

Inspector General

United States
Department of Defense



Semiannual Report to the Congress

April 1, 2008 - September 30, 2008

Required by Public Law 95-452



OFFICE OF THE INSPECTOR GENERAL DEPARTMENT OF DEFENSE



VISION STATEMENT


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

MISSION STATEMENT

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

CORE VALUES

Accountability • Integrity • Efficiency

- 
- Goal 1* Improve the economy, efficiency, and effectiveness of Department of Defense personnel, programs, and operations.
- Goal 2* Eliminate fraud, waste, and abuse in the programs and operations of the Department.
- Goal 3* Ensure the efficiency and effectiveness of DoD IG products, processes, and operations.

Message from the Inspector General

The Department of Defense Inspector General Semiannual Report to Congress for the reporting period covering April 1, 2008 to September 30, 2008, is more than just a means of complying with the Inspector General Act of 1978, as amended. It is the embodiment of two important concepts upon which this organization is based – accountability and transparency. In the course of exercising our statutorily mandated mission to detect and prevent fraud, waste and abuse within the Department of Defense, we demand accountability and transparency from others. So it is fitting that we apply those same standards to ourselves, which is the purpose of this report.



This is our report card. It provides Congress and the U.S. taxpayer with a detailed account of what this organization has done during the second half of Fiscal Year 2008. To better understand the challenges we face, it is important to remember that the Department of Defense is America's oldest and largest government agency, as well as being the Nation's largest employer with around 3 million active duty, civilian, National Guard, and Reserve forces.


The challenges of providing effective oversight are enormous and complex. So in order to better understand them and the role of the DoD IG, we have divided them into five functional challenge areas – financial management; acquisition processes and contract management; joint warfighting and readiness; information security and privacy; and health care. As you read through this report, you will learn about what the DoD IG and our counterparts in the Department have accomplished in these areas.

During this reporting period DoD IG audit issued 64 reports and identified \$743 million in funds that could be put to better use. DoD IG investigations included work in the areas of cyber crime and computer intrusion; the illegal transfer of technology and sensitive equipment; corruption and fraud; and defective, substituted, and substandard products. Investigations returned a total of \$398 million to the U.S. government.

DoD IG intelligence oversight included work in the areas of personnel security; special access programs; evaluating the policies, practices, and capabilities for security and control of U.S. nuclear weapons; and other sensitive areas within the Department. Policy and Oversight issued 23 oversight reports in such areas as medical care for wounded warriors and initiatives to improve the DoD safety program. Special Plans and Operations deployed teams to Iraq, Afghanistan, and Pakistan to provide real time assessments such as the "Assessment of Arms, Ammunition, and Explosives Accountability and Control; Security Assistance; and Sustainment for the Iraq and Afghan Security Forces" as well as the "Assessment of DoD-Funded Programs supporting the Government of Pakistan."

These accomplishments have a direct impact on supporting the four focus areas that the Secretary of Defense has established for the Department. They are to prevail in the Global War on Terror; strengthen joint warfighting capabilities; focus on people; and transform enterprise management.

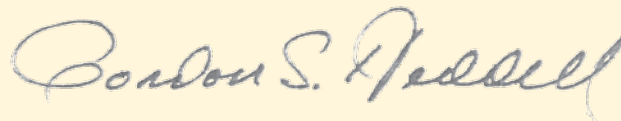
Ultimately, we are accountable to the American people and to the warfighters who have been called upon to defend America. This is our report to them and why we have gone to great lengths to be as open and informative as possible. In addition, it is essential that we work together with the Department, to facilitate credibility, integrity and efficiency in its programs and operations.



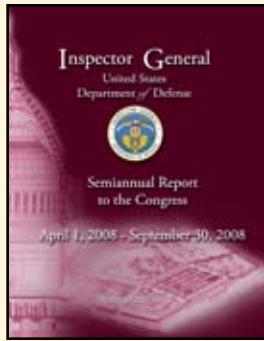
I want to thank our DoD IG employees for the work they do to support Congress, the Department, and especially our warfighters who are bravely serving our country. Many of the audits, investigations, evaluations, and assessments produced are used by Congress and senior leadership in the Department to improve the economy and efficiency of vital DoD programs and operations.

In closing, we wish to express our gratitude to, and admiration for the people we serve – the men and women in DoD, both military and civilian. Our commitment to them is to continue to provide independent, objective, timely and relevant information to the Department, Congress, and the American people.

Submitted October 31, 2008.



Gordon S. Heddell
Acting Inspector General



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DoD IG Reporting Requirements

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...”	57-83
Section 5 (a)(2)	▶ “description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies...”	57-83
Section 5 (a)(3)	▶ “identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed...”	116-117
Section 5 (a)(4)	▶ “a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted...”	57-83
Section 5 (a)(5)	▶ “a summary of each report made to the [Secretary of Defense] under section 6(b)(2)...” (instances where information requested was refused or not provided,)	N/A
Section 5 (a)(6)	▶ “a listing, subdivided according to subject matter, of each audit report issued...” showing dollar value of questioned costs and recommendations that funds be put to better use.	127-141
Section 5 (a)(7)	▶ “a summary of each particularly significant report...”	57-83
Section 5 (a)(8)	▶ “statistical tables showing the total number of audit reports and the total dollar value of questioned costs...”	143
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...”	143
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...”	143
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...”	144
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...”	144
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...”	147-192
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CHAPTER 1: GLOBAL WAR ON TERROR





DEPARTMENT OF DEFENSE INSPECTOR GENERAL

These are the people we work for....



and they deserve the best!

GLOBAL WAR ON TERROR GOALS

A look at the Global War on Terror goals of the Department of Defense Inspector General



The DoD IG is committed to supporting the GWOT and the needs of the men and women fighting this war. Overall, the DoD IG is responsible for providing oversight to more than \$800 billion in funds dedicated for the GWOT. The responsibility of the DoD IG is to identify and help fix critical mission support problems that impact Operations Enduring Freedom and Iraqi Freedom. The DoD IG has established the following goals:

GOAL 1

Increase the DoD IG presence in Southwest Asia to work on priority issues directly supporting efforts for Operation Enduring Freedom and Operation Iraqi Freedom.

GOAL 2

Expand coverage of DoD GWOT-related programs and operations by providing oversight in fundamental areas such as contract surveillance, financial management, accountability of resources, as well as training and equipping of personnel.

GOAL 3

Continue to actively support Joint Terrorism Task Forces, and increase efforts to prevent the illegal transfer of strategic technologies and U.S. Munitions List items to proscribed nations, terrorist organizations, and other criminal enterprises.

GOAL 1: INCREASE DOD IG PRESENCE

To accomplish its oversight mission, the DoD IG has adopted a strategy that is based on maintaining the right-size presence in theater, but which also recognizes that much of our work can be done away from the war zones, ensuring safety of personnel and saving the unnecessary monetary funds it would cost to send our people there. An important part of our oversight effort is to improve inter-service and inter-agency coordination and collaboration to minimize duplication of effort and ensure that we have only the staff needed in theater to accomplish the mission.

To provide a more effective and efficient oversight role, the DoD IG has established field offices in strategic Southwest Asia locations and continues key placement of DoD IG personnel in Southwest Asia. This facilitates timely reviews and reporting of results in theater and minimizes disruption to the warfighter. The DoD IG has adopted an expeditionary workforce model to support efforts throughout all of Southwest Asia. The DoD IG has core staff forward deployed at all times. The core contingent is comprised of individuals serving between 6 and 12 month deployments. Expeditionary team members deploy for as long as needed to complete the review. The actual number of auditors, investigators, and inspectors in Southwest Asia fluctuates depending on the requirements.

AFGHANISTAN



As additional resources for the Global War on Terror are needed in Afghanistan, the DoD IG must begin to relocate its oversight capabilities to the rebuilding country. In addition to maintaining its current levels in Iraq, the DoD IG is now expanding its operations in Afghanistan, which has placed additional requirements on an already lean workforce.



Auditors obtaining viewpoint of a DoD surgeon in Afghanistan.

To accomplish its mission and meet its requirements, the DoD IG has adopted a strategy involving both permanent staff in-country supplemented by visiting teams of auditors, agents and investigators who serve in the area on a temporary basis as they focus on specific tasks and issues. This is an important part of the DoD IG mission as we attempt to stamp out instances of fraud, waste and abuse in an increasingly heated conflict.

The DoD IG Afghanistan Field Office at Bagram Air Base was established in coordination with the Commander, Combined Joint Task Force-82 and the U.S. Central Command. It is staffed by three full time auditors, who, along with a six-member expeditionary team are conducting several projects including audits on “The Procurement and Use of Nontactical Vehicles at Bagram Air Field, Afghanistan” and “Management and Accountability of Property Purchased at Regional Contracting Centers in Afghanistan.” In addition, the auditors in Afghanistan

issued a report regarding contingency construction contracting procedures implemented by the Joint Contracting Command-Iraq/Afghanistan. Our auditors in Afghanistan are providing support to DoD IG teams based in the continental United States looking at contractor issues within Southwest Asia.

Additionally, DCIS has established a full-time presence in Afghanistan. Two special agents are deployed to Afghanistan. These agents work alongside partner agencies, such as the U.S. Army Criminal Investigation Command and the Federal Bureau of Investigation to investigate fraud, waste, and abuse impacting theater operations.

IRAQ



In coordination with the Commanding General, Multi-National Force-Iraq and the U.S. Central Command, the DoD IG established field offices in Iraq at Camp Victory and the International Zone. The Iraq offices are staffed with up to five auditors at a time. Auditors from the Iraq offices recently performed a joint follow-up review with the MNF-I Inspector General's Office on the equipment status of forces in Iraq. In addition, the DoD IG has assigned auditors in Iraq to provide the Defense Criminal Investigative Service support for ongoing criminal investigations pertaining to contract fraud. The auditors in Iraq also provide support to DoD IG teams based in the continental United States performing oversight related to Iraq such as the management of contractor issues within Southwest Asia and the Army Reset program.

DCIS has established a permanent presence in Iraq. Two special agents are currently assigned to the International Zone and one special agent is assigned to Camp Victory. At the end of September 2008, DCIS deployed one special agent to the Balad Airbase. An additional special agent has been temporarily deployed to support a special cell investigating issues relating to weapons accountability. These in-theater agents are the forward deployed elements of the approximately 85 DCIS special agents in CONUS and OCONUS participating in Southwest Asia investigations.

QATAR



The DoD IG established a field office in Qatar collocated with U.S. Central Command Air Forces on Al Udeid Air Base, Qatar. The Qatar office is our logistical support hub to facilitate our oversight staff deploying into and redeploying from theater to conduct oversight efforts. The Qatar office staff facilitates and may augment other teams that require temporary travel in theater to conduct specific reviews. Also, the personnel in Qatar are providing support to DoD IG teams based in the continental United States looking at the management of contractor issues within Southwest Asia.

KUWAIT



The DoD IG field office in Kuwait is staffed by two DCIS special agents who are focused on contract fraud, corruption, and other potential criminal activities in Kuwait that impact Southwest Asia efforts. These agents are collocated and work jointly with special agents from the U.S. Army Criminal Investigation Command and the FBI.

GOAL 2: EXPAND DOD IG OVERSIGHT

GWOT, especially operations in Southwest Asia, continues to be a top priority of the DoD IG and its five components (Auditing, Investigations, Policy and Oversight, Intelligence, and Special Plans and Operations) have 224 ongoing or completed projects; 71 in Auditing, 134 in Investigations, 9 in Policy and Oversight, 5 in Intelligence, and 5 in Special Plans and Operations.

Those 224 projects provide oversight of various functions and activities such as contracts, readiness, logistics, funds management, contract fraud, accountability, theft, corruption, and intelligence efforts. DoD IG has completed or is conducting oversight efforts that cover approximately \$102.8 billion related to DoD GWOT efforts.

To maintain a forward presence, the deployment and redeployment of our personnel will continue to be a critical issue warranting additional management attention and efforts. We will adjust the number of deployed personnel according to the:

- Warfighter's ability to sustain the size of our presence
- Priority of work being performed
- Actual workload demands

Audits	Investigations	Evaluations	Intelligence Reports	SPO Assessments
71	134	9	5	5



In June 2008, the DoD IG, working with the Southwest Asia Joint Planning Group, facilitated the compilation and issuance of the Comprehensive Audit Plan for Southwest Asia. The comprehensive plan was developed in response to the FY 2008 National Defense Authorization Act which required the Inspector General of the Department of Defense and the Special Inspectors General for Iraq Reconstruction and Afghanistan Reconstruction to develop comprehensive plans for a series of audits respective to their outlined areas of oversight responsibilities in Iraq and Afghanistan (Public Law 110-181, Section 842, "Investigation of Waste, Fraud, and Abuse in Wartime Contracts and Contracting Processes in Iraq and Afghanistan"). The Comprehensive Audit Plan for Southwest Asia included the individual audit plans of the Inspectors General of the Department of Defense, Department of State, and the U.S. Agency for International Development; and the Special Inspector General for

Iraq Reconstruction. It also included the planned audit work of the Army Audit Agency, Air Force Audit Agency, and Defense Contract Audit Agency because of the major contributions they make to improve the efficiency and effectiveness of support to the military.

As of September 30, 2008, the DoD IG Joint Planning Group was facilitating a FY 2009 update to the Plan. This update will include inputs from the same organizations as the FY 2008 plan and the Naval Audit Service. Future updates to the Comprehensive Audit Plan for Southwest Asia will include the planned and ongoing efforts of the Special Inspector General for Afghanistan Reconstruction which is now commencing operations. Additionally, future updates to the plan will also include projects to address the requirements of the FY 2009 National Defense Authorization Act (P.L. 110-417), Section 852, "Comprehensive Audit of Spare Parts Purchases and Depot Overhaul and Maintenance of Equipment for Operations in Iraq and Afghanistan." We will continue to coordinate updates to the plan through the Southwest Asia Joint Planning Group and other existing working groups and councils.



GOAL 3: JTTFs & TECHNOLOGY PROTECTION

JOINT TERRORISM TASK FORCES

The Defense Criminal Investigative Service continues to actively support Joint Terrorism Task Forces throughout the country. DCIS currently staffs 43 JTTFs on a full-time or part-time basis. Additionally, a full-time DCIS representative position is assigned to the National Joint Terrorism Task Force located at the National Counterterrorism Center. DCIS JTTF agents are currently playing key roles in many terrorism investigations. Two recent examples follow:

A joint investigation was conducted by the Federal Bureau of Investigation and DCIS under the auspices of the Los Angeles Joint Terrorism Task Force. The investigation was initiated based upon information provided by the Torrance Police Department. The TPD notified the LAFO-JTTF that they had arrested two individuals, Levar Washington and Gregory Patterson, in connection with a string of armed robberies. Washington and Patterson participated in the armed robberies in order to purchase weapons and bomb making components, and were part of a domestic terrorist cell, identified as Jam'iyat Ul-Islam Is-Shaheen. JIS was formed when some of its members met in Folsom State Prison. Search warrants executed at Washington's and Patterson's apartment uncovered plans to conduct a violent jihad against the United States Government. Specifically, the plans were to attack various Department of Defense facilities and personnel, including United States military recruiting stations, California National Guard installations, and civilian targets. Further investigation disclosed that Washington and Patterson were leaders of the terrorist cell that intended to commit these acts against the U.S. Government. As a result of this investigation, Washington pled guilty to one count of Conspiracy to Levy War against the United States Government through Terrorism (18 USC 2384) and Conspiracy to Possess and Discharge Firearms in furtherance of Criminal Violence (18 USC 924) and Patterson's plea is under seal. On June 23, 2008, Washington was sentenced to 22 years imprisonment. On July 21, 2008, Patterson was sentenced to 151 months imprisonment.

On May 19, 2008, Al Maliki Nour, an Arabic linguist formerly employed by Titan National Security Solutions, a division of Titan Corporation (a top 100 DoD Contractor), was sentenced to 121 months incarceration, and ordered de-naturalized. In February 2007, Nour pled guilty to four counts of illegally possessing national defense documents. Nour was a naturalized-U.S. citizen who resided in Brooklyn, NY and worked as an interpreter for an intelligence unit of the U.S. Army's 82nd Airborne Division. The investigation revealed that in his application for a top secret clearance, Nour lied about his true identity. Nour also used a false identity to procure his U.S. citizenship. While assigned to the 82nd Airborne, Nour downloaded a classified document and took hard copies of several other classified documents. The documents detailed the 82nd Airborne's mission in Iraq regarding insurgent activity, including the coordinates of insurgent locations, as well as plans for protecting Sunni Iraqis traveling on a pilgrimage to Mecca. Nour also photographed a classified battle map identifying troop routes used in August 2004 during the battle of Najaf, where U.S. and Iraqi security forces sustained serious casualties. In September 2005, the NY JTTF recovered the aforementioned classified documents during a search of the Nour's Brooklyn apartment. This was a joint investigation between DCIS, the FBI, and other law enforcement agencies.

Creation of the JTTFs involved a costly investment of personnel and equipment; however, they produce qualitative results in the form of improvements to interagency coordination and cooperation, sharing of intelligence, and effecting arrests and convictions in counterterrorism investigations. DCIS will continue to support JTTFs in an effort to reduce the threat of terrorist acts against Department of Defense interests.


TECHNOLOGY PROTECTION

DCIS continues to take an active role in combating the growing national security threat posed by the illegal exports of restricted U.S. military and dual-use technology to foreign nations and terrorist organizations. To this end, the U.S. Attorney's offices around the country have formed Counter-Proliferation Task Forces designed to enhance interagency cooperation. Building upon this cooperative spirit, new task forces have opened up around the country and now total 15 and growing.

To augment these efforts, DCIS has teamed up with DoJ and spearheaded the formation of the Technology Protection Enforcement Working Group. The TPEG, initially established in November 2007, is comprised of Technology Protection decision makers from various agencies to include the Air Force Office of Special Investigations, Army Military Intelligence, Department of Commerce, Office of Export Enforcement, FBI, and ICE. Meeting monthly, this forum has developed into an invaluable network for sharing critical information among the participating agencies investigating technology transfer violations.

Given the success of this group, the TPEG has reached out to other agencies with similar interests and invited them to take part. Most recently, the Central Intelligence Agency has participated in this forum. Invitations to these and other stakeholders ensure that all relevant enforcement agencies have a seat at the table. DCIS plays a crucial role in this increasingly cooperative national effort to combat the illegal export of restricted U.S. technology.

#08-828: Sixteen Foreign Nationals and Corporations Indicted on Charges of Potentially Exporting Military and Explosives Components to Iran (2008-09-17)



Department of Justice

FOR IMMEDIATE RELEASE
Wednesday, September 17, 2008
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NSD
(202) 514-2007
TDD (202) 514-1888

Sixteen Foreign Nationals and Corporations Indicted on Charges of Illegally Exporting Potential Military and Explosives Components to Iran

MIAMI – A federal grand jury in Miami, FL, has returned a Superseding Indictment charging eight individuals and eight corporations in connection with their participation in conspiracies to export U.S.-manufactured commodities to prohibited entities and to Iran. The defendants are named in a thirteen (13) count Indictment – returned on Sept. 11, 2008 and unsealed today -- that includes charges of conspiracy, violations of the International Emergency Economic Powers Act and the United States Iran Embargo, and making false statements to federal agencies in connection with the export of thousands of U.S. goods to Iran.

The charges were announced today by R. Alexander Acosta, U.S. Attorney for the Southern District of Florida; Patrick Rowan, Acting Assistant Attorney General for National Security, U.S. Department of Justice; Mario Mancuso, Under Secretary of Commerce for Industry and Security, U.S. Department of Commerce; Adam Szubin, Director, Department of the Treasury, Office of Foreign Assets Control (OFAC); Sharon Woods, Director, Defense Criminal Investigative Service (DCIS); and Julie L. Myers, Homeland Security Assistant Secretary for U.S. Immigration and Customs Enforcement (ICE).

GWOT HIGHLIGHTS

A look at Department of Defense Inspector General efforts in the Global War on Terror



The worldwide campaign against terrorism is the top priority of the DoD IG. Meeting the challenges of combating terror and upholding our commitment to support the warfighter will continue to place stress on budgetary, manpower, and materiel resources for both the DoD IG and the Department.

Through FY 2008, Congress has appropriated more than \$800 billion to DoD for the GWOT. Each dollar not prudently spent results in a dollar unavailable for GWOT priorities.

This report highlights the following efforts made by the DoD IG during this reporting period to support the GWOT:

- QUICK RESPONSE ASSESSMENTS
- REVIEW OF ELECTROCUTIONS
- CONGRESSIONAL TESTIMONY



ASSESSMENT MISSIONS IN SOUTHWEST ASIA

The DoD IG established the Office of Special Plans and Operations in April, 2008, to augment the Global War on Terror work currently being conducted by other agency components. SPO focuses on performing high-value, high-visibility assessments for senior level decision-makers in the military commands, DoD and Congress which are related to the Global War on Terror, especially in Southwest Asia.

This office performs assessment missions characterized by flexibly prioritized, time-sensitive national security issues. These can be identified by the Secretary of Defense, Deputy Secretary of Defense, Chairman of the Joint Chiefs of Staff, other members of senior DoD leadership, the Combatant Commanders, as well as members of Congress, or by DoD IG/SPO itself. SPO teams focus on issues of critical importance to management with the objective of providing actionable recommendations to address key problems and issues in “real time.”

ACCOUNTABILITY OF IRAQ SECURITY FORCES ARMS AND MUNITIONS

As discussed in the previous Semiannual Report to Congress, the DoD IG organized an interagency team to perform an assessment of the control and accountability of arms and ammunition in Iraq, in September and October 2007. The results of that assessment and recommendations for corrective actions were published in the classified DoD IG Report No. SPO-2008-001, “Assessment of the Accountability of Arms and Ammunition Provided to the Security Forces of Iraq,” issued July 3, 2008.

IRAQ SECURITY FORCES ARMS AND MUNITIONS ACCOUNTABILITY AND CONTROL

The assessment team returned to Iraq from April - May 2008, to conduct a follow-up evaluation concerning the accountability and control of arms, ammunition, and explosives; the responsiveness of U.S. Foreign Military Sales processes supporting ISF; and the development of logistics sustainment capability for ISF. In addition, the evaluation is addressing the status of the Iraqi military health care system and its sustainment base. The project is ongoing.

AFGHAN SECURITY FORCES ARMS AND MUNITIONS ACCOUNTABILITY AND CONTROL

Before returning to Iraq, the assessment team visited Afghanistan in April 2008. Led by the Principal Deputy Inspector General, the team assessed issues involving the accountability and control of arms, ammunition, and explosives; the responsiveness of U.S. Foreign Military Sales processes supporting the Afghan National Security Forces; and the development of logistics sustainment capability for ANSF. This includes the related issue of building the Afghan military health care system and its sustainment base. The project is ongoing.



DOD-FUNDED PROGRAMS SUPPORTING THE GOVERNMENT OF PAKISTAN

This classified project, requested by the Secretary of Defense, will provide a strategic and systemic assessment of certain DoD-funded programs supporting the Government of Pakistan. The team deployed within 3 weeks of the request, visiting organizations and individuals in the United States, U.S. Central Command, and U.S. Embassy- Pakistan who are responsible for the management, operation, and oversight of these programs. The project is ongoing.

ACCOUNTABILITY AND CONTROL OF NIGHT VISION DEVICES IN IRAQ

This project, which is focused on DoD oversight of night vision devices provided to the Iraqi Security Forces, is in its CONUS-based organizing and research phase prior to a planned deployment to Iraq scheduled for late October 2008.

WOUNDED WARRIOR INITIATIVE

A team has been organized to address issues concerning the DoD Wounded Warrior program. Its initial focus will be on follow-up medical care for Traumatic Brain Injury and Post Traumatic Stress Syndrome, among other key matters.



REVIEW OF ELECTROCUTIONS



In February 2008, the Pentagon requested that we review contracting matters relating to the death of a U.S. Army staff sergeant who was electrocuted while showering in his Iraqi-built quarters in the Radwaniyah Palace Complex, Baghdad Iraq. The Pentagon request responded to a letter from Representative Jason Altmire to the Secretary of Defense alleging that the Defense Contracting Management Agency and contractor officials knew of the electrical hazard but failed to take corrective action. We announced a review of relevant management, contracting, and maintenance actions prior and subsequent to the incident.

Meeting with Multi-National Force - Iraq.

Following additional inquiries from members of Congress during the July 30, 2008, House Committee on Oversight and Government Reform hearing, we expanded the scope of the project to include reviews of the command actions and investigation case files, and safety mishap investigations of eight additional electrocution deaths in Iraq caused by improper grounding or other equipment problems.

As of September 2008, we are aware of 18 electrocution deaths in Iraq since 2003: 10 Army, 1 Navy, 5 Marine Corps, and 2 contractors. For 9 of the 18 cases, the individual contacted power lines during operations. The remaining nine cases are included in the expanded scope discussed above. The DoD IG team visited pertinent locations in Iraq, reviewed over 75,000 documents, and interviewed over 35 witnesses.

CONGRESSIONAL TESTIMONY

The DoD IG is given the opportunity to provide information to Congress by participating in congressional hearings and briefings. During this reporting period, the DoD IG has testified six times before Congress regarding the Global War on Terror, specifically:

The Hon. Gordon S. Heddell, Acting Inspector General Department of Defense, testified on July 30, 2008, before the House Oversight and Government Reform Committee on “Maintenance of Electrical Systems in Facilities Occupied by Military and Contractor Personnel in Iraq.” Mr. Heddell was accompanied by Mr. Donald M. Horstman, Deputy Inspector General for Policy and Oversight. Mr. Heddell detailed our ongoing efforts regarding the relationship between electrocution deaths and the maintenance of electrical systems in facilities occupied by military, civilian, and contractor personnel in Iraq.

The Hon. Gordon S. Heddell, Acting Inspector General of the Department of Defense, testified on July 23, 2008 before the Senate Appropriations Committee on “The Effectiveness of U.S. Efforts to Combat Waste, Fraud, and Abuse in Defense Department Contracts Supporting Activities in Iraq and Afghanistan.” Mr. Heddell was accompanied by Ms.



Mary L. Ugone, Deputy Inspector General for Auditing, Mr. Heddell provided information to the Committee on DoD IG oversight efforts in Southwest Asia that include 39 on-going Iraq-related audit projects and 124 on-going investigations. He also outlined recent initiatives to improve oversight efforts such as the “Comprehensive Audit Plan for Southwest Asia.” This document includes the audit plans of the DoD IG as well as those of other inspectors general and DoD audit agencies. The audits in the plan will help to identify abuses and defects in contracts, systems and processes.

Acting Inspector General Heddell and Deputy Inspector General for Auditing Mary Ugone.

Ms. Mary L. Ugone, Deputy Inspector General for Auditing, testified on May 22, 2008, before the House of Representatives Committee on Oversight and Government Reform. The Committee held the hearing to assess the accountability of funds to support the Iraq War. Ms. Ugone responded to questions which focused on DoD IG Audit Report No. D-2008-098 “Internal Controls Over Payments Made in Iraq, Kuwait and Egypt,” dated May 22, 2008, and Audit Report No. D-2000-026, “Management of the Iraq Security Forces Fund in Southwest Asia - Phase III,” dated November 30, 2007.

Mr. Charles W. Beardall, Deputy Inspector General for Investigations, testified on April 10, 2008, before the National Security and Foreign Affairs Subcommittee of the House Oversight and Government Reform Committee on “Investigations into the Sale of Sensitive, In-Demand Military Equipment and Supplies on the Internet.” Mr. Beardall detailed the Inspector General’s efforts to stem the theft and sale of sensitive military equipment and supplies on the Internet. He also testified that one of the Inspector General’s top investigative priorities is the illegal sale and export of controlled Defense technologies and U.S. Munitions List Items in violation of International Traffic in Arms Regulations.

Ms. Mary L. Ugone, Deputy Inspector General for Auditing, testified on April 10, 2008, before the Air and Land Forces Subcommittee of the House Armed Services Committee on “Army Acquisition Programs and Strategy” during which she addressed a recently released DoD IG audit titled “DoD Procurement Policy for Body Armor.” The audit raised concerns about the adequacy of First Article Testing of body armor components in 13 contracts and orders, based on documentation reviewed.



Deputy Inspector General for Auditing Mary Ugone testifies on body armor.

Mr. Thomas F. Gimble, Principal Deputy Inspector General, briefed the Commission on Wartime Contracting on September 16, 2008, regarding Inspector General efforts related to contracting and contract oversight in Iraq and Afghanistan. Mr. Gimble provided the commission with an overview of our completed, ongoing, and planned audit, evaluation, and investigative efforts. The briefing specifically focused on sharing with the Commission information on suspensions and debarments, intergovernmental coordination, and general observations and challenges related to contracting in Iraq and Afghanistan.

INSPECTOR GENERAL

During this reporting period, the DoD IG increased its coverage of DoD GWOT-related efforts. The scope of DoD IG oversight authority encompasses all DoD funded operations and activities for the GWOT, which, as of September 30, 2008, amounts to approximately \$800 billion in appropriations. The DoD IG has 224 ongoing and completed GWOT projects. Those 224 actions provide oversight and probe various functions and activities such as readiness, principled governance, capacity building, contracts, logistics, contract fraud, funds management, corruption, theft, and intelligence efforts.



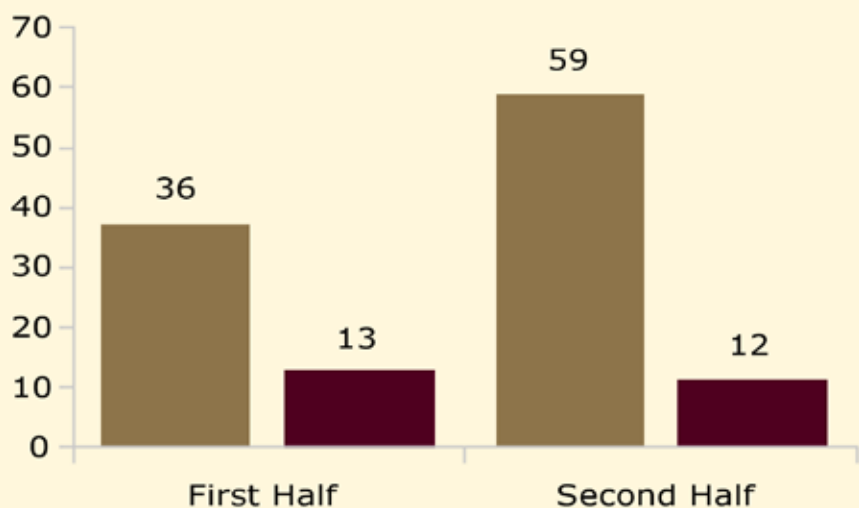
AUDIT

The DoD IG completed 12 GWOT-related projects since April 1, 2008, and has 59 ongoing GWOT-related projects as of September 30, 2008. The projects address issues related to acquisition and contracting, funds management, readiness, logistics, and equipping the warfighter. The magnitude of DoD IG ongoing projects is about \$88.1 billion related to DoD GWOT efforts. As of September 30, 2008, the DoD IG had 15 auditors assigned to the Southwest Asia field offices.

In November 2007, we realigned internal core mission assets to support Southwest Asia audit field operations by establishing an expeditionary audit division comprised of about 30 people.

This expeditionary group is complemented by other U.S. based audit teams. During the reporting period, we had 332 personnel conducting audits related to GWOT and deployed over 100 personnel in theater in support of OIF/OEF.

DoD IG FY 2008 GWOT Audit Projects



COMPLETED AUDITS

The 12 completed GWOT-related projects have resulted in findings involving critical issues in readiness, logistics, contract surveillance, and funds management. A brief overview of each audit follows:



Construction Contracting Procedures Implemented by the Joint Contracting Command-Iraq/Afghanistan:

Regional Contracting Command Bagram contracting officials accepted construction projects at Bagram Air Field that required extensive rework by KBR, formerly known as Kellogg Brown and Root, Inc., to be useable by U.S. troops. Regional Contracting Command Bagram did not adhere to the Federal Acquisition Regulation guidance on contract documentation and quality oversight requirements that would have prevented the substandard quality of the construction projects. As a result, the U.S. Government incurred additional costs of at least \$3.4 million to perform additional work on newly constructed, refurbished, and remodeled buildings in Afghanistan. In addition, U.S. military units and organizations experienced delays in receiving fully useable facilities throughout Afghanistan.

The 42 construction contract actions selected for review were either not available or had contract documentation deficiencies. Regional Contracting Command Bagram was unable to locate 2 contract files, and the other 40 contract files did not contain:

- quality assurance surveillance plans,
- contractor quality control plans, and
- contracting officers' representative designation letters.

Regional Contracting Command Bagram did not follow required Federal Acquisition Regulation standards for contracting procedures relating to:

- price reasonableness,
- quality assurance, and
- contract oversight.

Requiring Radio Frequency Identification in Contracts for Supplies: The Defense Logistics Agency made progress implementing passive radio frequency identification in the DoD supply chain; however, additional work is needed. We visited four Defense Logistics Agency distribution depots and judgmentally sampled shipments from various suppliers. Based on our evaluation of contracts and on our sample, we found that contracting officers awarded 23 of 220 supply contracts (10 percent) without the required radio frequency identification clause; suppliers for 84 of 197 contracts (43 percent) with the required clause did not apply passive radio frequency identification tags to shipments they sent to the depots; and Defense Logistics Agency is not apt to realize a near-term return on investment from passive radio frequency identification.

Joint Follow-On Evaluation of the Equipment Status of Operation Iraqi Freedom Forces: We found that units deploying to Iraq generally had the required equipment to conduct their missions. Units deployed with the equipment listed on their Modified Table of Organization and Equipment, and they assumed possession of the appropriate theater-provided equipment to accomplish their missions.

Payments for Transportation Using PowerTrack®: The DoD IG identified that the Military Surface Deployment and Distribution Command did not maintain adequate control over ocean freight payments made using PowerTrack. We statistically sampled 171 of the 6,812 high-risk ocean freight transactions made through the “non-direct” and “direct” booking processes and found control problems with 132 of the transactions tested.

Based on a sample of high-risk “non direct” booking transactions, we statistically projected that 1,315 (23.4 percent), totaling \$14.1 million, were duplicate payments and another 3,387 (60.3 percent), totaling \$19 million, were at risk for potential fraudulent duplicate payments. If Surface Deployment and Distribution Command took action to recoup duplicate payments not yet refunded, DoD may realize potential monetary benefits of \$5.2 million. Of the

30 high-risk “direct” booking transactions tested, 9 transactions were vulnerable for duplicate payments. We did not project the direct booking test results to the population of high-risk direct booking transactions because of the small sample of transactions tested.

Security Over Radio Frequency Identification: The results are For Official Use Only.

Internal Controls over Navy, General Fund, Cash and Other Monetary Assets Held Outside the Continental United States: The DoD IG identified that the Department of the Navy lacked effective internal controls over cash and other monetary assets held outside of the continental United States in several areas. Specific issues found include standard operating procedures which inappropriately instructed accountants to classify the total amount of disbursing officer accountability as Cash and Other Monetary Assets for financial statement reporting purposes. In addition, the Department of the Navy did not consistently apply internal controls over disbursing appointments, operational cash, physical cash and other monetary assets security, Limited Depository Account reconciliations, and unannounced cash verifications. Also, the Naval Support Activity-Bahrain paid more than \$93,000 in excess exchange costs because the disbursing officer did not solicit financial institutions for the most beneficial exchange rate. Further, the Personnel Support Detachment-Naples provided check-cashing and Euro-conversion services that duplicated services offered by on-base banks.

Status of Training Vehicles for U.S. Ground Forces Deploying in Support of Operation Iraqi Freedom: The DoD



The heavily-armored Buffalo is designed for route clearance, giving patrols a closer look at suspected improvised explosive devices.


IG identified that competing requirements for equipment in theater as well as units being reset for redeployment have created challenges for Combat Training Centers. The National Training Center and the Joint Readiness Training Center have encountered challenges in obtaining theater-specific equipment such as High Mobility Multipurpose Wheeled Vehicles for training. Despite these challenges, the Combat Training Centers have maintained equipment and have taken additional steps to make substitutions or have units bring their own equipment from home stations to ensure that levels of equipment were sufficient for training.

The Army has recognized issues with outdated equipment, and it has taken steps to modernize the prepositioned fleet of High Mobility Multipurpose Wheeled Vehicles at the National Training Center and Joint Readiness Training Center. The Army completed modernization of the prepositioned fleet at the National Training Center in April 2008.

To ensure the most realistic and effective training for units deploying in support of Operation Iraqi Freedom, the Army must complete the modernization of the prepositioned fleet at the Joint Readiness Training Center as it has done at the National Training Center.

Defense Hotline Allegations Concerning Contracts Issued by U.S. Army TACOM Life Cycle Management

Command to BAE Systems Land and Armaments, Ground Systems Division: The DoD IG substantiated 3 and partially substantiated 3 of the 11 allegations. TACOM Life Cycle Management Command and Defense Contract Management Agency contracting officials constrained the Defense Contract Audit Agency’s ability to perform effective and meaningful audits in support of contracts awarded to BAE Systems Land and Armaments, Ground Systems Division. Specifically, contracting officials did not include the Defense Contract Audit Agency in the Alpha



contracting process for the FY 2005 Bradley vehicle procurement to ensure the Defense Contract Audit Agency could perform an effective review of material costs. Additionally, contracting officials did not require BAE Systems Land and Armaments, Ground Systems Division forward pricing rate agreement proposals to be current, accurate, and complete, as required by the Federal Acquisition Regulation. As a result, TACOM Life Cycle Management Command contracting officials may have overpriced firm-fixed-price contracts awarded to BAE Systems Land and Armaments, Ground Systems Division.

Internal Controls Over Payments Made in Iraq, Kuwait, and Egypt: The objective was to determine whether internal controls over payments made in Iraq, Kuwait, and Egypt supporting the Global War on Terror provided reasonable assurance that payments were properly supported and recorded.

The internal controls over commercial payments made by seven Army contingency disbursing stations were inadequate for commercial payment support. This occurred because Army finance personnel did not ensure that payment voucher documentation was available and complete, and finance personnel were not adequately trained. In addition, Army and DFAS internal control responsibilities for commercial payments in contingency operations needed to be clearly defined. As a result, we estimated that the Army made \$1.4 billion in commercial payments that lacked the minimum documentation for a valid payment, such as properly prepared receiving reports, invoices, and certified vouchers. We also estimated that the Army made an additional \$6.3 billion of commercial payments that met the 27 criteria for payment but did not comply with other statutory and regulatory requirements. These other requirements included taxpayer identification numbers, contact information, and payment terms.

In addition, the DoD 7000.14-R, DoD Financial Management Regulation and Defense Federal Acquisition Regulation Supplement did not contain guidance addressing procedures to be used in a military contingency environment. The Office of Management and Budget allowed the DoD discretion in establishing the scope of contingency operations in 5 Code of Federal Regulations 1315 when applying the Prompt Payment Act. However, DoD has not established procedures addressing contingency operations. In addition, DoD needs to obtain clarification on the intent of the Office of Management and Budget regulation. As a result, DoD personnel relied upon the requirements of the DoD 7000.14-R, DoD Financial Management Regulation and Defense Federal Acquisition Regulation Supplement for making and processing commercial payments in Iraq and Kuwait.

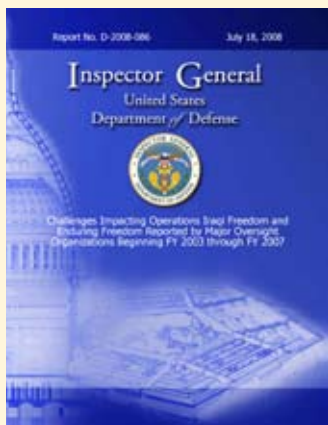
Also, DoD did not ensure that \$1.8 billion of seized and vested assets payments made to Iraqi representatives were adequately accounted for and auditable, as prescribed by Executive Order 13290. In addition, DoD did not maintain a complete audit trail for \$134.8 million in Commander's Emergency Response Program payments made to representatives of foreign governments. DoD did not have policies in place to ensure that finance personnel obtained and maintained documentation supporting the justification and use of seized and vested asset payments; and finance personnel properly supported and reconciled the payment of Commander's Emergency Response Program funds to Coalition Partners. As a result, DoD was unable to provide reasonable assurance that the seized and vested asset funds were accounted for as prescribed and that Commander's Emergency Response Program funds provided to Coalition Partners were used for the purposes intended.

Further, the U.S. Army Corps of Engineers Finance Center has been unsuccessful in its attempts to resolve the \$5.7 million of advanced Iraqi seized and vested asset funds. The Corps Finance Center did not contact the Office of the Under Secretary of Defense (Comptroller) to obtain direction on the disposition of the funds. As a result, the Corps has not made these funds available to pay for Iraqi debts with the U.S. Government.

Planning Armor Requirements for the Family of Medium Tactical Vehicles: The Army used the operational needs statement process effectively to identify, validate, and fund theater commander armor kit urgent needs to support the Global War on Terror because the Army had not completed establishing armor kit requirements through the Joint Capabilities Integration and Development System process. Army Training and Doctrine Command personnel began the Joint Capabilities Integration and Development System process in May 2005. However, because they had not completed the process, the Army was not able to immediately distribute armor kits to support the increase in the number of troops in January 2007. Further, because they had not completed the process, Army Force Management Support Agency staff did not add armor kit requirements to the basis-of-issue plan and table of organization and equipment for the Family of Medium Tactical Vehicles. Therefore, the Army needs to expedite the completion and approval of the capability documents for the Family of Medium Tactical Vehicles, add armor requirements to the basis-of-issue plan, and table of organization and equipment for Family of Medium Tactical Vehicles, and complete an analysis for future distribution of armor kits to enable the Army to fill future warfighter requirements in a more timely fashion.

Summary of Challenges Impacting Operations Iraqi Freedom and Enduring Freedom Reported by Major Oversight Organizations Beginning FY 2003 through FY 2007: DoD IG reviewed 302 Operations Enduring and Iraqi Freedom related reports and identified that over the course of conducting Operations Enduring and Iraqi Freedom,

DoD experienced, at times, significant and recurring challenges in the following functional areas: Contract Management, Contract Oversight, Resource Limitations; Logistics, Asset Accountability, Visibility, and Equipping the Force; Financial Management, Accuracy of Cost Reporting, and Accountability. Further, there were challenges that were common in more than one of the functional areas. Specifically, shortfalls in DoD training as well as in policy and procedures were challenges in more than one functional area.



DoD took action to resolve Operations Enduring and Iraqi Freedom contract management, logistics, and financial management, and other challenges reported by the oversight organizations. From FY 2003 through FY 2007, the Defense oversight community and Government Accountability Office issued 983 recommendations to improve DoD operations in Operations Enduring and Iraqi Freedom and most of the recommendations, as of September 30, 2007, have been resolved. The DoD IG also identified various

initiatives DoD has underway to address the challenges that it faces for Operations Enduring Freedom and Iraqi Freedom such as increased oversight and accountability over deployed contractors, establishing an Executive Director to provide program management support over contractor logistical support, and deployed financial support teams in theater to assist the theater Commanders.

Training Requirements for U.S. Ground Forces Deploying in Support of Operation Iraqi Freedom: This is the second in a series of reports addressing training requirements for ground forces supporting Operation Iraqi Freedom. The DoD IG identified that U.S. Central Command requires that all personnel deploying in support of Operation Iraqi Freedom be trained in 14 areas, including the defeat of improvised explosive devices, land navigation, and rules of engagement. The services incorporated the 14 theater-specific training areas into their pre-deployment and annual training requirements. In addition, the services effectively used a variety of means, such as lessons learned and input from units, to update pre-deployment training exercises. As a result, the services provided realistic, theater inspired training for units deploying in support of Operation Iraqi Freedom.

ONGOING AUDITS


DoD IG audit oversight is focused in several fundamental areas—accountability, funds management, contract surveillance, as well as train and equip personnel. The 59 ongoing GWOT-related projects address critical readiness issues that directly impact the warfighter, such as the procurement of mine resistant ambush protected vehicles, combat search and rescue helicopters, management of recovery and reset programs, and issuance and administration of contractor common access cards. The DoD IG is also focused on deferred maintenance of major assets used in Iraq and Afghanistan as well as contract-related matters supporting the DoD efforts in Iraq and Afghanistan.

The ongoing projects include audits initiated at the request of Congress or management, such as concerns with armor capabilities provided to the DoD and the Marine Corps implementation of the urgent universal need statement process for the Mine Resistant Ambush Protected vehicles. In addition, the DoD IG works with the military service audit agencies to leverage audit efforts and to ensure that projects are coordinated to avoid duplication and minimize impact to command operations.

Other ongoing projects include reviewing armoring capabilities within DoD; assessing how threats to assets in Southwest Asia were addressed in the acquisition processes; reviewing requirements, training, and certifications for acquisition oversight workforce in Southwest Asia; health care related matters such as health care provided to contractors in Southwest Asia and the acquisition of medical equipment used to sustain medical operations in Southwest Asia. In addition, DoD IG is reviewing various contracting issues such as the justifications in of award fees to contractors, controls over contractor common access cards, and sexual harassment prevention training to contractors. Also, the DoD IG is updating its summary report on challenges impacting DoD operations in OIF/OEF.



AUDIT TITLE	AUDIT DESCRIPTION
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 Multi-Purpose Wheeled Vehicle variants and use in developing the next-generation vehicle for the Global War on Terror. In addition, we will determine whether DoD exercised adequate operational test and live fire test oversight of the Army's High Mobility Multi-Purpose Wheeled Vehicle program.
Using System Threat Assessments in the Acquisition of Tactical Wheeled Vehicles	The DoD IG is determining whether the Army and Marine Corps program offices have obtained updated system threat assessments for acquisitions of selected tactical wheeled vehicles in support of the Global War on Terror. Specifically, we will determine whether the Army and Marine Corps updated program documentation for selected tactical wheeled vehicles, including system capability documents, test plans, and contract statements of work, in response to the threats identified in current system threat assessments.
Defense Contract Management Agency Acquisition Workforce for Southwest Asia	The DoD IG is determining Defense Contract Management Agency requirements to support Southwest Asia contracting operations and the number of available Defense Contract Management Agency civilian, military, foreign national, and support contractors supporting such operations. We will also evaluate whether the Defense Contract Management Agency Acquisition workforce for Southwest Asia is adequately trained and certified.





AUDIT TITLE	AUDIT DESCRIPTION
Ground Standoff Mine Detection System Contract	The DoD IG is determining whether the Ground Standoff Mine Detection System contract requirements were developed, awarded, and managed in accordance with federal and Defense regulations.
Medical/Surgical Prime Vendor Contracts Supporting Coalition Forces in Iraq and Afghanistan	The DoD IG is determining whether terms and conditions for the Medical/Surgical Prime Vendor contracts were adequately developed and the administration of the contracts and delivery orders was effective.
Department of the Army Deferred Maintenance on the Bradley Fighting Vehicle as a Result of the Global War on Terror	<p>The DoD IG is determining the extent and causes of deferred maintenance on the Army Bradley Fighting Vehicle used in the Global War on Terror. We will also evaluate compliance with applicable laws and regulations as they relate to the audit objective.</p> 
Management and Accountability of Property Purchased at Regional Contracting Centers in Afghanistan	The objective of the audit is to evaluate the management and accountability of property purchased through the regional Contracting Centers in Bagram Air Field, Afghanistan. Specifically, we will determine whether accountable property is properly recorded in the Theater Property Book Office at Bagram Air Field, Afghanistan.
Update – Summary Report on Challenges Impacting Operations Iraqi Freedom and Enduring Freedom Reported by Major Oversight Organizations Beginning FY 2003 through FY 2008	The overall objective is to prepare a summary of contracts, funds management, and other accountability issues identified in audit reports and testimonies that discuss mission critical support to Operations Iraqi Freedom and Enduring Freedom from FY 2003 through FY 2008. Our first summary report, D-2008-086, focused on reports and testimonies issued from FY 2003 through FY 2007. We will update the information from the prior summary report, Report No. D-2008-086, to include the status of recommendations made in all FY 2003 through FY 2007 reports regarding Operations Iraqi Freedom and Enduring Freedom. In addition, we will include finding and recommendation information for FY 2008 audit reports and determine the trends indicated by that information.
Information Assurance Controls Over the Outside the Continental United States Navy Enterprise Network as related to the Global War on Terror	The DoD IG is assessing the integrity, confidentiality, and availability of the Outside the Continental United States Navy Enterprise Network as it relates to the Global War on Terror. Specifically, we will determine whether the controls over Outside the Continental United States Navy Enterprise Network have been implemented and are operating effectively as prescribed by DoD Instruction 8500.2, “Information Assurance Implementation,” February 6, 2003.
Central Issue Facilities	The DoD IG is determining whether central issue facilities are providing the required clothing and equipment to deploying personnel, and whether those personnel are returning the clothing and equipment when their deployments are complete.
Transition Planning for the Logistics Civil Augmentation Program IV Contract	The DoD IG is determining whether the Army properly planned for the transition from the Logistics Civil Augmentation Program III contract to the Logistics Civil Augmentation Program IV contract.

AUDIT TITLE	AUDIT DESCRIPTION
DoD Testing Requirements for Body Armor	The DoD IG is performing this audit in response to a Congressional request. We are evaluating ballistic testing requirements for body armor components. Specifically, we will review whether test criteria for contract number W91CRB-04-D-0040 were in accordance with applicable standards. In addition, we will review First Article Test criteria for other contracts reviewed as part of DoD IG Audit Report No. D-2008-067 "DoD Procurement Policy for Body Armor," March 31, 2008. This audit will be performed in coordination with DoD OIG Audit Project No. D2008-D000CD-0256.000, "Research on DoD Body Armor Contracts."
Research on DoD Body Armor Contracts	The DoD IG is performing this project as a result of a congressional request. We are examining the contracts and contracting process for body armor and related test facilities. Specific objectives will 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.
Potable and Non-Potable Water in Iraq Update	The DoD IG is performing this audit in response to a congressional request. The objective is to determine whether the current processes for providing safe potable and non-potable water to U.S. forces in Iraq are adequate. We are also reviewing the implementation of recommendations made during our previous audit on potable and non-potable water (Report No. D-2008-060).
Department of the Air Force Military Pay in Support of the Global War on Terror	The DoD IG is determining whether the Department of the Air Force military payroll disbursed in support of the Global War on Terror is paid in accordance with established laws and regulations. Specifically, we will review DoD military pay disbursements to determine whether U.S. Air Force military personnel on Active Duty status are paid accurately and timely.
Contracts Supporting the DoD Counter Narcoterrorism Program	The DoD IG is determining whether contracts supporting the DoD counter narcoterrorism program were properly managed and administered. Specifically, we will determine whether the contracts complied with federal and DoD policy.
Army's Use of Award Fees on Contracts That Support the Global War on Terror	The DoD IG is determining whether Army award fees paid to contractors in support of the Global War on Terror are justified. Specifically, we will review the procedures for awarding the fees and proper allocation of award fees on the contracts.
Rapid Acquisition and Fielding of Materiel Solutions Within the Navy	The DoD IG is evaluating the overall management of the Navy's processes for rapidly acquiring and fielding materiel solutions to meet urgent needs in support of the Global War on Terror and to ensure safe operation of naval forces. Specifically, we will evaluate the effectiveness of Navy procedures for identifying and validating urgent capability needs, contracting for and acquiring materiel solutions to meet those needs, and complying with DoD requirements and acquisition policies once materiel solutions are fielded.
Logistics Support for the United States Special Operations Command	The DoD IG is determining whether contracts providing logistics support to the U.S. Special Operations Forces were properly managed and administered. Specifically, we will determine whether logistics contracts are consistent with federal, DoD, and Special Operations acquisition contracting policy.



AUDIT TITLE	AUDIT DESCRIPTION	
Equipment Repair and Maintenance Contracts for Aircraft and Aircraft Components Supporting Coalition Forces in Iraq and Afghanistan	The DoD IG is determining whether equipment repair and maintenance contracts for aircraft and aircraft components supporting coalition forces in Iraq and Afghanistan are effective.	
Health Care Provided by Military Treatment Facilities to Contractors in Southwest Asia	The DoD IG is determining whether contract terms for health care provided by military treatment facilities to contractors in Southwest Asia are adequately addressed and whether controls for billing and collecting payment from contractors for health care provided by military treatment facilities in Southwest Asia are adequate.	
Selection of Modes for Transporting Materiel in Support of Operations in Iraq and Afghanistan		The DoD IG is determining whether contracts for the transportation of materiel in support of operations in Iraq and Afghanistan were effective.
Contracting for Purchased and Leased Nontactical Vehicles in Support of Operation Iraqi Freedom and Operation Enduring Freedom	The DoD IG is determining whether contracting for nontactical vehicles in support of Operation Iraqi Freedom and Operation Enduring Freedom was effective.	
The U.S. Air Force Deferred Maintenance on the C-130 Aircraft as a Result of the Global War on Terror	The DoD IG is determining the extent and causes of deferred maintenance on the Air Force C-130 Aircraft used in the Global War on Terror. We will also evaluate compliance with applicable laws and regulations as they relate to the audit objective.	
The Army Procurements for the High Mobility Multi-Purpose Wheeled Vehicles	The DoD IG is determining whether the U.S. Army TACOM Life Cycle Management Command is paying fair and reasonable prices for the High Mobility Multi-Purpose Wheeled Vehicles and associated up-armor procured from AM General, LLC.	
DoD and DoD Contractor Efforts to Prevent Sexual Assault/Harassment Involving Contractor Employees Within Operations Enduring Freedom and Iraqi Freedom Areas of Operation	The DoD IG is performing this audit as a result of a congressional inquiry. The DoD IG is reviewing whether contracts that support Operations Enduring Freedom and Iraqi Freedom Areas of Operation contain clauses that adequately address DoD policies regarding sexual assault/harassment of and by contractor personnel. We will also determine whether either DoD or DoD contractors, or both, provided sexual assault/harassment awareness, prevention, and reporting training to DoD and contractor employees prior to their deployment to Operations Enduring Freedom and Iraqi Freedom Areas of Operation. This project is being performed in coordination with the DoD IG project "Evaluation of DoD Sexual Assault Response in Operations Enduring and Iraqi Freedom Areas of Operation."	
Controls Over Unliquidated Obligations on Department of the Air Force Contracts Supporting the Global War on Terror	The DoD IG is determining whether the Department of the Air Force has established adequate controls over its unliquidated obligations on contracts supporting the Global War on Terror. Specifically, we will determine whether unliquidated obligations are being properly accounted for and deobligated in a timely manner.	

AUDIT TITLE	AUDIT DESCRIPTION
Department of the Army Deferred Maintenance on the Abrams Tank Fleet as a Result of the Global War on Terror	<p>The DoD IG is determining the extent and causes of deferred maintenance on the Army Abrams tanks that were used in the Global War on Terror. This effort also includes evaluating compliance with applicable laws and regulations as they relate to the audit objective.</p> 
Contracts for Spare Parts for Vehicle-mounted Small Arms in Support of the Global War on Terror	<p>As a result of our initial research, the DoD IG reannounced the Audit of Defense Logistics Agency Contracts for Combat Vehicle Parts in Support of the Global War on Terror, May 20, 2008, to specify a more detailed focus area. The new audit, "Contracts for Spare Parts for Vehicle-mounted Small Arms in Support of the Global War on Terror," announced August 14, 2008, is determining whether DoD organizations used appropriate and effective contracting procedures to provide customers with the vehicle-mounted small arms spare parts needed to support the Global War on Terror.</p>
Controls Over the Department of the Navy Military Payroll Disbursed in Support of the Global War on Terror	<p>The DoD IG is determining whether the Department of the Navy is disbursing military payroll in support of the Global War on Terror in accordance with established laws and regulations. Specifically, the DoD IG will determine whether the Department of the Navy maintains adequate support for payments related to deployments to an active combat zone.</p>
Assignment and Training of Contracting Officer's Representatives at Joint Contracting Command-Iraq/Afghanistan	<p>The DoD IG is determining whether personnel assigned as Contracting Officer's Representatives to the Joint Contracting Command-Iraq/Afghanistan have proper training and expertise to perform their duties.</p>
Air Force Contract Augmentation Program in Southwest Asia	<p>The DoD IG is evaluating controls over the Air Force Contract Augmentation Program. We will determine what contracts have been awarded, whether contracts were properly awarded, whether contracted services were provided in accordance with the statement of work and whether contract payments were appropriate.</p>
Organic Ship Utilization in Support of the Global War on Terror	<p>The DoD IG is evaluating the effectiveness of policies and procedures used to ensure that activated Government-owned and Government-chartered vessels are used to the maximum extent prior to procuring commercial transportation to Southwest Asia.</p>
Acquisition of Ballistic Glass for the High-Mobility Multipurpose Wheeled Vehicle	<p>The audit is the result of an audit suggestion filed with the Office of the Deputy Inspector General for Audit. The DoD IG is determining whether the award and administration of the High-Mobility Multipurpose Wheeled Vehicle ballistic glass contracts comply with the Federal Acquisition Regulation.</p>
Class III Fuel Procurement and Distribution in Southwest Asia	<p>The DoD IG is determining whether fuel used for ground operations in Southwest Asia to support Operations Iraqi Freedom and Enduring Freedom is procured and distributed efficiently and effectively. We will determine whether fuel is procured at fair and reasonable prices, whether fuel is distributed economically and efficiently to operational commands, and whether fuel supply points maintain accurate inventories.</p> 

AUDIT TITLE	AUDIT DESCRIPTION
Survey of Kellogg Brown and Root Services Logistics Support for Contingency Operations	The DoD IG is surveying the full extent of Kellogg Brown and Root Services logistics efforts and associated DoD costs in support of Contingency Operations.
Marine Corps Implementation of the Urgent Universal Need Statement Process for Mine Resistant Ambush Protected Vehicles	The audit was requested by the Assistant Commandant of the Marine Corps in response to allegations of mismanagement regarding the identification and fulfillment of a requirement for Mine Resistant Ambush Protected vehicles. The DoD IG is reviewing whether the Marine Corps division making process responded appropriately and timely to Urgent Universal Need Statements submitted by field commanders for Mine Resistant Ambush Protected vehicles.
War Reserve Materiel Contract	The DoD IG is determining whether Air Force contracting officials managed and administered the DynCorp International War Reserve Materiel contract in accordance with federal and DoD contracting policies.
Internal Controls over Army, General Fund, Cash and Other Monetary Assets Held in Southwest Asia	The DoD IG is reviewing whether internal controls for Army, General Fund, Cash and Other Monetary Assets held in Southwest Asia are effectively designed and are operating to adequately safeguard, account, document, and report cash and other monetary assets. The DoD IG originally planned to include Southwest Asia aspects of the announced objectives in Project D2007-D000FP-0122.000, "Internal Controls over Army, General Fund, Cash and Other Monetary Assets Held Outside of the United States," however the Southwest Asia portion of that project was deferred due to the IG Munitions Assessment in the Area of Responsibility.
Air Force Combat Search and Rescue Helicopter	The DoD IG is determining whether changes to Combat Search and Rescue Helicopter Key Performance Parameters were made in accordance with applicable DoD and Air Force acquisition guidelines. Specifically, the DoD IG will determine whether Key Performance Parameters changes were properly designated and appropriately vetted through the Joint Requirements Oversight Council. In addition, we will determine whether Key Performance Parameters changes will affect Air Force special operations capabilities in the Global War on Terror.
Price Reasonableness for Contracts at U.S. Special Operations Command	The audit is part of the overall oversight of contracting in support of the Global War on Terror. The audit objective is to determine whether pricing of contracts at U.S. Special Operations Command complied with Federal Acquisition Regulation requirements for determining price reasonableness.
Controls Over the Contractor Common Access Card Life Cycle in Southwest Asia	The overall objective of this audit is to determine whether controls over Common Access Cards provided to contractors are in place and work as intended. Specifically, we will determine whether DoD officials verify the continued need for contractors to possess Common Access Cards, revoke or recover Common Access Cards from contractors in accordance with DoD policies and procedures, and ensure the proper use of the Common Access Card by contractors.
Controls Over the Reporting of Transportation Costs in Support of the Global War on Terror	The objective is to evaluate the effectiveness of controls over the reporting of transportation costs related to Global War on Terror. For FY 2007, DoD reported cumulative obligations of about \$8.7 billion for transportation services in support of Global War on Terror, which included the Army's reported obligations of about \$5.2 billion.


AUDIT TITLE	AUDIT DESCRIPTION
Defense Emergency Response Fund for the Global War on Terror	As part of its overall Global War on Terror effort, the DoD IG is reviewing whether the Defense Emergency Response Fund is used as intended, and whether the use of the funds complies with the Office of Management and Budget guidance. The DoD IG will also determine whether DoD has the ability to track the use of the Defense Emergency Response Fund.
Afghanistan Security Forces Fund - Phase III	The DoD IG is conducting the third phase of a multiphase audit in response to Public Law 109-234, which directed the Inspector General to provide oversight of Afghanistan Security Forces. We plan to issue a series of reports within this project. The objective is to determine whether organizations in Southwest Asia that the U.S. Central Command assigned with the responsibility for managing the Afghanistan Security Forces Fund properly accounted for the goods and services purchased for the Afghanistan Security Forces using the Afghanistan Security Forces Funds and whether the goods and services were properly delivered to the Afghanistan Security Forces.
Medical Equipment Used to Support Operations in Southwest Asia	The DoD IG is evaluating the internal controls over medical equipment used to support operations in Southwest Asia. Specifically, we will determine whether controls are in place for acquiring mission-essential medical equipment and whether the recording and reporting of medical equipment are accurate and complete. The audit will focus on the inventory of initially deployed medical equipment and the mission essentiality and acquisition of medical equipment needed to sustain current medical operations. We will determine if medical equipment purchases were justified and whether medical equipment has been properly reported and recorded in asset accountability data bases. This project is being performed in support of Operation Enduring Freedom (Afghanistan) and Operation Iraqi Freedom.



DoD IG auditors performing property accountability for medical assets in Southwest Asia.



AUDIT TITLE	AUDIT DESCRIPTION
Expeditionary Fire Support System and Internally Transportable Vehicle Programs	The objective is to determine whether contract competition and program administration for the United States Marine Corps Expeditionary Fire Support System and Internally Transportable Vehicle are in accordance with the Federal Acquisition Regulation and supporting DoD guidance.
Procurement and use of Nontactical Vehicles at Bagram Air Field, Afghanistan	The DoD IG is determining the effectiveness of the process for procuring and leasing nontactical vehicles at Bagram Air Field, Afghanistan. We will also review the cost of operating and maintaining nontactical vehicles and determine whether the amount of use complies with DoD guidance. The audit will support Operation Enduring Freedom (Afghanistan) and will be limited to nontactical vehicles procured and leased by the Defense Contract Management Agency through the Logistics Civil Augmentation Program III contract and the Joint Contracting Command-Iraq/Afghanistan.
Small Arms Ammunition Fund Management in Support of the Global War on Terror	The DoD IG is examining whether the Military Departments properly managed small arms ammunition funds in support of the Global War on Terror. Specifically, we will determine whether financial management officials fully supported and properly incurred obligations and expenditures. We will also determine whether funds for small arms ammunition were accurately recorded in financial systems for reporting to the Office of the Secretary of Defense.
Internal Controls and Data Reliability in the Deployable Disbursing System	The DoD IG is evaluating whether the internal controls over transactions processed through the Deployable Disbursing System are adequate to ensure the reliability of the data processed. This audit will include financial information processed by disbursing stations supporting the Global War on Terror and will also follow up on our “Internal Controls Over Payments Made in Iraq, Kuwait, and Egypt.”
Controls Over the Contractor Common Access Card Life Cycle	The DoD IG is reviewing whether controls over Common Access Cards provided to contractors are in place and work as intended. Specifically, we will evaluate whether DoD officials issue Common Access Cards to contractors, verify the continued need for contractors to possess Common Access Cards, and revoke or recover Common Access Cards from contractors in accordance with DoD policies and procedures.
End-Use Monitoring Of Defense Articles And Services Transferred To Foreign Customers	The DoD IG is reviewing the Golden Sentry Program, which monitors how foreign governments use U.S. defense articles and services, to determine whether the program records and controls transfers of sensitive arms effectively.
Procurement and Delivery of Joint Service Armor Protected Vehicles	The DoD IG is reviewing whether the Mine Resistant Ambush Protected vehicle program office is effectively procuring armored vehicles in accordance with the Federal Acquisition Regulation and DoD requirements. Specifically, we will review Mine Resistant Ambush Protected program administration to determine whether the program office is taking appropriate actions to accelerate vehicle delivery to users. In addition, we will review the Services’ requirements for Mine Resistant Ambush Protected and High Mobility Multipurpose Wheeled Vehicles.

AUDIT TITLE	AUDIT DESCRIPTION	
Funds Appropriated for Afghanistan and Iraq Processed Through the Foreign Military Trust Fund	The DoD IG is evaluating whether funds appropriated for the security, reconstruction, and assistance of Afghanistan and Iraq and processed through the Foreign Military Sales Trust Fund are being properly managed. We will also review whether the transfer of appropriated funds from the Army's accounts into the Foreign Military Sales Trust Fund was properly authorized, accounted for, and used for the intended purpose. We will also evaluate whether Foreign Military Financing funds granted to Afghanistan and Iraq are properly accounted for and used for their intended purpose. In addition, we will evaluate whether the appropriated funds are properly reported in DoD financial reports.	
Operations and Maintenance Funds Used for Global War on Terror Military Construction Contracts	The DoD IG is reviewing whether DoD Components followed requirements for using operations and maintenance funds for GWOT military construction. Specifically, we will evaluate whether DoD followed proper procedures for administering, executing, and reporting the use of operations and maintenance funds on Global War on Terror military construction contracts.	
Marine Corps' Management of the Recovery and Reset Programs	The DoD IG is evaluating the effectiveness of the Marine Corps' Recovery and Reset Programs for selected equipment. Specifically, we will review how the Marine Corps met its equipment requirements through the Reset and Recovery Programs, whether it effectively repaired or replaced selected equipment, and whether the Marine Corps used funds for their intended purpose.	
Distribution of Funds and the Validity of Obligations for the Management of the Afghanistan Security Forces Fund - Phase I and II	In the first two phases of a three-phase review of the nearly \$4.7 billion appropriated to the Afghanistan Security Forces Fund in Public Laws 109-13, 109-234, and 109-289, the DoD IG is reviewing the distribution of funds from the Office of Management and Budget through the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Assistant Secretary of the Army (Financial Management and Comptroller) to the Defense Security Cooperation Agency. In Phase II, the DoD IG is evaluating whether obligations recorded for the Afghanistan Security Forces Fund were made in accordance with legislative intent and applicable appropriations law.	
Hiring Practices of the Coalition Provisional Authority in Iraq	The DoD IG is conducting this congressionally requested audit to evaluate the hiring practices that DoD used to staff personnel to the provisional authorities supporting the Iraqi government from April 2003 to June 2004. Specifically, we will review the process DoD used to assign personnel to the Office of Reconstruction and Humanitarian Assistance and the Coalition Provisional Authority in Iraq.	
DoD Use of Global War on Terror Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation	The DoD IG is evaluating the adequacy of DoD financial controls over use of Global War on Terror supplemental funding provided for procurement and research, development, test, and evaluation. The DoD IG is also determining whether the funds were placed on contracts and used for purposes stipulated in the congressionally-approved Global War on Terror supplemental funding. A series of reports are planned for this effort.	

INVESTIGATIONS

The Defense Criminal Investigative Service, the criminal investigative arm of the DoD IG, has been engaged in investigating waste, fraud, abuse and corruption pertaining to the Iraq and Afghanistan since the start of the war. DCIS has five special agents assigned to Iraq and two special agents are assigned to Kuwait. An additional special agent has been temporarily deployed to Iraq to support a special cell investigating issues relating to weapons accountability. Two additional special agents are deployed to Afghanistan.

INTERNATIONAL CONTRACT CORRUPTION TASK FORCE AND THE JOINT OPERATIONS CENTER

Pursuant to the Inspector General Act of 1978, DCIS has broad criminal investigative jurisdiction regarding DoD programs and operations; however, effectively countering fraud in Iraq requires the cooperative efforts of other DoD investigative agencies and federal law enforcement partners. DCIS plays a significant and pivotal role in both the National Procurement Fraud Task Force and the International Contract Corruption Task Force. The ICCTF, an off-spring of the NPFTF, was formed to specifically target fraud and corruption involving Southwest Asia. The primary goal of the ICCTF is to combine the resources of multiple investigative agencies and to partner with Department of Justice Southwest Intake Office to effectively and efficiently investigate and prosecute cases of contract fraud and public corruption related to U.S. government spending in Iraq, Kuwait, and Afghanistan.



DCIS special agents in Baghdad, Iraq.

The participating agencies in the ICCTF are the DCIS; the U.S. Army Criminal Investigation Command's Major Procurement Fraud Unit; the Office of Inspector General, U.S. Department of State; the Office of Inspector General, U.S. Agency for International Development; the Federal Bureau of Investigation; and the Special Inspector General for Iraq Reconstruction. The ICCTF created a Joint Operations Center in furtherance of achieving maximum interagency cooperation. The JOC, located in Washington, D.C., serves as the nerve center for the collection and sharing of intelligence regarding corruption and fraud relating to funding for the Global War on Terror. The JOC coordinates intelligence-gathering, de-conflicts case work and deployments, disseminates intelligence, provides analytic and logistical support, and identifies resources for the ICCTF agencies to enhance criminal prosecutions and crime-prevention. Case information and criminal intelligence are shared without reservation, and accomplishments are reported jointly. The agency heads meet regularly to collectively provide policy, direction, and oversight.

In September 2008, the ICCTF hosted an International Contract Corruption Conference in Arlington, Virginia. The conference was attended by 60 federal investigators from the ICCTF partner agencies from all over the country. The conference promoted the exchange of information on investigating and prosecuting fraud and corruption involving Iraq, Kuwait, and Afghanistan.

PROTECTING AMERICA'S WARFIGHTERS

DCIS protects America's warfighters by vigorously investigating alleged procurement fraud, corruption, and other breaches of public trust that impact critical DoD programs. Our investigations focus on matters such as bribery, theft, procurement fraud, illegal receipt of gratuities, bid-rigging, defective and substituted products, and conflicts of interest. DCIS' presence in the region has identified corrupt business practices, loss of U.S. funds through contract fraud, and theft of critical military equipment destined for Iraqi security forces.



DCIS special agents at Camp Victory Iraq.

In addition to investigating allegations of fraud, waste, and abuse, DCIS launched a proactive project which will analyze over \$10 billion in payment vouchers related to U.S. Army purchases in Iraq and Afghanistan. The vouchers are currently stored at the Defense Finance & Accounting Service, Rome, NY. The project is being coordinated with DFAS, the DoD IG's components, the Defense Contract Audit Agency, the U.S. Army Audit Agency, and the FBI. The project will attempt to identify fraudulent activity related to the war effort in Iraq and Afghanistan through utilization of data mining techniques and quantitative analysis. While the initiative is in its infancy, several questionable transactions have been identified and referred for further investigation. In addition to these analytical efforts to develop cases, the investigative team assigned to the project is also supporting ongoing investigations involving fraud and corruption in Iraq.

To pursue investigative leads concerning weapon accountability in Iraq, DCIS is participating in a multi-agency Weapons Investigative Cell. Other participants include Army CID and the Bureau of Alcohol, Tobacco, Firearms and Explosives. The Weapons Investigative Cell is working with the International Zone Police Department and Government of Iraq officials to conduct weapons and munitions accountability investigations. In addition, the Weapons Investigative Cell is coordinating its activities with other affected U.S. and foreign agencies, and is attempting to determine if there is any evidence of weapons leaving Iraqi warehouses and being diverted or sold to unauthorized sources.

Investigations conducted in Southwest Asia are cooperative efforts. As of the end of this reporting period, a total of 85 DCIS special agents (CONUS and OCONUS) are conducting 134 investigations involving U.S. government spending in Iraq, Kuwait, and Afghanistan. A majority of these investigations are being investigated in conjunction with one or more law enforcement partner agencies.

DCIS' primary partners in countering DoD-related fraud in Southwest Asia are the Major Procurement Fraud Unit, Army CID; and the Federal Bureau of Investigation. Of these 134 investigations, 119 investigations are being conducted by special agents in Germany and the United States. Fifteen investigations are currently being



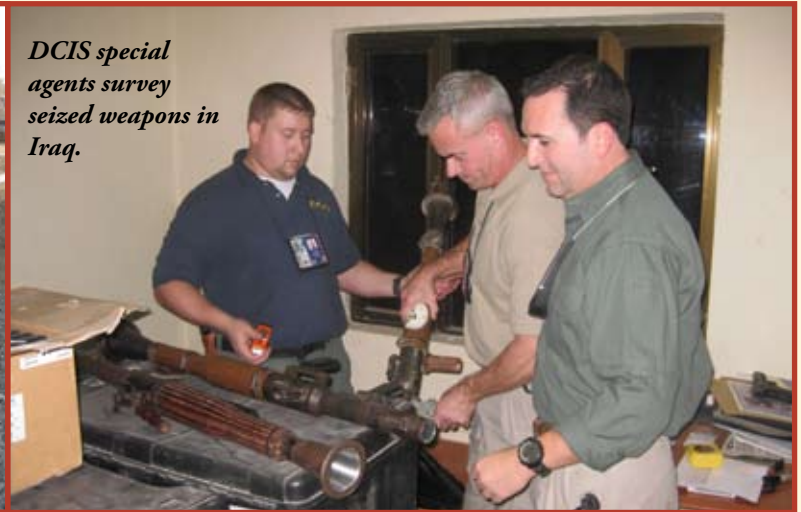
DCIS special agents in Iraq.

conducted by agents deployed throughout Southwest Asia. DCIS attempts to transfer investigations developed in Southwest Asia to an appropriate CONUS venue as soon as practical so as to ensure we maximize the use of our in-theater investigative resources and to begin and facilitate prosecution efforts. Since March 2007, DCIS has transferred 16 cases from Southwest Asia to CONUS.

As a result of closed and ongoing investigations in Southwest Asia, 36 federal criminal indictments and 36 federal criminal informations have been issued, and five hearings have been conducted under Article 32 of the Uniform Code of Military Justice. Four Articles 15 Actions have been conducted under the Uniform Code of Military Justice. In total, 36 persons were convicted of felony crimes, resulting in a total of approximately 53 years of confinement and 48 years of probation; ten individuals and four companies were debarred from contracting with the U.S. Government; 31 companies and persons were suspended from contracting; and 4 contractors signed settlement agreements with the U.S. Government. A total of \$13.7 million was paid to the U.S. in restitution; \$966,925 was levied in fines and penalties; \$1.9 million was forfeited; and \$6.3 million was seized.



DCIS Special Agent with Afghani guard.



DCIS special agents survey seized weapons in Iraq.

DFAS-ROME, NY PROJECT

To identify instances of Fraud, Waste and Abuse of Department of Defense funds, DCIS has spearheaded a proactive project to analyze billions of dollars in payment vouchers related to U.S. Army and Marine Corps purchases in Iraq. The vouchers are currently stored at the Defense Finance & Accounting Service, Rome, NY and DFAS Indianapolis, Indiana. The project is being coordinated with DFAS, DoD IG Audit, the Defense Contract Audit Agency, the U.S. Army Audit Agency, and the FBI.

During this reporting period, DCIS committed \$300,000 to DFAS to implement the scanning of more than 3,500 boxes of stored vouchers into an electronic database. It is anticipated that scanning will begin in the near future and will be completed during the next fiscal year. Once scanning is complete, data mining techniques will be employed to analyze the documents to identify fraudulent activity related to the war efforts in Iraq and Afghanistan. Until the vouchers are scanned into the DFAS database, a manual review of DFAS vouchers will continue. Thus far, DCIS and its partners have identified several questionable transactions which have been referred for further investigation. The DCIS special agent at DFAS-Rome is currently supporting several ongoing investigations involving fraud and corruption in Iraq.



POLICY AND OVERSIGHT

Policy and Oversight has supported efforts to develop and promote the establishment of effective oversight and security organizations in Afghanistan and Iraq. Some of those projects have been conducted jointly with the Department of State and the Department of Justice and have provided critical assessments and detailed recommendations aimed at helping the fledgling democracies in those countries to counter crime, corruption, human rights abuses, and other threats to include terrorism. A brief overview of each project follows:

COMPLETED PROJECTS

Review of Army Criminal Investigation Command Investigation into the Alleged Wrongful Shooting of an Afghan on November 7, 2002: This review was initiated based on a complaint made to the DoD Hotline as well as a request from Senator Elizabeth Dole. Our initial review found that the Army CID investigation was not timely or thorough, which prompted CID to reopen their investigation. Our review of the second CID investigation found that substantial evidence existed indicating the shooting was wrongful. We recommended the Secretary of the Army forward our report to the responsible Army commander for potential action against the alleged perpetrators.

Review of Matters Related to the August 28, 2005, Shooting of Reuters Journalists: Outside counsel representing Reuters complained that the Army command investigation into the shooting of two Reuters' employees (the driver was killed) was insufficient, and that a private investigative agency they hired determined the soldiers' actions were unlawful. We concluded the soldiers conformed to the rules for use of deadly force; however, the command investigating officer did not comply with applicable standards; the Reuters Baghdad bureau safety practices reduced the soldiers' ability to distinguish Reuters employees during a battle; and Reuters Baghdad safety procedures were inconsistent with U.S. forces expectations.

Observations and Critique of the DoD Task Force on Mental Health: Our report summarized our observations of the DoD Task Force on Mental Health; the task force's final report, "An Achievable Vision," June 2007; and the Secretary of the Defense's "Report to Congress": The Department of Defense Plan to Achieve the Vision of the DoD Task Force on Mental Health," September 2007. The Secretary established the task force in May 2006 in response to the requirements of Section 723 of the FY 2006 National Defense Authorization Act. Concurrently, on May 17, 2006, Senator Joseph Lieberman requested that we conduct an investigation of the military's current mental health practices. As such, we arranged, and Senator Lieberman agreed, to have a DoD IG observer on the task force.

We reported that the DoD Task Force on Mental Health fully satisfied the intent and requirements of Section 723 and addressed Senator Lieberman's concerns. We noted, however, that there were three topics raised by the task force that did not receive significant mention in the report: suicide, inpatient treatment, and physical evaluation boards/medical evaluation boards. Although these issues deserve continued attention, we concluded that the task force's report and the report to Congress represent a comprehensive examination of DoD's mental health care programs for members of the Armed Forces and their families.

Information Report on the Assessment of DoD Support to the Iraqi Security Forces Inspectors General: This assessment was a DoD IG-initiated evaluation of DoD support to assist the Iraqi Ministry of Defence, Ministry of Interior, and Joint Headquarters Inspectors General in establishing a self-sustaining Inspector General function under

Iraqi law. We focused on the operations, plans, and projected needs of these Iraqi Security Forces IG organizations within the context of the U.S. Government's transition and capacity-building goals, as well as Iraqi anti-corruption strategies and objectives. The final report identifies five considerations to improve DoD support going forward and to facilitate similar principled governance activities in other emerging nations.

DoD/VA Care Transition Process for Service Members Injured in OIF/OEF:

The Under Secretary of Defense for Personnel and Readiness requested this evaluation. Given the need for integrated solutions, DoD IG partnered with the Department of Veterans Affairs. The interagency team examined laws, policies, processes, and procedures used to provide access to health care and other benefits to severely ill and injured military personnel returning from Operations Enduring Freedom and Iraqi Freedom. The team coordinated their observations and findings with the "Wounded, Ill, and Injured Senior Oversight Council" to compare, cross-map, and deconflict the team's results against the 400-plus recommendations prepared by other "Wounded Warrior" studies and review groups. The final report included three unique recommendations to improve the long-term care of wounded veterans and to facilitate the transition processes between the DoD and VA.



DoD IG evaluators arrive at Ramstein Germany to visit Landstuhl Regional Medial Center.

ONGOING PROJECTS



DoD IG team inspecting facilities at the Radwaniyah Palace Complex in Baghdad, Iraq.

Review of Contracting Actions Relating to the Electrocution

Death of a U.S. Army Soldier: On January 2, 2008, a U.S. Army staff sergeant was electrocuted while showering in his Iraqi-built quarters in the Radwaniyah Palace Complex, Baghdad, Iraq. Congressional interest led to a request from the Deputy Under Secretary of Defense for Acquisition and Technology for the DoD IG to conduct a review of the relevant management, contracting, and maintenance actions prior and subsequent to the incident. Following a July 30, 2008, hearing by the House Committee on Oversight and Government Reform, the team expanded the scope of the review to include a review of the command actions, investigation case files, and safety mishap investigations of eight additional electrocution deaths in Iraq. The DoD IG published an interim response on July 29, 2008, that listed and categorized the known electrocutions of U.S. Forces in Iraq, corrected inaccuracies

in a January 2008 Army memorandum that led to misunderstanding regarding prior knowledge of life-threatening electrical problems, and outlined command actions in response to the incident at that time.

Evaluation of DoD Sexual Assault Response in Operations Enduring Freedom and Iraqi Freedom Areas of Operation: In response to concerns of over 100 members of Congress, this project evaluates policies and practices for reporting and referring for investigation sexual assault complaints by contractor employees in combat areas. Based on new congressional interest, we expanded the scope to DoD's oversight of contractors regarding sexual assault/harassment deployment training and contractor accountability for employee misconduct in combat areas.

Contract Audit Follow-Up Review Related to Iraq Reconstruction Activities: The objective of this review is to determine if contracting officers' actions on audits of contractors involved in Iraq Reconstruction activities were timely and effective in accordance with DoD Directive 7640.2, "Policy for Follow-up on Contract Audit Reports." We issued our draft report on September 30, 2008, taking exception to various Defense Contract Management Agency actions on two audits of reported cost accounting standard non-compliances and one audit of reported accounting system deficiencies. In FY 2009, we plan to issue a separate report on the equitable adjustment claim and all other actions that DCMA took in response to incurred cost audits of contractors involved in Iraq reconstruction activities.



Section 1206 team meets with Indonesian Navy leadership.

Section 1206 team meets with the Commander of the Sri Lanka Navy.

Interagency DoD/Department of State IG Assessment of Section 1206 of the National Defense Authorization Act, "Global Train and Equip Program": The two federal departments announced this interagency "Section 1206" project on March 14, 2008. The Director of the Joint Staff and the Principal Deputy Under Secretary of Defense for Policy jointly requested this assessment to review program management and to identify opportunities for process improvements. Section 1206 gives DoD the authority to provide training, equipment, and supplies to foreign militaries to bolster their capacity to combat terrorism or to participate with the U.S. military in combined operations. Legislated in the FY 2006 National Defense Authorization Act, Congress authorized funding for the last three years. Section 1206 supports the National Security Presidential Directive 44, "Management of Interagency Efforts Concerning Reconstruction and Stabilization," and DoD Directive 3000.05, "Support for Stability, Security, Transition and Reconstruction Operations," November 28, 2005. The interagency team completed their field visits to eight countries and the associated combatant command headquarters.



INTELLIGENCE

The DoD IG's Office of the Deputy Inspector General for Intelligence has ongoing and planned reports of high-profile issues related to the GWOT. A brief overview of each report follows:

ONGOING REPORTS

Review of Intelligence Resources at the Joint Intelligence Task Force Combating Terrorism and Special Operations Command: The objective is to examine intelligence missions and corresponding resources at both the Joint Intelligence Task Force Combating Terrorism and Special Operations Command to determine the sufficiency of those resources to accomplish their intelligence missions.

Audit of the Management of Signals Intelligence Counterterrorism Analysts: The objective is to evaluate the management of signals intelligence counterterrorism analysts. Specifically, the audit will review the hiring/recruitment process, training programs, and work assignments of counterterrorism analysts. The review will include an assessment of the impact additional resources have had on the effectiveness of the National Security Agency counterterrorism mission since September 2001.

Evaluation of DoD Language Training in Support of Operation Iraqi Freedom and Operation Enduring Freedom: The objective is to determine the efficiency and effectiveness of DoD language training in support of OIF and OEF. We will review the Defense Language Transformation Roadmap and applicable DoD Instructions and Directives to determine if recruitment, training, assignment and retention of Air Force linguists are effective at satisfying OIF and OEF language requirements.

Investigation of Possible Use of Mind Altering Substances by DoD Personnel during Interrogations of Detainees and/or Prisoners Captured during the War on Terror: This investigation responds to a request from members of the United States Senate. The objective of this investigation is to determine if DoD personnel conducted, facilitated, or otherwise supported interrogations of detainees and/or prisoners using the threat or administration of mind altering drugs.

SERVICES OVERSIGHT

A look at the Services audit and investigative efforts in
the Global War on Terror



U.S. ARMY

Army Audit Agency

Army Criminal Investigation Command

U.S. NAVY AND MARINE CORPS

Naval Audit Service

Naval Criminal Investigative Service

U.S. AIR FORCE

Air Force Audit Agency

Air Force Office of Special Investigations

ARMY

ARMY AUDIT AGENCY

Army Audit Agency issued over 100 reports focusing on Operation Enduring Freedom/Operation Iraqi Freedom since FY 2003. Reports have focused on logistics and contracting issues—including 31 reports on the multi-billion dollar Logistics Civil Augmentation Program contract—and other areas such as maintenance, military pay, and funds management. Ongoing efforts include audits of LOGCAP, contracting operations, retrograde operations, shipping containers, Reset, Army Reserve and National Guard premobilization training, and the Commanders Emergency Response Program.



Army Audit Agency deployed auditors.

Much of the audit work is performed in Southwest Asia (principally Iraq, Afghanistan, and Kuwait). USAAA maintains a significant presence in the U.S. Central Command area of responsibility assisting Army commanders. At the end of September 2008, it had 28 deployed auditors in Iraq, Kuwait, and Afghanistan. Overall, since 2002, the USAAA has deployed over 130 auditors. In addition, many of its stateside reports are directly focused on GWOT issues.

USAAA's audit work in theater stems from requests from the Secretary of the Army; the Commander, Multi-National Forces-Iraq; the U.S. Army Criminal Investigation Command; the Commanding General, Third U.S. Army and U.S. Army Forces Central Command; the Commander, Joint Contracting Command-Iraq/Afghanistan; and the Commanding General, U.S. Army Corps of Engineers, Gulf Region Division.

COMPLETED AUDITS

Accountability of Contractors on the Battlefield: This was the second of two audits that reviewed contractor on the battlefield issues. This audit focused on the Army's roles, responsibilities, and various processes for accounting for contractors on the battlefield as well as the functionality of the Synchronized Predeployment and Operational Tracker system adopted as the official DoD system to account for contractors downrange. USAAA found that the contractor accountability mission lacks adequate Army enforcement, policy, coordination, and mission alignment. Also, the Synchronized Predeployment and Operational Tracker system currently does not provide functional management and accountability over deployed Army contractors, though it will provide this capability once it is fully fielded and system improvements are made. Also, there was not one system or integration of systems that provided complete contractor accountability and none of the three systems reviewed adequately accounted for the contractor population in theater. USAAA made 26 recommendations to clarify Army roles, responsibilities, and guidance; and to improve the processes and systems for accounting for contractors on the battlefield.

Accounting for Seized Assets and Development Fund for Iraq: USAAA performed this audit at the request of the Assistant Secretary of the Army (Financial Management and Comptroller) to determine if residual balances maintained by Department of Army in three deposit fund accounts were reasonable and available for transfer to the government of Iraq. The fund accounts were: Collection for Seized Assets, Disbursement of Seized Assets, and Disbursement of Development Fund for Iraq.

USAAA reported that residual balances maintained by the Department of Army for the three deposit fund accounts were reasonable. However, the residual balances in the Disbursement of Seized Assets and Development Fund for Iraq Accounts were not ready for transfer because Third Army and Department of Army did not maintain adequate visibility over the unliquidated obligations. Without information on the unliquidated obligations status, Department of Army did not know the true status of the accounts and could not make plans to return the funds. By taking action to develop an Aged Unliquidated Obligations status report for unliquidated obligations, Third Army could provide Department of the Army information it needed to develop a plan for returning the residual balances to the government of Iraq.

USAAA also found that the Assistant Secretary of the Army (Financial Management and Comptroller) maintained funds in each of the three accounts that were not distributed for use to either Third Army or the U.S. Army Corps of Engineers. This undistributed balance, collectively valued at about \$36.9 million, could be transferred to the government of Iraq pending confirmation from Third Army and Corps of Engineers fund managers that no foreseeable needs exist.



AAA auditor meets with General Petraeus.

Management of Shipping Containers in Southwest Asia: At the request of the Office of the Deputy Chief of Staff, G-4, USAAA is auditing the Army's visibility over shipping containers related to the Southwest Asia theater of operations. In the second half of FY 2008, USAAA published reports on operations in Iraq and the continental United States. These reports are discussed below. Audits on operations in Kuwait and Afghanistan are ongoing.

During its audit of selected activities in Iraq, USAAA determined that visibility issues existed with the data in the Integrated Booking System Container Management Module, the automated system used to manage and track shipping containers in the Southwest Asia area of operations. Specifically, key personnel and activities sometimes were not taking the actions needed to ensure the visibility data was accurate and complete. Actions needed included conducting physical inventories, recording containers properly in the automated system, reporting missing or lost containers, and tracking containers. Without these actions, there was a measurable loss of visibility data that affected command's ability to make sound container management decisions. For example, in the Iraq area of operations, the Army had lost visibility over 23,437 containers valued at approximately \$61.8 million. Overall, these problems occurred due to shortfalls in command emphasis, training, and force structure and capabilities. Improvements in these key areas were critical to overcoming the challenges associated with managing containers during contingency operations.

During its audit of selected Army depots and installations in the Continental United States, USAAA determined visibility issues existed with the data in the Army's designated container management system—Army Container Asset Management System. Responsible Army personnel sometimes did not account for containers in Army Container Asset Management System or input maintenance, usage, and status codes in Army Container Asset Management System. Also, there were instances of duplication in Army Container Asset Management System, which gave the false impression of a higher number of containers available for distribution. The problems occurred because Army activities did not have sufficient resources (funding and personnel) to take needed actions to attain a reasonable degree of visibility over shipping containers within their purview. At the activities visited, there were shortfalls with container management processing procedures, training, inventories, and maintenance inspections and repairs. For the Army to attain control over the visibility of shipping containers, the Army must take action by securing funding and putting into practice a container management program. In the absence of the base funding needed to establish visibility and control over containers, visibility over the critical transportation assets will continue to be in question.



AAA auditors inspect MRAP Vehicles in Southwest Asia

Operational Loss Requirements: The Army began experiencing increased equipment losses during 2002 because of contingency operations in Afghanistan and Iraq. Those losses are replaced through a process of identifying operational losses, reporting them through the chain of command to the Department of Army, and programming for their replacement. At the request of the Office of the Deputy Chief of Staff, G-4, USAAA audited the Army's process for identifying operational losses and programming for their replacement in FYs 2007 and 2008.

USAAA reported that the process was lengthy and inefficient, units did not comply with guidance, and guidance was unclear or incomplete. For four of the six weapon systems reviewed, the Army took an average of 180 days to identify an operational loss as a requirement for replacement. Reporting delays were inherent in the process, and the Army lacked real-time visibility over equipment losses. In addition, programmed replacements did not match operational losses because the Army needed to submit requirements without complete data on actual losses. The process, coupled with the 2-4 year procurement lead-time for end-items, delayed replacements. These delays could lead to a diminished fleet and could negatively affect unit readiness.

The Office of the Deputy Chief of Staff, G-4 recognized it needed improved visibility over equipment losses. In March 2006, the office began a Lean Six Sigma initiative to automate the loss reporting process. The initiative identified improvements to the process, but experienced delays implementing many improvement tasks. Consequently, the process still needs improvement to support readiness in this time of increased operational tempo.

Rapid Fielding Initiative: USAAA audited the Army's process for validating Rapid Fielding Initiative requirements, institutionalizing Rapid Fielding Initiative after the Global War on Terror, and resourcing Rapid Fielding Initiative acquisitions. It found that the Rapid Fielding Initiative requirements validation process was adequate due to the U.S. Army Infantry Center involving communities of interest across the Army and other Services to validate the requirements through the Joint Capabilities Integration and Development System. Also, the Army was enacting the steps and making the cultural changes necessary to integrate Rapid Fielding Initiative into larger processes. However,

the Army did not have an effective process to resource Rapid Fielding Initiative acquisitions. The Army funded Rapid Fielding Initiative equipment primarily with supplemental funds even though it intended for Rapid Fielding Initiative capabilities to be completely subsumed within the “Soldier as a System” requirements documents as an enduring modernization program. Additionally, the Army was not properly reimbursed for Rapid Fielding Initiative equipment it supplied to the Air Force and the Navy. If inter-service support agreements were developed with the other Services for future Rapid Fielding Initiative fieldings, the Army could realize potential monetary benefits of about \$57 million over 6 years.

Reset Metrics: Resetting equipment is critical to reversing the effects of combat stress associated with increased use of equipment and damage in the theater of operations. At the request of the Secretary of the Army, USAAA initiated a series of four audits to evaluate the adequacy of metrics the Army used to measure the effectiveness of the FY 2007 reset program. In the second half of FY 2008, USAAA reported on three of the audits: Field Level Reset, Lessons Learned, and Sustainment Maintenance, USAAA reported on the fourth audit (Procurement) during the first half of FY 2008.

Reset Metrics—Field Level Reset: The field level reset metric was being reported as designed, but it did not measure all the funds the Army applied to field level reset. The metric measured reset success by the number of brigades in progress or completed with field level reset. However, this accounted for only a fraction of the funds the Army obligated for this purpose. Of the \$3.7 billion Congress allocated for field level reset, USAAA focused on about \$3.1 billion attributable to ground equipment. The Army reprogrammed some of this funding during the FY, leaving approximately \$2.5 billion for field level reset. Of this amount, the metric failed to measure more than \$1 billion because the funds were used to complete work that was not attributable to specific brigades. Also, the Army’s report to Congress did not clarify that a brigade that had completed field level reset sometimes was not ready to deploy because it may have been missing equipment that would be filled from the national equipment pool, new procurement, or other sources.

The Army’s procedures for reporting to Congress the status of brigades undergoing field level reset also needed improvement. U.S. Army Materiel Command, the activity responsible for preparing this information and forwarding it to the Department of Army to include in the congressional report, did not have formalized business rules establishing when a brigade would be reported complete with reset. In addition, its subordinate activity, U.S. Army Sustainment Command, relied on contractor teams to report field level reset status because it could not rely on the information in standard Army systems. However, Sustainment Command did not report these deficiencies to system proponents,

and thus it was unlikely data in those systems would be improved. This was especially important because the new Automated Reset Management Tool, which is intended to be the Army’s focal point for reset information, relies heavily on data from those systems.



AAA auditors examine maintenance area in Iraq.

Although the Army effectively obligated reset funds in a timely manner, it did not monitor execution data at a brigade level. This occurred because the Army allocated field level reset funding by installation instead of brigade, and it had no method for monitoring funding attributable to a specific unit. Often, the amount of funding provided to an installation did not correlate to the number of units reset at that installation. Further, the Army did not have a good historical basis to determine how much it should cost to reset a brigade. This information is crucial in evaluating the efficiency of the Army’s field level reset program.

Reset Metrics—Lessons Learned: This is the final report in the series of four reports and highlights the overarching themes USAAA noted while conducting the audits. While the Army’s report to Congress generally demonstrated the positive effects of the FY 2007 Title IX supplemental funding, the report did not always align resources used with outcomes achieved with those resources. For example, sustainment level reset workload reported as complete in FY 2007 was oftentimes funded with prior year funds and FY 2007 funded work was carried forward into FY 2008. If workflow was consistent by type and quantity the outcomes would be offset—but neither the type nor quantity was consistent. In addition, the field level reset metric did not capture at least \$1.1 billion that was not attributable to a specific brigade. As a result, the report did not provide an accurate perspective of outcomes the Army achieved with the influx of the \$17.1 billion in supplemental funds. Additionally, the Army chose to submit its report monthly, rather than quarterly as Congress required. This placed an additional burden on personnel in the field and increased the risk of inaccurate reporting. Further, Congress stated that the report should include information on expenditures, but the Army reported only obligations.

The Army took many positive actions, both in response to USAAA’s audit efforts and as a result of its own lessons learned, and it incorporated those changes in its reporting format and reset fragmentary orders. Additionally, the Army established a reset pilot program to improve the reset process and to identify potential enhancements to support the Army Force Generation model.




AAA auditors at Camp Arifjan.

Reset Metrics—Sustainment Maintenance: This audit focused on the processes used to track and report the Operation and Maintenance, Army funding for sustainment maintenance metrics related to the Army’s FY 2007 reset supplemental funding. USAAA reported that the Army had an adequate process in place to track and report its FY 2007 supplemental reset funding obligated at the sustainment level of repair. In its April 2007 congressional submission, the Army accurately tracked and reported obligation data in its funding metric for about \$3.4 billion in FY 2007 Operation and Maintenance, Army sustainment level reset and recapitalization funds. However, the Army’s process to track and report system quantities did not accurately depict reset status; it inaccurately tracked and reported completion of reset in its metric for sustainment (depot) equipment repairs for three of four selected ground systems.

In addition, the obligation metric did not correlate with reported sustainment equipment repairs because the Department of Army combined Operation and Maintenance, Army sustainment reset funding with other reset categories, such as field level. As a result, users of the report could not effectively compare funding obligations with quantities of completed systems at the sustainment level. U.S. Army Materiel Command and subordinate activities used newly established accounting controls, such as a dedicated subactivity group and functional cost accounting codes, which enabled better tracking of reset funding obligations. But the Army had difficulty accurately tracking and reporting the systems completed because it lacked sufficient visibility over contractor reset work.

The Department of Army also did not establish standard business rules that defined system completions or a monthly reconciliation process to validate quantities reported by subordinate activities. As a result, Army activities used various standards for defining completed systems and did not properly update reported quantities. Consequently, the format and rules for reporting sustainment level reset needed improvement to deliver reliable data to Army leaders and to Congress.



Temporary Change of Station Orders and Housing for Mobilized Soldiers: This was the first of two audits reviewing various aspects of soldiers mobilized in support of missions outside of theater or soldiers in temporary change of station status. USAAA found the Army did not have sufficient policy and procedures to ensure valid travel entitlements and adequate authorizations for mobilized soldiers under TCS status. Additionally, there was not a structured process to approve the vouchers for these soldiers. As a result, 10 percent of the travel packets analyzed included claims that were potentially fraudulent, 77 percent included claims that were wasteful or abusive, and only 13 percent included claims that were reasonable. These findings were significant in that the Army has spent in excess of an estimated \$1.5 billion in TCS costs since 2004. The Army also did not have sufficient or cost-effective lodging solutions for mobilized soldiers in the NCR. USAAA made 9 recommendations to improve the processes for approving TCS orders and vouchers and housing TCS Soldiers. These recommendations, in conjunction with implementation of the Army's TCS Action Plan, could save the Army at least \$21 million annually by housing soldiers in the NCR in available on-post, and government-contracted off-post housing instead of hotels. The second audit on TCS issues is ongoing.

U.S. ARMY CRIMINAL INVESTIGATION COMMAND

The U.S. Army Criminal Investigation Command provides continuous worldwide criminal investigative support to all U.S. Army elements, conducts protective services for senior members of the Department of Defense and foreign nations, provides actionable criminal intelligence, provides forensic laboratory support to all DoD, conducts logistic security operations in support of Army Operations and the GWOT, and maintains Army criminal records.

Army CID has more than 170 soldier and civilian special agents and support personnel assigned throughout Iraq and Afghanistan providing investigative support to Combatant Commanders. It remains the primary investigative agency within the U.S. Central Command's theater of operations, responsible for conducting all felony crime investigations. The traditional criminal investigative and intelligence missions have expanded to include war crimes and crimes against coalition and host nation personnel, along with developing countermeasures to combat subversive activities on the battlefield. For instance, Army CID special agents participated in the sensitive site exploitation and recovery of the remains for two soldiers missing in action in Iraq since May 2007.

Army CID continues to serve as the executive agency for the Criminal Investigation Task Force, a joint mission with the Navy Criminal Investigative Service and the Air Force Office of Special Investigations, responsible for investigating alleged war crimes and acts of terrorism committed against U.S. interests by non-U.S. citizen detainees. CITF supports the Central Criminal Court in Iraq through their investigations and prosecutions, and have referred cases against more than 1,480 detainees to the CCC of Iraq. The court has held trials for over 540 of those detainees, with convictions of more than 410, a conviction rate of nearly 75 percent.

CITF, working with other U.S. Government agencies, is developing an innovative project that uses law enforcement investigations and techniques to "follow the money" to identify people and organizations involved in financing terrorist networks. To date, 75 individuals and entities involved in financing terrorism in Iraq and other parts of the Middle East have been identified. CITF personnel are also assisting other countries in pursuing arrest warrants for people suspected of acting as terrorism financiers and facilitators.

CITF participated in the historic trial of Osama bin Laden's former driver, Salim Ahmed Hamdan, the first contested prosecution of a detainee at Guantanamo Bay. On August 6, 2008, the jury for the first war crimes trial held by the U.S. since World War II found Hamdan guilty of providing material support for terrorism and sentenced him to five and a half years in U.S. custody.

An investigation of particular note in support of GWOT was one in which a former contract employee in Iraq pled guilty in the U.S. District Court, Eastern District of Virginia, for possession of child pornography. The CENTCOM Commander approved adjudicating the matter in a military court-martial, the first since Vietnam, and it was successfully completed under the Military Extraterritorial Jurisdiction Act. The employee was convicted and sentenced to five months confinement.

Army CID's Major Procurement Fraud Unit continues to combat fraud and corruption associated with funding major army system acquisition programs. MPFU's focus is to investigate allegations of fraud affecting contracting operations in contingency environments throughout the world. Working with member agencies of the International Contract Corruption Task Force under the Department of Justice ICC Initiative (that includes the DCIS, DoS, FBI, Special Inspector General for Iraq Reconstruction, U.S. Agency for International Development), the MPFU is operating from forward investigative offices in Afghanistan, Kuwait and Iraq. The investigative activities are primarily concentrated on contingency fund contractual fraud involving GWOT and in support to military operations under OEF and OIF. Since April 2008, the MPFU has initiated 105 Reports of Investigation, with nearly \$60 million in total recoveries and an additional \$237 million identified as cost avoidance. In response to the findings of the Gansler Commission, MPFU sought and received approval for hiring 36 additional civilian special agents to support restructuring the Army's contracting activities.

Special agent marks grid coordinates.




Special agent conducting an investigation.

Special agents checking debris for evidence.



The Protective Services Battalion of Army CID conducts world-wide executive level personal protection for designated senior Department of Defense, Joint Chiefs of Staff and Department of the Army High Risk Personnel 365 days a year, and their foreign counterparts during official visits to the United States; protecting them from assassination, kidnapping, injury or embarrassment. In support of the GWOT, PSB has conducted, on average, 500 travel missions per year (3,500 missions) to low, moderate and high risk countries around the world, and over 200 protective operations to Afghanistan and Iraq in support of the Secretary and Deputy Secretary of Defense, the Chairman and Vice Chairman of the Joint Staff, and the Secretary, Chief and Vice Chief of Staff of the Army. The PSB deploys special agents to Afghanistan and Iraq to lead Protective Services Details for senior U.S. combat commanders, to include the



commanders of Combined Joint Task Force - 101, the Combined Security Transition Command – Afghanistan, and the Multi-National Corps – Iraq. The PSB also conducted numerous Personal Security Vulnerability Assessments incorporating terrorist and criminal threat data into a comprehensive risk analysis program for high risk personnel on travel missions. PSB continues to provide Mobile Training Teams for external Army Protective Service Details that deploy in support of OEF/OIF.

As a result of DoD agencies recognizing the major contributions of using forensics to support their missions, the U.S. Army Criminal Investigation Laboratory continues to increase its staff and develop its operations in support of the Defense Forensic Enterprise System. The Reach Back Operations Center was established and has begun its mission to support the Joint Expeditionary Forensic Facilities in Iraq that provides forensic lab support to DoD warfighters and intelligence operations. An Army CID Reserve Battalion was deployed to Iraq to provide technical and forensic oversight of the JEFFs, and to serve as the liaison between law enforcement personnel and the forensic examiners. In addition, the traditional forensic disciplines are researching and expanding their capabilities to further support the warfighter via battlefield forensics. An example of this effort is the testing of a computer-based system that screens numerous handwritten documents to associate writers of the respective documents. The focus of this capability involves testing documents in Arabic handwriting because no reliable source currently exists within DoD for the forensic examination of Arabic handwriting. To date, over 50 terrorists/insurgents have been identified through forensic sciences and captured or targeted for capture by U.S. Forces.

The Law Enforcement Program is a Joint IED Defeat Organization funded initiative that transitioned to the Army CID in April 2008 for consideration by the U.S. Army as a program of record. The LEP mission is to provide experienced former law enforcement personnel with criminal enterprise analytical and investigative skills for embedding into Corps, Division, Brigade, Regimental and Battalion Headquarters, to assist commanders with enhanced expertise and methodology to understand, identify, target, penetrate, interdict, and suppress criminal networks and their employment of IEDs.

U.S. NAVY AND MARINE CORPS

NAVAL AUDIT SERVICE

NAVAUDSVC supports the Department of Navy GWOT goals by auditing selected policies, procedures, and activities to assure they achieve the stated objectives and maximize efficiencies. In support of the Department of Navy 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. Additionally, there are controls over contingency contracting, anti-terrorism/force protection, intelligence and security, maintenance, medical health, safety, personnel management, 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 SWA JPG and its members and guests to ensure the full spectrum of DoD oversight is engaged in support of DoD's SWA efforts.



COMPLETED AUDITS

Department of the Navy Small Arms In-Transit Accountability: The audit objective was to verify that the Navy's small arms post shipment controls and practices ensure that: small arms shipments and receipts are properly reported; and in-transit shipping problems are detected, reported, and resolved in a timely manner. NAVAUDSVC found that 87 shipments containing a total of 344 weapons were recorded as delinquent, requiring follow-up action by the Navy Small Arms Registry. The follow-up action taken by the Registry was untimely and incomplete. Timely follow-up action is a key control necessary to help prevent, and ensure timely detection of loss or theft. In addition, NAVAUDSVC found that Navy activities often did not report shipments of weapons to the Navy Registry as required. Without proper notification that a shipment is en route, the Registry effectively loses accountability over those weapons while in transit, increasing their vulnerability to loss and theft. Management concurred with all recommendations, and all planned and completed corrective actions met the intent of the recommendations.

Regional Antiterrorism Recommendations Follow-up: This follow-up effort was conducted in concert with the fieldwork performed for the Navy Antiterrorism Program Execution audit to be published in FY 2009. The purpose of this follow-up report was to summarize recommendations resulting from the NAVAUDSVC's prior continental United States regional Antiterrorism audit reports, and the effectiveness of actions taken by Navy commands to answer recommendations made in those earlier reports. These reports analyzed how effectively selected installations within a given Navy region had addressed the three elements of an effective risk assessment (vulnerability, threat, and criticality assessments), as well as how assessment results translated into force protection requirements. The actions taken by Navy management to address recommendations in these high-risk areas have helped to mitigate risks and improve management of Antiterrorism programs, but there are still opportunities for improvement. About half of the installations still had not completed criticality and risk assessments in 2007. All areas for improvement detailed in this follow-up report are addressed by recommendations made in the (forthcoming) Navy Antiterrorism Program Execution audit report.

Validation of Defense Health Program Global War on Terror Obligations for the Bureau of Medicine and Surgery: The audit objective was to verify that Global War on Terror obligation data for the Bureau of Medicine and Surgery Defense Health Program is properly classified, accurately reported in the Global War on Terrorism report, and supported by sufficient documentation. NAVAUDSVC randomly sampled 90 Global War on Terror transactions and 10 non-Global War on Terror Operation Noble Eagle transactions valued at approximately \$1 million. We verified 97 percent of sampled Global War on Terror obligation transactions for the quarter ending March 31, 2008, were properly captured, classified, recorded and reported in the accounting system as Global War on Terror obligations. However, three Global War on Terror obligations did not pass the validation test. We verified that none of the sampled non-Global War on Terror obligation transactions for the quarter ending March 31, 2008, were properly captured, classified, recorded, and reported in the accounting system as non-Global War on Terror obligations for the Operation Noble Eagle program. These transactions did not pass the validation test because they were incorrectly reported as non-Global War on Terror Operation Noble Eagle in the Global War on Terror report. These items do not belong to the Operation Noble Eagle program and should not have been included in the report. A recommendation to implement controls and procedures to identify and isolate Operation Noble Eagle costs from other non-Global War on Terror, and to ensure that Operation Noble Eagle is the only non-Global War on Terror category included in the Global War on Terrorism report was made to the Resource Management/ Comptroller Department (M8) of the U.S. Navy Bureau of Medicine and Surgery. The Bureau agreed with our recommendation. Management concurred with and took corrective action to close the recommendation.

ONGOING AUDITS

Department of the Navy Acquisition Checks and Balances at Naval Support Activity, Bahrain and Dubai: The objective is to verify that DoN checks and balances for Bahrain and Dubai acquisitions are in place to detect, deter, and prevent fraud, waste, and abuse in compliance with federal, DoD and DoN acquisition requirements.

Department of the Navy Disbursing Checks and Balances at Naval Support Activity, Bahrain and Dubai: The NAVAUDSVC is verifying that DoN checks and balances for Bahrain and Dubai disbursements are in place to detect, deter, and prevent fraud, waste, and abuse in compliance with federal, DoD, and DoN acquisition requirements.

Department of the Navy Acquisition Checks and Balances – Djibouti: The NAVAUDSVC is verifying that DoN checks and balances for acquisitions are in place to detect, deter, and prevent fraud, waste, and abuse in compliance with federal, DoD, and DoN acquisition requirements.

Department of the Navy Disbursing Checks and Balances – Djibouti: The NAVAUDSVC is verifying that DoN checks and balances for disbursements are in place to detect, deter, and prevent fraud, waste, and abuse in compliance with federal, DoD, and DoN acquisition requirements.

Department of the Navy Acquisition Checks and Balances – WESTPAC: The NAVAUDSVC is verifying that DoN checks and balances for Yokosuka and Okinawa Japan; Singapore; and Pearl Harbor, Hawaii acquisitions are in place to detect, deter, and prevent fraud, waste, and abuse in compliance with federal, DoD, and DoN acquisition requirements.


Department of the Navy Acquisition and Disbursing Checks and Balances at Naval Facilities Engineering Command, Bahrain: The NAVAUDSVC is verifying that the DoN checks and balances for Bahrain acquisitions and associated disbursements are in place to detect, deter, and prevent fraud, waste, and abuse in compliance with federal, DoD, and DoN acquisition and disbursing requirements.

Marine Corps Small Arms: The NAVAUDSVC is verifying that the Marine Corps' small arms allowances and inventories are adequately maintained and maintenance production is sufficient to support and sustain requirements.

Department of the Navy's Inventory Controls over Communications Security Equipment on Ships: The NAVAUDSVC is verifying that internal controls over inventories of serialized Communication Security Equipment on naval ships are effectively controlled and managed.

SMC Critical Infrastructure Protection Program: The NAVAUDSVC is verifying that a strategy has been formulated to mitigate the impact of the loss of DoD centralized Critical Infrastructure Protection funding, and assess the effectiveness of current planning and management efforts to support the Marine Corps Critical Infrastructure Protection Program.

Navy Antiterrorism Program Execution: The NAVAUDSVC is verifying that Navy installation vulnerabilities and achievement of Antiterrorism Strategic Plan goals and objectives are being recorded, tracked, and reported; and management of Antiterrorism execution is in accordance with applicable DoD and DoN policies and guidance.



Protection of Navy Personnel and Installations from Chemical, Biological, Radiological, Nuclear, or High-Yield Explosive Attack: The NAVAUDSVC is verifying that the Joint Project Management Guardian provided the required Installation Protection Program Lite equipment and associated training to Navy Installations and the Installations are prepared to respond to Chemical, Biological, Radiological, Nuclear incidents using the Installation Protection Program Lite equipment.

Consideration of Safety and Occupational Health Issues in Acquisition – Joint Strike Fighter: The NAVAUDSVC is verifying: the existence and assess the validity of a noise waiver for the Joint Strike Fighter aircraft; and that safety and occupational health issues are addressed during the acquisition process of the Joint Strike Fighter through efforts to mitigate their identified maintainer noise hazard.

Consideration of Safety and Occupational Health Issues in Acquisition – F/A-18 and EA-18G: The NAVAUDSVC is verifying that safety and occupational health issues are addressed during the acquisition process of the F/A-18 and EA-18G through efforts to mitigate their identified noise hazards.

Consideration of Safety and Occupational Health Issues in Acquisition - Expeditionary Fighting Vehicle: The NAVAUDSVC is verifying that safety and occupational health issues are addressed during the acquisition process of the Expeditionary Fighting Vehicle through efforts to mitigate their identified noise and vibration hazards.

Consideration of Safety and Occupational Health Issues in Acquisition – CVN 21: The NAVAUDSVC is verifying that safety and occupational health issues are addressed during the acquisition process of the CVN 21 through efforts to mitigate their identified noise and vibration hazards.

Consideration of Safety and Occupational Health Issues in Acquisition – Summary: The NAVAUDSVC is summarizing findings and determine systemic weaknesses regarding the consideration of safety and occupational health issues during the acquisition process of selected DoN major weapon systems and platforms.

Management and Implementation of the Marine Corps Hearing Conservation Program: The NAVAUDSVC is verifying that the management and implementation of the Marine Corps' hearing conservation program is effective in protecting the hearing of the Corps' personnel.

Anti-Submarine Warfare Enterprise and Control Framework: The NAVAUDSVC is verifying the effectiveness of the Anti-Submarine Warfare enterprise control framework in identifying, implementing, and measuring critical capabilities and priorities.

Notice of Ammunition Reclassification Program Utilization: The NAVAUDSVC is verifying the efficiency and effectiveness of the Notice of Ammunition Reclassification process.

Deployed Theater Accountability System: The NAVAUDSVC is verifying the effectiveness of the DTAS as a Marine Corps tool for tracking in-theater service members.

Transition Assistance Management Program: The NAVAUDSVC is verifying that appropriate non-end of active service and end of active service members are receiving pre-separation counseling 90 or more days prior to their separating from the Marine Corps.

Reserve Headquarters System Accuracy: The NAVAUDSVC is verifying that: Reserve Headquarters System data is accurate, reliable, and supports current operations; and that Reserve Headquarters System is properly prepared to migrate to the Defense Integrated Military Human Resource System.

Reporting of Safety Mishaps: The NAVAUDSVC is verifying that the Navy's current safety mishap reporting processes are efficient and effective.

Utilization of Navy Medical Assets: The NAVAUDSVC is verifying that DoN medical assets are being used effectively.

Americans with Disabilities Act and Personally Identifiable Information Guidance at Department of the Navy Fisher Houses: The NAVAUDSVC is verifying that DoN Fisher Houses are in compliance with the Americans with Disabilities Act and DoN guidance on handling and disposal of Personally Identifiable Information.

Department of the Navy Fisher House Operations: The NAVAUDSVC is verifying that appropriate management controls and practices are used to ensure successful DoN business operations.

NAVAL CRIMINAL INVESTIGATIVE SERVICE

The Naval Criminal Investigative Service supports efforts aimed at detecting, deterring and disrupting terrorism against DoD and DoN personnel and assets worldwide. NCIS employs a wide array of offensive and defensive capabilities to the mission of combating terrorism. Offensively (counterterrorism), it 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, are deployed around the globe to support combating terrorism. Special agents and analysts supported the Multi-National Forces Strategic Counterintelligence Directorate – Iraq to fulfill operational and strategic counterintelligence requirements and support to the combatant commanders. Special agents detailed to the Multi-National Forces-West advised the Commanding General on criminal investigations, terrorism, and CI within the Iraqi Theatre of Operations. They also provided CI and criminal investigative support to the Marine Expeditionary Forces, Iraq.

Additionally, special agents deployed to Balad, Iraq as the Task Force CI Coordinating Authority; to the USMC Joint Prosecution and Exploitation Center to conduct criminal investigations and crime scene exploitation/evidence analysis on insurgency suspects for prosecution by the Central Criminal Court of Iraq; and for CI to the Naval Expeditionary



NCIS participates in Joint Terrorism Task Forces.

Combatant Command. Special agents deployed to the Multi-National Security Transition Command-Iraq as part of the Intelligence Transition Teams working directly with Coalition Armed Forces and Iraqi Security forces. The ITTs serve as advisors to respective sections within the Iraqi Government to assist in establishing a new defense and criminal intelligence structure. In addition, special agents deployed to support the Multi-National Forces Strategic Counterintelligence Directorate-Afghanistan to fulfill operational and strategic CI requirements and provide support to theater commanders.

NCIS devoted numerous resources on CI, force protection and protective service operations to Navy and Marine forces in Kuwait, the Horn of Africa and onboard Naval combatants including the USS Enterprise (CVN-65), USS Harry S. Truman (CVN-75), USS Nassau (LHA-4), USS Kearsarge (LHD-3), USS Tarawa (LHA-1), USS Kitty Hawk (CV-63), USS Blue Ridge (LCC-19), USS Chester Nimitz (CVN-68), USS Abraham Lincoln (CVN-72), and USS Peleliu (LHA-5).

In support of U.S. Navy port visits, NCIS provided all-source analysis of terrorist, foreign intelligence service, criminal and medical threats at port locations visited by U.S. Navy and Marine Corps assets. Special agents and physical security specialists provided force protection support to all U.S. Navy ships including Navy and Marine Corps expeditionary forces in foreign ports designated as having high, significant, or critical levels of threat from terrorism, foreign intelligence, or criminal activity. During this reporting period, NCIS supported 379 U.S. Navy ship visits to ports throughout the world. This support included leveraging liaison relationships with key host nation law enforcement and security officials, and exploiting established source networks and providing actionable intelligence to deployed commanders.



NCIS special agents boarding a chopper in Iraq.

NCIS provided personal security to high risk personnel including the Chairman, Joint Chiefs of Staff, the Commander, Combined Joint Task Force, Horn of Africa and foreign dignitaries. Other noteworthy accomplishments include NCIS participation on the Criminal Investigations Task Force, Cyberspace Operations and Forensics.

The NCIS Cyber Department implemented operations to obtain and forensically review seized cell phones, computer hard drives and removable electronic media in the U.S. Central Command area of operations. The results of these forensic efforts were used to enhance U.S. Marine Corps intelligence collection efforts to specifically identify and target insurgents and insurgency networks. They also obtained and analyzed electronic data from forward-deployed NCIS technical resources to identify pre-operational surveillance by individuals with terrorist motivations.

NCIS also provided forensic crime scene expertise to death investigations conducted in support of deployed Navy and Marine Commands to Iraq, Afghanistan and Horn of Africa. Forensic consultants provided real-time forensic support to deployed special agents conducting more than 20 death investigations in theater, encompassing all causes and manners of death. These consultants were also called on to provide support to 14 autopsies in connection with non-combatant deaths in Iraq, Afghanistan, Bahrain, and Africa.

U.S. AIR FORCE

AIR FORCE AUDIT AGENCY

During the 6-month period ending September 30, 2008, the Air Force Audit Agency completed two audits directly related to the Global War on Terror. The Air Force Audit Agency has eight ongoing and five planned Global War on Terror-related audits conducted in the United States Air Forces Central Overseas Area of Responsibility. In addition, the Air Force Audit Agency completed six audits and has six ongoing audits related to the Global War on Terror, not conducted in the United States Air Forces Central Area of Responsibility. For Official Use Only audit reports are discussed in the Classified Annex to the Semiannual Report to Congress and the Semiannual Compendium of DoD Intelligence-Related Inspector General and Audit Agency Reports.


Rotation Status: The Air Force Audit Agency utilizes about eight percent of available auditors per year on Global War on Terror-related audits. Twice a year, the Air Force Audit Agency deploys temporary teams into the United States Air Forces Central Area of Responsibility to perform mobile 7- to 8-week audits.



AFAA Rotation 5 team in Southwest Asia.

COMPLETED GWOT AUDITS IN THE AOR

United States Air Forces Central Deployed Locations Aerial Port Operation: The mission of United States Air Forces Central United States Air Forces Central aerial ports is to provide air transportation within the United States Central Command Area of Responsibility. United States Central Command designated United States Air Forces Central as the executive agent for all services' aerial port operations within the United States Central Command Area of Responsibility. During 2007, United States Central Command aerial ports executed over 14,400 missions transporting 970,000 tons of cargo and 3,000,000 passengers. This audit disclosed United States Air Forces Central personnel did not efficiently use airlift capacity. A review of November 2007 outbound Air Force aircraft missions revealed United States Air Forces Central personnel did not use 47 percent of total available cargo pallet positions. Additionally, of the 1,297 missions reviewed, 21 percent were empty while 44 percent utilized less than 50 percent of available pallet space. Further, although aerial port personnel effectively processed cargo reimbursements, personnel at two of five locations reviewed did not effectively manage contractor passenger travel reimbursements. Reimbursement for prior contractor travel as well as establishing effective controls over future travel at Balad and Bagram Air Bases would result in an additional \$26.1 million in contractor reimbursements over the 6-year Future Years Defense Plan. Lastly, aerial port personnel did not effectively manage cargo and passenger movement. Specifically, personnel did not timely process cargo, properly manage deleted cargo, restrict Global Air Transportation System database access, accomplish or maintain support for cargo inventories, nor did they effectively manage passenger movement.



Cancelled Iraq Reconstruction Program Task Orders: The Air Force Center for Engineering and the Environment manages Iraq Reconstruction Program contracts and task orders for the Multi-National Security Transition Command - Iraq. To accomplish reconstruction projects, Air Force Center for Engineering and the Environment establishes Indefinite Delivery, Indefinite Quantity contracts for environmental and construction projects and issues task orders for these contracts to complete specific construction projects. From FY 2003 through January 31, 2008, Air Force Center for Engineering and the Environment cancelled 25 reconstruction projects task orders, valued at over \$308 million. This review concluded Air Force Center for Engineering and the Environment officials did not always effectively manage cancelled reconstruction projects task orders. Specifically, Air Force Center for Engineering and the Environment officials did not base fixed fee payments on the percentage of contractor work completed as required. Disallowing unearned fixed fee requests and obtaining reimbursement for unearned fixed fees paid will provide the Air Force over \$1.78 million of additional funds that can be used for other funding priorities. Additionally, Air Force Center for Engineering and the Environment contracting officials did not properly approve subcontracts totaling \$24.8 million for the Ellis Corp. task order.

ONGOING AUDITS IN THE UNITED STATES AIR FORCES CENTRAL AOR

United States Air Forces Central Civil Engineering Materials: This audit will determine whether United States Air Forces Central personnel justified civil engineering material purchases; purchased civil engineering materials in a cost-effective manner; and maintained accountability of civil engineering materials.


Iraq Reconstruction Closeout: This audit will determine whether civil engineer personnel effectively closed out Air Force Center for Engineering and the Environment-managed Iraq reconstruction project funding. Specifically, auditors will determine whether civil engineer personnel identified and requested timely return of available/excess Operation Iraqi Freedom funds.

United States Air Forces Central Management of Controlled Drugs: The audit, requested by the United States Air Forces Central Commander will determine whether medical personnel effectively managed controlled drugs. Specifically, auditors will determine whether personnel properly receive, issue, store, and protect controlled drugs.

Area of Responsibility Construction: This audit requested by the United States Air Forces Central Commander will determine if construction in the United States Air Forces Central Area of Responsibility efficiently meets mission requirements. Specifically, auditors will determine if construction projects adequately provided in-theater benefits and met desired mission capabilities; if personnel utilized existing, temporary, or movable facilities when possible; and if personnel properly programmed, authorized, and documented operations and maintenance-funded construction.

United States Air Forces Central Information Technology Equipment: This audit will determine whether United States Air Forces Central personnel maintained appropriate information technology equipment levels to meet mission requirements; properly controlled and accounted for information technology equipment; and properly disposed of excess information technology equipment.

United States Air Forces Central Deployed Locations Munitions Management: This audit will determine whether United States Air Forces Central personnel accurately account for and properly handle, store, and control munitions; or effectively manage shelf-life components for munitions; or accurately determine munitions requirements.



United States Air Forces Central Deployed Locations War Reserve Materiel Management: This audit requested by the United States Air Forces Central Commander will determine whether personnel effectively account for, control, and service war readiness materiel; and accurately compute war readiness materiel requirements.

Individual Body Armor: This audit will determine whether Air Force personnel maintain effective accountability and control over individual body armor and determine whether individual body armor requirements are accurate.

COMPLETED AUDITS NOT IN UNITED STATES AIR FORCES CENTRAL AOR

MQ-1 Predator Asset Maintenance and Accountability: The MQ-1 Predator Unmanned Aerial System is a medium-altitude, long-endurance, remotely piloted aircraft. The MQ-1's primary mission is interdiction and conducting armed reconnaissance against critical, perishable targets. The MQ-1 Predator system consists of aircraft, support and communication equipment, and flight control stations. As of April 2007, the Air Force had 62 Predators and about 2,700 related support equipment items, valued at more than \$600 million. The audit concluded Air Force personnel did not update unit type code manpower and logistic data or right-size the Predator unit type code to meet operational needs and transportation requirements. Additionally, although maintenance personnel accurately recorded maintenance actions in the Core Automated Maintenance System/Integrated Maintenance Data System at all three locations reviewed, Predator maintenance personnel did not always accomplish required maintenance in a timely manner. Maintainers completed mission critical time-change and inspection actions as much as 10 percent past required time limits. Lastly, installation personnel did not properly maintain Predator program equipment accountability. An inventory of 2,700 equipment items valued at more than \$12.1 million disclosed Predator personnel did not accurately record or could not locate 847 equipment items (31 percent) totaling over \$5.5 million.

Protective Gas Masks: The chemical warfare defense ensemble is used to counter the complex and varied threats from chemical and biological weapons. The most important piece of the ensemble, the protective gas mask, requires the highest level of training to instill confidence in its users. As of July 27, 2007, the Air Force had approximately 443,000 masks in-use at Air Force installations with an additional 79,000 masks in the logistics center warehouse. On September 30, 2007, the gas mask inventory was valued at \$75 million. The audit determined the Air Force did not effectively manage the gas mask program. Specifically, logistics personnel overstated gas mask procurement requirements by more than 90,000 masks. Effectively identifying gas mask buy requirements will allow the Air Force to cancel unnecessary requisitions and will provide the Air Force more than \$13 million for other funding priorities. Additionally, Air Force personnel did not effectively maintain mission ready gas masks. At 27 units reviewed, 2,543 (69 percent) of 3,697 masks had defects, including 881 (24 percent) unserviceable masks. Lastly, logistics personnel did not maintain accurate gas mask accountability. An inventory of gas masks identified more than 8,000 inventory errors at 16 locations. Properly accounting for gas masks prevents losses and identifies shortages or overages that would have a negative impact on readiness capabilities or cause unnecessary expenditures for masks.

The Air Force also conducted audits in the areas of Weapons of Mass Destruction, medical responses from the Air National Guard and also Continuity of Operations, the reports are classified as For Official Use Only.

ONGOING AUDITS NOT IN THE UNITED STATES AIR FORCES CENTRAL AOR

Selected Aspects of Deployment Management: The Director of Logistics Readiness requested this audit. During the audit planning phase, auditors will determine whether the subject is appropriate for audit in the near future and, if so, to formulate audit objectives. The auditors will discuss and examine deployment processing policy, guidance, and standardization for both military and civilian deployments; as well as Installation Deployment Officer roles, responsibilities, training, and tools.

Chemical, Biological, Radiological, and Nuclear Installation Protection Program: This ongoing audit will assess whether the Air Force effectively and efficiently manages the Chemical, Biological, Radiological, and Nuclear Installation Protection Program. Specifically, the audit will determine whether Air Force personnel properly identify initial requirements, procurements, sustainment, training, and manning roles and responsibilities; and correctly implement the program to meet Air Force needs.

Medical War Reserve Material Asset Management: This audit, in the research phase, was requested by the Air Force Surgeon General to determine whether Air Force officials effectively manage medical war reserve material. Specifically, auditors will evaluate whether officials accurately establish requirements, properly maintain war reserve material equipment and supplies, or correctly report war reserve material status.

Post-Deployment Assessments: This ongoing audit will determine whether officials complete required mental and physical health screening for all returning Airmen. Specifically, auditors will assess if medical persons complete all post-deployment health assessments and identify Air Force members at risk.

Air Expeditionary Force Unit Type Code Reporting Tool: This ongoing audit will assess whether Air Expeditionary Force reporting accurately reflects Air Force readiness and commanders ensure the Air Expeditionary Force Reporting Tool data are complete, accurate, and effectively used to improve readiness. Specifically, auditors will determine whether Air Force officials accurately and timely report unit readiness status in ART, effectively manage the shortfall and reclaim process, or effectively use ART data to support resource reallocation, request additional funding or request manpower.

Vulnerability Assessment: This ongoing audit will evaluate the effectiveness of the Air Force vulnerability assessment program. Specifically, auditors will assess whether vulnerability assessments were properly performed, reliable information was identified and tracked, funding requirements were identified, and executed properly, and vulnerabilities were mitigated.

AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

AFOSI 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 the U.S. and foreign nation law enforcement and security services to provide timely and accurate threat information in all environments. AFOSI conducts Outside the Wire/Counterintelligence Force Protection Source Operations and provides real time actionable information in the form of target packages

to Direct Action Units. Its GWOT mission includes tactical collections, analysis, production and dissemination of actionable threat information affecting USAF airfields, personnel, and resources. AFOSI is the USAF's eyes and ears providing intelligence to DoD and Coalition Forces.

AFOSI conducted military source operations to cultivate local sources that provided information that mitigated threats from enemy forces. Below are the results of those efforts:

- Threats Identified - Total: 3,191 (individuals linked to insurgent groups, terrorist groups, or intelligence services, who represent a threat to USAF installations/resources)
- Target Packages – Total: 96 for exploitation (targeting information provided to Direct Action authorities such as (U.S. Army, Coalition Forces, and Host Nation Police, Army, Special Operations Forces, etc)
- Captured/Neutralized – Total: 216 (individuals identified in Target Packages who were captured/neutralized by direct action units, of whom 63 were identified as leaders, with 47 of those classified as High Value)
- Weapons Caches – Approximately four tons of weapons and explosives were recovered (to include rifles, improvised explosive device components, anti-aircraft guns, rocket propelled grenades, rockets, mortars, and suicide vests).
- Other Threats – Total: 58 (threats detected but not linked to a specific counter-threat operation)

Using source information and working with coalition forces and Direct Action units, AFOSI operations in Iraq and Afghanistan led to the capture/killing of 13 Al Qaeda and 70 Taliban personnel. Developed source information was also used in capturing/killing an additional 107 insurgents and fighters of various other affiliations. The backgrounds of those captured or killed included job titles such as commander, planner, recruiter, death squad leaders, kidnapers, snipers, explosively formed projectile/IED makers/emplacers/suppliers and financiers, indirect-fire shooters and/or spotters, and assassination cell leaders.

At Kandahar Air Field, Afghanistan, AFOSI special agents aided the NATO community in reducing rocket attacks by 30 percent, with no attacks for 47 days; an accomplishment unmatched in any comparable time period of 2008. Additionally, AFOSI source reporting led to exploiting 5 narcotics sites and the destroying 248 tons of drugs, depriving the Taliban of \$721 million. This monumental achievement is recognized as the largest drug bust in U.S. law enforcement history. Below are photos of the narcotics seized/destroyed by AFOSI at Kandahar.



AFOSI agents continue to develop and successfully exploit their source network. At Kirkuk Air Base, Iraq, the source network identified numerous imminent threats that were neutralized before any attacks occurred. On one occasion a source provided the location of an improvised explosive device emplaced to kill Coalition Forces; the IED was identified and disarmed, saving numerous lives. In another incident, an AFOSI source provided information about a planned suicide vest attack against CF, resulting in the Iraqi Police arresting nine Al-Qaeda in Iraq, effectively thwarting the attack. Another source provided an imminent threat warning of a pending AQIZ rocket attack against Kirkuk Air Base, resulting in leadership alerting base personnel to seek shelter. Subsequently, CF and Iraqi Police located and disarmed five improvised rocket launchers set to launch within the hour.

AFOSI counter-threat operations in and around Baghdad International Airport, Iraq produced 53 insurgent captures, thereby assisting to pacify the battle space around Victory Base Complex. These captures are direct results of AFOSI counter-threat operations against Sunni and Shi'a extremist activities against Coalition Forces. This total resulted from numerous high threat outside-the-wire operations which identified and thwarted multiple indirect fire cells, IED cell leaders and emplacers, and weapons traffickers in the surrounding area.

Also in the vicinity of Baghdad International Airport, Iraq, U.S. Army battle space owners look to AFOSI counter-threat operations as their first choice to assist in identifying multiple insurgents before and after a major cell capture. Multiple AFOSI sources were used to gather information to positively identify 31 insurgents with multiple offenses against Coalition and Iraqi forces, and AFOSI reporting identified an additional 20 insurgents targeted for their associated activities in the area.




AFOSI special agents in Iraq.

At Sather Air Base, Baghdad, Iraq, AFOSI operationalized counter intelligence source collections to aide in the joint AFOSI/Multi National Corps-Iraq/Multi National Division-Baghdad capture of a corrupt host nation police commander associated with Shi'a extremist groups and attacks on CF. AFOSI direct source information was used to positively identify and trigger the direct action unit to initiate capturing the subject as he attempted to flee the country.

AFOSI source information helped identify the cell leader of a Shi'a insurgent group who conducted multiple IED attacks and ordered a rocket attack on Sather Air Base, Iraq. This source provided life patterns and locations for this terrorist leader, and the AFOSI collections team identified when to leverage technology to guide the direct action unit to the location to affect the capture. The capture was assessed as a significant set back to facilitating weapons and insurgent movement in that area.

AFOSI counter-threat operations activities around Sather Air Base, Baghdad, Iraq, identified the specific location of a MNC-W High Value Individual which was used to trigger the capture of this cell leader. He was responsible for multiple IED attacks on a major supply route in western Baghdad. Additionally, AFOSI was responsible for providing



the only Counterintelligence information on a battalion level HVI responsible for major attacks in central Baghdad. AFOSI source operations were key to the target package and ultimately used as a trigger to capture this cell leader.

AFOSI is the predominant provider of targeting intelligence for the battle space owner at Joint Base Balad, Iraq, and the BSO's HVI list is built almost solely on AFOSI source reporting. Around JBB, AFOSI special agents provided information on HVIs so rapidly that a capture was made every 96 hours.

AFOSI counter-threat operations have driven Indirect Fire Attacks against JBB to their lowest point. Attacks in August 2008 were 7 versus 37 during the same month the prior year, due to targeted operations against IDF leadership. AFOSI uncovered the modus operandi of IDF shooters attempting to gain distance, direction, and coordinates of reference locations to hit JBB with mortars and rockets. Observation posts were notified and the threat was neutralized.

AFOSI special agents at JBB handled a highly sensitive source that provided pattern of life details on a subject believed to have been involved in the murder of three AFOSI special agents. Consistent meets and levies led to joint coordination with a direct action unit and the subject was captured and is now awaiting prosecution in Iraqi court.

AFOSI operating at Bagram Air Field, Afghanistan, capitalized on a robust human source network as agents levied sources for information on suspected Taliban force movements. Agents quickly identified the location and intended target of a group of approximately 30 - 50 Taliban forces, and coordinated this time sensitive information with Coalition Force air and ground assets enabling engagement of the enemy before the Taliban could form an attack on their intended target. The engagement resulted in 14 Taliban killed in action and the disbursement of Taliban forces.

Agents at Bagram Air Field, Afghanistan, recruited, vetted, and trained a strong network of confidential informants throughout several provinces to provide detailed information on an IED network operating in Eastern Afghanistan. Agents' efforts to identify the key players within the network and aggressive liaison with direct action units led to the seizure of IED making material and recovery of a suicide vest. That recovery led to the fully uncovering the network and identified the major IED facilitators, traffickers, financiers, and commanders driving the operations. AFOSI reporting also preempted several IED attacks targeting Coalition Forces by identifying exact device locations placed along routes Coalition Forces frequently traveled. This early warning system was then utilized by ground troops in the area and the IEDs were neutralized and exploited for further information. As a result, AFOSI source reporting helped to find, fix, and track key leaders within the network leading to the capture/kill of 13 HVIs operating as insurgent commanders within a 6 month period. AFOSI's continued efforts and cooperation with key units severely disrupted a Taliban/Hezb-e Islami Gulbuddin stronghold in Eastern Afghanistan and forced a major insurgent withdrawal from the area, ensuring the freedom of movement and safety of Coalition Forces in that province.

AFOSI special agents at Bagram Air Field, Afghanistan, reenergized counter-threat operations within the Bagram Security Zone leading to the identification of known weapons traffickers and key insurgent commanders operating close to the airfield. These efforts identified key leadership nodes for the weapons trafficking and "death squads" focused on intimidating local villages in the area by using targeted kidnappings and killings. These efforts highlighted a disturbing trend in insurgents' efforts to manipulate the security environment around the airfield and have led to an increased security effort by battlespace elements to monitor these developments.

At Ali Air Base, Iraq, AFOSI special agents and TSE members identified a child with third degree burns over 40 percent of his body during a routine combat mission. The unit subsequently planned, led and executed an urgent medical mission which ultimately saved the child's life, winning hearts and minds within the local village. During another outside-the-wire mission, they coordinated emergency surgery for a local Sheik suffering from infection and accompanied the Sheik on his MEDEVAC flight to Balad Air Base, Iraq. Furthermore, AFOSI/TSE ultimately assisted in distributing 1200 school supply packages (see below picture); 3,500 pounds of building material; and clothing to local villages. The unit also helped improve the quality of life for over 25 families and earned the trust of village Sheiks, thus allowing special agents to cultivate new intelligence sources which resulted in a more pacified battlespace.



AFOSI special agents in Iraq.

At Ali Air Base, Iraq, special agents developed actionable intelligence for senior military leaders resulting in the capture and detainment of five HVIs, including the unit's number one target responsible for indirect fire attacks and IED attacks on coalition forces. Additionally, the agents obtained actionable intelligence on an impending indirect fire attack on coalition forces, allowing airborne assets to engage the insurgents, saving coalition lives. As a result, IDF attacks against Ali Air Base decreased over 70 percent this year.

At Ali Air Base, Iraq, AFOSI, working jointly with the U.S. Army, pushed counterinsurgency operations farther east outside the Joint Operating Area than in recent years. This expanded Civil Affairs capability and pushed AFOSI influence into previously unvisited villages in the JOA. AFOSI facilitated a \$7,000 Civil Affairs project to repair a dilapidated school in a neighboring village strategic to base security.

AFOSI at Ali Air Base, Iraq, provided critical intelligence for over 30 joint Predator missions to support ground combat operations that resulted in the capture of nine individuals. AFOSI efforts also identified three improvised explosive devices for ground forces to avoid during operations. In total, Joint AFOSI/Predator missions resulted in the identification of 276 unexploded pieces of ordnance.

In Southern Iraq, AFOSI counter-threat-operations via source information led to the tip-off and discovery of a five-array Explosive Formed Penetrator and the capture of two terrorists involved in IED attacks against coalition forces. The British Explosive Ordnance Disposal identified the five-array EFP as the largest EFP discovered to date in MND-SE. Also, while conducting Counterintelligence Force Protection Source Operations in Kuwait, AFOSI identified an HVI traveling to and from Southwest Asian countries establishing a pattern of life for other agencies to target for action.

CHAPTER 2: DOD IG OVERSIGHT



Statistical Highlights

The following statistical data highlights Department of Defense Inspector General activities and accomplishments during the April 1, 2008 to September 30, 2008 reporting period.

Investigations¹

Total returned to the U.S. Government.....	\$397.6 million
Seizures and Recoveries.....	\$1.4 million
Civil Judgments.....	\$206.9 million
Criminal Judgments.....	\$180.6 million
Administrative Judgments.....	\$8.6 Million
Investigative Cases	
Indictments.....	214
Convictions.....	155
Suspensions.....	24
Debarments.....	78

Audit

Audit Reports Issued.....	64
Monetary Benefits	
Recommendations Made on Funds Put to Better Use.....	\$742.7 million
Achieved Monetary Benefits (Funds Put to Better Use).....	\$907.5 Million

Policy and Oversight

Existing and Proposed Regulations Reviewed.....	193
Evaluation Reports Issued.....	23
Inspector General Subpoenas Issued.....	187
Voluntary Disclosure Program Recoveries.....	\$210,000

Hotline Activities

Contacts.....	6,876
Cases Opened.....	1,064
Cases Closed.....	1,088
Dollar Recoveries.....	\$1.5 million

¹ Includes investigations conducted jointly with other federal and Defense Criminal Investigative Organizations.

Oversight Highlights

OPENING OF KOREA AND GERMANY OFFICES

In July 2008, the Deputy Inspector General for Auditing continued its field office expansion program by opening new audit field offices in Seoul, Korea and Stuttgart, Germany. These offices join offices already operating in Iraq and Afghanistan. The office in Korea provides audit oversight of U.S. Forces Korea and the Defense agencies that operate on the Korean peninsula. The Stuttgart office, to be joined by another office in Kaiserslautern opening in October 2008, provides audit oversight of the U.S. European Command, the U.S. African Command, and Defense agencies. We also expect to open additional audit field offices in Honolulu, Hawaii, and Tampa, Florida. When completed, the field office expansion program will enable the Joint and Overseas Operations Directorate to provide more comprehensive audit support to all of the OCONUS unified commands.

INADEQUATE COST CONTROLS

On May 23, 2008, the DoD IG issued a report on “Hurricane Relief Effort Costs on the Navy Construction Capabilities Contract.” The DoD IG determined that Kellogg, Brown, and Root issued sole-source or limited competition subcontracts. As a result, roofers were paid excessive hourly rates, paid \$4.1 million for meals and services that should have cost \$1.7 million, and paid a markup on material and equipment of \$7.2 million that increased proportionally to increases in material costs expended in performance, an illegal cost-plus-percentage-of-cost system of contracting. The photos below shows typical tasks that KBR and its subcontractors performed.



ILLEGALLY EXPORTING POTENTIAL MILITARY COMPONENTS

“Dual Use” Component

The Defense Criminal Investigative Service was among several agencies involved in a case leading to the indictment of eight foreign nationals and eight corporations charged with illegally exporting potential military and explosives components to Iran. The superseding Indictment alleges that the defendants purchased, and then illegally exported to ultimate buyers in Iran, numerous “dual use” commodities. “Dual-use” commodities are goods and technologies that have commercial application, but could also be used to further the military or nuclear potential of other nations and could be detrimental to the foreign policy or national security of the United States.



Audit Oversight

A look at the audits conducted by the
Department of Defense Inspector General

The Office of the Deputy Inspector General for Auditing conducts audits on all facets of DoD Operations. The work results in recommendations reducing costs, eliminating fraud, waste, and abuse of authority, improving performance, strengthening internal controls, and achieving compliance with laws, regulations, and policies. Audit topics are determined by law, requests from the Secretary of Defense and other DoD leadership, Hotline allegations, congressional requests, and internal analyses of risk in DoD programs.

The value and return on investment are measured through both monetary and other benefits, including improving business operations, complying with statute or regulations, improving national security, identifying potential monetary benefits, and improving effectiveness of the services members, and life and safety issues.

For the second six months of FY 2008, ODIG-AUD issued 64 reports addressing the Department's operations and efforts associated with the Global War on Terror, acquisition and contracting for goods and services, financial management, health care, and information security and privacy. The ODIG-AUD also identified \$742.7 million in funds that could be put to better use.



DoD IG significant accomplishments in Audit are listed under the following categories:

- ACQUISITION PROCESSES AND CONTRACT MANAGEMENT
- FINANCIAL MANAGEMENT
- HEALTH CARE
- INFORMATION SECURITY AND PRIVACY
- OTHER



ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

The DoD acquisition and contracting community, in an attempt, to manage the large increases in defense spending with a smaller and less capable workforce have increasingly turned to contractors to fill roles held by government employees. Spending for goods and services in FY 2007 exceeded \$315 billion. This level of spending is more than double the level of spending from FY 2001. The difference in the DoD budget from FY 2001 and FY 2008 is just as significant. The DoD budget for FY 2008 including supplemental and bridge funding is almost \$700 billion. The budget for FY 2001 was only \$335 billion.

INCREASED CONTRACTOR RELIANCE

The Government Accountability Office reported in recent testimony

that DoD is relying on contractors to perform tasks that closely support inherently governmental functions such as contracting support, intelligence analysis, security services, program management, engineering, and technical support for program offices. The GAO surveyed officials from 52 of DoD's major weapons programs. From that survey they reported that over 45 percent of program office staff was composed of individuals from outside DoD. In addition, in August 2008, the Congressional Budget Office reported that there were over 190,000 contractor personnel supporting the war effort in the Iraq Theater (about the same numbers as war fighters in Iraq) and at least two and a half times higher than the ratios from other U.S. major conflicts. In allowing contractors to assume duties previously performed by government

employees, the Department increases risk within contract management which had already been reported by the Government Accountability Office as a high risk area. This is especially true when contractors are performing tasks closely associated with source selection and surveillance. Major prime contractors have, in many cases, assumed responsibilities for selection and oversight of subcontracting with little or no government involvement. The increased use of contractors when combined with the urgencies created by contracting for contingency operations in Iraq, Afghanistan, and contingency situations after natural disasters such as Hurricane Katrina creates an environment ripe for fraud, waste and abuse.

Our audit coverage during the past 6 months has reported problems related to contracting during contingencies and contractor influence on an economic price adjustment factor as well as continuing issues with adherence to guidance for major weapons programs and directing contracts to preferred sources. Audit coverage also identified problems with interagency purchases, but improvements in this area are beginning to be implemented.

CONTRACTING DURING CONTINGENCIES

On the DoD IG audit of Hurricane Relief Effort Costs on the Navy Construction Capabilities Contract, the audit team identified that NAVFAC Southeast contracting officials did not effectively implement cost control procedures for three CONCAP contract task orders issued to Kellogg, Brown and Root for recovery efforts associated with Hurricanes Ivan and Katrina. As

a result, the Navy had no means to measure contractor cost performance on task orders totaling more than \$229 million and was basically just monitoring the contractor's spend rate.

In addition, NAVFAC Southeast contracting officials also provided insufficient oversight of KBR's subcontracting efforts for the three task orders. The contracting officials decided not to review KBR's analysis of subcontractor prices. KBR had an approved purchasing system and they thought that any problems with KBR's subcontract pricing would be uncovered by DCAA during its cost incurred audits prior to the task orders being closed out.

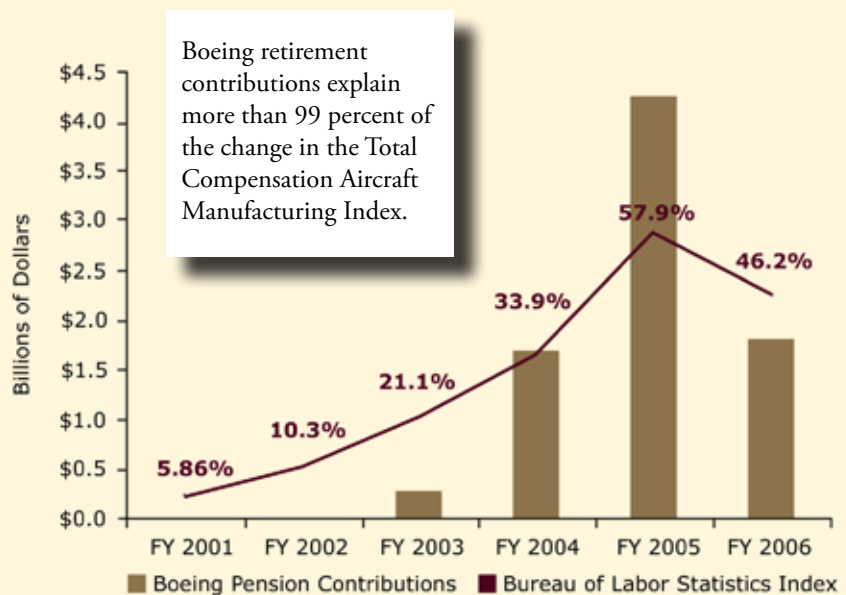
Unfortunately, KBR waited until after the storms before soliciting firms for proposals to perform the tasks the Navy requested. At that point, market forces were out of balance and there was also intense political, public, and operational pressure to restore lost capabilities. Additionally, KBR also had to stabilize the buildings damaged to prevent their further deterioration. At this time, demand for the labor and material needed to perform the repairs was at its peak.

As a result, KBR awarded sole-source or limited competition subcontracts that paid roofers excessive hourly rates, purchased \$4.1 million of meals and services that "should have" cost \$1.7 million, and paid a markup on material and equipment of \$7.2 million that increased proportionally to increases in material costs expended in performance, a cost-plus-percentage-of-cost system of contracting. The audit team calculated that KBR paid \$540 monthly per employee for cell phones.

In addition, because of the smaller contracting oversight workforce in the Department, there is a struggle to handle the responsibilities which come from increased DoD war funding. The Department is challenged to use every resource to its fullest advantage. An example of this inefficiency of resources became evident in one of our audits on contracting. Auditors found that TACOM Life Cycle Management Command and Defense Contract Management Agency contracting officials constrained the Defense Contract Audit Agency's ability to perform effective and meaningful audits in support of contracts awarded to BAE Systems Land and Armaments, Ground Systems Division. Specifically, contracting officials did not include the Defense Contract Audit Agency in the Alpha contracting process to ensure that the DCAA could perform an effective review of material costs. As a result, TACOM Life Cycle Management Command contracting officials may have overpriced firm-fixed-price contracts awarded to BAE Systems Land and Armaments, Ground Systems Division.

CONTRACTOR INFLUENCE ON AN ECONOMIC PRICE ADJUSTMENT FACTOR

In another audit, a DoD IG audit team found that one contractor's actions were able to significantly impact an index that determined the amount of money that the contractor would be entitled to under a clause in their contracts. The Boeing Company's pension fund contributions were able to abnormally influence an economic price adjustment factor that would have resulted in higher payments to the contractor. These pension contributions were greater than actual pension expenses for Cost Accounting Standards purposes, creating a prepayment credit that Boeing would expense in future years through forward pricing rates. The following chart depicts the company's impact on a Bureau of Labor Standards index that was used to determine an economic price adjustment for the contract.



As a result, the different accounting for pension costs created a situation that would have amounted to a duplicate recovery associated with pension funding when Boeing charged the prepayment credits to future DoD contracts, because DoD already accounted for these costs as part of the EPA for these multiyear contracts. In response to a working draft of this report, the Director, Defense Procurement and Acquisition Policy led a negotiating team that arrived at a settlement with Boeing that was consistent with the audit results. The negotiating team identified a higher EPA liability of \$792.9 million and reached a settlement with Boeing for \$272.3 million (DoD would owe Boeing \$272.3 million instead of \$792.9 million) resulting in a cost avoidance of \$520.6 million for DoD and the taxpayers.

SOLE SOURCE OR DIRECTED SOURCE ACQUISITIONS

Our audit coverage also continued to identify problems with unjustified sole source or directed source acquisitions. An audit team identified that Air Combat Command and 99th Contracting Squadron officials violated the Federal Acquisition Regulation for seven of eight contracts reviewed including two contracts awarded on a sole-source basis without seeking competition. For six of these contracts, price reasonableness was not documented at the time of award.

These contracts primarily were used to provide support for the Thunderbirds Air Show. The Thunderbirds, part of the Air Combat Command, are a U.S. Air Force Demonstration Squadron located at Nellis Air Force Base, Nevada. The Thunderbirds' mission includes supporting Air Force retention and recruiting programs, as well as demonstrating to the public the professional competence of the Air Force members. The Thunderbirds are depicted in the following picture.



Similarly, on another audit, contracting officials at the National Defense University did not perform adequate market research and included contract specifications that were too narrowly written on a contract awarded to Mr. Douglas Feith, former Under Secretary of Defense for Policy. On other contracts, contracting officials advertised solicitations for insufficient periods of time and in

some cases, tailored specifications so narrowly that competition was limited.

MAJOR ACQUISITION PROGRAMS

Lack of adequate controls over acquisition programs and compliance with the DoD Acquisition guidance continues to challenge the Department as many programs exceed cost and schedule estimates.

As a recent example, Army acquisition managers did not fully use memoranda of agreement to define the current working relationships needed to develop Army Airborne Surveillance, Target Acquisition, and Minefield Detection System as part of the FCS system-of systems. ASTAMIDS is a multi-mission/multi-mode airborne payload sensor package that provides day/night minefield

and obstacle detection for Assured Mobility, as well as, Reconnaissance, Surveillance, Target Acquisition and Laser Designator capabilities in a single common payload weighing approximately 80 pounds. The Army Director, Accelerated Capabilities Developments had not begun to develop the capability production document needed to support the ASTAMIDS low-rate initial production decision program review planned for March 2009. The capability production document is needed to support effective and efficient planning, funding, and execution of the program. The system and its attachment to an aircraft are shown in the following picture.

INTERAGENCY PURCHASES

The Department has, in many cases, taken positive actions in response to our audit work and improvements and savings for taxpayers have been achieved. The collegial work with the Director, Defense Procurement and Acquisition Policy was one example. Another recent example involves our continuing audit coverage of interagency purchases.

A follow-up review on DoD purchases made through the Department of the Interior showed that improvements were occurring.

Although we identified some problems with inadequate competition, unsupported price reasonableness determinations, and potential bona fide needs rule violations, these problems were primarily limited to furniture purchases.

The Interior Department's Acquisition Services Directorate has corrected prior problems associated with advanced billings and expired funds. The Directorate no longer bills DoD in advance and no longer uses expired funds for current purchases.



FINANCIAL MANAGEMENT



The Department of Defense faces many challenges in the area of financial management. This is essentially caused by the size and complexity of DoD financial statements. The Department finds it difficult to provide reliable, timely, and useful financial and managerial data to support operating, budgeting, and policy decisions because of these challenges. While much has been done over the last few years to address these challenges, the Department must continue to be vigilant in its efforts to provide accurate, usable financial information to its managers for decision-making purposes.

The DoD IG is working closely with the Department to address long-standing financial management challenges. The DoD IG also supports the goal of achieving a favorable audit opinion for the DoD Agency-Wide financial statements and 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 within 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 STATEMENT AUDITS

In March 2008, the DoD IG issued a qualified opinion on the USACE Principal Financial Statements for the years ending September 30, 2007 and 2006, respectively. The qualification was due to a departure from generally accepted accounting principles and scope limitations related to supporting documentation for Property, Plant and Equipment sample items that caused uncertainty with the PP&E beginning balance. USACE is working to resolve those issues at the time of this report. The option year for the USACE financial statement audit contract for FY08 was exercised in April 2008 and audit work began in May 2008.

FINANCIAL SYSTEMS AUDITS

Financial system audits provide invaluable information about the validity of financial statement information. The DoD IG issued reports on three DoD financial systems. In performing the audits, IG auditors tested the design and operating effectiveness of general and application controls in operation. One example was the audit of the US Army Corps of Engineers Financial Management System. IG auditors, working with a team of auditors from PricewaterhouseCoopers, identified internal control weaknesses in general and application controls for both the USACE network and its automated financial management system. IG auditors recommended improvements that would strengthen general controls over its entity-wide security program planning and management, access, application software development and changes, system software, and service continuity. These control deficiencies created potential system vulnerabilities that threatened the confidentiality, integrity, and availability of the USACE network and financial management system. IG auditors also recommended improvements in the application controls that would strengthen controls over segregation of duties, audit trails, validity checks, and error reporting.



FINANCIAL-RELATED AUDITS

In addition to the financial statement and financial systems reports, the IG auditors conducted numerous financial-related audits. These audits focused on providing insight and valuable recommendations to managers as they focused on audit readiness. Areas that were covered during the reporting period included improper payments, cash and other monetary assets, an obligation of funds for contingent liabilities on ship maintenance and repair contracts. The following concerns were reported:

- The Defense Logistics Agency did not provide information on improper payments associated with its operations in its FY 2006 Financial Statements, nor did they respond to a survey DoD used to collect information on improper payment amounts, or perform risk assessments related to the susceptibility of Defense Logistics Agency programs to significant improper payments. Documentation showed that DLA could have identified and reported about \$93.3 million in improper payments associated with its programs in its FY 2006 Financial Statements. DLA needs to establish a process to identify and report improper payments related to contractor and vendor payments in each Defense Logistics Agency program. Additionally, DLA needs to identify and report the value of improper transportation payments, improper payments on fast pay contracts, and improper payments identified during its contract closeout process. Unless it improves its identification and reporting process, DLA cannot show that it is making progress in reducing the amount of improper payments and correcting payment problems in programs that are at significant risk for improper payments. DLA also could not identify the value of debts collected from contractors.
- The DoD IG completed two audits of Cash and Other Monetary Assets held outside of the Continental U.S. during FY 2008. We performed tests to determine whether internal controls are effectively designed and operating to adequately safeguard, account for, and report Cash and Other Monetary Assets. One of the audits was over cash held by the Navy and reported on the Navy General Fund financial statements and the other audit was for cash held by the Air Force and reported on the Air Force General Fund financial statements. For the Navy we determined that overall internal controls were inadequate. For example, some internal controls were not consistently applied over disbursing appointments, operational and physical security, and Limited Depository Accounts. Additionally, we found areas where the Navy could save over \$93,000 by soliciting financial institutions for the most beneficial exchange rate. In addition, we found that disbursing operations may save funds by discontinuing services that were already performed by available banking facilities. For the Air Force, we found that although internal controls were designed properly they were not operating as intended. Specifically, one Air Force location held approximately \$8 million of excess cash on hand without justification. We recommended that Air Force comptrollers review and approve all semiannual cash authority requests for accuracy, supporting documentation, and relevance to current mission requirements. Additionally, the disbursing officer at DFAS Denver should disapprove cash authority requests that do not include documentation to justify each amount requested.
- The Navy inappropriately obligated funds for contingent liabilities on ship maintenance and repair contracts. As a result of the inappropriate obligations, at least \$103 million of U.S. Fleet Forces Command Operation and Maintenance funds were not available for other ship maintenance and repair needs. The Navy should issue guidance prohibiting the obligation of funds for contingent liabilities on ship maintenance and repair, develop and implement a plan to monitor the obligation of funds at the Regional Maintenance Centers to ensure that the practice of obligating funds for contingent liabilities is discontinued and that amounts for these items are deobligated on current contracts; discontinue the business practice of obligating funds for contingent liabilities; and deobligate funds on current contracts for the contingent liabilities.

HEALTH CARE



A major challenge to the Department is sufficient oversight of the growing cost of health care for its beneficiaries. During a recent hearing with the Senate Appropriations Subcommittee on Defense, the Secretary of Defense stated the cost of health care is a concern that must be controlled. The DoD budget for health care costs was approximately \$42 billion in 2008, a 35 percent increase since FY 2005 (\$31 billion). Congress provided an additional \$1.4 billion via the Supplemental Appropriations Act of 2008. One of the Department's challenges is to effectively transition to the next generation of TRICARE contracts.

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 sets, logistics support, and evacuation support capabilities.

Strengthening medical care from accession through active service to rehabilitation and transition to VA care is a major challenge for the Department. The number of wounded warriors associated with Southwest Asia and other such conflicts significantly impact the health care resources within the Department and can result in such issues as the conditions that were raised at Walter Reed Army Medical Center. Another related challenge to medical readiness are the issues inherent in providing efficient processes for post-deployment health care and benefits to severely injured and ill Service members. Transitioning wounded, ill, or injured Service members to post-deployment care will continue to grow as a challenge while the Global War on Terror, Operation Iraqi Freedom, and Operation Enduring Freedom continue. Increased numbers of returning service members with mental health complaints, along with a shortage of uniformed and civilian mental health workers, will require examination of automated screening tools and improved diagnostics to provide earlier detection and intervention.

Providing information to the right people so they can make more informed decisions continues to be a challenge in the health care community. Along with the benefits of expanding automation efforts comes the increased risk to security and privacy of information. Information assurance relating to sensitive medical information is a challenge for the public and private sectors of the health care community.

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.

The Department's expanded role in providing humanitarian assistance and disaster relief to support US strategic objectives and promote human dignity through better health will provide financial and organizational challenges. One of the first challenges will be developing plans and budgets to support the expanded role.

The DoD IG audit of payments under the supplemental health care program identified duplicate payments by multiple

organizations for overseas health care. We also found a few military treatment facilities that used an interim payment process that violated the Miscellaneous Receipts Act and increased the risk of duplicate payments. As a result, potential exists for abuse of overseas referred health care claims.

The DoD IG audit of TRICARE controls over claims by billing agencies is also near completion. The TRICARE Management Activity needs to improve controls over claims prepared by billing agencies in the United States. Doing so will reduce the likelihood of improper payments.

INFORMATION SECURITY AND PRIVACY


The Department continues to be severely challenged by the need to provide a robust information security and privacy program for its data, systems, operations, and initiatives. This is particularly so for that portion of its data, systems, operations, and initiatives in the hands of the Defense Industrial Base and other non-DoD mission partners. The twin imperatives of security and information sharing collide daily and little progress has been made toward resolution of conflicting requirements. Between August 1, 2007, and July 31, 2008, the DoD audit community and GAO issued 21 reports addressing a wide range of information assurance weaknesses that persist throughout DoD systems and networks. If the information assurance weaknesses continue, they will impede the ability of DoD to mitigate risks in a shared information technology environment. Those risks include harm resulting from loss, misuse, unauthorized access, and modification of information or information systems. A loss of information in DoD information systems is itself unacceptable and could undermine mission effectiveness.



Many of the weaknesses reported occurred because management of security programs was inadequate and security policies and procedures were not in place. Without effective management oversight, DoD cannot be assured that systems are accurately reported and maintained, information systems portray accurate and reliable data, and personnel are properly trained in security policies and procedures. Effective management oversight may reduce the risk of persistent IA weaknesses, thereby increasing assurance that DoD information systems maintain an appropriate level of confidentiality, integrity, authentication, nonrepudiation, and availability.

PHYSICAL AND LOGICAL ACCESS

DoD implementation of the 2004 Presidential Directive on physical and logical access to federal installations and information continues to be severely inadequate. The Department has yet to issue comprehensive guidance to DoD components on procedures and milestones to meet the requirements of HSPD-12, with the result that DoD did not meet Government-wide milestones for completing background checks; personnel at stations that issue the Common Access Card cannot electronically verify whether card applicants have initiated or completed required security clearances; DoD displays the full Social Security number on the Geneva Conventions credential, increasing the risk of identity theft; DoD components are purchasing equipment that is not compliant with HSPD-12; DoD is using barcode technology on the Defense Biometric Identification System credential that is not equivalent to mandatory HSPD-



12 security features, and DoD's current PIV credential (the CAC card) does not meet interoperability requirements and needs to be updated. Lack of progress in meeting these challenges severely hampers the ability of the DoD to protect operational information for the warfighter and privacy data for all employees, as well as perform basic fiduciary responsibilities and oversight for DoD information technology expenditures. In addition, it places the security of DoD installations world-wide at continued and increasing risk.

INVENTORY ACCOUNTABILITY

Lack of inventory controls over computer property continues to be a problem. Defense Security Service could not account for 501 laptops, 55 Common Access Cards, and an undetermined number of safes, a recent audit concluded. The laptops were of particular concern because they were used for personal security investigations and potentially contained personally identifiable information. After significant efforts, DSS was able to demonstrate that the 501 originally unaccounted for laptops and safes had not left the control of the Government. DSS was also able to account for the remaining CACs. However, due to lack of controls over inventory of laptops, the risk still existed that remaining laptops still needed to be accounted for.

OTHER

The DoD IG issued a report that discusses the reforms contained in Public Law 109-290 "Military Personnel Financial Services Protection Act," September 29, 2006, and the impact of revised DoD Instruction 1344.07 "Personal Commercial Solicitation on DoD Installations," March 30, 2006. The report states that the Public Law and the DoD Instruction have been partially effective in reducing commercial solicitations of inappropriate life insurance products to military personnel by sales agents on the DoD installations visited. The Military Services are providing personal financial readiness training. However, commercial solicitations and sales of inappropriate life insurance products are occurring off base. As a result, junior enlisted Service members are still purchasing high-cost life insurance products that are considered inappropriate and may threaten their financial stability. In addition, the Navy must take additional steps in protecting junior enlisted naval personnel at Naval Station Great Lakes from the sale of inappropriate life insurance products and dishonest and predatory sales practices. Problems identified in 2005 and 2006 with inappropriate sales of life insurance products continue. As a result, junior enlisted personnel were transported off post to a financial planning agency and persuaded to sign up for supplemental life insurance products that are considered inappropriate. In addition, unauthorized access by financial planning agency employees to MyPay, a DoD information system, subjects the information contained on the system to undue risk of alteration and compromise. Junior enlisted sailors could be hurt financially by having allotments taken from their pay for inappropriate life insurance products.

Audit Advisory Committees

A Tool in the War Against Fraud, Waste, and Abuse

The Office of the Assistant Inspector General for Audit Policy and Oversight within the Department of Defense Office of the Inspector General recently issued a report on “Best Practices for Audit and Financial Advisory Committees Within the Department of Defense.” Whereas we do not “oversee” audit committees, we do recognize the value they bring towards the goal of creating accountability and transparency within the DoD. The Assistant Inspector General for Audit Policy and Oversight suggested that we ascertain best practices for audit committees to assist the Department in audit preparedness for a financial statement audit or in facilitating a financial statement audit. In accomplishing this effort, we were not necessarily interested in recommending that every DoD organization that develops and submits financial statements or that is working towards audit preparedness start an audit committee. However, what we did want to create was useful information that highlight the benefits of audit committees; facilitate an understanding of their value and make it easier for DoD organizations considering establishing audit committees (whether required or not) to understand what they were doing and how to do it.

HITTING THE HIGHLIGHTS

The purpose of this article is to hit the highlights of our review of Audit and Financial Advisory Committees within the Department of Defense and to bring more visibility to a tool that can foster transparency and accountability for Federal Government organizations and entities. We recognize that there is no one-size fits all solution to achieving quality financial statements and audits. As stated in the “Foreword” to the Best Practices Review Report, “Financial audit advisory committees benefit an organization either by assisting with audit preparedness or by providing increased confidence in the credibility of the organization’s financial statements.... If effectively designed, the committee can be a strategic partner in conducting quality audits, preparing auditable financial statements, and improving business operations.”

WHAT IS AN “AUDIT ADVISORY COMMITTEE” ANYWAY?

Audit advisory committees in DoD generally serve one of two functions: financial statement audit preparedness or financial statement audit oversight. Committees for audit preparedness provide oversight and make recommendations to help the organization improve business operations through improvements to financial reporting processes and procedures. The scope of each committee’s work depends on the status of financial management within the organization. When the entity is prepared to undergo a financial statement audit, the committee’s focus shifts from audit preparedness to oversight of the financial statement audit, and the committee assumes additional oversight and advisory responsibilities. A financial audit advisory committee can provide independent oversight of an organization’s annual financial statement audit, risk management plan, internal control framework, and compliance with external requirements. Acting in an advisory role, the committee promotes independence, enhances accountability, and facilitates communication between management and the external auditor that conducted the financial statement audit. The scope of each committee’s work varied depending on the status of financial management within the organization.



WHAT ARE THE BENEFITS OF AUDIT ADVISORY COMMITTEES?

Financial audit advisory committees benefit an organization either by helping with audit preparedness before financial statements are ready for audit or by providing increased confidence in the credibility of the organization's financial statements that are ready for audit. Other significant benefits that an independent and objective financial audit advisory committee provides include enhanced communication on financial management problems among senior managers, a vehicle for resolving differences. Most importantly, an audit and financial advisory committee provides accountability and transparency for financial reporting throughout the organization and to the public. The committee ensures that the organization achieves the goals and objectives of the financial audit, provides expertise on accounting and financial reporting issues, and ensures early identification and resolution of audit-related problems. The committee acts as an independent third party to review, discuss, and validate the results of the independent public accountant's work. Financial audit advisory committees assist with audit preparedness by helping ensure that the organization maintains its focus on audit readiness, suggesting ways to improve the organization's business and financial reporting processes, and emphasizing the importance of fiscal responsibility throughout the organization.

THE ROLE OF THE AUDIT ADVISORY COMMITTEE

The role of the audit advisory committee needs to be clarified before you get out of the starting gate. The Audit Advisory Committee does not take the place of management. DoD committees for audit preparedness help the organization prepare for audit while simultaneously making recommendations to improve internal controls and business processes. Committees that are acting as advisors during the annual financial statement audit may have responsibilities such as providing oversight and advice, acting as a liaison between management and the external audit conducting the financial statement audit, monitoring management's internal control program, and educating DoD personnel on the importance of the audit and the work of the committee. The financial audit advisory committee can make recommendations to ensure that the organization has implemented appropriate internal controls to address organizational risks, and that those internal controls are operating effectively. The audit advisory committee can consider developing a newsletter as a way to educate the organization about the work of the committee.

WORKING TOGETHER AND INCREASING ACCOUNTABILITY

The central function of the committee is to increase the accountability of the organization. To achieve this goal, the committee should work to ensure trust and faith between it and the organization, rather than an "us against them" relationship. The committee should collectively work to develop recommendations to improve the organization's financial reporting and business processes. To contribute to the mission and goals of the committee, members should understand the essential business of the agency, interpret Federal laws, understand Federal financial accounting and reporting requirements, and know Federal requirements for systems certifications. Most importantly, members should ask the agency's top managers how they intend to ensure agency compliance with relevant laws and regulations.

Committees should work with management and share suggestions to improve financial management throughout the organization. Management contributes to the success of the committee by providing ongoing communication regarding the status of the audit and should brief members on changes in financial reporting and business operations that might affect the committee's work. Each member should try to communicate the work of the committee to show what they are accomplishing and emphasize the importance of the financial statement audit.

BEST PRACTICES FOR AUDIT COMMITTEES

AUDIT COMMITTEES WORK BEST WHEN THE ORGANIZATION AND THE COMMITTEE HAVE...

- Commitment to the Same Goals
- A Partnership Relationship
- Senior Management
- Participation
- Interest
- Support
- Communication throughout all audit phases

WHAT MAKES AN AUDIT COMMITTEE SUCCESSFUL

THE RIGHT MIX. An effective chairperson and members, whether internal or external, with the necessary functional area expertise, skills, and experience including financial expertise.

FOCUSED ATTENTION.

Fosters public trust by providing focused attention on organizational accountability issues with a third party perspective that offers checks and balances between the organization, auditors, and stakeholders.

VALUE-ADDED SERVICES.

Provides services that assist the organization in mission accomplishment through effective follow-up on actions to improve financial reporting and business operations.

BENEFITS OF AUDIT COMMITTEES

- Independent
- Objective
- Enhanced Communication
- Audit Problem Resolution Vehicle
- Confidence and Credibility Builder
- Provider of Public Accountability and Transparency
- Audit Issue Visibility
- Real Time Problem Solving
- Prevents Management Complacency
- Provides Audit Finding Credibility
- Independent Third-Party Evaluation of External Audit Results

AN AUDIT COMMITTEE CAN PROVIDE

- Oversight
- Advice
- Liaison
- Monitoring of management responsiveness
- Organization assistance with improved strategy
- Focus on audit readiness
- Suggestions for improved processes
- Emphasis on fiscal responsibility

AUDIT COMMITTEES SHOULD

- Have a charter
- Annually reassess their charter
- Annually assess their performance
- Include financial expertise
- Have right composition of expertise
- Keep current on changes in financial reporting requirements
- Serve as an intermediary

COMMITTEE CHAIRPERSON SHOULD

- Have a sound financial background
- Be strong, independent, and able to lead
- Be able to foster open communication
- Possess exceptional critical thinking skills
- Be tactful and diplomatic

A GOOD COMMITTEE MEMBER

- Understands the business
- Understands Federal financial reporting requirements
- Uses expertise to problem solve
- Focuses on mission and goals
- Has personal credibility
- Has good leadership skills
- Exercises sound independent judgment in a relevant field or discipline

Investigative Oversight

A look at the investigations conducted by the
Department of Defense Inspector General

The Defense Criminal Investigative Service is the criminal investigative arm of the Inspector General of the Department of Defense. DCIS protects America's warfighters by investigating terrorism, shielding our defense technology against those who seek to steal it or use it against the United States or its allies; investigating companies that use substituted or substandard parts in weapons systems and equipment utilized by the military; preventing cyber crimes and computer intrusion; and investigating cases of fraud, bribery, and corruption.

DCIS devotes investigative resources to terrorism, procurement fraud, computer crimes, illegal technology transfers and public corruption. DCIS special agents have full law enforcement authority; make arrests, carry concealed weapons, execute search warrants, serve subpoenas and testify in legal proceedings.



DoD IG significant accomplishments in Investigations are listed under the following categories:

- CORRUPTION AND FRAUD
- CYBERCRIME AND COMPUTER INTRUSION
- ILLEGAL TRANSFER OF TECHNOLOGY, SYSTEMS, AND EQUIPMENT
- DEFECTIVE, SUBSTITUTED, AND SUBSTANDARD PRODUCTS
- OTHER



CORRUPTION AND FRAUD

DCIS has primary jurisdiction over matters involving most contract and procurement actions awarded by Defense Agencies, OSD components, and field activities.

Additionally, DCIS has jurisdiction over, “any allegations [involving DoD] that the IG DoD considers appropriate for investigation by DCIS.”

This broad authority affords DCIS the ability to easily partner with other federal, military, and state agencies in an effort to protect the integrity of the entire DoD procurement and acquisition process -- from countering fraud impacting initial research and development, to investigating fraud during contract execution, to ensuring appropriate disposal of products no longer needed by DoD components.

DCIS protects America’s warfighters by vigorously investigating alleged and suspected procurement fraud, corruption, and other breaches of public trust that impact critical DoD programs.

DCIS investigations focus on matters such as bribery, theft, procurement fraud, illegal receipt of gratuities, bid-rigging, defective and substituted products, and conflicts of interest.

DCIS is very proactive in their efforts to combat fraud and public corruption. Methods to combat financial threats are included in the following examples.

BRIBERY AND KICKBACKS

Six individuals plead guilty in federal district court and received sentences ranging from 60 to 84 months and

ordered to pay restitution of \$2.97 million for their involvement in a scheme to defraud the U.S. Government through bribery and kickbacks paid in connection with construction contracts with the US Army Medical Command, Fort Sam Houston, San Antonio, Texas.

The individuals created shell companies to collusively bid on contracts, and also paid kickbacks and bribed officials.

MONEY LAUNDERING

Thomas Theodore Kontiogiannis was sentenced to serve 97 months incarceration, 3 years supervised release, and ordered to pay \$1,050,100 in fines and special assessments on May 16, 2008.

Kontiogiannis admitted to using his nephew’s company to launder money and pay off a \$525,000 mortgage on former U.S. Representative Randall “Duke” Cunningham’s Rancho Santa Fe, California mansion in furtherance of a bribe. Representative Cunningham previously plead guilty and is serving a sentence for receiving bribes in connection with DoD contracts.

FRAUDULENT CLAIMS

Health Vision Corporation and its former President/CEO were convicted in U.S. District court for defrauding TRICARE between October 1, 1998 and August 2004 by entering into a kickback scheme with medical providers in the Philippines.

Health Visions inflated bills and submitted fictitious and fraudulent claims to TRICARE for payment.

SECURITIES FRAUD

Clover Merchant Group, a New Jersey based company, attempted to solicit investors by stating they held 48 percent interest in a California-based defense contractor that supplied 70 percent of the components for the U.S. Tomahawk missile. Four principals were convicted in federal district court for conspiracy to commit securities fraud when they secured \$21 million from investors for what was, in fact, a “Ponzi” scheme to defraud. These principals were confined for 52 months and given 96 months probation.



U.S. Tomahawk missile.

FALSE CLAIMS

A health care company pled guilty in U.S. District Court to submitting false claims to Medicare and TRICARE. The plea resulted in the company agreeing to pay \$3.1 million in criminal restitution and \$117 million in civil claims. The company developed, implemented and engaged in a fraudulent scheme to bill Current Procedural Terminology home service codes even though services did not take place in the patient’s private residences. The services were actually performed in an adult living facility or assisted living facility. Billing for services as though they occurred at private residences resulted in a high reimbursement to the company.



CONSPIRACY TO FIX PRICES

A civil investigation, based on a qui tam complaint, found that a DoD contractor conspired to fix prices on carbon fiber, a graphite substance used in aircraft, ammunition and satellites procured by the United States. On May 16, 2008, the company agreed to pay the United States \$25 million in US and non-US restitution to settle the lawsuit brought forth by the realtors in the qui tam suit.

PRICE INFLATION

A DoD contractor significantly inflated pricing on a United States Air Force contract to provide 84 voltage oscillators. The company and its principal agreed to pay the United States \$9,527,540 in restitution, fines, and assessments to settle all actions.

FALSE CLAIMS ACT

The Department of Justice, Civil Division filed suit against a Defense contractor who allegedly submitted false claims to the United States Air Force during the negotiation and performance of the Alternate Fighter Engine contract, resulting in overcharges. On August 1, 2008, United States District Court rendered a judgment in the amount of \$7,090,000, against the Defense contractor for violating the False Claims Act.

CONCLUSION

DCIS remains committed to ensuring compliance in the DoD procurement process and ensuring government officials demonstrate their responsibilities as stewards of the U.S. taxpayer’s dollars while enhancing the security of the nation with safe and reliable equipment and processes for the U.S. military.



CYBER CRIME AND COMPUTER INTRUSION

DCIS computer crime agents are trained and certified to seize and search digital media in support of criminal and administrative investigations. In support of over 26 investigations throughout FY 2008, DCIS' 43 computer crime personnel created forensic images of approximately 25 terabytes of data and analyzed over 12 terabytes of material supporting a wide range of DCIS case types. In addition to providing expert digital forensic services, DCIS computer crime agents also investigate computer intrusions, cyber data theft, and national security matters impacting the security of the DoD's Global Information Grid. DCIS agents work closely with the JTF-GNO, Service Computer Emergency Response Teams, and information assurance staffs of the combatant commands and Defense agencies.

In FY 2008, DCIS agents were involved in 50 investigations involving computer intrusions or data theft incidents and issued 16 reports on matters that were potential threats to the DoD GIG. Eighteen long term projects were ongoing to further protect the GIG and proactively identify incidents of computer fraud. DCIS worked closely with other federal law enforcement organizations to collaboratively share and exploit data related to the trafficking in child pornography. Fifty-three child pornography investigations were ongoing during this period.


CYBER CRIME CASE

DCIS was alerted that several DoD employees' payroll accounts (under the web-based myPay system) were being accessed without their knowledge. As a result of this intrusion, their pay was being diverted to unauthorized accounts. Following an extensive investigation, it was discovered that this scheme was complex and carried out as follows: A male foreign national and an accomplice would first gain access to DoD employees' personal and financial accounts by accessing the computers used by these employees during their hotel stays. After the employees would leave the computers, the foreign national would install spyware on them and, once installed, employee login information was exposed and exploited.

Armed with the account access information, he next expanded the scope of this fraud to include account data and financial information of additional victims from the US and around the world. On August 31, 2007, he traveled to the US and was arrested in Miami immediately upon arrival. On November 15, 2007, he was indicted on charges of Access Device Fraud, Identity Theft, and Aggravated Identity Theft. He pled guilty on January 8, 2008 and was sentenced on April 11, 2008. His sentence includes 108 months of incarceration, 36 months of supervised release, restitution of \$353,203, and a \$1,600 special assessment fee.

As a result of this investigation, major changes were made in the way web-based pay information is accessed DoD-wide. For example, DFAS changed its procedures for accessing service members' accounts by installing a virtual keyboard on its website. As a result, passwords are undetectable by keystroke and, therefore, nearly impossible to copy using spyware or other similar methods. Other security enhancements are being considered in order to further protect DoD myPay account holders.

The DoD has long been instrumental in promoting cyber security both within and outside the Department. DoD supported the creation of the Computer Emergency Response Team Coordination Center in 1988 after the outbreak of the first Internet worm (The Morris Worm). The CERT Program is part of the Software Engineering Institute, a federally funded research and development center at Carnegie Mellon University in Pittsburgh, Pennsylvania. Following



the Morris worm incident, which brought 10 percent of Internet systems to a halt in November 1988, DARPA charged the SEI with setting up a center to coordinate communication among experts during security emergencies and to help prevent future incidents. This center was named the CERT Coordination Center.


The individual military services began to form computer response capabilities beginning with the activation of Air Force Information Warfare Center in 1993. The other military services followed shortly thereafter: the Army CERT, the Navy Computer Incident Response Team, and the Marine CERT. The DoD CERT became operational in 1997 under the control of DISA. Even though DISA was tasked to protect DoD networks, it had no directive authority over the service components and virtually no authority to enforce recommended defensive measures. To fill this gap, the Joint Task Force – Computer Network Defense was formed in 1998 to provide intelligence, law enforcement and other support functions to the DoD CERT. In 2002, JTF-CND became Joint Task Force – Computer Network Operations under the command of U.S. Space Command. Although this gave the JTF-CNO more authority, it still did not exercise direct control over the individual service components. Finally, in 2005, the JTF-CNO (renamed the JTF Global Network Operations) combined with DISA’s Global Network Operations Security Center and DoD CERT, and was placed under the direct command authority of USSTRATCOM where it was assigned the mission to “Operate and Defend the Global Information Grid.”

USSTRATCOM has overall responsibility for network defense and operations of the GIG. The service components have day to day operational and defense responsibilities for their respective portions of the GIG. Previously, identified as CERTS, the service components are now identified as Network Operations and Security Centers. USSTRATCOM currently exercises Operational Control over the Service NOSCs through the JTF-GNO. In response to network events or activities, as determined by USSTRATCOM or JTF-GNO, Service Chiefs or Secretaries shall instantaneously attach Service NOSCs to JTF-GNO who will exercise Tactical Control upon contact with the Service NOSC. In this context, TACON includes the authority for JTF-GNO to direct defensive actions across the GIG.

Since the Department’s reliance on computer networks continues to grow, the availability and integrity of these networks is paramount for the Department to operate efficiently and with lethal accuracy. GIG protection, however, is not enough. The DoD relies on the defense industrial base to develop and produce those machines with which the Department goes to war, provide healthcare for its service members and dependents, and perform important support functions in combat zones. The growing importance of protecting DIB information systems and networks cannot be understated. As the Department takes action to close the policy gap surrounding DIB incident reporting, the DCIOs have already begun to feel the stretch of thin cyber crime resources now required to address a broader range of incident response. Should the Department fully embrace the need to better secure the DIB, an increase in cyber incident responders is long overdue.

ILLEGAL TRANSFER OF TECHNOLOGY, SYSTEMS, AND EQUIPMENT

The DCIS Technology Protection Program protects the Warfighter by thwarting the illegal theft or transfer of U.S. technologies and munitions to terrorist organizations, proscribed nations, and criminal enterprises. This is accomplished through highly focused and complex investigations involving the illegal export of critical technology such as missile components, military night vision technology, fighter jet parts, and helicopter technical data. In the latter half of 2008, Technology Transfer investigations rose from 12% of the DCIS investigative caseload, to 14%.



DCIS continues to take an active role in combating the growing national security threat posed by the illegal exports of restricted U.S. military and dual-use technology to foreign nations and terrorist organizations. To this end, the U.S. Attorney's offices around the country have formed Counter-Proliferation Task Forces designed to enhance interagency cooperation. Building upon this cooperative spirit, new task forces have opened up around the country and now total 15 and growing.

To augment these efforts, DCIS has teamed up with DoJ and spearheaded the formation of the Technology Protection Enforcement Working Group. The TPEG, initially established in November 2007, is comprised of Technology Protection decision makers from various agencies to include the Air Force Office of Special Investigations, Army Military Intelligence, Department of Commerce, Office of Export Enforcement, FBI, and ICE. Meeting monthly, this forum has developed into an invaluable network for sharing critical information among the participating agencies investigating technology transfer violations.

Given the success of this group, the TPEG has reached out to other agencies with similar interests and invited them to take part. Most recently, the Central Intelligence Agency has participated in this forum. Invitations to these and other stakeholders ensure that all relevant enforcement agencies have a seat at the table. DCIS plays a crucial role in this increasingly cooperative national effort to combat the illegal export of restricted U.S. technology, ultimately protecting the Warfighter.

The following are examples of cases involving the illegal transfer of technology, systems, and equipment:

ARMS EXPORT CONTROL ACT

The Vice-President of a DoD contractor was indicted by a Federal Grand Jury in Los Angeles, CA on May 27, 2008, on four counts of violating the Arms Export Control Act for attempting to export of U.S. Munitions List Items to the Middle East. This individual, was responsible for international at said DoD Contractor, and illegally exported components of the General Electric J-85 Jet Engine, which powers the Northrop-Grumman F-5 Freedom Fighter Aircraft. These items were destined for Dubai, United Arab Emirates and were intercepted by ICE prior to export. An additional export attempt included the Ametek Gyroscope, utilized on the UH-60 Black Hawk and SH-60 Seahawk Light Airborne Multipurpose System military helicopters, also seized by ICE. While the company in question has entered into a plea agreement, the above individual is considered a fugitive and a warrant has been issued for his arrest.

MATERIAL SUPPORT TO A FOREIGN TERRORIST ORGANIZATION

A citizen of the Republic of Indonesia, along with five other individuals, was arrested on September 18, 2006, in the United States Territory of Guam for conspiring to provide material support (weapons) to the Liberation Tigers of Tamil Eelam, or LTTE (Tamil Tigers). This citizen was instrumental in assisting with the attempted delivery of these United States Munitions List items to the Tamil Tigers, including small arms, machine guns, ammunition, semi automatic military rifles, and surface to air missiles.

On July 10, 2008, he was convicted on one count of Conspiracy to Provide Material Support to a Foreign Terrorist Organization and one count of Money Laundering. He was sentenced to thirty months confinement for each count, to be served concurrently, three years of supervised release, and a special assessment fee of \$200. He will face deportation to Indonesia after completion of his sentence.

EXPORTING OF DEFENSE ARTICLES

A professor (now retired) at the University of Tennessee, Knoxville, was convicted of conspiracy to violate the Arms Export Control Act. He conspired to unlawfully export 15 different “defense articles” to a citizen of the People’s Republic of China. These exports consisted of technical data from a USAF research and development contract to develop an advanced surveillance drone.

DCIS initiated this joint investigation with the Federal Bureau of Investigation, USAF Office of Special Investigations, Bureau of Immigration and Customs Enforcement (ICE), and Department of Commerce Export Enforcement, based upon information received on February 26, 2008 from ICE indicating that he released export-controlled technology to students of Iran and the People’s Republic of China.

This individual was convicted on September 3, 2008, of conspiracy to violate the Arms Export Control Act. He conspired with a Knoxville, Tennessee, technology company, to unlawfully export 15 different “defense articles” to a citizen of the PRC. These exports consisted of technical data from a USAF research and development contract to develop an advanced surveillance drone.

This investigation is especially significant as it is among the first in which a subject was prosecuted for distributing information (also termed “deemed exports”), rather than equipment, to foreigners studying at a university with a military research contract.

DEFECTIVE, SUBSTITUTED, AND SUBSTANDARD PRODUCTS


The following are examples of DCIS efforts to expose defective, substituted and substandard products:

Armament & Technical Products (a division of General Dynamics) agreed to pay the U.S. Government \$4.1 million as a result of a qui tam settlement. Based on information from former employees, an investigation found that General Dynamics fraudulently certified test results for heat-treating on High Data Rate masts that are used on U.S. Navy submarines. The masts are used to house electronic equipment and the periscope for USN submarines.



F-16 fighter aircraft.

On July 30, 2008, Pratt and Whitney (a division of United Technologies Corporation, East Hartford, CT) and its subcontractor, PCC Airfoils LLC, agreed to pay the U.S. Government \$47.5 million to resolve False Claims allegations that Pratt and Whitney and PCC knowingly sold defective turbine blade replacement for jet engines used in military aircraft. The agreement also stipulates Pratt & Whitney provide up to \$4.8 million in services to inspect turbine blades. A joint investigation with AFOSI determined that between 1994 and 2003, Pratt and Whitney and PCC knowingly sold defective turbine blade replacements for F-15 and F-16 fighter aircraft used by the U.S. Air Force. This



defect caused the crash of an F-16 fighter aircraft in Arizona on June 10, 2003. The pilot ejected safely, but the aircraft (valued at approximately \$20 million) was destroyed

A joint investigation between DCIS, Army CID and AFOSI disclosed that a DoD contractor's owner and president, former production manager, project manager, and production supervisor conspired to commit major frauds against the United States on two DoD contracts for Nuclear, Biological, Chemical filters that were defective. The largest use of the filters, which is a "critical application" item, is on the M1 Abrams main battle tank, but it is also used on Navy, Marine, and Air Force systems. These filters are used on collective air purification systems to protect U.S. service personnel against NBC threats. Three former employees were sentenced to a combined total of eight years probation, 16 months confinement, and ordered to pay \$547,700 in fines, penalty assessments, and restitution. Further, on September 11, 2008, the corporation was found guilty of conspiracy to defraud the U.S., was placed on probation for 5 years and ordered to pay restitution to the U.S. in the amount of \$7.9 million, and a special assessment of \$400.

A joint investigation between DCIS Army CID, NCIS and AFOSI disclosed that the husband and wife owners of a company, who were previously debarred by DoD, and their daughter, were convicted of false statements and mail fraud. A DoD Hotline referral disclosed that a DoD contractor provided non-conforming products on multiple DoD contracts. Between March 16, 1999, and July 8, 2003, the contractor was awarded 323 DoD contracts (aggregated value unknown) for facet fluid filters utilized on the C-5 aircraft, fluid filters utilized in a fuel feed strainer assembly, and air filters. The husband was sentenced to 39 months incarceration, three years probation and ordered to pay restitution and a special assessment of \$828,333. The wife was sentenced to twelve months confinement, three years probation, and ordered to pay restitution and a special assessment of the same amount. The daughter was sentenced to eight months confinement, 36 months probation, and ordered to pay restitution and a special assessment of \$601,971. All three were debarred along with eight other companies they generated.

OTHER

ASSET FORFEITURE

Since admission into the Department of Justice Asset Forfeiture Fund, in May 2007, the Defense Criminal Investigative Service has obtained \$21.2 million dollars in court ordered forfeiture and an additional \$8.6 million, in seizures that are pending forfeiture of vehicles, gold, real property, and monetary funds. Within the reporting period, a monetary judgment of forfeiture in the amount of \$910,910 as proceeds of Mail Fraud, 18 U.S.C. § 1341, was ordered against Health Visions Corporation. The intent of the DCIS Asset Forfeiture program is to deter criminal activity, punish offenders, dismantle criminal organizations, and enhance cooperation among foreign, federal, state, and local law enforcement agencies through equitable sharing of assets and recoveries through the asset forfeiture program.

HURRICANES KATRINA/RITA

As of September 18, 2008, the DCIS, has received 37 criminal allegations related to Hurricanes Katrina and Rita. In support of this effort, DCIS agents have initiated 16 investigations concerning bribery, kickbacks, false claims, and possible product substitution. During the reporting period two individuals were indicted on charges of Conspiracy, Title 18 USC 271; and Bribery, 18 USC 201; regarding a New Orleans levee reconstruction project. To date a total of four convictions have been adjudicated, not including the two new indictments.

Policy and Oversight

The Office of the Deputy Inspector General for Policy and Oversight performs the duties of the DoD IG established the Inspector General Act and DoD directive to provide policy, guidance, and oversight to audit, evaluation, inspection and investigative activities within the DoD. In addition, the ODIG-P&O provides technical support to OIG DoD organizations; monitors actions taken by DoD in response to DoD IG and GAO reports, provides analysis and comments on draft DoD policy issuances, and evaluates DoD programs and functions. To support GWOT and SWA efforts, the ODIG-P&O continues to evaluate both DoD's warfighting mission and its stabilization, security, transition, and reconstruction mission. The ODIG-P&O also continues to respond to congressional and management requests to review audits, inspections, evaluations, investigations, and inquiries conducted by the DoD or others in support of the DoD mission.

During the reporting period, ODIG-P&O issued 23 oversight evaluation reports; provided technical assistance on 125 audit and investigative projects; took final corrective action on 99 DoD IG reports and 488 recommendations with \$907.5 million in documented savings; issued 187 subpoenas; recovered \$210,000 via the voluntary disclosure program; and coordinated on 193 existing and proposed DoD policy issuances. The following are highlights of ongoing and completed ODIG-P&O evaluations.

COMPLETED PROJECTS

Assessment of Contracting with Blind Vendors and Employers of Persons Who are Blind or have Other Severe Disabilities: Section 856 of the FY 2007 National Defense Authorization Act directed the DoD and Department of Education Inspectors General to review management procedures under the Randolph-Sheppard Act (sections 107-107f, title 20, United States Code) and the Javits-Wagner-O'Day Act (sections 46-48c, title 41, USC). Together, these acts legislated priorities and preferences for blind vendors and employers of blind and severely disabled persons to provide food services for military cafeterias and dining facilities. The final report provided four recommendations to improve program policies and to streamline contracting procedures.

Evaluation of the DoD Safety Program: Safety Perception Surveys: Accidents cost the military departments the lives of 700 service members per year and an estimated \$21 billion in direct and indirect costs. In an effort to identify opportunities to prevent accidents and improve the DoD safety program, the DoD IG partnered with the National Safety Council and the Defense Management Data Center and administered safety perception surveys for each of the following population groups: DoD senior leaders, active duty personnel, civilian employees, and Guard and Reserve members. The surveys were designed to measure the safety culture throughout DoD and establish an empirical safety climate baseline for measuring program improvements. The DoD IG team conducted separate seminars for each of the services' safety centers and explained the survey results and implications. As directed by the Defense Safety Oversight Council, the senior leader survey will be administered every four years, and the other surveys every two years. Survey reports are available at <http://www.dodig.mil/Inspections/IE/Reports.htm>.

ONGOING PROJECTS

Assessment of New Orleans Temporary Outflow Canal Pumps: As part of an enhanced hurricane protection system for New Orleans, the Army Corps of Engineers installed gates at three outflow canals and a pumping system to empty the canals when gates were closed during storm surges. In September 2007, the U.S. Special Counsel requested DoD to investigate whistleblower allegations that the pumping system was poorly designed, inadequately

tested, and vulnerable to catastrophic failure. As a result we investigated, and in May 2008, reported that numerous design and operational problems were corrected and expressed confidence that the pumping system would operate adequately. In an August 4, 2008, letter to the President, the Special Counsel disagreed with our findings contending that the pumps remained vulnerable to failure, and recommended that an independent assessment be performed by a professional engineering company. In response to the Special Counsel's concerns, in September 2008 we contracted with a professional engineering company to obtain an independent assessment of the pumping system. We plan to issue another report assessing the performance of the pump systems' during Hurricanes Gustav and Ike and a summary of the contracted professional engineering assessment.

Examination of Allegations Involving DoD Office of Public Affairs Outreach Program: Prompted by a April 20, 2008, New York Times article, "Message Machine: Behind TV Analysts, Pentagon's Hidden Hand," members of Congress asked the DoD IG to investigate DoD's use of retired military analysts/commentators to generate positive news coverage. As described in our announcement letter on May 23, 2008, the IG team is examining the allegations that DoD Public Affairs outreach program gave retired military personnel special treatment and provided them with information that favored the administration's position on Global War on Terror policies and strategies; and also if such access for some analysts/commentators who were employed by Defense contractors may have given them a competitive advantage. An integrated team of evaluators, investigators, auditors, legal and communications advisors are reviewing all aspects of this case and plan to release a series of reports.

2008 Evaluation of the Federal Voting Assistance Program: In accordance with the provisions of section 1566, title 10, U.S. Code, the DoD IG will review the Services' Inspectors General VAP reports for 2008 and summarize the results of that analysis for the annual report to Congress. Also, the DoD IG team will conduct site visits to selected COCOM headquarters and DoD agencies to evaluate compliance with FVAP requirements.

Accident Reporting Related to Military and Civilian Injuries: The Assistant Deputy Under Secretary of Defense for Environment, Safety, and Occupational Health requested this project. The objective of the project is to evaluate the DoD's reporting process involving civilian and military injuries caused by reportable accidents. The ESOH community is concerned that there may be a significant number of injury mishaps documented in medical records, without reporting the underlying mishap and systemic causes to the respective safety centers. To help program managers and decision makers improve data collection and analyses, the project team is evaluating compliance with reporting requirements, identifying root causes for under-reporting, and determining impediments to data transfer between medical and safety systems.

Evaluation of the Service Treatment Record Management Process: The Principal Deputy Under Secretary of Defense for Personnel and Readiness requested this evaluation. The purpose of the project is to assist management in identifying options to insure service treatment records are complete when Service members separate or retire, so as to streamline their transition to the VA's system of benefits. The team is reviewing STR policies and procedures, interviewing DoD and VA stakeholders, and conducting site visits at various personnel centers and medical facilities.

Followup Review on Audit Work Deficiencies and Abusive Work Environment Identified by the Government Accountability Office: On August 4, 2008, Audit Policy and Oversight announced the subject review to evaluate whether Defense Contract Audit Agency completed and planned actions fully address findings identified in Government Accountability Office Report No. GAO-08-857. The GAO determined that 13 out of 13 cases it reviewed did not meet professional standards and that, in some of the cases, auditor independence had been impaired. In response to a DoD hotline referral, APO had previously reviewed 8 of the 13 cases and also determined that they did not meet professional auditing standards. The DCAA has rescinded 6 reports and is taking other corrective actions in all 13 cases. In addition to reviewing the adequacy of DCAA corrective actions, we are assessing whether an abusive work environment exists at 2 DCAA field offices as reported by the GAO. We will consider any deficiencies identified during the follow-up in our FY 2009 agency-wide peer review of DCAA.

CHAPTER 3: SERVICES OVERSIGHT



U.S. ARMY



ARMY AUDIT AGENCY

To accomplish its mission, U.S. Army Audit Agency relies on a work force of highly trained professional auditors, many with advanced degrees and professional certifications. USAAA'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. Its goal is to be a highly sought after and integral part of the Army by providing timely and valued services that improve the Army by 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 2008 Strategic Audit Plan to align its audit resources with the Army's four imperatives and three enabling initiatives:

- 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.
- Secure financial resources and legislative authorities to meet requirements for the Army's compelling needs.
- Implement business transformation.
- Enhance strategic communications.

During the second half of FY 2008, USAAA published 188 audit reports, made over 460 recommendations, and identified over \$1.8 million of potential monetary benefits.

Agent Accountability at Chemical Agent Disposal Facilities, U.S. Army Chemical Materials Agency:

The U.S. Army Chemical Materials Agency's mission is to dispose of the nation's chemical weapons stockpile, while ensuring the safety of workers, the public, and the environment. Agent accountability is an important factor to the success of the Chemical Demilitarization Program, which is a \$29 billion effort that receives a high level of congressional and international interest. USAAA conducted the audit to determine whether the agency accurately accounted for destroyed chemical agents. USAAA reported that the Army's procedures were generally adequate to ensure chemical agents were accounted for when destroyed. Responsible personnel adequately completed required documentation when requesting, transferring, and destroying chemical agents. However, the amounts recorded as destroyed in the Chemical Accountability Management Information Network, which is DoD's system for formal accountability of toxic chemical munitions and bulk agents, were not always accurate, and internal processes for records management were not fully effective. As a result, the agency did not have complete assurance that amounts recorded in the system were accurate which increases its chances for heightened levels of program scrutiny by State, Federal, and international organizations that have a vested interest in the elimination of chemical weapons.

Army Travel Charge Card Program—Centrally Billed

Accounts: USAAA performed this audit at the request of the Deputy Assistant Secretary of the Army (Financial Operations) to determine if the Army had appropriate policy and procedures established to manage the Army Travel Charge Card—Centrally Billed Accounts. The audit focused on Army activities' efforts to reconcile delinquent, write-off, and credit balance accounts because of the FY 2008 contract changeover to SmartPay 2. USAAA also assessed the timeline for DA and Defense Finance and Accounting Service to process CBA invoices. DoD Financial Management Regulation, AR 715-xx

(Government Purchase Card Program), and Assistant Secretary of the Army (Financial Management and Comptroller) memorandums provide the overarching policy and procedures for DA to implement and manage the travel card program's CBAs. However, current DoD and DA policy doesn't specifically address CBA delinquency management procedures. Also, activities did not use the Defense Travel System CBA reconciliations module. Instead activities used manual processes to reconcile and approve CBAs. USAAA determined that the majority of activities were taking appropriate action to properly manage CBAs. However, a limited number of activities continued to incur delinquent and write-off accounts due to improper reconciliation procedures, staffing issues, and ineffective controls. Additionally, it took DFAS an average of about 8 days to make payments after the 1,505 CBA invoices USAAA tested were certified. As a result of this delay, DA could not take full advantage of cash discounts or rebates established in the SmartPay 1 contract. If this delay is the standard for all transactions processed by DFAS, DA has no assurance that it is taking full advantage of cash discounts or rebates for other purchase and travel credit card transactions.


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 for implementation of Base Realignment and Closure 2005 recommendations. During the second half of FY 2008, USAAA published 25 BRAC-related audit reports. The objective of the BRAC audits was to determine whether construction requirements were valid and supported. In order to compute requirements and costs for BRAC facilities, USAAA identified and was very 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 will help ensure that the Army uses correct funding and builds appropriate military facilities and infrastructure to implement the BRAC 2005 recommendations.

Bayonne Local Redevelopment Authority: The Offices of the Assistant Secretary of the Army (Installations and Environment) and Assistant Chief of Staff for Installation Management asked USAAA to audit the Bayonne Local Redevelopment Authority. The Army was seeking reasonable assurance that BLRA was redeveloping the former Military Ocean Terminal at Bayonne property as required. In the report on BLRA's 2004, 2005, and 2006 no-cost economic development conveyance financial statements, USAAA found that BLRA did not fully comply because it exchanged proceeds from sales of property with the City of Bayonne and did not properly report information in its financial statements. Therefore, the Army had little assurance that BLRA would achieve the goals of economic prosperity and job growth through its redevelopment efforts. USAAA made five recommendations to address these conditions and one recommendation for the Army to make a decision on its future relationship with BLRA. In the report on BLRA's revised 2001-2007 supplemental schedules, USAAA determined that the BLRA addressed the financial reporting conditions USAAA identified and correctly reported the financial information. In an ongoing audit, USAAA is reviewing actions BLRA took to address the condition on exchanges to facilitate the Army's decision on its future relationship with BLRA.

Construction Site Preparation: Parcel 1, U.S. Army Corps of Engineers, Far East District, Seoul, Korea:

This audit was one of six audits USAAA will conduct in response to the Commanders, United Nations Command, Combined Forces Command, U.S. Forces Korea and Eighth Army request for the Agency's assistance in ensuring the Army effectively plans and executes actions to transform and relocate the Army on the Korean Peninsula. On this effort, USAAA audited construction site preparation activities for Parcel 1, a small part of the more than 2,300 acres of land acquired to build the necessary facilities and infrastructure to support the relocation of military and civilian personnel and their families from Yongsan to Garrison Humphreys in accordance with the over \$9 billion Yongsan Relocation Plan. The audit focused on controls over the project managed by the U.S. Army Corps of Engineers, Far East District. USAAA reported that the FED effectively managed the project—overall, making appropriate use of a multiple-discipline project team,



developing a comprehensive project management plan, conducting comprehensive geological and environmental surveys, and keeping contract modifications to a reasonable amount and within the scope of the original contract. The audit also identified the need for improvements in the government's quality assurance and the contractor's quality control programs to ensure the contractor is providing the appropriate level of work that will result in a site where the Army can confidently build infrastructure. USAAA found two potentially improper payments and recommended taking recoupment actions. It also recommended a change in procedures that would more appropriately consider technical acceptability of contractors during the contract award process this will result in future contract awards focusing on best value, not just lowest bid. The recommendations will improve project management of the work on the remaining 2,100 acres.

Delayed Fielding of the Stryker Brigade Combat Team, U.S. Army, Pacific: In response to legal rulings affecting the fielding of a Stryker Brigade Combat Team in Hawaii, the Army had to decide whether to suspend or cancel several ongoing projects and contracts. USAAA reported that responsible activities adequately expedited the preparation of cost/benefit analyses and made appropriate decisions to suspend projects and contracts versus terminating and restarting at a later date. Responsible activities could more thoroughly mitigate potential future risks by following up the expedited cost/benefit analyses with more precise analyses by appropriate functional experts. The Army prepared a supplemental site-specific environmental impact statement that adequately considered alternatives to home stationing the SBCT in Hawaii—the supplemental statement fully satisfied court orders. In addition, the Army adequately managed the implementation of environmental mitigation actions imposed by the court for projects for which the Army was allowed to proceed.

Fire Protection and Emergency Services, Fort Irwin: The National Training Center at Fort Irwin is the only Army installation with contracted fire and emergency services. USAAA determined that increases in contract costs for fire and emergency services were justified due to

upgrading the Department to bring it into compliance with improved and updated DoD policies. The installation could reduce contract costs by ensuring the contractor reported amounts it received from mutual aid agreements with local governments as reimbursement for emergency services, and by improving its contract monitoring actions. Although contractor costs were comparable to the range of costs at other installations, they were at the upper end of the range because they had unique operational requirements, such as remote locations and extreme conditions.

FY 2008 Manning Requirements for Contract Security Guards in Europe: Force protection requirements increased significantly after the terrorist attacks of September 11, 2001 and the onset of the GWOT. The escalation is more apparent at installations in Europe where the force protection levels are normally higher than in CONUS. As part of GWOT, Congress granted temporary authority for the Army to use contract security guards at military installations. The Army's contract guard costs in Europe total about \$200 million annually. USAAA audited the manning requirements for guard service contracts at six U.S. Army garrisons in Germany and their subordinate communities to determine whether U.S. Army, Europe and Seventh Army implemented and maintained manning levels that USAAA recommended in a prior report. USAAA reported that USAREUR implemented and maintained the manning levels previously recommended and achieved the FY 2007 estimated savings of \$39.7 million, and were on track to achieve the estimated savings of about \$36.7 million for FY 2008. USAREUR could further reduce its manning requirements in FY 2008 by about \$12.4 million. USAAA also reported that recommendations to reduce manning requirements had no detrimental effect on safety and security. The recommendations established procedures to help evaluate manning requirements at locations impacted by global rebasing and restructuring, and to process garrison requests to adjust contract guard manning levels.

Korea Build-to-Lease Housing Consulting Contract Administration: This audit was requested by the Assistant Secretary of the Army (Installations and Environment). USAAA reviewed the processes and procedures U.S.

Army Corps of Engineers Baltimore District used to award and administer a task order contract for specialized financial and consulting services in support of the Garrison Humphreys Build-to-Lease initiative in Korea. USAAA reported that the consulting contract for the Korea Build-to-Lease Housing Program was not in full compliance with applicable laws and regulations and did not make sure the Army would receive services at a fair and reasonable price. The contract was not in full compliance with the Federal Acquisition Regulation and Defense Supplements and policies because contracting personnel did not obtain a formal legal review of the contract before initially awarding or modifying the contract to add the performance and breakage fee structure. As a result, the Army risked paying substantially more than the fair value of the products and services it will receive under the contract. Moreover, because proprietary rights were relinquished for all products including financial models, business methods, and lease documents, the Army may have difficulty proceeding with the project without either retaining the consultant or incurring significant schedule delays. Upon receiving the report, contracting personnel terminated the \$7.5 million contract for the convenience of the government.

Logistics Support Contract, Fort Carson: This audit focused on controls over financial stewardship and operational services provided by the contractor. USAAA evaluated contract requirements, contractor invoices, and contract services. USAAA concluded that controls were in place to track core contract requirements, but the installation did not validate cost estimates to make sure a fair and reasonable price was paid for new contract requirements. Also, contractor expenses totaling about \$4.9 million were questioned because invoices were not reviewed. Finally, inspection of contract services needed improvement to ensure contractor award fees were based on the level and quality of service required by the contract.

Management of Relocatable Facilities: The Assistant Secretary of the Army (Financial Management and Comptroller) asked USAAA to review management of relocatable buildings across the Army. During the second half of FY 2008, USAAA published reports for Forts Riley


and Stewart. These reports are discussed below. Audits at Forts Bragg, Drum, and Huachuca are ongoing.

• **Management of Relocatable Facilities—Fort Riley:** Although comprehensive DA policies and procedures existed for the management and oversight of relocatable buildings, Fort Riley believed the guidance needed to be improved due to the complicated and time consuming approval process. Generally the command documented its requirements for relocatable buildings, obtained proper approvals for acquiring relocatable buildings, and used correct funding sources to obtain the buildings and prepare the sites. Further, the command had implemented a plan to replace relocatable buildings with real property and redistribute or turn in the buildings once they were no longer needed. The installation's replacement plan could be improved by including estimated disposal cost.



AAA relocatable building at Fort Riley.

• **Management of Relocatable Facilities—Fort Stewart:** Command did not fully implement the Army's guidance because it did not always adequately document and justify requirements, inventory the buildings, or have an adequate exit strategy. USAAA made recommendations to correct these conditions. It also followed up on previous audit recommendations to purchase rather than lease 33 relocatable buildings. Twenty six buildings were either purchased or returned to the vendor for a cost savings of \$4.1 million, and USAAA recommended that the seven remaining leases either be converted to purchases or the buildings be returned to the vendor. Command



agreed and returned the relocatable buildings, realizing an additional \$423,000 in savings.

At Forts Drum and Huachuca, USAAA found that both installations generally followed established DA guidance. However, their inventories of relocatable facilities required adjustments. USAAA made recommendations to correct these conditions. Further, the installations each identified military construction projects to replace the relocatable facilities and had plans to return or dispose of the facilities once no longer needed.

At Fort Bragg, USAAA found that Fort Bragg followed established DA guidance to obtain approval for 158 relocatable buildings; however, tenant activities didn't follow the guidance to acquire at least 37 relocatable facilities. Additionally, discrepancies existed between the number of relocatable buildings recorded in databases and on-hand inventories. And, although the garrison did have an attrition plan, it had limited use because it didn't include all buildings, didn't have estimated disposal costs, and wasn't coordinated with DA. We also determined that one tenant could save about \$782,000 if it would purchase two relocatable buildings instead of continuing to lease them. We made recommendations in this report to correct these deficiencies.

Monitoring of Security Guard Contracts—Office of Provost Marshal General and U.S. Army Installation Management Command: This audit was a follow-on effort to an original request by the House Subcommittee on Readiness to evaluate contract security guard oversight and acquisition strategy. The report addressed two high-profile areas—force protection and contract oversight—and provided recommendations to the Management Command that will increase the security of Army installations and do so in a more effective manner. USAAA visited five installations and evaluated six regional contracts with a base year cost of about \$183 million. Overall, USAAA reported that, initially, the Army did not have adequate oversight of contract security guards, and thus, had limited assurance that it received services in accordance with contract requirements. However, officials from the Management Command and the Office of the Provost Marshal General were very proactive during

the audit and initiated actions to correct issues identified during the audit.

No-Cost Economic Development Conveyance Management and Compliance: Phase I: The Offices of the Assistant Secretary of the Army (Installations and Environment) and Assistant Chief of Staff for Installation Management agreed that USAAA should perform this audit. The Army wanted to know the status of redevelopment at each former Army installation it conveyed to local redevelopment authorities at no cost after prior Base Realignment and Closure rounds. Of the 15 LRAs that received property at no cost, 11 complied with applicable laws and agreements with the Army. Four LRAs did not comply because they did not properly report expenditures in 1 of 12 allowable categories of reinvestment. As a result, it might be difficult for stakeholders to understand the redevelopment activities of these LRAs or progress each has made towards economic prosperity and job growth on the no-cost properties. USAAA made two recommendations to address conditions identified during the audit. Phase II of this audit is still ongoing. USAAA is determining sources and uses of proceeds earned by the LRAs and the Army's effectiveness in managing the LRAs' redevelopment efforts.

Science and Technology: USAAA audited Science and Technology programs at four U.S. Army Research, Development, and Engineering Centers. The purpose of the audit was to identify ways the Army could improve the flow of technology to the Acquisition community and eventually to the warfighter. USAAA reported that the Army S&T community has made a concerted effort to institute the policies and best practices for transitioning technology. Army Technology Objective-Demonstration programs were preparing Technology Transition Agreements since the Army issued its TTA guidance in April 2006. However, strengthening Army S&T guidance should lead to more effective TTAs and further improve the success rate with transitioning technology. The report also identified several opportunities for strengthening oversight of the S&T process. USAAA estimated that, if the Army improves its efficiency by 10 percent, it could put to better use about \$59 million a year in Advanced Technology Development funding.

ARMY CRIMINAL INVESTIGATION COMMAND

An Army CID child pornography investigation of a former DoD contract employee in Iraq disclosed he downloaded 6 videos and more than 20 sexually explicit images of children from the Internet. The contractor admitted he stored the videos and images on his personal computer and transferred the media onto an external hard drive and compact discs. A forensic computer examination was conducted and more than 3000 digital images and multiple videos depicting sexually explicit images of children were discovered. The U.S. Attorney Eastern District of Virginia accepted this case for prosecution under the Military Extraterritorial Jurisdiction Act. The contractor accepted a plea agreement with sentencing scheduled for later this year.

Operating as part of a joint task force established in October 2007 with Army Internal Review, Army CID investigated U.S. Army Reserve soldiers committing fraud while in a temporary change of station or temporary duty status. To date, the task force has investigated and titled 275 subjects for committing fraud of over \$14 million, with total fines and recoveries due to the U.S. Army of \$1.7 million.

An Army CID aggravated assault investigation disclosed that a DoD contractor employee stabbed another DoD contractor employee four times. The subject admitted to stabbing the victim and the MNSC-I Forensic Laboratory matched DNA on the knife handle to the subject. The subject was tried by courts-martial under Article 2(a)(10) of the Uniform code of Military Justice which has provisions to prefer charges against civilians serving with or accompanying armed forces in the field during a declared war or contingency operation. The subject was convicted by courts-martial and sentenced to five months confinement for aggravated assault.

A joint false claim investigation by Army CID, DCIS and NCIS disclosed that a DoD contractor committed a false claim when the company manufactured and shipped defective and or non-conforming flight safety jet engine

components for use in engine assemblies for military rotary and fixed wing aircraft. The suspected components were shipped for use in the main propulsion system for the Army's Black Hawk and Apache helicopters. The contractor entered into a \$11.5 million civil settlement with the government.

A joint false claim investigation by Army CID and DCIS disclosed that a DoD contractor falsified training records in connection with the execution of a contract to provide security forces to various U.S. Army installations. The investigation determined that the contractor over reported manpower for personnel assigned to an Army post at an estimated loss of \$668,000. The contractor subsequently made a \$18 million civil settlement with the government.



USACIDC special agent conducts an investigation.

A joint larceny investigation by Army CID, DCIS, ATF and the IRS disclosed a U.S. civilian stole 1213 cases of meals ready to eat and sold them on the internet site EBay, for \$48,000. Information was developed on additional thefts of government property and two controlled purchases of night vision goggles and MRE's were made from an Army non-commissioned officer. Subsequent searches resulted in the recovery of \$270,000 of stolen Army equipment. A total of eight subjects were identified for the theft and/or sale of government property. The case is pending prosecution from the U.S. Attorney's Office.

An Army CID computer hacking and larceny investigation identified 10 active duty soldiers involved in creating and selling fraudulent Cyber Zone cards which were used to purchase computer minutes at AAFES Internet and Recreational Computer Centers. The subjects used a personal computer to hack into the AAFES Cyber Zone computer system to create and add service minutes to the fraudulent cards, then sell the cards to other witting soldiers. The fraudulent Cyber Zone cards had an estimated value of \$103,800. Disciplinary action under the Uniform Code of Military Justice is pending.

The Army CID's Computer Crime Investigative Unit partnered with the Army Chief Information Officer to conduct vulnerability assessments of the Army's LandWarNet to identify vulnerabilities and prevent unauthorized access, damage and disruption to network operations. This program resulted in \$43 million cost avoidance and no computer network compromises have occurred at assessed installations since the program began.



U.S. NAVY AND MARINE CORPS


NAVAL AUDIT SERVICE

The mission of the NAVAUDSVC 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 Department of the Navy

officials, the NAVAUDSVC develops a risk-based annual audit plan that addresses critical areas that officials feel merit additional oversight. In the past 6 months, our audits have addressed such important, and at times high-profile, DoN issues as controls over classified and personal information, the transportation of Navy small arms, controls over communications security equipment, the Marine Corps relocation from Okinawa to Guam, contractor performance in the building of the Littoral Combat Ship, and the validity of multi-million dollar military construction projects. NAVAUDSVC assisted reports for the Naval Criminal Investigative Service have identified over \$540,000 in potential fraud and will be used as evidence in court cases. At the request of the Secretary of the Navy, NAVAUDSVC is working on a series of audits on overseas acquisition in Djibouti, Dubai, Bahrain, and WESTPAC.

Human Capital

Navy High-Risk Training Mishap Reporting and Oversight at Selected Activities: The audit objective was to verify that High-Risk Training mishap reporting data was reliable and internal controls were in place, functioning effectively, and the HRT safety authorities' oversight inspection process was efficient and effective. NAVAUDSVC determined that general mishap data was not accurate because mishaps reported by the Commander, Naval Education and Training Command activities did not match those reported in the Web Enabled Safety System. Specifically, the reviewed activities informed NAVAUDSVC that in FYs 2005 and 2006, they input 427 general mishaps into WESS, but NAVAUDSVC found WESS only reported 274; of these 274, only 197 mishaps matched those reported by the activities. Also, WESS HRT data was difficult to identify since there was no HRT data field in WESS. The Navy uses WESS data to identify safety trends. Therefore, it is important that data is accurate to allow proper decisions to be made to prevent loss of life and/or equipment, and loss of man hours of Navy personnel due to mishaps. NAVAUDSVC made recommendations to improve the reporting and recording of mishap data in WESS. NAVAUDSVC also found that NETC and Navy Safety Center could improve their HRT oversight by better coordinating HRT



inspections and surveys of training activities, and sharing survey and inspection results. NAVAUDSVC made recommendations that should improve the coordination of inspections and surveys, as well as, the communication of results.

Information Security and Privacy

Management of Personally Identifiable Information at the Marine Corps Recruiting Command: Marine Corps Recruiting Command has begun implementing several Personally Identifiable Information management changes. Although NAVAUDSVC did not discover any breaches of PII, the weaknesses identified made PII vulnerable to breach, and opportunities existed to increase management controls to bring the Privacy Act Program into compliance with DoN guidance. Specific weaknesses noted with PII: records were not properly secured; records were stored on unprotected computer hard drives and personal thumb drives; storage had weak physical controls; and disposal methods did not render records sufficiently unrecognizable. In addition, the Privacy Act statement was not in some forms used to collect PII, and a Privacy Act system of records notice had not been published in the Federal Register for the Marine Corps Recruiting Information Support System. These conditions occurred because Privacy Act program policies and procedures had not been fully implemented. Risk of unauthorized disclosure increases when management controls over PII are not properly executed.


Acquisition Processes and Contract Management

Earned Value Management for the Littoral Combat Ship “Independence” Contract N00024-03-C-2310: Earned Value Management is one of the primary methods contractors and Government program managers use to measure a contractor’s cost, schedule, and technical progress on contracts for significant acquisition programs. This audit report addresses NAVAUDSVC’s audit of the implementation of EVM on the LCS-2 “Independence” General Dynamics/Bath Iron Works Contract Number N00024-03-C-2310, CLIN 8, Austal USA Subcontract Number 7305-0018-A28, for detailed design and construction. NAVAUDSVC found that EVM was not

sufficiently implemented and overseen by any of the responsible parties on the LCS-2 “Independence” detailed design and construction contract. NAVAUDSVC identified the following risks associated with the implementation and use of EVM on the LCS program: Austal’s EVM System as related to the LCS program, did not comply with 20 of the 32 DoD-established EVMS guidelines; Supervisor of Shipbuilding Bath did not provide adequate surveillance over Austal’s EVM implementation; GD/BIW, as the prime contractor, did not effectively oversee Austal’s EVM implementation; and Program Executive Officer Ships and the Program Management Office did not have adequate visibility over the LCS contractor’s cost, schedule, and technical performance. These conditions occurred because: Defense Contract Management Agency, as the Executive Agent for EVM, and the Naval Sea Systems Command did not provide sufficient oversight to ensure EVM was properly implemented for the LCS-2 “Independence” contract; Defense Contract Audit Agency had not performed required audits of Austal’s EVMS; SUPSHIP Bath and the contractors did not implement a fully effective surveillance program; and LCS PMO and the contractors placed limited emphasis on the implementation of EVM for the LCS program. As a result of this audit, the Assistant Secretary of the Navy (Research, Development and Acquisition) and LCS PMO 501 have taken actions to improve the implementation and oversight of EVM, and to control and monitor program costs on the remaining effort for LCS detailed design and construction contracts.

Administration of Contracts with Labor Hours at Selected Naval Air Systems Command Activities:

Time-and-materials and labor-hours contracts provide for acquiring supplies or services on the basis of direct labor hours at specified fixed hourly rates, which include wages, overhead, general and administrative expenses, and profit; and an actual cost for materials. These contracts provide no positive profit incentive to the contractor for cost control or labor efficiency. NAVAUDSVC found that the Naval Air Systems Command did not implement sufficient management controls and could not demonstrate that adequate surveillance procedures had been implemented for 10 of 13 time-and-materials and labor-hours contracts audited. This was in order to protect



the interests and resources of DoN. Contracts audited (valued at \$57,252,188) did not have Quality Assurance Surveillance Plans and sufficient documentary evidence that surveillance had occurred. These conditions occurred because contracting officials were either not aware of the surveillance requirements or believed a surveillance plan was not necessary because the contractor personnel were working alongside the Contracting Officer Representatives and/or Technical Points of Contacts. As a result, the Naval Air Systems Command could not always demonstrate that the Command received the quality and services it paid for in accordance with contract specifications.

Health Care

Controls Over Pharmaceutical Inventory and Dispensing: The audit objective was to verify that internal controls over pharmaceutical inventory and dispensing processes were effective. NAVAUDSVC found that while Navy Medical Treatment Facilities audited had sufficient internal controls over writing and dispensing of prescriptions, they did not have controls in place to ensure that on-hand balances of non-controlled and controlled substances were at or below required stock levels, or to properly safeguard non-controlled or controlled substances to prevent potential diversion. Additionally, Navy MTF pharmacies did not have sufficient internal controls to ensure FDA-recalled drugs were not stocked on pharmacy shelves or dispensed. Also, Navy MTF pharmacies audited did not have sufficient internal controls to report outpatient medication dispensing errors to responsible officials for action. Lastly, MTFs did not fill maintenance drug prescriptions in the most cost-effective manner. Implementation of sufficient internal controls over these functions would ensure compliance with applicable laws and regulations and that risks related to drug diversion, malpractice claims against the Navy, and ineffective use of the mail order program are minimized.

Infrastructure and Environment

Status of Internal Controls at the Joint Guam Program Office: The audit objective was to verify that the JGPO established an effective management control program for the Marine Corps Okinawa to Guam relocation.

JGPO started to develop a Management Control plan; however, the audit indicated that the draft plan did not fully encompass and comply with the Government Accountability Office's five standards for internal control. These standards are intended to reasonably assure that program operations are efficiently and effectively carried out. The absence of a fully effective management control program at JGPO impacts attaining desired goals and objectives relating to the comprehensive relocation effort. By implementing a more effective management control program, JGPO should be reasonably assured that operations are effectively and efficiently carried out, potential risks are mitigated, financial data is reliable, and management is in compliance with applicable laws and regulations.

Selected Base Closure and Realignment Department of the Navy Military Construction Projects Proposed for FY 2010: Of the five projects audited, three projects were valid and properly scoped and two projects included unneeded, invalid, understated, or overstated construction requirements. One project included invalid or overstated construction requirements worth \$400,000. The project was overscoped because the planner incorrectly converted square feet to square meters. One project did not include all the valid construction requirements or understated the construction requirements by \$2.2 million. The project was under scoped because the planner did not use the Basic Facility Requirement (the approved size of the facility) to determine the electronic storage room requirement, and because the planner omitted telecommunications space requirements.

Operational Risk Management Implementation At Selected Navy Shore Installations: The audit objective was to verify that selected shore activities apply operational risk management principles in planning, operations, and training to safeguard Navy personnel and resources. During the audit, NAVAUDSVC visited six Navy installations covering three Navy regions, including two Naval Air Stations, two Naval Shipyards, and two Naval Bases. During the audit at the six Navy installations, NAVAUDSVC did not identify any material or systemic management control weaknesses regarding the implementation of ORM within the

selected shore operations (such as Air operations, Fuel and Aviation Safety operations, and Fleet Readiness Center operations) reviewed. NAVAUDSVC verified that Navy management: implemented the five steps of ORM – hazard identification, hazard assessment, control identification, control implementation, and supervision – into planning and operations, and required ORM within the orientation and training of all personnel – military and civilian – commensurate with rank, experience, and leadership position. NAVAUDSVC did not audit existing Navy training curricula (e.g., officer and enlisted development courses) or planned changes to the curricula for inclusion of ORM.

Department of the Navy Proposed FY2010 Government of Japan-Funded Military Construction Projects Related to the U.S. Marine Corps’ Okinawa/Guam Base Relocation: The audit objective was to verify the scope requirements for selected Marine Corps’ proposed FY 2010 Government of Japan-funded MILCON projects related to the Okinawa/Guam Base relocation. The projects audited were determined to represent stated needs to support the U.S. Marine Corps’ relocation from Okinawa, Japan to Guam. However, each of the projects included some inaccurate or unsupported construction requirements. The overscoped requirements totaled \$1.181 million and the under scoped requirements totaled approximately \$1.5 million. Due to ongoing negotiations between the GOJ and the U.S. Government, these projects are continually undergoing changes. Subsequent to the audit, two of the projects were cancelled and combined in a different, unaudited project; one project was removed from FY 2010 and placed in FY 2011.

Other

Naval Criminal Investigative Service/Acquisition Integrity Office Assist Reports: The NAVAUDSVC published 34 assist reports during the period April 1 through September 30, 2008. As part of NAVAUDSVC work for NCIS (32 assist reports), NAVAUDSVC calculated potentially fraudulent housing allowance payments of approximately \$540,000 that were paid to Navy personnel, and also identified potentially fraudulent travel claims of over \$6,000 made by one individual. The

results of NAVAUDSVC NCIS assist work have been and will be used in court cases. NAVAUDSVC also provided assistance to AIO (two reports) by reviewing whether selected DoN contractors complied with the provisions of Administrative Agreements (made to ensure the company commits to its responsibility for integrity and accuracy in contracting with the federal government), between the contractors and DoN.

NAVAL CRIMINAL INVESTIGATIVE SERVICE

An NCIS false claims investigation revealed that a company owned by a former government employee submitted false invoices to several federal government agencies, including the DoD, from July 2000 through April 2006 for products that were never delivered. The suspect submitted \$913,000 in false claims through cost reimbursement contracts and grants administered by the U.S. Navy. The U.S. Attorney’s Office prosecuted this case and the suspect received 41 months imprisonment and was ordered to pay restitution in the amount of \$1.23 million. The suspect also entered into a \$1.46 million civil settlement with the government and both the subject and subject’s company were proposed for debarment.



NCIS special agent conducting an investigation.

A joint product substitution investigation by NCIS and DCIS revealed several DoD related contracts were awarded to a supplier that was debarred and ineligible to perform on federal contracts for a period of ten years. During the excluded period, the supplier formed another company using a fictitious name in order to obtain several contracts, including three U.S. Navy contracts for hoses in 2003 and 2004. These contracts mandated testing certifications because the hoses were specifically procured to be used in the fuel and oil delivery systems of the MK-48 heavyweight torpedoes carried by all Navy submarines. Testing showed the hoses did not comply with government specifications and the supplier's testing certifications were fraudulent. The U.S. Attorney's Office prosecuted this case and the supplier and an accomplice were convicted and sentenced to 39 months imprisonment and 6 months, respectively and ordered to pay \$828,000 in restitution.



NCIS special agents conducting an investigation.

A joint arson and homicide investigation by NCIS, USACIDC, Fayetteville Police Department, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and the North Carolina State Bureau of Investigation was initiated following the suspected arson of the Fayetteville, NC, apartment of a Marine corporal and his missing wife, a who was an Army second lieutenant. Due to multiple origins of fire and other evidence in the apartment, investigators believed the second lieutenant was the victim of foul play. Her remains were subsequently found in a brush-covered field several miles from Camp Lejeune, NC, where her husband was stationed. An autopsy determined the cause of

death was a gunshot wound to the head. During screening interviews, substantial incriminating information was developed against the second lieutenant's husband and a Marine co-worker. The second lieutenant's husband was charged with first-degree murder, first-degree arson, and conspiracy to commit first-degree arson, and the other Marine was charged with felony accessory after the fact to first-degree murder, first-degree arson and conspiracy to commit first-degree arson.

A joint homicide investigation by NCIS and the Onslow County Sheriff's was initiated following the disappearance of an 8-month pregnant Marine lance corporal stationed at Camp Lejeune, NC. The pregnancy was allegedly the result of rape perpetrated by a Marine corporal. Subsequent to the lance corporal's disappearance, the corporal wrote a letter to his spouse claiming he got into a verbal altercation with the lance corporal and she committed suicide. He panicked and buried her remains in the back yard of his residence. The bodies of the lance corporal and her fetus were recovered at the corporal's residence. An autopsy determined the cause of death was blunt force trauma to the head. The corporal fled to Mexico where he was apprehended and is waiting extradition from Mexico City, Mexico, back to Jacksonville, NC.

A joint death investigation by the cold case units of NCIS and the San Diego Police Department disclosed the 1994 murder of a U.S. Navy second class petty officer at an off-base location. The victim's remains were found in the Chollas Landfill in San Diego, approximately two months after the victim was reported missing. Autopsy findings describe fractures of the parietal skull and facial bones, and ligatures at the wrist and ankles. Through a series of re-interviews, two suspects were identified and charged in connection with this case by the San Diego District Attorney's Office.

A NCIS cold case investigation resolved the 1975 stabbing death of a Marine Corps private first class in her barracks room at Camp Pendleton. The investigation identified a former Marine Corps private as a suspect. He later pled guilty to voluntary manslaughter.

An NCIS investigation into a murder for hire plot was initiated when a cooperating witness in Twenty Nine Palms, CA, reported a sergeant assigned to the Marine Corps Reserve Center in Madison, WI, solicited the cooperating witness to kill his wife. The cooperating witness said the sergeant was in divorce proceedings with his wife and had recently been removed from his home after being served with a civilian protection order. The sergeant blamed his wife for police intervention in prior domestic incidents. A meeting under the surveillance of NCIS was arranged, where the sergeant met with and provided funds to the cooperating witness for the purchase of a gun to be used in the murder. NCIS special agents arrested the sergeant, who was later found guilty of attempted premeditated murder, solicitation to commit murder, and wrongful use of facilities of interstate commerce in a murder for hire scheme. He received 5 years confinement and a dishonorable discharge.

Joint Warfighting and Readiness


Controls Over Contractor Identification: As part of ongoing efforts to enhance national security, the President signed Homeland Security Presidential Directive 12, Policy for a Common Identification Standard for Federal Employees and Contractors, 27 August 2004. HSPD-12 mandated the issuance of secure and reliable forms of identification to federal government contractors. DoD's development of the common access card supports this mandate. Further, HSPD-12 required DoD (and the Services) to conduct security investigations for any contractors who are given access to DoD installations and facilities for periods longer than 6 months, or who require access to government computer information systems. As of January 2007, over 90,000 contractors held Air Force-issued common access cards. The audit determined Air Force installation officials did not conduct required security investigations for over 12,000 contractors and effectively control the issuance and turn-in of common access cards provided to contractors.

Civilian Incentives: The Air Force authorizes civilian pay incentives in accordance with United States Code Title 5, Government Organization and Employees, to alleviate personnel recruiting and retention problems due to differences in federal and non-federal pay for comparable occupations. The incentives include special pay and other non-monetary incentives, such as flexible work schedules, telework, and credit for annual leave to recruit, separate, relocate, and retain civilian employees as necessary to shape the civilian workforce. In calendar year 2006, the Air Force paid over \$15 million in civilian incentives to more than 4,000 employees. The audit disclosed civilian personnel officials effectively used separation incentives but could use non-monetary incentives more effectively to attract qualified candidates for hard-to-fill civilian occupations. Additionally, civilian personnel officials did not properly justify and document 373 (60 percent) of 620 individual and 2,154 (75 percent) of 2,858 group incentives (totaling over \$6.3 million for the period reviewed). Eliminating unjustified group retention incentives will provide more than \$10.1 million for other unfunded requirements over the 6-year Future Years Defense Plan.



AIR FORCE AUDIT AGENCY

Following are examples of audit coverage performed by the Air Force Audit Agency related to the following DoD Management Challenge areas. Synopses for reports identified "FOR OFFICIAL USE ONLY" were included in our submission to the Classified Annex to the Semiannual Report to Congress and the Semiannual Compendium of DoD Intelligence-Related Inspector General and Audit Agency Reports.




Bills of Material for Repairable Parts: The Bill of Material is a descriptive and quantitative listing of material and component parts required to support overhaul or repair of a repairable item. Air logistics center personnel use BOMs to identify material required to accomplish scheduled repair and control material usage. Air Force supply and Defense Logistics Agency personnel also rely on BOMs to project expendable parts requirements. Further, air logistics center personnel use repairable item BOM replacement factors to determine the material costs for inclusion in customer sales prices. For FY 2007, the Depot Maintenance Activity Group budgeted \$3 billion for material and supplies. This audit determined although Air Force logistics personnel complied with regulatory guidance regarding the use and recording of Government Purchase Card purchases, they did not maintain accurate replacement factors for 224 (51 percent) of 437 repair parts reviewed. As a result, maintenance personnel overstated end item sales prices by nearly \$163 million for FYs 2008 through 2013.

Time Compliance Technical Orders: Air Force personnel use Time Compliance Technical Orders to implement modifications on end items such as aircraft and support equipment. Modifications are performed using specific kits that contain the components necessary to complete the installation on an aircraft or other end item. After completion of all required modifications, personnel rescind the TCTO, establish a rescission date, and process any excess kits for disassembly and disposal. As of December 2006, Air Force records identified 1,645 rescinded TCTOs comprised of 96,120 kits valued at approximately \$205 million stored in Defense Logistics Agency warehouses. This audit disclosed Air Force personnel did not properly dispose of 11,498 kits for 106 of 109 rescinded TCTOs. Disassembly of unneeded kits would result in 2,772 usable kit components available to offset existing buy or repair requirements by about \$2.8 million and reduce annual storage costs by \$318,000 over the 6-year Future Years Defense Plan. Additionally, personnel retained modification kits for rescinded TCTOs that exceeded the aerial drone program requirements. Consequently, 10,678 stored kits exceeded planned aerial drone production and 975 kit components could reduce buy and repair requirements by \$1.4 million.

Further, personnel did not accurately record kit unit cost information for 37 of 67 rescinded TCTOs reviewed. As a result, Air Force financial statements understated the total inventory for 2,872 kits by approximately \$5.8 million.

Hurricane Disaster Planning: The primary mission of the Air Force Emergency Management program is to save lives; minimize the loss or degradation of resources; and continue, sustain, and restore operational capability. Planning for hurricanes is part of the emergency management program. The Air Force has 15 major installations located in these southeast coastal areas that must be on alert and ready to respond every year between June 1 and November 30, the Atlantic hurricane season. This audit concluded Air Force officials did not establish adequate controls to address sheltering needs of hurricane ride-out team members (emergency essential personnel) and technical training students. Also, officials did not effectively use management tools such as hurricane disaster checklists, lessons learned, personnel accountability tracking, and disaster models for hurricane disaster planning. Additionally, the Air National Guard Readiness Center did not provide adequate numbers of trained Air National Guard personnel to perform security duties during natural disasters. Lastly, Air Force officials did not deconflict communication frequency assignments for operations within disaster areas, or adequately plan for computer local area network access for deployed personnel.

Selected Air-to-Ground Missile Engines: The Air-to-Ground Missiles are subsonic cruise missiles launched from Air Force aircraft. The Air Launched Cruise Missile (AGM-86) and the Advanced Cruise Missile (AGM-129) are powered by F107-WR-101 and F112-WR-100 turbofan jet engines, respectively. In 1996, the Air Force and Navy developed the AGM-158, Joint Air to Surface Standoff Missile. A newer version, the Joint Air to Surface Standoff Missile - Extended Range, is currently under development. The extended range missile uses the F107-WR-105 engine, an upgraded version of the F112-WR-100 engine. The F107-WR-105 engine shares many of the same components as the F112-WR-100 engine. The Air Force currently has over 1,900 F107-WR-101 and F112-WR-100 engines valued at over \$490 million.



In FY 2007, the Air Force began restructuring the missile inventory to reduce the number of AGM-86 missiles and retire all AGM-129 missiles. The audit determined although Air Force personnel established effective plans to identify F107 engines with maximum remaining serviceable life for use during AGM-86 fleet reduction, personnel did not identify existing F112 engines for use in the extended range missile program. Reutilizing these engines and associated parts for the extended range missile program could potentially save the Air Force over \$26.1 million.

Air Combat Command Pilot Training Flying Hours:


After completing Undergraduate Pilot Training at Randolph AFB, pilots take one of two graduate pilot training tracks - fighter aircraft such as the F-16 Fighting Falcon or “heavy” aircraft such as the C-17 Globemaster. In FY 2007, Air Combat Command officials used over 73,643 flying hours (valued at over \$570 million) for graduate pilot training. This audit concluded Air Combat Command flying training unit officials did not properly justify flying hour computations to meet graduate pilot training requirements. Specifically, during FYs 2007 and 2008, flying hour programmers had no evidence to support key assumptions and variables used to determine over \$55 million in graduate student flying hours. Using reasonable, consistent, historically supported variables to compute graduate student flying hours will provide more than \$71 million in savings over the 6-year Future Years Defense Plan for other flying training or war-effort requirements.

Intelligence Contingency Funds – FY 2007: The annual DoD Appropriations Act authorizes the Secretary of the Air Force to expend Air Force operations and maintenance appropriation for emergency and extraordinary expenses. The Secretary authorizes the Air Force Chief of Staff to allocate part of this appropriation as intelligence contingency funds. The Air Force uses the funds for authorized requirements contributing to the Air Force intelligence mission. The Air Force allocated \$159,000 in FY 2007 obligation authority for use as ICFs, and obligated \$45,295. This audit disclosed ICF managers did not properly authorize or adequately document and support all ICF expenditures at five of eight locations,

accurately prepare, certify, or timely submit quarterly execution reports at six of eight locations, and adequately control or account for ICF gift inventories at five of seven locations.

Man-Day Program: Air Reserve Component personnel with unique skills or resources are placed on man-days to provide temporary support to the active force. Individuals on man-days are paid from the military appropriation account rather than the reserve appropriation account for full time duty, thereby increasing overall active duty personnel costs. Further, members on man-days for over 180 days not supporting contingency operations must make a permanent change of station, while members supporting contingency operations have the option to either permanent change of station or receive temporary duty entitlements such as travel, lodging and meals paid by the requesting unit operations and maintenance funds. During FY 2007, the Air Force paid Air Reserve Component personnel on man-days more than \$731 million from the MPA. This audit determined Air Force personnel properly approved and used man-days for active force mission requirements; however, personnel did not return 1,050 unused man-days valued at over \$130,000. Returning unused man-days will make over \$16 million in MPA funding available for other requirements over the 6-year Future Years Defense Plan. Finally, Air Force personnel appropriately used available temporary duty and PCS entitlements for members on extended man-day tours.

Flying Hour Impact on Aircraft Spare Parts Requirements Computations: The Secondary Item Requirements System computes spare part requirements needed to maintain end item (aircraft, equipment) readiness. The system applies past flying events (sorties) to part failures to compute an average failure rate for each part. D200A then applies the individual part failure rates to future planned flying hours to compute spare parts buy and repair requirements. As of March 31, 2007, the Air Force FY 2007 spare parts budget was approximately \$1.9 billion for buys and \$3.8 billion for repairs. This audit concluded operations personnel did not accurately record flying hour data used in computing reparable item spare parts requirements. Specifically, personnel



recorded inaccurate or unsupported flying hours for 3,502 (9 percent) of 36,885 sampled sorties. As a result, personnel understated the FY 2007 D200A spare parts budget by \$863,000 and overstated the spare parts budget by \$858,000. Additionally, personnel did not properly support \$13.7 million of the budget.

Information Security and Privacy


Mission Assurance Category I Systems Certifications and Accreditation: In compliance with DoD guidance, the Air Force assigns all information systems a mission assurance category that designates the importance of information the systems handle relative to DoD goals and objectives, particularly warfighter combat missions. MAC I systems handle information considered vital to the operational readiness or mission effectiveness of deployed and contingency forces in terms of both content and timeliness. As of May 2, 2007, 61 systems in the Air Force Enterprise Information Technology Data Repository were categorized as MAC I. As of November 2007, system owners archived (deactivated) 10 systems in the data repository. This audit disclosed system program managers and information assurance personnel did not correctly categorize 36 (71 percent) of 51 systems in the data repository as MAC I. Conversely, personnel incorrectly categorized two MAC I systems as MAC II and III. Additionally, personnel did not properly certify and accredit all MAC I systems. Finally, personnel did not accurately report MAC I system certification and accreditation status in the data repository.

Acquisition Processes and Contract Management

Competition in Multiple Award Service Contracts: The Federal Acquisition Regulation requires that agencies use multiple award contracts to obtain the same or similar recurring services. A multiple award contract exists when an agency awards two or more contracts to different contractors using one solicitation. The Federal Acquisition Regulation specifies contracting officers must provide each multiple award contractor a fair opportunity to be considered for each task order. Further, the Defense Federal Acquisition Regulation Supplement

requires contracting officers competitively award task orders exceeding \$100,000 unless the order meets one of four specific statutory exceptions. During FY 2006, the Air Force issued 4,300 task orders on multiple award contracts for goods and services totaling \$3.4 billion. More than 2,400 of these task orders, valued at \$3.3 billion, had obligated amounts exceeding \$100,000. This audit concluded Air Force contracting personnel did not consistently use fair opportunity procedures for task orders exceeding \$100,000. During FY 2006, the Air Force potentially paid as much as \$440 million more for services procured than it would have had the orders been competed consistent with fair opportunity criteria. In addition, the Air Force may have foregone other benefits of competition to include more innovative solutions and improved levels of service. Further, contracting personnel did not accurately report fair opportunity data in the DD 350 report, Individual Contracting Action Report. Finally, contracting personnel did not appropriately use the justification and approval process in granting waivers to competition.

Battle Control Systems Acquisition: The Air Force initiated the Battle Control System-Fixed program in November 2002 to replace the legacy command and control systems for airspace surveillance inside and outside the perimeter of the continental United States. The Electronic Systems Center manages the BCS-F acquisition program using a three-phased spiral development approach. Program office-estimated BCS-F program costs through FY 2007 were \$149 million with Air Combat Command-estimated total program costs of \$332 million through FY 2011 to include Spirals 1, 2, and 3. The audit disclosed Air Force officials accepted the BCS-F even though it did not meet initial operational capability criteria. After exceeding the original BCS-F schedule by 22 months and original program costs by about \$57 million, the Air Force accepted the spiral 1 and 2 system to only perform the pre-9/11 outside the perimeter of the continental United States airspace surveillance mission. In addition, the Air Force stands to incur additional costs to correct system deficiencies that should have been corrected prior to accepting the Spiral 1 and 2 version of the BCS-F. Furthermore, BCS-F program managers did not effectively control program



cost growth. From December 2003 through October 2006, the BCS-F program experienced at least \$9.3 million in unjustified cost growth. Finally, the program manager did not maintain appropriation integrity for BCS-F program costs. As a result, the program office potentially violated the Anti-Deficiency Act by obligating and expending procurement funds for major automated information system development efforts.

Planning and Execution of Service Contract Reductions: Air Force Program Budget Decision 720, Air Force Transformation Flight Plan, December 28, 2005, reduced contract service support funding \$6.2 billion over the future year's defense plan and redirected these funds to transformation initiatives such as recapitalizing the aging aircraft inventory. To execute these reductions, HQ Air Force used targeted budget reductions and directed Major Commands and subordinate activities to absorb the reductions by procuring less contract service support. In conjunction with the Program Budget Decision 720 contract service support reductions, the Secretary of the Air Force issued a memorandum directing MAJCOMs to establish a contract service support baseline against which future budget reductions would be taken. The memorandum also directed MAJCOMs to better manage, track, and account for the estimated \$32.2 billion (over the future years defense plan) of contract service support. This audit concluded Air Force activities did not effectively reduce contract service support as directed for FY 2007 and did not adequately plan for out-year reductions. MAJCOMs could not identify the subordinate activities that were allocated \$42.7 million of \$440 million FY 2007 budget reductions reviewed. Additionally, subordinate activities receiving targeted budget reductions could not always identify the contract service support they reduced or eliminated. Lastly, MAJCOMs and subordinate activities could not always produce plans showing the contract services support they planned to reduce for out-year (FYs 2008 to 2011) targeted reductions.

Contract Field Team Program Management: A Contract Field Team is a group of contractor maintenance personnel that use government-furnished tools, equipment, workspace, and supplies to accomplish maintenance workload. The Air Force established the CFT Program to augment depot and organic maintenance capabilities and

to meet surge requirements throughout the world. In 1997, the Air Force awarded four Indefinite Delivery/Indefinite Quantity CFT contracts, with a cumulative value of \$4.2 billion over 10 years (five 2-year performance periods). As of October 2006, the Air Force obligated over \$7 billion against the four contracts, and the revised cumulative value was \$7.65 billion. This review determined Air Force personnel approved and awarded task orders that did not meet CFT Program criteria, awarding CFT task orders for work valued at more than \$195 million that may have been more efficiently procured using other methods. Also, CFT Program Office personnel relied on inaccurate and incomplete financial data in a locally developed CFT Access database to track and oversee contract funding actions. As a result, program personnel were not aware that CFT task order obligations exceeded approved contract ceilings on the four CFT contracts by amounts ranging from \$19.4 million to \$454.3 million for four of five performance periods.

Effective Use of Award Fees on Service Contracts: The Air Force uses award fees as a contracting tool to motivate contractors to exceed minimum contract performance standards. Contractors can earn award fees up to the maximum value in the award fee pool based on their performance in areas the Air Force considers critical to program success. In FY 2006, the Air Force had 114 service contracts (excluding 76 research, development, test, and evaluation contracts) containing award fee provisions. This audit reviewed 34 contracts with available award fee pools totaling \$87.6 million for evaluation periods completed in 2006. The audit disclosed Air Force contracting officers did not adequately justify using award fee provisions for 88 percent of the service contracts reviewed. In addition, Air Force personnel did not adequately monitor contractor performance and support award fee determinations for 26 percent of the service contracts reviewed, distributing more than over \$3.3 million in estimated award fees for contractor performance that did not meet established performance criteria or was not fully supported. Finally, contracting and financial management personnel did not properly manage award fee funds for 53 percent of the service contracts reviewed.

Financial Management

Air Force Working Capital Fund Tri-Annual Review


Process: Under Secretary of Defense, Comptroller, policy and DoD regulations require financial managers review Air Force unliquidated obligations three times each FY. The Defense Finance and Accounting Service established the tri-annual review process to implement this requirement. The FY 2006 third period (July through September) tri-annual review included 4,457 accounting lines totaling \$5.6 billion in Air Force Working Capital Fund unliquidated obligations. The audit concluded tri-annual reviews were not timely, accurate, and complete. The auditors estimated 1,811 working capital fund unliquidated obligations amounting to \$2.6 billion were not sufficiently and accurately supported. Additionally, Air Force financial managers needlessly retained invalid and unsupported obligations estimated at \$96.6 million. Lastly, senior DFAS and Air Force financial managers incorrectly attested to the accuracy and completeness of Air Force obligations because of incomplete reviews and insufficient supporting documentation.

Air Force Working Capital Fund Organic Depot Maintenance Activity Group Accounts Payable:

The Air Force Materiel Command has management responsibility for the Depot Maintenance Activity Group. DMAG repairs, overhauls, and modifies weapons systems and spare parts at the three air logistics centers to support wartime and peacetime requirements. Air Force Materiel Command depots accomplish organic DMAG repair and overhaul while contractor facilities accomplish contract DMAG work. Accounts payable are amounts owed to other entities for receipt of goods and services, progress in contract performance, and rents. DMAG Accounts Payable totaled \$296 million in the Working Capital Fund FY 2006 financial statements. The audit concluded organic DMAG accounts payable were not valid or properly supported. In addition, Defense Finance and Accounting Service Denver and AFMC accounting and systems personnel could not provide a complete, auditable universe of accounts payable. Lastly, because of inadequate support, Air Force managers should deobligate \$3.2 million unneeded accounts payable and apply the funds for use on other Air Force requirements.

Base Realignment and Closure Funds Execution: On November 9, 2005, DoD became legally obligated to implementing recommendations to close and realign installations in the 2005 Base Realignment and Closure Commission's report by FY 2011. Accordingly, Air Force Major Commands initiated actions and distributed more than \$409 million to close or realign the 156 Air Force locations impacted. An audit disclosed six of eight MAJCOMs did not report to Air Staff the expenditure of almost \$22.5 million of non-BRAC appropriations for BRAC-related requirements and four MAJCOMs did not reduce their future funding requests by more than \$5.1 million (\$2.6 million in FY2007 and \$2.5 million in FY 2008 and beyond) for requirements funded in FY 2006 and FY 2007. As a result, Congress may not have had visibility over almost \$22.5 million in non-BRAC funds used for BRAC-related requirements during FY 2006 and FY 2007. Additionally, the funds were no longer available to operate and maintain active, reserve, and guard bases. Further, MAJCOM BRAC funding requirements were inflated by more than \$5 million, reducing BRAC funds available for other valid requirements.

Air Force Postal Operations: The Air Force and other military services operate postal facilities at overseas installations. Each Service conducts operations in accordance with US Postal Service policies and procedures, uses USPS publications and forms, and acquires USPS post office equipment and supplies for operations. The Secretary of the Army as the Executive Agent for the Military Postal Service overseas, relies on the Military Postal Service Agency to validate USPS bills, provides technical assistance, and monitors overseas postal operations. Within the Air Force, the Office of Warfighting Integration and Chief Information Officer is responsible for postal operations. In FY 2007, DoD spent over \$500 million for postal operations of which the Air Force share was approximately \$82.4 million. This audit, requested by the Deputy Administrative Assistant to the Secretary, disclosed opportunities existed for Air Force and DoD postal officials to improve postal operation efficiency and effectiveness and save the Air Force \$34.6 million and the DoD \$100 million during the future years defense plan. Specifically, Air Force postmasters sent Intra-theater delivery service mail using priority rates rather than using



space available rates. For 31 of 32 overseas zip codes reviewed, postmasters used higher-cost priority rates to ship intra-theater mail. Additionally, USPS personnel located at stateside mail gateways sent bulk business mail as priority rather than using space-available rates. USPS sent 13,644 (77 percent) of 17,757 kilograms of bulk business mail using higher priority rates to four selected United States Air Forces in Europe locations over a 2-week period in September 2007. DoD and Air Force bulk business mail policy also allowed USPS personnel to send undeliverable bulk business mail overseas. Thirty-five percent of bulk business mail received during a 2-week period in September 2007 at eight overseas locations was not deliverable and required discarding. In addition, DoD and Air Force Intra-theater Delivery Service policy revisions were necessary to reduce perceptions of waste and abuse. Over the same 2-week period in September 2007, 17 percent of intra-theater mail received at 8 overseas locations appeared inappropriate. DoD and Air Force policy for Air Mobility Command mail movement should be revised as well to allow for more accurate postal billings. USPS postal information system interfaces did not accurately reflect Air Force mail billings resulting in over-billings exceeding \$2.2 million for non-International Air Transport contract container shipments. The USPS intra-systems interface did not provide assurance that all USPS Global Enterprise Mail System transactions originating at retrograde dispatch locations were properly processed. Moreover, Germany-Air Mail Terminal postal employees billed retrograde mail service based on estimated rather than actual weights. Automation would ensure Army and Air Force organizations pay accurate amounts for their respective retrograde mail service. Finally, financial managers did not deobligate unliquidated miscellaneous obligation reimbursement document balances when no longer required.

Base Realignment Closure 2005 Implementation

Actions: Base Realignment and Closure 2005 initiated a series of base closures and realignments beginning in 2005 to reduce excess infrastructure. Air Force and Major Command BRAC Program Management Office personnel developed requirements to implement 64 BRAC 2005 recommendations totaling more than \$3.7 billion. The review determined Air Force organizations


did not properly estimate \$25.4 million in requirements (\$11.3 million in overstatements and \$14.1 million in understatements), delete invalid requirements in BRAC management tool totaling about \$3.1 million, and provide sufficient supporting documentation for \$81.3 million in valid requirements. By eliminating the \$14.4 million of overstated and no longer valid requirements, the Air Force could use these funds for other valid BRAC requirements and achieve a potential monetary benefit.

Cooperative Agreement Closeout-McClellan AFB, CA:

McClellan AFB was selected for closure under the 1995 Base Realignment and Closure Act. From September 1997 to September 2004, the Air Force Real Property Agency entered into several cooperative agreements with the Sacramento County Local Reuse Authority to operate and maintain the base's military facilities to meet the scheduled July 13, 2001 closure date and expedite the property ownership transfer. The Air Force paid the local reuse authority more than \$64.8 million in advances or reimbursements. This review determined Air Force officials effectively managed the McClellan AFB Cooperative Agreements, providing a fair and reasonable closeout with the exception of residual funds and interest earned transactions. Specifically, Air Force Real Property Agency officials did not accurately calculate local reuse authority residual funds or effectively use these funds to offset reimbursement amounts paid and collect all earned interest on funds advanced to local reuse authority. Collecting the remaining residual funds totaling \$1.74 million and obtaining \$377,603 in interest reimbursement from local reuse authority will provide the Air Force additional funds for other priorities. Further, the local reuse authority substantially complied with required financial internal controls, with the exception of separation of duties controls. The same individual signed both the services received verification and authorized payments for 4 (50 percent) of 8 payment transactions reviewed in the Health, Safety and Environmental Cooperative Agreement.

Financial Aspects of Using Government Purchase Cards for Contract Payments:

The Air Force Government Purchase program streamlines the acquisition of goods and services falling under the micro-purchase threshold



of \$3,000. The Federal Acquisition Regulation authorizes use of the purchase card as a method of payment on contractual agreements. In FY 2006, Air Force personnel paid over 1,000 contracts valued at approximately \$50 million using the Government purchase card. This audit determined Air Force cardholders used purchase cards to pay contracts not properly recorded in the official accounting system. As a result, financial managers did not accurately report contract obligations totaling over \$50 million. Additionally, Air Force contracting officials did not establish sufficient internal controls when using purchase cards as a method of contract payment.

Air Force General Fund General Equipment: General equipment is nonmilitary support equipment and vehicles used in the normal course of operations. Air Force supply and financial personnel use the Air Force Equipment Management System to manage, record, and report supply and financial data related to general equipment. Also, AFEMS computes depreciation for capital assets with an acquisition cost of \$100,000 or more. For FY 2006, the acquisition cost of general equipment reported in AFEMS was over \$30 billion while the General Fund financial statements reported a net book value of \$6.5 billion. The audit reported installation-level supply personnel and equipment custodians did not correctly value general equipment, accurately report equipment acquisition dates, revise estimated equipment costs, or correctly record quantities in AFEMS; maintain source documents supporting equipment acquisition costs and dates; and maintain proper identification plates containing sufficient or accurate information to identify general equipment recorded in AFEMS. Additionally, General Fund general equipment depreciation expenses were not accurate when Air Force personnel enhanced capital assets. Item managers and installation-level supply personnel did not timely input AFEMS data to allow depreciation computation. Finally, although equipment custodians physically located 98 of 100 selected equipment items recorded in AFEMS, custodians at two installations could not account for two items. As a result, the Air Force could potentially lose equipment, valued at \$15 million, required for Air Force operations.

Health Care

Air Force Drinking Water: Air Force water systems are critical assets for protecting and maintaining potable water supplies vital for drinking, firefighting, sanitation, and other requirements needed to sustain installation operations. Air Force operates 160 drinking water systems on 90 installations affecting more than 1 million personnel. The Safe Drinking Water Act required initial Water Vulnerability Assessments to verify public water system safety. To comply with this Act, the Air Force requires triennial vulnerability assessments and annual updates. Air Force personnel pump drinking water from installation wells or purchase water from municipal suppliers for distribution to host wing and tenant customers. Host wings charge installation tenants for drinking water; the charges are based on water reimbursement rates and consumption. The audit concluded Air Force personnel did not protect drinking water from contamination vulnerabilities or service disruption. Although personnel executed monitoring and testing requirements, 13 of 14 installations reviewed did not always take appropriate action to correct vulnerability assessment findings, conduct and document annual vulnerability assessment updates, plan triennial higher headquarters vulnerability assessments, or report accurate Safe Drinking Water Act data. As a result, 229 (75 percent) of 306 water vulnerabilities identified at 14 locations reviewed remained uncorrected, significantly increasing installation susceptibility to drinking water contamination. Further, Civil Engineering personnel did not accurately calculate tenant water reimbursements. Specifically, 13 of 14 installations reviewed incorrectly calculated water rates or consumption during Calendar Year 2006. As a result, installations overcharged reimbursable customers \$185,000 and undercharged customers \$200,000 for drinking water during Calendar Year 2006.

AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

AFOSI, founded on August 1, 1948, is headquartered at Andrews Air Force Base in Maryland and provides

professional investigative service to commanders of all Air Force activities. AFOSI identifies, investigates, and neutralizes criminal, terrorist, and espionage threats to Air Force and Department of Defense personnel and resources.

An AFOSI sexual assault investigation disclosed that an Air Force colonel, assigned to a Training Wing, sexually assaulted two civilian, female subordinates on multiple occasions in the workplace. These assaults continued despite pleas from the women for him to stop. The colonel was convicted by courts-martial on three counts of indecent assault and conduct unbecoming an officer. He was sentenced to nine years confinement, dismissal from the Air Force, \$14,000 fine.

An AFOSI sexual assault investigation disclosed an airman had downloaded images of child pornography onto his cell-phone. Further investigation revealed the airman sexually assaulted 13 adult males after they were incapacitated or unconscious from alcohol or drugs. The airman photographed, stored and cataloged digital photographs and movie clips of these assaults. The airman pled guilty during a courts-martial to assaulting the 13 victims and was sentenced to 40 years confinement, a dishonorable discharge.

A joint AFOSI and DCIS false claim investigation disclosed that a DoD contractor overcharged the Air Force, Army and Navy to deliver shipments from one military installation to another by falsifying delivery documents. The contractor charged the military services for delivering cargo by air when they actually delivered via ground shipment at a significant savings that was not passed on to the government. It was also determined that the contractor directed employees to alter proof of delivery documents to reflect that late shipments actually arrived on time. The president of the company was convicted of making a material false statement and made a \$16.1 million settlement with the government.

An AFOSI false statement investigation of an Air Force contractor disclosed the contract required the contractor to deliver a Single-Axis Electro Dynamic Shaker unit

to the Air Force. This unit is used to test the flight worthiness of Intercontinental Ballistic Missiles. The contractor submitted a payment request and certified that all payments to subcontractors and suppliers under the contract were paid or will be paid when due in the ordinary course of business. The performance-based payment was for slip tables, a component needed for the deliverable. The Air Force paid for the slip tables but the contractor never provided specifications, delivery dates or payment to the subcontractor for the slip tables and the subcontractor cancelled the order after repeated requests for the required information. The contractor subsequently signed a settlement agreement to pay \$501,000 in restitution and penalties and the Air Force agreed to terminate the contract for convenience.

AFOSI cyber crime special agents conduct cyber investigations and operations, and routinely discover new computer system exploits and the adversary's (foreign or domestic) training, tactics and procedures. Whenever new exploits and TTPs are discovered the new information is disseminated to the Air Force Computer Emergency Response Team and Air Force Network Operations Center. Additionally, this information is passed to the Joint Task Force-Global Network Operations for dissemination to the military service Department of Defense Computer Emergency Response Teams. The information gleaned by cyber crime special agents, coupled with the sharing of information between the military service Computer Emergency Response Teams enhances the protection of DoD information over the Global Information Grid.





DEFENSE OVERSIGHT COMMUNITY

Providing Oversight for the Department...



and making a difference!

CHAPTER 4: DOD IG OUTREACH



The DoD IG makes an effort to reach out to those that we serve, the Department, the Congress, the warfighter and of course the American people. DoD IG does this in many ways, through congressional testimony, the Defense Hotline, our Web site, as well as oversight groups such as the PCIE and DCIE. Each of these outlets allows the DoD IG to communicate with our most important partners, and provides opportunities for interaction with those who need our services. The DoD IG is committed to oversight and transparency in our duties and operations; the following sections describe efforts to meet that goal.

CONGRESSIONAL TESTIMONY

Section 4(a) of the Inspector General Act requires the Inspector General “to review existing and proposed legislation and regulations relating to the programs and operations of [the Department of Defense]” and to make recommendations “concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by [the Department] or the prevention and detection of fraud and abuse in such programs and operations.” The DoD IG is given the opportunity to provide information to Congress by participating in congressional hearings and briefings. During this reporting period, the DoD IG has testified two times before Congress regarding non-GWOT related subjects, specifically:

The Hon. Gordon S. Heddell, Acting Inspector General Department of Defense, testified on September 10, 2008, before the Senate Homeland Security and Governmental Affairs Committee on “Expediency versus integrity: Do assembly line audits at the Defense Contract Audit Agency waste taxpayer dollars?”



Mr. Heddell addressed the DoD IG efforts regarding the oversight of audit work performed at the Defense Contract Audit Agency. Specifically, he described the handling of an initial hotline complaint, the DoD IG investigation of the allegations, and the results of a DoD IG peer review of the Defense Contract Audit Agency quality control system.



Mr. Gordon S. Heddell, also, testified on July 16, 2008, before the Domestic Policy Subcommittee of the House Oversight and Government Reform Committee on “DoD’s experience with Circular A-76 competitions and the specific context of the A-76 competition which privatized Military Retired and Annuitant Pay functions.”

Mr. Heddell detailed our experience with Office of Management and Budget Circular No. A-76 competitions and more specifically, our work relating to the competition that privatized Military and Retired and Annuitant Pay functions.

DEFENSE HOTLINE

The Defense Hotline continues its primary mission of providing a reliable means for DoD civilian and contractor employees, military service members, and the public to report fraud, waste, mismanagement, abuse of authority, threats to homeland security and leaks of classified information to the Department of Defense. The Defense Hotline offers both confidentiality and protection against reprisal.

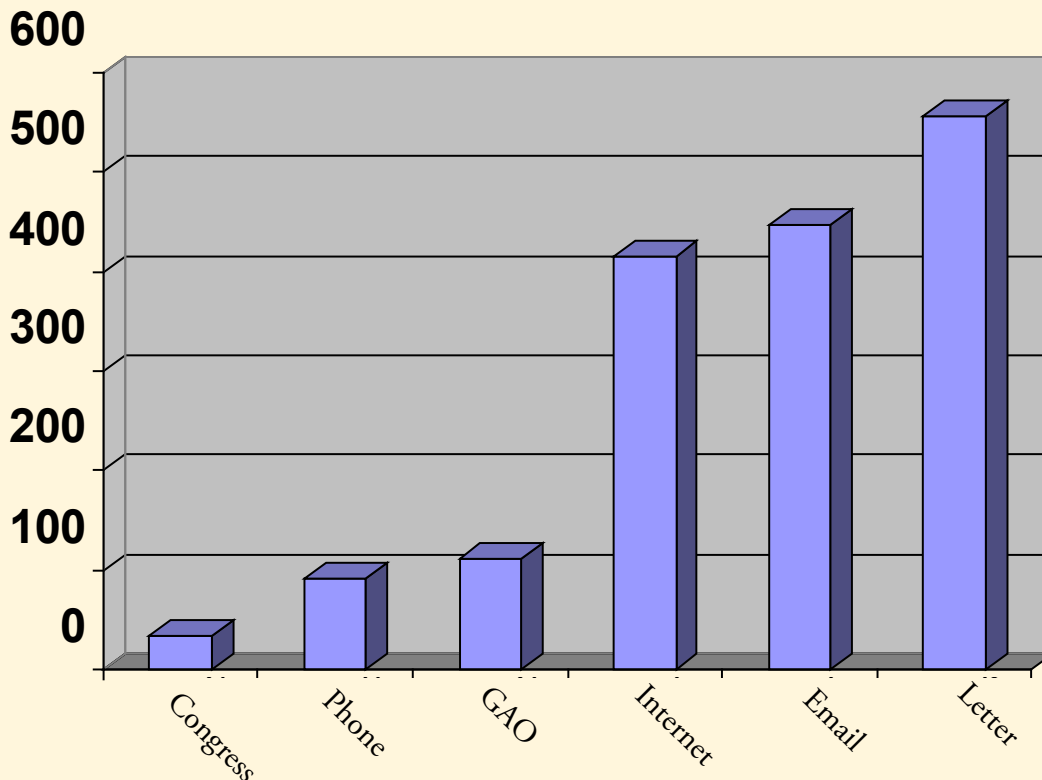
The Defense Hotline receives allegations from around the world via e-mail, Internet, U.S. mail, fax, and telephone.

APRIL 1, 2008 - SEPTEMBER 30, 2008

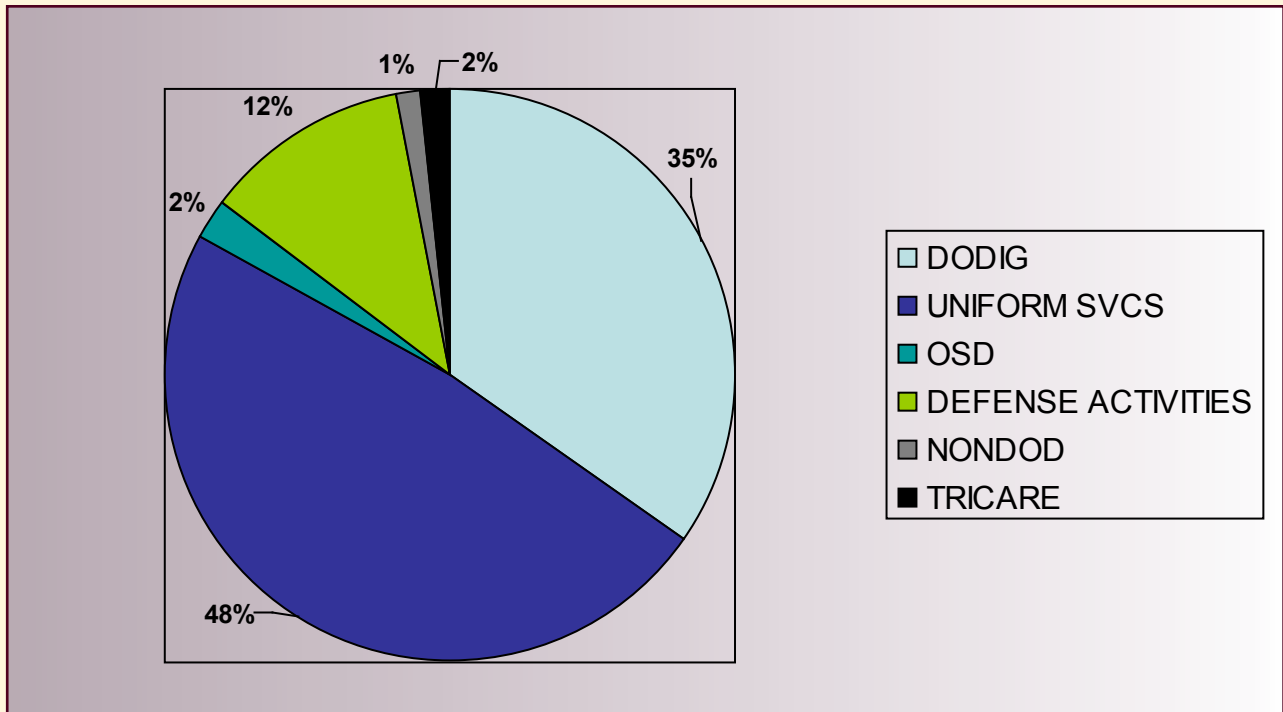
Contacts	6876
Cases Opened	1064
Cases Closed	1088
Dollar Recoveries	\$1.5 million

DISTRIBUTION OF HOTLINE CONTACTS BY SOURCE

DISTRIBUTION OF HOTLINE CONTACTS BY SOURCE

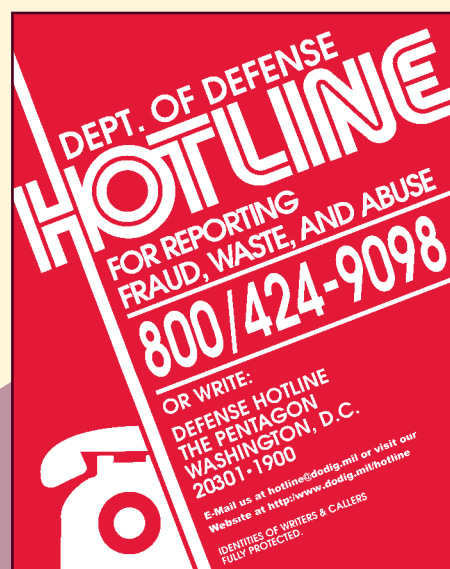


DISTRIBUTION OF HOTLINE REFERRALS



DISTRIBUTION OF HOTLINE CASES BY CATEGORY

- Contract Administration (107)
- Finance and Accounting (104)
- Government Property (62)
- Homeland Security (1)
- Internal Misconduct (176)
- Medical (18)
- Military Support Services (3)
- Non-Appropriated Funds (2)
- Other (11)
- Personnel Actions (26)
- Programs/Projects (79)
- Procurement (32)
- Reprisal (144)
- Security (25)



DOD IG WEB SITE

The DoD IG web team continues to provide the public, Congress and the military with timely information about the agency's mission, accomplishments and ongoing efforts to prevent fraud, waste and abuse. One of the major accomplishments during this reporting period was the development of the Audit Policy and Oversight Directorate's web site on "Fraud Indicators in Procurement and other Defense Activities." The web site is intended to assist the inspector general and law enforcement communities in the detection of fraud by providing examples and scenarios of common fraud indicators in contracting and other areas susceptible to fraud. It also provides tips in the scenarios for using data mining techniques and data analysis.

In keeping with its goal of "transparent accountability," the DoD IG web site also features an extensive Freedom of Information Act section, where requests can be made on-line, and a pressroom section containing links to all report sections as well as a special section titled "Frequently Requested Documents" where members of Congress, their staffs, reporters and the general public can access high-interest documents as soon as they are posted.

STATISTICS

- During this six-month reporting period, 279,581 visitors logged onto DoD IG public web site (1,528 visitors per day). Visitors who visited once were 227,589 (81.4 percent) and visitors who visited more than once were 51,992 (18.6 percent).
- In addition to the United States, visits were made by viewers from 187 other countries.
- The most frequently visited pages were Careers, Defense Criminal Investigative Service, Audit Reports, and Defense Hotline.
- The Fraud, Waste & Abuse Complaints On-Line Complaint Form was visited 10,370 times
- The Freedom of Information Act Request On-Line form was visited 621 times.

United States Department of Defense
Office of Inspector General

Home Pressroom Publication & Documents Careers Hotline FOIA/ERR Search

Fraud Indicators in Procurement and Other Defense Activities

Acknowledgements

Fraud, Waste, and Abuse Defined

Matrix of Professional Guidance

Fraud Guidance for Auditors

Scenarios and Indicators

Fraud Statistics

- DCIS
- Hotline

Fraud Resources

Useful Links

Make a Comment

P&O Home

APQ Home

Office of the Deputy Inspector General for Policy and Oversight - Audit Policy and Oversight

Fraud Indicators in Procurement and Other Defense Activities

Fraud, Waste, and Abuse Defined

Fraud -has been defined in various ways. Generally Accepted Government Auditing Standards describes fraud as:
A type of illegal act involving the obtaining of something of value through willful misrepresentation. Whether an act is, in fact, fraud is a determination to be made through the judicial or other adjudicative system and is beyond auditor's professional responsibility.
Paraphrasing Black's Law Dictionary, fraud is described as:
A false representation of a material fact, whether by words or by conduct, by false or misleading allegations, or by concealment of that which should have been disclosed, which deceives another so that he acts, or fails to act to his detriment.

Waste -involves the taxpayers not receiving reasonable value for money in connection with any government funded activities due to an inappropriate act or omission by players with control over or access to government resources (e.g., executive, judicial or legislative branch employees, grantees or other recipients). Importantly, waste goes beyond fraud and abuse and most waste does not involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions and inadequate oversight.

Abuse -involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate.

PCIE AND ECIE ACTIVITIES



The President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency were established by Executive Order 12805 to address integrity, economy, and effectiveness issues that transcend individual government agencies, and increase the professionalism and effectiveness of IG personnel throughout the government. Presidentially appointed IG's are members of the PCIE and the DoD IG is an active participant in the PCIE, serving as a member of the PCIE Audit Committee, PCIE/ECIE IG Act Implementation Committee, and PCIE Executive Council; as chair of the PCIE Information Technology Committee; and as Editor-in-Chief of the PCIE/ECIE Journal of Public Inquiry. Furthermore, the Deputy IG for Auditing is currently serving as the chair of the Federal Audit Executive Council, a subgroup of the PCIE, and the Assistant IG for Defense Business Operations serves as the PCIE Ex-Officio to the Chief Financial Officers Council.

PCIE INFORMATION TECHNOLOGY COMMITTEE

The PCIE IT Committee was established in 2007 to address the many concerns shared by the IG community regarding information technology. Its mission is to facilitate effective information technology audits, evaluations, and investigations by Inspectors General, and to provide a vehicle for the expression of the IG community's perspective on Government-wide IT operations. The DoD IG was appointed to be the first chair of this new committee that meets quarterly, with

two meetings taking place during this reporting period, in May, and September of 2008. Key presentations and agenda items at these meetings included the role of the Inspector General community in implementation of the Comprehensive National Cyber Security Initiative; standard consent banners and agreements; the need for information technology forensics laboratories; public key infrastructure; and updates from the two sub-committees of the PCIE IT Committee -- Audit and Inspections, and Investigations. During the reporting period the PCIE IT Committee produced one white paper titled "Key Escrow Management and File Encryption Challenges for the Federal Inspector General Community" and one report titled, "Inspector General Community Computer Forensics Laboratory Survey Results." The PCIE IT Committee also hosted a moot court training session conducted by the Department of Justice on the presentation of digital evidence. The web site for the committee is at www.dodig.mil/pcie-it.



DoD IG auditors are part of the Inspector General community.



DCIE ACTIVITIES

The Defense Council on Integrity and Efficiency is patterned after the President's Council on Integrity and Efficiency. The DCIE is chaired by the DoD IG and meets on a quarterly basis to discuss issues of common interest, share information and best practices, and build closer working relationships among members of the oversight community within the Department. The 3rd quarter meeting was held in conjunction with the Joint Chiefs of Staff Combatant Command IG Conference, providing the COCOM IGs an opportunity to meet and discuss issues with the senior leadership of the DoD oversight community. Key presentations and topics of discussion during the two meetings held during this period included an overview of the HASC Subcommittee on Oversight and Investigations, munitions accountability and other Southwest Asia initiatives, Section 842 Audit Plan regarding wartime contracts and contracting processes, joint basing, and joint IG training and doctrine.

DCIE INSPECTIONS AND EVALUATIONS ROUNDTABLE

The Defense Council on Integrity and Efficiency Inspections and Evaluations Roundtable provides a forum for communication, coordination, and collaboration among DoD IGs Inspections and Evaluations organizations -- Services, Joint Staff, COCOMs, National Guard Bureau, and Defense Agencies. The roundtable meets quarterly and is chaired by the Assistant IG for Inspections and Evaluations. Agenda items during this semiannual period included:

- Medical Hold Housing
- New Special Plans and Operations Office
- Coordination with Special IG for Iraqi Reconstruction
- Section 1206 Train & Equip Project
- Public Affairs Outreach Program
- Electrocution Accidents in Iraq
- Federal Voting Assistance Program

SPEECHES AND CONFERENCES

NATIONAL PROCUREMENT FRAUD CONFERENCE

On September 9, 2008 members of the DoD IG leadership made presentations to the National Procurement Fraud Conference held in Richmond, VA. Ms. Mary L. Ugone, Deputy Inspector General for Auditing, and Mr. Charles Beardall, Deputy Inspector General for Investigations, provided a joint presentation focused on predicting fraudulent activities and highlighting successful fraud prosecutions and the lessons learned as to internal controls.

AMERICAN SOCIETY OF MILITARY COMPTROLLER'S PROFESSIONAL DEVELOPMENT CONFERENCE

On May 29, 2008 Ms. Mary L. Ugone, Deputy Inspector General for Auditing, and Ms. Sharon E. Woods, Director of the Defense Criminal Investigative Service, provided a joint presentation to the American Society of Military Comptroller's professional development conference. Ms. Ugone's presentation focused on fraud and internal controls and provided an overview of potential predictive analytical methods to prevent and disclose fraud. Ms. Woods' presentation highlighted several recent high-profile DCIS fraud cases and demonstrated the breakdown of internal controls in each case. The ASMC promotes education, training, and professional development in all aspects of military comptrollership.

COMBATANT COMMAND JOINT INSPECTOR GENERAL COURSE

In April and August, 2008, Ms. Mary L. Ugone, Deputy Inspector General for Auditing, delivered a presentation to classes at the Combatant Command Joint Inspector General Course on the DoD IG and the Global War on Terror. The presentation highlighted the DoD IG GWOT goals, our expeditionary workforce, and oversight efforts.

DOD IG AWARDS

PRESIDENTIAL RANK AWARD

Deputy Inspector General for Auditing, Mary L. Ugone, was the recipient of a Presidential Rank Award for 2007. Acting Inspector General Gordon Heddell presented the award to Ms. Ugone during a ceremony on August 7, 2008. The award citation, signed by President George Bush, states: "The President of the United States of America has conferred on Ms. Mary Lu Ugone the rank of Meritorious Executive in the Senior Executive Service for sustained superior accomplishment in management of programs of the United States Government and for noteworthy achievement of quality and efficiency in the public service." She also received an identical citation signed by Secretary of Defense Robert Gates. In presenting the award Mr. Heddell stated, "These few recipients of this prestigious award are the strongest of government leaders and skilled professionals who achieve results throughout their career and consistently demonstrate a relentless commitment to excellence in public service."



CHAPTER 5: DoD IG COMPONENTS





SPECIAL ANNOUNCEMENT

NEW OFFICE OF PROFESSIONAL RESPONSIBILITY

During this reporting period, the OIG Office of Professional Responsibility was established. OPR became operational on Sunday October 5, 2008. OPR reports directly to the Inspector General, and is responsible for conducting system reviews and analysis of each OIG component to determine managerial, operational, and administrative efficiency and effectiveness. OPR will accomplish this goal by conducting periodic inspections of headquarters, regional, and field offices. The inspection process will involve a systematic review and analysis designed to assess individual OIG components. OPR will also be responsible for conducting independent and objective professional investigations into allegations of employee misconduct.

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 policies. Audit topics are determined by law, requests from the Secretary of Defense and other DoD leadership, Hotline allegations, congressional requests, and internal analyses of risk in DoD programs.


DOD AUDIT COMMUNITY

The Defense Contract Audit Agency provided financial advice to contracting officers in 16,545 audit assignments during the period. The contract audits resulted in more than \$9.4 billion in questioned costs and funds that could be put to better use. Appendix D contains the details of the assignments performed. The Annex of Significant Audit Findings contains the information required by the National Defense Authorization Act for FY 2008, Section 845, "Disclosure of Significant Audit Findings," for 117 Defense Contract Audit Agency audit reports that have unsupported, questioned, or disallowed costs in an amount in excess of \$10 million.

Contracting officers disallowed \$253.3 million (42.9 percent) of the \$590.5 million questioned as a result of significant post-award contract audits during the period. The contracting officer disallowance rate of 42.9 percent represents a decrease from the disallowance rate of 56.0 percent for the prior reporting period. Additional details of the amounts disallowed are found in Appendix E.

AUDIT SIGNIFICANT OPEN RECOMMENDATIONS

Managers accepted or proposed acceptable alternatives for 99 percent of the 592 DoD IG audit recommendations rendered in the last 6 months of FY 2008. 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 1141 open actions on DoD IG audit reports being monitored in the follow-up system are on track for timely implementation, there were 202 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 to make numerous revisions to the DoD Financial Management Regulations; clarify accounting policy and guidance; and 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 and enable the Department to provide accurate, timely, and reliable financial statements. In reviewing the FY 2007 trial balance data for the Army General Fund, the Defense Financial Auditing Service identified significant unresolved abnormal balances in both the proprietary and budgetary accounts used in compiling the Army General Fund financial statements. The auditors concluded that the issue of abnormal balances in accounting records, which they reported in 2004, continues to be an issue. The correction of this condition is dependent upon implementation of the Defense Departmental Reporting System – Budgetary, part of the Business Enterprise Information Services, which is expected to be fully deployed by the end of 2008.
- Recommendations from multiple reports in the high-risk area of personnel security. Some of the most significant of these include: development of a prioritization process for investigations; 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; implementation of steps to match the size of the investigative and adjudicative workforces to the clearance workload; 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 Regulation 5200.2-R.
- Recommendations made in 2004 to define network centric warfare and its associated concepts and formalize roles, responsibilities, and processes for the overall development, coordination, and oversight of DoD network centric warfare efforts. DoD guidance has been updated to reflect relevant definitions that have been developed. Coordination of applicable DoD Directives and a DoD Instruction is ongoing.
- Recommendations made in 2004 to clarify guidance on the differences between force protection and antiterrorism in DoD policies and procedures. DoD revised its applicable guidance in October 2006. The Army and Marine Corps are now in process of updating their corresponding guidance.
- Recommendations from several reports to address issues regarding information systems security including completion of the information security certification and accreditation process for various DoD systems, and development of an adequate plan of action with milestones to resolve critical security weaknesses. These actions need to be completed to address requirements of the Federal Information Security Management Act and related OMB guidance. Although some actions have been initiated, they are not adequate to correct the identified deficiencies, nor have they been adequately incorporated in the revision to the applicable instruction. Discussions are ongoing to establish a standard “information system” definition across DoD for information technology reporting and other related issues.

- Recommendations from several reports to clarify and improve DoD policy guidance and procedures covering the roles and responsibilities of contracting personnel; 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, contract surveillance and reporting, and sole-source procurements of spare parts.
- Recommendations from several reports to address issues regarding improvement in oversight responsibilities and management controls relating to the purchase card program. These 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 Services are now in process of updating their guidance to conform to corresponding DoD policy.

INVESTIGATIONS

The Office of the Deputy Inspector General for Investigations comprises the criminal and the administrative investigative components of the DoD IG. The Defense Criminal Investigative Service is the criminal investigative component of the DoD IG. The non-criminal investigative units include the Directorate for Investigations of Senior Officials, the Directorate for Military Reprisal Investigations, and the Directorate for Civilian Reprisal Investigations.

DEFENSE CRIMINAL INVESTIGATIVE SERVICE

DCIS is tasked with the mission to protect America's warfighters by conducting investigations in support of crucial national defense priorities. DCIS conducts investigations of suspected major criminal violations focusing mainly on terrorism, product substitution/defective parts, cyber crimes/computer intrusion, illegal technology transfer, and other crimes involving public integrity including bribery, corruption, and major theft. DCIS also promotes training and awareness in all elements of the DoD regarding the impact of fraud on resources and programs by providing fraud awareness presentations.

INVESTIGATIONS OF SENIOR OFFICIALS

The Directorate for Investigations of Senior Officials conducts investigations into allegations against senior military and civilian officials and performs oversight of senior official investigations conducted by the Military Departments.

Figures 1 and 2 show results of activity on senior official cases during FY 2008. On September 30, 2008, there were 224 ongoing investigations into senior official misconduct throughout the Department, representing a slight increase from March 31, 2008, when we reported 207 open investigations. Over the past year, the Department closed 294 senior official cases, of which 40 (14 percent) contained substantiated allegations.

FIGURE 1: NATURE OF SUBSTANTIATED ALLEGATIONS AGAINST SENIOR OFFICIALS DURING FY 08

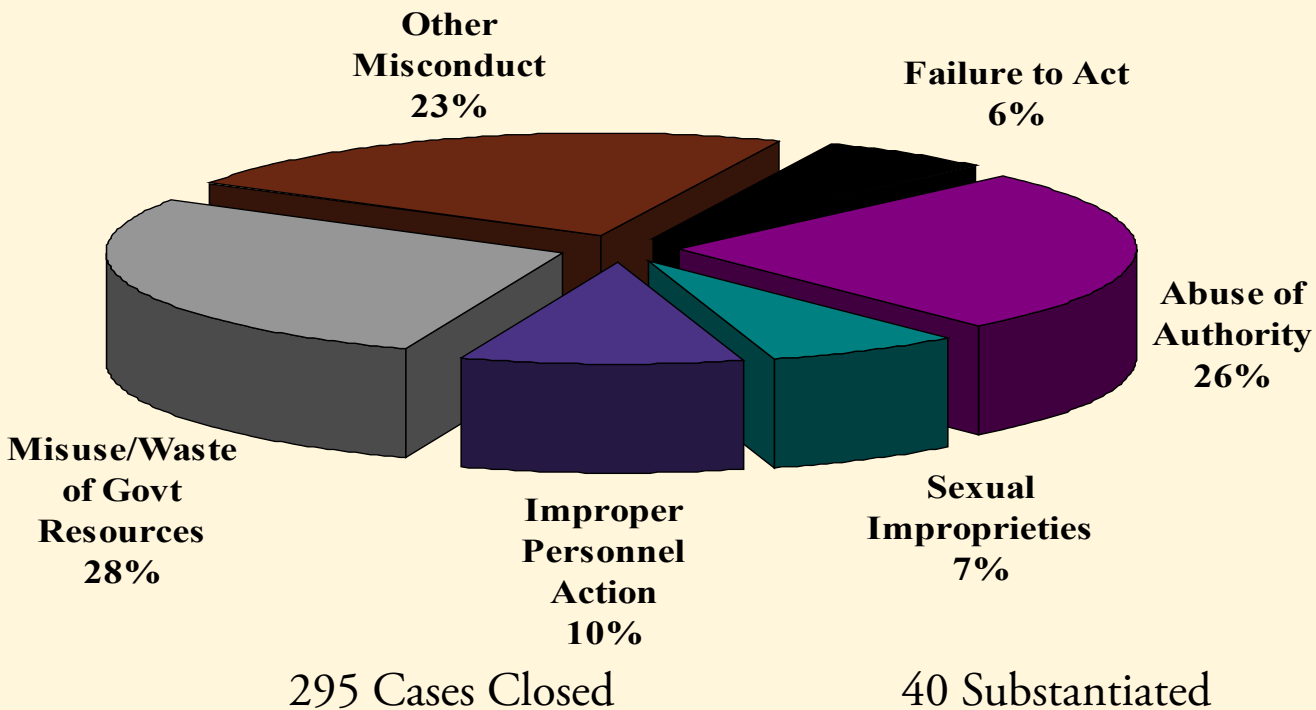
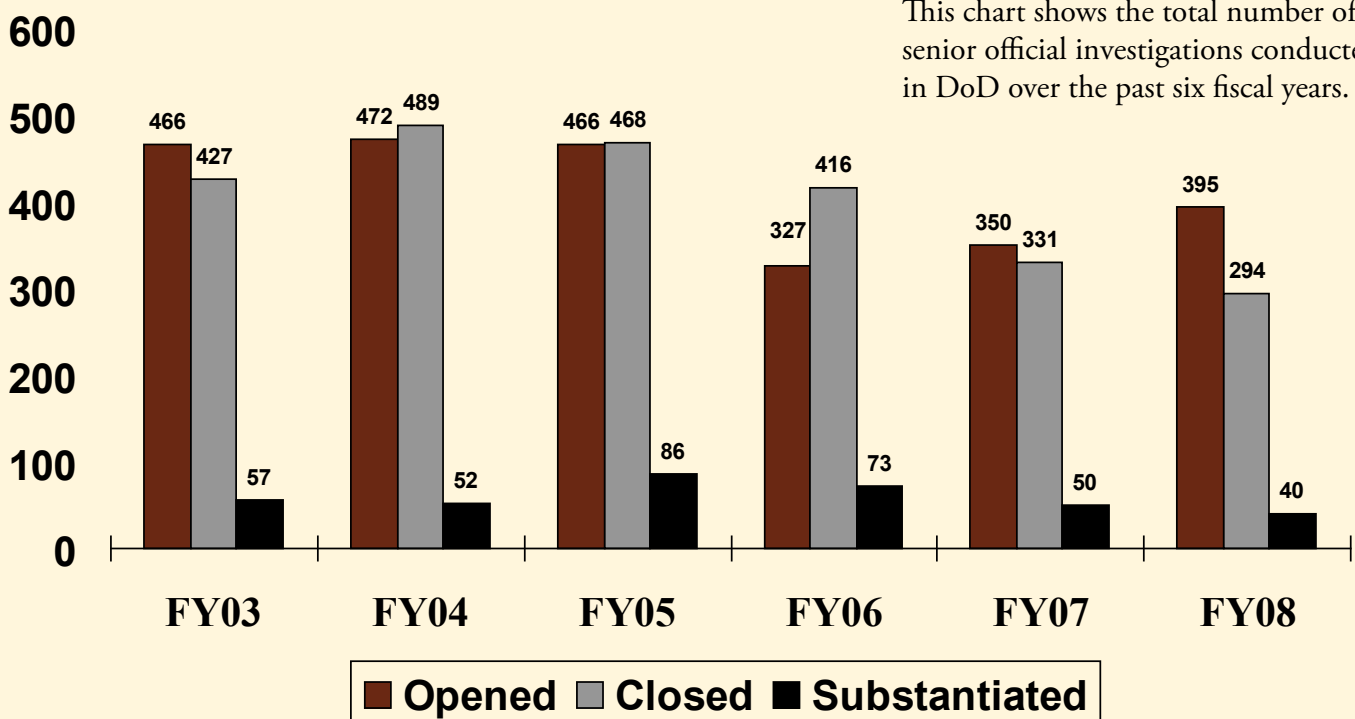


FIGURE 2: DOD TOTAL SENIOR OFFICIAL CASES FY 2003 - FY 2008





MILITARY REPRISAL INVESTIGATIONS

The DoD IG Directorate for Military Reprisal Investigations conducts investigations and performs oversight of investigations conducted by the Military Department and Defense Agency IGs. Those investigations pertain to:

- Allegations that unfavorable actions were taken against members of the Armed Forces, non-appropriated fund employees, and Defense contractor employees in reprisal for making protected communications.
- Allegations that members of the Armed Forces were referred for mental health evaluations without being afforded the procedural rights prescribed in the DoD Directive and Instruction.

WHISTLEBLOWER REPRISAL ACTIVITY

During the reporting period, MRI and the Military Department IGs received 291 complaints of whistleblower reprisal. We closed 304 reprisal cases during this period. Of the 304 cases, 244 were closed after preliminary analysis determined further investigation was not warranted and 60 were closed after investigation. Of the 60 cases investigated, 12 contained one or more substantiated allegations of whistleblower reprisal (20 percent).

This period also represents the first full reporting period under the memorandum of agreement between MRI and the Department of the Army for processing new complaints of whistleblower reprisal. Under the MOA, MRI analyzed 41 new complaints of reprisal filed within the Army and accepted 13 of those cases for preliminary inquiry. The process improves responsiveness to the service members and ensures each complaint accepted meets the criteria of the 10 U.S.C. 1034 for further analysis.

MRI and the military departments currently have 376 open cases involving allegations of whistleblower reprisal.

EXAMPLES OF SUBSTANTIATED WHISTLEBLOWER REPRISAL CASES

- An Air Force technical sergeant received a downgraded performance report and was denied an end-of-tour award in reprisal for disclosing to his Group commander an improper relationship between two members within the wing. The responsible officials, a lieutenant colonel and a chief master sergeant, were issued letters of counseling.
- A Navy chief petty officer was relieved of her duties as the operations chief and assigned watch duties not commensurate with her rank in reprisal for reporting to the EO Advisor that her supervisor, a Navy civilian, made sexually offensive comments to her. The Navy also substantiated as reprisal that the supervisor provided false information to the commander and executive officer that resulted in two adverse fitness reports for the chief petty officer. The supervisor, who was the official responsible for the acts of reprisal, resigned his position before action was taken against him.



REFERRALS FOR MENTAL HEALTH EVALUATIONS

We closed 24 cases involving allegations of improper referrals for mental health evaluation during the reporting period. In 10 (42 percent) of those cases, we substantiated that command officials and/or 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.” The investigations did not substantiate that any of the mental health referrals were taken in reprisal for Service members’ protected communications.

CIVILIAN REPRISAL INVESTIGATIONS

The mission of the Civilian Reprisal Investigations Directorate is to conduct and oversee allegations of whistleblower reprisal made by DoD civilian employees. CRI also provides support to DoD component Inspectors General regarding civilian reprisal cases, ensures DoD IG compliance with the Office of Special Counsel’s Section 2302(c) whistleblower certification program, and conducts outreach to stakeholders of the DoD whistleblower protection program. During the second half of FY 2008, CRI advised on twelve intakes which did not go to full investigation, closed three investigations, and was actively working thirteen cases.

EXAMPLES OF SUBSTANTIATED WHISTLEBLOWER REPRISAL CASES

A civilian engineer assigned to an office engaged in developing biometrics technology alleged constructive termination in reprisal for disclosures of fraud, waste, abuse, and gross mismanagement associated with the fielding of various biometric products and systems. A DoD IG investigation substantiated reprisal. Corrective action is pending.

An infrastructure development and operations employee of an office engaged in counterintelligence alleged six acts of reprisal in response to disclosures regarding irregular management of contracts. A DoD IG investigation partially substantiated the allegations, finding abuse of authority. Corrective action is pending.

POLICY AND OVERSIGHT

The Office of Deputy Inspector General for Policy and Oversight provides oversight and policy for Audit, Investigative, and Hotline activities within the DoD; conducts inspections and evaluations of DoD programs; provides technical advice and support, including quantitative methods and systems and computer engineering, to IG projects; conducts data mining; monitors corrective actions taken in response to IG and GAO reports; serves as the DoD central liaison with the GAO on reports and reviews regarding DoD programs and activities; and manages the coordination of draft DoD policies received for comment at the DoD IG.



AUDIT POLICY AND OVERSIGHT

The Office of the Assistant Inspector General for Audit Policy provides policy direction and oversight for audits performed by over 6,500 DoD auditors in 24 DoD audit organizations, ensures appropriate use of non-federal auditors and their compliance with auditing standards, and determines whether contracting officials complied with statutory and regulatory requirements when resolving contract audit reports. During the reporting period APO completed 6 reviews including 3 hotline reviews, a review of actions on incurred cost audits by the Supervisor of Shipbuilding, and quality control reviews of the Army Audit Agency's and Air Force Audit Agency's Special Access Program audits.

The APO staff also participated on seven DoD and Government-wide working groups that address significant issues impacting audit and accountability professionals within DoD; federal, state, and local government; and the private sector. APO provided comments on the draft President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency External Peer Review Guide. Additionally, APO issued DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports," which updates DoD policy and responsibilities, reporting requirements, and follow-up procedures on contract audits by the Defense Contract Audit Agency. The APO coordinated on 19 revisions to procurement regulations, commenting on 5 to ensure the revisions did not adversely impact DoD. Also, APO provided comments on a United States Army Corps of Engineers statement of work for contracted audit services to ensure that the contracted audit work will comply with required audit standards. The APO provided training on government auditing standards, external peer reviews, audit committees, and single Audits at various conferences including conference sponsored by the Association of Government Accountants and the American Institute of Certified Public Accountants.

DATA MINING DIRECTORATE


The DoD IG Data Mining Directorate continues its primary mission of expanding and enhancing the use of Data Mining with computer assisted auditing techniques as analysis tools to combat fraud, waste and abuse in Department of Defense oversight programs. During this reporting period, the DoD IG Data Mining Directorate supported ongoing investigations and provided continuing support to various audits.

INSPECTIONS AND EVALUATIONS

The Office of the Assistant Inspector General for Inspections and Evaluations conducts objective and independent customer-focused management and program inspections addressing areas of interest to Congress and the DoD, and provides timely findings and recommendations leading to positive change in programs.

INVESTIGATIVE POLICY AND OVERSIGHT

The Office of the Assistant Inspector General for Investigative Policy and Oversight provides policy direction for, and evaluates the performance of, the DoD criminal investigative organizations (that is, the Defense Criminal Investigative



Service, the Army Criminal Investigation Command, the Naval Criminal Investigative Service and the Air Force Office of Special Investigations) and other DoD criminal and non-criminal investigative organizations.

The Policy and Programs Directorate is responsible for producing Department-wide policy concerning investigations and law enforcement, and commenting on all DoD policy affecting the investigative and law enforcement communities; conducting limited oversight evaluations of DoD investigative organizations or individual investigations; and administering the DoD Fraud Voluntary Disclosure Program and the DoD IG Subpoena Program.

The Policy and Programs Directorate is actively developing policy on DNA submission requirements in accordance with the DNA Fingerprint Act, and updating policy concerning fingerprint collection requirements; and oral, wire and electronic intercept approval procedures for law enforcement. They also provided justification to continue the issuance of DoD IG subpoenas for non-fraud related offenses, and are conducting a study to determine how Defense organizations utilize criminal investigators.


The VDP provides a formal mechanism by which DoD contractors can report civil or criminal fraud matters discovered within their own operations, taking advantage of incentives provided in the False Claims Act and federal sentencing guidelines for disclosure and full cooperation with government authorities. During this reporting period, DoD contractors made six new disclosures. In addition, one case was settled resulting in a \$210,000 recovery. A new law passed in June 2008, “Close the Contractor Fraud Loophole Act,” requires the Federal Acquisition Regulation to be amended to include provisions that require timely notification by federal contractors of violations of criminal law or overpayments in connection with the award or performance of any contracts or subcontracts in an amount greater than \$5 million and of more than 120 days duration. As a result, the VDP will expand to include policy and procedures to meet the requirements of this Act.

The DoD IG Subpoena Program reviews, validates and processes administrative subpoenas in support of DCIO investigations. During this FY, 354 subpoenas were issued, an 18 percent increase over the previous year, with an average processing time of 13.6 days, exceeding the established metric of 15 days. As part of its outreach program, there were 13 subpoena training classes conducted for the DCIOs.

The Oversight Directorate is responsible for Department-wide oversight affecting the investigative and law enforcement communities; conducting oversight evaluations of DoD investigative organizations or individual investigations to include command directed investigations of combat deaths and serious injuries upon request. The Oversight Directorate examined the effectiveness and thoroughness of death investigations of service members and non combatants in Iraq. Other work supported an investigation of a contractor employee’s rape complaint, and a congressional request for a system review of the department’s response to sexual assaults involving contractors in a warzone, both support to the complainant and actions concerning the accused. Additionally, broader systemic work included examination of commander directed investigations of deaths as possible law of war violations and electrocution deaths of military members and contractors in Iraq due to faulty electrical wiring and equipment.

REPORT FOLLOWUP AND GAO LIAISON DIRECTORATE

The Report Followup and GAO Liaison Directorate monitors the progress of agreed-upon corrective actions being taken by DoD managers in response to DoD IG and GAO report recommendations. The Directorate obtains and



evaluates documentation of progress and completion of corrective actions, and maintains a complete record of actions taken. During this 6-month period, final corrective action was completed on 99 reports and 488 recommendations, with \$907.5 million in savings documented on DoD IG recommended actions. Also, the Directorate oversees the mediation process to facilitate resolution of disputes relating to DoD IG recommendations to achieve agreement on those recommendations. During this 6-month period, we facilitated the successful resolution of 4 reports with 6 disputed recommendations referred for mediation, and assisted in obtaining responsive management comments to recommendations in 6 reports.

The Directorate serves as the DoD central liaison with GAO on matters concerning GAO reviews and reports regarding DoD programs and activities. This involves designating the OSD primary action office, coordinating GAO reviews to facilitate appropriate DoD actions; including monitoring and facilitating the preparation of DoD responses to GAO reports to ensure the responses are appropriately coordinated before release. The Directorate distributes information regarding planned GAO activities to DoD auditing and other oversight organizations to facilitate the identification of unnecessary overlap or duplication. During this 6-month period, the Directorate coordinated 112 GAO reviews and processed 202 GAO draft and final reports.

QUANTITATIVE METHODS DIRECTORATE

The Quantitative Methods Directorate ensures that quantitative methods, analyses, and results used in DoD IG products are defensible. The Directorate accomplishes this by providing expert statistical/quantitative support and advice to DoD IG projects, and by assessing the quantitative aspects of DoD IG products prior to their release. Quantitatively defensible products employ a methodology that is technically sound and appropriate for the objectives of the project, employ analyses that are performed correctly and are consistent with the methodology, and appropriately present the quantitative results.

TECHNICAL ASSESSMENT DIRECTORATE

The Technical Assessment Directorate provides technical advice to the DoD and conducts assessments to improve the economy, efficiency, and effectiveness of Defense programs, operations, and oversight. The Directorate focuses on acquisition, program management, engineering, and information technology issues. During the reporting period, the Directorate provided technical expertise and assessments that have expanded the audit coverage of systems engineering and information assurance. As a result, Defense programs for systems engineering and information security are improved in audited systems.

INTELLIGENCE

The Office of the Deputy Inspector General for Intelligence audits, evaluates, monitors, and reviews the programs, policies, procedures, and functions of the Intelligence Community, including personnel security, Special Access Programs, and Nuclear Surety issues within the DoD. The ODIG-INTEL oversees the intelligence-related activities within the DoD Components, primarily at the DoD, Service, and Combatant Command levels, ensuring that

intelligence and intelligence-related resources are properly, effectively, and efficiently managed. The ODIG-INTEL also conducts oversight of Service and Defense agency reviews of security and counterintelligence within all DoD test and laboratory facilities. The Office of Deputy Inspector General for Intelligence is a center of excellence dedicated to enhancing the capabilities of the DoD intelligence activities through an informed and authoritative oversight program.

The DoD IG, the IGs 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 136 intelligence-related and other classified and sensitive reports. The reports are categorized into the areas shown in Figure 3. A listing and highlights of the 136 reports can be found in the Classified Annex to this report and a summary of the each report is included in the Classified Annex.

The Intelligence Community Inspectors and Auditors General continued to coordinate and share information 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 department 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 deconflicting oversight programs. The group held its quarterly meeting on June 19, 2008. See the Classified Annex to this report for information on the meeting.

FIGURE 3: INTELLIGENCE RELATED REPORTS

DoD Management Challenge Area	DoD IG	Defense Agencies	Military Departments	Total
Joint Warfighting and Readiness	1	32	4	37
Human Capital	0	18	2	20
Information Security and Privacy	1	6	2	9
Acquisition Processes and Contract Management	0	6	6	12
Financial Management	2	15	2	19
Health Care	0	0	1	1
Significantly Improve Intelligence Capabilities	0	2	0	2
Other	0	35	1	36
Total	4	114	18	136

SPECIAL PLANS AND OPERATIONS

The DoD IG supports DoD and the U.S. Congress by addressing challenging security issues in an increasing complex, global defense environment. To rapidly provide assessments for senior leaders of key issues related to the Global War on Terror, especially in Southwest Asia, the DoD IG established the Office of Special Plans and Operations, in April 2008. SPO reinforces DoD IG capability to carry out statutory responsibility to advise the Secretary of Defense and key committees of the Congress. Its work complements the efforts of the other DoD IG components. SPO's mission enables informed decision making by senior leaders of the Combatant Commands, Department of Defense, U.S. Congress, and other government organizations by providing timely assessment reports and actionable recommendations on strategic challenges and issues, with a special emphasis on the Global War on Terror and Southwest Asia. The concept is based on providing:

- Flexible and rapid response to strategic challenges.
- Close engagement with senior leadership and Congress.
- Accelerated field response - commanders take corrective action before report is completed.
- Core team of SPO civilian and military professionals augmented with subject matter experts.
- Multi-disciplinary, intra-DoD, interagency approach.

SPO employs an experienced, skilled group of evaluators and auditors from a variety of backgrounds that are formed into task organized teams for each mission. SPO teams can be augmented by subject matter experts from inside and outside the DoD IG, as required by the nature of its projects.

OFFICE OF COMMUNICATIONS AND CONGRESSIONAL LIAISON

The Office of Communications and Congressional Liaison supports the DoD IG by serving as the point of contact for communications to and from Congress, and by serving as the DoD IG public affairs office. OCCL also includes the Defense Hotline, the Freedom of Information Act Requester Service Center/Privacy Act Office, the DoD IG web team, and digital media support. From April 1, 2008, through September 30, 2008, OCCL opened 143 congressional cases. New inquiries involved issues such as accidental electrocutions in Iraq, the accountability of senior officials concerning the Thunderbird video, concerns regarding body armor, and the use of retired generals in propagandizing media information regarding the war. The FOIA/PA Office received 386 requests for information and completed responses to 377 requests during the fiscal year. The DoD IG also responded to more than 190 media inquiries during this period.

In addition, the OCCL provides staff support and serves as the liaison for the DoD IG to the President's Council on Integrity and Efficiency and the Defense Council on Integrity and Efficiency. Acting Inspector General Heddell is the chairman of the PCIE Information Technology Committee. OCCL also supports the DoD IG participation in the PCIE by publishing the Journal of Public Inquiry. OCCL organizes and supports meetings of the DCIE, which are chaired by the DoD IG, and held quarterly. DCIE meetings are used as a forum to discuss issues related to oversight within DoD. OCCL also acts as the lead agent for strategic planning for the DoD IG, managing the development and periodic review and update of the DoD IG Strategic Plan to ensure that it addresses the current and emerging strategic landscape impacting the Department and the DoD IG.

APPENDICES



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- Appendix A - Reports issued by Central DoD Internal Audit Organizations
 - Appendix B - DoD IG Audit Reports Issued Containing Quantifiable Potential Monetary Benefits
 - Appendix C - Followup Activities
 - Appendix D - Contract Audit Reports Issued
 - Appendix E - Status of Action on Significant Post-Award Contract Audits
 - Appendix F - Status of DoD IG Reports More Than 12 Months Old with Final Action Pending
 - Appendix G - Acronyms
-
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APPENDIX A

REPORTS ISSUED BY CENTRAL DOD INTERNAL AUDIT ORGANIZATIONS

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

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

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

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

Air Force Audit Agency
(703) 696-7904
<http://www.afaaf.hq.af.mil>

SUMMARY OF NUMBER OF REPORTS BY MANAGEMENT CHALLENGE AREA APRIL 1, 2008 - SEPTEMBER 30, 2008

	DoD IG	Military Depts.	Total
Joint Warfighting and Readiness	10	118	128
Information Security and Privacy	4	12	16
Acquisition Processes/Contract Management	15	49	64
Financial Management	30	62	92
Health Care	2	15	17
Other	3	13	16
Total	64	269	333

For information on intelligence-related reports, including those issued by other Defense agencies, refer to the classified annex to this report.

* Partially fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(a)(6) (See Appendix B)

JOINT WARFIGHTING AND READINESS

DoD IG

D-2008-078 Training Requirements for U.S. Ground Forces Deploying in Support of Operation Iraqi Freedom (4/9/08)

D-2008-086 Challenges Impacting Operations Iraqi Freedom and Enduring Freedom Reported by Major Oversight Organizations Beginning FY 2003 through FY 2007 (7/18/08)

D-2008-098 Internal Controls Over Payments Made in Iraq Kuwait and Egypt (5/22/08)

D-2008-114 Accountability for Defense Security Service Assets With Personally Identifiable Information (7/24/08)

D-2008-115 Status of Training Vehicles for U.S. Ground Forces Deploying in Support of Operation Iraqi Freedom (8/6/08)

D-2008-118 Host Nation Support of U.S. Forces in Korea (8/25/08)

D-2008-120 Coordination of Overseas Force Structure Changes in the U.S. European Command (U) (8/13/08) (CLASSIFIED)

D-2008-124 Management of the Noncombatant Evacuation Operations Tracking System by

U.S. Forces Korea (8/21/08) (FOR OFFICIAL USE ONLY)

D-2008-131 Security of Radio Frequency Identification Information (9/19/08) (FOR OFFICIAL USE ONLY)

ARMY AUDIT AGENCY

A-2008-0086-FFF Training Ammunition Management, Deputy Chief of Staff, G-3/5/7 (FOR OFFICIAL USE ONLY) (08/05/2008)

A-2008-0093-FFS Housing for Mobilized Soldiers, Fort Lewis, Washington (04/02/2008)

A-2008-0098-ALL Management of Shipping Containers in Southwest Asia—Iraq (04/03/2008)

A-2008-0110-ALO Bayonne Local Redevelopment Authority's 2004, 2005, and 2006 No-Cost Economic Development Conveyance Financial Statements, Former Military Ocean Terminal—Bayonne, New Jersey (04/16/2008)

A-2008-0111-ALE Attestation Examination of Suggestion Number EUHD07015M, FRAG 7 (04/18/2008)

A-2008-0112-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Middletown, Connecticut (04/29/2008)

A-2008-0113-ALE Management of Theater Excess, U.S. Army, Europe

and Seventh Army (FOR OFFICIAL USE ONLY) (04/21/2008)

A-2008-0117-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Grand Prairie Reserve Complex, Texas (04/23/2008)

A-2008-0118-ZBI Army Foreign Language Program Requirements, Office of the Deputy Chief of Staff, G-2 (04/29/2008)

A-2008-0120-ALM Reset Metrics—Field Level Reset (04/30/2008)

A-2008-0121-FFH Readiness Reporting for Active Component Medical Units (04/30/2008)

A-2008-0122-ALI Base Realignment and Closure 2005 Construction Requirements, First Brigade Combat Team Complex, Fort Bliss, Texas (05/05/2008)

A-2008-0123-ALI Base Realignment and Closure 2005 Construction Requirements, Second Brigade Combat Team (Heavy), Fort Bliss, Texas (05/06/2008)

A-2008-0124-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Greenleaf Training Site, Hastings, Nebraska (07/09/2008)

A-2008-0125-ALI Base Realignment and Closure 2005 Construction Requirements, Vehicle Maintenance Complex, Fort Bragg, North Carolina (07/31/2008)

A-2008-0126-ALI Base Realignment and Closure 2005 Construction Requirements, 4th Brigade Combat Team, Fort Bragg, North Carolina (06/09/2008)

A-2008-0127-ALO Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Stewart Army Subpost, Newburgh, New York (05/06/2008)

A-2008-0128-ALO Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Fort Totten, New York (05/12/2008)

A-2008-0129-ALO Base Realignment and Closure 2005 Construction Requirements, Airfield Pavement Repair, Fort Riley, Kansas (05/13/2008)

A-2008-0130-ALO Base Realignment and Closure 2005 Construction Requirements, Consolidated Health/Dental Clinic, Fort Riley, Kansas (05/27/2008)

A-2008-0131-ALO Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, McAlester Army Ammunition Plant, Oklahoma (FOR OFFICIAL USE ONLY) (05/13/2008)

A-2008-0133-ALI Attestation Examination of Selected Base Realignment and Closure 2005 Operation and Maintenance Requirements, U.S. Army Forces Command for FY's 08 - 11 FORSCOM (09/18/2008)

A-2008-0134-ALI Attestation Examination of Selected Base Realignment and Closure 2005 Operation and Maintenance Requirements, U.S. Army Materiel Command FY's 08 - 11 (09/18/2008)

A-2008-0135-ALI Attestation Examination of Selected Base Realignment and Closure 2005 Operation and Maintenance Requirements, U.S. Army Training and Doctrine Command FY's 08 - 11 (09/18/2008)

A-2008-0136-ALI Attestation Examination at Army Commands of Selected Base Realignment and Closure 2005 Operation and Maintenance Requirements for FY's 08 - 11 (09/18/2008)

A-2008-0139-ALE Disposal of Property at Defense Reutilization and Marketing Service Sites in Germany (05/07/2008)

A-2008-0141-ALO Preliminary Review of Revised Bayonne Local Redevelopment Authority's 2001-2007 Supplemental Schedules, Audit of No-Cost Economic Development Conveyance Management and Compliance (05/08/2008)

A-2008-0142-ALM Operational Loss Requirements (05/12/2008)

A-2008-0145-ALL Management of Shipping Containers in Southwest Asia, Continental United States (06/25/2008)

A-2008-0147-FFF Followup Audit of Family Support for Reserve Component Soldiers in Extended Deployments (06/05/2008)

A-2008-0152-ALO Management of Relocatable Facilities—Notification of Potential Antideficiency Act Violation (06/03/2008)

A-2008-0153-FFP Construction Site Preparation—Parcel 1, U.S. Army Corps of Engineers, Far East District, Seoul, Korea (06/05/2008)

A-2008-0158-FFS Mobility Transportation Requirements (06/12/2008)

A-2008-0160-ALM Reset Metrics—Lessons Learned (06/17/2008)

A-2008-0161-FFP Medical Readiness in Active Components, 18th Medical Command, Eighth U.S. Army, Korea (06/19/2008)

A-2008-0164-ALO Fire and Emergency Services, National Training Center and Fort Irwin, California (06/16/2008)

A-2008-0167-ALR U.S. Vehicle Registration Business Rules, U.S. Army Material Command Logistics Support Activity (06/25/2008)

A-2008-0169-ALE Use of German Railways (06/23/2008)

A-2008-0171-ALI Base Realignment and Closure 2005 Construction Requirements, Combat Aviation Brigade Complex, Fort Bliss, Texas (FOR OFFICIAL USE ONLY) (06/23/2008)

A-2008-0172-ALM Time Sensitive Issue—Automatic Reset Induction Overstatement of Field Reset Requirements (06/24/2008)

A-2008-0174-FFF Military Training Service Support—Dining Facilities Accountability, Fort Eustis, Virginia (09/23/2008)

A-2008-0179-FFI Operational Purchases of Information Technology, Equipment, Systems, and Services, Iraq and Kuwait (09/25/2008)

A-2008-0181-ALI Base Realignment and Closure 2005 Construction Requirements, Restationing Air Defense Artillery School, Fort Sill, Oklahoma (FOR OFFICIAL USE ONLY) (07/02/2008)

A-2008-0183-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Scranton, Pennsylvania (FOR OFFICIAL USE ONLY) (07/07/2008)

A-2008-0184-ALI Base Realignment and Closure 2005 Construction Requirements, U.S. Army Materiel Command Headquarters, Redstone Arsenal, Alabama (FOR OFFICIAL USE ONLY) (07/23/2008)

A-2008-0190-ALM Reset Metrics—Sustainment Maintenance (07/22/2008)

A-2008-0194-ALI Base Realignment and Closure 2005 Construction Requirements, Headquarters, 1st Armor Training Brigade, Fort

Benning, Georgia (07/28/2008)

A-2008-0196-ALO Audit of No-Cost Economic Development Conveyance Management and Compliance—Phase I (07/29/2008)

A-2008-0199-ALM Followup Audit of Interactive Electronic Technical Manuals (08/11/2008)

A-2008-0205-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Missoula, Montana (FOR OFFICIAL USE ONLY) (08/04/2008)

A-2008-0208-ALR U.S. Army Vehicle Registration, Sierra Army Depot (09/26/2008)

A-2008-0210-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, East Houston, Texas (08/06/2008)

A-2008-0214-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Fort Hamilton, New York (FOR OFFICIAL USE ONLY) (08/21/2008)

A-2008-0216-ALR Manufacturing Execution System, U.S. Army Materiel Command (09/25/2008)

A-2008-0221-FFP Delayed Fielding of the Stryker Brigade Combat Team, U.S. Army, Pacific (FOR OFFICIAL USE ONLY) (09/04/2008)

A-2008-0224-ALI Base Realignment and Closure 2005 Construction Requirements, U.S. Forces Command and U.S. Army Reserve Command Headquarters Building, Fort Bragg, North Carolina (FOR OFFICIAL USE ONLY) (08/21/2008)

A-2008-0225-FFF Followup Audit of Reserve Component Duty Military Occupational Specialty Qualification and Officer Basic Course Training Requirements (08/22/2008)

A-2008-0226-FFF Followup Audit of Station Missioning (08/22/2008)

A-2008-0227-FFD Installation Preparedness for a Chemical, Biological, Radiological, or Nuclear Event, Deputy Chief of Staff, G-3/5/7 and U.S. Army Installation Management Command (FOR OFFICIAL USE ONLY) (09/08/2008)

A-2008-0228-ALR Property Accountability in the Army National Guard, Missouri Army National Guard (09/25/2008)

A-2008-0229-ALE Management of Nontactical Vehicles in Europe (08/25/2008)

A-2008-0232-FFP Roles and Responsibilities for Managing Army Transformation, U.S. Forces Korea (FOR OFFICIAL USE ONLY) (09/16/2008)

A-2008-0233-FFF Military Training Service Support—Dining

Facilities Accountability, Office of the Deputy Chief of Staff, G-3/5/7 (09/26/2008)

A-2008-0234-FFF Use of Role Players for Training at Combat Training Centers (09/02/2008)

A-2008-0235-ALO Management of Relocatable Facilities, Fort Riley, Kansas (09/02/2008)

A-2008-0236-ALO Management of Relocatable Facilities, Fort Stewart and Hunter Army Airfield, Georgia (09/02/2008)

A-2008-0238-FFF Followup Audit of Advanced Individual Training Courses, U.S. Army Intelligence Center, Fort Huachuca, Arizona (09/10/2008)

A-2008-0239-ALE Construction for Army Family Housing in Europe (FOR OFFICIAL USE ONLY) (09/18/2008)

A-2008-0245-ALR Property Accountability in the Army National Guard, Michigan Army National Guard (09/24/2008)

A-2008-0246-ALM Depot-Level Maintenance Workload Reporting—FY 07, Office of the Deputy Chief of Staff, G-4 (09/16/2008)

A-2008-0248-FFD Force Protection Funds, Office of the Provost Marshall General and U.S. Army Installation Management Command (09/17/2008)

A-2008-0250-FFF Army National Guard Recruit Sustainment Program (09/10/2008)

A-2008-0253-FFH Medical Unit Readiness Reporting Summary Report (09/16/2008)

A-2008-0255-FFS Accountability of Contractors on the Battlefield (09/30/2008)

A-2008-0256-ALM Overseeing Contract Requirements for Field-Level Reset, U.S. Army Sustainment Command (09/17/2008)

A-2008-0261-FFF Quality of Recruits (09/19/2008)

A-2008-0264-ALR Inventory Accountability, Tobyhanna Army Depot (09/23/2008)

A-2008-0265-ALR Inventory Stockage Levels, Tobyhanna Army Depot (09/23/2008)

A-2008-0268-ALO Management of Relocatable Facilities, Fort Drum, New York (09/29/2008)

A-2008-0269-ALO Management of Relocatable Facilities, Fort Huachuca, Arizona (09/29/2008)

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A-2008-0271-FFP Followup Audit of Force Protection, Hawaii (FOR OFFICIAL USE ONLY) (09/26/2008)

A-2008-0273-FFH Reconciliation of Government Property, Fort Sam Houston, Texas (FOR OFFICIAL USE ONLY) (09/26/2008)

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F-2008-0005-FD1000 Protective Gas Mask Program (4/28/2008)

F-2008-0007-FD1000 Hurricane Disaster Planning (6/4/2008)

F-2008-0005-FD2000 Controls Over Contractor Identification (4/2/2008)

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A-2008-0049-FFP Agreed Upon Procedures Attestation of Inventory Reconciliation, Tripler Army Medical Center (FOR OFFICIAL USE ONLY) (04/24/2008)

A-2008-0143-FFP Medical Services Account, 18th Medical Command, Eighth U.S. Army, Korea (05/16/2008)

A-2008-0146-FFP Pharmacy Inventory Management, Tripler Army Medical Center (FOR OFFICIAL USE ONLY) (05/27/2008)

A-2008-0148-FFH Pharmacy Operations, Dunham U.S. Army Health Clinic (05/20/2008)

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A-2008-0223-FFE Agent Accountability at Chemical Agent Disposal Facilities, U.S. Army Chemical Materials Agency (08/26/2008)

NAVAL AUDIT SERVICE

N2008-0030 Status of Internal Controls at the Joint Guam Program Office (4/8/08)

N2008-0031 Operational Risk Management Implementation at Selected Navy Shore Installations (4/14/08)

N2008-0034 Cancellation and Refund of Unused Airline Tickets for the Department of the Navy (5/12/08)

N2008-0036 Navy High-Risk Training Mishap Reporting and Oversight at Selected Activities (5/27/08)

N2008-0037 Auditor General Advisory Followup to Audit Recommendations for Selected Research, Development, Acquisition, and Logistics Audits (6/5/08)

N2008-0040 Selected Base Closure and Realignment Department of the Navy Military Construction Projects for FY 2010 (7/3/08)

N2008-0050 Department of the Navy Proposed FY 2010 Government of Japan-Funded Military Construction Projects Related to the U.S. Marine Corps' Okinawa-Guam Base Relocation (9/17/08)

N2008-0052 Department of the Defense Electronic Mall Internal Controls (9/24/08)

N2008-0054 Selected Department of the Navy Military Construction Projects for FY 2010 (9/30/08)

APPENDIX B

DOD IG AUDIT REPORTS ISSUED CONTAINING QUANTIFIABLE POTENTIAL MONETARY BENEFITS

Audit Reports Issued	Potential Monetary Benefits	
	Disallowed Costs ¹	Funds Put to Better Use
D-2008-080 DoD Accounting to Support DoD Personnel During Times of Civil Emergency (04/25/2008)	N/A	\$ 10,700,000
D-2008-083 Obligation of Funds for Ship Maintenance and Repair at the U.S. Fleet Forces Command Regional Maintenance Centers (04/25/2008)	N/A	\$103,000,000
D-2008-093 Processing of Deceased Retired Military Members' Suspended Accounts (5/14/2008)	N/A	\$86,100,000
D-2008-097 Hurricane Relief Effort Costs on the Navy Construction Capabilities Contract (5/23/2008)	N/A	\$8,600,000
D-2008-098 Internal Controls Over Payments Made in Iraq, Kuwait and Egypt (5/22/2008)	N/A	\$5,700,000
D-2008-099 Effect of Payments Into Boeing Pension Funds on Economic Price Adjustment Clauses in DoD Contracts (5/28/2008)	N/A	\$520,600,000
D-2008-118 Host Nation Support of U.S. Forces in Korea (8/25/2008)	N/A	\$1,000,000
D-2008-121 Internal Controls for Air Force General Fund Cash and Other Monetary Assets (8/18/2008)	N/A	\$320,000
D-2008-123 Internal Controls Over Navy General Fund, Cash and Other Monetary Assets Held Outside of the Continental United States (8/26/2008)	N/A	\$1,374,000
D-2008-124 Management of the Noncombatant Evacuation Operations Tracking System by U.S. Forces Korea (8/21/2008)	N/A	\$98,000
D-2008-132 Ocean Freight Transportation Payments Using PowerTrack (U) (9/26/2008)	N/A	\$5,200,000
D-2008-136 Payments for Patients Referred to Overseas Providers Under the Supplemental Health Care Program (9/30/2008)	N/A	\$50, 170
Totals	N/A	\$742,742,170

¹ There were no DoD IG audit reports during the period involving disallowed costs.

*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 (\$ in thousands)		
Status	Number	Funds Put To Better Use ¹
A. For which no management decision had been made by the beginning of the reporting period.	44	\$667,101
B. Which were issued during the reporting period.	70	\$742,742
Subtotals (A+B)	114	\$1,409,843
C. For which a management decision was made during the reporting period.	75	\$1,263,601
(i) dollar value of recommendations that were agreed to by management. - based on proposed management action - based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management.		\$1,263,601 ²
D. For which no management decision has been made by the end of the reporting period.	39	\$146,242
Reports for which no management decision was made within 6 months of issue (as of March 31, 2008).	9 ³	\$127,500

1. DoD OIG audit reports issued during the period involved no “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 OIG Report Nos. D-2005-099, “Status of Selected DoD Policies on Information Technology Governance”; 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-2007-099, “Privacy Program and Privacy Impact Assessment”; D-2007-6-001, “Reimbursement of Settlement Costs at DCMA Melbourne,” D-2008-026, “Management of the Iraq Security Forces Fund in Southwest Asia – Phase III”; D-2008-045, “Controls over the TRICARE Overseas Healthcare Program”; D-2008-063, “Vendor Pay Disbursement Cycle Air Force General Fund”; and D-2008-5-003, “Review of Threat Assessment Guidance Regarding Nuclear Weapons Located Outside the Continental United States”; had no management decision as of September 30, 2008, 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, 2008
 (\$ in thousands)

Status	Number	Funds Put to Better Use ¹
DoD IG		
Action in Progress - Beginning of Period	253	\$2,100
Action Initiated - During Period	75	\$1,263,601
Action Completed - During Period	66	\$907,481
Action in Progress - End of Period	262	\$2,100 ²
Military Departments		
Action in Progress - Beginning of Period	565	\$2,216,472
Action Initiated - During Period	280	\$2,197,368
Action Completed - During Period	278	\$1,401,331
Action in Progress - End of Period	567	\$3,012,509

¹ DoD OIG audit reports opened during the period involved no “questioned costs.”

² On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$2,046 million, we agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.

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

APPENDIX D

CONTRACT AUDIT REPORTS ISSUED¹ (\$ IN MILLIONS) APRIL 1, 2008 THROUGH SEPTEMBER 30, 2008

TYPE OF AUDIT ²	Assignments Completed	EXAMINED	QUESTIONED COSTS ³	FUNDS PUT TO BETTER USE
Incurring Costs, Ops Audits, Special Audits	11,267	\$71,911.3	\$949.7	\$134.6 ⁴
Forward Pricing Proposals	4,064	\$123,989.0	---	\$ 8,123.9 ⁵
Cost Accounting Standards	999	\$173.1	\$161.6	---
Defective Pricing	215	(Note 6)	\$50.6	---
Totals	16,545	\$196,073.4	\$1,161.9	\$8,258.5

NOTES

1. This schedule represents Defense Contract Audit Agency (DCAA) contract audit reports issued during the 6 months ended March 31, 2008. This includes any audits that DCAA performed on a reimbursable basis for other government agencies and the associated statistics may also be reported in other OIGs' Semiannual Reports to Congress. Both "Questioned Costs" and "Funds Put to Better Use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication.
2. This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as: Incurring Costs – Audits of direct and indirect costs charged to Government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and provisions of the contract. Also included under incurred cost audits are Operations Audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy; and Special Audits, which include audits of terminations and claims. Forward Pricing Proposals – Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts, and costs incurred but not yet covered by definitized contracts. Cost Accounting Standards – A review of a contractor's cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice, or noncompliance with a CAS regulation. Defective Pricing – A review to determine whether contracts are based on current, complete and accurate cost or pricing data (the Truth in Negotiations Act).
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, 2008 (\$ IN MILLIONS)

	Number of Reports	Costs Questioned	Disallowed Costs ⁶
Open Reports:			
Within Guidelines²	416	\$ 1,042.4	N/A ⁷
Overage, greater than 6 months³	670	\$ 1,264.3	N/A
Overage, greater than 12 months⁴	513	\$ 1,381.4	N/A
In Litigation⁵	118	\$ 1,614.5	N/A
Total Open Reports	1,717	\$ 5,302.6	N/A
Closed Reports	372	\$ 590.5	\$253.3 (42.9%)
All Reports	2,089	\$ 5,893.1	\$253.3 (4.3%)

¹ This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by the Army, Navy, Air Force, Defense Contract Management Agency, Defense Intelligence Agency, Defense Logistics Agency, National Geospatial-Intelligence Agency, National Security Agency and TRICARE Management Activity. Contract audit follow-up is reported in accordance with DoD Directive 7640.2, "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 Directive 7640.2 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 Directive 7640.2 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 114 reports in litigation, 18 are under criminal investigation

⁶ Disallowed costs are costs sustained by the contracting officer in negotiations with contractors.

⁷ N/A (not applicable)

APPENDIX F

STATUS OF DOD IG REPORTS MORE THAN 12 MONTHS OLD WITH FINAL ACTION PENDING (AS OF SEPTEMBER 30, 2008)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
94-062, Financial Status of Air Force Expired Year Appropriations, 3/18/1994	Changes to policy guidance to include refunds receivable arising from matters in litigation.	Coordination issues within DoD continue to be addressed.	USD(C)
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.	Correction of this material weakness involves a long-term effort.	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.	The coordination process is near the final stage between the military services for the publication of the revised regulation.	USD(AT&L), DLA
98-049, DoD Sensitive Support Focal Point System (U), 1/20/1998	Report is classified.	Extensive time required to revise guidance.	USD(I)
98-063, Defense Logistics Agency Product Quality Deficiency Program, 2/5/1998	Revisions to DLA Instruction 4155.24, "Quality Assurance Program for DLA Inventory Control Points."	A decision was made to combine the draft directive and instruction back into a single regulation format. Extended time needed to coordinate and staff the revised guidance.	DLA
98-067, Access Reciprocity Between DoD Special Access Programs, 2/10/1998	Standardize Special Access Program (SAP) eligibility implementing criteria and develop a centralized SAP database.	Competing management priorities and extensive time to revise DoD publications. Lack of management responsiveness.	USD(I), Army, Navy, AF



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
98-116, Accounting for Defense Logistics Agency Supply Management Receivables, 4/20/1998	Revise procedures for handling accounts receivable to accrue and record interest, penalty, and administrative charges on past due accounts.	Competing management priorities.	DFAS
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.	Competing management priorities, funding restraints and extended time needed to coordinate and issue DoD policy. Developing new testing procedures for certification program. Lack of management responsiveness.	USD(I)
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.	Delays have been experienced in coordinating and issuing policy.	Army
D-2000-111, Security Clearance Investigative Priorities, 4/5/2000	Establish timeframes to expedite investigative priorities.	Corrective action delayed by the transfer of the personnel security investigative function from DSS to OPM. Awaiting funding for new electronic capability and issuance of policy guidance. Lack of management responsiveness.	USD(I), DSS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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.)	Extensive time/resources needed to modify an automated system. Impacted by transformation of the personnel security program. Lack of management responsiveness.	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.	Remaining differences between Army and Air Force comments have to be resolved and incorporated into the joint instruction.	Army
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)
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 (DISCO). Establishment of continuing education standards to facilitate the certification of professional adjudicators. Issue guidance on professional certification and continuous training program for all adjudicators.	Extensive time required to update DoD guidance. DoD Regulation 5200.2-R delayed due to mandate by the President, and signature of the "Springer-Hadley" memorandum directing personnel security and suitability process reform across the Federal Government. Lack of management responsiveness.	DSS, USD(I)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2001-099, Use of Contract Authority for Distribution Depots by the Defense Logistics Agency, 4/16/2001	Modify the Financial Management Regulation, Volume 11B, to include procedures that require that all use of contract authority is adequately posted and liquidated in the DoD working capital fund accounting records at the activity group level.	Extensive time required for changes to financial policies.	USD(C)
D-2001-124, U.S. Special Operations Command Use of Alternative or Compensatory Control Measures (U), 5/18/2001	Report is classified.	Extensive time required for coordination and publication of DoD document. Awaiting copy of finalized documents and overdue response from the Joint Staff.	JS
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.	Delays continue in preparation and coordination of DoD guidance.	USD(I)
D-2001-148, Automated Transportation Payments, 6/22/2001	Issue policy to address information assurance requirements for commercial automated processes.	Coordination and approval of the implementing policy continues.	ASD(NII), USD(C)
D-2001-153, Pentagon Reservation Maintenance Revolving Fund, 7/2/2001	Develop processes to identify the appropriate construction costs to be used in transferring completed projects from the construction in progress account to the real property accounts.	Implementation has been delayed by higher management priorities.	WHS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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 (AMC), and Defense Courier Service (DCS) assets. Create electronic interfaces between the logistics and the accounting systems for transferring data.	Implementation has been delayed by higher management priorities.	TRANSCOM
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 customs forms using an electronic data interchange.	Delays in coordinating and issuing policy.	USFK
D-2002-008, Controls Over the Computerized Accounts Payable System (CAPS) at Defense Finance and Accounting Service Kansas City (DFAS-KC), 10/19/2002	Improve guidance on criteria for proper and accurate receipt and invoice documentation; improve organizational structures to provide better internal controls.	Delays in coordinating and issuing policy.	USD(C)
D-2002-010, Armed Services Blood Program Defense Blood Standard System, 10/22/2001	Establish a plan, controls, assessment requirements and training related to the Defense Blood Standard System (DBSS) upgrade. Also, establish procedures to ensure effective deployment of those DBSS upgrades.	Extended time needed to FDA approval for upgrade and deployment of the upgraded DBSS system.	Army, AF, ASD(HA)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2002-024, Navy Fleet Hospital Requirements (U), 12/12/2001	Report is classified.	Corrective actions are delayed by changing requirements.	Navy, PACOM
D-2002-056, Controls Over Vendor Payments Made for the Army and Defense Agencies Using the Computerized Accounting Payable System (CAPS), 3/6/2002	Revise the Financial Management Regulation to incorporate the requirements of 5 CFR 1315.	Delays in coordinating and issuing policy.	USD(C)
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 (DDRS) 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-2002-075, Controls Over the DoD Purchase Card Program, 3/29/2002	Strengthen controls to modify contract with banks to prevent accounts from being reopened after notification to close, and provide reports on oversight reviews.	Corrective action requires long-term development of risk-assessment tools.	USD(AT&L)
D-2002-076, Funding Invoices to Expedite the Closure of Contracts Before Transitioning to A New DoD Payment System, 3/29/2002	Revise Financial Management Regulation, Chapter 10, Appendix B, number 7, "Accounting Requirements for Expired and Closed Accounts," to require that the DoD activity to which a program has transferred be responsible for providing current-year funding.	Delays in coordinating and issuing policy.	USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2002-091, Accountability and Control of Materiel at the Corpus Christi Army Depot, 5/21/2002	Comply with guidance for storage of maintenance materiel and the preparation and submission of management reports for review; perform annual physical inventory and quarterly reviews of materiel.	Lack of management responsiveness.	Army
D-2002-117, Review of FY 2001 Financial Statement for the Defense Intelligence Agency (U), 6/25/2002	Report is classified.	Competing management priorities.	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 Serviced by the DC Water and Sewer Service, 8/20/2002	Establish and implement procedures to verify that the DCWASA routinely inspects and reports results of inspections for DoD-owned water meters; develop and implement effective controls and procedures to verify that the DCWASA accurately reads water meters; establish and implement a maintenance program.	Delays were caused by installation and program compatibility issues, other technical difficulties, and contract terminations.	Army, Navy, AF, 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 is on hold pending the resolution of an internal disagreement within the U.S. Fish and Wildlife Service.	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 (CCR) 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.	Action is being taken by management to implement a manual, rather than an automated, solution.	DFAS
D-2003-034, Adjustments to the Intergovernmental Payments Account, 12/10/2002	Revise the Financial Management Regulation to specify the documentation required to support adjustments from account F3885, 'Undistributed Intergovernmental Payments,' to closed appropriations.	Delays in coordinating and issuing policy.	USD(C)
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.	Corrective actions are on schedule.	USD(AT&L)
D-2003-067, Recoveries of Prior Year Obligations, 3/21/2003	Revise the Financial Management Regulation to be consistent with recovery reporting guidance issued by the OMB and the Department of the Treasury. Program DFAS accounting systems to properly capture, record, and report recoveries of prior year obligations.	Extensive time required for changes to financial policies.	USD(C), DFAS
D-2003-072, DoD Compliance with the Uniformed and Overseas Citizens Absentee Voting Act, 3/31/2003	AF is updating guidance to be consistent with DoD level guidance.	Publication of AF Instruction was delayed to include pending revision of DoD guidance.	AF

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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.	Corrective actions are on schedule.	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.	Competing management priorities.	DIA
D-2003-095, Accounting for Reimbursable Work Orders at Defense Finance and Accounting Service Charleston, 6/4/2003	Develop business practices for Navy fund administrators to properly account for reimbursable work orders. Develop a methodology and provide guidance to prevent Navy fund administrators from over obligating at the segment level. Establish edit checks that align with the business practices of the Navy.	Long-term process to develop and implement improved business practices, methodologies, and guidance.	DFAS, Navy
D-2003-105, Management of Developmental and Operational Test Waivers for Defense System, 6/20/2003	Report is FOUO.	Extensive delays in coordinating and issuing policy.	USD(AT&L)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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	System enhancements to correct deficiencies are in process.	Extended time needed to develop system enhancements.	USD(P&R)
D-2003-122, Financial Management: Closing the Army's 1985 M1a1 Tank Contract (Contract DAAE07-85-C-A043), 8/13/2003	Issue guidance for unrec- oncilable contracts; update the DoD FMR to specifically address the requirement to maintain vouchers and supporting documentation to facilitate complete contract reconciliations.	Guidance delayed due to re-writing and coordination issues, and competing priorities.	USD(C)
D-2003-128, The Chemical Demilitarization Program: Increased Costs for Stockpile and Non-Stockpile Chemical Disposal Programs, 9/4/2003	As directed by USD(AT&L), Army develop and prioritize a plan for the disposal of buried chemical warfare materiel. Upon receipt of the Army plan, USD(AT&L) determine which DoD component should be assigned to implement the plan.	Extended time needed to coordinate and issue policy.	USD(AT&L)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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
D-2003-134, System Security of the Army Corps of Engineers Financial Management System, 9/15/2003	Report is FOUO.	Lack of management responsiveness.	Army
04-INTEL-02, DoD Security Clearance Adjudication and Appeals Process (U), 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.	Extensive time required to update DoD Regulations. DoD Regulation 5200.2-R delayed due to mandate by the President, and signature of the "Springer-Hadley" memorandum directing personnel security and suitability process reform across the federal government. Lack of management responsiveness.	USD(I)
D-2004-007, Force Protection in the Pacific Theater (U), 10/14/2003	Report is classified.	Army and USMC are in process of updating their guidance based on DoD guidance published on 10/30/06.	Army, AF, PACOM, MC



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
04-INTEL-07, Audit of the Physical Security of Nuclear Weapons (U), 5/3/2004	Report is classified.	Extensive time required to update and finalize DoD guidance. Manual out for coordination with comments due November 26, 2008.	ATSD(NCB), AF
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 numerous related guidance continues.	Army
D-2004-012, Sole-Source Spare Parts Procured From an Exclusive Distributor, 10/16/2003	Report is FOUO.	Lack of management emphasis.	Army
D-2004-020, Allegations Concerning Improprieties in Awarding National Guard Contracts, 11/18/2003	Implement a formal acquisition policy that integrates the existing roles of various Army National Guard and Federal communication and IT groups. Develop a process with measurable IT standards and defined business processes. Coordinate the requirements for help desk support to eliminate duplicate contract costs.	Delays in staffing and approving a charter that is acceptable to the main parties- National Guard Bureau, Army National Guard, and Air National Guard.	NGB

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-034, Environ- ment: Defense Hotline Allegations Regarding the Environmental Compli- ance Assessment Process at U.S. Army Corps of En- gineers, Portland District, 12/4/2003	Clarify requirements for internal assessments.	The Corps' guidance update was put on hold pending the revision of a higher level Army regula- tion, and is currently being reviewed by the Corps' Of- fice of General Counsel.	Army
D-2004-041, The Security of the Army Corps of En- gineers Enterprise Infra- structure Services Wide- Area Network, 12/26/2003	Report is FOUO.	Lack of management re- sponsiveness.	Army
D-2004-047, Implementa- tion of the DoD Manage- ment Control Program for Army Category II and III Programs, 1/23/2004	Program Managers will be able to store acquisi- tion documents in Virtual Insight (VIS) so the Mile- stone Decision Author- ity can review document status from development to document approval. Army Regulations will be updat- ed to reflect new reporting procedures.	Extensive time needed to publish DoD guidance and revise Army regulation.	Army
D-2004-050, Management Structure of the Coop- erative Threat Reduction Program, 2/5/2004	Revise DoD guidance to clarify the roles of respon- sible offices for the Coop- erative Threat Reduction Program.	Extensive time required to coordinate and issue guid- ance.	DAM
D-2004-053, Defense Threat Reduction Agen- cy Relocation Costs, 2/19/2004	Develop detailed guidance on what should be con- sidered 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 guid- ance.	WHS



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-059, Financial Management: Assets Depreciation Reported on the U.S. Army Corps of Engineers FY 2002 Financial Statements, 3/16/2004	Determine the appropriate useful life for all USACE-owned assets. Request a waiver from the DoD FMR based on USACE-unique mission requirements.	The U.S. Army Corps of Engineers did not aggressively pursue a USD(C) response to the Corp's request for a waiver from DoD FMR requirements.	Army
D-2004-061, Export Controls: Export Controlled Technology at Contractor, University and Federally Funded Research and Development Center Facilities, 3/25/2004	Expand DoD guidance to encompass all export-controlled technology and enumerate the roles and duties of responsible personnel. Ensure incorporation of appropriate export compliance clauses into solicitations and contracts.	Extensive time required to coordinate and issue policy guidance.	USD(P), USD(AT&L)
D-2004-063, Financial Management: Controls Over U.S. Army Corps of Engineers (USACE) 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.	AF
D-2004-079, Reliability of the Defense Intelligence Agency FY 2003 Financial Statements (U), 4/29/2004	Report is classified.	Competing management priorities.	DIA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-080, Environmental Liabilities Required to be Reported on Annual Financial Statements, 5/5/2004	Implement guidance to improve the development, recording, and reporting of environmental liabilities. Establish a quality control program to assess environmental liability processes and controls. Issue guidance requiring that future environmental liability electronic cost estimating system efforts comply with Defense Environmental Restoration Program Management Guidance.	Normal time to develop and implement new guidance and procedures.	USD(AT&L)
D-2004-087, Health Care: DoD Management of Pharmaceutical Inventory and Processing of Returned Pharmaceuticals, 6/17/2004	ASD (HA), in coordination with the Military Surgeons General, develop standard policies and procedures for pharmaceutical inventory management at the Military Treatment Facilities (MTFs) and also require MTFs to use a pharmaceutical returns company.	Extended time needed for update of Air Force publication.	Army, AF
D-2004-091, Management of Network Centric Warfare Within the Department of Defense, 6/22/2004	Report is FOUO.	Extensive time required to coordinate and issue revised policy.	ASD(NII)
D-2004-094, Acquisition: Direct Care Medical Services Contracts, 6/24/2004	Develop a process for future payments of FICA tax for individual set-aside contracts. Establish a pilot program for the acquisition of direct care medical services.	Normal time needed for implementation.	USD(C), ASD(HA)
D-2004-099, Reliability of National Security Agency FY 2003 Financial Statements (U), 7/15/2004	Report is classified.	Corrective actions are on schedule.	NSA



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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
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
05-INTEL-19, Nuclear Command and Control (U), 6/30/2005	Report is Classified	Extensive time required to update and finalize DoD guidance. Manual out for coordination with comments due November 26, 2008.	ATSD(NCB)
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

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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-2005-024, Management of Navy Senior Enlisted Personnel Assignments in Support of Operation Iraqi Freedom, 12/15/2004	Develop a new method for tracking manning for all pay grades, Navy Enlisted Classification codes, and knowledge, skills, and abilities.	The Total Force Authorization and Requirements System has been shelved because the most recent Users Acceptance Test showed it did not meet essential requirements. Awaiting details on an alternative plan that will address the Navy's agreed upon action.	Navy
D-2005-026, Financial Management: Reliability of U.S. Army Corps of Engineers, Civil Works, Fund Balance With Treasury and Unexpended Appropriations, 12/28/2004	USACE is implementing system changes to improve the reliability or recording and reporting Fund Balance With Treasury and Unexpended Appropriations accounts.	Implementation has been delayed by higher management priorities.	Army
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-2005-033, Acquisition: Implementation of Interoperability and Information Assurance Policies for Acquisition of Navy Systems, 2/2/2005	Prepare and staff a DoD Directive that specifies the types of systems and system information capability requirements to be included in the inventory for Global Information Grid assets; and the responsibilities of DoD Components in populating and maintaining the inventory for Global Information Grid assets.	Pending resolution of a mediation on subsequent issues concerning the definition of a system.	ASD(NII)
D-2005-035, Existence of U.S. Army Corps of Engineers Buildings and Other Structures, 2/15/2005	USACE-wide implementation of corrective actions regarding Buildings and Other Structures is being performed.	Implementation has been delayed by higher management priorities.	Army
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.	Competing management priorities and insufficient resources.	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.	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.	Extensive time required to coordinate and issue three policies that are in development, draft and formal coordination.	ASD(NII)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2005-056, Reliability of the FY 2004 Financial Statements for the National Geospatial-Intelligence Agency (U), 4/29/2005	Report is classified.	Corrective actions are on schedule.	NGA
D-2005-074, Support for Reported Obligations for the National Security Agency (U), 6/28/2005	Report is classified.	Corrective actions are on schedule.	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.	DFAS, DISA, Army
D-2005-096, DoD Purchases Made Through the General Services Administration, 7/29/2005	DoD is establishing new policies and revising the DoD FMR to improve intergovernmental transactions, the use of Military Departmental Purchase Requests, and assisted acquisitions.	Corrective actions are ongoing	USD(AT&L), USD(C)
D-2005-097, Auditability Assessment of the Financial Statements for the Defense Intelligence Agency (U), 8/18/2005	Report is classified.	Competing management priorities.	DIA
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.	Corrective actions are ongoing.	Navy



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2005-108, Review of the U.S. Army Corps of Engineers, Civil Works Balance Sheet Reporting and Financial Statement Compilation, 9/16/2005	The USACE is establishing a comprehensive correction action program to ensure that the instructions provided in the information papers are fully and consistently executed at all USACE activities.	Lack of management attention in fully implementing corrective action.	Army
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.	Army, Navy, AF, USD(I), ASD(HA)
D-2006-004, Acquisition of the Objective Individual Combat Weapon, 10/7/2005	Report is FOUO.	Extensive time needed to coordinate and issue policy.	USD(AT&L)
D-2006-007, Contracts Awarded to Assist the Global War on Terrorism by the U.S. Army Corps of Engineers, 10/14/2005	The DCAA will conduct an audit of costs of task orders awarded under Contract No. DACA78 03 D0002.	Normal time for DCAA to plan and conduct a review.	Army
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

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-010, Contract Surveillance for Service Contracts, 10/28/2005	The AT&L will issue guidance defining roles and responsibilities of contract administration personnel regarding the monitoring of contractor performance. 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.	USD(AT&L), Army
D-2006-011, Report on the Foreign Military Sales Trust Fund Cash Management, 11/7/2005	Improve internal controls of the FMS cash management program. Establish adequate audit trails to enable managers or auditors to verify disbursements.	Corrective actions are on schedule.	DFAS
D-2006-026, Air Force Operational Mobility Resources in the Pacific Theater (U), 11/17/2005	Report is classified.	Implementation is moving forward now that the necessary guidance has been published.	AF
D-2006-028, DoD Reporting System for the Competitive Sourcing Program, 11/22/2005	Revise DoD 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 MEOs.	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.	Corrective actions are on schedule.	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 an old instruction and update and formalize other SOPs 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, 12/26/2005	Report is Classified.	Corrective actions are on schedule.	Army, USFK, MC
D-2006-042, Security Status for Systems Reported in DoD Information Technology Databases, 12/30/2005	Ensure information in DoD information technology database is accurate and complete	Efforts are ongoing to fully implement the utilization of automatic data integrity controls to preclude population of data elements with invalid entries.	ASD(NII)
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.	Management corrective actions on schedule.	Army
D-2006-044, Controls Over the Export of Joint Strike Fighter Technology, 1/11/2006	Report is FOUO.	Management corrective actions on schedule.	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-2006-050, Report on Accuracy of Navy Contract Financing Amounts, 2/7/2006	Cross SYSCOM Lean Six Sigma black belt project is being completed that will include an end-to-end review of the disbursements process.	Corrective actions are on schedule.	Navy
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.	Deployment of prototype and an access control server are planned for the follow on contract.	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 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



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-055, Spare Parts Procurements From TransDigm, Inc., 2/23/2006	The DLA will revise guidance and conduct training to strengthen contracting policies and procedures. Additionally, the DLA will meet with TransDigm management to achieve improvements and DLA will also evaluate the suitability of reverse engineering TransDigm items.	Corrective actions are ongoing.	DLA
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.	Normal time to revise and implement new guidance and training.	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-2006-059, Air Force Procurement of 60K Turner Cargo Loader Contractor Logistics Support, 3/3/2006	The Air Force will perform analyses to determine the best value approach and the feasibility of teaming with the Marine Corps.	Corrective actions are on schedule.	AF
D-2006-060, Systems Engineering Planning for the Ballistic Missile Defense System, 3/2/2006	Report is FOUO.	Extended time needed to coordinate and issue policy. Continued system development on held pending results of planned test.	MDA
D-2006-061, Source Selection Procedures for the Navy Construction Capabilities, 3/3/2006	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-2006-062, Internal Controls Over Compiling and Reporting Environmental Liabilities Data, 3/15/2006	Improve internal controls over the compilation and reporting of cost-to-complete estimates for environmental liabilities.	Corrective actions of this material weakness involves a long-term effort.	AF
D-2006-063, Financial Management: Report on Internal Controls Over Department Expenditure Operations at Defense Finance and Accounting Service Indianapolis, 3/10/2006	Perform reviews and reconciliations of uncleared transactions, ensure appropriate resolution, and enforce applicable DoD FMR policy.	Required coordination efforts for discontinued research are taking longer than expected.	DFAS
D-2006-067, Controls Over Exports to China, 3/30/2006	Improve the guidance and documentation for the export review process. Expand access to USX-PORTS within DoD.	Management corrective actions on schedule.	USD(P)
D-2006-071, Acquisition: 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 coordinating and issuing policy.	STRATCOM, 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 FY they can prove existence, completeness, and valuation and use that FY 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 on-going.	Army, Navy, AF, USD(AT&L), USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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 and 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.	Corrective actions are on schedule.	USD(AT&L)
D-2006-076, Financial Management: Report on DoD Compliance With the Prompt Payment Act on Payments to Contractors., 4/19/2006	DFAS will process a System Change Request to have the Prompt Pay application (system) changed to ensure that invoices are paid in accordance with the Prompt Payment Act.	Additional time required to implement operational capabilities and issue policy.	Army
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.	DoD Regulation 5200.2-R delayed due to mandate by the President, and signature of the "Springer-Hadley" memorandum directing personnel security and suitability process reform across the federal government. Other issuances are dependent upon that updated version of that Regulation.	USD(I), DISA, AF
D-2006-078, Information Systems Security: Defense Information Systems Agency Encore II Information Technology Solutions Contract, 4/21/2006	Report is FOUO.	Revisions to DoD guidance delayed. New estimated completion date is October 2008.	ASD(NII)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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 milestones for issuing overarching guidance on the Department's position on the use of environmental insurance; establish a process to evaluate whether DoD is achieving the anticipated benefits of risk reduction, cost savings, timely completion of clean-up projects, and increased used of performance-based contracting for environmental cleanup services, as it relates to environmental insurance.	Long-term corrective action on schedule.	USD(AT&L)
D-2006-081, Financial Management: Recording and Reporting of Transactions by Others for the National Security Agency, 4/26/2006	Report is FOUO.	Corrective actions are on schedule.	NSA
D-2006-083, Report on Information Operations in U.S. European Command (U), 5/12/2006	Report is Classified.	Corrective actions are on schedule.	JS, STRATCOM, USD (I)



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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.	Corrective actions are on schedule	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: 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-2006-089, Acquisition of the Armed Forces Health Longitudinal Technology Application, 5/18/2006	Develop additional or more robust mitigation strategies that address the risks related to Commercial Off the Shelf product integration.	Normal time needed for implementation.	ASD(HA)
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.	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 ICS, and then to a CLS 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 FAR 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 BCA that evaluates multiple sustainment options for the C-17 Globemaster III aircraft. Also, develop policy that will require future Air Force public-private partnership contracts to identify the resources being procured with private investment.	Normal time needed for implementation.	AF
D-2006-102, Marine Corps Governmental Purchases, 7/31/2006	The USMC will update MCO P7300.21 to strengthen policies and procedures and training for the use of Military Interdepartmental Purchase Requests.	Corrective actions are on schedule.	USD(C), MC



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D-2006-106, Allegations Concerning Mismanagement of the Aerial Targets Program, 8/4/2006	Issue revised guidance to mitigate frequency interference risks and to emphasize Joint Tactical Radio System notification requirements.	Delays have been caused by personnel turnover, the need to reflect the reinstatement of the JTRS waiver process for handheld radios only, and re-combinations of guidance documents.	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.	The report's disputed issues that were being addressed through the mediation process were decided September 30, 2008.	USD(AT&L), DTSA
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

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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.	USD(AT&L), AF, DISA
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 unreconciled differences in budget execution data as part of the footnote disclosures to the Army financial statements.	Long-term corrective action on schedule.	DFAS
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 approval process to update DoD guidance.	USD(AT&L)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-117, American Forces Network Radio Programming Decisions, 9/27/2006	Update DoD Regulation 5120.20-R to provide written policies, controls, and procedures for the radio programming decision-making process.	Guidance update delayed by BRAC consolidation of American Forces Information Service and internal communications functions of the services.	ASD(PA)
D-2006-118, Financial Management: Financial Management of Hurricane Katrina Relief Efforts at Selected DoD Components, 9/27/2006	Issue policy guidance directing the closeout of Hurricane Katrina mission assignments and return of reimbursable funding authority to FEMA. Revise DoD FMR to reflect changes in financial management responsibilities.	USD (C) actions contingent on revision of ASD (HD) guidance; corrective actions predicated upon actions by outside agencies.	USD(C), NORTHCOM
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-2007-002, Logistics: Use of DoD Resources Supporting Hurricane Katrina Disaster, 10/16/2006	Revise DoDD 3025.1, Military Support to Civil Authorities, to identify ASD (HD) as executive agent for defense support of civil authorities and the USNORTHCOM as the supporting combatant command for defense support of civil authorities.	Normal time needed for implementation.	ASD(HD)
D-2007-005, Army Acquisition Executive's Management Oversight and Procurement Authority for Acquisition Category I and II Programs, 10/12/2006	Ensure that critical system operational and developmental performance deficiencies identified at the full-rate production decision are corrected on a timely basis.	Extended time needed to coordinate and issue policy.	Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-008, Acceptance and Surveillance of F-16 Mission Training Center Simulation Services, 11/1/2006	The Air Force and the DCMA will develop quality assurance surveillance plans for the follow on F-16 Mission Training Center simulation service contract. The Air Force will revise AFI 36-2251 to more clearly define the roles and responsibilities of personnel who manage and administer simulation service contracts throughout all major commands.	Extensive time required to coordinate and issue policy.	AF
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 responsiveness.	Army
07-INTEL-10, Report on Defense Hotline Complaint on Pentagon Force Protection Agency Acquisition of Technical Surveillance Countermeasures and Security Support (U), 7/11/2007	Report is classified.	Management corrective actions are on schedule.	AF, DAM



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-023, DoD Purchases Made Through the National Aeronautics and Space Administration, 11/13/2006	The USD(AT&L) will develop and implement policy guidance to strengthen DoD contracting procedures and training requirements. The Navy will develop training for contracting personnel on proper acquisition planning and administration of interagency acquisitions. The DISA will strengthen contracting procedures in the proper use of non-DoD contracts.	Corrective actions are on schedule.	USD(AT&L), Navy, DISA
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. DFAS will develop, document, and implement a reconciliatory process from disbursing systems to work counts in e-Biz.	Long-term corrective actions on schedule.	USD(P&R), DFAS
D-2007-025, Acquisition of the Pacific Mobile Emergency Radio System, 11/22/2006	Report is FOUO.	Extended time needed to analyze costs and complete required program documents.	PACOM
D-2007-028, Controls Over Army Cash and Other Monetary Assets, 11/24/2006	DFAS has developed the agent officer roster but it needs to be verified.	Corrective actions are on schedule.	DFAS

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 Information Systems (FOUO), 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, service continuity, authorization, and accuracy.	Long-term corrective action on schedule.	Navy



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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 (A/P) 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 maintained and supports proper disbursements; improve payment and operating procedures used to make vendor payments; require all certifying officials to provide supporting documents.	Corrective actions are on schedule.	USD(C), DFAS, Navy
D-2007-043, Controls Over the Army, Navy, and Air Force Purchase Card Programs, 1/10/2007	The Army and Air Force will issue 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	The U.S. Army will revise its internal policy guidance 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

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-049, Equipment Status of Deployed Forces Within the U.S. Central Command, 1/25/2007	Report is Classified.	Awaiting publication of pending guidance.	USD(P&R)
D-2007-054, Quality Assurance in the DoD Healthcare System, 2/20/2007	ASD (HA) will revise DoD 6025-13-R, "Military Health System (MHS) Clinical Quality Assurance (CQA) 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 implementation of recommendations.	ASD(HA), Army, Navy, AF
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 recordkeeping and process actions to recoup disbursements associated with government-ordered delay of work and unsupported payments to contractors.	Lack of management responsiveness.	Army



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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-2007-061, Defense Finance and Accounting Service Dayton Network Compliance With the Prompt Payment Act, 3/1/2007	Improve processes and procedures to ensure compliance with the Prompt Payment Act.	Management corrective actions on schedule.	DFAS
D-2007-062, Department of the Navy Purchases for and From Governmental Sources, 2/28/2007	The DUSD Installations and Environment is to update DoDI 4000.19 to include the requirements of the DoD Financial Management Regulation, Volume 11A, Chapter 3. Also, the DoN will update the Funds Usage Documents Course and the Financial Management Policy Manual to include more detailed procedures associated with MIPRs to both DoD and Non-DoD providers.	Extensive time required to revise policy guidance and develop new training course.	USD(AT&L), Navy
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, BTA, 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	Improve the Dashboard reporting system. Implement documentation and testing requirements in support of program milestone decision reviews.	Corrective actions are in progress. Currently awaiting status update from Navy.	Navy
D-2007-067, DoD Initiatives for Combating Weapons of Mass Destruction, 3/30/2007	Report is FOUO.	Extensive time needed to coordinate and issue policy (USD(AT&L)) and to conduct DoD-wide assessment (Joint Staff). Delays have been experienced in integrating Command oversight with DoD initiative.	USD(AT&L), JS, STRATCOM
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), ASD(HA), 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 priced 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 budget reductions and requirement revisions.	AF



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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. Also, the NAVFAC SW will evaluate the technical workload required by the contract and will provide two additional technical personnel to the residual organization.	Long-term corrective actions on schedule.	Navy
D-2007-081, Financial Management of Hurricane Katrina Relief Efforts at the U.S. Army Corps of Engineers (USACE), 4/6/2007	Revise Engineering Pamphlet 37-1-6 to include the Standard Operating Procedure for the new Intra-Governmental Payment and Collection System procedures for streamlining the billing process between the USACE and FEMA.	Extensive time needed to update guidance.	Army
D-2007-082, Defense Information Systems Agency Controls Over the Center for Computing Services, 4/9/2007	Report is FOUO.	Corrective actions are on schedule.	DISA
D-2007-084, Acquisition of the Navy Rapid Airborne Mine Clearance System, 4/11/2007	Report is FOUO.	Slow system development and long-term process to develop and implement guidance.	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 up-coming audit.	DFAS
D-2007-094, Consolidation of Lockheed Martin Pension Accounting Records for Selected Business Acquisitions, 5/14/2007	Report is FOUO.	Management corrective actions on schedule.	DCMA
D-2007-095, Consolidation of Raytheon Pension Accounting Records for Selected Business Acquisitions, 5/14/2007	Report is FOUO.	Management corrective actions on schedule.	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 receiving of incoming customer orders, payments and deobligations of funds, and reimbursements to the services for details of military personnel outside of DoD.	Corrective actions are on schedule.	DIA
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), SOCOM



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-102, Charges Relating to Air Force Host/ Tenant Agreements Where the AF is Either Host or Tenant, 8/14/2007	The MDA will complete a review of calendar year 2005 and 2006 costs billed to their tenants using the new guidelines for calculating tenant charges. The MDA will then refund or credit overcharges to the tenant, return overcharges to Treasury, or ask for reimbursement of undercharges, as appropriate, based on the review results.	MDA review results currently being verified by the DoD IG.	MDA, AF
D-2007-106, Air Force Network-Centric Solutions Contract, 6/29/2007	The contract will be modified to remove small business set-aside language.	Corrective actions are on schedule.	AF
D-2007-109, Special Operations Command Governmental Purchases, 7/9/2007	The USSOCOM will revise Regulation 37-4, Military Interdepartmental Purchase Request Process, to place added responsibilities on all players involved in the MIPR process and ensure MIPRs are processed correctly.	Extensive time required to revise policy guidance.	SOCOM
D-2007-110, Identifi- cation and Reporting of Improper Payments Through Recovery Audit- ing, 7/9/2007	DoD will evaluate the reported impediments in recovery auditing and take action to improve the program by including data access, providing quality data to DoD, and by minimizing delays from excessive oversight in DoD by establishing performance metrics that ensure expedited recoveries.	Corrective actions are on schedule.	USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
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.	Management corrective actions on schedule.	DFAS
D-2007-115, Audit of the Army Information Tech- nology Enterprise Solu- tions-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, complying with consolidation and bundling requirements, and improving internal controls.	Coordination issues within the Army continue to be addressed.	Army
D-2007-118, Contract Administration of the Ice Delivery Contract Between International American Products, Worldwide Ser- vices and the U.S. Army Corps of Engineers During the Hurricane Katrina Re- covery Effort, 8/24/2007	Ensure all Army Corps personnel at the Districts performing the National Ice/Water mission are adequately trained on procedures applicable to their duties. Also, finalize the Standard Operating Procedures for invoice processing.	Corrective actions are on schedule.	Army
D-2007-119, Procurement of Propeller Blade Heat- ers for the C-130 Aircraft, 8/27/2007	The DSCR 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 Appro- priations for DoD Needs Arising From Hurricane Katrina at Selected DoD Components, 9/12/2007	Update DoD FMR to address issues related to domestic contingencies and seek reimbursement from FEMA for funds expended on the FEMA mission assignments related to Hurricane Katrina.	Extensive time required to coordinate and revise guidance and closeout FEMA mission assignments.	USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-122, Report Of Marine Corps Internal Controls Over Military Equipment Funds, 9/11/2007	Revise the Marine Corps Order P7300.21 to include the DoD Financial Management Regulation, volume 3, chapter 8 requirement that funds be obligated and deobligated no more than 10 calendar days after being incurred and within the same month incurred for obligations of \$100,000 or more.	Management corrective actions on schedule.	MC
D-2007-124, Audit of Purchases Made Using USJFCOM Limited Acquisition Authority, 9/27/2007	Revisions to USJFCOM Instruction 4200.1 and to develop memorandum of agreements that identify roles and responsibilities for all participants for limited acquisition authority purchases. Also to adopt the practice of identifying funding documents for limited acquisition authority purchases.	Corrective actions are on schedule.	JFCOM
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-2007-129, Civilian Payroll and Withholding Data for FY 2007, 9/28/2007	Continue to implement and improve payroll withholding procedures at personnel offices to ensure that payroll withholding authorizations support the amounts withheld.	Corrective actions will be verified during an upcoming audit.	Navy, DoDEA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-130, Contracting Practices at Air Force Laboratory Facilities, 9/28/2007	Revision of Air Force Instruction 63-101 to include guidance that each Air Force Laboratory develop a quality assurance surveillance plan for each contract to reduce the risk of overpayment for services received and ensure surveillance responsibilities are carried out.	Extensive time needed to update guidance.	AF
D-2007-131, Report on Followup Audit on Recommendations for Controls Over Exporting Sensitive Technologies to Countries of Concern, 9/28/2007	Establish followup procedures to ensure that timely and responsive actions are taken to implement all audit recommendations.	Management corrective actions on schedule.	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 170-2 to update requirements and appropriate use of the Aviation Into-Plane Reimbursement Card.	Management 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 on-going.	DCMA



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-6-009, Actions on Reportable Contract Audit Reports by the Defense Contract Management Agency's Northrop Grumman El Segundo Office, 9/28/2007	The DCMA will reinstitute its Contract Management Boards of Review with the Office of General Counsel as one of its members. Negotiation of final overhead rates depending on their dollar value and disagreements concerning the allowability of legal costs will be subject to boards of review. Also, all contracting instructions, guidance and administrative procedures will be reviewed to confirm they provide adequate support to Agency Contracting Officers.	Corrective actions are on schedule.	DCMA


APPENDIX H

ACRONYMS

(A&AS) Advisory and Assistance Services	(CAC) Common Access Cards
(ACC) Air Combat Command	(CAPS) Computerized Accounting Payable Systems
(ACERT) Army Computer Emergency Response Team	(CBA) Centrally Billed Accounts
(AFAA) Air Force Audit Agency	(CbT) Combating Terrorism
(AFB) Air Force Base	(CCC) Central Criminal Court (Iraq)
(AFCEE) Air Force Center for Engineering and the Environment	(CCPD) Certified Cost of Pricing Data
(AFE) Alternate Fighter Engine	(CCR) Central Contractor Registration
(AFEMS) Air Force Equipment Management System	(CENTCOM) U.S. Central Command
(AFMC) Air Force Materiel Command	(CERT/CC) Computer Emergency Response Team Coordination Center
(AFOSI) Air Force Office of Special Investigations	(CF) Coalition Forces
(AFRH) Armed Forces Retirement Home	(CFO) Chief Financial Officer
(AGM) Air-To-Ground Missiles	(CFT) Contract Field Team
(AGM-86) Air-Launched Cruise Missiles	(CI) Counterintelligence
(AGM-129) Advanced Cruise Missiles	(CITF) Criminal Investigation Task Force
(AIO) Acquisition Integrity Office	(CLS) Contractor Logistics Support
(ANSF) Afghan National Security Forces	(CMG) Clover Merchant Group
(AOR) Area of Responsibility	(COCOM) Combatant Command
(AP) Airborne Payload	(CONCAP) Navy Construction Capabilities Contract
(APO) Audit Policy and Oversight	(CONUS) Continental United States
(AQIZ) al-Qaeda in Iraq	(COTS) Commercial Off the Shelf
(Army CID) U.S. Army Criminal Investigation Command	(Cpl) Corporal
(ART) Air Expeditionary Force Reporting Tool	(CPT) Current Procedural Terminology
(ASMC) American Society of Military Comptroller's	(CQA) Clinical Quality Assurance
(ASTAMIDS) Airborne Surveillance, Target Acquisition, and Minefield Detection System	(CW) Cooperating Witness
(ATF) Alcohol, Tobacco, and Firearms	(CY) Calendar Year
(BATFE) Bureau of Alcohol, Tobacco, Firearms and Explosives	(D200A) Secondary Item Requirements System
(BCS-F) Battle Control System-Fixed	(DA) Department of the Army
(BEIS) Business Enterprise Information Services	(DARPA)
(BFR) Basic Facility Requirement	(DBSS) Defense Blood Standard System
(BLRA) Bayonne Local Redevelopment Authority	(DCAA) Defense Contract Audit Agency
(BLS) Bureau of Labor Standards	(DCIE) Defense Council on Integrity and Efficiency
(BOM) Bill of Material	(DCIO) Defense Criminal Investigative Organizations
(BRAC) Base Realignment and Closure	(DCIS) Defense Criminal Investigative Service
(BSO) Battle Space Owner	(DCMA) Defense Contract Management Agency
(BTL) Build-to-Lease	(DCWASA) D.C. Water and Sewer Authority
	(DDRS) Defense Departmental Reporting System
	(DFARS) Defense Financial Acquisition Regulation Supplement

(DFAS) Defense Finance and Accounting Service
 (DFAS-KC) Defense Finance and Accounting Service-Kansas City
 (DHS) Department of Homeland Security
 (DIB) Defense Industrial Base
 (DISA) Defense Information Systems Agency
 (DISCO) Defense Industrial Security Clearance Office
 (DLA) Defense Logistics Agency
 (DMAG) Depot Maintenance Activity Group
 (DoC) Department of Commerce
 (DoD) Department of Defense
 (DoD IG) Department of Defense Inspector General
 (DoJ) Department of Justice
 (DoN) Department of Navy
 (DoS) Department of State
 (DSCR) Debt Service Coverage Ratio
 (DSS) Defense Security Service
 (DTAS) Deployed Theater Accountability System
 (ECIE) Executive Council on Integrity and Efficiency
 (EFP) Explosive Formed Penetrator
 (EPA) Economic Price Adjustments
 (ESOH) Environment, Safety, and Occupational Health
 (EVM) Earned Value Management
 (EVMS) Earned Value Management System
 (FAEC) Federal Audit Executive Council
 (FAR) Federal Acquisition Regulation
 (FBI) Federal Bureau of Investigation
 (FCS) Future Combat Systems
 (FED) Far East District
 (FICA) Federal Insurance Confirmations Act
 (FISMA) Federal Information Security Management Act
 (FOUO) For Official Use Only
 (FVAP) Federal Voting Assistance Program
 (FY) Fiscal Year
 (GAO) Government Accountability Office
 (GD/BIW) General Dynamics/Bath Iron Works
 (GIG) Global Information Grid
 (GOJ) Government of Japan
 (GNOSC) Global Network Operations Security Center
 (GWOT) Global War on Terror
 (HASC) House of Representatives Armed Services Committee
 (HKFTF) Hurricane Katrina Fraud Task Force
 (HRT) High-Risk Training
 (HSPD) Homeland Security Presidential Directive
 (HVI) High Value Individual
 (IC) Intelligence Community
 (ICC) International Contract Corruption
 (ICE) Immigrations and Customs Enforcement
 (ICF) Intelligence Contingency Funds
 (ICS) Interim Contractor Support
 (ICTTF) International Contract Corruption Task Force
 (IDF) Indirect Fire
 (IED) Improvised Explosive Device
 (IRS) Internal Revenue Service
 (ISF) Iraq Security Forces
 (IT) Information Technology
 (ITT) Intelligence Transition Teams
 (JBB) Joint Base Balad
 (JEFF) Joint Expeditionary Forensic Facilities
 (JGPO) Joint Guam Program Office
 (JIS) Jam'iyyat Ul-Islam Is-Shaheen
 (JOA) Joint Operating Area
 (JOC) Joint Operations Center
 (JPG) Joint Planning Group
 (JSF) Joint Strike Fighter
 (JTF-CND) Joint Task Force- Computer Network Defense
 (JTF-CNO) Joint Task Force- Computer Network Operations
 (JTF-GNO) Joint Task Force- Global Network Operations
 (JTRS) Joint Tactical Radio System
 (JTTF) Joint Terrorism Task Force
 (KBR) Kellog, Brown and Root Inc. (Formerly)
 (LAFO) Los Angeles Field Office
 (LAJTTF) Los Angeles Joint Terrorism Task Force
 (Lcpl) Lance Corporal
 (LCS) Littoral Combat Ship
 (LEP) Law Enforcement Program
 (LOGCAP) Logistics Civil Augmentation Program
 (LRA) Local Redevelopment Authorities
 (MAC) Mission Assurance Category
 (MAJCOM) Major Commands
 (MARCERT) Marine Computer Emergency Response Team
 (MEDEVAC) Medical Evacuation
 (MEO) Military Equal Opportunity
 (MEPRS) Military Expense and Performance Reporting System
 (MHS) Military Health System
 (MILCON) Military Construction
 (MNF-I) Multi-National Force-Iraq
 (MNF-W) Multi-National Force-West
 (MPA) Military Appropriation Account

(MPFU) Major Procurement Fraud Unit
(MRE) Meals Ready to Eat
(MTF) Medical Treatment Facilities
(MTF) Military Treatment Facilities
(NAR) Notice of Ammunition Reclassification
(NATO) North Atlantic Treaty Organization
(NAVAUDSVC) Naval Audit Service
(NAVCIRT) Navy Computer Incident Response Team
(NAVFAC) Naval Facilities
(NBC) Nuclear, Biological, Chemical
(NCIS) Naval Criminal Investigative Service
(NCR) National Capital Region
(NCTC) National Counterterrorism Center
(NETC) Naval Education and Training Command
(NIST) National Institute of Standards and Technology
(NJTTF) National Joint Terrorism Task Force
(NOSC) Network Operations Security Center
(NPPTF) National Procurement Fraud Task Force
(NSC) National Safety Council
(OCONUS) Outside Continental United States
(ODIG-AUD) Office of Deputy Inspector General for Audit
(ODIG-INTEL) Office of Deputy Inspector General for Intelligence
(ODIG-P&O) Office of Deputy Inspector General for Policy and Oversight
(OIF) Operation Iraqi Freedom
(OEE) Office of Export Enforcement
(OEF) Operation Enduring Freedom
(OMB) Office of Management and Budget
(OPCON) Operational Control
(OPP) Okinawa Prefectural Police
(ORM) Operational Risk Management
(OSC) U.S. Office of Special Counsel
(PCIE) President's Council on Integrity and Efficiency
(PCS) Planning and Control System
(PKI) Public Key Infrastructure
(PII) Personally Identifiable Information
(PIV) Physical Inventory Verification
(PMO) Program Management Office
(PP&E) Property, Plant and Equipment
(PSB) Protective Services Battalion
(RSTA/LD) Reconnaissance, Surveillance, Target Acquisition and Laser Designator
(SAP) Special Access Program
(SBCT) Stryker Brigade Combat Team
(SCID-A) Strategic Counterintelligence Directorate-Afghanistan
(SDWA) Safe Drinking Water Act
(SEI) Software Engineering Institute
(SIGAR) Special Inspector General for Afghanistan Reconstruction
(SIGIR) Special Inspector General for Iraq Reconstruction
(SPO) Office of Special Plans and Operations
(SPOT) Synchronized Pre-deployment and Operational Tracker
(SSG) Staff Sergeant
(SSTR) Stability, Security, Transition, Reconstruction
(S&T) Science and Technology
(STR) Service Treatment Record
(STRATCOM) Strategic Command
(SUPSHIP) Supervisor of Shipbuilding
(SWA) Southwest Asia
(SWA JPG) Southwest Asia Joint Planning Group
(SYSCOM) Systems and Materiel Command
(TACOM) Tactical Army Command
(TACON) Tactical Control
(TCS) Temporary Change of Station
(TCTO) Time Compliance Technical Order
(TPD) Torrance Police Department
(TPEG) Technology Protection Enforcement Working Group
(TSE) Tactical Support Element
(TTA) Technology Transition Agreements
(TTP) Training, Tactics and Procedures
(UBO/UBU) Uniform Business Office/ Unified Biostatistical Utility
(USAAA) U.S. Army Audit Agency
(USACE) U.S. Army Corps. of Engineers
(USACIDIC) U.S. Army Criminal Investigation Command
(USACIL) U.S. Army Criminal Investigation Command Laboratory
(USAF) United States Air Force
(USAFCENT) U.S. Air Force Central
(USAREUR) U.S. Army Europe
(USD(C)) Under Secretary of Defense, Comptroller
(USFK) U.S. Forces Korea
(USJFCOM) U.S. Joint Forces Command
(USC) United States Code
(USMC) United States Marine Corps
(USN) U.S. Navy
(USPS) U.S. Postal Service



(USSOCOM) U.S. Southern Command
(USSPACECOM) U.S. Space Command
(USTRANSCOM) U.S. Transportation Command
(USSTRATCOM) U.S. Strategic Command
(USXPORTS) U.S. Exports
(VA) Veterans Affairs
(VCO) Voltage Control Oscillators
(VDP) Voluntary Disclosure Program
(WESS) Web Enabled Safety System
(WMD) Weapons of Mass Destruction

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