facilities Engineering Command Base Support Vehicles Management Information Systems (5/21/09)

N2009-0032 Marine Corps Use of the Deployed Theater Accountability System (6/4/09)

N2009-0041 Department of the Navy Acquisition and Disbursing Checks and Balances at Camp Lemonier, Djibouti, Africa (7/30/09)

N2009-0046 Marine Corps Transition Assistance Management Program – Preseparation Counseling Requirement (9/15/09)

N2009-0050 Department of the Navy Acquisition Checks and Balances at Naval Base Guam Supported Activities (9/30/09)

N2009-0052 Allowance, Inventory, and Maintenance Production of Marine Corps Small Arms (9/30/09)

N2009-0053 Department of the Navy In-Transit Inventory Shipment Controls (9/30/09)

AIR FORCE AUDIT AGENCY

F-2009-0003-FC2000 Electronic Pods Management (6/22/09)

F-2009-0004-FC2000 Air Education and Training Command Engine Management (6/23/09)

F-2009-0005-FC2000 Engine Module Matching (7/16/09)

F-2009-0008-FC2000 Aircraft Configuration Management (9/4/09)

F-2009-0007-FC3000 Air-to-Air Weapon System Evaluation Program (9/8/09)

F-2009-0007-FC4000 Repair Versus Buy Decisions (4/2/09)

F-2009-0008-FC4000 Supply Cataloging (6/23/09)

F-2009-0009-FC4000 Base-Level Inventory Reconciliation (7/17/09)

F-2009-0006-FD1000 Air Force Installation Protection Program (5/11/09)

F-2009-0007-FD1000 Air Forces Central Area of Responsibility Construction (Classified) (8/3/09)

F-2009-0004-FD3000 United States Air Forces Central Deployed Locations Information Technology Equipment Accountability and Control (4/1/09)

F-2009-0005-FD3000 Air Force Nuclear Roadmap Assessment (5/4/09)

F-2009-0006-FD3000 United States Air Forces Central Deployed Locations Munitions Management (FOUO) (5/6/09)

F-2009-0007-FD3000 Selected Aspects of Deployment Management (5/8/09)

F-2009-0010-FD3000 Air and Space Expeditionary Force Unit Type Code Reporting Tool (7/31/09)

F-2009-0011-FD3000 Posture Coding Minimum Home Station Requirements (8/12/09)

F-2009-0012-FD3000 Air Force Tactical Terminals (8/12/09)

F-2009-0013-FD3000 Space and Information Operations Integration into Combat Exercises (Classified) (8/13/09)

F-2009-0007-FD4000 Personnel Security Clearances (5/8/09)

F-2009-0009-FD4000 Air Education and Training Command Compressed Work Schedules (8/25/09)

F-2009-0010-FD4000 Follow-up Audit, Family Care Plans (9/3/09)

F-2009-0011-FD4000 Follow-up Audit, Air Reserve Component Family Care Plans (9/3/09)

INFORMATION SECURITY & PRIVACY

DoD IG

D-2009-081 General and Application Controls of the Vulnerability Management System (5/8/09)

09-INTEL-07 Information Technology Portfolio for DoD Intelligence Databases (5/11/09)

D-2009-094 Defense Industrial Financial Management System Controls and Compliance (8/4/09)

D-2009-097 Data Migration Strategy and Information Assurance for the Business Enterprise Information Services (7/30/09)

09-INTEL-10 DoD Intelligence Agencies' FY 2009 Report on the Security Status of the Federal Information Security Management Act (Classified) (9/4/09)

D-2009-101 Information Assurance and Data Reliability of the Automated Disbursing System (9/11/09)

D-2009-104 Sanitization and Disposal of Excess Information Technology Equipment (9/21/09)

D-2009-106 General and Application Controls for the Distribution Standard System (9/28/09)

D-2009-110 Summary of Information Assurance Weaknesses Identified in Audit Reports Issued From August 1, 2008, Through July 31, 2009 (9/28/09)

D-2009-111 Controls Over Information Contained in BlackBerry Devices Used Within DoD (9/25/09)

D-2009-119 Defense Civilian Pay System Controls Placed in Operation and Tests of Operating Effectiveness October 1, 2008, Through June 30, 2009 (9/30/09)

ARMY AUDIT AGENCY

A-2009-0094-ZBI Army Research and Technology Protection Program, Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (FOUO) (4/29/09)

A-2009-0127-ZBI Army Research and Technology Protection Program, U.S. Army Materiel Command (FOUO) (6/4/09)

A-2009-0140-FFI Managing "The Edge" of the Network: Enterprise Control Over User Operations on the LandWarNet (6/17/09)

A-2009-0145-FFI Selected Thin Client Computing Implementations (6/23/09)

A-2009-0158-FFI Information Assurance Vulnerability Management (IAVM) Process (7/9/09)

A-2009-0185-ZBI Army Research and Technology Protection Program, Office of the Secretary of the Army (8/27/09)

A-2009-0194-FFI Army's Information Technology Sustainment Program, Chief Information Officer/G-6 (9/1/09)

A-2009-0201-ZBI Follow-up Audit of Property Accountability for Controlled Cryptographic Items, 902d Military Intelligence Group (9/4/09)

A-2009-0217-FFI Expeditionary Video Teleconferencing (FOUO) (9/28/09)

A-2009-0236-FFI Data at Rest, U.S. Army Medical Command (9/29/09)

NAVAL AUDIT SERVICE

N2009-0027 Processing of Computers and Hard Drives During the Navy Marine Corps Intranet Computer Disposal Process (4/28/09)

N2009-0035 Information Assurance Training and Certification (6/8/09)

N2009-0043 Risk Management Information System Acquisition (8/28/09)

N2009-0048 Officer Personnel Information System Data Accuracy (9/29/09)

AIR FORCE AUDIT AGENCY

F-2009-0005-FB2000 Information Technology Portfolio Management (4/7/09)

F-2009-0003-FB4000 Follow-up Audit, Controls Over Access to Air Force Networks and Systems (4/30/09)

F-2009-0004-FB4000 Freedom of Information Act (6/3/09)

F-2009-0005-FB4000 Air and Space Operations Center Information Technology (6/26/09)

F-2009-0006-FB4000 Electronic Personal Data Protection (8/24/09)

F-2009-0008-FD3000 Vulnerability Assessment Program (FOUO) (6/22/09)

ACQUISITION PROCESSES/ CONTRACT MANAGEMENT

DOD IG

D-2009-6-004 Defense Contract Management Agency Actions on Audits of Cost Accounting Standards and Internal Control Systems at DoD Contractors Involved in Iraq Reconstruction Activities (4/8/09)

D-2009-6-008 Hotline Complaint Regarding the Actions by a Contracting Officer at the Defense Contract Management Agency East Hartford Office (8/31/09)

D-2009-6-009 Defense Contract Audit Agency Audit Work Deficiencies and Abusive Work Environment Identified by the Government Accountability Office (8/31/09)

D-2009-071 Summary of DoD Office of Inspector General Audits of Acquisition and Contract Administration (4/22/09)

D-2009-074 Review of Defense Contract Management Agency Support of the C-130J Aircraft Program (6/12/09)

D-2009-082 SeaPort Enhanced Program (5/6/09)

D-2009-083 Logistics Support for the United States Special Operations Command (5/28/09)

D-2009-085 Contracting for Nontactical Vehicles in Support of Operation Enduring Freedom (6/8/09)

09-INTEL-09 Audit of Issues Related to the Modifications of the Joint Air-to-Surface Standoff Missile (Classified) (7/28/09)

D-2009-091 Information Operations Contracts in Iraq (7/31/09)

D-2009-095 Contracting for Transportation Services for U.S. Army Corps of Engineers, Gulf Region Division (7/29/09)

D-2009-096 Contracts for the U.S. Army's Heavy-Lift VI Program in Kuwait (7/28/09)

09-INTEL-15 Summary Report of FY 2008 Inspections on Security, Technology Protection and Counterintelligence Practices at DoD Research, Development, Test and Evaluation Facilities (9/20/09)

D-2009-102 Price Reasonableness Determinations for Contracts Awarded by U.S. Special Operations Command (9/18/09)

D-2009-107 DoD Enterprise Staffing Solution (9/28/09)

D-2009-108 U.S. Air Forces Central War Reserve Materiel Contract (9/23/09)

D-2009-109 Contracts Supporting the DoD Counter Narcoterrorism Technology Program Office (9/25/09)

D-2009-114 Transition Planning for the Logistics Civil Augmentation Program IV Contract (9/25/09)

D-2009-115 Summary of Information Operations Contracts in Iraq (9/29/09)

ARMY AUDIT AGENCY

A-2009-0092-FFD Contracts for Intrusion Detection Systems, Office of the Provost Marshall General (FOUO) (4/30/09)

A-2009-0093-ZBI Contracts for Acquisition Support, U.S. Army Intelligence and Security Command (FOUO) (4/29/09)

A-2009-0097-FFD Follow-up Audit of Debris Removal Contracts (5/12/09)

A-2009-0102-ALL Agreed-Upon Procedures Attestation - Accountability of Postal Receipts at the Joint Military Postal Facility, Camp Patriot, Kuwait (FOUO) (5/21/09)

A-2009-0103-ALA Spin-Out 1 Critical Technologies, Office of the Program Manager, Future Combat Systems (Brigade Combat Team) (FOUO) (4/29/09)

A-2009-0112-FFH Attestation Examination of External Contract Services and Follow-up, Army and Air Force Exchange Service (5/11/09)

A-2009-0117-ALA Army Science Board Conflict of Interest Procedures, Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (5/22/09)

A-2009-0124-FFP Contract to Operate the Korea Battle Simulation Center, U.S. Forces Korea (6/09/09)

A-2009-0125-ALO Assistant Chief of Staff for Installation Management - U.S. Army Reserve Division Contracts, Assistant Chief of Staff for Installation Management (5/26/09)

A-2009-0132-ALL Contracting Operations, U.S. Army Contracting Command Southwest Asia - Kuwait (9/29/09)

A-2009-0137-ALA Technology Readiness Assessments (6/16/09)

A-2009-0141-ALA Intellectual Properties, Office of the Program Manager, Future Combat Systems (Brigade Combat Team) (FOUO) (6/24/09)

A-2009-0143-ALC Acquisition of Technical Data and Rights for Major Army Systems (FOUO) (7/06/09)

A-2009-0144-ZBI Army Foreign Language Program Contracting (FOUO) (7/23/09)

A-2009-0151-FFE Agreed-Upon Procedures Attestation for Criminal Investigation Command Assist (FOUO) (6/26/09)

A-2009-0165-ALL Follow-up Audit of Management Controls Over Offline Purchases (7/16/09)

A-2009-0173-ALL Controls Over Vendor Payments - Kuwait (Phase I) - U.S. Army Contracting Command, Southwest Asia, Camp Arifjan (7/29/09)

A-2009-0174-ALC Biometrics Task Force Contract Issues (7/31/09)

A-2009-0175-FFP Support for U.S. Army Criminal Investigation Command, Criminal Investigation 0004-2009-CID416-56281 (FOUO) (8/5/09)

A-2009-0183-ALL Applying Agreed-Upon Procedures to Determine if There Was a Potential for Theft of Property and Loss of Funds to the Government Due to the Actions of a Government Property Administrator (FOUO) (8/14/09)

A-2009-0189-ALL Applying Agreed-Upon Procedures to Review Payment Vouchers 247029 and 288091 for the Purchase of Air-Condition Units and Generators for Forward Operating Base - Falcon in Iraq (FOUO) (8/21/09)

A-2009-0199-ALM Requirements for Business Case Analysis for Light Utility Helicopter (FOUO) (9/1/09)

A-2009-0200-FFP Contract for Program Management Services, U.S. Army Corps of Engineers, Far East District, South Korea (FOUO) (9/3/09)

A-2009-0204-FFI Follow-up Audit of Information Technology Contracts with the U.S. General Services Administration--Selected Contract Reviews, Assistant Secretary of the Army (Financial Management and Comptroller) (9/1/09)

A-2009-0208-ALC Contract Closeout Controls, U.S. Army Corps of Engineers, Baltimore District (9/15/09)

A-2009-0214-ALM Follow-up Audit of Source-of-Repair Analyses, Assistant Secretary of the Army (Acquisition, Logistics and Technology) (9/30/09)

A-2009-0215-ALC Contract Closeout Controls, U.S. Army Corps of Engineers, Louisville District (9/23/09)

A-2009-0218-FFI Follow-up Audit of Information Technology Contracts with the U.S. General Services Administration and Proper Use of Non-DoD Contracts (9/21/09)

A-2009-0221-ALA Effect of Mine Resistant Ambush Protected Vehicle Upon Tactical Vehicle System Requirements, Office of the Deputy Chief of Staff, G-3/6/7 (FOUO) (9/21/09)

A-2009-0229-ALE Job Order Contracting Processes in Europe (9/29/09)

A-2009-0230-ALC Contract Closeout Controls, U.S. Army Corps of Engineers, Mobile District (9/29/09)

A-2009-0233-ALA Army Acquisition Objective Process, Office of the Deputy Chief of Staff, G-3/5/7 (9/25/09)

A-2009-0244-ALL U.S. Army Corps of Engineers Contract Functions in Iraq, Gulf Region Division, Baghdad, Iraq (9/30/09)

NAVAL AUDIT SERVICE

N2009-0023 Acquisition of Gear Systems from a Selected Department of the Navy Contractor (4/6/09)

N2009-0026 Management of Special Tooling and Special Test Equipment at Naval Air Systems Command (4/24/09)

N2009-0028 Verification of an Acquisition Strategy for the United States Marine Corps' Relocation Effort (5/8/09)

N2009-0034 Vendor Legitimacy (6/8/09)

N2009-0037 Contract Administration at Fleet and Industrial Supply Center San Diego and Selected Supported Activities (7/1/09)

N2009-0042 (U) Funds Usage for Integrated Fire Control Developments (Classified) (7/31/09)

N2009-0045 (U) Emergency and Extraordinary Expense Funding at Office of Naval Intelligence (Classified) (9/11/09)

N2009-0047 Ocean Bills of Lading for Naval Facilities Engineering Command Marianas Contracts (9/16/09)

AIR FORCE AUDIT AGENCY

F-2009-0007-FB4000 Cellular Services (8/25/09)

F-2009-0003-FC1000 Evaluation of the Intelligence, Information, Command and Control, Equipment and Enhancement Contract (4/2/09)

F-2009-0004-FC1000 Intelligence, Information, Command and Control, Equipment and Enhancement Contract Funds Management (7/31/09)

F-2009-0005-FC1000 Acquisition Strategy Trends for Tanker Support Requirements (8/13/09)

F-2009-0006-FC1000 Small Business Assistance Programs - Mentor-Protégé Program (8/14/09)

F-2009-0007-FC1000 Air Force Use of Non-DoD Contracts (8/28/09)

F-2009-0006-FC2000 Distribution of Depot Maintenance Workload Fiscal Years 2008 - 2010 (8/14/09)

F-2009-0007-FC2000 C-17 Business Case Analysis (8/24/09)

F-2009-0005-FC3000 Small Diameter Bomb Program Management (5/6/09)

F-2009-0006-FC3000 Technical Data Management (5/8/09)

F-2009-0009-FD1000 Quick Reaction Report of Audit, Energy Metering Program (8/24/09)

F-2009-0014-FD3000 Follow-up Audit, Management of Global Harvest (8/25/09)

FINANCIAL MANAGEMENT

DOD IG

D-2009-067 Controls over Air Force Materiel Command Unliquidated Obligations on Department of the Air Force Contracts Supporting the Global War on Terror (4/3/09)

D-2009-070 Government Purchase Card Controls at United States Special Operations Command (4/22/09)

D-2009-072 Monitoring PowerTrack Payments for DoD Freight Transportation (4/9/09)

D-2009-073 DoD Components' Use of Global War on Terror Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation (4/8/09)

D-2009-077 Endorsement of the Acuity Consulting's Management Letter for the FY 2008 Military Retirement Fund Financial Statements (4/30/09)

D-2009-079 Controls Over the Department of the Navy Military Payroll Disbursed in Support of the Global War on Terror (5/7/09)

D-2009-080 Endorsement of the Management Letter on Internal Controls over Financial Reporting for the FY 2008 DoD Medicare-Eligible Retiree Health Care Fund Financial Statements (4/30/09)

D-2009-084 Controls over Army Working Capital Fund Real Property Assets (5/29/09)

D-2009-087 Controls Over Contract Obligation Data in the Logistics Modernization Program (6/15/09)

D-2009-088 Long-term Travel Related to the Defense Comptrollership Program (6/17/09)

D-2009-089 Internal Controls Over Government Property in the Possession of Contractors at Two Army Locations (6/18/09)

D-2009-092 Validity of DoD Civilian Employee Accounts (7/15/09)

D-2009-098 Status of the Defense Emergency Response Fund in Support of the Global War on Terror (7/30/09)

D-2009-116 Financial Management of International Military Education and Training Funds (9/29/09)

D-2009-117 Controls Over Air Combat Command and Pacific Air Forces Unliquidated Obligations from Department of the Air Force Contracts Supporting Contingency Operations (9/29/09)

D-2009-118 Internal Controls Over Naval Special Warfare Command Comptroller Operations in Support of Contingency Operations (9/29/09)

D-2009-120 Agreed-Upon Procedures for Reviewing the FY 2009 Civilian Payroll Withholding Data and Enrollment Information (9/30/09)

ARMY AUDIT AGENCY

A-2009-0090-FFH Morale, Welfare, and Recreation Funding Execution-Quick Wins, Office of the Assistant Chief of Staff for Installation Management (4/14/09)

A-2009-0091-FFM U.S. Army Aviation and Missile Life Cycle Management Command Conversion Process for Army Working Capital Fund Inventory Valuation (4/13/09)

A-2009-0100-FFM Proliferation of the Wide Area Workflow System (8/5/09)

A-2009-0106-ALL Applying Agreed-Upon Procedures to Review and Compare Financial Records and Project Files for Five Commander's Emergency Response Program Projects Initiated in Combat Outpost Carver, Iraq (FOUO) (5/12/09)	A-2009-0135-FFM Training for the Army Managers' Internal Control Program (6/5/09)	A-2009-0163-FFM Examination of Federal Financial Management Improvement Act Compliance - Test Validation, Formerly Used Defense Sites Management Information System (7/10/09)
A-2009-0113-FFM Army Managers' Internal Control Program for FY 07, U.S. Army Criminal Investigation Laboratory, Fort Gillem, Georgia (5/12/09)	A-2009-0136-FFM Army Managers' Internal Control Program for FY 07, U.S. Army Corps of Engineers (6/18/09)	A-2009-0164-FFS Assessing Future Base Budget Requirements, Organizing Program Evaluation Group (FOUO) (9/1/09)
A-2009-0115-FFP Impact of Host Nation Labor on Funding Requirements, U.S. Army Japan and U.S. Army Garrison, Japan (FOUO) (5/19/09)	A-2009-0152-FFM Army Managers' Internal Control Program for FY 07, U.S. Army Contracting Agency, Aberdeen Proving Ground (6/25/09)	A-2009-0168-ALC Government Purchase Card Convenience Checks, U.S. Army Corps of Engineers, Tulsa District (9/3/09)
A-2009-0118-FFF Processes to Pay and Recoup Enlistment Bonuses for the Active Army, Office of the Deputy Chief of Staff, G-1 (5/19/09)	A-2009-0153-FFM Army Managers' Internal Control Program for FY 07, Office of the Provost Marshall General (6/26/09)	A-2009-0169-ALL Commander's Emergency Response Program Multi-National Division - North (FOUO) (7/28/09)
A-2009-0119-ALL Commander's Emergency Response Program - Multi-National Division - Baghdad (FOUO) (6/8/09)	A-2009-0155-ALE Assessing Future Base Budget Requirements in Europe (FOUO) (7/7/09)	A-2009-0171-FFF Processes to Pay and Recoup Enlistment Bonuses for the U.S. Army Reserves, U.S. Army Reserve Command (9/30/09)
A-2009-0122-FFM Agreed-Upon Procedures Attestation of the FY 06 Administrative Fees Collected by the HRsolutions Program Office (5/21/09)	A-2009-0157-FFM Independent Assessment of the Army's Compliance With the Federal Managers' Financial Integrity Act (7/2/09)	A-2009-0178-FFD Follow-up Report of Army Fund Accountability for Hurricane Katrina Relief Efforts, Assistant Secretary of the Army (Financial Management and Comptroller) and U.S. Army Reserve Command (8/10/09)
A-2009-0123-FFP Attestation Examination of Funding Allocation and Reconciliation, Host Nation Labor-Japan (FOUO) (5/26/09)	A-2009-0159-ALM Assessing Future Base Budget Requirements, Sustaining Program Evaluation Group (FOUO) (7/27/09)	A-2009-0179-FFM Army Managers' Internal Control Program for FY 07, Mission and Installation Contracting Command Center - Fort Knox (8/13/09)
	A-2009-0160-FFM Agreed-Upon Procedures Attestation of the FY 05 Administrative Fees Collected by the HRsolutions Program Office (7/8/09)	A-2009-0180-FFM Army Managers' Internal Control Program for FY 07, U.S. Army Contracting Agency (8/18/09)

A-2009-0182-ALL Commander's Emergency Response Program, Multi-National Force - West (FOUO) (8/18/09)

A-2009-0186-ALO Revenues and Expenses for the 2007 Army Birthday Ball (8/19/09)

A-2009-0188-FFM Assessing Army's Future Base Budget Requirements (FOUO) (9/1/09)

A-2009-0192-FFF Assessing Future Base Budget Requirements, Training Program Evaluation Group (FOUO) (8/25/09)

A-2009-0195-FFI Funding for Directorate of Information Management Information Assurance Requirements (FOUO) (9/01/09)

A-2009-0196-ALO Assessing Future Base Budget Requirements, Installation Program Evaluation Group (FOUO) (8/27/09)

A-2009-0216-FFM Agreed-Upon Procedures Attestation of Project Funding, Yuma Proving Ground (FOUO) (9/18/09)

A-2009-0222-ALM Fleet Management of Firefinder Radars, CECOM Life Cycle Management Command (FOUO) (9/29/09)

A-2009-0223-FFM Examination of Supporting Documentation for Selected Army Environmental Liabilities (9/22/09)

A-2009-0224-FFM Examination of Federal Financial Management Improvement Act Compliance-Requirements, Global Combat Support System-Army Release 1.1 (9/30/09)

A-2009-0225-FFM Internal Controls in Army Regulations (9/28/09)

A-2009-0226-FFM Examination of Federal Financial Management Improvement Act Compliance-Test Validation, General Fund Enterprise Business System Release 1.2 (9/30/09)

A-2009-0231-FFM General Fund Enterprise Business System Federal Financial Management Improvement Act Compliance-Examination of Release 1.3 Functionality (9/30/09)

A-2009-0232-FFM General Fund Enterprise Business System-Federal Financial Management Improvement Act Compliance Examination of Releases 1.4.1, 1.4.2, 1.4.3, and 1.4.4 Requirements (9/30/09)

A2009-0235-ALL Commander's Emergency Response Program Multi-National Division - South (FOUO) (9/28/09)

A-2009-0239-FFE Allocation of Nonproduction Costs to Army Working Capital Fund Tenant Activities, Army Materiel Command (9/30/09)

A-2009-0240-ALO Reinvestment of Remaining \$15 Million in Exchanged Proceeds by the Bayonne Local Redevelopment Authority (9/29/09)

A-2009-0241-FFF Reimbursements for Senior Reserve Officer Training Corps Cadet Uniforms, U.S. Army Cadet Command (9/30/09)

A-2009-0243-ALC Ammunition Requirements, Authorizations, and Expenditures, Office of the Deputy Chief of Staff, G-8 (9/30/09)

A-2009-0246-ALA Follow-up Audit of Funding and Fielding Training Software and Hardware for ABCS Components (9/30/09)

NAVAL AUDIT SERVICE

N2009-0024 Auditor General Advisory – Department of the Navy's Processes Used to Establish Water Rates for Guam Waterworks Authority (4/7/09)

N2009-0025 Naval Aviation Career Incentive Pay (4/24/09)

N2009-0029 Internal Controls Over the Department of the Navy's Construction in Progress Account (5/21/09)

N2009-0031 Independent Attestation – Agreed-Upon Procedures Attestation Engagement of Navy Working Capital Fund, Military Sealift Command (5/27/09)

N2009-0036 Navy Marine Corps
Intranet Invoice Approval Process
within the Marine Corps (6/24/09)

N2009-0038 Status of the
Department of the Navy Processes
and Controls Regarding the
Management of the Government of
Japan Funds Related to the Marine
Corps' Relocation (7/9/09)

N2009-0040 Poison Pay at Fleet
Readiness Center Southwest
(7/30/09)

N2009-0044 Government
Commercial Purchase Card
Transactions at Naval Medical
Center San Diego (9/2/09)

N2009-0049 Validity of
Reimbursable Order Unliquidated
Obligations at Naval Sea Systems
Command Warfare Centers
(9/29/09)

AIR FORCE AUDIT AGENCY

F-2009-0004-FB1000 Defense
Travel System and Chargeable Leave
(6/2/09)

F-2009-0005-FB1000 Air Force
Financial Services Transformation
(6/22/09)

F-2009-0006-FB1000 Air
Force Scientific Advisory Board
Appointment and Compensation
(7/27/09)

F-2009-0007-FB1000 Air Force
Smart Operations for the 21st
Century Initiatives Validation
(9/3/09)

F-2009-0006-FB2000 Air Reserve
Order Writing System - Reserve
Accounting Conformance
Requirements (4/7/09)

F-2009-0007-FB2000 Expeditionary
Combat Support System Accounting
Conformance Controls (6/2/09)

F-2009-0008-FB2000 Internet
Based Purchasing System Interface
Controls Over Data Transfers to
the Air Force Services Financial
Management System (7/16/09)

F-2009-0009-FB2000 System
Controls for Automated Funds
Management (7/27/09)

F-2009-0010-FB2000 Follow-
up Audit, Air Force Equipment
Management System Controls
(8/14/09)

F-2009-0006-FB3000 Overall
Health of Accounts Payable (4/7/09)

F-2009-0007-FB3000 Tri-Annual
Review Accounts Receivable Process
(4/30/09)

F-2009-0008-FB3000 Integrated
Accounts Payable System Obligation
Process (5/4/09)

F-2009-0009-FB3000
Environmental Liabilities Corrective
Action and Closure Requirements
(7/16/09)

F-2009-0010-FB3000
Environmental Restoration
Liabilities - Active Installations
(7/17/09)

F-2009-0011-FB3000 Service
Medical Activity - Air Force
Actuarial Liability: Military
Personnel Demographic Data
(7/27/09)

F-2009-0002-FC2000 Foreign
Military Sales Refueling (5/18/09)

F-2009-0004-FD1000 GeoBase
Program (4/1/09)

F-2009-0005-FD1000 Cooperative
Agreement Closeout Wurtsmith
AFB MI (4/30/09)

F-2009-0008-FD1000 Fiscal
Year 2009 Utilities Privatization
Economic Analysis (8/28/09)

F-2009-0010-FD1000 Cooperative
Agreement Closeout Plattsburgh
AFB NY (9/4/09)

F-2009-0009-FD3000 Intelligence
Contingency Funds - Fiscal Year
2008 (7/27/09)

F-2009-0008-FD4000 Follow-up
Audit, Aviator Continuation Pay
(7/1/09)

HEALTH CARE

DOD IG

D-2009-078 Health Care Provided by Military Treatment Facilities to Contractors in Southwest Asia (5/4/09)

D-2009-113 Medical Equipment Used to Support Operations in Southwest Asia (9/30/09)

ARMY AUDIT AGENCY

A-2009-0101-ALO Military and Family Counseling Services Contract, Fort Benning, Georgia (5/5/09)

A-2009-0177-ALO Military and Family Counseling Services Contract, U.S. Army Family and Morale, Welfare, and Recreation Command (8/7/09)

AIR FORCE AUDIT AGENCY

F-2009-0004-FD2000 Medical Supplies Acquisition (4/1/09)

F-2009-0005-FD2000 United States Air Forces Central Controlled Drugs (4/1/09)

F-2009-0006-FD2000 Medical War Reserve Materiel Requirements (5/4/09)

F-2009-0007-FD2000 Air Reserve Component Line of Duty Determinations (5/6/09)

F-2009-0008-FD2000 Patient Appointment Optimization (5/18/09)

F-2009-0009-FD2000 Post-Deployment Assessments (7/31/09)

F-2009-0010-FD2000 Immunization Services Reimbursements (8/13/09)

SIGNIFICANTLY IMPROVE INTELLIGENCE CAPABILITIES

DOD IG

09-INTEL-06 Evaluation of DoD Polygraph Support to U.S. Special Operations Command (Classified) (5/4/09)

09-INTEL-08 Report on Review of the President's Surveillance Program (Classified) (6/26/09)

09-INTEL-014 Inspection of a USD(I) program (Classified) (9/25/09)

NUCLEAR ENTERPRISE

DOD IG

09-INTEL-11 Status of Recommendations to Improve the Air Force Nuclear Enterprise (Classified) (9/18/09)

09-INTEL-12 B-61 Nuclear Weapon Use-Control (Classified) (9/18/09)

SINGLE AUDIT

DOD IG

D-2009-6-005 Quality Control Review of the Department of Military and Veterans Affairs (DMV A) Single Audit Performed by the Office of the Auditor General, State of Michigan (5/22/09)

D-2009-6-006 Quality Control Review of the Ernst & Young FY 2007 Single Audit of the University of Dayton (6/25/09)

D-2009-6-007 Report on Quality Control Review of Deloitte & Touche, LLP FY 2007 Single Audit of Battelle Memorial Institute and Subsidiaries (6/29/09)

OTHER

DOD IG

09-INTEL-13 Investigation of Allegations of the Use of Mind-Altering Substances to Facilitate Interrogations of Detainees (Classified) (9/23/09)

IE-2009-005 2008 Evaluation of the DoD Voting Assistance Program (4/30/09)

IE-2009-006 Review of Electrocution Deaths in Iraq: Part I -Electrocution of Staff Sergeant Ryan D. Maseth, U.S. Army (7/24/09)

IPO-2009-E001 Review of Electrocution Deaths in Iraq: Part II -Seventeen Incidents Apart from Staff Sergeant Ryan D. Maseth, U.S. Army (7/24/09)

D-2009-103 The U.S. Army Corps of Engineers Ice and Water Response to the 2008 Hurricane Season (9/18/09)

D-2009-105 The U.S. Army Corps of Engineers Temporary Roofing and Temporary Power Response to the 2008 Hurricane Season (9/22/09)

ARMY AUDIT AGENCY

A-2009-0133-FFS Deputy Under Secretary of the Army for Business Transformation Initiatives (6/18/09)

A-2009-0197-FFF Attestation Examination of Army Ideas for Excellence Program Idea Number NEAP08023M (8/26/09)

A-2009-0209-FFE Follow-up Audit of Management of the Army's Pollution Prevention Program (9/15/09)

NAVAL AUDIT SERVICE

N2009-0033 Selected Department of the Navy Construction Projects for Fiscal Year 2011 (6/5/09)

N2009-0039 Follow-up of Managing Sponsored Programs at the Naval Postgraduate School (7/28/09)

N2009-0051 Department of the Navy Proposed Fiscal Year 2011 Military Construction Projects Related to the United States Marine Corps' Okinawa/Guam Base Relocation (9/30/09)

APPENDIX B

DOD IG AUDIT REPORTS ISSUED CONTAINING QUANTIFIABLE POTENTIAL MONETARY BENEFITS*

Audit Reports Issued	Potential Monetary Benefits	
	Disallowed Costs	Funds Put to Better Use
D-2009-066 Marine Corps' Management of the Recovery and Reset Programs (4/01/2009)		\$383,300,000
D-2009-067 Controls Over Air Force Materiel Command Unliquidated Obligations on Department of the Air Force Contracts Supporting the Global War on Terror (4/03/2009)		\$2,700,000
D-2009-072 Monitoring PowerTrack Payments for DoD Freight Transportation (4/14/2009)		\$307,300,000
D-2009-103 The U.S. Army Corps of Engineers Ice and Water Response to the 2008 Hurricane Season (9/18/2009)	\$53,118 Questioned	
D-2009-108 U.S. Air Forces Central War Reserve Materiel Contract (9/23/2009)		\$273,000
D-2009-117 Controls Over Air Combat Command and Pacific Air Forces Unliquidated Obligations from Department of the Air Force Contracts Supporting Contingency Operations (9/29/2009)		\$1,700,000
Totals	\$53,118	\$695,273,000

*Partially fulfills the requirement of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(a)(6) (see Appendix A).

APPENDIX C

DECISION STATUS OF DOD IG ISSUED AUDIT REPORTS AND DOLLAR VALUE OF RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE*		
Status	Number	Funds Put To Better Use ¹ (\$ in thousands)
A. For which no management decision had been made by the beginning of the reporting period.	31	\$32,807
B. Which were issued during the reporting period.	53	\$695,026
Subtotals (A+B)	84	\$727,833
C. For which a management decision was made during the reporting period.		\$708,092
(i) dollar value of recommendations that were agreed to by management.		\$1,072
- based on proposed management action		
- based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management.		\$707,020 ²
D. For which no management decision has been made by the end of the reporting period.	39	\$19,741
Reports for which no management decision was made within 6 months of issue (as of September 30, 2009).	7 ³	\$17,715

1. DoD IG audit reports issued during the period involved \$53,000 in “questioned costs.”
2. On these audit reports management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed.
3. DoD IG Report Nos. D-2006-112, “Selected Controls over the Military Personnel, Army Appropriation;” D-2007-003, “Internal Controls over the Army General Fund, Note 3, ‘Fund Balance With Treasury,’ Disclosures;” D-2007-6-010, “Reimbursement of Settlement Costs at DCMA Melbourne;” D-2008-104, “DoD Implementation of Homeland Security Presidential Directive 12;” D-2009-032, “The America Supports You Program;” D-2009-036, “Acquisition of the Air Force Second Generation Wireless Local Area Network;” and D-2009-063, “Funds Appropriated for Afghanistan and Iraq Processed Through the Foreign Military Sales Trust Fund” had no decision as of September 30, 2009, 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 3, Section 5(a)(8)(9) & (10).

STATUS OF ACTION ON CENTRAL INTERNAL AUDITS

Period ending September 30, 2009

Status	Number	Funds Put to Better Use ¹ (\$ in thousands)
DoD IG		
Action in Progress - Beginning of Period	238	\$2,100
Action Initiated - During Period	45	\$708,092
Action Completed - During Period	45	\$875,485
Action in Progress - End of Period	238	\$17,295 ²
Military Departments		
Action in Progress - Beginning of Period	577	\$4,541,533 ³
Action Initiated - During Period	255	\$1,877,970
Action Completed - During Period	200	\$1,389,678
Action in Progress - End of Period	632	\$4,804,587
¹ DoD IG opened no audit reports during the period involving “questioned costs.” ² On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$1,884 million, we 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 3, Section 5(b)(2) & (3).

APPENDIX D

CONTRACT AUDIT REPORTS ISSUED¹
APRIL 1, 2009 THROUGH SEPTEMBER 30, 2009

TYPE OF AUDIT ²	Assignments Completed	EXAMINED	QUESTIONED COSTS ³	FUNDS PUT TO BETTER USE (\$ IN MILLIONS)
Incurred Costs, Ops Audits, Special Audits	7,068	\$45,955.3	\$917.2	\$87.5 ⁴
Forward Pricing Proposals	3,836	\$87,473.0	---	\$9,484.4 ⁵
Cost Accounting Standards	708	\$113.0	\$29.4	---
Defective Pricing	76	(Note 6)	\$24.8	---
Totals	11,688	\$133,541.3	\$971.4	\$9,571.9

1. This schedule represents Defense Contract Audit Agency contract audit assignments completed during the six months ended September 30, 2009. Some completed assignments do not result in a report issued because they are part of a larger audit, so the number of audit reports will be less than the number shown above. 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 IGs' 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.
2. This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as: Incurred Costs – Audits of direct and indirect costs charged to Government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and provisions of the contract. Also included under incurred cost audits are Operations Audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy; and Special Audits, which include audits of terminations and claims. Forward Pricing Proposals – Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts, and costs incurred but not yet covered by definitized contracts. Cost Accounting Standards – A review of a contractor's cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice, or noncompliance with a CAS regulation. Defective Pricing – A review to determine whether contracts are based on current, complete and accurate cost or pricing data (the Truth in Negotiations Act).
3. Questioned costs represent costs that DCAA has questioned because they do not comply with rules, regulations, laws, and/or contractual terms.
4. Represents recommendations associated with Operations Audits where DCAA has presented to a contractor that funds could be used more effectively if management took action to implement cost reduction recommendations.
5. Represents potential cost reductions that may be realized during contract negotiations.
6. Defective pricing dollars examined are not reported because the original value was included in the audits associated with the original forward pricing proposals.

APPENDIX E

STATUS OF ACTION ON
SIGNIFICANT POST-AWARD CONTRACT AUDITS¹
PERIOD ENDING SEPTEMBER 30, 2009 (\$ IN MILLIONS)

	Number of Reports	Costs Questioned	Disallowed Costs ⁶
Open Reports:			
Within Guidelines ²	369	\$568.1	N/A ⁷
Overage, greater than 6 months ³	594	\$ 1,253.5	N/A
Overage, greater than 12 months ⁴	501	\$1,410.4	N/A
In Litigation ⁵	153	\$ 1,826.6	N/A
Total Open Reports	1,617	\$5,058.6	N/A
Closed Reports	403	\$468.1	\$176.6 (37.7%) ⁸
All Reports	2,020	\$5,526.7	\$176.6 (3.2%)

1. This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by the Army, Navy, Air Force, Defense Contract Management Agency, Defense Intelligence Agency, Defense Logistics Agency, National Geospatial-Intelligence Agency, National Security Agency and TRICARE Management Activity. Contract audit follow-up 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 153 reports in litigation, 47 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 \$176.6 million (37.7 percent) of the \$468.1 million questioned as a result of significant post-award contract audits during the period. The contracting officer disallowance rate of 37.7 percent represents a decrease from the disallowance rate of 67.7 percent for the prior reporting period.

APPENDIX F

**STATUS OF DoD IG REPORTS MORE THAN 12 MONTHS OLD
WITH FINAL ACTION PENDING ^{1, 2}
(AS OF SEPTEMBER 30, 2009)**

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
96-156, Implementation of the DoD Plan to Match Disbursement to Obligations Prior to Payment, 6/11/1996	Implement system changes to correct weaknesses in the automated prevalidation process.	Implementation has been delayed by higher management priorities.	DFAS
97-134, Disposal of Munitions List Items in the Possession of Defense Contractors, 4/22/1997	Change regulations to advance the identification of munitions list items to the early stages of the acquisition process.	Extensive time needed to incorporate the necessary revisions to conform to the required changes in DoD-Publication formatting.	USD(AT&L), DLA
98-067, Access Reciprocity Between DoD Special Access Programs, 2/10/1998	Standardize Special Access Program eligibility implementing criteria and develop a centralized SAP database.	Concerns raised during the revision and coordination process significantly altered the guidance, therefore delaying issuance of DoD publications. In addition, DoD halted fielding of an industry-developed database in FY 2009 and initiated steps to transition to a DoD database.	USD(I)
98-124, Department of Defense Adjudication Program, 4/27/1998	Implement peer review program and establish continuing education standards and a program for the professional certification for adjudicators.	Corrective actions were delayed in order to incorporate additional policies into DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R. Extensive time required for coordination and approval of DoD adjudication and certification program.	USD(I)

¹ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(b)(4).

² For this reporting period, there are disallowed costs of \$102 million on reports over 12 months old with final action pending.

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
99-159, Interservice Availability of Multiservice Used Items, 5/14/1999	Revise Joint Service Regulation to require consistent item management wherever economical and safe. Services provide training on disposal authority for multi-service used items and requirements related to excess assets quantities.	Lack of management attention.	Army
D-2000-111, Security Clearance Investigative Priorities, 4/5/2000	Develop criteria and determine the highest priority mission-critical and high-risk positions based on their impact on mission-critical programs. Develop a process for relating specific clearance requests to mission-critical and high-risk positions.	Corrective actions were delayed in order to incorporate additional policies into DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R.	USD(I), DSS
D-2000-134, Tracking Security Clearance Requests, 5/30/2000	The current database will be modified to retain all pertinent historical information (including dates/times for every occurrence -- e.g., deletions, case type, changes, cancellations, duplicates, conversions, reinstatements, etc.)	The decision to implement a new system for case management and adjudications and perform modifications to an existing system have delayed implementation of the recommendation.	DSS
D-2001-018, Management and Oversight of the DoD Weather Program, 12/14/2000	Army assumed responsibility to update Joint Instruction AR 115-10/ AFI 15-157, to require coordination of meteorological, oceanographic, and space weather requirements across all Military Departments to promote interoperability and avoid duplication.	Extensive time needed for final review by the US Army Publishing Agency.	Army, AF
D-2001-037, Collection and Reporting of Patient Safety Data Within the Military Health System, 1/29/2001	Develop, test and deploy Patient Safety Reporting Program.	Selected system for use as the patient safety reporting program did not demonstrate to be effective, suitable or survivable for limited deployment. Replacement system is being sought.	ASD(HA)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2001-065, DoD Adjudication of Contractor Security Clearances Granted by the Defense Security Service, 2/28/2001	Identify and process additional adjudicative resources for Defense Industrial Security Clearance Office. Establishment of continuing education standards to facilitate the certification of professional adjudicators. Issue guidance on professional certification and continuous training program for all adjudicators.	Corrective actions were delayed in order to incorporate additional policies into DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R. Extensive time required for coordination and approval of DoD professional adjudication and certification program.	DSS, USD(I)
D-2001-135, Prevalidation of Intergovernmental Transactions, 6/6/2001	Develop cost-effective automated methods to expand prevalidation.	Correction of this material weakness involves a long-term effort.	USD(AT&L)
D-2001-141, Allegations to the Defense Hotline on the Defense Security Assistance Management System, 6/19/2001	Amend DoD 5200.2-R to address security investigation requirements for foreign national contractor employees.	Corrective actions were delayed in order to incorporate additional policies into DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R.	USD(I)
D-2001-158, Compilation of the FY 2000 Army General Fund Financial Statements at the Defense Finance and Accounting Service Indianapolis (Sustaining Forces), 7/13/2001	Management will establish an action plan to meet revised requirements for reconciling suspense accounts.	Implementation has been delayed by higher management priorities.	DFAS
D-2001-170, U.S. Transportation Command's Reporting of Property, Plant, and Equipment Assets on the FY 2000 DoD Agency-wide Financial Statements, 8/3/2001	Develop system changes to differentiate among US-TRANSCOM, Air Mobility Command, and Defense Courier Service assets. Create electronic interfaces between the logistics and the accounting systems for transferring data.	Implementation has been delayed by higher management priorities.	USTRANSCOM
D-2002-004, Import Processing of DoD Cargo Arriving in the Republic of Korea, 10/4/2001	Revise USFK Regulation 55-72 to update requirements and implement a cost-efficient system for the automated processing of custom's forms using an electronic data exchange.	Lack of management attention.	USFK

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2002-010, Armed Services Blood Program Defense Blood Standard System, 10/22/2001	MHS is in the early stages of developing DBSS replacement plans. It is anticipated the Commercial-Off-The-Shelf solution will correct the inventory counting and interface problems.	Military Health Service Blood management acquisition strategy has changed.	AF, ASD(HA)
D-2002-073, Financial Management Ending Balance Adjustments to General Ledger Data for the Army General Fund, 3/27/2002	Use transactional data from a centralized database to populate general ledger accounts in the Defense Departmental Reporting System Budgetary and continue efforts to analyze and correct causes for current adjustments. Use transactional data to generate a general ledger data file for DDRS Budgetary.	Slow system development process.	DFAS
D-2002-117, Review of FY 2001 Financial Statements for the Defense Intelligence Agency (U), 6/25/2002	Report is classified.	Extensive time needed for system development.	DIA
D-2002-122, Environmental Community Involvement Program at Test and Training Ranges, 6/28/2002	Develop a more detailed DoD Instruction on Sustainable Ranges Outreach. Continue work on implementation of the new Directive and development of the new instruction.	Delays were caused by broadening the scope of the draft instruction, extensive revisions and coordination issues.	USD(P&R)
D-2002-140, Measurement of Water Usage by DoD Components Served by the DC Water and Sewer Authority, 8/20/2002	Establish and implement procedures to verify that the DCWASA routinely inspects and reports results of inspections for DoD-owned water meters.	Lack of management responsiveness. WHS has not provided an update since March 2008.	WHS
D-2003-001, DoD Integrated Natural Resource Management Plans, 10/1/2002	Develop integrated natural resource management plans for military installations and coordinate the plans with the other Federal and State agencies involved in the process.	The remaining Army plan was previously on hold pending the resolution of an internal disagreement within the U.S. Fish and Wildlife Service. Current delays are due to contracting and coordination issues.	Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-018, Validity of Registration in the Central Contractor Registration Database, 10/30/2002	Establish procedures to withhold payments to contractors and vendors until they are properly registered with a valid Tax Identification Number in the CCR database.	Implementation has been delayed by higher management priorities.	DFAS
D-2003-056, Public/Private Competition for the Defense Finance and Accounting Service Military Retired and Annuitant Pay Functions, 3/21/2003	AT&L is working with OMB to address any overhead ambiguities in OMB Circular A-76, proposing additional guidance to clarify costing policies, and providing definitions for direct and indirect costs as well as a revised definition for overhead.	Long-term corrective actions are on schedule.	USD(AT&L)
D-2003-073, Reliability of the FY 2002 National Imagery and Mapping Agency Financial Statements and Adequacy of Related Procedures and Controls (U), 4/2/2003	Report is classified.	Extensive time needed for system development.	NGA
D-2003-074, Reliability of the FY 2002 Defense Intelligence Agency Financial Statements and Adequacy of Related Procedures and Controls (U), 4/7/2003	Report is classified.	Long-term corrective actions are in process.	DIA
D-2003-106, Administration of Performance-Based Payments Made to Defense Contractors, 6/25/2003	The Director, Defense Procurement and Acquisition Policy, will conduct an assessment of the benefits of expanded performance-based payments implementation. It will address contracting officer compliance with FAR Part 32.10, and whether any changes are needed to those policies, the Performance-Based Payments User's Guide, or training resources.	Corrective actions are on schedule. Normal time required to update the FAR and DFARS.	USD(AT&L)
D-2003-110, Information Technology Management: Defense Civilian Personnel Data System Functionality and User Satisfaction, 7/27/2003	The Civilian Personnel Management Service is working on initiatives to achieve goals for system standardization of basic civilian personnel operations.	Extended time needed to develop system enhancements and address funding shortfalls.	USD(P&R)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-128, The Chemical Demilitarization Program: Increased Costs for Stockpile and Non-Stockpile Chemical Disposal Programs, 9/4/2003	Issue policy to specify Army authorities and responsibilities as DoD's Executive Agent for the Recovered Chemical Warfare Materiel Program.	Extended time required to resolve disagreement with Army on proposed source of program funds.	USD(AT&L)
D-2003-133, Report on Controls Over DoD Closed Appropriations, 9/15/2003	Emphasize the importance of controls over the use of closed appropriations and monitor compliance with applicable laws and regulations. DFAS establish specific standard procedures to ensure that accounting personnel approve only legal and proper adjustments to closed appropriations, validate the canceled balances and report any potential Antideficiency Act violations.	Extensive time required for changes to financial policies.	USD(C), DFAS
04-INTEL-02, DoD Security Clearance Adjudication and Appeals Process, 12/12/2003	Disparities between the contractor and military/civilian personnel adjudicative process will be eliminated with the pending revision to the DoD Regulation 5200.2-R.	Corrective actions were delayed in order to incorporate additional policies into DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R. Other long-term corrective actions related to BRAC are on schedule.	USD(I)
D-2004-007, Force Protection in the Pacific Theater (U), 10/14/2003	Report is classified.	USMC is in process of updating their guidance based on DoD guidance published on 10/30/06 and incorporating other related changes.	USMC

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-008, Implementation of Interoperability and Information Assurance Policies for Acquisition of Army Systems, 10/15/2003	Update Army Regulations 70-1 and 71-9 to require combat developers to identify interoperability and supportability requirements in requirements documents and update the requirements throughout the life of the systems, as necessary, in accordance with DoD Directive 4630.5 and to require program managers to obtain the Joint Staff J6 certifications for interoperability in accordance with Chairman of the Joint Chiefs of Staff Instruction 6212.01B.	Coordination on issuance of the related guidance continues.	Army
D-2004-034, Environment: Defense Hotline Allegations Regarding the Environmental Compliance Assessment Process at U.S. Army Corps of Engineers, Portland District, 12/4/2003	Clarify requirements for internal assessments.	The USACE's guidance update was put on hold pending the revision of a higher level Army regulation, but is currently on track for publication by October 31, 2009.	Army
D-2004-047, Implementation of the DoD Management Control Program for Army Category II and III Programs, 1/23/2004	Program managers will be able to store acquisition documents in Virtual Insight so the Milestone Decision Authority can review document status from development to document approval. Army regulations will be updated to reflect new reporting procedures.	Extensive time needed to review comments and establish policy.	Army
D-2004-053, Defense Threat Reduction Agency Relocation Costs, 2/19/2004	Develop detailed guidance on what should be considered when determining whether the relocation cost cap in section 8020 of the FY 2004 Appropriation Act has been, or will be, exceeded.	Extensive time required to coordinate and issue guidance.	WHS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-061, Export Controls: Export Controlled Technology at Contractor, University and Federally Funded Research and Development Center Facilities, 3/25/2004	Ensure incorporation of appropriate export compliance clauses into solicitations and contracts.	Extensive time required to coordinate and issue policy guidance.	USD(AT&L)
D-2004-063, Financial Management: Controls Over U.S. Army Corps of Engineers Buildings and Other Structures, 3/26/2004	Improve the financial accountability for buildings and other structures owned by USACE.	Implementation has been delayed by higher management priorities.	Army
D-2004-065, DoD Implementation of the Voting Assistance Program, 3/31/2004	Revise Voting Assistance Program guidance to reflect recent changes to DoD guidance. Improve monitoring of voting assistance program and training of service members and spouses.	Publication of AF Instruction was delayed to include pending revision of DoD guidance and then other related guidance.	AF
D-2004-079, Reliability of the Defense Intelligence Agency FY 2003 Financial Statements (U), 4/29/2004	Report is classified.	Long-term corrective actions are in process.	DIA
D-2004-080, Environmental Liabilities Required to be Reported on Annual Financial Statements, 5/5/2004	Implement guidance to improve developing, recording, and reporting environmental liabilities.	Lack of management attention in fully implementing corrective actions.	USD(AT&L)
D-2004-099, Reliability of National Security Agency FY 2003 Financial Statements (U), 7/15/2004	Report is classified.	Long-term corrective actions are in process.	NSA
D-2004-104, Purchase Card Use and Contracting Actions at the U.S. Army Corps of Engineers, Louisville District, 7/27/2004	Recommended actions are designed to provide guidance and strengthen controls over use of the Government Purchase Card at the Louisville District and at USACE Headquarters levels.	Extensive time needed to revise guidance.	Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-118, Army General Fund Controls Over Abnormal Balances for Field Accounting Activities, 9/28/2004	Update the DoD FMR to require the disclosure of unresolved abnormal balances for all proprietary and budgetary general ledger accounts in the footnotes to the financial statements. Identify abnormal conditions impacting both budgetary and proprietary account balances; notify accounting activities of abnormal proprietary balances and require explanations of corrective actions; and resolve abnormal balances in the budgetary accounts.	Lack of management emphasis; slow system development process.	USD(C), DFAS
D-2005-020, Defense Logistics Agency Processing of Special Program Requirements, 11/17/2004	DLA is identifying cost savings realized as a result of the DLA Customer Collaboration project.	Normal time needed to determine the full scope of realized monetary benefits.	DLA
D-2005-022, Financial Management: Contract Classified as Unreconcilable by the Defense Finance and Accounting Service, 12/2/2005	The contract has been logged and assigned to a contractor supporting the Commercial Pay Services Contract Reconciliation office for reconciliation. Based on the reconciliation, recovery actions will be initiated for any identified overpayments made to the contractor.	Closeout work continues.	DFAS
D-2005-028, DoD Workforce Employed to Conduct Public Private Competitions Under the DoD Competitive Sourcing Program, 2/1/2005	Establish minimum training standards for competition officials and DoD functional and technical experts assigned to work on public-private competitions, and advise the DoD component competitive sourcing officials concerning defining and documenting minimum education and/or experience requirements.	Delays have been due to litigation, additional standard competitions, and guidance development.	USD(AT&L)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2005-046, Financial Management: Independent Examination of the Rights to U.S. Army Corps of Engineers Buildings and Other Structures, 3/25/2005	Correct the identified errors and perform a review of other leased and transferred structures for similar types of rights errors; review and update policies and procedures to prevent future errors; and provide and document training to consistently implement the new policies and procedures.	DBO needs to confirm that USACE has taken appropriate corrective actions.	Army
D-2005-051, Independent Examination of the Land Assets at the U.S. Army Corps of Engineers, Civil Works, 4/6/2005	USACE will establish an oversight process that provides periodic reviews by Civil Works headquarters of land asset transactions at the activity level.	Long-term corrective actions are ongoing.	Army
D-2005-054, Audit of the DoD Information Technology Security Certification and Accreditation Process, 4/28/2005	Report is FOUO.	Coordination is ongoing to promulgate the policies.	ASD(NII)
D-2005-074, Support for Reported Obligations for the National Security Agency (U), 6/28/2005	Report is classified.	Corrective actions are being implemented.	NSA
D-2005-093, Information Technology Management: Technical Report on the Standard Finance System, 8/17/2005	Report is FOUO.	Corrective actions are on schedule.	DISA, Army
D-2005-096, DoD Purchases Made Through the General Services Administration, 7/29/2005	DoD is establishing new policies to improve intergovernmental transactions, the use of Military Departmental Purchase Requests, and assisted acquisitions.	Corrective actions are ongoing.	USD(AT&L)
D-2005-097, Auditability Assessment of the Financial Statements for the Defense Intelligence Agency (U), 8/18/2005	Report is classified.	Corrective actions are being implemented.	DIA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2005-103, Development and Management of the Army Game Project, 8/24/2005	Develop new controls and fully implement existing controls to ensure that all resources are safeguarded; and revise Navy guidance on accountability over pilferable property to be consistent with the DoD guidance.	Long-term corrective actions are ongoing.	Navy
D-2006-003, Security Controls Over Selected Military Health System Corporate Database, 10/7/2005	Report is FOUO.	Extended time required for revision and coordination of guidance.	USD(I), ASD(HA), AF
D-2006-009, Independent Examination of Valuation and Completeness of U.S. Army Corps of Engineers, Buildings and Other Structures, 9/28/2005	The U.S. Army Corps of Engineers is updating policy and procedures, assessing system changes to the Corps of Engineers Financial Management System, and working to correct data accuracy deficiencies through new regional assessment teams.	Corrective actions are on schedule.	Army
D-2006-010, Contract Surveillance for Service Contracts, 10/28/2005	The Army will develop management controls to ensure contract surveillance is adequately performed and documented.	Normal time to develop and implement new guidance and procedures.	Army
D-2006-026, Air Force Operational Mobility Resources in the Pacific Theater (U), 11/17/2005	Report is classified.	Major players need to be involved in addressing remaining issues. ECD is 10/26/09.	AF
D-2006-028, DoD Reporting System for the Competitive Sourcing Program, 11/22/2005	DoD is revising its guidance to improve accounting of transition costs, tracking and reporting competition costs, validating and reviewing records, capturing contractors' past performance information, and tracking and monitoring the performance of Most Efficient Organizations.	Normal time to review, revise and implement new guidance.	USD(AT&L)
D-2006-030, Report on Diagnostic Testing at the Defense Information Systems Agency, Center for Computing Services, 11/30/2005	Report is FOUO.	Long-term corrective actions are ongoing.	DISA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-031, Report on Penetration Testing at the Defense Information Systems Agency, Center for Computing Services, 11/30/2005	Report is FOUO.	Corrective actions are on schedule.	DISA
D-2006-039, Internal Controls Over the Compilation of the Air Force, General Fund, Fund Balance With Treasury for FY 2004, 12/22/2005	The USD(C) will update the FMR and DFAS will rescind a previous instruction, update and formalize other guidance, delete invalid accounts and update the General Accounting and Finance System-Rehost posting logic to improve internal controls over the compilation of the Air Force, General Fund, Fund Balance with Treasury.	Report had been in mediation and has been recently resolved.	USD(C), DFAS
D-2006-041, Operational Mobility: Gap-Crossing Resources for the Korean Theater (U), 12/26/2005	Report is classified.	Corrective actions were initially delayed due to changes in force structure in Korea and a new commander. Actions are now on schedule. Increase in USMC Approved Acquisition Objective delays projected Full Operational Capability until FY 2012.	USFK, USMC
D-2006-043, Financial Management: Report on Army Management of the Army Game Project Funding, 1/6/2006	Establish procedures to ensure the appropriate funding of the Army Game Project, determine if there have been any Antideficiency Act violations and report any such violations, as required.	The final report on the ADA investigation is in legal review.	Army
D-2006-046, Technical Report on the Defense Property Accountability System, 1/27/2006	Report is FOUO.	Corrective actions are on schedule.	USD(AT&L)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-053, Select Controls for the Information Security of the Ground-Based Midcourse Defense Communications Network, 2/24/2006	Update the Ground Based Midcourse Defense Communications Network configuration to include: (1) Automated monitoring of the unencrypted and encrypted communications and monitoring systems; and (2) Individual user passwords to access the unencrypted communications system.	Extensive time needed for a schedule change made to the installation of equipment software and the transitioning of the authentication service to the Defense Information Systems Agency.	MDA
D-2006-054, DoD Process for Reporting Contingent Legal Liabilities, 2/24/2006	The USD(C) is developing a forum to address development of solutions for providing meaningful assessments of contingent legal liabilities and to develop and implement a uniform methodology for estimating, aggregating, and reporting them. The Services are working to ensure that "Other Liabilities" and contingent liabilities are fully supported and appropriately disclosed.	Corrective actions are generally on schedule.	USD(C), Army, Navy, AF
D-2006-056, Financial Management: Report on Vendor Pay Disbursement Cycle, Air Force General Fund: Contract Formation and Funding, 3/6/2006	The Air Force will conduct reviews of potential ADA violations, review and revise existing policy guidance and training.	Lack of management attention.	AF
D-2006-057, Corrective Actions for Previously Identified Deficiencies Related to the National Geospatial-Intelligence Agency Financial Statements (U), 2/28/2006	Report is classified.	Corrective actions are on schedule.	NGA
D-2006-060, Systems Engineering Planning for the Ballistic Missile Defense System, 3/2/2006	Report is FOUO.	Significant organizational changes have delayed issuance of policy.	MDA
D-2006-061, Source Selection Procedures for the Navy Construction Capabilities Contract, 3/3/2006	The DoD will develop new guidance.	Corrective actions are on schedule.	USD(AT&L)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-062, Internal Controls Over Compiling and Reporting Environmental Liabilities Data, 3/15/2006	Improve internal controls over compiling and reporting cost-to-complete estimates for environmental liabilities.	Corrective actions for this material weakness involve a long-term effort.	AF
D-2006-071, Capabilities Definition Process at the Missile Defense Agency, 4/5/2006	Finalize and approve mutually supportive directives outlining each organizations' roles and responsibilities with respect to capability-based requirements.	Delays continue in preparation and coordination of guidance.	MDA
D-2006-072, Internal Controls Related to Department of Defense Real Property, 4/6/2006	The Department is working to improve internal controls at the installation level for real property offices. The Air Force is working to: identify which fiscal year they can prove existence, completeness, and valuation, and use that fiscal year as their baseline for real property; and maintain an audit trail that supports the real property values reported on the financial statements.	Corrective actions and efforts to verify corrective actions are ongoing.	Army, Navy, AF, USD(AT&L), USD(C)
D-2006-073, Human Capital: Report on the DoD Acquisition Workforce Count, 4/17/2006	Develop and implement written standard operating procedures and guidance for counting the acquisition workforce to include definitions of workforce count, methodologies and procedures used to perform periodic counts, and requirements to maintain and support related documentation. Revise DoD guidance to update information requirements for automated data files.	Planned revisions to DoD I 5000.55 have been delayed based on a decision to restructure Defense Acquisition Workforce Policy and Guidance. The restructure includes planned issuance of one DoD instruction and two DoD manuals. ECD is June 2010.	USD(AT&L)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-077, DoD Security Clearance Process at Requesting Activities, 4/19/2006	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.	Corrective actions were delayed in order to incorporate additional policies into DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R. Other Service issuances are dependent upon those updated DoD publications.	USD(I), ARMY, AF
D-2006-079, Review of the Information Security Operational Controls of the Defense Logistics Agency's Business Systems Modernization-Energy, 4/24/2006	Update Business Systems Modernization Energy (Fuels Automated System) plan of action and milestones to include all security weaknesses based on the current system configuration.	New deployment schedule developed because of delays caused by the military services' internal coordination processes.	DLA
D-2006-080, Use of Environmental Insurance by the Military Departments, 4/27/2006	Identify practices, processes, and strategies for effectively using environmental insurance. Establish a process to evaluate whether DoD is achieving the anticipated benefits of risk reduction, cost savings, timely completion of cleanup projects, and increased use of performance-based contracting for environmental cleanup services when using environmental insurance.	Sufficient experience in using environmental insurance needed before completing corrective actions.	USD(AT&L)
D-2006-081, Financial Management: Recording and Reporting of Transactions by Others for the National Security Agency (U), 4/26/2006	Report is classified.	Corrective actions are on schedule.	NSA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-083, Report on Information Operations in U.S. European Command (U), 5/12/2006	Report is classified.	Distribution of Information Operations across multiple Joint Capability Areas complicates development of a comprehensive long-term IO investment strategy. ECD is FY 2012. STRATCOM actions have been delayed due to a changed focus in the performance of advocacy activities from IO to Cyber.	STRATCOM, USD(I)
D-2006-085, Vendor Pay Disbursement Cycle, Air Force General Fund: Funds Control, 5/15/2006	The Air Force will strengthen internal controls on the coordinated efforts of receiving officials, resource managers, and funds holders who oversee the status of funds.	Lack of management attention.	AF
D-2006-086, Information Technology Management: Report on General and Applications Controls at the Defense Information Systems Agency, Center for Computing Services, 5/18/2006	Report is FOUO.	Corrective actions are on schedule.	DISA
D-2006-087, Acquisition of the Objective Individual Combat Weapon Increments II and III, 5/15/2006	Report is FOUO.	Change in requirements and competing priorities.	Army
D-2006-096, Information Technology Management: Select Controls for the Information Security of the Command and the Control Battle Management Communications System, 7/14/2006	Report is FOUO.	Long-term corrective actions are on schedule.	MDA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-100, Procurement Procedures Used for Next Generation Small Loader Contracts, 8/1/2006	The Air Force will develop a plan to improve the collection, analysis, and reporting of maintenance data for the Halvorsen fleet; and transition from a base level funded sustainment construct to Interim Contractor Support, and then to a Contractor Logistics Support contract to improve readiness. Also, the Air Force agreed to review the basing plan for all loaders to ensure optimum usage, and ensure that future Federal Acquisition Regulation Part 12 and Part 15 acquisitions adequately meet operational requirements.	Extensive time required to coordinate the transition from ICS to CLS and issue the basing plan review results for all loaders.	AF
D-2006-101, Acquisition: Procurement Procedures Used for C-17 Globemaster III Sustainment Partnership Total System Support, 7/21/2006	Complete a thorough Business Case Analysis that evaluates multiple sustainment options for the C-17 Globemaster III aircraft.	Normal time needed for implementation.	AF
D-2006-106, Allegations Concerning Mismanagement of the Aerial Targets Program, 8/4/2006	Issue guidance to 1) mitigate frequency interference risks and 2) emphasize Joint Tactical Radio System reporting requirements.	Delays continue due to personnel turnover and extended time needed for staffing of guidance.	AF
D-2006-107, Defense Departmental Reporting System and Related Financial Statement Compilation Process Controls Placed in Operation and Tests of Operating Effectiveness for the Period October 1, 2004, through March 31, 2005, 8/18/2006	Report is FOUO.	Corrective actions are on schedule.	DCMO, DISA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-108, Providing Interim Payments to Contractors in Accordance With the Prompt Payment Act, 9/1/2006	AT&L will establish a Defense Federal Acquisition Regulation Supplement case to evaluate the costs and benefits of revising the DoD policy of paying cost reimbursable service contracts on an accelerated basis (14 days). Also, the USD(C) will revise the DoD Financial Management Regulation, volume 10, chapter 7, entitled "Prompt Payment Act," to reflect the list of contract financing payments identified in the Federal Acquisition Regulations, Part 32.001.	Corrective actions are on schedule. Normal time required to update the DFARS.	USD(AT&L), USD(C), DFAS
D-2006-111, Expanded Micro-Purchase Authority for Purchase Card Transactions Related to Hurricane Katrina, 9/27/2006	Revise contingency-related purchase card guidance and improve efforts to disseminate and implement guidance. Also, establish a robust oversight presence and significantly strengthen internal controls to mitigate the risk of fraud, waste, and abuse.	Extensive time required to coordinate and issue policy.	AF
D-2006-114, Budget Execution Reporting at Defense Finance and Accounting Service Indianapolis, 9/25/2006	Develop and execute SOPs to: record and report obligations incurred against category codes that are consistent with the apportionment category codes; adjust the amounts submitted to the Treasury and reported on the Army Report on Budget Execution and Budgetary Resources; perform a quarterly reconciliation on those amounts; notify the Treasury when amounts on the OMB Report on Budget Execution and Budgetary Resources are not accurate; and disclose the existence of material unrecconciled differences in budget execution data as part of the footnote disclosures to the Army financial statements.	Long-term corrective actions are ongoing.	DFAS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-115, Acquisition: Commercial Contracting for the Acquisition of Defense Systems, 9/29/2006	DoD is in the process of clarifying the term "Commercial Item" in appropriate DoD guidance.	Extensive time required for the approval process to update DoD guidance.	USD(AT&L)
D-2006-117, American Forces Network Radio Programming Decisions, 9/27/2006	Issue draft DoD Instruction 5120.20 and DoD Manual 5120.20 to provide written policies, controls, and procedures for the radio programming decision-making process.	Extensive time needed to develop guidance as a result of formal standup of the Defense Media Activity.	ASD(PA)
D-2006-118, Financial Management: Financial Management of Hurricane Katrina Relief Efforts at Selected DoD Components, 9/27/2006	Processing the closeout of Hurricane Katrina mission assignments and returning reimbursable funding authority to the Federal Emergency Management Agency. Developing departmental guidance to reflect changes in financial management responsibilities.	Additional time needed for development of departmental guidance; corrective actions predicated upon actions by outside agencies.	USD(C)
D-2006-123, Program Management of the Objective Individual Combat Weapon Increment I, 9/29/2006	Report is FOUO.	Change in requirements and competing priorities.	Army
D-2007-010, Army Small Arms Program that Relates to Availability, Maintainability, and Reliability of Small Arms Support for the Warfighter, 11/2/2006	Army is following up on the findings and recommendations of the Soldier Weapons Assessment Team Report Number 6-03.	Lack of management attention.	Army
D-2007-024, Management and Use of the Defense Travel System, 11/13/2006	USD(P&R) will establish a process to collect complete, reliable, and timely DoD travel information and establish necessary improvements to maximize benefits of Defense Travel System.	Long-term corrective actions on schedule.	USD(P&R)
D-2007-025, Acquisition of the Pacific Mobile Emergency Radio System, 11/22/2006	Report is FOUO.	Extended time needed to analyze and resolve contract overcharges.	PACOM

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-029, Auditability Assessment of the Defense Intelligence Agency Business Processes for the Identification, Documentation, and Reporting of Property, Plant, and Equipment (U), 11/30/2006	Report is classified.	Corrective actions are on schedule.	DIA
D-2007-039, Information Assurance of Missile Defense Agency, 12/21/2006	Report is FOUO.	Corrective actions are on schedule.	MDA
D-2007-040, General and Application Controls Over the Financial Management System at the Military Sealift Command, 1/2/2007	Improve the reliability of financial information by strengthening the general and application controls over the Military Sealift Command's Financial Management System. Specifically, improve internal controls over entity-wide security program planning and management, access controls, software development and change controls, system software, segregations of duties, and service continuity.	Long-term corrective action on schedule.	Navy
D-2007-041, Navy General Fund Vendor Payments Processed By Defense Finance and Accounting Service, 1/2/2007	Update the DoD FMR to be in full compliance with Statement of Federal Financial Accounting Standards Number 1; improve the recording of DoN accounts payable transactions; identify the accounts payable recording as an assessable unit and develop procedures to test compliance with Navy General Fund; strengthen procedures to ensure that supporting documentation for all non-Electronic Data Interchange vendor payment transactions is adequately maintained.	Long-term corrective actions are ongoing.	USD(C), DFAS, Navy

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-043, Controls Over the Army, Navy, and Air Force Purchase Card Programs, 1/10/2007	The Army and Air Force will revise purchase card guidance and improve efforts to disseminate and implement guidance.	Extensive time required to coordinate and issue policy guidance.	Army, AF
D-2007-044, FY 2005 DoD Purchases Made Through the Department of the Interior, 1/16/2007	Revise the Army's internal policy on the proper use of non-DoD contract instruments.	Extensive time required to coordinate and issue policy guidance.	Army
D-2007-048, Navy Sponsor Owned Material Stored at the Space and Naval Warfare Systems Centers, 1/26/2007	The Navy is working to improve controls over the financial reporting of sponsor-owned material and inventory controls over sponsor-owned materials.	Corrective actions are on schedule.	Navy
D-2007-049, Equipment Status of Deployed Forces Within the U.S. Central Command (U), 1/25/2007	Report is classified.	Awaiting publication of pending guidance. ECD is 12/31/09.	USD(P&R)
D-2007-054, Quality Assurance in the DoD health care System, 2/20/2007	ASD(HA) will revise DoD6025-13-R, "Military Health System Clinical Quality Assurance Program Regulation," dated 6/11/04, to help Military Health System managers monitor and improve the quality of medical care in the MHS and mitigate the risk of financial loss. Upon revision of the DoD regulation, the Services will revise Service-level guidance as necessary.	Normal time required for implementing recommendations.	ASD(HA), Army, Navy, AF

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-055, Contract Administration of the Water Delivery Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers, 2/5/2007	The USACE Ordering Districts will monitor timeliness of bottled water deliveries and each contracting office and their internal review offices will review processes to ensure enforcement of contract time delivery parameters. The USACE will issue guidance addressing contract requirements for properly supported invoices and proper record-keeping and process actions to recoup disbursements associated with Government-ordered delay of work and unsupported payments to contractors.	Lack of management responsiveness.	Army
D-2007-057, Use and Controls Over Military Interdepartmental Purchase Requests at the National Geospatial-Intelligence Agency, 2/13/2007	Report is FOUO.	Corrective actions are on schedule.	NGA
D-2007-062, Department of the Navy Purchases for and From Governmental Sources, 2/28/2007	The DUSD Installations and Environment will update DoD I 4000.19 to include the requirements of the DoD Financial Management Regulation, Volume 11A, chapter 3.	Extensive time required to revise policy guidance.	USD(AT&L)
D-2007-065, Controls Over the Prevalidation of DoD Commercial Payments, 3/2/2007	Implement more effective internal controls to ensure that DoD matches each commercial payment request to the corresponding obligation and that, once prevalidated, the disbursement transaction correctly posts in the official accounting records without manual intervention.	Management corrective actions on schedule.	USD(C), DFAS, DCMO, Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-066, Navy Acquisition Executive's Management Oversight and Procurement Authority for Acquisition Category I and II Programs, 3/9/2007	Ensure that suitability deficiencies identified during testing of the AN/SPY-1D(V) Radar Upgrade System are resolved prior to production decision.	Extended time needed to fully resolve multiple major deficiencies in acquisition program.	Navy
D-2007-073, Financial Data Processed By the Medical Expense and Performance Reporting System, 3/21/2007	Develop appropriate accounting, measurement, and recognition methods for the data used in the MEPRS allocation process at the military treatment facilities.	Management corrective actions on schedule.	USD(C), Army, Navy, AF
D-2007-078, Audit Practices for the C-17 Globemaster III Sustainment Partnership Contract, 4/9/2007	The C-17 program officials will ensure that the contractor complies with the requirements of FAR 15.403-4 and provides Certified Cost or Pricing Data to support the price proposal for FY 2009-FY 2011. Additionally, the CCPD will be examined and confirmed to be current, accurate, and complete in accordance with the Truth in Negotiations Act.	Implementation has been delayed by resubmission of updated contractor proposals and DCAA scheduled reviews of material and labor proposals.	AF
D-2007-079, Performance-Based Service Contract for Environmental Services at the Navy Public Works Center, 4/3/2007	NAVFAC SW will expand the workload fluctuation language in future environmental services contracts to address amount limits exceeded and any changes to pricing, and will gather lessons learned and best practices and incorporate into future contracts.	Long-term corrective actions on schedule.	Navy
D-2007-084, Acquisition of the Navy Rapid Airborne Mine Clearance System, 4/11/2007	Report is FOUO.	Long-term corrective actions are in process.	Navy, DCMA
D-2007-085, Reporting of Navy Sponsor Owned Material Stored at the Naval Systems Command Activities, 4/24/2007	The Navy is working to improve financial reporting and controls over sponsor-owned material.	Corrective actions are on schedule.	Navy

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-086, Audit of Incoming Reimbursable Orders for the National Security Agency (U), 4/24/2007	Report is classified.	Corrective actions are on schedule.	NSA
D-2007-087, Internal Controls Over Army General Fund Transactions Processed by the Business Enterprise Information Services, 4/25/2007	DFAS will implement policy to maintain documentation of any off-line filter transaction corrections; reconcile combinations listed in the Filter Criteria Table with applicable guidance and document the justification for any differences; and document the BEIS transaction processing to include explanations for exceptions to normal processing.	Corrective actions will be verified during an upcoming audit.	DFAS
D-2007-094, Consolidation of Lockheed Martin Pension Accounting Records for Selected Business Acquisitions, 5/14/2007	Report is FOUO.	A U.S. Court decision is being appealed.	DCMA
D-2007-095, Consolidation of Raytheon Pension Accounting Records for Selected Business Acquisitions, 5/14/2007	Report is FOUO.	Corrective actions are dependent on legal actions that are in process.	DCAA, DCMA
D-2007-098, The Use and Control of Intragovernmental Purchases at the Defense Intelligence Agency, 5/18/2007	The DIA will establish procedures and controls over payments made in advance of receipt of goods and services and recognize expenses when the goods and services are received.	Corrective actions are on schedule.	DIA
D-2007-099, DoD Privacy Program and Privacy Impact Assessments, 6/13/2007	Modify DoD Directive 5400.11, "DoD Privacy Program," November 16, 2004; and Assess the DoD Privacy Program.	Corrective actions are ongoing.	DAM
D-2007-100, Audit of the Special Operations Forces Support Activity Contract, 5/18/2007	Report is FOUO.	Management corrective actions on schedule.	USD(AT&L), USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-110, Identification and Reporting of Improper Payments Through Recovery Auditing, 7/9/2007	The DoD will continue to work with the Navy to identify and disseminate lessons learned from its recovery audit.	Corrective actions are on schedule.	USD(C)
D-2007-114, DoD Garnishment Program, 7/19/2007	Take steps to improve the accuracy and completeness of amount garnished from current and retired DoD employees to pay debt obligations.	Awaiting final decision on automated systems implementation.	DFAS
D-2007-115, Audit of the Army Information Technology Enterprise Solutions-2 Services Contract, 9/9/2007	Improve small business participation in indefinite-delivery, indefinite-quantity contracts for information technology services by creating a small business set-aside.	Long-term corrective action on schedule.	Army
D-2007-118, Contract Administration of the Ice Delivery Contract Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers During the Hurricane Katrina Recovery Effort, 8/24/2007	Perform reconciliation of ice/water delivery invoices against USACE ticket receipts and contractor GPS data to determine accuracy of automated tracking system data.	Extensive time needed to perform reconciliation of ice/water delivery invoices.	Army
D-2007-119, Procurement of Propeller Blade Heaters for the C-130 Aircraft, 8/27/2007	The Defense Supply Center, Richmond, Va., will address the issue of changing the contracts deletion of items provision with Hamilton Sundstrand.	Corrective actions are on schedule.	DLA
D-2007-121, Emergency Supplemental Appropriations for DoD Needs Arising From Hurricane Katrina at Selected DoD Components, 9/12/2007	Seek reimbursement from FEMA for funds expended on the FEMA mission assignments related to Hurricane Katrina.	Extensive time required to coordinate and closeout FEMA mission assignments.	USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-128, Hotline Allegations Concerning the Defense Threat Reduction Agency Advisory and Assistance Services Contract, 9/26/2007	The DTRA will develop its acquisition strategy for future A&AS contracts with the goal of maximizing competition, and will determine whether a multiple award Indefinite-Delivery, Indefinite-Quantity contract is in the best interest of the Government.	Corrective action is on schedule.	DTRA
D-2007-131, Report on Follow-up Audit on Recommendations for Controls Over Exporting Sensitive Technologies to Countries of Concern, 9/28/2007	Establish follow-up procedures to ensure that timely and responsive actions are taken to implement all audit recommendations.	Extensive time required to coordinate and issue policy guidance.	USD(AT&L)
D-2007-132, Army Use of and Controls Over the DoD Aviation Into-Plane Reimbursement Card, 9/28/2007	Revise Army Regulation 710-2 to update requirements and appropriate use of the Aviation Into-Plane Reimbursement Card.	Long-term corrective actions are on schedule.	Army
D-2007-6-004, Defense Contract Management Agency Virginia's Actions on Incurred Cost Audit Reports, 4/20/2007	DCMA is working to assess and collect penalties as appropriate, improve internal controls over unresolved costs, and improve processes for taking timely and proper actions on audit report findings, including holding contracting officers accountable for their actions.	Corrective actions and efforts to verify corrective actions are ongoing.	DCMA
D-2008-002, DoD Salary Offset Program, 10/9/2007	Develop replacement systems or make modifications to existing systems to properly compute salary offsets for military members, retirees, and annuitants.	Extensive time required to develop replacement systems or make modifications to existing systems.	DFAS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-003, Auditability Assessment of the Defense Intelligence Agency Fund Balance with Treasury and Appropriations Received, 10/16/2008	DIA is working to: improve its ability to identify the DIA share of DoD undistributed disbursements and collections; decrease the materiality of the undistributed balance for DIA at the suballotment level; and establish processes to ensure all DIA limits are captured in DFAS monthly reports and the Cash Management Report process. In addition, DIA is working to ensure that: it reports funding authorization documents in the proper accounting period; the DFAS accounting and reporting system contains complete voucher data for reconciliation purposes; and the DFAS plan of actions and milestones and the service level agreement with DIA are specific enough to meet DIA needs.	DIA has not responded to requests for the status of corrective actions taken in response to the report.	DIA, DFAS
D-2008-005, National Security Agency Accounts Payable (U), 10/23/2007	Report is classified.	Corrective actions are on schedule.	NSA
D-2008-007, Task Orders on the Air Force Network-Centric Solution Contract, 10/25/2007	The Air Force will investigate the circumstances behind Air Force generated General Services Agency task orders and corrective actions will be based on the findings.	Corrective actions are on schedule.	AF
D-2008-032, Acquisition of the Surface-Launched Advanced Medium Range Air-To-Air Missile, 12/6/2007	Report is FOUO.	Required revision of program acquisition document has been delayed by program restructure.	Army
D-2008-034, Financial Management at the Defense Security Service, 1/3/2008	Improve financial management oversight.	Lack of management attention in fully implementing corrective actions.	USD(I)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-036, Follow-Up on FY 2006 DoD Purchases Made Through the Department of Veterans Affairs, 4/15/2008	USD(AT&L) establish a Memorandum of Agreement with the U.S. Department of Veterans Affairs that addresses the roles and responsibilities regarding contract administration and surveillance procedures. Also, USD(C) recover unexpended advance payments made to the VA Austin Automation Center.	Additional time needed for coordination of memorandum of agreement, validation of expired funds that were returned, and the recoupment of advance payments.	USD(AT&L), USD(C)
D-2008-041, Management of the General Fund Enterprise Business System, 1/14/2008	Improve justification, planning, and acquisition of the General Fund Enterprise Business System.	Corrective actions will be verified during an upcoming audit.	USD(C), DCMO, ASD(NII), Army, DFAS
D-2008-042, Reporting of Contract Financing Interim Payments on the DoD Financial Statements, 1/31/2008	Include consistent policy for capitalizing Research, Development, Test, and Evaluation expenses in the DoD Financial Management Regulation.	Extensive time required to revise and coordinate the regulation.	USD(C)
D-2008-043, Identification and Reporting of Improper Payments - Refunds From DoD Contractors, 1/31/2008	Improve processes to more accurately identify, report, and reduce improper payments.	Extensive coordination needed between DoD Components.	USD(C)
D-2008-044, Adequacy of Procedures for Reconciling Fund Balance with Treasury at the National Geospatial-Intelligence Agency, 1/31/2008	Improve reconciliation of transactions posted to the Fund Balance with Treasury general ledger account. Develop effective and efficient processes for identifying disbursement and collection transactions through all phases of processing.	Long-term corrective actions are ongoing.	DFAS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-045, Controls Over the TRICARE Over- seas Healthcare Program, 2/7/2008	ASD (HA) will implement recommendations to further control health care costs provided to overseas DoD- beneficiaries.	Normal time required for implementation of recom- mendations.	ASD(HA)
D-2008-047, Contingency Planning for DoD Mission- Critical Information Systems, 2/5/2008	DoD Component CIOs implement controls to verify that system owners developed and tested system contin- gency plans as required or support the assertions in their CIO Certification Memoran- dums about the completeness and accuracy of their infor- mation in the DoD Informa- tion Technology Portfolio Repository.	Corrective actions are on schedule.	11 Component CIOs
D-2008-048, Procuring Noncompetitive Spare Parts Through an Exclusive Dis- tributor, 2/6/2008	Report is FOUO.	Corrective actions are on schedule.	DLA
D-2008-050, Report on FY 2006 DoD Purchases Made Through the Department of the Treasury, 2/11/2008	Review and deobligate expired funds. Identify and facilitate return of expired or excess funding from the Department of Treasury.	Corrective actions are ongo- ing.	USD(C)
D-2008-052, Disbursing Operations Directorate at Defense Finance and Ac- counting Service Indianapolis Operations, 2/19/2008	DFAS is working to improve internal controls over: the processing of Intra-Govern- mental Payment and Collec- tion System transactions, ad- justments to IPAC suspense accounts, and the recon- ciliation of the "Statement of Differences-Deposits" report.	Corrective actions are on schedule.	DFAS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-053, Defense Finance & Accounting Service Kansas City Federal Managers' Financial Integrity Act, Federal Financial Management Improvement Act, & Federal Information Security Management Act Reporting for FY 2005, 2/19/2008	Review financial management processes and systems to identify material weaknesses and develop necessary remediation plans. Issue annual guidance on Federal Information Security Management Act and update procedure on record retention.	Long-term corrective actions are on schedule.	DFAS
D-2008-057, Contractor Past Performance Information, 2/29/2008	Reconcile active contracts with contracts registered in the Contractor Performance Assessment Reporting System, then register and begin reporting on unregistered active contracts and newly awarded contracts.	Corrective actions are ongoing.	USD(AT&L)
D-2008-061, Controls Over Funds Used by the Air Force and National Guard Bureau for the National Drug Control Program, 3/7/2008	Include requirements for gathering and including transaction-level data in guidance, and correct the causes for the inaccurate leave balances and ensure that the same deficiencies will not occur in the scheduled replacement system.	Management corrective actions on schedule.	NGB
D-2008-063, Vendor Pay Disbursement Cycle, Air Force General Fund, 3/12/2008	Establish and maintain adequate and effective internal control over the Air Force vendor pay disbursement cycle. Determine whether the government should be recording the third-party liability for subcontractors work on certain kinds of contracts.	Management corrective actions on schedule.	AF
D-2008-066, FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior, 3/19/2008	Improve the acquisition process for DoD procurements made through interagency agreements.	Corrective actions are ongoing.	Army, Navy
D-2008-067, DoD Procurement Policy for Body Armor, 3/31/2008	Revise the Army's internal policy on the proper use of non-DoD contract instruments.	Extensive time required to coordinate and issue policy guidance.	Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-069, Controls Over Army Working Capital Fund Inventory Stored by Organizations Other than Defense Logistics Agency, 3/28/2008	The Army is working to improve controls in the timeliness of physical inventories, separation of duties, implementation of location audit programs, and inventory adjustment research at the audited storage activities.	Corrective actions are on schedule.	Army
D-2008-070, Management of Noncombatant Evacuation Operations Within the U.S. Pacific Command (U), 3/25/2008	Report is classified.	Corrective actions are on schedule.	PACOM, USFK
D-2008-071, Management of Noncombatant Evacuation Operations in Japan (U), 3/28/2008	Report is classified.	Corrective actions are on schedule.	PACOM
D-2008-072, Controls Over Army Real Property Financial Reporting, 3/28/2008	The Army is working to ensure compliance with the new costing methodology for assigning costs to the real property users and to correct misstatements in the Army financial statements. The Army is also working to implement a common business process for creating a subsidiary ledger file to support the property management and financial reporting of AWCF and AGF real property assets. Further, the Army is working to improve the accuracy and efficiency of the transfer of construction-in-progress costs between accounting and property management systems.	Corrective actions are on schedule.	USD(C), Army, DFAS
D-2008-077, United States Army Corps of Engineers Financial Management System, 4/8/2008	Report is FOUO.	Corrective actions are on schedule.	Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-079, Management of Incremental Funds on Air Force Research, Development, Test, and Evaluation Contracts, 4/8/2008	Conduct preliminary Anti-deficiency Act investigations, establish procedures to track and record deferral charges as unfunded liabilities for accounts payable, and clarify the use of Research, Development, Test, and Evaluation funds.	Management corrective actions on schedule.	AF
D-2008-081, Controls Over the Reconciliation of Defense Logistics Agency Non-Energy Inventory Balances, 4/25/2008	Complete system modifications, perform cost benefit analysis, and update policy and training,	Long-term corrective actions are ongoing.	DLA
D-2008-082, Summary Report on Potential Antideficiency Act Violations Resulting From DoD Purchases Made Through Non DoD Agencies (FY 2004 Through FY 2007), 4/25/2008	Complete formal investigations of potential Antideficiency Act violations arising from interagency agreements.	Time needed to complete formal investigations.	USD(C)
D-2008-089, Planning Armor Requirements for the Family of Medium Tactical Vehicles, 5/9/2008	Update the capabilities documents for the FMTV to include armor kit requirements. Once these requirements are approved, document plans for the future distribution of the armor kits.	Extended time needed to develop the overarching vehicle protection strategy upon which the armor requirements will be based.	Army
D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, 5/13/2008	AT&L is working to revise the guidance and criteria for performing the annual and end-of-day inventory reconciliations in DoD4000.25-2-M, "Military Standard Transaction Reporting and Accounting Procedures." The Army is also working to update its regulations, policies, and procedures.	Corrective actions are on schedule.	USD(AT&L), Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-091, General Controls of the Capital Asset Management System-Military Equipment, 5/13/2008	Improve the reliability of financial information by strengthening the general controls over the Capital Asset Management System-Military Equipment. Specifically, improve internal controls over entity-wide security program planning and management, access controls, software development and change controls, segregations of duties, and service continuity.	Corrective actions and efforts to verify corrective actions are ongoing.	USD(AT&L)
D-2008-092, Controls Over the Department of the Navy Working Capital Fund Inventory Stored at Non-Defense Logistics Agency Organizations, 5/13/2008	Ensure proper training of warehouse personnel, resolve inaccuracies, implement procedures, and complete location surveys.	Corrective actions are ongoing.	Navy
D-2008-093, Processing of Deceased Retired Military Members' Suspended Accounts, 5/14/2008	Recover erroneous payments and terminate suspended accounts after 6 years.	Corrective actions are ongoing.	DFAS
D-2008-094, Air Force Air Combat Command Contracts, 5/20/2008	Review of contracts awarded under the Small Business Act to Alaska Native Corporations to ensure that required Federal Acquisition Regulation requirements and clauses were included.	Corrective actions are ongoing.	AF
D-2008-097, Hurricane Relief Effort Costs on the Navy Construction Capabilities Contract, 5/23/2008	The Navy will pursue a refund from Kellogg, Brown, and Root for \$1.4 million for unreasonable lease charges and fees, and will work with the Defense Contract Audit Agency to determine what amount of markups paid on purchased material represent profit and/or improper charges and pursue a refund from KBR.	Corrective actions are on schedule.	Navy

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-098, Internal Controls Over Payments Made in Iraq, Kuwait and Egypt, 5/22/2008	Revise the checklist provided to deployed finance offices to address the Prompt Payment Act and employer identification number requirements.	Long-term corrective action on schedule.	Army
D-2008-101, General Controls Over the Standard Accounting, Budgeting, and Reporting System, 6/6/2008	DFAS is working to clearly assign security responsibilities to the Standard Accounting, Budgeting, and Reporting System Program Management Office. The SABRS Program Management Office is working to coordinate with all parties responsible for security over SABRS.	Corrective actions are on schedule.	DFAS
D-2008-105, Defense Emergency Response Fund, 6/20/2008	Deobligate all unpaid obligations more than two years old and withdraw all excess DERF funding that authorities provided to the Components. Also, revise DoD FMR, chapter 6 to provide guidance and assign responsibilities for the use of DERF for overseas disaster and humanitarian assistance.	Additional time required to complete withdrawal of excess DERF funding and to coordinate and issue policy.	USD(C)
D-2008-107, Contracts Issued by TACOM Life Cycle Management Command To BAE Systems Land and Armaments, Ground Systems Division, 7/3/2008	The Defense Contract Management Agency will issue guidance to reinforce the Federal Acquisition Regulation negotiation memorandum requirements. The Defense Contract Audit Agency will conduct post award audits of applicable pricing actions based on a risk assessment considering the potential for these actions to be overpriced.	Corrective actions are on schedule.	DCMA, DCAA
D-2008-108, Agreed-Upon Procedures Related to the 10th Edition of the Army Chief Financial Officers Strategic Plan, 7/18/2008	Implement the standards and guidance issued by the Deputy Assistant Secretary of the Army (Financial Operations).	Management corrective actions on schedule.	DFAS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-109, Controls and Compliance of the Joint Personnel Adjudication System, 7/21/2008	Report is FOUO.	Management corrective actions on schedule.	DSS
D-2008-114, Accountability for Defense Security Service Assets with Personally Identifiable Information, 7/24/2008	Revise DOD I 5000.64 and implement planned improvements to property accountability.	Normal time required for implementation of recommendations.	USD (AT&L), USD (I)
D-2008-117, Accuracy of Mechanization of Contract Administration Services Accounts Payable Information, 11/12/2008	Revise guidance and implement changes to systems.	Long-term corrective action on schedule.	USD(AT&L), DCMA
D-2008-118, Host Nation Support of U.S. Forces in Korea, 8/25/2008	Conduct joint reviews of accounting and disbursing procedures for Labor Cost Sharing funds. Require that all LCS funds contributed by the Republic of Korea remain in the Restricted Account until fully disbursed. Also, USFK will update USFK Regulation 37-2 and incorporate the processes and procedures in support of LCS.	Extensive coordination needed between DoD Components to conduct joint reviews of accounting and disbursing policy, and update appropriate policy guidance.	USD(C), USFK, AF
D-2008-121, Internal Controls for Air Force General Fund Cash and Other Monetary Assets, 8/18/2008	The Office of the Deputy Assistant Secretary of the Air Force (Financial Operations) is to issue a memorandum to base comptrollers regarding semiannual cash authority requests.	Management corrective actions on schedule.	AF
D-2008-123, Internal Controls Over Navy General Fund, Cash and Other Monetary Assets Held Outside of the Continental United States, 8/26/2008	Establish procedures to ensure the disbursing officer obtains the most beneficial exchange rate when exchanging U.S. dollars for Bahraini dinars.	Additional time needed to coordinate and issue policy guidance.	Navy
D-2008-124, Management of the Noncombatant Evaluation Operations Tracking System by U.S. Forces Korea, 8/21/2008	Report is FOUO.	Actions are nearing completion.	USFK, JS, Army, DMDC

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-128, Reimbursable Fees at the Major Range and Test Facility Bases, 9/10/2008	The Naval Air Warfare Center's Weapons Division will alter their methodology for determining utility and labor charges so that charges to DoD customers do not exceed the direct cost for the use of the facilities.	Utility load study to estimate the appropriate usage rates for the Fiscal Year 2010 rate structure is ongoing.	Navy
D-2008-129, Acquisition of the Army Airborne Surveillance, Target Acquisition, and Minefield Detection System, 9/10/2008	Revise the memorandum of agreement between the acquisition managers involved with ASTAMIDS to clarify the working relationships needed to develop ASTAMIDS as part of the Future Combat Systems.	Revised working agreement delayed by program restructuring.	Army
D-2008-130, Approval Process, Tracking, and Financial Management of DoD Disaster Relief Efforts, 9/17/2008	Clarify the term "appropriateness" and reflect the new organizations, roles, and responsibilities in the DoD3025 guidance series.	Extensive time needed to coordinate and issue policy.	JS, USD(C), ASD(HD), NORTHCOM
D-2008-131, Security of Radio Frequency Identification Information, 9/19/2008	Report is FOUO.	Coordination of additional guidance is ongoing.	USD(AT&L)
D-2008-132, Ocean Freight Transportation Payments Using Power Track, 9/26/2008	Report is FOUO.	Management corrective actions on schedule.	Army
D-2008-134, Acquisition of the B-1 Fully Integrated Data Link, 9/22/2008	Ensure that Common Link Integration Processing software, a critical B-1 FIDL technology, is mature prior to program production decision.	Following software development slippage, testing strategy revised to reduce program risk.	AF
D-2008-135, Requiring Radio Frequency Identification in Contracts for Supplies, 9/29/2008	The Navy will report compliance on a semi-annual basis for contracts awarded in the previous quarter.	Corrective actions are on schedule.	Navy

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2008-136, Payments for Patients Referred To Overseas Providers Under the Supplemental Health Care Plan, 9/30/2008	Transfer responsibility to a qualified health care claims processor for processing and paying claims for overseas health care referred by military treatment facilities. Recoup funds expended through duplicate payments identified during the audit.	Normal time required for implementation of recommendations.	ASD(HA)
08-INTEL-03, Review of Threat Assessment Guidance Regarding Nuclear Weapons Located Outside the Continental United States (U), 3/29/2008	Report is classified.	Corrective actions are ongoing.	ATSD(NCB)
08-INTEL-08, Report on Joint Forces Command Military Interdepartmental Purchase Requests for the Lower Tier Project Office, 6/20/2008	Report is FOUO.	Corrective actions are on schedule.	JFCOM

APPENDIX G

SIGNIFICANT OPEN RECOMMENDATIONS

Managers accepted or proposed acceptable alternatives for 98 percent of the 215 DoD IG audit recommendations rendered in the last six months of FY 2009. Many recommendations require complex and time consuming actions, but managers are expected to make reasonable efforts to comply with agreed upon implementation schedules.

Although most of the 1005 open actions on DoD IG audit reports being monitored in the follow-up system are on track for timely implementation, there were 193 reports more than 12 months old for which management has not completed actions to implement the recommended improvements.

Significant open recommendations that have yet to be implemented follow:

- Recommendations from multiple reports on financial management and accounting issues, which involve making numerous revisions to the DoD Financial Management Regulations to clarify accounting policy and guidance, have resulted in initiatives that are underway to publish and implement improved guidance. In addition, recommendations to improve accounting processes and internal controls over financial reporting and related financial systems have resulted in initiatives that are underway to correct financial systems deficiencies. Implementation of these corrective actions will en-

able the Department to provide accurate, timely, and reliable financial statements. In 2004, the DoD IG reported on significant unresolved abnormal balances in both the proprietary and budgetary accounts used in compiling the Army General Fund financial statements. The auditors recommended that DFAS identify the abnormal balances and research the causes for the differences. DFAS agreed pending the implementation of the Business Enterprise Information Services. Based on the most recent audit of the Army General Fund financial statements, the auditors concluded that the issue of abnormal balances in accounting records continues to be an issue. In addition to the financial data compilation

and abnormal balance issues impacting the Department's financial statements, other ongoing issues include those relating to budget execution, cash management, and financial system development and deployment.

- Recommendation made in 2005 to follow the guidance established by National Institute of Standards and Technology or issue interim guidance that requires all DoD agencies to follow NIST criteria for the issue-areas identified until the DoD develops criteria for an information technology security certification and accreditation process that are more stringent than those for NIST Publications. DoD is working with NIST, the Office of the Director of National Intelligence, the Intelligence Community, the Committee on National Security Systems and other Federal agencies to develop a common set of information security controls, a risk management framework, and a high-level security certification and accreditation process that can meet the needs of all federal agencies for managing and operating both national security and non-national security systems.

- Recommendations made in 2004 to clarify guidance on the differences between force protection and antiterrorism in DoD policies and procedures and revise existing antiterrorism plans in accordance with DoD policy. DoD revised its applicable guidance in October 2006. The Marine Corps is now in the process of updating its corresponding guidance.

- Recommendations made in three reports in 2008 to improve management of Noncombatant Evacuation Operations within the U.S. Pacific Command to protect U.S. citizens in the event they must be removed from harm's way. The reports focused on NEO operations in Japan and Korea because of the presence of U.S. military and U.S. citizens in those countries, and because of the magnitude of DoD involvement in an NEO, if ordered. Actions are underway to improve management and coordination of NEO plans.

- Recommendations from multiple reports in the high-risk area of personnel security. Some of the most significant of these include: establishment of minimum training and experience requirements and a certification program for personnel granting security clearances; issuance of policy on the access by all contractors, including foreign nationals, to unclassified but sensitive DoD IT systems; establishment of policy on access reciprocity and a single, integrated database for Special Access Programs; development of DoD-wide backlog definitions and measures; and improvement of the projections of clearance requirements for industrial personnel. Progress on the unprecedented transformation of the personnel security program is slow. Implementation of multiple report recommendations is pending the issuance of revised DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R.

- Recommendations from several reports involve clarifying and improving DoD policy guidance and procedures covering the roles and responsibilities of contracting personnel. These recommendations address requirements for obtaining cost or pricing data, conducting price analysis, determining price reasonableness, fulfilling competition requirements, use of multiple-award contracts, monitoring contractor performance, and maintaining past performance data on contractors. Corrective actions are underway to improve DoD contracting procedures related to source selection, interagency acquisitions, and contract surveillance and reporting.

- Recommendations from several reports address issues regarding improvements in oversight responsibilities and management controls relating to the purchase card program. These recommendations include: ensuring all cardholders and approving officials receive the required initial and refresher purchase card training; effectively managing the span of control over purchase card accounts; conducting oversight reviews of approving official accounts to verify compliance with DoD purchase card guidance; ensuring proper retention of documents for all accounts; and adequately enforcing existing controls throughout the purchase card process. The Army and Air Force are still in the process of updating their guidance to conform to corresponding DoD policy.

APPENDIX H

ACRONYMS

(AAAB) Al Asad Air Base	(DFAS) Defense Finance and Accounting Service
(AAO) Army Acquisition Objective	(DIB) Defense Industrial Base
(ACC) Army Contracting Command	(DIIS) Directorate of Intelligence and Information Sharing
(ACIP) Aviation Career Incentive Pay	(DoD) Department of Defense
(ACSIM) Army Chief of Staff Information Management	(DoJ) Department of Justice
(AED) Afghanistan Engineering District	(DoN) Department of Navy
(AFAA) Air Force Audit Agency	(DoS) Department of State
(AFB) Air Force Base	(DTS) Defense Travel System
(AFCENT) Air Forces Central Command or Allied Forces Central Europe	(EOD) Explosive Ordnance Disposal
(AFOSI) Air Force Office of Special Investigations	(FAR) Federal Acquisition Regulation
(AFRL) Air Force Research Laboratory	(FBI) Federal Bureau of Investigation
(ANA) Afghan National Army	(FDA) Food and Drug Administration
(ANG) Air National Guard	(FED) Far East District
(ANP) Afghan National Police	(FFMIA) Federal Financial Management Improvement Act
(ANSF) Afghan National Security Forces	(FISA) Foreign Intelligence Surveillance Act
(AFSO) Air Force Smart Operations	(FISC) Fleet Industrial and Supply Center
(ASC) Army Sustainment Command	(FOIA) Freedom of Information Act
(ASF) Afghan Security Forces	(FOUO) For Official Use Only
(BRAC) Base Realignment and Closure	(FMWRC) Family and Morale, Welfare, and Recreation Command
(CbT) Combating Terrorism Directorate	(FY) Fiscal Year
(CCIU) Computer Crime Investigative Unit	(GAO) Government Accountability Office
(CECOM) Communications Electronics Command	(GRD) Gulf Region Division
(CEO) Chief Executive Officer	(GoJ) Government of Japan
(CERP) Commanders Emergency Response Fund	(GWA) Guam Waterworks Authority
(CID) Criminal Investigation Command	(GWOT) Global War on Terror
(CIO) Chief Information Officer	(HBT) Heterojunction Bipolar Transistors
(CITF) Criminal Investigation Task Force	(HMMWV) High Mobility Multipurpose Wheeled Vehicle
(CITFHQ) Commander, Joint Task Force	(HOA) Horn of Africa
(CJTF) Combined Joint Task Force	(HQ USAFE) Headquarters United States Air Force Europe
(CONUS) Continental United States	(HRP) High risk personnel
(COR) Contracting Office Representative	(IA) Information Assurance
(CRI) Civilian Reprisal Investigation	(IACP) International Association of Chiefs of Police
(CSTC-A) Combined Security Transition Command-Afghanistan	(ICE) Immigration and Customs Enforcement
(CTO) Counter Threat Operations	(IED) Improvised Explosive Device
(CTR) Currency Transaction Report	(I-FIRE) Iraqi Firearms Interdiction and Recovery Effort
(DA) Department of the Army	(IG) Inspector General
(DAU) Direct Action Units	(ISAF) International Security Assistance Force
(DCAA) Defense Contract Audit Agency	(ISO) Investigations of Senior Officials
(DCIS) Defense Criminal Investigative Service	(IT) Information Technology
(DCMA) Defense Contract Management Agency	(JCC-I/A) Joint Command control-Iraq/Afghanistan
(DCPS) Defense Civilian Personnel Command	(JCIU-A) Joint Counterintelligence Unit- Afghanistan
(DERF) Defense Emergency Response Fund	(JEFF) Joint Expeditionary Forensic Facilities
(DFARS) Defense Acquisition Regulation System	(JGPO) Joint Guam Program Office
	(JMRC) Joint Multinational Readiness Center

(JPEC) Joint Prosecution and Exploitation Center	(OMB) Office of Management and Budget
(JTTF) Joint Terrorism Task Force	(OPFOR) Opposing Force or Opposition Force
(KBR) Kellog, Brown and Root Inc.	(OSD) Office of Secretary of Defense
(KCIC) Criminal Investigations Command Ministry of National Defense, South Korea	(OUSD(I)) Office of the Undersecretary of Defense for Intelligence
(KMCC) Kaiserslautern Military Community	(PEG) Program Evaluation Group
(LBB) Landesbetrieb Liegenschafts and Baubetreuung	(PII) Personally Identifiable Information
(LBE) Left-Behind Equipment	(POM) Program Objective Memorandum
(LEP) Law Enforcement Program	(PRC) People's Republic of China
(LMP) Logistics Modernization Program	(PSB) Protective Service Battalion
(LOGCAP) Logistics Civil Augmentation Program	(PSVA) Personal Security Vulnerability Assessment
(MCIO) Military Criminal Investigative Organization	(SAPCO) Special Access Program Central Office
(MFLC) Military Family and Life Counseling	(SECAF) Secretary of the Air Force
(MILCON) Military Construction	(SMDC) Space and Missile Defense Command
(MNF-I) Multi-National Force-Iraq	(SOF) Special Operations Forces
(MNSTC-I) Multi-National Security Transition Command-Iraq	(SOFSA) Special Operations Forces Support Activity
(MoD) Ministry of Defense	(STAAT) Security, Training, Assistance, and Assessment Teams
(MoI) Ministry of Interior	(ST/STE) Special Tools and Special Test Equipment
(MPFU) Major Procurement Fraud Unit	(SWAT) Special Weapons and Tactics
(MRAP) Mine Resistant Ambush Protected Vehicles	(TSE) Tactical Site Exploitation
(MRI) Military Reprisal Investigation	(TRW) Thompson Romo Wooldridge
(MWR) Morale, Welfare, and Recreation	(ULO) Unliquidated Obligation
(NAVAIR) Naval Air Systems Command	(USAAA) United States Army Audit Agency
(NAVAUDSVC) Naval Audit Service	(USACE) U.S. Army Corps of Engineer
(NAVFAC) Naval Facilities Engineering Command	(USACIL) United States Army Criminal Investigation Laboratory
(NAVPERSCOM) Navy Personnel Command	(UAH) Up-Armored Humvee [HMMWV]
(NAWCTSD) Naval Air Warfare Center Training Systems Division	(USCENTCOM) U.S. Central Command
(NCIS) Naval Criminal Investigative Service	(USD) U.S. Dollar
(NCO) Noncommissioned Officer	(USD(C)/CFO) Under Secretary of Defense (Comptroller/Chief Financial Officer)
(NIH) National Institute of Health	(USD(I)) Under Secretary of Defense for Intelligence
(NIIA) National Information and Investigation Agency	(USMC) United States Marine Corps
(NJTTF) National Joint Terrorism Task Forces	(USN) United States Navy
(NTV) Nontactical Vehicles	(USSOCOM) United States Special Operations Command
(OCO) Overseas Contingency Operation	(USTRANSCOM) U.S. Transportation Command
(OCONUS) Outside Continental United States	(UTC) Unit Type Code
(ODCS) Office of the Deputy Chief of Staff	(VA) Veterans Administration
(OIC) Officer in Charge	(VDP) Voluntary Disclosure Program
(OIF) Operation Iraqi Freedom	(WAWF) Wide Area Workflow
(OEF) Operation Enduring Freedom	(WIC) Weapons Investigation Cell
(OGE) Office of Government Ethics	



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