

Inspector General

United States
Department *of* Defense



Semiannual Report to the Congress

October 1, 2011 - March 31, 2012

Required by Public Law 95-452



Department of Defense
Inspector General
4800 Mark Center Drive
Alexandria, VA 22350-1500

www.dodig.mil

Defense Hotline 1.800.424.9098



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500



I am pleased to present the Department of Defense Inspector General Semiannual Report to the Congress for the reporting period October 1, 2011 through March 31, 2012. We are dedicated to keeping the Secretary of Defense and Congress fully and currently informed about problems and deficiencies within DoD in order to improve programs and operations. To this end, we detect and prevent fraud, waste, and abuse and promote economy, efficiency, and effectiveness to help ensure the warfighter and DoD personnel are best equipped to achieve the critical mission of defending our country.

Driven by our core values of integrity, efficiency, accountability, and excellence, we conduct oversight which, in this reporting period, identified deficiencies in the areas of contract management, financial reporting, and acquisition; information assurance, security and privacy; public corruption; health care fraud; whistleblower reprisal; senior official misconduct; procurement fraud; and other issues affecting the Department.

We issued 69 reports that identified \$90 million in potential monetary benefits during this reporting period. Investigations conducted by the Defense Criminal Investigative Service resulted in 61 arrests, 155 criminal charges, 87 criminal convictions, 103 suspensions, and 78 debarments, generating a return of \$304 million to the U.S. government. The Defense Hotline handled 8,985 contacts.

This issue highlights support we provide to the Department to include the Defense Hotline, Contractor Disclosure Program, and Whistleblower Protection.

Other agencies within the Defense oversight community also contributed to this report, and we thank our counterpart agencies, which include the Army Audit Agency, Naval Audit Service, Air Force Audit Agency, Army Criminal Investigation Command, Naval Criminal Investigative Service, Air Force Office of Special Investigations, and the Defense Contract Audit Agency.

We thank the soldiers, sailors, airmen, and Marines whose sacrifices for our Nation continue to motivate us to fulfill our mission. Finally, we thank Congress and the Department for their valuable and continued support in improving DoD operations and programs.

Lynne M. Halbrooks

Lynne M. Halbrooks
Acting Inspector General



Acting Inspector General
Lynne Halbrooks testifies
before Congress.

STATISTICAL HIGHLIGHTS

SUMMARY OF AUDIT ACTIVITIES

Reports Issued	48
Monetary Benefits	
Recommendations Made on Funds Put to Better Use	\$90.2 million

SUMMARY OF DEFENSE CRIMINAL INVESTIGATIVE SERVICE ACTIVITIES

Total Returned to the U.S. Government ¹	\$290.1 million
Recovered Government Property	\$1.6 million
Civil Judgments/Settlements	\$127.3 million
Criminal Fines, Penalties, Restitution and Forfeitures	\$159.4 million
Administrative Recoveries ²	\$1.7 million
Investigative Cases	
Arrests	61
Charges	155
Convictions	87
Suspensions	103
Debarments	78

SUMMARY OF ADMINISTRATIVE INVESTIGATIONS

Complaints Received	711
Complaints Closed	601
Senior Official	316
Whistleblower Reprisal	285

SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES

Existing and Proposed Regulations Reviewed	185
Evaluation Reports Issued	9
Inspector General Subpoenas Issued	280

SUMMARY OF INTELLIGENCE ACTIVITIES

Intelligence and Special Program Assessment Reports Issued	4
--	---

SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES

Assessment Reports Issued	6
---------------------------	---

SUMMARY OF DEFENSE HOTLINE ACTIVITIES

Contacts	8,985
Cases Opened	1,398
Cases Closed	1,269

¹ Includes investigations conducted jointly with other law enforcement organizations.

² Includes contractual agreements and military non-judicial punishment.

1. OVERVIEW	
MISSION & ORGANIZATION	2
MISSION	2
ORGANIZATION	3
EXECUTIVE SUMMARY	4
OVERVIEW	4
PRIORITIES	4
CORE MISSION AREAS	5
ENABLING MISSION AREAS	6
OVERSEAS CONTINGENCY OPERATIONS	7
IG HIGHLIGHTS	9
DEFENSE HOTLINE	9
CONTRACTOR DISCLOSURE PROGRAM	10
DEPARTMENT OF DEFENSE WHISTLEBLOWER PROGRAM	12
2. CORE MISSION AREAS	
AUDITS	16
ACQUISITION PROCESSES AND CONTRACT MANAGEMENT	16
FINANCIAL MANAGEMENT	23
INFORMATION ASSURANCE, SECURITY AND PRIVACY	28
JOINT WARFIGHTING AND READINESS	29
NUCLEAR ENTERPRISE	31
INVESTIGATIONS	32
PROCUREMENT FRAUD	32
PRODUCT SUBSTITUTION	34
PUBLIC CORRUPTION	34
HEALTH CARE FRAUD	36
TECHNOLOGY PROTECTION	38
COMPUTER CRIME	39
INSPECTIONS	40
HEALTH AND SAFETY	40
JOINT WARFIGHTING AND READINESS	42
3. ENABLING MISSION AREAS	
DEFENSE HOTLINE	46
SENIOR OFFICIALS AND WHISTLEBLOWER PROTECTION	48
CONGRESSIONAL TESTIMONY AND BRIEFINGS	51
OUTREACH ACTIVITIES	52
4. SERVICES	
ARMY	58
ARMY AUDIT AGENCY	58
ARMY CRIMINAL INVESTIGATION COMMAND	65
NAVY	70
NAVAL AUDIT SERVICE	70
NAVAL CRIMINAL INVESTIGATIVE SERVICE	75
AIR FORCE	80
AIR FORCE AUDIT AGENCY	80
AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS	86
5. APPENDICES	
A. AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED	90
B. REPORTS CONTAINING POTENTIAL MONETARY BENEFITS	99
C. FOLLOW-UP ACTIVITIES	100
D. CONTRACT AUDIT REPORTS ISSUED	102
E. STATUS OF ACTION ON POST-AWARD CONTRACTS	103
F. STATUS OF REPORTS WITH ACTION PENDING	104
G. CONTRACT AUDITS WITH SIGNIFICANT FINDINGS	109
H. RESULTS OF PEER REVIEWS	114
I. ACRONYMS	115

REPORTING REQUIREMENTS

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

REFERENCES	REQUIREMENTS	PAGE
Section 4(a)(2)	"review existing and proposed legislation and regulations...make recommendations..."	N/A
Section 5(a)(1)	"description of significant problems, abuses, and deficiencies..."	15-44
Section 5(a)(2)	"description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies..."	15-44
Section 5(a)(3)	"identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed..."	N/A
Section 5(a)(4)	"a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted..."	15-44
Section 5(a)(5)	"a summary of each report made to the [Secretary of Defense] under section 6(b)(2)...instances where information requested was refused or not provided"	N/A
Section 5(a)(6)	"a listing, subdivided according to subject matter, of each audit report, inspection report, and evaluation report issued" showing dollar value of questioned costs and recommendations that funds be put to better use.	90-98
Section 5(a)(7)	"a summary of each particularly significant report..."	15-44
Section 5(a)(8)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the total dollar value of questioned costs..."	100
Section 5(a)(9)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management..."	100
Section 5(a)(10)	"a summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period..."	100
Section 5(a)(11)	"a description and explanation of the reasons for any significant revised management decision..."	N/A
Section 5(a)(12)	"information concerning any significant management decision with which the Inspector General is in disagreement..."	N/A
Section 5(a)(13)	"information described under Section 05(b) of the Federal Financial Management Improvement Act of 1996..." (instances and reasons when an agency has not met target dates established in a remediation plan)	N/A
Section 5(a)(14)	"An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period..."	114
Section 5(a)(15)	"A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete..."	N/A
Section 5(a)(16)	"Any peer reviews conducted by DoD IG of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review...that remain outstanding or have not been fully implemented..."	114
Section 5(b)(2)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of disallowed costs..."	101
Section 5(b)(3)	"statistical tables showing the total number of audit, inspection, and evaluation reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision..."	101
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..."	109-113
Section 8(f)(1)	"information concerning the number and types of contract audits..."	102
Section 5 note	"an annex on final completed contract audit reports...containing significant audit findings."	104-108

Overview

Serving the Congress and the Department

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

Mission

Provide independent, relevant and timely oversight of the Department of Defense that supports the warfighter; promotes accountability, integrity and efficiency; advises the secretary of defense and Congress; and informs the public.

Vision

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

Core Values

- Integrity
- Efficiency
- Accountability
- Excellence

Goal 1

Promote economy, efficiency and effectiveness.

Goal 2

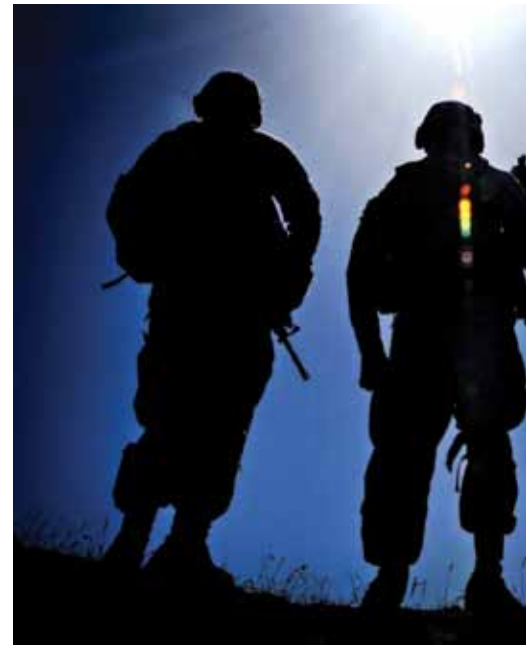
Identify, deter and investigate fraud, waste and abuse.

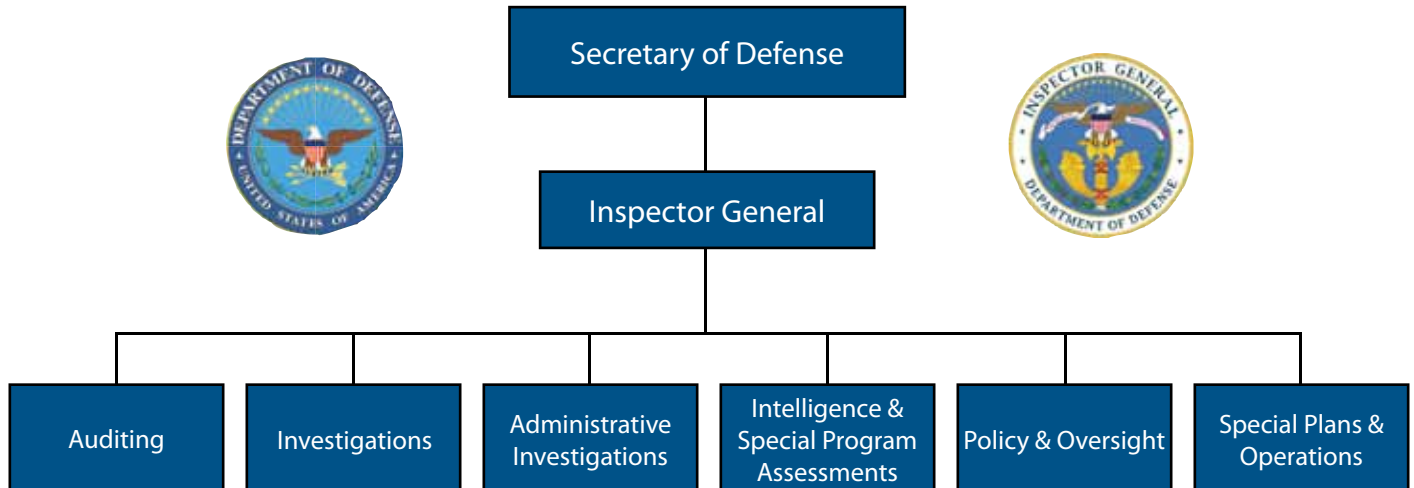
Goal 3

Engage, enable and empower our people.

Goal 4

Achieve excellence through unity.





Auditing

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

Investigations

The Office of the Deputy Inspector General for Investigations leads the Defense Criminal Investigative Service, which protects America's warfighters by conducting criminal and civil investigations in support of crucial national defense priorities.

Administrative Investigations

The Office of the Deputy Inspector General for Administrative Investigations investigates and oversees investigations of allegations regarding the misconduct of senior DoD officials, both civilian and military; whistleblower reprisal against service members, defense contractor employees and DoD civilian employees (appropriated and nonappropriated fund); and improper command referrals of service members for mental health evaluations.

Intelligence and Special Program Assessments

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

Policy and Oversight

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

Special Plans and Operations

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

“...the secretary of defense identified the need to improve effectiveness and efficiencies in business operations in order to sustain mission-essential activities.”

Overview

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

During this reporting period, DoD IG continued directing its resources toward those areas of greatest risk to the Department of Defense. We are dedicated to serving the warfighter and the taxpayer by conducting audits, investigations and inspections that result in improvements to the Department. DoD IG provides guidance and recommendations to the Department and Congress. The work of each component as of March 31, 2012, is summarized below.

Auditing issued 48 reports with 220 recommendations identifying potential cost savings and funds that could be put to better use, ensuring the safety of service members; addressing improvements in DoD operations, financial reporting and accountability; ensuring the Department complied with statutory mandates; and identifying new efficiencies. Of those reports, 40 percent addressed acquisition processes and contracting issues; 50 percent addressed financial management issues; 8 percent addressed joint warfighting and readiness issues; and 2 percent addressed information assurance, security and privacy issues.

Investigations-Defense Criminal Investigative Service opened 352 cases, closed 385 cases and has 1,785 ongoing investigations. These cases primarily addressed criminal allegations of public corruption, procurement fraud, product substitution and health care fraud.

Administrative Investigations closed 23 investigations and conducted oversight reviews of 230 investigations conducted by service/defense

agency IGs involving whistleblower reprisal, restriction, procedurally improper mental health referrals and senior official misconduct.

Intelligence and Special Program Assessments issued four reports that addressed management challenges of the intelligence enterprise as it supports information assurance, security and privacy; health and safety; and the nuclear enterprise.

Policy and Oversight issued nine evaluation reports primarily addressing its oversight of the Defense Contract Audit Agency and Base Realignment And Closure Recommendation #133 Project Fort Belvoir - Mark Center, Virginia. Policy and Oversight also issued one Department-wide policy, reviewed 185 existing and proposed directives and instructions and issued 280 IG subpoenas.

Special Plans and Operations issued six assessment reports with 90 recommendations that addressed a wide range of issues, including U.S. and coalition efforts to develop the logistics sustainment capability of the Afghan National Army; the DoD combating trafficking in persons program in the U.S. European and Africa Commands; and the progress in transitioning authority, personnel and equipment from U.S. Forces-Iraq to the Office of Security Cooperation-Iraq under Chief of Mission and Department of State authority.

As of March 31, 2012, the DoD IG workforce totaled 1,521 employees, not including military personnel and contractors.

Priorities

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

- Prevail in today's wars.
- Prevent and deter conflict.



DCIS agents conducting an interview in Southwest Asia.

- Prepare to defeat adversaries and succeed in a wide range of contingencies.
- Preserve and enhance the all-volunteer force.
- Reform the business and support functions of the defense enterprise.

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

- Acquisition processes and contract management
- Financial management
- Information assurance, security and privacy
- Joint warfighting and readiness
- Nuclear enterprise
- Health and safety

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

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

Core Mission Areas

We issued 69 reports identifying \$90.2 million in potential monetary benefits. We achieved \$25 million in financial savings based on management completed corrective actions to reports issued this year and in previous reporting periods. In addition, DCIS investigations were the basis for 61 arrests, 155 criminal charges, 87 criminal convictions, 103 suspensions and 78 debarments, which resulted in \$304 million returned to the U.S. government.

Audits

- We identified that Army Aviation and Missile Life Cycle Command officials:
 - Did not effectively use DoD inventory

before procuring the same items from Sikorsky because AMCOM did not develop adequate procedures addressing inventory use.

- Did not effectively reduce Corpus Christi Army Depot repair costs by adding a material cost reduction clause into the contract, as directed by Army Materiel Command.
- Did not use the most cost-effective source of supply for consumable items purchased on the contract because AMCOM had not developed an effective material management strategy.

We identified \$47.5 million to \$58.7 million of excess inventory that AMCOM could use to satisfy CCAD contract requirements. AMCOM made an unjustified incentive payment of \$11.8 million to Sikorsky for reducing material costs. DoD IG calculations showed that depot costs increased by \$29.3 million. The Defense Logistics Agency had sufficient inventory to satisfy annual contract requirements for 3,267 items. The Sikorsky contract price for those items was \$7.6 million or 85.1 percent, higher than the DLA price. (Report No. DODIG-2012-004)

- We identified that U.S. Central Command and U.S. Forces-Afghanistan controls over the Commander's Emergency Response Program contract payments and reporting were not adequate. Specifically, USCENTCOM and USFOR-A did not maintain and report reliable and meaningful CERP data, deobligate unused CERP project funds for closed or terminated CERP projects, identify or prevent improper payments and unauthorized advance payments, or mitigate the risk of overpayments and underpayments due to currency rate fluctuations. USFOR-A had up to \$38.4 million in outstanding unliquidated obligations, improper payments and high-risk CERP advance payments, and a high risk for currency exchange rate fraud and overpaying or underpaying Afghanistan vendors. (Report No. DODIG-2012-023)



DoD IG conducts oversight of key DoD programs and operations.

Investigations

- We investigated Roger Day and his co-conspirators for forming at least 18 companies

Executive Summary



DoD IG performs assessments and inspections at DoD facilities.

based in the United States, Canada, Mexico and Belize, and fraudulently using the Defense Logistics Agency automated bid system to win nearly 1,000 contracts. Day and his co-conspirators provided defective parts to DoD, which include critical application parts on more than 300 of the 1,000 contracts. Day was featured on "America's Most Wanted," which resulted in his arrest and subsequent extradition from Mexico. On August 25, 2011, a jury trial found Day guilty of wire fraud conspiracy, wire fraud, money laundering conspiracy and conspiracy to smuggle goods. As a result, Day was sentenced to 105 years imprisonment and ordered to pay more than \$3.6 million in fines and restitution.

- We identified and located a man selling Dark DDoser robot network (botnet) software and infrastructure through various internet forums and chat rooms. The malicious software was used to carry out illegal activities such as computer intrusions, denial of service attacks, and spamming. It was responsible for approximately 240,000 completed or attempted connections to the Global Information Grid each month. We worked with domestic and international law enforcement partners and neutralized 167 Dark DDoser botnets. This is an ongoing investigation.
- We investigated former U.S. Army Major Christopher West and a co-conspirator for receiving bribes from DoD contractors while deployed to Bagram Airfield, Afghanistan. In exchange, West fraudulently verified the receipt of concrete bunkers and barriers that were never received. The contractors fraudulently billed DoD for the undelivered items, and paid West and his co-conspirator a portion of the money. West pleaded guilty to conspiracy to commit bribery, bribery and conspiracy to commit mail fraud. As a result, was sentenced to 60 months in prison and ordered to pay \$500,000 in restitution.

Inspections

- We inspected the DoD release or transfer of detainees from Guantanamo Bay Deten-

tion Facility in Cuba and other facilities in Afghanistan and Iraq between August 24, 2010 and August 23, 2011, to ensure proper assurances were received from foreign governments that the detainees would not be subject to torture. (Report No. DODIG-2012-055)

- We conducted an assessment on the planning and operational implementation of efforts by U.S. and coalition forces to train, advise and assist in the development of an enduring logistics sustainment capability of the Afghan National Army and whether the planning was integrated across all levels of U.S. and coalition commands and staffs, as well as with the Afghan Ministry of Defense. (Report No. DODIG-2012-028)
- We conducted a review that focused on command and other responses to the rape complaint of Lance Corporal Maria Lauterbach, who was subsequently murdered by the person she accused. (Report No. DODIG-2012-003)

Enabling Mission Areas

Defense Hotline

The Defense Hotline received 8,985 contacts from the public and members of the DoD community: 10 percent by mail, 35 percent by email, 9 percent over the internet and 43.5 percent by telephone. Based on these contacts, the hotline opened 1,398 cases. The hotline also closed 1,269 cases this reporting period.

Whistleblower Protection

During the reporting period, the Department received 318 complaints of whistleblower reprisal, restriction and procedurally improper mental health referrals through the Defense Hotline and other sources, and closed 285. Of the 285 complaints closed during the period, 215 were dismissed due to insufficient evidence to warrant an investigation; three were withdrawn; and 67 were closed following full investigation. Of the 67 investigations closed, 15 involved procedurally improper mental health referrals (seven sub-

stantiated (47 percent)); one involved restriction from communicating with a Member of Congress or inspector general (not substantiated); and 51 involved whistleblower reprisal (10 substantiated (20 percent)).

Senior Official Accountability

During the reporting period, the Department received 393 complaints of senior official misconduct and closed 316. Of the 316 complaints closed, 130 were dismissed due to lack of a credible allegation of misconduct and 186 were closed following investigation. Of the 186 senior official investigations closed, 31 (17 percent) contained substantiated allegations of misconduct.

Congressional Testimony and Briefings

During the reporting period, we testified four times before Congress on subjects including combating trafficking in persons, whistleblower protections for government contractors and mechanisms to oversee billions of taxpayer dollars spent in Afghanistan and Iraq. DoD IG received 142 new congressional inquiries and closed 119 cases.

Overseas Contingency Operations

DoD IG conducts oversight of DoD activities and programs that support the warfighters and overseas contingency operations. In support of the U.S. mission in Afghanistan, DoD IG has stationed more than 50 oversight personnel in Southwest Asia working out of several offices, as well as teams of auditors, special agents, inspectors and engineers entering and exiting the region on temporary duty assignments.

DoD IG has one senior executive, the special deputy inspector general for Southwest Asia, headquartered at Camp Arifjan, Kuwait, to serve as the single point of contact for all matters relating to oversight activity in Southwest Asia.

Finalizing the Transition in Iraq

Eight years of military operations in Iraq ended on December 15, 2011, when the U.S. military completed the responsible draw down of all remaining combat troops. Operation New Dawn, which succeeded Operation Iraqi Freedom in September 2010, is complete. Millions of pieces of equipment were withdrawn and accounted for, all bases were either closed or handed over to the Iraqi Security Forces and contractors were demobilized.

A major national security goal of the United States has been the establishment of a sovereign, stable and self-reliant Iraq with whom the United States can forge a long-term security partnership. To facilitate this partnership, and to enable the continued development of the Iraq Security Forces, DoD transitioned all remaining training, equipping and mentoring activities from U.S. Forces-Iraq to the Office of Security Cooperation-Iraq under Department of State's Chief of Mission authority. Robust security cooperation/assistance and foreign military sales programs are being established.

Although the Department's role in Iraq has dramatically changed, DoD IG continues to provide oversight as necessary, including focusing on asset accountability and the transition of materiel and equipment in-theater.

In September 2011, commensurate with the military drawdown, DCIS closed its offices in Iraq and increased its presence in Afghanistan. Allegations of fraud and corruption resulting from former military operations in Iraq continue to be investigated by special agents based in Kuwait, Germany and the United States.

An example of one of DCIS's many successes during more than eight years of deployments to Iraq is the investigation of Marine Corps Captain Eric Schmidt, which DCIS conducted jointly with the Naval Criminal Investigative Service and the Special Inspector General for Iraq Reconstruction. The investigation revealed that in 2008, while Schmidt was deployed to Iraq as a logistics officer, he received approximately

Overseas Contingency Operations



Acting Inspector General Halbrooks meets with U.S. troops in Afghanistan.

\$2 million from Iraqi contractors – at least \$1.2 million of which originated from the sale of stolen military property such as generators and fuel tanks. Schmidt also steered contracts to an Iraqi contractor, who once the contracts were awarded, paid Schmidt's wife for the goods. Schmidt falsely certified that the goods received conformed to the contract, despite the fact that these products often did not. Schmidt pleaded guilty to conspiracy to commit wire fraud and filing a false tax return and was sentenced to 72 months in prison followed by 36 months of supervised release. Schmidt's wife pleaded guilty to a tax offense and was sentenced to 12 months of home confinement and 36 months of probation. The Schmidts were jointly ordered to pay restitution to the DoD and the IRS totaling \$2.2 million.

In support of the transition in Iraq, DoD IG assessed whether DoD provided the Department of State with the necessary support to ensure the Office of Security Cooperation–Iraq possessed the initial operating capability required to accomplish the mission of supporting Iraq Security Forces capability development.

Finally, the special deputy inspector general for Southwest Asia initiated moving the headquarters from Camp Arifjan, Kuwait, to Afghanistan to better support ongoing oversight activities.

Continuing Operations in Afghanistan

In June 2011, the United States announced a phased drawdown of military forces from Afghanistan. By December 2011, 10,000 U.S. combat forces had been withdrawn, with another 23,000 scheduled to be withdrawn by the end of 2012. During this time frame, the United States and its allies continued training, equipping and mentoring the Afghan National Security Forces to enable them to assume the lead security operations role.

In 2013 and 2014, the United States will continue withdrawing U.S. combat forces while the ANSF gradually assumes responsibility for the internal and external security of Afghanistan. During this time period, efforts to develop the capability of the Afghan Ministries of Defense and Interior

to sustain the ANSF logistically, including the capacity to plan, program, budget and execute the fiscal resources provided by the international community, will continue.

In support of U.S. policy and related DoD military strategy in Afghanistan, DoD IG is conducting a wide range of audits, evaluations, assessments and investigations. U.S. and coalition efforts to develop competent leaders and an effective command and control system within the ANSF are being assessed. As billions of dollars are spent to achieve these goals, a top priority of DoD IG is to provide appropriate monitoring and oversight of the acquisition and contracting processes for the training, equipping and sustainment of the ANSF. Oversight performed in this area addresses the management and administration of contracts for goods and services that directly support efforts funded with Afghan Security Forces Funds. Our oversight also includes looking at the acquisition, maintenance and sustainment of equipment in support of the ANSF. In addition to the risks typically associated with wartime contracting, these audits could potentially impact the warfighter. Reports issued this period address challenges the Department experienced in training, development, support and procurement of goods and materiel for ANSF; controls over financial management; construction efforts; and cost of parts at depots for equipment that may be used to support overseas contingency operations.

DCIS continued investigative operations in Afghanistan and Kuwait using a multi-faceted approach to fighting fraud and corruption in Southwest Asia. This includes pursuing not only criminal prosecutions and civil recoveries, but also administrative remedies such as suspensions and debarments, which prevent unscrupulous companies and individuals from obtaining further government contracts. To accomplish its mission, DCIS special agents in Southwest Asia are assigned to two task forces that focus on combating fraud and corruption – the International Contract Corruption Task Force and Task Force 2010.

The ICCTF is comprised of special agents from DCIS, the Army Criminal Investigation Com-



Acting Inspector General Halbrooks and senior leadership in Afghanistan.

mand – Major Procurement Fraud Unit, the FBI, the Air Force Office of Special Investigations, the Naval Criminal Investigative Service, the Special Inspectors General for Iraq and Afghanistan, and the Offices of Inspector General for the Department of State and the U.S. Agency for International Development. This task force focuses on criminal investigations of procurement fraud and corruption cases.

The U.S. military-led Task Force 2010 uses intelligence analysts, criminal investigators, auditors and forensic financial analysts to gain visibility on the flow of contracting funds to subcontractors in order to prevent the United States from doing business with insurgents, corrupt officials and criminal groups. For this task force, success is measured, in part, by significant cost avoidance resulting from suspensions and debarments.

Finally, under the auspices of the Southwest Asia Joint Planning Group, the inspectors general for the DoD, Department of State, U.S. Agency for International Development and Afghanistan Reconstruction established a Joint Strategic Planning Subgroup for Oversight of Afghanistan Reconstruction. The strategic planning subgroup will provide strategic direction for developing audits, evaluations and inspections on Afghanistan reconstruction. The subgroup will serve as the coordinating body for integrating, defining and prioritizing the strategic issues on Afghanistan reconstruction that the inspectors general will address collectively through their annual oversight plans.

IG Highlights

Defense Hotline

Background

The Defense Hotline is the first line of defense against fraud, waste and abuse within DoD and fields complaints from both military members and the public at large. From 1985 to the present, the Defense Hotline has received more than 375,000 contacts that resulted in \$551.5 million in documented monetary recoveries or cost sav-

ings. In addition, complaints investigated by the Defense Hotline often result in difficult to quantify increases in efficiencies and safety. More importantly, Department of Defense inquiries have resulted in safer equipment and operations for military personnel.

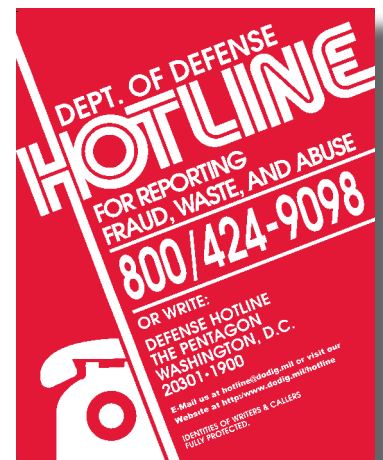
The Defense Hotline was created by then Secretary of Defense Harold Brown, in April 1979, to facilitate the reporting of fraud, waste and abuse of authority involving DoD agencies and programs. The hotline started with 10 staff members, who received complaints via telephone and mail.

In addition to fielding calls concerning the Department, Defense Hotline, personnel have operated special hotlines created to respond to significant events. Additionally, hotline investigators were detailed to operate hotlines for other agencies such as the FBI during the Olympic Games bombing in Atlanta, Ga., in 1996.

To assist with the recovery from the devastation of Hurricane Katrina in August 2005, Defense Hotline personnel opened a second hotline, the Hurricane Relief Fraud Hotline. During the first week of its existence, Defense Hotline personnel answered 280 hurricane-related telephone calls. The second week after the new hotline was publicized, it received 555 hurricane-related telephone calls. During the operation, hotline personnel received approximately 10,000 telephone calls, emails and faxes, and processed 5,000 complaints, which were forwarded to the Department of Homeland Security.

Recent Activities

Today, the DoD IG purview includes allegations of mismanagement and human trafficking involving DoD personnel, threats to national security and force protection issues. Ensuring the availability of reporting to all members of the public can be a daunting task. The Defense Hotline is challenged with utilizing the next generation of technology while maintaining efficient non-technology based options for the constituent community that is without access to the internet. An increase in the volume and complexity of incoming allegations has resulted in additional staffing during FY 2012.



IG Highlights

A highly skilled staff of investigators assists callers from 8:00 a.m. to 5:00 p.m., Monday through Friday. The investigators receive and evaluate concerns and complaints, and determine the agency responsible to take appropriate action. In many instances, the investigators provide information that may answer questions or address concerns, in lieu of filing a complaint.

The Defense Hotline toll-free lines operate 24 hours a day. Callers to the hotline after business hours are connected to an automated system that provides callers detailed information regarding how and where to submit allegations.

The chart below depicts three to four contacts for every case opened. Contacts that do not result in Hotline cases are often referred to other agencies. Currently, the hotline staff fields an average of 15,000 contacts per year resulting in approximately 3,300 cases. The number of contacts by email and the website continues to increase each year, making them among the most popular forms of reporting.

Hotline reports that address life-threatening circumstances are given immediate priority. Allegations of senior official misconduct and whistleblower reprisal are handled upon receipt. In addition to receiving complaints from members of the military and civilian community and the general public, the Defense Hotline receives referrals and inquiries from Congress and other government agencies such as the Government

Accountability Office, Office of Special Counsel, Department of State and Department of Justice.

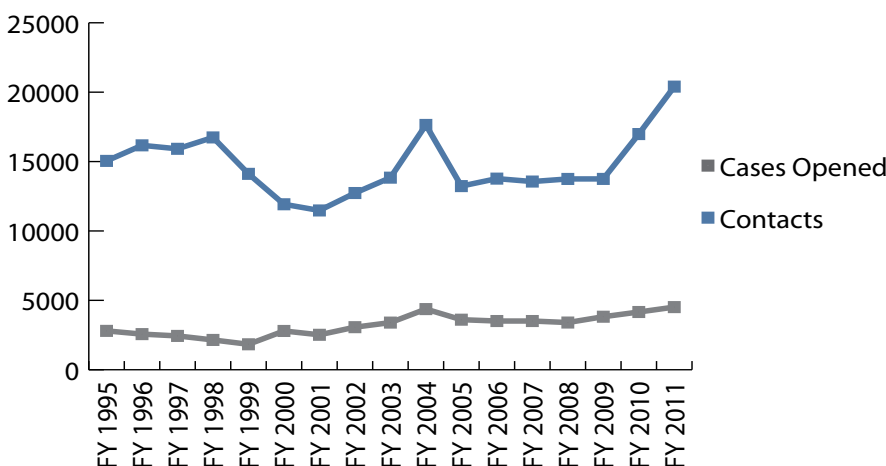
Way Forward

As part of the DoD IG outreach initiative to improve the reporting of fraud, waste, abuse and mismanagement, we recently deployed a website on the Joint Worldwide Intelligence Communication System. DoD IG is committed to providing an effective means for individuals to make disclosures involving classified information. The website incorporates best practices as identified by the Council of Inspectors General on Integrity and Efficiency, and provides detailed information to assist and direct individuals in making disclosures. This deployment follows a similar redesign of the websites on the SIPRNet and the NIPRNet.

DoD IG established a working group focused on distribution of hotline communication materials. The working group will concentrate on improving current distribution methods and will consider social media options to expand global reach.

In line with the commitment to transform the Department's whistleblower protection program, the hotline has placed a renewed emphasis on the receipt of whistleblower reprisal allegations. DoD IG has changed processes for handling reprisal related complaints to improve the efficiency of operations and timeliness of referrals.

NUMBER OF TOTAL HOTLINE CONTACTS/CASES OPENED 1995-2011



Contractor Disclosure Program

Background

In early 2008, DoD IG worked diligently to respond to the anticipated FAR amendment implementing the Close the Contractor Fraud Loophole Act. There were discussions throughout the federal government and private industry on how to implement the new act, which took effect December 13, 2008. DoD IG participated in public and private sector discussions and briefings. An American Bar Association task force

focused on defense contractor implementation of the new rule.

The rule required federal contractors to make a timely disclosure to the “agency inspector general” when a principal of the contractor has credible evidence of a violation of the civil False Claims Act or certain fraud-related federal criminal laws in connection with a federal contract or subcontract valued in excess of \$5 million in value with period of performance of more than 120 days. In response to this new requirement, DoD IG created the Contractor Disclosure Program to replace the Voluntary Disclosure Program.

Although it is too early to assess the ultimate effectiveness of the program, we have noted a few early findings. First, the program is accessible. Small, large, and foreign defense contractors; outside and in-house counsel; acquisition professionals, auditors and investigators all have unfettered access to the DoD IG staff to answer questions about the program. DoD IG developed an online disclosure form to obtain critical information from the disclosing official, the defense contractor or subcontractor, and the affected DoD contracts to: a) determine the essential facts relating to the potential fraud, and b) effectively coordinate the disclosure within the Department. This information is coordinated with the DoD IG Office of General Counsel, the Department of Justice Criminal and Civil Divisions, the Defense Contract Audit Agency, defense criminal investigative organizations, the Defense Contract Management Agency, suspension and debarment officials and the contracting officer. The intent is to have the disclosures reviewed by the appropriate DoD components as quickly as possible and streamline coordination to complete the appropriate remedies in a timely manner. Second, the program is growing. At the end of FY 2009, DoD IG received approximately 10 disclosures each month. The average number of disclosures doubled to an average of 20 per month in 2011.

Compliance with the new rule is producing more disclosures and keeping DoD better informed about potential fraud in defense contracts. It is important to note that disclosures are accepted even during an investigation. Routine-

ly, disclosures are referred to defense criminal investigative organizations; however, few criminal investigations have been conducted. To the extent that there are criminal fraud actors, DoD IG continues to seek the cooperation of defense contractors.

In most instances, if the contractor proffers reimbursement, the government accepts their calculation of the loss to the government if it is factually supported. As a matter of principle, DoD IG encourages defense agencies to administratively remedy disclosures whenever possible.

Recent Activities

Contractors made 110 disclosures to the DoD IG program during this reporting period. They involve matters such as cost mischarging (most often labor costs), false certifications, theft of government property and conflicts of interest. Disclosures have been made by both large and small contractors and many more disclosures were made by Defense Top 100 Contractors than in the final years of the Voluntary Disclosure Program. As of March 31, 2012, 634 disclosures have been received and processed.

Way Forward

A recurring problem with the content of the disclosures is the lack of sufficient detail to determine the essential facts surrounding the potential fraud or to determine which DoD components are affected. The FAR requires full cooperation, which it defines as disclosure of “information sufficient for law enforcement to identify the nature and extent of the offense and the individuals responsible for the conduct...” The sooner the pertinent information is reported, the timelier the disclosure can be resolved. DoD IG frequently engages with contractors to obtain information required by investigators and auditors and is considering a standard format for submissions, which would require a change to the DFAR.

DoD IG recently began an initiative to identify any federal agency whose contracts may have been impacted by a disclosure made to DoD IG. A review of approximately 450 open disclosures identified a number of instances where the con-

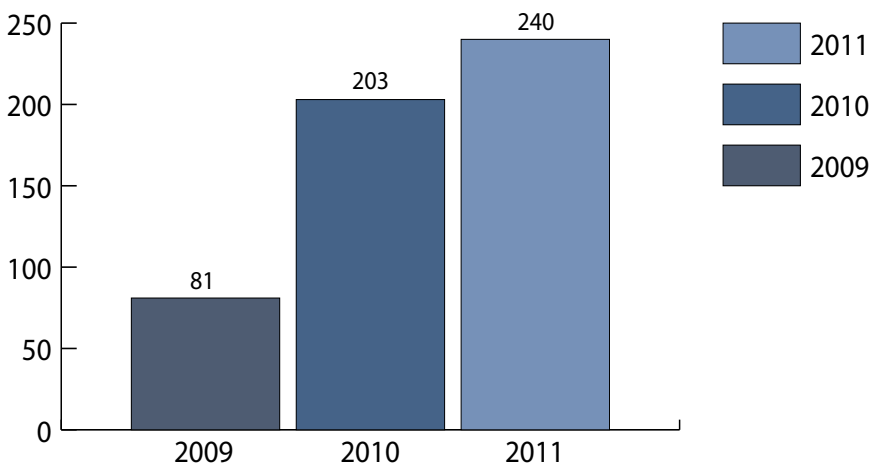


tractor had not notified affected agencies. The FAR Rule does not require contractors to notify all affected agencies. DoD IG took notice, provided the agencies with copies of the disclosures and will continue this practice.

DoD IG also started an initiative to ensure that derogatory information involving terminated contractor employees is reported to the Defense Industrial Security Clearance Office. This initiative was coordinated with the Defense Security Service Office of Inspector General and as a result, DoD IG will provide copies of disclosures to the DSS IG when a contractor employee with a security clearance is terminated for misconduct pursuant to the disclosure. This initiative will prevent contract employees from obtaining positions with other defense contractors. The chart in the bottom left depicts the increase in contractor disclosures per year to include 81 in 2009, 203 in 2010, and 240 in 2011. During the first half of FY 2012, there have been 110 disclosures.

DoD IG will implement a program to comply with Section 818 of Public Law 112-818, "Detection and Avoidance of Counterfeit Electronic Parts." This law requires DoD to adopt policies and procedures for detecting and avoiding counterfeit parts in its own direct purchases, and for assessing and acting upon reports of counterfeit parts from DoD officials and DoD contractors.

CONTRACTOR DISCLOSURES PER YEAR



Department of Defense Whistleblower Program

Background

DoD IG has overall responsibility for the whistleblower protection program throughout the Department covering service members, appropriated and nonappropriated fund civilian employees and Defense contractor employees. DoD IG investigates or performs oversight of DoD component investigations of allegations of whistleblower reprisal and restriction of military members from communicating with a member of Congress or an IG. In performing this mission, DoD IG acts pursuant to the Inspector General Act of 1978, as amended, as well as several other statutes and their implementing regulations. Providing robust whistleblower protection is essential to prevent fraud, waste and abuse, and to promote economy and efficiency in DoD programs and operations.

In September 2011, DoD IG consolidated civilian and military reprisal investigations into a single directorate for whistleblower reprisal investigations, within the Office of the Deputy Inspector General for Administrative Investigations. The merger of the two directorates enabled DoD IG to increase efficiency and improve consistency in investigative procedures.

Recent Activities

DoD IG has embarked on an aggressive path forward to realize our vision of being the model whistleblower protection program, not only in the Department, but also in the federal government. DoD IG has initiated numerous transformational improvements to its whistleblower protection program during this reporting period, including:

- Significantly increasing the staffing level and resources dedicated to the whistleblower protection program.
- Standing up a dedicated oversight team to ensure robust, consistent and timely oversight of reprisal complaints investigated by DoD components.
- Implementing immediate improvements to

- legacy information management systems.
- Pursuing the acquisition of the next generation of technology to more efficiently capture and report complaint trend data.
- Revising internal processes to improve timeliness in initiating and completing investigations, and to proceed with a full investigation when a complaint raises a prima facie allegation of reprisal.

On February 22, 2012, the Government Accountability Office issued the report, “Actions Needed to Improve DoD’s Military Whistleblower Reprisal Program,” GAO-12-362. GAO reported that DoD had generally not satisfied the requirement to complete military reprisal investigations within 180 days, or notify complainants when investigations were delayed beyond 180 days.

Additionally, GAO found that DoD IG efforts to improve timeliness of military reprisal investigations had been hampered by unreliable and incomplete data, including inconsistencies and inaccuracies in key dates needed to track and measure timeliness. GAO found that these deficiencies might have limited the ability of DoD IG to identify areas for improvement and evaluate the effectiveness of process reforms. GAO also pointed out that the absence of key timeliness data could limit congressional oversight of the DoD whistleblower protection program.

GAO credited DoD IG for having already executed an action plan to address recommendations resulting from previous internal and external reviews of operations, but noted that challenges exist in the following areas:

- Establishing performance metrics to assess the quality of reprisal investigations;
- Issuing current guidance on reprisal investigations and achieving consistent implementation by the military services; and
- Standardizing case monitoring procedures to track the status of reprisal investigations.

Finally, GAO stressed the importance of following up on closed reprisal cases to ensure that appropriate relief is provided to whistleblowers and that appropriate corrective action is taken against those who reprise against whistleblow-

ers. Specifically, GAO found that DoD IG and the Boards for Correction of Military Records are not consistently identifying or tracking this data, thus hindering oversight of this final stage in thoroughly addressing whistleblower reprisal allegations.

Way Forward

As noted above, the goal of DoD IG is to transform the whistleblower protection program into the model within the federal government. In addition to the transformational improvements implemented in the past six months, DoD IG has several ongoing initiatives that address multiple recommendations made in the past three years by external and internal review of the program. DoD IG believes that GAO recommendations are in line with ongoing organizational and programmatic reforms. DoD IG is going forward with changes that will incorporate best practices of other federal whistleblower protection programs. These improvements will maximize efficiency and increase compliance with legal mandates, including notification requirements and time frames for completion of investigations. Going forward, improved data analysis will also enable DoD IG to evaluate the effectiveness of these reforms and identify additional changes necessary to improve the timeliness and quality of whistleblower reprisal investigations.

Whistleblowing and Transparency

The Department of Defense whistleblower program includes not only reprisal investigations but many other daily actions which seek to promote whistleblowing. Protecting the sources upon which the inspector general relies is a cross-component activity.

The Directorate for Whistleblowing and Transparency provides advice to the inspector general and senior leadership on all aspects of whistleblowing and transparency (including the routing and disposition of disclosures and the protection of the sources alleging wrongdoing); provides an internal oversight capability regarding the handling and disposition of whistleblower cases; and serves as liaison to executive branch agen-

“DoD IG has overall responsibility for the whistleblower protection program throughout the Department covering service members...”

Overview

“The Inspector General Act of 1978, as amended, also provides whistleblower protection to those DoD employees and service members filing complaints or information.”

cies and legislative stakeholders in the federal whistleblowing process.

From October 1, 2011 through March 31, 2012, the director, whistleblowing and transparency conducted 17 internal and external outreach events in order to:

- Develop a common information systems platform to improve the ability to track report disposition and perform analytics on trends within the filing and processing of allegations through the Defense Hotline.
- Brief members of Congress and non-government organizations on transformation of the inspector general's whistleblower reprisal investigations directorate.
- Promote whistleblower protection in the Defense intelligence and counter-intelligence communities through the Joint Intelligence Oversight Coordination Group.

One DoD IG component associated with the activities of whistleblowers is DCIS. An initiative of the Directorate for Whistleblowing and Transparency is to elevate awareness within the federal agency community of DCIS' role in qui tam actions, including the value provided by qui tam whistleblowing relators. During 2011, DCIS reviewed 138 qui tam referrals that resulted in 56 investigations. One example of criminal investigative excellence built from a qui tam whistleblower's disclosure was the case of Lifewatch Services, Inc. The alleged fraud was perpetrated against federal health care programs to include TRICARE. On March 23, 2012, it was announced that Lifewatch Services would resolve allegations of fraud against the company by paying an \$18.5 million civil settlement.

DCIS' work with qui tam whistleblowers in this reporting period followed previous robust efforts in 2009 and 2010. In those years, 161 qui tam referrals generated 65 investigations and 108 qui tam referrals generated 181 investiga-

tions, respectively. Highlights of this work include the American Grocers, Inc. case resulting in a \$15 million return; the Boeing Company case resulting in a \$25 million return; and, the Northrup Grumman case resulting in a \$325 million return to the federal government.

The Inspector General Act of 1978, as amended, also provides whistleblower protection to those DoD employees filing complaints or information. These protected sources include employees working in the military services and the designated federal entities of the defense intelligence community under the secretary of defense. Service members and other categories of workers are protected through other statutes. Complaints filed under the Intelligence Community Whistleblower Protection Act of 1998 may also be protected in some limited capacity; an employee or service member filing under procedures 14 and 15 of the intelligence oversight regulations fall under the inspector general's jurisdiction.

On February 25, 2011, the inspector general released its most recent report of investigation involving defense intelligence community employees. The report was the ninth case in a series of oversight actions beginning in 2004. This line of investigations was a cooperative effort with the inspectors general of the National Security Agency and the Defense Intelligence Agency to provide whistleblower protection to members of the intelligence and counterintelligence communities.

DoD IG currently has five cases of alleged reprisal against civilian employees of the Defense intelligence community engaged in national intelligence work and 10 cases of alleged reprisal against civilians engaged in military intelligence work. Critical in the investigation of these cases is the protocol established by the inspector general for the review of security clearance decision-making as a pretext for reprisal in 2009.

Core Mission Areas

Audits

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

- Acquisition processes and contract management
- Financial management
- Information assurance, security and privacy
- Joint warfighting and readiness
- Nuclear enterprise

Acquisition Processes & Contract Management

The Department has had unprecedented large base budgets and overseas contingency operations supplemental appropriations for the last several years. However, as DoD moves forward, it will be increasingly challenged to do more with less. As such, it becomes more important for DoD to concentrate on efficiencies and savings. Therefore, DoD IG is focusing its oversight efforts on financial savings and identifying efficiencies in DoD operations and programs.

DoD has made improving the acquisition and contract processes a top priority in the Department. Some of the areas where efficiencies could be realized include contract award, oversight and administration. When submitting its budget request, the Department focused on increasing competition, reducing costs and increasing buying power.

During this reporting period, DoD IG issued audit reports related to improving the Department's management of acquisition and contracting. DoD IG recommended corrective actions to recover excess fees and incorrect billings, develop quality assurance surveillance plans, require support for other direct costs, develop an acquisition strategy, improve inventory and material management strategies, and revise DoD acquisition policy. DoD IG also summarized previous work on the administration and use of undefinitized contract actions. DoD IG issued the following audits related to acquisition processes and contract management during this reporting period.

[Changes Are Needed to the Army Contract With Sikorsky to Use Existing DoD Inventory and Control Costs at the Corpus Christi Army Depot](#)

Overview: DoD IG evaluated the Army Aviation and Missile Life Cycle Management Command material purchases from Sikorsky Aircraft Corporation supporting the Corpus Christi Army Depot to determine whether the partnership agreement effectively minimized the cost of direct materials to the depot. AMCOM entered into the partnership to address parts availability problems and improve readiness.

Findings: AMCOM did not effectively use DoD inventory before procuring the same items from Sikorsky because AMCOM did not develop adequate procedures addressing inventory use. DoD IG identified \$47.5 million to \$58.7 million of excess inventory that AMCOM could use to satisfy CCAD contract requirements. Additionally, AMCOM, as directed by the Army Materiel Command, added a material cost reduction clause into the contract, which was not effective in reducing CCAD repair costs. The clause was designed for Sikorsky and CCAD to share savings associated with reduced material usage for repair programs. However, AMCOM did not use reliable data, did not consider depot labor and omitted repair programs that experienced material cost increases in its calculation of material cost reduction. Consequently, AMCOM made an unjustified incentive payment of \$11.8 million to Sikorsky for reducing material costs. DoD IG calculations showed that depot costs increased by \$29.3 million. Finally, AMCOM officials did not use the most cost-effective source of supply for consumable items purchased on the contract because AMCOM had not developed an effective material management strategy. The Defense Logistics Agency had sufficient inventory to satisfy annual contract requirements for 3,267 items, and the Sikorsky contract price for those items was \$7.6 million, or 85.1 percent, higher than the DLA price. In addition, from 2008 through 2010, Sikorsky was allowed to make excessive profit of about \$930,760 by procuring items from DLA that it then sold to CCAD.

Result: DoD IG recommended that DoD develop an effective strategy to use existing inventory before procuring new items from Sikorsky and to effectively procure consumable items. The Army

Contracting Command—Redstone Arsenal remove the material cost reduction clause from the contract and obtain an appropriate refund. ACC-RSA should include a contract clause that requires Sikorsky to obtain consumable items from DLA as the first source of supply when cost-effective and practical; pursue a refund for excessive profits charged on purchases from DLA; and modify contract clauses to prevent Sikorsky from making excessive profits. Overall, management comments were responsive except for comments on the recommendations to obtain refunds for the unjustified incentive payment and excessive profits.

Report No. DODIG-2012-004

 **Counter Narcoterrorism Technology Program Office Task Orders Had Excess Fees and the Army Was Incorrectly Billed**

Overview: DoD IG reviewed task orders under the Counter Narcoterrorism Technology Program Office indefinite-delivery, indefinite-quantity contract to determine whether the Space and Missile Defense Command Contracting and Acquisition Management Office applied the correct fixed fee to material and other direct cost contract line items.

Findings: SMDC CAMO did not properly manage the task orders in the review. The task orders contained excess fees on material and other direct cost contract line items and billing errors on ODC contract line items. SMDC CAMO contracting officers awarded 25 task orders to two contractors that contained fees in excess of the rates incorporated in the contractors' IDIQ contracts. This occurred because SMDC CAMO management did not verify that contract provisions incorporated into the IDIQ contracts for fees were clear and specific. In addition, SMDC CAMO contracting officers used boilerplate language and did not verify the rates used in the IDIQ contracts or task orders. SMDC CAMO overpaid Raytheon approximately \$815,000 and U.S. Training Center approximately \$77,000 in fixed fees and will overpay approximately \$446,000 to Raytheon and approximately \$20,000 to USTC in additional fixed fees if the IDIQ contracts and related open task orders are not modified to reflect the correct rates. Northrop Grumman also charged the Army for non-CNTPO work because the contractor was

allowed to directly bill for payment without a detailed invoice review. In addition, Northrop Grumman double billed the Army for insurance charges because the contracting officer's representative did not conduct in-depth reviews of invoices. Northrop Grumman officials agreed to issue refunds for the incorrect billings. Resolving these problems could save \$1.5 million.

Result: DoD IG recommended that the deputy assistant secretary of the Army for procurement conduct a review of contracting officers at the SMDC CAMO and that the director, SMDC CAMO, meet with Raytheon and USTC to reach agreement on the return of excess fees paid. In addition, the director of Contract Operations Directorate A, SMDC CAMO, should ensure that Northrop Grumman refunds the Army and coordinate a more detailed invoice approval process. DASA(P) agreed with the recommendations and the director, SMDC CAMO partially agreed with the recommendations. The director agreed that there is a misunderstanding of the terms of the contract but disagreed that the excess fees of approximately \$815,000 paid to Raytheon are recoverable. The director agreed that USTC overbilled fees will be recovered, and Northrop Grumman billing errors will be credited to the Army.

Report No. DODIG-2012-006

Acquisition of the Multi-Platform Radar Technology Insertion Program Needs Transparency and Accountability 

Overview: DoD IG determined whether the Air Force effectively managed the acquisition of the Multi-Platform Radar Technology Insertion Program with the Global Hawk Block 40 and evaluated the under secretary of defense for acquisition, technology and logistics oversight of the program. The MP-RTIP and Global Hawk Block 40 have an estimated procurement cost of about \$862 million.

Findings: The MP-RTIP and Global Hawk System Program Offices did not effectively manage the MP-RTIP and Global Hawk Block 40 acquisitions. Further, the USD(AT&L) did not hold the SPOs accountable for delivering required program documentation and completing program management duties before making acquisition decisions. The SPOs did not separately identify the MP-RTIP/Global Hawk Block 40 from other



DoD IG reviewed the acquisition of the multi-platform radar technology.

Core Mission Areas

Global Hawk blocks and did not comply with DoD acquisition policies. In making acquisition decisions, the USD (AT&L) assumed greater risk to expedite delivery of the MP-RTIP capability to the warfighter. As a result, the MP-RTIP/Global Hawk Block 40 program is at risk for continued cost increases, additional schedule delays and not meeting the needs of the warfighter. The Global Hawk SPO is projected to deliver the MP-RTIP/Global Hawk Block 40 to the warfighter in July 2013, which is about three years late and with increased costs of about \$76 million.

Result: DoD IG recommended that the secretary of the Air Force for acquisition develop MP-RTIP/Global Hawk Block 40 documentation that includes specific cost, schedule and performance objectives to effectively manage risk in the remaining program phases. Further, the USD(AT&L) should direct the withholding of funds until the Air Force complies with the January 2011 acquisition decision memorandum and other recommendations identified in the report. Management partially agreed to prepare the necessary acquisition documentation; however, the response did not address specific details that will improve the program's transparency and accountability. Management disagreed with the complete withholding of funds and stated that memoranda were issued with the intent to withhold procurement funding. However, management did not provide assurance that funds would be withheld beyond procurement or propose alternative actions. DoD IG requested that management reconsider their position and provide additional comments on all recommendations.

Report No. DODIG-2012-007

U.S. Naval Academy Officials Did Not Adhere to Contracting and Gift Policies

Overview: DoD IG performed this audit in response to a request from the staff of the Senate Armed Services Committee to determine whether the U.S. Naval Academy and its supporting organizations were properly disbursing, recording, accepting and reporting donations, gifts and nonappropriated funds. From January 1, 2010, to December 31, 2010, the academy received 381 monetary gifts, totaling \$5.7 million and 153 in-kind gifts valued at \$25.1 million.

Findings: U.S. Naval Academy officials improv-

erly contracted for the production of short motion picture and television commercials and wasted about \$3.5 million on the contract. In addition, they allowed the acceptance of in-kind gifts without proper authorization, did not properly record all in-kind gifts, inappropriately accepted \$343,208 in corporate sponsorship funds and accepted monetary gifts without reviewing for prohibited sources. This report discusses a potential violation of the Antideficiency Act.

Result: DoD IG recommended that the under secretary of defense (comptroller) initiate a preliminary review for a possible ADA violation and the chief of naval operations establish a quality assurance program for contracts at the academy. In addition, DoD IG recommended that the academy superintendent establish policies and procedures for accepting, recording and inventorying in-kind gifts; conduct an inventory of in-kind gifts; deposit sponsorship funds with the U.S. Treasury; and develop procedures for reviewing donations from prohibited sources. Management was responsive to most of the recommendations. DoD IG requested additional comments to the final report.

Report No. DODIG-2012-017

[Award and Administration of Multiple Award Contracts for Services at U.S. Army Medical Research Acquisition Activity Need Improvement](#)

Overview: DoD IG determined whether task orders under professional, administrative and management support services multiple award contracts were properly competed among all awardees and whether adequate oversight, including review of invoices, was performed for the contracts. DoD IG reviewed 20 task orders, valued at about \$235.1 million, from two multiple award contracts issued in FYs 2009 and 2010 at USAMRAA at Fort Detrick, Md.

Findings: USAMRAA contracting officials generally provided fair opportunity to compete for task orders awarded under multiple award contracts. USAMRAA contracting officials did not prepare adequate justifications for the use of sole-source procurements on three task orders, valued at \$8.7 million, because contracting officials relied on the logical follow-on exception without verifying if the exceptions were valid. In addition, contracting officials did not prepare

“This law requires the Interagency Coordination Group of Inspectors General for Guam Realignment to monitor appropriations, programs, operations and contracts related to military construction...”

fair and reasonable price determinations on two task orders awarded with only one proposal, valued at \$35.4 million, because they relied on inadequate independent government cost estimates when determining price reasonableness. As a result, USAMRAA had no assurance that the government obtained the best value when issuing the five task orders. Additionally, the CORs did not perform adequate surveillance on 19 task orders reviewed. Specifically, quality assurance surveillance plans were either nonexistent or inadequate, and the CORs did not maintain evidence of written approval for deliverables.

Result: DoD IG recommended that the director, USAMRAA, require contracting officers and CORs to:

- Prepare adequate justifications for sole source awards and maintain complete contract file support for fair and reasonable price determinations for negotiated awards.
- Develop Quality Assurance Surveillance Plans before the start of the task order performance period that provide measurable metrics to evaluate contractor performance and provide set time frames for frequency of reporting relevant to the task order.
- Require written support for inspection and acceptance of deliverables.
- Obtain adequate supporting documents or recover unsupported ODCs of \$139,916.

Management agreed with the recommendations.

Report No. DODIG-2012-033

Acquisition Procedures for the Guam Design-Build Multiple Award Construction Contract Warning

Overview: DoD IG performed this audit pursuant to Public Law 111-84, “National Defense Authorization Act for Fiscal Year 2010,” section 2835, “Interagency Coordination Group of Inspectors General for Guam Realignment,” October 28, 2009. This law requires the group to monitor appropriations, programs, operations and contracts related to military construction for the Guam realignment. DoD IG determined whether Navy Facilities Engineering Command Pacific officials awarded the Guam design-build multiple award construction contract in accordance with federal, DoD and Department of the Navy acquisition regulations.

Findings: NAVFAC Pacific officials generally

solicited and awarded the Guam multiple award construction contracts in accordance with acquisition regulations. However, NAVFAC Pacific officials did not have procedures for promptly referring information to the Department of the Navy suspension and debarment official about the offerors’ negative responsibility matters, as required by Federal Acquisition Regulation. This occurred because NAVFAC Pacific internal policy did not require the contracting officer to notify the DON SDO. As a result, the DON SDO was unaware of certain negative responsibility matters pertaining to the Guam multiple award construction contract awardees that could have been specific causes for suspension or debarment.

Result: During the audit, DoD IG informed the NAVFAC officials about the negative responsibility matters of the contractors and senior Navy acquisition officials of the problem. In response, NAVFAC headquarters issued an Acquisition policy flash notice regarding the FAR requirement.

Report No. DODIG-2012-031

DoD Needs to Improve Accountability and Identify Costs and Requirements for Non-Standard Rotary Wing Aircraft

Overview: DoD IG reviewed the management of the DoD acquisition and support of non-standard rotary wing aircraft. DoD IG estimated that DoD obligated more than \$1.6 billion over the last five years and planned for more than \$1 billion in estimated future NSRWA efforts.

Findings: DoD officials did not adequately manage the acquisition and support of NSRWA. Specifically, DoD officials were unable to identify a comprehensive list of all DoD-owned and supported Mi-17s, total ownership costs and all planned requirements in support of these aircraft. This occurred because the under secretary of defense for acquisition, technology and logistics established the NSRWA Project Management Office as a temporary solution without fully authorizing the project manager and staff to make DoD-wide decisions and did not follow the defense acquisition process, even though it met the requirements of a major defense acquisition program. As a result, DoD may not have achieved the best value for the more than \$1.6 billion NSRWA effort is at risk for inadequate



DoD IG reviewed the acquisition of non-standard rotary wing aircraft.

Core Mission Areas

management of the more than \$1 billion in estimated future costs.

Result: DoD IG recommended that the USD(AT&L) establish the NSRWA program as a long term effort and designate it with a defense acquisition program category; identify and develop the acquisition documents required for the program; require that all DoD procurement and support of NSRWA efforts be sent to a single contracting command and implement the initiatives established in the November 3, 2010, better buying power memorandum; and request the deputy secretary of defense to designate the Army as the executive agent for NSRWA. In addition, the assistant secretary of the Army for acquisition, logistics and technology should issue a formal charter for the NSRWA project manager. Management comments were partially responsive to the recommendations. Additional comments were requested to the final report. This report is FOUO.

Report No. DODIG-2012-036

“Public Law 99-591, section 908(b) requires DoD IG to periodically audit undefinitized contractual actions and submit a report to Congress.”

Summary Report on DoD's Management of Undefinitized Contractual Actions

Overview: Public Law 99-591, section 908(b) requires DoD IG to periodically audit undefinitized contractual actions and submit a report to Congress. This is a summary of five reports discussing DoD compliance with section 2326, title 10, U.S.C. DoD IG reviewed a non-statistical sample of 251 UCAs with a total not-to-exceed value of about \$15 billion awarded by the Army Contracting Command-Redstone Arsenal, Naval Air Systems Command, Marine Corps Systems Command, Air Force Electronic Systems Center and Air Force Space and Missile Systems Center from FY 2004 through 2009. The purpose was to determine whether contracting personnel complied with the restrictions of section 2326 and if they appropriately justified and definitized UCAs at reasonable prices.

Findings: DoD contracting personnel did not consistently comply with statutory and DoD requirements for managing UCAs for 216 of 251 UCAs. DoD contracting personnel did not:

- Definitize 132 UCAs within the 180-day time frame because of inadequate contractor proposals, staffing shortages and changing government requirements.
- Adequately support their profit determi-

nation for 118 UCAs because they did not adequately document their consideration of reduced cost risk or the inputs used to create the profit objective.

- Obligate funds within allowable limits for 109 UCAs because they miscalculated the obligation amount and decreased the not-to-exceed value without adjusting the amount obligated or they did not take steps to comply with the Office of Defense Procurement.
- Properly justify the issuance of 60 UCAs because they did not adequately describe the necessity of a UCA to meet requirements.
- Adequately prepare authorization requests to issue 59 UCAs because they did not clearly define UCA approval delegations or adequately address requirements in the authorization requests.
- Adequately support the determination of price reasonableness for 15 UCAs because personnel were unable to provide documentation to support fair and reasonable pricing.

Result: DoD assumed additional cost risk and may have paid excessive profit and more than fair and reasonable prices. DoD IG recommended defense procurement and acquisition policy personnel revise the Defense Federal Acquisition Regulation Supplement Procedures, Guidance and Information to provide additional guidance for managing UCAs. Management partially agreed with the recommendations and DoD IG requested additional comments.

Report No. DODIG-2012-039

Improvements Needed With Identifying Operating Costs Assessed to the Fleet Readiness Center Southwest

Overview: DoD IG determined whether DLA Aviation San Diego correctly assessed its operating costs to Fleet Readiness Center Southwest for providing supply, storage and distribution. DLA Aviation San Diego assessed their total estimated operating costs to FRCSW through an annual, fixed-price agreement. Of the \$70.1 million in estimated operating costs from FY 2009 through FY 2011, DoD IG reviewed \$59.3 million of the estimated operating costs to determine whether the costs were allowable and supportable.

Findings: DLA Aviation San Diego officials did

not correctly assess their operating costs for providing SS&D support to FRCSW. Specifically, DLA Aviation San Diego officials assessed \$17.6 million in operating costs for services that were outside the scope of their SS&D responsibilities and \$5.1 million in operating costs for services that were potentially not SS&D. This occurred because the commander, DLA Aviation San Diego, the director, DLA Finance Aviation, and comptroller, FRCSW did not develop a local support agreement that clearly identified services performed and costs associated with those services. In addition, neither DLA Finance Aviation Office nor DLA Aviation San Diego Material Management Division personnel developed or implemented policies and procedures that identified, estimated and documented DLA Aviation San Diego operating costs. As a result, DLA Aviation San Diego could reduce its operating costs for providing SS&D to FRCSW by approximately \$5.8 million per FY. Furthermore, DLA Aviation San Diego could not provide sufficient documentation for \$13.9 million in estimated SS&D support costs.

Result: DoD IG recommended that the commander, DLA Aviation San Diego, and the director, DLA Finance Aviation, coordinate with the comptroller, FRCSW, to develop and implement a local support agreement; establish a quality control process to review the operating costs assessed to the FRCSW; and reduce operating costs in future years by not performing services outside the scope of SS&D support or that are not the responsibility of DLA Aviation San Diego. Management did not fully respond to the recommendation. DoD IG requested additional comments to the final report.

Report No. DODIG-2012-049

Guidance Needed to Prevent Military Construction Projects from Exceeding the Approved Scope of Work

Overview: DoD IG evaluated the requirements development process for military construction projects in Afghanistan; specifically, the Army and Air Force requirements development and design processes for 17 projects, totaling approximately \$456 million. DoD IG determined whether the requirements development and design processes resulted in statements of work that defined requirements, had measurable out-

comes and met the needs of DoD.

Findings: The Army and Air Force requirements development and design processes for the 17 projects reviewed resulted in defined requirements, measurable outcomes and projects that generally met DoD needs. Despite the processes, one Air Force project did not fully meet DoD's needs. Specifically, the Air Force project justification required the repair of a runway to be C-17 aircraft capable but the justification did not include a requirement for wider taxiways to support C-17 aircraft. Subsequently, Congress approved a separate project that included the necessary taxiway to fully meet DoD needs. In addition, the design process for three of the 17 projects did not result in Army Corps of Engineers and Air Force Center for Engineering and the Environment officials constructing facilities in accordance with facility sizes on the congressional request for authorization. This occurred because the scope of work variations permissible by section 2853, title 10, U.S.C., from the congressional request for authorization are unclear and inconsistently applied. As a result, DoD officials do not have assurance that MILCON projects are built consistent with congressional intent and in accordance with legislative requirements. Additionally, AFCEE officials improperly authorized the construction of facilities for one project. This occurred because AFCEE officials did not conduct scope verifications and perform proper contract administration. As a result, AFCEE officials improperly authorized the expenditure of at least \$3.3 million.

Result: DoD IG recommended that the deputy under secretary of defense for installations and environment issue clarification guidance to define the scope of work outlined in section 2853, title 10, U.S.C., which may not be exceeded. Once the deputy under secretary of defense for installations and environment issues clarifying guidance, DoD IG recommends that the commanding general, USACE, and director, AFCEE, develop and implement procedures to perform scope verifications to ensure compliance with section 2853, title 10, U.S.C. DoD IG also recommended that the director, AFCEE, identify the officials responsible for not performing proper contract administration, perform a review of the contract file to ensure it is complete and accurate, and initiate administrative action, as



DoD IG evaluated the requirements development process in Afghanistan.

Core Mission Areas

“...policy did not require adequate verification of contractor status before awarding SDVOSB set-aside and sole source contracts.”

deemed appropriate.

Report No. DODIG-2012-057

Inadequate Controls Over the DoD Service-Disabled Veteran-Owned Small Business Set-Aside Program Allow Ineligible Contractors to Receive Contracts

Overview: DoD IG analyzed whether the controls over the DoD Service-Disabled Veteran-Owned Small Business set-aside program affected the integrity of the program.

Findings: Controls over the DoD SDVOSB set-aside program were not adequate to ensure that only eligible SDVOSBs obtained set-aside and sole-source contracts. Specifically, DoD contracting activities awarded:

- Six contracts, valued at approximately \$1.9 million, to ineligible contractors.
- Twenty-seven contracts, valued at approximately \$340.3 million, to contractors that potentially misstated their SDVOSB status.

DoD Office of Small Business Programs policy did not require adequate verification of contractor status before awarding SDVOSB set-aside and sole-source contracts. As a result, nonqualified firms received awards, reducing the opportunities for disabled veterans to receive DoD contracts.

Result: DoD IG recommended that DoD management establish a contractor verification process to evaluate contractors' SDVOSB status. In addition, the commanding officers of the facilities audited should determine whether contractors misstated their SDVOSB status and pursue necessary contractual remedies. In addition, DoD should address the accuracy of data and reevaluate the process for validating the contract action report data.

Report No. DODIG-2012-059

Defense Contract Management Agency's Investigation and Control of Nonconforming Materials

Overview: DoD IG initiated the audit because of a Defense Hotline complaint concerning the Defense Contract Management Agency's actions following the discovery of nonconforming cables used in avionics systems produced by Northrop Grumman's Navigation Systems Division. DoD IG reviewed the hotline complaint and evaluated DCMA actions taken to address the noncon-

forming cables. DoD IG also reviewed DCMA current policies and procedures on investigating and controlling nonconforming cables for avionic systems produced by NSD.

Findings: DCMA issued three corrective action requests, notified customers and conducted an evaluation of rapid cable production to validate the corrective actions NSD took. According to DCMA-Los Angeles officials, they conducted reviews of suppliers based on contract administration delegations, work priorities and critical safety items. In addition, the DCMA-Los Angeles quality assurance supervisor stated that her office had not followed the government contract quality assurance surveillance plan as directed by DCMA policy because of limited personnel resources.

Results: DoD IG review determined that DCMA and NSD addressed and resolved the rapid cable problem, and that there have not been any nonconforming cables since the hotline complaint.

Report No. DODIG-2012-060

Contractor-Invoiced Costs Were Accurate, but DoD Did Not Adequately Track Funding

Overview: DoD IG determined whether costs on contractor invoices for services performed for DoD were accurate, allowable and allocable. In addition, DoD IG determined whether U.S. Army Medical Research Acquisition Activity officials and TRICARE Management Activity officials adequately tracked funding on one task order. The review included 251 invoices, totaling \$32.9 million, on three task orders, valued at \$64 million.

Findings: The contractor for the three task orders invoiced costs that were generally accurate, allowable, and allocable. Specifically, the contractor:

- Appropriately invoiced \$9.4 million on 94 invoices reviewed.
- Generally complied with its time and attendance policy for 1,156 time sheets.
- Properly billed for labor categories and rates established in the task order or base contract for 111 labor invoices, totaling \$19.5 million.
- Correctly hired employees that met the requirements of their labor categories for 15 contractor employees of the 19 in the sample.

The contractor's invoices included minor unallowable costs of \$925, which have been credited to the government. The contractor complied with FAR Subpart 31.2, "Contracts with Commercial Organizations," which defines accurate, allowable and allocable costs. As a result, the Defense Finance and Accounting Service and the TMA Payment Office paid the contractor for appropriate costs. In addition, DFAS and the TMA Payment Office paid 244 invoices, totaling \$32.6 million, in accordance with the Prompt Payment Act. USAMRAA and TMA officials did not adequately track and deobligate funding on one task order because they were unaware of whose responsibility it was to track funding. As a result, \$521,889 was unavailable for other purposes.

Result: DoD IG recommended that the director, TMA, coordinate with the director, USAMRAA, to:

- Determine how much of the \$196,543 in operation and maintenance funds should remain on Task Order 6 for final indirect rate adjustments and deobligate the remaining funds.
- Determine how much of the \$325,346 in DoD Medicare-Eligible Retiree Health Care Funds should remain on Task Order 6 for final indirect rate adjustments and deobligate the remaining funds.
- Establish guidance that delineates the roles and responsibilities of the funds holder and contracting activity in tracking funds.

Management agreed with the recommendations.

Report No. DODIG-2012-062

Financial Management

DoD IG continues to support as well as provide oversight of the financial management transformation efforts of the Department. In October 2011, the secretary of defense issued a memorandum renewing the Department's focus on improving financial information with a specific goal to achieve audit readiness for the statement of budgetary resources by the end of 2014 as well as improve accountability for assets. During the last six months, DoD IG has worked closely with the Department to address this priority. As the Department continues to revise its audit readiness plan, DoD IG has and will continue to increase our audit and oversight efforts to validate

improvements to financial information.

Due to the limitations on the scope of work, DoD IG issued a disclaimer of opinion on the DoD agency-wide and special purpose financial statements. DoD IG issued a disclaimer of opinion and did not express an opinion on the related reports on internal control and compliance with laws and regulations on the FY 2011 DoD agency-wide basic and special purpose financial statements.

Previously identified material weaknesses continued to exist in the following areas:

- Financial management systems
- Fund balance with treasury
- Accounts receivable
- Inventory
- Operating materials and supplies
- General property, plant and equipment
- Government property in the possession of contractors
- Accounts payable
- Environmental liabilities
- Statement of net cost
- Intergovernmental eliminations
- Other accounting entries
- Reconciliation of net cost of operations to budget

Office of Management and Budget requires that nine components prepare and submit audited stand-alone financial statements. The nine components are the Army General and Working Capital Funds; Navy General and Working Capital Funds; Air Force General and Working Capital Funds; U.S. Army Corps of Engineers, Civil Works; Medicare-Eligible Retiree Health Care Fund; and Military Retirement Fund.

DoD IG conducted or oversaw the required financial statements audits because those statements represent material portions of the DoD agency-wide financial statements. In FY 2011, USACE, Civil Works; Medicare-Eligible Retiree Health Care Fund; and Military Retirement Fund received unqualified opinions, while the other components received disclaimers of opinion.

“DoD IG continues to support as well as provide oversight of the financial management transformation efforts of the Department.”

Financial Systems Audits

DoD IG performs financial system audits of enterprise resource planning systems to determine whether the systems can provide DoD management with timely, accurate and reliable financial information. These audits determine compliance with federal guidance that will ensure DoD managers can make informed financial decisions in support of the warfighter. These audits also provide insight and recommendations to managers as they focus and prepare for audit readiness.



DoD IG assessed the General Fund Enterprise Business System.

Navy Enterprise Resource Planning System Does Not Comply With the Standard Financial Information Structure and U.S. Government Standard General Ledger

Overview: DoD IG determined whether the Navy Enterprise Resource Planning System provided DoD management with accurate, timely and reliable financial information by determining whether the system complied with the Standard Financial Information Structure and the U.S. Government Standard General Ledger. However, compliance with this guidance did not apply to the timeliness of the financial data. As such, DoD IG did not determine whether the system provided DoD management with timely financial information.

Findings: The Navy developed and approved deployment of the system to 54 percent of its obligation authority, which was valued at \$85 billion for FY 2011, without ensuring that the system complied with SFIS and USSGL. The Navy did not have an adequate plan to incorporate SFIS requirements into the development and implementation of the system, did not develop an adequate validation process to assess compliance with SFIS requirements, implemented the system to accommodate the existing Navy chart of accounts and noncompliant procedures, and failed to implement processes necessary to support requirements. As a result, the Navy spent \$870 million to develop and implement a system that might not produce accurate and reliable financial information.

Result: DoD IG recommended that the under secretary of defense for acquisition, technology, and logistics review the Navy ERP System's Business Enterprise Architecture compliance status to ensure adequate progress is being made to-

ward the planned FY 2015 SFIS compliance date before approving deployment to additional commands. The Defense Business Systems Management Committee chairman should track the configuration and implementation of BEA requirements

Report No. DODIG-2012-051

General Fund Enterprise Business System Did Not Provide Required Financial Information

Overview: DoD IG determined whether the General Fund Enterprise Business System provided DoD management with accurate and reliable financial information by assessing whether GFEBS complied with the U.S. Government Standard General Ledger and the Standard Financial Information Structure. The Army developed GFEBS to improve the reliability of financial information and comply with federal financial reporting guidance.

Findings: GFEBS did not contain accurate and complete FY 2010 USSGL and SFIS information as required by the Federal Financial Management Improvement Act of 1996 and under secretary of defense (comptroller)/chief financial officer, DoD (USD[C]/CFO), guidance. This occurred because USD(C)/CFO personnel did not provide timely updates to the DoD standard chart of accounts, and the assistant secretary of the army (financial management and comptroller) did not provide adequate oversight for maintaining the GFEBS chart of accounts or ensuring that GFEBS consistently entered values for all the attributes required by USSGL and SFIS. ASA(FM&C) has begun to address these issues identified during the audit. As a result, GFEBS did not provide DoD management with required financial information. In addition, GFEBS may not resolve the Army general fund's long-standing financial management systems and intragovernmental eliminations material weaknesses, despite costing the Army \$630.4 million as of October 2011.

Results: DoD IG recommended that the USD(C)/CFO implement procedures to streamline DoD chart of account updates. The ASA(FM&C) should not deploy GFEBS to additional users until it can ensure through reviews and validation that GFEBS consistently enters required attributes. In addition, ASA(FM&C) should update the GFEBS chart of accounts with

the capability to post to the 28 DoD reporting accounts identified in this report. Management partially agreed with the recommendations.

Report No. DODIG-2012-066

Funding for Enhancements to the Standard Procurement System

Overview: DoD IG determined whether Army officials properly funded the Standard Procurement System enhancements for the Joint Contracting Command-Iraq/Afghanistan.

Finding: Army Contracting Agency, Information Technology, E-Commerce and Commercial Contracting Center contracting officials inappropriately used approximately \$755,000 of FY 2008 operation and maintenance funds rather than procurement funds for the system enhancements. This occurred because agency contracting officials misinterpreted the DoD Financial Management Regulation. As a result, they potentially may have created a purpose statute violation and may have violated the Antideficiency Act.

Result: DoD IG recommended that the assistant secretary of the Army (financial management and comptroller) initiate a preliminary review for the potential Antideficiency Act violation identified and report the results of the review to DoD IG. Management disagreed with the recommendation. DoD IG requested additional comments to the final report.

Report No. DODIG-2012-032

Financial-Related Audits

In addition to the financial systems reports, DoD IG auditors conducted several financial-related audits. These audits focus on providing insight and valuable recommendations to managers as they focus and prepare for audit readiness. DoD IG performed audits of controls over and recording of financial transactions, reporting of improper payments, oversight of high-risk transactions and accounting of Afghan National Army payroll functions.

Management Improvements Needed in Commander's Emergency Response Program in Afghanistan

Overview: DoD IG determined whether controls over the Commander's Emergency Response Program payments made to support

Afghanistan operations were adequate. Specifically, controls were reviewed to ensure that contract payments were proper and that complete, accurate and meaningful data were reported to the decision makers responsible for managing CERP. U.S. Forces-Afghanistan processed more than 8,509 CERP payment transactions, totaling \$486 million, between October 2008 and February 2010. As of January 2011, DoD had allocated about \$3.2 billion in CERP funds to support Afghanistan operations, of which DoD obligated \$2 billion and disbursed \$1.5 billion.

Finding: U.S. Central Command and USFOR-A controls over CERP contract payments and reporting were not adequate. Specifically, for CERP payments made between October 2008 and February 2010, USCENTCOM and USFOR-A did not:

- Maintain and report reliable and meaningful CERP data for 6,157 of 8,509 CERP payments.
- Deobligate at least \$16.7 million of unused CERP project funds for 108 closed or terminated CERP projects.
- Identify or prevent \$1.7 million of improper payments on 13 CERP projects.
- Identify or prevent at least 30 unauthorized advance payments, totaling \$3.4 million, made to vendors on CERP contracts.
- Mitigate the risk of overpayments and underpayments because of currency rate fluctuations.

This occurred because USFOR-A did not issue guidance on recording and reconciling CERP data until May 2009 and did not properly train personnel on that guidance. USCENTCOM and USFOR-A did not provide sufficient CERP contract oversight to prevent improper payments, payments from unauthorized sites or unauthorized advance payments. In addition, DoD acquisition policy lacked a requirement for contracts to be written and paid in the same currency.

Result: USFOR-A had potentially up to \$38.4 million in outstanding unliquidated obligations, improper payments, high-risk CERP advance payments and a high risk for currency exchange rate fraud and overpaying or underpaying Afghanistan vendors. DoD IG recommended that USCENTCOM and USFOR-A should establish and implement policy and training to improve controls over CERP contract payments and re-

Core Mission Areas

“DoD IG determined whether the U.S. Army Corps of Engineers processed Homeowners Assistance Program applications and payments in accordance with the interim rule published in the Federal Register and implementing guidance.”

porting. DoD IG also recommended that USCENTCOM review contracting officials' actions to determine whether administrative action is warranted and that USFOR-A needs to quickly improve the quality of CERP data provided to Congress, USCENTCOM and its field commanders.

Report No. DODIG-2012-023

Deficiencies in Journal Vouchers That Affected the FY 2009 Air Force General Fund Statement of Budgetary Resources

Overview: The Defense Finance and Accounting Service Columbus accountants prepared 6,177 journal vouchers, amounting to approximately \$2 trillion, to prepare the Air Force General Fund Statement of Budgetary Resources and associated budgetary reports during FY 2009. DoD IG reviewed the journal vouchers DFAS prepared and used to produce the FY 2009 Air Force General Fund SBR and other budgetary reports for proper support and approval.

Findings: Deficiencies in some of these journal vouchers weakened the reliability of the Air Force General Fund Statement of Budgetary Resources and did not fully support audit readiness, nor were all journal vouchers properly approved. Specifically, DFAS:

- Made 1,680 journal vouchers, amounting to \$538 billion, to force agreement of certain financial report totals and did not provide adequate support, such as transaction details or reconciliations.
- Did not maintain an adequate detailed audit trail for 89 sample journal vouchers amounting to \$169.7 billion.
- Did not properly approve 870 journal vouchers amounting to \$877.5 billion.

In a positive step toward improvement, DFAS issued a memorandum, “Air Force General Fund Journal Vouchers,” April 18, 2011, establishing a journal voucher review team.

Result: DoD IG recommended that the director, DFAS Columbus, implement new policies and procedures in internal control over financial reporting to:

- Support reconciliations with specific accounting transactions and discontinue forcing agreement of amounts to meet budgetary financial reporting requirements.
- Include adequate detailed evidence with

journal vouchers so that audit trails comply with DoD FMR requirements and properly support audit readiness efforts.

- Eliminate auto-approval of journal vouchers and manually approve all system-prepared journal vouchers, including the appropriate level of approval required by DoD FMR thresholds.

Management mostly agreed with the recommendations.

Report No. DODIG-2012-027

American Recovery and Reinvestment Act— Improvements Needed in Implementing the Homeowners Assistance Program


Overview: DoD IG determined whether the U.S. Army Corps of Engineers processed Homeowners Assistance Program applications and payments in accordance with the interim rule published in the Federal Register and implementing guidance. The American Recovery and Reinvestment Act of 2009 allocated \$555 million to expand HAP and the National Defense Authorization Act of 2010 authorized an additional \$300 million.

Findings: USACE district personnel generally made accurate payments to eligible applicants in accordance with the interim rule and implementing guidance. However, district personnel processed and paid HAP applications using inconsistent policies and procedures. USACE did not issue detailed guidance on how to process payments consistently among the district offices, and district personnel did not effectively use management control checklists to detect mistakes and ensure program compliance. Of the 64 payments reviewed, totaling \$15.8 million, district personnel underpaid three applicants \$9,563 and overpaid five applicants \$1,308. In addition, they did not fully support payments for seven applicants totaling \$28,558. USACE had limited success in managing the backlog of eligible HAP applicants. As of February 23, 2011, USACE had paid 4,825 applicants \$725.5 million, but had a backlog of 4,897 eligible applicants. This occurred because USACE headquarters had not developed a detailed plan for managing the backlog. Therefore, DoD did not maximize its ability to offset the losses of qualifying service members and civilians.

Result: DoD IG recommended that the director

of real estate, USACE, issue detailed guidance for the uniform processing of HAP payments; review payment information and make corrections as necessary; and develop a plan for managing the backlog. Management agreed with all recommendations except the one to develop a plan for managing the backlog. DoD IG requested additional comments to the final report.

Report No. DODIG-2012-035

 **Army Needs to Identify Government Purchase Card High-Risk Transactions**

Overview: DoD IG determined whether Army government purchase card transactions, identified as high-risk by the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics using the purchase card on-line system, were made in compliance with applicable laws and regulations. DoD IG also assessed whether the Army approving officials detected any of the transactions that were noncompliant. The auditors reviewed a non-statistical sample of 112 transactions, valued at approximately \$3.6 million, which PCOLS identified as high-risk for being noncompliant.

Findings: PCOLS identified Army high-risk transactions that DoD IG determined did not comply with laws and regulations for using government purchase cards. Specifically, 17 noncompliant transactions valued at \$1.2 million were made on cards issued by eight Army contracting offices. The Army detected only one of the transactions. Two of the transactions resulted in more than \$1 million in potential Antideficiency Act violations. The transactions were noncompliant because cardholders and approving officials responsible for the transactions ignored GPC laws and regulations to facilitate making desired purchases to meet mission needs. They also believed the immediate need for an item overrode GPC business rules. Army GPC officials did not detect 16 of the 17 noncompliant transactions because the Army did not use a data mining system, such as PCOLS, to identify high-risk transactions and independently monitor the Army's GPC program. Army officials believed it was too difficult to implement a data-mining tool. As a result, this led to Army cardholders wasting funds by procuring prohibited items and by splitting purchases that did not receive the benefit of competition.

Result: DoD IG recommended that the assistant secretary of the Army (acquisition, logistics and technology) implement the use of a data mining system and review transactions that did not comply or have documentation. The ASA (ALT) agreed to implement the data mining system; however, they did not agree to review potential violations of laws and regulations. DoD IG also recommended that the assistant secretary of the Army (financial management and comptroller), initiate a preliminary review to determine whether any potential Antideficiency Act violations occurred. The ASA (FMC) agreed with the recommendation.

Report No. DODIG-2012-043

Distribution of Funds and Mentoring of Finance Officers for the Afghanistan National Army Payroll Need Improvement 

Overview: DoD IG audited the accuracy of the distribution of DoD funds to the Afghan National Army payroll and the mentoring of Afghan Ministry of Defense and ANA personnel to sustain the payroll process without the assistance of coalition forces.

Findings: The North Atlantic Treaty Organization Training Mission–Afghanistan/Combined Security Transition Command–Afghanistan CJ8 Directorate Finance Reform Office did not implement adequate controls to ensure that \$410.4 million of ANA payroll funds were properly advanced and reported to the Ministry of Defense. This occurred because CJ8 FRO personnel did not have written procedures or perform adequate reviews, and they relied on summary and not detailed data when distributing the quarterly advances. As a result, CJ8 FRO personnel did not have visibility over ANA payroll funds and they could not accurately calculate and report quarterly advances to the Ministry of Defense. Specifically, CJ8 FRO included \$47.8 million in absolute errors in their ANA payroll advances and reporting from April 2009 through January 2011. During the audit, NTM-A/CSTC-A took action to improve controls over the ANA payroll reconciliation process.

Results: DoD IG recommended implementing procedures to ensure the accuracy of the reconciliation and distribution process and partner with the Defense Finance and Accounting Service to develop control procedures in the ANA



DoD IG audited the accuracy of the Afghanistan National Army payroll.

“Information technologies have revolutionized how our militaries organize, train, and equip.”

payroll audit and mentoring areas. Management agreed with the recommendations.

Report No. DODIG-2012-058

DoD Compliance With the Requirements of the Improper Payments Elimination and Recovery Act

Overview: DoD IG determined whether DoD complied with Public Law 107-300, “Improper Payments Information Act of 2002,” November 26, 2002, as amended by Public Law 111-204, “Improper Payments Elimination and Recovery Act of 2010,” July 22, 2010. DoD IG reviewed DoD reporting in the “FY 2011 Agency Financial Report,” Addendum A, “Other Accompanying Information.”

Findings: The under secretary of defense (comptroller)/chief financial officer met the requirements of the Improper Payments Elimination and Recovery Act of 2010, but stated that there were problems with the completeness and accuracy of the DoD improper payment review and the information reported. USD(C)/CFO made significant disclosures about the limited completeness and accuracy of the DoD’s efforts to identify and report on improper payments, including:

- DoD did not statistically sample Defense Finance and Accounting Service commercial payments for its FY 2011 reporting.
- Transactions and processes (business and financial processes, controls, and systems) were neither standard nor sound in all cases.
- The Statement of Budgetary Resources was not auditable, and as a result, DoD could not reconcile outlays to the quarterly or annual gross outlays reported in the SBR to ensure that all required payments for reporting purposes were captured.

USD(C)/CFO was planning actions to correct these self-identified deficiencies in its improper payment reporting. Specifically, USD(C)/CFO stated that DFAS would begin statistical sampling of commercial payments in FY 2012. DoD was also working to improve its business and financial processes, controls and systems to achieve financial statement audit readiness by September 30, 2017, as required by Congress. In October 2011, the secretary of defense directed the USD(C)/CFO to provide a revised plan to

achieve audit readiness for the SBR by the end of 2014.

Results: DoD IG agreed that these areas need improvement before DoD will be able to provide complete and accurate information on the Department’s estimated amount of improper payments. In previous reports, DoD IG identified similar problems and issued recommendations to correct the areas that DoD disclosed in its AFR. Therefore, DoD IG did not make additional recommendations to improve the accuracy and completeness of the reporting until DoD is able to take corrective actions on outstanding recommendations and the weaknesses it self-identified in the AFR.

Report No. DODIG-2012-065

Information Assurance, Security and Privacy

Information technologies have revolutionized how the U.S. military organizes, trains and equips. The current technologies are the essence of key military capabilities in communications, command and control, navigation, intelligence and surveillance and reconnaissance. Within a few short years, information technology transitioned from a support function to a strategic catalyst for all military functions. Information assurance requires constant vigilance in terms of the identification and mitigation of cyber threats. DoD IG audits will continuously monitor and evaluate DoD use of people, policies, money and equipment to protect its information; and defend, protect and restore its information systems.

Improvements Needed With Host-Based Intrusion Detection Systems

Overview: DoD IG determined whether DoD, using host-based intrusion detection systems, was detecting, reporting, and mitigating cyber intrusions. DoD IG reviewed the status of deployment and configuration of HIDS as reported by DoD components to U.S. Cyber Command and performed a more detailed review at two DoD components.

Findings: The report findings are FOUO.

Result: The report results are FOUO.

Report No. DODIG-2012-050

Assessment of Security within the Department of Defense – Training, Certification and Professionalization

Overview: The report was the second in a series of assessments designed to provide an overall review of security policies and procedures within the Department. The assessment responded to a request from the USD(I) and focused on how the Department trains, certifies and establishes professional standards for security professionals across the DoD security enterprise.

Finding: DoD IG found that security training is sporadic and not consistently applied throughout the Department. This is due, in part, to the inability to ensure that funding for security training is dedicated and not re-allocated for non-security efforts. Furthermore, the Security Professional Education Development Certification Program is only partially developed at this time and linkages to identified security job requirements and competencies are not well understood by the DoD security workforce. As a result, there are some doubts across the Department regarding the viability of the certification program and whether it will be implemented in a timely manner.

Result: DoD IG recommended that the director, Defense Security Service, examine the current implementation strategy and develop a standardized certification program implementation plan for use by all organizations and commands, including a means to track those with certifications and identify the level of certification. In addition the director should develop an awareness plan to communicate the status of the security certification program across the Department, and address timeliness concerns to ensure the prompt implementation of certification for security professionals and a consistent level of protection of DoD resources. DoD IG also recommend that the deputy under secretary of defense for intelligence and security develop a mechanism to provide consistent oversight and monitoring of funds allocated to support the security certification program to ensure funds are not repurposed for non-security training endeavors.

Report No. DODIG-2012-001

Report on Sensitive Compartmented Information Leaks in the Department of Defense

Overview: The House Defense Appropriations Committee stated concerns with “the number of leaked classified and compartmented facts and reports that have occurred over the past three calendar years.” The committee expressed concerns that “sources and methods used for clandestine and covert action are being exposed on a regular basis and is of grave concern.”

Results: DoD IG confirmed with DoD components that some unauthorized disclosures of sensitive compartmented information to the public did occur within DoD between December 23, 2008, and December 23, 2011. Among the unauthorized SCI disclosures to the public reported, a former DoD official was directly attributed as a source of unauthorized SCI disclosures to the public. DoD components also reported that they followed established DoD guidance and procedures for forwarding unauthorized disclosure cases to the Department of Justice for action when appropriate.

Report No. DODIG-2012-056

Joint Warfighting and Readiness

In January 2012, DoD issued “Sustaining U.S. Global Leadership: Priorities for the 21st Century,” articulating the 21st century defense priorities. This strategic guidance called for a smaller and leaner force structure capable of the full range of missions. To meet these various missions, the restructured force will be balanced by technological advancements; able to deter and defeat aggression; maintain flexibility to ensure surge capability; and maintain readiness that ensures effective mobilization. Ensuring that U.S. forces are ready to carry out assigned missions is a preeminent responsibility and challenge.

DoD Complied With Policies on Converting Senior Mentors to Highly Qualified Experts, but Few Senior Mentors Converted

Overview: DoD IG determined whether DoD implemented and complied with the secretary of defense memorandum, “Policy on Senior Mentors,” April 1, 2010. Specifically, DoD IG determined whether DoD properly converted senior mentors to HQEs and consistently implemented



DoD IG reviewed IT security policies and procedures within the Department.

the secretary of defense senior mentor policies. Navy, Marine Corps and selected combatant commands controls were reviewed for implementing and complying with DoD policies for converting senior mentors to HQEs. DoD IG did not review the Departments of the Army and Air Force because their respective audit agencies were performing those reviews.

Findings: Navy, USMC, U.S. Joint Forces Command, Special Operations Command and Strategic Command officials complied with DoD policies for converting senior mentors to HQEs. As of February 28, 2011, 11 of the 194 reported senior mentors for FY 2010 converted to HQEs. The other 183 senior mentors did not convert to HQEs and are no longer working as senior mentors. Seven of the 11 HQEs have since resigned. The other four HQEs properly converted within the appropriate time frame and in accordance with DoD policies.

Result: The Navy, USMC, USJFCOM, USSOCOM and USSTRATCOM took action to implement and comply with DoD policies for converting senior mentors to HQEs.

Report No. DODIG-2012-009

[Air Force Can Improve Controls Over Base Retail Inventory](#)

Overview: DoD IG evaluated the controls over Air Force Working Capital Fund base retail inventory stored at sites in the contiguous United States. The Air Force reported a \$28.1 billion net inventory value on its FY 2010 WCF Financial Statements. Air Force inventory includes weapon system consumable and repairable parts, base supply items and medical-dental supplies. Air Force inventory consists of two primary categories: wholesale inventory that Defense Logistics Agency distribution depots generally store and retail inventory that Air Force and Air National Guard bases generally store. Bases use the Air Force Standard Base Supply System to electronically maintain WCF retail inventory records.

Findings: Air Force retail inventory records were generally accurate at 71 bases but personnel can make improvements. Specifically:

- System records for 44,155 of the 759,387 national stock numbers included in the inventory accuracy testing population had quantity discrepancies.
- \$5.2 billion of base retail inventory was

misstated (overstated and understated) by \$77.3 million.

Separate testing at the Westhampton Air National Guard base identified inventory quantity discrepancies with \$11.4 million of their \$32.5 million inventory value. These conditions occurred because personnel did not always process inventory transactions promptly and accurately, perform accurate counts and maintain adequate control over items stored at supply points and maintenance shops. Inventory record discrepancies can limit the ability of the Air Force to effectively and efficiently manage its inventory and to provide optimal support to the warfighter. Air Force inventory controls were generally adequate, but deficiencies at 13 of 24 bases visited, and analysis of records for other bases showed that personnel can make improvements. Specifically:

- Three bases visited and 13 additional bases did not complete required physical inventories for 39,441 item records, with inventory valued at \$117.7 million.
- Ten bases did not always properly complete and retain documentation supporting inventory adjustments.
- Eight bases did not always maintain adequate physical storage of inventory items.

The inventory control deficiencies resulted from inadequate oversight. Inadequate inventory controls can increase the risk of theft or mismanagement of inventory assets and can negatively affect mission operations.

Result: DoD IG recommended that the Air Force director of logistics, deputy chief of staff/logistics, installations and mission support:

- Provide all bases that store inventory details on the primary causes for inaccurate inventory records that this audit identified.
- Improve oversight over the completion of required physical inventories, the preparation and retention of documentation supporting inventory adjustments and storage practices.

Command agreed with all recommendations.

Report No. DODIG-2012-026

[Marine Corps Transition to Joint Region Marianas and Other Joint Basing Concerns](#)

Overview: DoD IG determined whether the joint bases adhered to the intent of the 2005

base realignment and closure recommendation, joint basing implementation guidance and subsequent guidance related to the Marine Corps relocation to Guam.

Findings: DoD adequately implemented the joint basing program at Joint Base Pearl Harbor–Hickam and Joint Region Marianas; however, improvements to the process were identified. Joint Region Marianas and Joint Base Pearl Harbor–Hickam encountered difficulties developing efficient processes because levels of installation support for joint bases were above levels at stand-alone bases and did not allow for other methods to provide support or always align with the urgency of warfighter needs; commanders did not have full authority to implement best policies; and Joint Region Marianas and Joint Base Pearl Harbor–Hickam provided reports to the under secretary of defense for installations and environment, basing directorate, that may be inconsistent. Additionally, the Marine Corps can improve the transition process to Joint Region Marianas through increased planning and coordination in key transition areas. If Marine Corps concerns are not promptly addressed readiness, resources and quality of life may be affected during the relocation to Guam.

Result: DoD IG recommended that the deputy under secretary of defense for installations and environment revise installation support standards to better reflect mission needs and issue guidance on reporting joint basing results at joint bases. DoD IG also recommended that the commander, Navy Installations Command, allow joint bases to deviate from service-specific policy so that best practices can be developed, establish guidelines for conducting joint inspections at the Navy-led joint bases and develop an equitable method to distribute Marine Corps Exchange profits at Joint Region Marianas. DoD IG recommended that the commander, Joint Region Marianas, task the comptroller with providing detailed support regarding the transfer of funds and develop specific policy to assist the Marine Corps regarding how installation support will be provided on future Marine Corps base Guam.

Report No. DODIG-2012-054

Nuclear Enterprise

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

Status of Recommendations to Improve the Department of Defense Nuclear Enterprise - Phase II

Overview: The audit was conducted, in part, in response to a congressional request that DoD IG continue to monitor DoD progress in reinvigorating the nuclear weapons enterprise. The report focused on the recommendations in six DoD and service-specific reports regarding the DoD nuclear weapons enterprise and followed-up on the status of open recommendations identified in report 09-INTEL-11 “Status of the Recommendations to Improve the Air Force Nuclear Enterprise,” September 18, 2009. DoD IG found that sufficient action had taken place to close 215 of the 240 recommendations in the DoD nuclear weapons enterprise reports. In addition, the Air Force took sufficient action to close 29 of the 33 recommendations that remained open when Report No. 09 INTEL-11 was published. The report also noted that the nuclear enterprise management tool is a valuable tool for tracking Air Force nuclear weapons-related recommendations.

Result: DoD IG made recommendations to the six organizations identified in the reports reviewed. DoD IG recommended that the offices of primary responsibility provide supporting documentation to substantiate the actions taken toward completing the implementation of the open recommendations. DoD IG requested that the offices of primary responsibility also identify points of contact capable of discussing the actions and the closure dates and provide a written explanation if no action was taken or provide the plan to implement the recommendations, as appropriate.

Report No. DODIG-2012-044

“...a congressional request that DoD IG continue to monitor DoD progress in reinvigorating the nuclear weapons enterprise.”

Investigations

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

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

Procurement Fraud

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

DoD Contractor Sentenced to 105 Years in Jail for Defrauding DoD

Overview: A DCIS investigation disclosed that Roger Charles Day Jr., and co-conspirators operating in the United States, Canada, Mexico and Belize, formed more than 18 companies to obtain DoD contracts. The companies used the Defense Logistics Agency automated bid system to win nearly 1,000 contracts. Day and his co-conspirators provided defective parts, to include critical application parts, to DoD on more than 300 of those contracts. Day was featured on America's Most Wanted, which resulted in his arrest and subsequent extradition from Mexico.

Result: On August 25, 2011, a jury trial found Day guilty of wire fraud conspiracy, wire fraud, money laundering conspiracy and conspiracy to smuggle goods. On December 15, 2011, Day was sentenced to 105 years imprisonment and three years supervised release. He was ordered to pay a \$3 million fine, \$6.3 million in restitution to DLA and a \$600 special assessment. Day was also ordered to forfeit 3,496 ounces of gold bars and coins, two sport utility vehicles and

\$2.1 million representing proceeds from the scheme to defraud DoD.

Theft of Aviation Fuel

Overview: A joint investigation with DCIS, FBI, and Air Force Office of Special Investigations disclosed that Aero Taxi, LLC, doing business as Aeroelite Sales was awarded two indefinite delivery/indefinite quantity into-plane contracts from DLA-Energy. Francis T. Deutsch, former manager and co-defendant Robert Gullede, former owner, defrauded Chevron in excess of \$700,000 by charging for fuel when no fuel was sold. Gullede also admitted to giving gratuities, prohibited by contractual agreement, to military customers to promote Aero Taxi as a refueling stopping point on their training missions. The into-plane program supplies fuel and refueling services to government and DoD aircraft at commercial airports where no military refueling capability are available nearby or other circumstances require the use of a contracted commercial resource.

Result: On January 12, 2012, Deutsch was sentenced to 41 months in prison and five years mandatory supervised release. In addition, he was ordered to pay \$777,254 in restitution, \$600,000 in forfeitures and a special assessment of \$100. Gullede was debarred from doing business with the U.S. government by DLA for a 3-year period.

Boeing Corporation pays \$4.3 Million to Settle Allegations of False Claims

Overview: A joint investigation with DCIS and Army Criminal Investigation Command disclosed that Boeing Corporation improperly billed DoD for work performed to refurbish CH-47 Chinook helicopters. The investigation examined whether Boeing employees improperly charged efforts to refurbish CH-47 Chinooks to other projects, resulting in a potential double payment to the company. Boeing agreed to retrain its employees and upgrade technology used to track billing information.

Result: On January 20, 2012, the Boeing Company entered into a civil settlement agreement with the Department of Justice, in which Boeing agreed to pay \$4.39 million to settle the allegations of improperly billing DoD for work performed to refurbish CH-47 helicopters.



DCIS investigated overcharging for CH-47 Chinook refurbishment.

Father and Son Sentenced to Prison for Fraudulently Billing NSA

Overview: A DCIS investigation disclosed that the Bechdon Company submitted false claims to the DoD for work allegedly not performed on National Security Agency contracts. Since 1995, Bechdon made metal and plastic parts for NSA for various contracts totaling more than \$10 million. William Turley and Donald Turley, owners of Bechdon, were tried and convicted of submitting false claims to NSA by falsely claiming approximately \$1.3 million in labor hours on NSA contracts during the past 10 years. According to D. Turley, he charged on average 16 hours per week for work he did not perform. Additionally, nine other employees charged between two and 12 hours per week at as much \$89 per hour for work that was not performed. D. Turley claimed this was done to recoup money for underbidding to be awarded NSA contracts.

Result: On March 2, 2012, William Turley and his son Donald Turley were each sentenced to 18 months in prison and one year of home detention, as part of three years of supervised release, and a \$100,000 fine for conspiring to commit and committing wire fraud arising from a fraudulent billing scheme. Additionally, William and Donald Turley were ordered to pay, jointly and severally, \$247,631 in restitution.

Aerospace Corporation Paid \$2.5 Million to Settle Employee Mischarging

Overview: A joint investigation with DCIS, NASA OIG and AFOSI disclosed that Aerospace Corporation allegedly submitted false labor costs to DoD. William G. Hunter, a software quality assurance expert, was employed by Tybrin Corporation on a NASA contract while simultaneously employed at Aerospace. Tybrin's pay records indicated Hunter consistently averaged 20 hours overtime each week, which increased his \$127,000 base salary to \$180,000 per year. On many occasions, his recorded work hours at Aerospace and Tybrin combined exceeded 24 hours in a single day. In addition, the investigation confirmed Hunter did not possess the Bachelor of Science, Master of Science and Doctor of Philosophy degrees in Computer Science from Oxford University as claimed in his resume. Hunter resigned from Aerospace in July 2008 after being questioned by Aerospace per-

sonnel about his employment with Tybrin.

Result: On August 17, 2010, investigators confirmed Hunter died in Michigan and the criminal case became a civil false claim matter. On November 10, 2011, Aerospace entered into a civil settlement agreement with the Department of Justice, in which Aerospace agreed to pay \$2.5 million to settle civil claims related to the submission of false labor costs to DoD.

GenCorp Paid \$3.3 Million to Settle Expressly Unallowable Costs Allegations

Overview: A joint investigation with DCIS, Army CID, AFOSI, NCIS and NASA OIG disclosed that GenCorp allegedly submitted false claims to DoD. In July 2009, DCAA provided a Suspected Irregularity Referral form indicating GenCorp included \$2.4 million of expressly unallowable costs in a certified incurred cost (overhead) proposal covering FY 2006. The unallowable costs were related to GenCorp defending against a corporate takeover by a shareholder; the expressly unallowable costs are delineated in the Federal Acquisition Regulation 31.205.27. The investigation determined GenCorp claimed similar unallowable costs in FY 2004 and 2005 for attorneys, accountants and management consultant fees.

Result: On November 28, 2011, GenCorp, Inc., agreed to pay \$3.3 million to settle allegations that unallowable costs were included in overhead cost claims submitted to DoD.

Sea Star Line Pleads Guilty to Anti-Trust Violations and Agrees to Pay \$14.2 Million in Fines

Overview: A joint investigation with DCIS, FBI and DOT OIG disclosed that Sea Star Line, LLC., engaged in a conspiracy to fix rates and surcharges for shipping freight between the continental United States and Puerto Rico from as early as May 2002 until at least April 2008. In 2005, the U.S. Army, Surface Deployment and Distribution Command, Regional Domestic Contract Division, contracted with Sea Star and other companies for shipping of a variety of cargo for the DoD, such as heavy equipment, perishable food items, medicines and consumer goods to Puerto Rico. The investigation disclosed that Sea Star conspired with others to fix rates and divide up customers, rigged bids and



DCIS investigated Sea Star Line for conspiring to fix shipping rates.

Core Mission Areas

added surcharges to the DoD and commercial customers for shipping between the continental United States and Puerto Rico from 2005 through 2008.

Result: On November 17, 2011, Sea Star Line, LLC, pleaded guilty to one count of violating the Sherman Antitrust Act and agreed to pay a \$14.2 million fine for its role in a conspiracy to fix prices in the coastal water freight transportation industry.

Product Substitution

DCIS supports DoD and its warfighting mission through timely, comprehensive investigations involving products that are counterfeit, defective or substandard, and do not conform with the requirements of the contract. Nonconforming products not only disrupt readiness and waste economic resources, but also threaten the safety of military, government and other end-users. When substituted products are provided to DoD deliberately, mission-critical processes and capabilities can be severely impacted until they are removed from the DoD supply chain.

Point Blank Pays U.S. Government \$1 Million for the Sale of Defective Zylon Bulletproof Vests

Overview: The results of a joint investigation with DCIS, AFOSI, DOE OIG, GSA OIG, DOC OIG, Army CID and Treasury Inspector General for Tax Administration led Point Blank Solutions Inc. (formerly DHB Industries Inc.), Point Blank Body Armor Inc. and Protective Apparel Corporation of America Inc. (collectively, “Point Blank”) to pay \$1 million to resolve allegations that they knowingly manufactured and sold defective Zylon bulletproof vests to U.S. government agencies including DoD. The Zylon materials degraded quickly and were not suitable for ballistic use. This settlement is part of a larger investigation of the body armor industry’s use of Zylon in body armor. The U.S. government has settled with nine other participants in the Zylon body armor industry for more than \$61 million.

Result: On November 2, 2011, Point Blank entered into a civil settlement agreement with the U.S. Department of Justice in which the contractor agreed to pay \$1 million to settle the allegation they violated the False Claims Act.



DCIS investigation of defective vests leads to settlement.

\$4.75 Million Settlement by Kaman Precision Products in Connection with the Submission of False Claims

Overview: A joint investigation with DCIS, AFOSI, Army CID, NCIS and FBI disclosed that Kaman Precision Products, Inc., allegedly substituted EB401-3 bellows motors for EB401-2 bellows motors in FMU-143 fuses. Air Force technical experts determined that if the incorrect bellows version was used in the FMU-143 fuse that there was a 50 percent chance of premature detonation. Due to the serious nature of the allegation, all of the FMU-143 fuses affected by the allegation were quarantined in the field. The United States filed a civil action against Kaman for violation of the False Claims Act. The United States, acting through the Army contracting officer, asserted claims, defaulted Kaman and demanded monetary compensation for alleged latent defects due to manufacturing efforts to rework fuzes after ATE failures. The Army contracting officer issued a notice supplementing its earlier default on the basis of fraud. Kaman expressly denied having committed any fraudulent act, but agreed to settle the matter to avoid further litigation and to repair the relationship between the parties.

Result: On December 20, 2011, Kaman entered into a civil settlement agreement with the Department of Justice and the Army. Kaman agreed to pay the U.S. government \$4.75 million of which \$2 million will settle the civil claim and \$2.75 million will cover the Armed Services Board of Contract Appeals claim.

Public Corruption

Public corruption within DoD impacts national security and safety and degrades the overall mission of the warfighter. When brought to light, corruption undermines public trust and confidence in the U.S. government and wastes billions in tax dollars every year. DCIS is in a unique position to investigate allegations of public corruption. Investigative tools and methods such as undercover operations, court-authorized electronic surveillance and informants can provide a compelling witness to the actual exchange of bribe money or to a back room handshake that seals an illegal deal and supply critical evidence to send the culprits to prison.

Army Sergeant Major and Former Sergeant Sentenced to Prison for Bribery Conspiracy at Bagram Airfield

Overview: A joint investigation conducted by DCIS, Army CID, AFOSI and SIGAR determined former Sergeant Charles O. Finch and Sergeant Major Gary Canteen, conspired to receive bribes from military contractors in return for contracts. According to court documents, Finch and Canteen were deployed to Bagram Airfield and responsible for coordinating trucking or “line haul” services, to ensure the distribution of all goods destined for U.S. and coalition soldiers throughout Afghanistan. In advance of the award of line haul contracts in October 2004, Canteen and Finch agreed to accept a \$50,000 bribe from military contractors John Ramin and Tahir Ramin and their company, AZ Corporation, in return for Finch’s recommendation and facilitation of the award of a line haul contract to AZ Corporation. In August 2011, Finch and Canteen pleaded guilty for their roles in conspiring to receive a \$50,000 bribe from a military contractor in return for the award of a DoD trucking contract. Finch pleaded guilty to one count of conspiracy to commit bribery and one count of bribery, and Canteen pleaded guilty to one count of conspiracy to commit bribery.

Result: On January 19, 2012, Finch was sentenced to 51 months in prison, three years of supervised release and a \$200 special assessment. On January 20, 2012, Canteen was sentenced to 31 months in prison, three years of supervised release and a \$100 special assessment. Both Finch and Canteen were ordered to pay \$200,000, jointly and severally, in restitution to the U.S. government.

Army National Guard Major Sentenced to 60 Months for Accepting Bribes in Afghanistan

Overview: A joint investigation conducted by DCIS, Army CID, AFOSI and SIGAR determined that Christopher P. West, a former major in the U.S. Army National Guard, deployed to Bagram Airfield, Afghanistan, received bribes from military contractors in exchange for fraudulently certifying the receipt of concrete bunkers and barriers. According to court documents, West conspired with the contractors to inflate the number of bunkers and barriers delivered to Bagram and profited from the overpayments

made by DoD. During the material inspections, West and a co-conspirator reported an inflated number of bunkers and barriers than were actually delivered. West pleaded guilty in June 2009 to a superseding indictment charging him with eight counts of bribery, conspiracy and fraud. The co-conspirator was indicted and sentenced. **Result:** On December 20, 2011, West was sentenced to 60 months in prison, two years of supervised release, an \$800 special assessment and ordered to pay \$500,000 in restitution to the U.S. government for conspiracy to commit bribery, bribery and conspiracy to commit mail fraud.

Former Army Sergeant Pleads Guilty to Stealing Equipment in Iraq and Receiving Proceeds from Sale on Black Market

Overview: A joint investigation conducted by DCIS, SIGIR and Army CID determined that Robert A. Nelson, a former U.S. Army sergeant, conspired to steal Army equipment related to his work as a noncommissioned officer helping to train Iraqi army personnel in Mosul, Iraq. According to the court documents, Nelson, along with a Army translator agreed to steal eight generators from a lot on post that held various pieces of used equipment. Once the generators were taken off the post, the translator arranged for them to be sold on the black market in Iraq. Nelson admitted to receiving approximately \$44,830 from this scheme. On June 28, 2011, Nelson pleaded guilty to a criminal information charging him with one count of conspiracy to steal public property.

Result: On October 5, 2011, Nelson was sentenced to six months home confinement, five years probation, and ordered to pay \$44,830 in restitution to DLA.

Former Army Major and Spouse Convicted for Bribery Scheme Related to Defense Contracts in Iraq

Overview: A joint investigation conducted by DCIS, FBI, Army CID, SIGIR and IRS-Criminal Investigations determined that Eddie Pressley, a former Army major, took various contracting actions to benefit certain contractors who paid him bribes while serving as a Army contracting official at Camp Arifjan, Kuwait, between 2004 and 2005. According to testimony and other evidence presented at trial, Pressley received



DCIS investigated soldiers for receiving bribes from contractors.

Core Mission Areas

approximately \$2.9 million in bribe payments from various contractors. Evidence at trial also showed Pressley enlisted the help of his wife, Eurica Pressley, to receive the bribes, open foreign bank accounts and attempt to conceal their corrupt scheme by having Eurica Pressley execute bogus consulting agreements. On March 1, 2011, a jury convicted both Eddie and Eurica Pressley of one count of bribery, one count of conspiracy to commit bribery, eight counts of honest services fraud, one count of money laundering conspiracy, and 11 counts of engaging in monetary transactions with criminal proceeds.

Result: On January 5, 2012, Eddie Pressley was sentenced to 144 months in prison and three years supervised release. On February 28, 2012, Eurica Pressley was sentenced to 72 months in prison and three years supervised release. The court also ordered the Pressleys to forfeit \$21 million, as well as real estate holdings and automobiles.

Health Care Fraud

Health care fraud continues to be a rising threat to national health care. Of particular concern to DCIS are the allegations of potential harm to DoD military and dependent patients. In addition to patient harm, typical investigations address health care providers involved in corruption or kickback schemes, overcharging for medical goods and services, off-label marketing of drugs and unauthorized people receiving TRICARE health benefits. DCIS continues to proactively target health care fraud through federal task forces and undercover operations.

Over \$23 Million Settlement by Synthes Corporation and Norian, Inc. for Using Misbranded Medical Devices

Overview: A joint investigation with DCIS, HHS OIG, Veterans Affairs OIG and Food and Drug Administration-OCI disclosed that Synthes Corporation and Norian, Inc. were involved in conducting clinical trials, which included TRICARE beneficiaries, of a medical device without the authorization of the FDA. From May 2002 until Fall 2004 Norian, a wholly-owned subsidiary of Synthes, allegedly conspired with Synthes and former Synthes executives to treat vertebral compression fractures with Norian XR despite

a warning on the FDA-cleared label against this use due to serious medical concerns about the safety of the devices when used on the spine. The use of the Norian XR for the above procedure was neither tested by Synthes/Norian, nor submitted as required for approval by FDA. Three fatalities occurred during the unauthorized clinical trial of Norian XR. Norian and Synthes did not recall Norian XR from the market and subsequently submitted false statements to the FDA during an official inspection in 2004. Norian pleaded guilty to conspiracy and introducing into interstate commerce adulterated and misbranded medical devices. On November 30, 2010, Norian Corporation was sentenced to pay a fine of \$22.5 million. Synthes pleaded guilty to introducing into interstate commerce adulterated and misbranded medical devices. On September 27, 2010, Synthes agreed to pay \$38,000 in restitution. On November 30, 2010, Synthes was sentenced to pay a fine of \$200,000 and forfeit \$469,800. In addition, Synthes entered into a corporate integrity agreement, which requires Synthes to implement programs to prevent illegal conduct from recurring. As part of the CIA, Synthes entered into a Divestiture Agreement in which Synthes will sell all of the assets and operations of Norian to a third party, and if completed, Norian will not be excluded from the federal health care programs.

Result: In 2009, Michael Huggins, Thomas Higgins and John Walsh plead guilty to an indictment charging them with one count of introducing into interstate commerce adulterated and misbranded medical devices. On November 21, 2011, Synthes and Norian executives Michael Huggins, Thomas Higgins and John Walsh were sentenced in the Eastern District and each defendant received a \$100,000 fine and a special assessment fee of \$25. In addition, Huggins and Higgins each received nine months incarceration and three months of supervised release; and Walsh received five months incarceration and seven months supervised release. On December 13, 2011, Synthes executive Richard Bohner was sentenced in the Eastern District of Pennsylvania for similar charges and received eight months incarceration and four months of supervised release. Bohner was also ordered to pay a special assessment of \$25 and a fine of \$100,000.

“Three fatalities occurred during the unauthorized clinical trial of Norian XR.”

🛡️ \$316,513 Settlement by Eastern Connecticut Hematology and Oncology, Associates, PC for False Claims for Payment

Overview: A joint investigation with DCIS, FBI and HHS OIG disclosed that Eastern Connecticut Hematology & Oncology, Associates, PC submitted false claims to DoD for injections administered by unlicensed medical assistants from January 2001 through March 2008. The investigation verified ECHO was employing medical assistants to provide medical services that should be performed by staff physicians, specifically to administer injections of medicine to patients. The Connecticut Department of Health advised that medical assistants are prohibited by Connecticut state statutes from injecting certain medications as performed by ECHO medical assistants.

Result: On January 10, 2012, ECHO entered into a civil settlement agreement with the Department of Justice, in which ECHO agreed to pay \$316,513 to the U.S. government.

🛡️ Health Care Provider Sentenced to 25 Years for Falsely Billing U. S. Federal Government

Overview: A joint investigation with DCIS, FBI and HHS disclosed that Dr. Anthony Valdez, beginning in 2001 and continuing through 2009, caused fraudulent claims to be submitted to Medicare, Medicaid, TRICARE and the Texas Workers' Compensation Commission. Dr. Valdez was the owner of the Institute of Pain Management with clinics in El Paso and San Antonio. Dr. Valdez submitted false claims for reimbursement of peripheral nerve injections, facet injection procedures and office visits. In addition, the investigation revealed Dr. Valdez unlawfully dispensed controlled substances from his clinics. Dr. Valdez was convicted on July 1, 2011.

Result: On January 9, 2012, Dr. Valdez was sentenced to 25 years incarceration and three years of supervised release. In addition, Valdez was ordered to forfeit various properties valued at \$13.35 million.

🛡️ \$85 million Settlement by Scios, Inc. for FDCA Violation

Overview: A joint investigation with DCIS, FDA, FBI, HHS OIG and OPM OIG disclosed that Scios, Inc., a Johnson & Johnson subsidiary,

introduced Natrecor, a heart failure drug not approved by the FDA, into interstate commerce. The Food, Drug, and Cosmetic Act requires that a company must disclose its planned uses of a drug as part of the application process to the FDA. If the FDA determines a new drug is safe and effective for a company's planned uses, the drug may be entered into interstate commerce. Scios did not receive FDA approval for the use of Natrecor as a heart failure drug. The illegal off-label use of Natrecor caused false claims to be submitted to Medicare, TRICARE and other federal, state and private health insurance programs.

Result: On October 5, 2011, Scios pleaded guilty to a one-count violation of the Food Drug and Cosmetic Act and was sentenced to pay an \$85 million fine in the Northern District of California.

🛡️ \$9,250,000 Settlement by Guidant Corporation for Allegations of Fraud

Overview: A joint investigation with DCIS and HHS OIG disclosed that Guidant Corporation allegedly failed to disclose warranty information for implanted medical devices. Guidant's failure caused hospitals to submit false claims to U.S. government programs including TRICARE. Guidant benefitted financially by charging full price for replacement and upgraded implanted medical devices which would have been discounted if the warranty information was disclosed. Additionally, Guidant concealed cost savings to the DoD and U.S. government for replacement of recalled devices.

Result: On October 20, 2011, Guidant entered into a civil settlement agreement with the Department of Justice, in which Guidant agreed to pay \$9.25 million to the U.S. government.

🛡️ \$66 Million Settlement by LHC Group, Inc. for Allegations of False Claims

Overview: A joint investigation with DCIS and HHS OIG disclosed that LHC Group, Inc. submitted claims to Medicare, TRICARE and the Federal Employees Health Benefits Program from January 1, 2006, through December 31, 2008, for home health services that were allegedly not rendered. LHC is one of the largest recipients of federal health care funds in the United States, with recorded revenues in excess of



DCIS investigated fraudulent claims submitted for services and office visits.

Core Mission Areas



DCIS investigated the attempted sale of Naval radar parts.

\$460 million from federal health care programs. This case was initiated based on information received via a qui tam complaint alleging that LHC defrauded federal health care programs by billing for services not rendered, using fraudulent billing codes and billing for services without physician orders. LHC non-compliance rates for reimbursement were estimated at between 55 percent and 66 percent, indicating that over half the federal funds received by LHC may have been fraudulently obtained.

Result: On October 7, 2011, LHC entered into a civil settlement agreement with the Department of Justice, in which LHC agreed to pay \$66 million to settle the allegations of fraud.

Technology Protection

DCIS serves an integral role in the protection of critical military technology research, development and acquisition. DCIS targets complex and pervasive threats to DoD counter-proliferation policies.



DCIS prevented export of carbon fiber used in micro-aerial vehicles applications.

New York Man Pleads Guilty to Attempting to Ship Prohibited Items to Iran

Overview: A joint investigation with DCIS and Immigration and Customs Enforcement Homeland Security Investigations determined that, in October 2011, Richard Phillips offered to export a spool of carbon fiber to Tehran, Iran, via the Philippines in direct contravention of the U.S. trade embargo against Iran. The two main applications of carbon fiber are in specialized technology, including aerospace and nuclear engineering, and in general engineering and transportation. In a recorded telephone conversation with an undercover agent, Phillips was warned that the export of the carbon fiber to Iran was illegal under the trade embargo. After a series of recorded telephone calls, email exchanges and meetings with undercover agents, Phillips took possession of a spool of carbon fiber, placed it into a shipping container and affixed a label to the container addressed to the Philippines, where it was to be forwarded to Iran. Phillips was arrested by agents prior to the export of the carbon fiber.

Result: On January 18, 2012, Phillips pleaded guilty in federal court to violating the International Emergency Economic Powers Act by at-

tempting to export a spool of carbon fiber to Iran.

Texas Man Sentenced for Attempting to Export Restricted Military Equipment

Overview: A joint investigation with DCIS and ICE-HSI disclosed that Andrew Silcox purchased surplus DoD equipment and then resold it. Silcox admitted that beginning in May 2010, he sold one and subsequently attempted to sell three more Naval Radar Control Unit AN/SPS-40B/C/D parts, also known as a Sensitivity Time Control Generator Assembly, for an agreed upon price of approximately \$6,500 each to an undercover agent. These particular units are covered by the U.S. Munitions List and require a State Department license for exportation. The undercover agent told Silcox he was a broker for a buyer in the United Arab Emirates and inquired as to how Silcox would get the export license.

Result: On December 15, 2011, Silcox pleaded guilty to one count of attempted illegal export of munitions list items. On February 24, 2012, Silcox was sentenced to two years in federal prison, three years supervised release and a special assessment of \$100 for violating the Arms Export Control Act.

Attempted Illegal Export of C-130 Aircraft

Overview: A joint investigation by DCIS and ICE-HSI determined Donald Bernardo was allegedly willing to supply a C-130 aircraft for export to Venezuela. Bernardo represented to undercover agents that he had a license from the Department of State to export the C-130 and indicated that he suspected Venezuela was an embargoed country. After Bernardo learned that Venezuela was, in fact, an embargoed country, Bernardo continued to represent that he was willing to participate in the transaction involving the C-130. During negotiations, a wire transfer for \$25,000 was sent to an escrow account as a partial deposit for the plane. In addition, a final letter of intent outlining the payment terms for the purchase of the C-130 was signed by both parties and emailed to Bernardo. On October 22, 2010, Bernardo was arrested by agents. On May 9, 2011, Bernardo entered a guilty plea in U.S. District Court for knowingly and willfully engaging in the business of broker-

ing activities involving Venezuela. The activities included negotiating and arranging contracts, purchases, sales and transfers of defense articles, namely, C-130 Hercules military transport aircraft, in return for a fee, commission and other consideration, without first registering with the Department of State, Directorate of Defense Trade Controls.

Result: On November 16, 2011, Donald Bernardo was sentenced to 12 months in prison, 24 months of supervised release and a special assessment fee of \$100.

Violation of the Arms Export Control Act

Overview: During a joint investigation with DCIS and ICE-HSI, federal agents were contacted in May 2010 about a “Raven” unmanned aerial vehicle that was posted for sale on www.ebay.com. The Raven is a U.S.-made UAV manufactured by AeroVironment, Inc. for the U.S. Army. Henson Chua, a citizen of the Philippines, was attempting to sell the UAV for \$13,000 on www.ebay.com. Undercover agents posing as buyers were able to identify the UAV and confirm that it was U.S. government property. Agents purchased the nose cone for the UAV from Chua. On February 10, 2011, the agents arrested Chua after he arrived at the Los Angeles airport. He was indicted on March 10, 2011, on charges of smuggling and Arms Export Control Act violations. On July 28, 2011, Chua pleaded guilty to one count of causing the temporary import of a defense article, specifically, the UAV, without authorization in violation of the Arms Export Control Act.

Result: On November 8, 2011, Chua was sentenced to two months in prison followed by nine months home confinement and three years supervised release. Chua was also ordered to pay \$13,000 in restitution and a \$100 special assessment.

Computer Crime

DCIS investigates computer intrusions against DoD and also provides digital forensics services in support of traditional investigations. The Cyber Crime Program continues to place emphasis on crimes involving the compromise and theft of sensitive defense information contained in government and DoD contractor information

systems as well as focusing on instances where contract fraud by DoD information technology contractors has been a factor in the penetration of DoD networks. In order to efficiently combat cyber threats, DCIS reorganized its Cyber Crime Program to focus more agents on full-time, cyber-related investigations and digital forensics, and developed a dedicated wide-area network to facilitate the review of digital media.

Contractor Pays \$562,000 Settlement for Violation of DoD IA Requirements

Overview: In February 2009, DCIS received information from the Joint Task Force–Global Network Operations regarding a compromise of computers belonging to a cleared DoD contractor. The investigation disclosed that the DoD contractor’s business enterprise network was not operated in accordance with the DoD Information Assurance Certification and Accreditation Program. The DoD contractor’s network was compromised and lost personally identifiable information for DoD employees.

Result: On September 21, 2011, the DoD contractor entered into a civil settlement agreement with the Department of Justice, in which the DoD contractor agreed to pay \$531,654, the amount it had been awarded under the contract to implement the DIACAP requirements and other DoD standards.

Joint DCIS-FBI Investigation Dismantles Botnet

Overview: In a joint investigation with the FBI, DCIS agents identified and located a man known to be selling robot network software and infrastructure through various internet forums and chat rooms. A botnet is a network of private computers infected with malicious software and controlled as a group, without the owners’ knowledge, to carry out illegal activities such as computer intrusions, denial of service attacks and spamming. The botnet in this case, known as the Dark DDoser Botnet, has had significant impact on the DoD Global Information Grid. As a result, more than 300 individuals in 16 countries were identified as having purchased the malicious software.

Result: To date, 167 distinct botnets utilizing the Dark DDoser malware were dismantled and either removed as a threat to the DoD GIG or prevented from becoming fully operational.



DCIS investigated a man attempting to sell an unmanned aerial vehicle.



DCIS aided in dismantling malicious botnets.

Inspections

“Taking care of people is one of the major themes of the 2010 Quadrennial Defense Review.”

The following are highlights of inspections, assessments and evaluations conducted by DoD IG. DoD IG conducted inspections in the following categories:

- Health and safety
- Joint warfighting and readiness

Health and Safety

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

The military health care system provides services to approximately 9.5 million beneficiaries, including active duty personnel and their families. Of special concern is the proper care and support to the thousands of soldiers, sailors, airmen and Marines wounded due to combat actions in Operations Iraqi and Enduring Freedom. While the United States has successfully completed its mission in Iraq, it is still engaged in overseas contingency operations in Afghanistan and most recently, in other efforts in the Middle East. Medical care required by military personnel is expected to increase over the next several years. It is critical for DoD IG to maintain vigorous oversight of the health and safety challenges facing the Department, not only to ensure that wounded warriors receive high-quality health care, but also to make certain that DoD health care dollars are spent wisely and prudently.

⊕ Review of Matters Related to the Sexual Assault of Lance Corporal Maria Lauterbach

Overview: DoD IG initiated the review on August 7, 2008, in response to a request from the principal deputy under secretary of defense (personnel and readiness). The review focused on command and other responses to the rape complaint of Lance Corporal Maria Lauterbach, who was subsequently murdered by the person she accused. At the request of North Carolina prosecutors, DoD IG suspended work until the criminal trial process concluded in August 2010. **Findings:** DoD IG determined the Naval Criminal Investigative Service failed to conduct the

criminal investigation in accordance with DoD, Department of Navy and NCIS standards. Additionally, the Sexual Assault Prevention and Response Program and command officials responded inadequately.

Result: DoD IG recommended the secretary of the Navy take corrective action, as necessary, with respect to officials DoD IG identified as accountable for regulatory violations and procedural deficiencies. Overall, the Navy concurred with our report and recommendation, advising that it instituted new initiatives after the events described in the report.

Report No. DODIG-2012-003

Inspection of DoD Detainee Transfers and Reliance on Assurances ⊕

Overview: This inspection was the second inspection conducted pursuant to a recommendation of the Special Task Force on Interrogation and Transfer Policies, an interagency task force created by the president in Executive Order 13491, January 27, 2009. DoD IG conducted an assessment of the release or transfer process of detainees from Guantanamo Bay Detention Facility, Afghanistan and Iraq between August 24, 2010, and August 23, 2011, to ensure proper assurances were obtained from foreign governments that the detainees would not be subject to torture. The inspection was conducted concurrently with and coordinated with the DoS OIG.

Findings: Within the DoD, policies and procedures exist describing how detainees should be treated humanely while in DoD custody. DoS has primary authority for negotiating state-to-state assurances. DoD works closely with the DoS when transferring detainees from GTMO using a structured checklist and timeline to accomplish the transfer smoothly. A Detainee Transfer Working Group has been established with representatives from the Departments of Defense, Justice and State along with representatives from the Director of National Intelligence, FBI, CIA, Joint Staff and Homeland Security to discuss issues related to detainees that have been transferred from GTMO. A total of 1,064 detainees were reported transferred from DoD custody during the inspection timeframe. The decline in transfers as compared to last year's 4,781 is primarily the result of DoD turning over control of the Taji Theater Internment Facility

and a portion of the Cropper Theater Internment Facility to the Iraqi government prior to August 2010. It is also the result of the National Defense Authorization Act for FY 2011, which prohibits using DoD funds to transfer GTMO detainees to foreign countries unless stringent conditions are met to ensure the detainee does not return to terrorist or insurgent activities.

Result: DoD IG again recommended that the under secretary of defense for policy, detainee policy, incorporate relevant recommendations of the special task force on interrogation and transfer policies into the DoD Directive 2310.01E, “Department of Defense Detainee Program.” This report is classified.

Report No. DODIG-2012-055

⊕ Evaluation of DoD Contracts Regarding Combating Trafficking in Persons: U.S. European Command and U.S. Africa Command

Overview: Over the past decade, Congress passed legislation to address its concern regarding allegations of contractor and U.S. Armed Forces’ involvement in sexual slavery, human trafficking and debt bondage. Prior to 2000, allegations of sexual slavery, sex with minors and human trafficking involving U.S. contractors in Bosnia and Herzegovina led to criminal investigations by the U.S. government. In 2002, a report alleging that women trafficked from the Philippines, Russia and Eastern Europe were forced into prostitution in bars in South Korea frequented by U.S. military personnel resulted in an investigation and changes to DoD policy. In 2004, official reports chronicled allegations of forced labor and debt bondage against U.S. contractors in Iraq. These incidents were contrary to U.S. government policy regarding official conduct and reflected poorly on DoD. The “William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008” requires DoD IG to investigate a sample of contracts for which there is a heightened risk that a contractor may engage in acts related to trafficking in persons. DoD IG reviewed a sample of 267 Department of Defense contracts that had a place of performance in geographic areas of heightened risk for trafficking in persons, selecting the U.S. European Command and U.S. Africa Command areas of responsibility, specifically the Federal Republic of Germany, the Italian Republic and

the United Kingdom.

Findings: DoD IG found that while 70 percent of the contracts sampled contained some form of a combating trafficking in persons clause, only half had the current required Federal Acquisition Regulation clause. However, three DoD contracting organizations specifically discussed the Federal Acquisition Regulation combating trafficking in persons clause during post-award orientations with contractors to increase awareness of combating trafficking in persons, which DoD IG found to be a best practice worth emulating in other combatant commands.

Result: DoD IG recommended that the assistant secretaries for acquisition of the military departments ensure that the Federal Acquisition Regulation clause 52.222-50, “Combating Trafficking in Persons,” is included in all contracts identified as deficient in our review, which they agreed to do. Further, the commander, U.S. European Command, and commander, U.S. Africa Command, should ensure that existing contingency plans and operational planning guidance include combating trafficking in persons considerations.

Report No. DODIG-2012-041

Assessment of DoD Wounded Warrior Matters – Camp Lejeune ⊕

Overview: In 2007 and 2008, Army and Marine Corps established Warrior Care and Transition programs to manage the care of wounded, ill and injured soldiers and Marines from Operations Iraqi Freedom and Enduring Freedom; and their transition either back to military units or into civilian life. There are 29 Warrior Transition Units in the Army with approximately 10,000 soldiers and two Marine Wounded Warrior Battalions in the Marine Corps with approximately 1,000 Marines. Camp Lejeune is located near Jacksonville, N.C., and is the home base for the II Marine Expeditionary Force, 2nd Marine Division, 2nd Marine Logistics Group and other combat units and support commands. There are several major Marine Corps commands and one Navy command aboard Camp Lejeune and several tenant commands, which include the Naval Hospital and the Wounded Warrior Battalion-East. Among the Camp Lejeune warriors were severely burned patients, amputee patients, traumatic brain injury and post traumatic stress



DoD IG assessed DoD wounded warrior matters at Camp Lejeune.

disorder patients, and other wounded, ill or injured.

Findings: Wounded warriors did not appear to have ownership of their comprehensive transition plan as a tool to help them identify the individual goals and actions needed to guide them as they transition from recovery and rehabilitation to community reintegration. Consequently, warriors may have been at risk of not accessing the full benefits of tools and resources available to help them fulfill their transition goals. Further, incidents of both prescription and illegal drug abuse by warriors, which were viewed as problematic by leadership, were identified. As a result, inadequate order and discipline and risks to physical health and safety may have negatively impacted the warriors' recovery and prolonged their transition time. Warriors at Naval Hospital Camp Lejeune spent an average of 245 days in the treatment, recovery and rehabilitation stages of their transition. This prolonged transition period had potentially negative effects on some warriors' healing and transition.

Results: DoD IG recommended that Camp Lejeune management develop procedures to ensure warriors are active participants in the development of their comprehensive training plans; update and implement policies and procedures for medication management, polypharmacy and medication reconciliation; and establish procedures for the disposal of prescription medications no longer needed by the wounded warrior

Report No. DODIG-2012-067

⊕ Assessment of Voting Assistance Programs for Calendar Year 2011

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

programs as reported by each of the service inspectors general.

Results: There are five compliance focus areas associated with the Federal Voting Assistance Program including staffing, training, material distribution, communication and information, and command emphasis. The Army, Navy, Air Force and Marine Corps IGs reported that their service voting assistance programs were effective and compliant with relevant policy, regulation and public law. Their assessments also identified areas where service voting assistance programs could be improved.

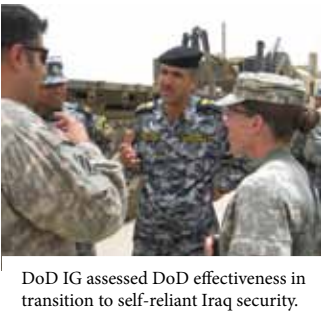
Report No. DODIG-2012-068

Joint Warfighting and Readiness

First among DoD priority national security objectives is to prevail in today's wars. As described in the 2010 Quadrennial Defense Review, the United States "must ensure the success of our forces in the field in Afghanistan, Iraq and around the world." During the last six months, the United States has completed its responsible drawdown in Iraq while continuing the important mission of advising, training and equipping the Iraqi Security Forces. In Afghanistan, U.S. and international forces are continuing their mission to train, equip and mentor the Afghan National Security Forces.

Assessment of the DoD Establishment of the Office of Security Cooperation-Iraq ⊕

Overview: A major national security goal has been the establishment of a sovereign, stable and self-reliant Iraq with whom the United States can forge a long-term security partnership. To facilitate this partnership after the withdrawal of U.S. combat forces in 2011, the DoD transitioned all remaining training, equipping and mentoring activities from U.S. Forces-Iraq to the Office of Security Cooperation-Iraq under Department of State's Chief of Mission authority. This assessment was to determine whether DoD met requirements to effectively execute this transition plan and whether it provided the required support to meet initial operating capability to ensure that the OSC-I would be sufficient to accomplish the mission of supporting Iraq Security Forces capability development.



DoD IG assessed DoD effectiveness in transition to self-reliant Iraq security.

Findings: The establishment of the OSC-I was on track and on schedule to meet its full operating capability target date of October 1, 2011, and to operate independently as an element of U.S. Mission to Iraq by January 1, 2012. However, DoD IG determined that U.S. Forces – Iraq deputy commanding general for advising and training was:

- Managing crucial security cooperation activities with incomplete theater and country-level plans and without the required planning capability.
- Not clearly communicating information about the OSC-I's enduring role regarding security cooperation programs with key ministry of defense and ministry of interior officials.
- Not fully engaged and shared essential transition details with key personnel at prospective outlying OSC-I sites.
- Not establishing detailed internal standard operating procedures for the OSC-I essential to adequately manage its major functions within the framework of the U.S. Mission to Iraq.

Result: DoD IG recommended that the commander, U.S. Central Command promptly issue completed Iraq Country Plan details. Further, DoD IG recommended the chief, Office of Security Cooperation-Iraq:

- Improve information flow to site personnel to provide clarity and achieve unity of effort.
- Communicate sufficient details about the OSC-I role and its operating processes with key Iraqi defense and interior ministry officials to enable their understanding of and confidence in the future of the program.
- Develop standard operating procedures for OSC-I administrative and operational processes and procedures that include inter-agency operations within the overall framework of U.S. Mission to Iraq authority and responsibility.

Report No. DODIG-2012-063

⊕ **Assessment of U.S. Government and Coalition Efforts to Develop the Logistics Sustainment Capability of the Afghan National Army**

Overview: Developing an effective logistics sustainment capability that supports the endur-

ing security operations of the Afghan National Security Forces by the time NATO forces complete the turnover of responsibility for security in 2014 is a key goal of the commander, International Security Assistance Force. Previously, the ISAF's primary focus had been on recruiting, training and fielding the combat units of the Afghan National Army. As of July 2011, NTM-A/CSTC-A had exceeded the force generation milestones set for expanding the ANA. However, ISAF has only recently been able to focus on fielding ANA enabling organizations, to include logistics and maintenance units, and supporting infrastructure. The ANA logistics system is therefore at an emerging stage of development. It will take an intensive effort by ISAF and the Afghan Ministry of Defense/General Staff to build an independent and sustainable ANA logistics capability, a complex challenge made even more difficult given that the country's security forces are at war. To succeed in this endeavor will take time, sufficient resources and strategic patience. Failure to build a logistics sustainment foundation could have significant consequences with respect to ANSF's ability to provide for Afghanistan's internal and external defense. It could also result in the inability of the ANSF to sustain the substantial investment already made by the international community, primarily the United States, in infrastructure, equipment and munitions necessary to establish an indigenous and independent Afghan security capability.

Findings: ISAF has taken initiative across a broad front to close the gap between ANA operational support needs and the ANA logistical system's capacity to meet them. These initiatives include making improvements in ANA logistical system planning and design, training, infrastructure and equipping, as well as accountability and control over necessary contracting, equipment and services. Nonetheless, there are significant vulnerabilities and weaknesses in the ANA logistical system; among them remains the challenge of establishing a more effective system of oversight with respect to ANA equipment, supplies and installations. Further, ISAF lacked a plan that integrates the efforts of its subordinate commands, in partnership with the MoD/GS and ANA, to address the complexities of timely development of a core ANA logistics capability. In addition, ISAF did not have an

“Developing an effective logistics sustainment capability that supports the enduring security operations of the Afghan National Security Forces by the time NATO forces complete the turnover of responsibility for security in 2014 is a key goal of the commander, International Security Assistance Force.”

Core Mission Areas



DoD IG presented metrics of a sustainable Afghan National Security Force.

integrated planning and execution approach, in concert with DoD contracting authorities, which effectively linked contract requirements and performance to the accomplishment of ISAF operational goals and objectives, while also ensuring effective contract oversight.

Result: As part of ISAF's review and revision of its campaign plan, ISAF revised the ANSF plan of record to address ANSF development (including logistics sustainment). The plan provides guidance that defines the minimum essential capabilities for operations, logistics and maintenance of the ANSF through 2017. The plan includes a method for measuring the overall effectiveness of the ANSF as a fighting force and determining whether it is capable of sustaining itself.

Report No. DODIG-2012-028

[Assessment of Afghan National Security Forces Metrics - Quarterly](#)

Overview: DoD IG selected, summarized and concisely presented six months of quantitative and qualitative metrics deemed indicative of progress toward the goal of developing a sustainable Afghan National Security Force for transition to Afghan control by 2014. Quarterly reports will be produced separately for the Afghan National Police and the Afghan National Army.

Findings: The first report, providing an overview of the development of the Afghan National Police, was released on January 20, 2012.

Result: This report is confidential.

Report No. DODIG-2012-034

Summary of Performance

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

Audit reports focused on:

- Acquisition processes and contract management
- Financial management.
- Information assurance, security and privacy
- Joint warfighting and readiness
- Nuclear enterprise

Investigations focused on:

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

Inspections focused on:

- Health and safety
- Joint warfighting and readiness

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

DoD IG Profile

Staffing and Budget

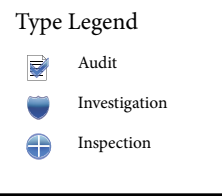
As of March 31, 2012, DoD IG workforce totaled 1,521 employees. The FY 2012 budget is \$346.9 million.




Office Locations

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

About DoD IG Employees

DoD IG is a knowledge-driven organization and employs experts in fields of auditing, criminal investigations, computer security, intelligence, hotline complaints, whistleblower reprisal and many others.

Semiannual Report to the Congress					Contracting			Finance		Technology			Health		Warfighting		DoD IG Projects by Category	
Title	Report #	Type	Overseas Contingency Operations	Recovery Act	Acquisition Process & Management	Procurement Fraud	Product Substitution	Financial Management	Public Corruption/ Financial Crimes	Information Security	Computer Crime	Technology Protection	Health and Safety	Health Care Fraud	Joint Warfighting Readiness	Nuclear Enterprise	Page	URL
<p>The following projects are highlighted in the Semiannual Report for the reporting period October 1, 2011 to March 31, 2012. The full listing of reports is available at Appendix A and downloadable versions can be viewed on the Web at : www.dodig.mil</p>																		
																		
Assessment of Security within the Department of Defense – Training, Certification and Professionalization	DODIG-2012-001									X							29	http://www.dodig.mil/Tr/reports/DODIG-2012-001.pdf
Changes Are Needed to the Army Contract With Sikorsky to Use Existing DoD Inventory and Control Costs at the Corpus Christi Army Depot	DODIG-2012-004		X		X												16-17	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-004_REDACTED.pdf
Counter Narcoterrorism Technology Program Office Task Orders Had Excess Fees and the Army Was Incorrectly Billed	DODIG-2012-006		X		X												17	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-006_REDACTED.pdf
Acquisition of the Multi-Platform Radar Technology Insertion Program Needs Transparency and Accountability	DODIG-2012-007				X												17-18	This report is For Official Use Only.
DoD Complied With Policies on Converting Senior Mentors to Highly Qualified Experts, but Few Senior Mentors Converted	DODIG-2012-009														X		29-30	http://www.dodig.mil/Audit/reports/fy12/audit/DODIG-2012-009.pdf
Naval Academy Officials Did Not Adhere to Contracting and Gift Policies	DODIG-2012-017				X												18	http://www.dodig.mil/Audit/reports/fy12/audit/DODIG-2012-017.pdf
Management Improvements Needed in Commander's Emergency Response Program in Afghanistan	DODIG-2012-023		X					X									25-26	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-023.pdf
Air Force Can Improve Controls Over Base Retail Inventory	DODIG-2012-026														X		30-31	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-026.pdf
Deficiencies in Journal Vouchers That Affected the FY 2009 Air Force General Fund Statement of Budgetary Resources	DODIG-2012-027							X									26	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-027.pdf
Acquisition Procedures for the Guam Design-Build Multiple Award Construction Contract	DODIG-2012-031				X												19	This report is For Official Use Only.
Funding for Enhancements to the Standard Procurement System	DODIG-2012-032		X					X									25	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-032.pdf
Award and Administration of Multiple Award Contracts for Services at Army Medical Research Acquisition Activity Need Improvement	DODIG-2012-033				X												18-19	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-033.pdf
American Recovery and Reinvestment Act—Improvements Needed in Implementing the Homeowners Assistance Program	DODIG-2012-035			X				X									26-27	http://www.dodig.mil/Audit/reports/fy12/12-035.pdf
DoD Needs to Improve Accountability and Identify Costs and Requirements for Non-Standard Rotary Wing Aircraft	DODIG-2012-036		X		X												19-20	http://www.dodig.mil/Audit/reports/fy12/RIB%20DODIG-2012-036.pdf
Summary Report on DoD's Management of Unfinalized Contractual Actions	DODIG-2012-039				X												20	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-039.pdf
Army Needs to Identify Government Purchase Card High-Risk Transactions	DODIG-2012-043							X									27	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-043.pdf
Status of Recommendations to Improve the Department of Defense Nuclear Enterprise - Phase II	DODIG-2012-044															X	31	This report is classified.
Improvements Needed With Identifying Operating Costs Assessed to the Fleet Readiness Center Southwest	DODIG-2012-049				X												20-21	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-049.pdf
Improvements Needed With Host-Based Intrusion Detection Systems	DODIG-2012-050								X								28-29	This report is For Official Use Only.
Navy Enterprise Resource Planning System Does Not Comply With the Standard Financial Information Structure and Government Standard General Ledger	DODIG-2012-051							X									24	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-051.pdf
Marine Corps Transition to Joint Region Marianas and Other Joint Basing Concerns	DODIG-2012-054														X		30-31	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-054.pdf
Report on Sensitive Compartmented Information Leaks in the Department of Defense	DODIG-2012-056								X								29	http://www.dodig.mil/Tr/reports/2012-056.pdf
Guidance Needed to Prevent Military Construction Projects from Exceeding the Approved Scope of Work	DODIG-2012-057		X		X												21-22	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-057.pdf
Distribution of Funds and Mentoring of Finance Officers for the Afghan National Army Payroll Need Improvement	DODIG-2012-058		X					X									27-28	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-058.pdf
Inadequate Controls Over the DoD Service-Disabled Veteran-Owned Small Business Set-Aside Program Allow Ineligible Contractors to Receive Contracts	DODIG-2012-059				X												22	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-059.pdf
Defense Contract Management Agency's Investigation and Control of Nonconforming Materials	DODIG-2012-060				X												22	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-060.pdf
Contractor-Invoiced Costs Were Accurate, but DoD Did Not Adequately Track Funding	DODIG-2012-062				X												22-23	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-062.pdf
DoD Compliance With the Requirements of the Improper Payments Elimination and Recovery Act	DODIG-2012-065							X									28	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-065.pdf
General Fund Enterprise Business System Did Not Provide Required Financial Information	DODIG-2012-066							X									24-25	http://www.dodig.mil/Audit/reports/fy12/DODIG-2012-066.pdf

Semiannual Report to the Congress					Contracting			Finance		Technology			Health		Warfighting		DoD IG Projects by Category		
The following projects are highlighted in the Semiannual Report for the reporting period October 1, 2011 to March 31, 2012. The full listing of reports is available at Appendix A and downloadable versions can be viewed on the Web at: www.dodig.mil		Report #	Type	Overseas Contingency Operations	Recovery Act	Acquisition Process & Management	Procurement Fraud	Product Substitution	Financial Management	Public Corruption/ Financial Crimes	Information Security	Computer Crime	Technology Protection	Health and Safety	Health Care Fraud	Joint Warfighting Readiness	Nuclear Enterprise	Page	URL
		<div style="border: 1px solid black; padding: 5px;"> <p>Type Legend</p> <p> Audit</p> <p> Investigation</p> <p> Inspection</p> </div>																	
DoD Contractor Sentenced to 105 Years in Jail for Defrauding DoD	N/A						X											32	Press releases on investigations are available at www.dodig.mil .
Theft of Aviation Fuel	N/A						X											32	Press releases on investigations are available at www.dodig.mil .
Boeing Corporation Pays \$4.3 Million to Settle Allegations of False Claims	N/A						X											32	Press releases on investigations are available at www.dodig.mil .
Father and Son Sentenced to Prison for Fraudulently Billing NSA	N/A						X											33	Press releases on investigations are available at www.dodig.mil .
Aerospace Corporation Paid \$2.5 Million to Settle Employee Mischarging	N/A						X											33	Press releases on investigations are available at www.dodig.mil .
GenCorp Paid \$3.3 Million to Settle Expressly Unallowable Costs Allegations	N/A						X											33	Press releases on investigations are available at www.dodig.mil .
Sea Star Line Pleads Guilty to Antitrust Violations and Agrees to Pay \$14.2 Million in Fines	N/A						X											33-34	Press releases on investigations are available at www.dodig.mil .
Point Blank Pays Government \$1 Million for the Sale of Defective Zylon Bulletproof Vests	N/A																	34	Press releases on investigations are available at www.dodig.mil .
\$4.75 Million Settlement by Kaman Precision Products in Connection with the Submission of False Claims	N/A																	34	Press releases on investigations are available at www.dodig.mil .
Army Sergeant Major and Former Sergeant Sentenced to Prison for Bribery Conspiracy at Bagram Airfield	N/A		X						X									35	Press releases on investigations are available at www.dodig.mil .
Former Army National Guard Major Sentenced to 60 Months for Accepting Bribes in Afghanistan	N/A		X						X									35	Press releases on investigations are available at www.dodig.mil .
Former Army Sergeant Pleads Guilty to Stealing Equipment in Iraq and Receiving Proceeds from Sale on Black Market	N/A		X						X									35	Press releases on investigations are available at www.dodig.mil .
Former Army Major and Spouse Convicted for Bribery Scheme Related to Defense Contracts in Iraq	N/A		X						X									35-36	Press releases on investigations are available at www.dodig.mil .
Over \$23 Million Settlement by Synthes Corporation and Norian, Inc. for Using Misbranded Medical Devices	N/A													X				36	Press releases on investigations are available at www.dodig.mil .
\$316,513 Settlement by Eastern Connecticut Hematology & Oncology, Associates, PC for False Claims for Payment	N/A													X				37	Press releases on investigations are available at www.dodig.mil .
Health Care Provider Sentenced to 25 years for Falsely Billing U. S. Federal Government	N/A													X				37	Press releases on investigations are available at www.dodig.mil .
\$85 Million Settlement by Scios, Inc. for FDCA Violation	N/A													X				37	Press releases on investigations are available at www.dodig.mil .
\$9.25 Million Settlement by Guidant Corporation for Allegations of Fraud	N/A													X				37	Press releases on investigations are available at www.dodig.mil .
\$66 Million Settlement by LHC Group, Inc. for Allegations of False Claims for Billing Non-Reimbursable Services	N/A													X				37-38	Press releases on investigations are available at www.dodig.mil .
New York Man Pleads Guilty to Attempting to Ship Prohibited Items to Iran	N/A											X						38	Press releases on investigations are available at www.dodig.mil .
Texas Man Sentenced to Two Years in Prison for Attempting to Export Restricted Military Equipment	N/A											X						38	Press releases on investigations are available at www.dodig.mil .
Attempted Illegal Export of C-130 Aircraft to Venezuela	N/A											X						38-39	Press releases on investigations are available at www.dodig.mil .
Violation of the Arms Export Control Act	N/A											X						39	Press releases on investigations are available at www.dodig.mil .
Contractor Pays \$562,000 Settlement for Violation of DoD Information Assurance Requirements	N/A										X							39	Press releases on investigations are available at www.dodig.mil .
Joint DCIS-FBI Investigation Dismantles Botnet	N/A										X							39	Press releases on investigations are available at www.dodig.mil .
Review of Matters Related to the Sexual Assault of Lance Corporal Maria Lauterbach, Marine Corps	DODIG-2012-003													X				40	http://www.dodig.mil/Inspections/IPO/reports/LauterbachFR_(redacted).pdf
Assessment of Government and Coalition Efforts to Develop the Logistics Sustainment Capability of the Afghan National Army	DODIG-2012-028		X													X		43-44	http://www.dodig.mil/SPO/Reports/DODIG-2012-028.pdf
Assessment of Afghan National Security Forces Metrics - Quarterly	DODIG-2012-034		X													X		44	This report is classified.
Evaluation of DoD Contracts Regarding Combating Trafficking in Persons: European Command and Africa Command	DODIG-2012-041												X					41	http://www.dodig.mil/spo/reports/DODIG-2012-041.pdf
Inspection of DoD Detainee Transfers and Reliance on Assurances	DODIG-2012-055												X					40-41	This report is classified.
Assessment of the DoD Establishment of the Office of Security Cooperation - Iraq	DODIG-2012-063		X													X		42-43	http://www.dodig.mil/spo/Reports/DODIG-2012-063.pdf
Assessment of DoD Wounded Warrior Matters - Camp Lejeune	DODIG-2012-067												X					41-42	http://www.dodig.mil/spo/Reports/DODIG-2012-067.pdf
Assessment of Voting Assistance Programs for Calendar Year 2011	DODIG-2012-068												X					42	http://www.dodig.mil/spo/Reports/DODIG-2012-068.pdf

Enabling Mission Areas

Hotline

The primary mission of the Defense Hotline is to provide a confidential and reliable vehicle for military service members, DoD civilians, contractors and the public to report fraud, waste, mismanagement, abuse of authority, threats to homeland security and leaks of classified information.

For this reporting period, the Defense Hotline received 8,985 contacts from the general public and members of the DoD community: 10 percent by mail, 35 percent by email, 9 percent by the internet and 43.5 percent by telephone. Based on these contacts the hotline initiated 1,398 cases. 1.5 percent were referrals from the Government Accountability Office, and less than 1 percent were congressional complaints.

Open Cases

The 1,398 cases opened this reporting period are classified in the following categories:

- Internal misconduct (468)
- Reprisal related (280)
- Finance (144)
- Contract administration (199)
- Government property (62)
- Personnel matters (83)
- Programs (69)
- Military support services (8)
- Medical (12)
- Mental health evaluation (5)
- Nonappropriated fund (1)
- Recovery Act (2)
- Security (25)
- Procurement (24)
- Trafficking in persons (7)
- Other (9)

Closed Cases

During this reporting period the Defense Hotline closed 1,269 cases.

- 491 cases referred within DoD IG were closed.
- 609 cases referred to the military services were closed.
- 164 cases referred to other Defense agencies were closed.
- 5 cases referred to non-DoD agencies were closed.
- 564 cases were not referred and dismissed without action.

Figure 3.1
Distribution of Method of Hotline Contacts Received

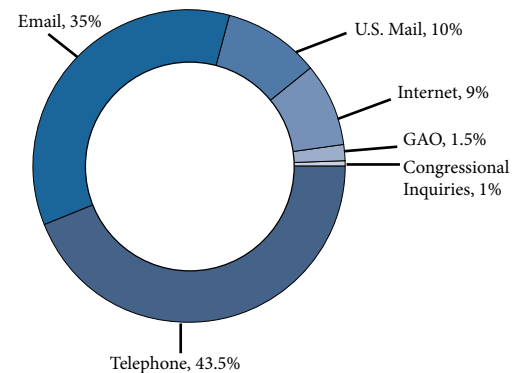
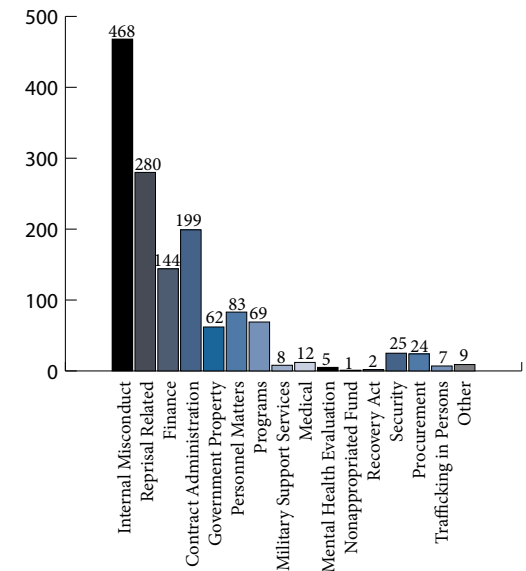


Figure 3.2
Distribution of Cases Initiated by Category



Hotline Case Referrals

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

Military Departments	
AF	110
Army	294
Navy	103
USMC	24
JS	63
DoD IG	
ISO	118
WRI	254
Hotline	166
Audits	14
Investigations	68
Intel	2
OPR	1
SPO	1
APO	1
P&O	2
Other Defense Agencies	
AAFES	5
CPMS	1
DARPA	3
DCMA	7
DODEA	19
DCAA	7
DECA	8
DFAS	31
DIA	12
DISA	4
DLA	14
DSS	11
DTRA	1
MDA	3
MEPCOM	2
NONDOD	9
NGA	3
NRO	1
OSD	3
PFFA	1
Policy	2
AT&L	3

Substantiated Hotline Complaints

- A German company, Securitas, contracted by the Army to provide guard services at Army installations in Germany, overcharged for guard hours not worked. The investigation uncovered 545,431 hours charged to the U.S. government, which had not been worked, resulting in a monetary loss to the government of over \$14 million. Shortly after the onset of the investigation Securitas management admitted to the overcharges. A demand letter was issued and the contracting office began recouping monies via contract offsets. Securitas later filed suit against the U.S. government, bringing them into U.S. jurisdiction, and resulted in a countersuit by the Department of Justice. Securitas and the Department of Justice signed a settlement agreement in which Securitas agreed to repay the U.S. government 6.5 million euro less 2.3 million euro repaid via contract offsets. Total recovery to the U.S. government was \$9 million (based on the conversion rate at the time).
- Two employees in overseas assignments were found guilty of committing fraud in regards to living quarters allowance and temporary quarters subsistence allowance. The supervisor administratively placed an employee in a duty position, which allowed LQA entitlements, however, the employee never relocated to that position. As a result, the employee received over \$30,000 for unauthorized LQA entitlements. As a result, the employee received a 14-day suspension and was required to repay the \$30,000. The supervisor was terminated.

Contractor Employee Rights

The Department amended the Defense Federal Acquisition Regulation Supplement to require contractors to display the Defense Hotline poster in common work areas. DoD IG developed a poster specifically to provide whistleblower protection and Defense Hotline information to DoD contractors.

Senior Officials

DoD IG investigates and oversees investigations of allegations regarding the misconduct of senior DoD officials, both civilian and military; whistleblower reprisal against service members, defense contractor employees and DoD civilian employees (appropriated and nonappropriated fund); and improper command referrals of service members for mental health evaluations.

Investigations of Senior Officials

To promote public confidence in the integrity of DoD leadership, DoD IG conducts or pro-

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

On November 29, 2011, DoD IG announced the creation of an oversight branch within the Directorate for Investigations of Senior Officials. The oversight branch represents commitment to assign high priority and sufficient resources to achieving timely fulfillment of DoD IG responsibility to provide oversight of military department and agency IG investigations involving senior DoD officials.

DoD IG conducted several sensitive investigations that received significant attention. In one instance, DoD IG investigated and did not substantiate an allegation that a general officer failed to report evidence of possible criminal activity to the supporting military criminal investigative organization as required by DoD regulation. In a second instance, DoD recovered over \$10,000 from a general officer whom we previously determined improperly received federal pay and benefits.

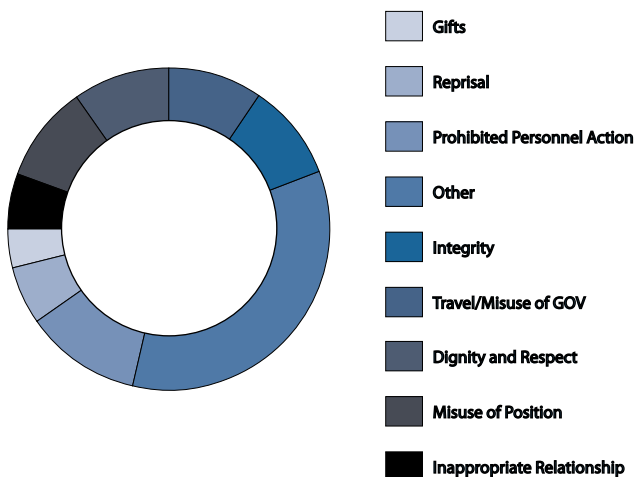
In every instance, DoD IG expertly investigated the facts and circumstances of the case and presented a timely and independent report of investigation to management officials for appropriate action.

The chart top left depicts the total number of senior official complaints closed by DoD IG and the component IGs during the period, the number dismissed, the number investigated and the substantiation rates.

The chart bottom left depicts the types of misconduct substantiated in the 31 investigations closed during the period.

Senior Official Complaints Closed During First Half FY 2012					
	Total Closed	Dismissed	Investigated	Substantiated	Substantiation Rate
Senior Official's Affiliation	Closed by DoD IG				
Army	53	49	4	1	25%
Navy	16	15	1	0	0%
Air Force	20	18	2	1	50%
Marine Corps	1	1	0	0	0%
COCOM/ Defense Agency	52	47	5	1	20%
Subtotal	142	130	12	3	25%
Senior Official's Affiliation	Closed by Component IG with Oversight Review by DoD IG				
Army	82	0	82	7	9%
Navy	27		27	6	22%
Air Force	49		49	13	27%
Marine Corps	6		6	0	0%
COCOM/ Defense Agency	10		10	2	20%
Subtotal	174		174	28	16%
TOTALS	316	130	186	31	17%

INVESTIGATIONS OF SENIOR OFFICIALS TYPE OF MISCONDUCT



Whistleblower Reprisal Investigations

At the end of FY 2011, DoD IG merged the military reprisal investigations and civilian reprisal investigations into the newly established Whistleblower Reprisal Investigations Directorate within the Office of the Deputy Inspector General for Administrative Investigations. The consolidation of these directorates enabled DoD IG to increase efficiency and consistency in investigative procedures.

WRI is responsible for conducting and reviewing investigations conducted by the military service and defense agency IGs into allegations of whistleblower reprisal made by DoD military service members, nonappropriated fund employees and DoD contractor employees under Title 10 of the United States Code and American Reinvestment and Recovery Act.

WRI additionally investigates allegations that military members were restricted from communicating with a member of Congress or an IG. WRI also investigates, on a discretionary basis, allegations of reprisal filed by DoD appropriated fund civilian employees and in particular, civilian employees of the defense intelligence community. Finally, WRI is responsible for investigating and reviewing investigations of alleged procedural violations of DoD Directive 6490.1, "Mental Health Evaluations of Members of the Armed Forces."

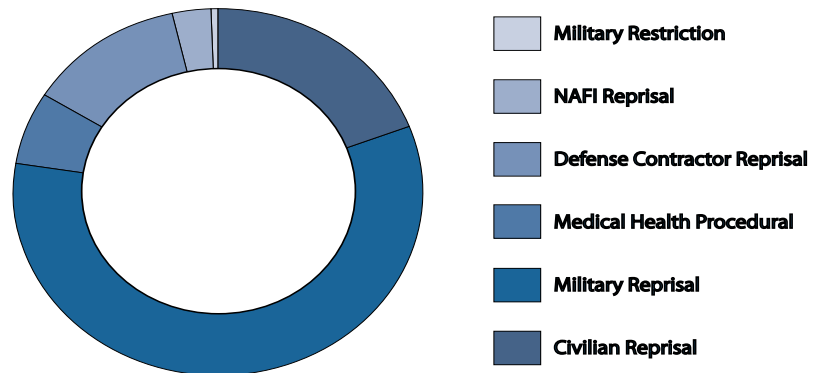
DoD IG is committed to transforming the Department's whistleblower protection program into the model for the federal government by improving the timeliness and quality of reprisal investigations. In response to recent internal and external reviews, DoD IG recently hired more than a dozen additional investigators to address the ever-increasing number of whistleblower reprisal complaints filed with DoD IG and the military services.

DoD IG also implemented several improvements to investigative and oversight functions to include streamlining the complaint intake process, providing more robust training, re-

vising written policies and procedures and strengthening whistleblower reprisal oversight functions.

Whistleblower Reprisal

318 COMPLAINTS RECEIVED



The pie chart above depicts the number and type of complaints received by the Department during the first half of FY 2012.

Substantiated Whistleblower Reprisal/Restriction/Procedurally Improper MHE Allegations

- An Air Force chief master sergeant downgraded a subordinate's performance report in reprisal for the subordinate alleging to an IG and the chain of command favoritism toward women by the chief master sergeant. The chief master sergeant received written admonishment in response to the substantiated reprisal allegation.
- An Army National Guard unit commander referred an Air Force Active Guard and Reserve member for a mental health evaluation in reprisal for the member's protected communications. The member had alleged that a unit member drove a government vehicle while under the influence of alcohol and that his unit improperly used its government purchase card. In addition, the unit commander and medical officer failed to follow the required procedures for a mental health evaluation. Finally, the unit deputy commander restricted the member from communicating with a member of Congress. Corrective action is pending. Note: The complaint alleged both reprisal and

Enabling Mission Areas

restriction; the latter was not included in the statistics as a separate investigation of restriction.

- An Air Force master sergeant reprimanded a subordinate in reprisal for the master sergeant's belief that the subordinate had reported him for having an unprofessional relationship with another airman. Corrective action is pending.
- An Air Force staff sergeant received an unfavorable performance report for reporting to the commander that an instructor improperly taught students about an upcoming Air Force qualifying test, thus improperly increasing the students' test scores. The commander retired before corrective action could be taken; however, the staff sergeant was advised of the right to petition the Board for Correction of Military Records for relief.
- An Army lieutenant colonel gave an Army Reserve major an unfavorable evaluation report in reprisal for the major's complaint of harassment against another officer to the chain of command and an IG. The lieutenant colonel retired from the Army before corrective action could be taken. The Army Reserve major was advised of the right to petition the Board for Correction of Military Records for relief.

- A Navy ensign removed a subordinate from the position in reprisal for the subordinate's complaints of misconduct against the ensign to the chain of command, an equal opportunity officer, an IG and a member of Congress. Corrective action is pending.

Substantiated Whistleblower Reprisal Under the American Recovery and Reinvestment Act

A contractor employee was terminated from employment for repeatedly disclosing information to government officials that the employee reasonably believed was evidence of a violation of law, rule or regulation related to a defense agency contract involving ARRA funds. The contractor required that certain issues could only be raised internally and never disclosed to government officials and its offer of employment, which the complainant signed, included a statement to that effect. However, ARRA provides that the rights and remedies of its whistleblower protection section may not be waived by any agreement, policy, form or condition of employment. Thus, given that the complainant's disclosures to the government were a contributing factor in the termination and that the termination would not have occurred in the absence of those disclosures, DoD IG substantiated reprisal. The Department ordered the contractor to pay the complainant nearly \$60,000 in back-pay and reimbursement for other expenses.

Corrective Action Taken on Investigations Closed in Prior Reporting Period

- An Army sergeant first class received a general officer reprimand for threatening several soldiers with unspecified unfavorable personnel actions for filing IG complaints.
- Two Army noncommissioned officers received general officer reprimands for threatening nonjudicial punishment if the subordinates complained to an IG about a hostile work environment.
- An Army staff sergeant informed an IG that the command was hampering retirement training. The sergeant received an unfavorable evaluation report in reprisal for the complaint. The rating officials received general officer reprimands.

Reprisal, Restriction, and Mental Health Procedural Complaints Closed During First Half FY 2012						
	Closed	Dismissed	Withdrawn	Investigated	Substantiated	Substantiation Rate
Type of Complaint	Closed by DoD IG					
Civilian Reprisal	56	53	2	1	0	0%
Military Reprisal	57	51	0	6	1	17%
Contractor Reprisal	21	20	0	1	0	0%
ARRA Reprisal	1	0	0	1	1	100%
NAFI Reprisal	6	3	1	2	0	0%
DoD IG Subtotal	141	127	3	11	2	18%
Type of Complaint	Closed by Component IG with Oversight Review by DoD IG					
Civilian Reprisal	1	0	0	1	0	0%
Military Reprisal	125	86	0	39	8	21%
Military Restriction	1	0	0	1	0	0%
Mental Health Procedural	17	2	0	15	7	47%
Service/Component Subtotal	144	88	0	56	15	27%
TOTALS	285	215	3	67	17	25%

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

Hearings

On November 2, 2011, Deputy Inspector General for Special Plans and Operations Kenneth Moorefield testified before the Subcommittee on Technology, Information Policy, Intergovernmental Relations and Procurement Reform, House Committee on Oversight and Government Reform, at a hearing titled, “Are Government Contractors Exploiting Workers Overseas? Examining Enforcement of the Trafficking Victims Protection Act.” Moorefield discussed past and ongoing efforts of DoD IG in the area of combating trafficking in persons, and highlighted a series of reports issued in response to Public Law 110-457, the “William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008,” requiring the inspectors general of DoD, State and USAID to “...investigate a sample of contracts, or subcontracts at any tier, under which there is a heightened risk that a contractor may engage, knowingly or unknowingly, in acts related to trafficking in persons....”

On December 6, 2011, Deputy Inspector General for Administrative Investigations Marguerite Garrison testified before the Subcommittee on Contracting Oversight, Senate Homeland Security and Governmental Affairs Committee, at a hearing titled, “Whistleblower Protections for Government Contractors.” Garrison discussed DoD IG authority to investigate or oversee investigations of allegations of whistleblower reprisal conducted by DoD component inspectors general, allegations made by members of the armed forces, appropriated and nonappropriated fund employees, and DoD contractor em-

ployees. Garrison stressed the important role of DoD IG in providing whistleblower protections to these individuals and also discussed specific concerns related to reprisal investigations of defense contractor employees.

On December 7, 2011, Inspector General Gordon Heddell testified before the House Committee on Oversight and Government Reform, Subcommittee on National Security, Homeland Defense, and Foreign Operations, at a hearing titled, “Mechanisms Currently in Place to Oversee the Billions of Taxpayer Dollars Spent in Afghanistan and Iraq.” Heddell discussed DoD IG oversight efforts in Southwest Asia.

On March 27, 2012, Deputy Inspector General for Special Plans and Operations Kenneth Moorefield testified again before the Subcommittee on Technology, Information Policy, Intergovernmental Relations and Procurement Reform, House Committee on Oversight and Government Reform, at a hearing titled, “Labor Abuses, Human Trafficking, and Government Contracts: Is the Government Doing Enough to Protect Vulnerable Workers?” Moorefield discussed a report issued since the last hearing, along with two pending reports. Moorefield also discussed concerns noted in past efforts, and areas that should be addressed.

Meetings with Congressional Members and Staff

During the reporting period, the inspector general and representatives of DoD IG had 58 meetings with members of Congress and their staffs. Topics of discussion during those meetings included issues such as whistleblower reprisal investigations, concerns regarding financial management systems, DoD efforts related to combating trafficking in persons and discussions related to a new metrics report tracking the development of the Afghan National Police.

DoD IG received 142 new congressional inquiries and closed 119 cases. New inquiries involved issues such as requests related to reprisal investigations, concerns with information operations contractors and inspections of DoD cemeteries.

Congressional Testimony and Briefings



Deputy IG Kenneth Moorefield testifies on combating trafficking in persons.



Deputy IG Marguerite Garrison testifies on whistleblower protections.

Outreach Activities



DCIS works with DMEN, a secure digital media-processing network.



The DCIS asset forfeiture program included gold as proceeds of a crime.

DoD IG outreach activities include chairing and participating in programs, coordination group and task forces as well as providing training as experts in defense oversight.

Programs

DCIS Cyber Crime Program Begins Development of Nationwide Forensic Network

Prompted by the ever-growing number, variety and capacity of data storage devices encountered throughout the range of DCIS investigations, the DCIS Cyber Program is designing a next-generation case data processing and review capability, referred to as the Digital Media Examination Network. The network will serve as a multi-law enforcement collaborative data processing, examination, review and production capability, thereby increasing the effectiveness and efficiency of the investigative data review and production business processes, including information sharing and review capabilities among DCIS, investigative partners and federal and state prosecutors. DMEN will reduce the time required for processing and electronic discovery of large volumes of digital data, eliminate geographic barriers in digital examination and analysis and accelerate the production of documents so that investigations and prosecutions proceed seamlessly. By increasing the efficiency of digital examination, analysis and sharing, DMEN will decrease personnel, resource and programmatic costs associated with all aspects of collecting, examining, processing, reviewing and producing relevant data.

DCIS Cyber Crime Program Resources

The DCIS Cyber Crime Program conducted an internal assessment of its staffing, organization and priorities from January through September 2011. The assessment, which included case and work force reviews, as well as benchmarking with other federal law enforcement agencies, identified areas where program efficiencies and effectiveness could be improved via realignment of personnel under a centrally directed Cyber Crime Program. Previously, program personnel and assets were scattered across DCIS field offices and cyber agents reported only to their lo-

cal field office. The internal assessment revealed that this organization led to underutilization of some personnel, inefficiencies in the conduct of digital forensics and a lack of focus for computer crime investigations. In January 2012, the acting inspector general approved a reorganization of the Cyber Crime Program to better focus DCIS efforts on the core missions of digital forensics and intrusion investigations. The result is a virtual cyber field office staffed with 24 full-time agents and support personnel nationwide. Personnel identified as underutilized will be phased out of the Cyber Crime Program and returned to full utilization in the traditional fraud arena, resulting in approximately \$400,000 in savings through elimination of unnecessary training and hardware replacement. The Cyber Crime Program priorities include:

- Intrusions into DoD networks where there has been a compromise of DoD data or personally identifiable information.
- Intrusions into cleared Defense contractors resulting in loss/compromise of technical or other information affecting DoD warfighting or peacekeeping capabilities.
- Specific cyber threats impacting DoD, to include, but not limited to terrorism, organized crime, criminal actors such as Anonymous, LulzSec and web-based robot networks impacting DoD.
- Contract fraud exposing DoD networks to heightened risk of compromise.

Asset Forfeiture Program

During this reporting period, DCIS participated in final court orders of forfeiture amounting to \$1.55 million. Seizures for the same time frame amounted to \$1.66 million (\$529,819 in cash, currency and other financial instruments; \$1 million in real property; and over \$100,000 in vehicles, jewelry and other items). Since DCIS became a participant in the Department of Justice Asset Forfeiture program in May 2007, it has conducted investigations that have led to orders of final forfeiture of more than \$338 million and participated in the seizure of assets totaling \$598.1 million.

Contractor Disclosure Program

DoD IG conducted orientations and briefings

with the CIA IG, Army CID, Naval Criminal Investigative Service, Air Force Office of Special Investigations, and defense contractors on how we implemented and managed our contractor disclosure program. DoD IG Policy and Oversight staff worked with the U.S. Air Force Office of Procurement Fraud Remedies to emphasize the disclosure program and the mandatory disclosure rule. The program requires federal contractors to notify the agency inspector general about violations of criminal law with a federal contract or subcontract valued above \$5 million.

Interagency Initiatives

Southwest Asia Joint Planning Group

The Southwest Asia Joint Planning Group is a coordinating body for U.S. government organizations conducting oversight over U.S. military and civilian activities in Southwest Asia. The group meets quarterly to coordinate and deconflict oversight activities. The group last met in February 2012.

Afghanistan Shura

The Afghanistan Shura, a consultative body composed of U.S. government oversight organizations operating in Afghanistan, meets on a near monthly basis in Kabul to discuss relevant ongoing and planned projects. The Shura is facilitated by U.S. Forces–Afghanistan and DoD IG.

Council of Inspectors General

The Council of Inspectors General for Integrity and Efficiency was statutorily established as an independent entity within the executive branch by the “The Inspector General Reform Act of 2008.” Its purpose was to address integrity, economy and effectiveness issues that transcend individual government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards and approaches to aid in the establishment of a well-trained and highly skilled workforce in the Offices of Inspectors General. DoD IG is an active participant in the CIGIE, serving as a member of the CIGIE Executive Council through December of 2011; as chair of the Information Technology Committee through December of 2011; and as editor-in-chief of the *Journal of Public Inquiry*. During this reporting period, areas of focus for

the IT Committee included new media, cybersecurity, quality standards for investigations, and investigations qualitative assessment review guidelines. DoD IG also trained CIGIE on its guide for conducting external peer reviews of audit organizations of federal OIGs. In addition, the deputy inspector general for administrative investigations met with CIGIE training officials regarding administrative investigations training. DoD IG staff attended CIGIE training courses including the FLETC IG Academy advanced interviewing and leadership training in Gettysburg, Pa.

Defense Council on Integrity and Efficiency

DCIE is chaired by DoD IG and meets on a quarterly basis to discuss issues of common interest, share information, and build closer working relationships among members of the oversight community within the Department. Key areas of focus during the reporting period included military voting assistance, the Government Accounting Office report on DoD whistleblower protection and the volume of oversight in Southwest Asia and command concerns over mission impact.

Export Enforcement Coordination Center

On November 9, 2010, Presidential Executive Order 13558 directed the establishment of the Export Enforcement Coordination Center. The center serves as the primary forum within the federal government for executive departments and agencies to coordinate and enhance export control enforcement efforts. The center increases information sharing, consistent with applicable export enforcement laws and helps partner agencies “detect, prevent, disrupt, investigate and prosecute violations of U.S. export control laws.” The E2C2, which includes DCIS, consists of numerous government agencies with an export enforcement mission, such as Immigration and Customs Enforcement, Homeland Security Investigations, Department of Commerce, Department of Energy, military criminal investigative organizations, the FBI; Department of Justice, DoS, Office of the Director of National Intelligence and other federal partners.

Operation Chain Reaction Task Force

DCIS is one of nine task force members of Oper-

“DCIE is chaired by DoD IG and meets on a quarterly basis to discuss issues of common interest, share information and best practices, and build closer working relationships...”

Enabling Mission Areas

ation Chain Reaction, launched in June 2011 by the National Intellectual Property Rights Center. The operation is a collaborative approach to targeting counterfeit items entering the supply chains of the Department of Defense and other U.S. government agencies. Pooling the member agencies' resources allows for more effective detection and removal of inferior goods that threaten the safety of America's soldiers, sailors, airmen and Marines.

Violent Crimes Division

DoD IG works with the military criminal investigative organizations to share information and resources on crimes related to sexual assault and violence. DoD IG participates as a member of the chairman, joint chiefs of staff's Sexual Assault Campaign Operational Planning Team to address sexual assault across the joint force.

Multi-Functional Domestic Violence Data WG

DoD IG participates in the multi-functional domestic violence data working group, hosted by the Office of the Under Secretary of Defense for Personnel and Readiness. The group is creating a plan and report format to better inform Congress about domestic violence and disciplinary actions.

Defense Enterprise-Wide Working Group

DoD IG Investigative Policy and Oversight is a member of the Defense Enterprise-Wide Working Group along with representatives from the DCIS, the MCIOs, defense counterintelligence agencies, DoD Cyber Crime Center, Coast Guard Investigative Service and Special Inspector General for Afghanistan Reconstruction. These agencies work together to increase efficiency and effectiveness of operations through collaborative investigative efforts and sharing of information and resources. Through their collaborative efforts, they provide their DoD customers high quality criminal and counterintelligence investigative products and information to ensure the security and integrity of world-wide DoD programs, operations and resources.

Forensic Coordination Steering Group

DoD IG participates with representatives from the military services, Office of the Secretary of Defense staff offices and combatant commands

on the forensic coordination steering group. The group reviews the role of forensics in support of military operations, including how forensic capabilities support law enforcement and overseas contingency operations.

DoD Procurement Fraud Working Group

DoD IG is a member of the DoD Procurement Fraud Working Group. The group promotes coordination of parallel criminal, civil, regulatory and administrative proceedings.

Briefings/Training

Joint Inspector General Course - IG Panel

The Joint Inspector General Course sponsored an IG Panel on October 26, 2011, featuring guest speakers from DCIS, AFOSI, NCIS and Army CID. The panel members provided information on each of their respective agencies and discussed how each agency collaborated with their peer investigative agencies in executing their mission.

APEX Orientation Program

Acting Inspector General Lynne Halbrooks spoke to the class of the 33rd APEX Orientation about the DoD IG mission, accomplishments, challenges and focus areas. The APEX orientation program is a two-week DoD-wide executive development opportunity designed to provide newly appointed senior executives with an understanding of the Department.

Industrial College of the Armed Forces

On February 2, 2012, Deputy Inspector General for Special Plans and Operations Kenneth Moorefield gave a briefing to a student study group from the Industrial College of the Armed Forces at Fort McNair, Va., on the subject of "SPO's Oversight of Logistical Developments in Iraq and Afghanistan." Efforts such as this not only serves to assist in education about the DoD IG mission, but also promotes leading change, speaking truth and promoting excellence—the three cornerstones of the DoD IG vision statement.

Fiscal Law Training

On March 20-23, 2012, Deputy Inspector Gener-



The Joint IG Course sponsored an IG panel with DCIS and the MCIOs.



DoD IG is a charter member of the Defense Enterprise-Wide Working Group.

al for Auditing Daniel Blair and the Army judge advocate general partnered for the sixth consecutive year to provide training on “fiscal law” to the DoD and federal community. Blair facilitated and provided resources and the Judge Advocate General Legal Center and School provided instructors to present their subject area expertise at the Army Management Staff College’s Thurman lecture hall on Fort Belvoir. Guest speakers included Shay Assad, director of defense pricing, and James Watkins, director, accountability and audit readiness, deputy assistant secretary of the Army (financial operations). The collaboration of DoD IG and the Army judge advocate general contributed to improving of DoD financial and business-related operations because the topics addressed increased the awareness of the oversight and protection needed for appropriated, obligated and future years dollars from potential waste and misuse.

DoD IG Hosts Pakistani Officials

On March 30, 2012, DoD IG hosted a DoS-sponsored International Visitor Leadership Program group of Pakistani government officials and private sector representatives as part of a program focused on promoting transparency in government and fighting corruption.

Whistleblower Protection Program Outreach

DoD IG continued its outreach, communication and training to whistleblower protection program stakeholders and its service IG counterpart conducting 17 events and reaching 450 military IGs (more than 47 instruction hours) during the reporting period. In addition, WRI leadership met numerous times with members of Congress and their staffs and committees, DoD senior civilian and military officials and nongovernmental organizations to discuss matters of mutual interest about the DoD whistleblower protection program.

Senior Official Investigations Briefing

The director of investigations of senior officials visited the Army Judge Advocate General Legal Center and School twice to brief on senior official investigations to attendees of the 2011 Worldwide Staff Judge Advocate Conference; and provide instruction to students attending a graduate course offered by the school.

Awards

DCIS Computer Crimes Team Takes First Place

On December 1, 2011, a DCIS computer crimes coordinator and a DCIS computer crimes agent won the 2011 DoD Computer Crime Center’s Digital Forensics Cyber Challenge Competition in the U.S. military category. They competed against 53 other teams at the DoD Cyber Crime Conference in Atlanta, Ga.

DCIS - Outstanding Investigative Work

On January 18, 2012, personnel from DCIS and other agencies involved in the criminal investigation of Roger Day were recognized for their outstanding investigative work by the director, Defense Logistics Agency, Navy Vice Admiral Mark Harnitchek, at a ceremony in Richmond, Va. Day, a fugitive profiled on America’s Most Wanted, was sentenced in December 2011 to 105 years in prison for his role in leading an international conspiracy to defraud the DoD of more than \$11.2 million by supplying nonconforming and defective parts for military aircraft, vehicles and weapons systems. This investigation was conducted by the DCIS Northeast and Mid-Atlantic field offices. The Day investigation is highlighted on page 32.

Outstanding Law Enforcement Officer Awards

On March 21, 2012, three DCIS special agents from the Orlando Post of Duty and Atlanta Resident Agency were recognized during the U.S. Attorney’s Office, Middle District of Florida Outstanding Law Enforcement Officer Awards ceremony hosted by U.S. Attorney Robert E. O’Neill. One agent received the Outstanding Law Enforcement Officer Award for Civil Affirmative Cases and two others received the Outstanding Law Enforcement Officer Award for Asset Forfeiture.

2011 SHIELD Award

On October 4, 2011, a DCIS special agent at the Denver resident agency, along with personnel from the FBI’s Washington field office Joint Terrorism Task Force, were awarded the 2011 Service, Honor, Integrity, Excellence, Leadership and Dedication Award by the Anti-Defamation League in Washington, D.C. The special agent and colleagues were presented with the ADL



DCIS agents won the 2011 DoD Computer Crime Center’s Cyber Challenge.



Acting Inspector General Lynne Halbrooks speaks at the Joint IG Course.

Enabling Mission Areas



DoD IG receives 2011 Program Innovation and Excellence Award for Ethics.

SHIELD award for their work on a Joint Terrorism Task Force sting operation that led to the arrest and conviction of Farooque Ahmed, a Pakistani-born computer technician, who joined what he thought was an al-Qaida plot to bomb the Pentagon Metro station and other metro stations in the National Capital Region with the intent of targeting military personnel and killing as many people as possible. As a result of the investigation, the Joint Terrorism Task Force resolved a potential threat, which could have had devastating and long-lasting effects on the D.C. area's transportation system. After pleading guilty in 2010, Ahmed was sentenced to 23 years in prison.

DoD IG Awarded for Making Ethics Count

DoD IG received a 2011 Program Innovation and Excellence Award from the Office of Government Ethics. It honored DoD IG executive leadership for demonstrating a strong commitment to excellence in ethics program management and to building an ethical culture in DoD IG. The nomination highlighted the incorporation of ethics in the Human Capital Strategic Plan and the DoD IG ethics counts campaign, which promoted ethical consciousness and an ethical culture that would foster public confidence and trust in DoD IG operations.



SAC presented Award for Individual Accomplishment.

DCIS Agent Awarded for Public Service

On March 28, 2012, a DCIS special agent received the Law Enforcement Public Service Award from the U.S. Attorney's Office, District of Massachusetts during its annual awards ceremony. The award honored the agent's "outstanding case-related investigative work" in a joint case involving the illegal export of U.S. military technology to Iran.

14th Annual CIGIE Awards Ceremony

DoD IG received three awards at the 14th annual awards ceremony hosted by the CIGIE. Attorney General Eric Holder delivered the keynote address. The special agent in charge of the DCIS Northeast field office was presented the Award for Individual Accomplishment in recognition of outstanding leadership and expertise in furthering the mission of DCIS. A team from Special Plans and Operations received the Award of Excellence in Evaluation in recognition of exceptional performance during the "Assessment of Allegations Concerning Traumatic Brain Injury Research in Iraq." SPO also received the Award for Excellence in Multiple Disciplines in recognition of exceptional performance during the "Assessment of the U.S. Government Efforts to Train, Equip, and Mentor the Expanded Afghan National Police."

DCIS Special Agents Recognized

On March 30, 2012 the Atlanta IG Council presented three DCIS special agents with awards for the 2011 Public Corruption Investigation of the Year, the 2011 Joint IG Investigation of the Year and the 2011 Employee Integrity Investigation of the Year.

Outstanding Employee with a Disability

On December 6, 2011, John R. Campbell, the deputy assistant secretary of defense for wounded warrior care and transition policy, presented a DoD IG employee with the Secretary of Defense Award for Outstanding Employee with a Disability.

2011 USACIDC Community Partner of Year

On February 6, 2012, the Computer Crime Investigative Unit, Army CID, presented a DoD IG special agent with the Director's Award as Community Partner of the Year for 2011. The award recognizes a partner in the law enforcement, counterintelligence or information assurance community whose consistent support had a significantly positive impact on the CCIU mission. The P&O special agent received the award based on the outstanding subpoena processing support he provides CCIU.

Services

Army

ARMY AUDIT AGENCY

To accomplish its mission, U.S. Army Audit Agency relies on a workforce of highly-trained professional auditors, many with advanced degrees and professional certifications. USAAA's staff consists of approximately 600 employees and is organized into 20 functional audit teams that provide audit support to all aspects of Army operations.

USAAA also maintains a significant presence in the U.S. Central Command area of responsibility assisting Army commanders. At the end of March 2012, it had 30 deployed auditors in Kuwait and Afghanistan. Overall, USAAA has deployed more than 200 auditors since 2002 and issued more than 200 reports on Operation Enduring Freedom/Operation Iraqi Freedom.

USAAA's goal is to be a highly sought-after and integral part of the Army by providing timely and valued services that focus on the evolving needs of Army leadership. To ensure its audits are relevant to the needs of the Army, USAAA aligned their audit coverage with the Army's highest priority and high-risk areas, as determined by its enterprise-level risk assessment and input from Army senior leaders.

During the first half of FY 2012, USAAA published 80 reports, made more than 265 recommendations and identified approximately \$555.8 million of potential monetary benefits. A few of USAAA's significant reports are described in the following paragraphs:

[Contracting Operations in Support of Arlington National Cemetery – Army Contracting Command, National Capital Region](#)

USAAA performed this review at the request of the secretary of the Army. USAAA reviewed the procedures and controls Army Contracting Command - National Capital Region used to award and administer contracts in support of Arlington National Cemetery. USAAA also reviewed the sufficiency of corrective actions taken or planned since concerns about ANC contracting were first raised in a June 2010 Department of the Army inspector general report. USAAA determined corrective actions

planned or taken should improve the quality of future contracting activities across ACC-NCR. However, without strong controls, regular oversight by supervisors and higher command levels, sound metrics to measure performance, a culture that fosters quality and sufficient personnel resources, it is likely that issues identified could return. In addition, contracting operations supporting ANC in the past often were not consistent with sound business practices and regulatory guidance. USAAA review showed ACC-NCR contracting office personnel did not effectively maintain ANC contract files with sufficient documentation to support actions taken and constitute a complete transaction and decision history. Source selection and award procedures often did not adhere to sound business practices, and controls sometimes were not in place to ensure contract deliverables were objectively measurable and traceable to a statement of work or performance work statement. Contracting officer's representatives generally were not designated at all or not designated in writing prior to award. USAAA also found ACC-NCR contracting personnel performance objectives in place at the time of their review emphasized customer service but did not fully address the development, execution and administration of quality contract actions, or the management and completeness of contract files. These conditions existed because management controls were not effective in providing sufficient oversight and surveillance of open contracts. As a result, there was little assurance that contracts supporting ANC were awarded in the best interest of the government or that the Army received the goods and services it paid for within quality and timeliness-of-delivery expectations.

Report No. A-2012-0021-ALC

[Contracting Operations in Support of Arlington National Cemetery – Mission and Installation Contracting Command-Fort Belvoir](#)

At the request of the secretary of the Army, USAAA reviewed the sufficiency of corrective actions taken or planned since concerns about Arlington National Cemetery contracting were first raised in a June 2010, Department of the Army, Inspector General report. USAAA also verified whether controls currently in place



USAAA reviewed contracting operations in support of the cemetery.

were sufficient to successfully posture Army Contracting Command and the Mission and Installation Contracting Command-Fort Belvoir to provide quality contracting support to ANC in the future. USAAA determined corrective actions planned by ACC and MICC-Fort Belvoir, when fully implemented, should improve the quality of contract operations and reduce future risks for ANC contract mismanagement. However, additional corrective actions are needed to reduce the risk of similar issues recurring. USAAA also reviewed the policies, procedures and controls used by MICC-Fort Belvoir to award and administer contracts in support of ANC from FY 2004 to 2007. USAAA focused their review on 252 ANC-related contracts awarded or administered from October 1, 2003, through January 11, 2007. USAAA determined that MICC-Fort Belvoir did not award and administer contracts in support of ANC in a manner fully consistent with sound business practices and regulatory guidance. Specifically:

- At least 27 contract files should have been available based on Federal Acquisition Regulation retention guidelines. However, only four of those contract files were available for this review.
- Independent government cost estimates did not contain sufficient evidence of detailed cost development.
- Two contract modifications were awarded outside the scope of the original contract.

These conditions occurred because controls were not in place to retain and track closed-out contracts. Additionally, management controls were not in place to provide sufficient oversight and surveillance of open contracts. As a result, there is little assurance contracts were awarded in the best interest of the government or that the Army received the goods and services it paid for within quality and timeliness-of-delivery expectations.

Report No. A-2012-0011-ALC

Item Unique Identification Program

USAAA performed this review at the request of the assistant secretary of the Army (acquisition, logistics and technology) and the deputy chief of staff, G-8. The assistant secretary of the

Army (acquisition, logistics and technology) requested that USAAA look at the Item Unique Identification program implementation to determine whether the Army realized the envisioned benefits from the DoD-mandated program. The deputy chief of staff, G-8 requested USAAA evaluate the Army's implementation of the Item Unique Identification Program and identify barriers to timely implementation. USAAA found that the Army developed a sound initial strategy to implement the Item Unique Identification program. The Army strategy was to mark legacy items during maintenance-related events, referred to as trigger events, and to require new procurement items be marked at purchase. This strategy resulted in marking about one million legacy items and about 6.8 million new purchase items as of August 2011. The Army also conducted pilot projects to test the use of the Unique Item Identifier, but did not implement the successful aspects of the pilots Army-wide. Army activities developed implementation plans, but sometimes did not prepare complete plans. In addition, the Army took actions to integrate the Item Unique Identification program into business processes, but did not develop a coordinated use strategy. USAAA recommended that the deputy chief of staff, G-4 appoint an existing organization to function as an execution cell with the authority to work with different entities. At a minimum, the execution cell should:

- Develop a use strategy and plan to include interim milestones and metrics to measure progress.
- Request periodic Item Unique Identification program status reports.
- Re-examine the process for marking to identify other means to mark legacy items besides trigger events.
- Implement the positive processes identified during the pilot projects Army-wide, if cost effective.

If the Army continues current plans without improvement, and at the present rate of marking, it will not achieve the envisioned benefits of the Item Unique Identification Program until at least 2017 and will not meet the DoD required date of December 31, 2015, for full implementation.

Report No. A-2012-0057-ALS



USAAA reviewed the Item Unique Identification Program implementation.

USAAA audited the U.S. Army Corps of Engineers' use of contract data.

Central Heating Distribution System, Joint Base Lewis-McChord, Washington State

The Army spends more than \$213 million annually in energy operating costs for natural gas (fossil fuel) at its installations—about \$9 million is for Joint Base Lewis-McChord. Several mandates passed over the last six years require federal agencies to reduce fossil fuel-generated energy consumption. USAAA found that Joint Base Lewis-McChord did not maximize opportunities to reduce energy consumption with its use of a central heating distribution system for the area known as the Banana Belt. The installation opted to restore and use the central heating distribution system instead of converting to individual boiler systems in the Banana Belt area, based on a 2004 life-cycle cost analysis. However, major changes have occurred since 2004, including infrastructure changes to the Banana Belt area and new federal regulatory requirements that call for drastic energy reductions. Despite these changes, the installation did not sufficiently reevaluate how they would affect its decision to continue to restore and use the central heating distribution system. Instead, during the course of USAAA audit, the installation completed an internal life-cycle cost analysis and concluded it was energy efficient and cost effective to continue with its current plans. USAAA's review showed the recent life-cycle cost analysis was not sufficient to continue with current plans, primarily because it did not include all options and included some invalid assumptions and costs. Further, a November 2010 Comprehensive Energy and Water Master Plan, which was directed by U.S. Army Installation Management Command, suggested decommissioning central heating distribution systems on the installation, as a significant energy reduction measure. Consequently, USAAA estimated the Army could potentially achieve about \$19.1 million in savings during FY 2012 through 2021 by discontinuing efforts to restore and use the central heating distribution system and converting to individual boiler systems in the Banana Belt area. The Office of the Assistant Chief of Staff for Installation Management did not agree with the savings associated with our recommendation to discontinue efforts to restore and use the central heating distribution system and convert to

individual boilers. However, they stated that the disagreement was temporary pending the results of a third party life-cycle cost analysis.

Report No. A-2012-0012-IEE

Hurricane and Storm Damage Risk Reduction System: Contract Modification Data, U.S. Army Corps of Engineers, Mississippi Valley Division, New Orleans District and Task Force Hope

USAAA audited the Army Corps of Engineers New Orleans District's use of contract modification data to identify trends and opportunities to improve future contract actions for the Hurricane and Storm Damage Risk Reduction System in the Greater New Orleans area. USAAA performed this audit because of public interest in the project and the high dollar value, about \$14.5 billion in emergency supplemental funding. USAAA reported that the New Orleans District recently took actions to use contract and program data to identify trends and opportunities to improve future contract awards in its after action review process. However, the district could not demonstrate the implementation of most of the review's recommendations and its plans for future reviews of key focus areas. This primarily occurred because the district did not have controls in place to monitor the implementation of recommendations, in order to ensure they were actually embedded into the construction and contract award processes. Additionally, there were no controls to determine which reviews would be scheduled for key focus areas, such as levees and flood walls, where estimates for future contract awards for FY 2012 through 2014 are between \$399 million to \$1.4 billion. In addition, the district's contracting office issued contract modifications with a notice-to-proceed clause, without negotiating a not-to-exceed price after agreeing to improve this practice because of its internal audit. As a result, there is an elevated risk of contract cost growth because the government's negotiation advantage is weakened. Further, a review showed that some contract modification records were not in the required Federal Procurement Database System-Next Generation because of higher priorities. Consequently, the district did not fulfill the public's expectation of finding reliable contractual information within the

www.usaspending.gov website, as required by the Federal Funding Accountability and Transparency Act of 2006—as amended in 2008 (Transparency Act).

Report No. A-2012-0027-IEE

Trend Report: Establishing Baselines and Reporting for Energy and Sustainability Federal Mandates

Executive Orders 13423 (Strengthening Federal Environmental, Energy, and Transportation Management) and 13514 (Federal Leadership in Environmental, Energy, and Economic Performance) call for federal agencies to conduct their missions in an environmentally and economically sustainable manner. Executive Order 13514 expands upon 13423 by adding additional reporting requirements for greenhouse gas emissions, nonpotable water and nonhazardous solid waste. USAAA identified several trends affecting the tracking and reporting of energy and water data in two prior USAAA audits: Energy Consumption (Report No. A-2009-0068-FFE) and Water Conservation Resources (Report No. A-2010-0158-FFE). USAAA focused this effort on summarizing tracking and reporting trends and identifying actions taken by the Army to ensure it establishes accurate baselines in order to measure progress towards meeting future energy and sustainability mandates for greenhouse gas emissions, non-potable water and non-hazardous solid waste. USAAA identified four trends in the tracking and reporting of energy and environmental data. Specifically, the prior audits showed a lack of oversight to ensure all activities reported energy and environmental data, no documented standard process at the installation/activity level to track and report energy and environmental data, designated personnel at the installations and activities were not trained sufficiently, and limited management capabilities in the tracking and reporting system. The Army's ability to establish accurate baselines and measure and report on its progress towards meeting future energy and sustainability mandates for greenhouse gas emissions, non-potable water and non-hazardous solid waste depends heavily on the tracking and reporting processes and system reviewed in the prior audits. Based on a review of actions taken since

the prior audits, USAAA determined the Army has made little progress towards correcting the trends identified. Consequently, there is little assurance that the Army is meeting, or will meet, the Executive Order requirements for current and future energy and sustainability federal mandates.

Report No. A-2012-0016-IEE

Issuing Ammunition to Coalition Forces: Controls Over Transactions – U.S. Army Central USAAA performed this audit at the request of the deputy chiefs of staff, G-3/5/7 and G-4, to determine if Army organizations were fully aware of the extent U.S. Army Central issued ammunition to coalition forces and if the Army had appropriate controls in place to issue ammunition to coalition forces. USAAA focused on whether the Army had the appropriate controls in place for the request, issue and reimbursement of ammunition provided to coalition forces. USAAA found the Army did not have sufficient controls in place over ammunition transactions to coalition forces. A review of 85 transactions (totaling about \$6.3 million) within USARCENT's area of operations and documented on CC Forms 35 (Standard Order/Receipt forms for Reimbursable International Support Transactions) during FY 2008 through 2010 found:

- Forms were not filled out properly or approved before issuing ammunition.
- Ammunition was issued without documentation of receipt.
- Transactions were processed without proper separation of duties.
- Unit prices charged for ammunition were not documented legibly, based on standard unit prices, or calculated with transportation costs.
- Reimbursements for ammunition transactions made under Lift and Sustain authorities and the Foreign Assistance Act to the United Nations were not credited to the Army Ammunition Procurement Appropriation.

USAAA recommended that the deputy chief of staff, G-4, issue overarching detailed guidance on how to conduct transactions for issuing ammunition to coalition forces using acquisition and cross-servicing agreements, the Lift and



USAAA audited Army controls for issuing ammunition to coalition forces.

Sustain Program, and Foreign Assistance Act Agreements. At a minimum, the guidance should include processes and responsibilities for signing the form, determining prices for ammunition, obtaining reimbursement, and applying proceeds from reimbursements. USAAA recommended that the Commander, USARCENT, develop and publish complete, consistent and accurate guidance. At a minimum, the guidance should include processes and responsibilities for completing each block of the transaction form, signing the form, and additional approval authorities when appropriate. The lack of controls over ammunition transactions to coalition forces was primarily caused by incomplete, inconsistent or incorrect guidance. As a result, the Army had little assurance that transactions involving ammunition issued to coalition forces were conducted appropriately, or that the Army received appropriate reimbursement to its Ammunition Procurement Appropriation.

Report No. A-2012-0002-ALS

Energy Management of Information Technology

To improve energy efficiency and reduce greenhouse gas emissions, the President signed Executive Order 13423 requiring federal agencies to reduce energy usage by 3 percent annually or 30 percent by 2015. To help the Army meet these environmental goals, USAAA reviewed the Army's efforts to use power management settings on information technology equipment. USAAA reported that the Army did not manage the power usage of its information technology equipment to conserve energy. Good energy conservation practices would dictate that energy-saving features is used to their full advantage. The largest savings can be realized by putting computers and monitors into a power-save mode during periods of inactivity. An average workstation in sleep mode uses about three watts versus 71 watts if the feature is not used. The Army made a good first step by establishing conservation practices in AR 420-1 (Army Facilities Management), which required energy-saving features be enabled after 30 minutes of inactivity for computers, and peripheral equipment be turned off when not in use. However, the Army did not translate the policy into actions to employ conservation

measures or centrally manage them. Using energy-saving features and centrally managing them would allow the Army to potentially avoid about \$25.8 million annually in utility expenses. Additional savings could be realized by turning off peripheral equipment when not in use. This energy savings could reduce the Army's carbon footprint.

Report No. A-2012-0007-IET

Attestation Review of Enterprise Email Cost-Benefit Analysis

In response to the National Defense Authorization Act of 2012, USAAA performed a review attestation of the enterprise email cost benefit analysis. The Act tasked USAAA to evaluate expected cost savings and cost avoidance from each of four alternatives being considered for enterprise email. In accordance with the language in the Act, USAAA focused solely on statements in the analysis specifically related to the costs of the four alternatives: status quo, commercial managed service provider, Army Knowledge Online and the Defense Information Systems Agency. USAAA found no material issues with the four alternatives; however, they believe the projected cost savings do not include all necessary factors. The CBA states that the Defense Information Systems Agency option will save the Army more than \$100 million per year starting in FY 2013. USAAA evaluated cost savings from FY 2013 to 2017. USAAA believes that the projected savings did not accurately account for unrecoverable enduring costs for any of the options presented. With the minor adjustments to the status quo and DISA options and including unrecoverable costs, the savings would be about \$76.1 million in FY 2013 and a total savings of \$379.9 million for FY 2013 through 2017, approximately \$343.9 million less than projected.

Report No. A-2012-0047-FMT

Installation Facilities and Operations Support

During this time of significant change in the Army's organizational structure and in the composition and manner of financial support available to garrison leaders, USAAA conducted an audit to determine whether capabilities for installation facilities and operations support were sufficient to meet current and future force



USAAA performed a review of the enterprise email cost benefit analysis.

structure requirements. Some of the primary challenges faced by the Army included those associated with the:

- Shift from Iraq to Afghanistan.
- Continued efforts to refine the Army of the 21st century.
- Execution of base realignment-directed moves.
- Continued efforts to modularize and reposition units to meet diverse threats.
- Transformation of business practices.

USAAA reported that Army capabilities for support of installation facilities and operations at four garrisons (Forts Benning, Belvoir, Meade and Riley) were adequate to meet current and future force structure requirements. The garrisons met mission needs by relying on supplemental appropriations to fund base operations; continuing staffing below their authorized strength and implementing a hiring freeze; reducing the level of services provided; cancelling some personnel support and using military manpower for some services previously performed by contractors; and delaying contractual actions and using funds set aside for other high-priority requirements. However, some of these practices increased risk in key mission areas, and were not always in accordance with leadership's priorities and guidance. Further, the continued attrition of personnel had a negative effect and likely contributed to some uneconomical practices. USAAA recommended that the Army update key regulations for garrison-level operations and support to align them with current base operations structure and funding scenarios; update personnel models for the emergency service area; and implement better business practices in the areas of barracks cleaning and nontactical vehicle authorization to take advantage of cost-saving measures, which could save the Army about \$5.2 million annually.

Report No. A-2012-0051-IEO

Commander's Emergency Response Program, U.S. Forces – Afghanistan

USAAA audited the Commander's Emergency Response Program–Afghanistan overall program management, project review and funding requirements processes at the request of the former commander, U.S. Forces Afghanistan.

USAAA found that CERP had evolved to include complex, long-term projects that did not provide immediate benefit to the Afghan people. USAAA reviewed 73 CERP projects each programmed for more than \$500,000 and found nine of the projects did not meet authorized CERP criteria. Although the remaining 64 met criteria, many of them did not meet the intent of providing immediate benefit. Specifically, 29 projects had an average estimated project execution time of more than 10 months, excluding the project development. This occurred because 1) policies and controls for CERP had not evolved along with the program; 2) guidance and criteria for CERP projects were not clearly defined; and 3) there was not a defined, objective, and measurable methodology for evaluating and prioritizing projects. In addition, funding levels drove projects rather than approved, necessary CERP projects driving funding levels. During the audit, USFOR-A took immediate actions to improve both the project review and funding requirements determination processes. After the exit briefing, USFOR-A developed a project review and risk assessment matrix to increase project scrutiny. USFOR-A also deobligated one CERP project valued at about \$32 million.

Report No. A-2012-0072-MTE (FOUO)

U.S. Equipment Transfer to Iraq Program – Phase II

USAAA performed the audit at the request of the U.S. Forces–Iraq J4, director. USAAA reported that commands took action to solidify organizational structures, policies and individual processes to execute the U.S. Equipment Transfer to Iraq program since our initial review. However, USAAA found there was no comprehensive plan to integrate the various entities and complex processes. Specifically, there was an unclear understanding of organizational roles and responsibilities hindering command's ability to sufficiently execute the USETTI Program and meet program goals. Additionally, various gaps existed in the end-to-end processes as equipment was sourced, screened, dispositioned, transported, maintained and transferred to the government of Iraq. Commands had taken corrective actions to issue guidance that established some roles and responsibilities, as well as improve operations in



USAAA conducted a review of the U.S. Equipment Transfer to Iraq program.

the end-to-end process. However, improvements were still needed to ensure commands sufficiently transferred about 52,600 items of equipment, valued at about \$640 million, to the government of Iraq.

Report No. A-2012-0070-MTE (FOUO)

Implementing the Temporary Change of Station Action Plan

USAAA performed this audit at the request of the deputy assistant secretary of the Army (financial operations). USAAA also followed up on actions taken to address problems it reported previously in Audit Report No. A-2008-0182-FFS, Temporary Change of Station Orders and Housing for Mobilized Soldiers, dated July 15, 2008. USAAA found the Army realized about \$37.1 million in savings by establishing government contracts to house mobilized soldiers in the National Capital Region. In addition, the Army lowered the full per diem rate for other contingency operations temporary change of station soldiers to a flat 55 percent. Effective June 1, 2011, the Army eliminated the payment of per diem for mobilized soldiers on voluntary duty for more than 180 days at any one location. Instead, the Army authorized permanent change of station travel and transportation allowances for these soldiers. The new policy should greatly reduce mobilized soldiers on active duty for extended periods and save significant per diem costs. Even with per diem reductions, the Army obligated more than \$197 million in FY 2009 through first quarter FY 2010 under the temporary change of station program to support contingency operations outside of theater. USAAA also found that control weaknesses over voucher procedures such as ineffective supervisory review and approval also continued to exist. This occurred because a centralized voucher review process was not implemented as agreed in the initial audit and the personnel policy guidance was not updated to clearly define allowable lodging and other housing-related expenses for soldiers in the temporary change of station status. Consequently, these control weaknesses contributed to potential fraudulent travel vouchers being submitted, processed and paid by the Army without detection.

Report No. A-2012-0009-FFS

Full-Time Support Staff – U.S. Army Reserve

USAAA audited U.S. Army Reserve Command's requirements for full-time support staff at regional support commands, operational and functional commands, and units to determine whether they had sufficient FTS personnel to meet mission requirements. USAAA reported that the regional support commands and operational & functional commands did not have enough full-time personnel to support Army Reserve units and Reserve units did not have enough full-time personnel to perform their mission requirements. Specifically, critical workload required of an operational Reserve was not considered when determining initial manpower requirements, models used to determine unit full-time support requirements were outdated and manpower studies used to validate unit requirements had not been done due to U.S. Army Reserve Command transformation initiatives and personnel shortages. Therefore, the Army did not know its true requirements for full-time staffing because it had not accurately identified the workload associated with those requirements. The staffing shortages also impacted mission requirements resulting in backlogs in processing medical evaluation boards, property losses, ineffective visibility and administration of contracts and environmental violations. To identify accurate staffing requirements, Reserve command planned and started some manpower studies of regional support commands and operational and functional commands using the acceptable manpower model development methodology. However, command had no plans to review full-time support staffing of the units at the brigade level and below.

Report No. A-2012-0010-FFS

Institutional Training for the Adjutant General Workforce

USAAA performed this audit at the request of the deputy chief of staff, G-1. USAAA reported that the Adjutant General School did not have sufficient training databases for interactive systems training, which lessened training effectiveness. This occurred partly because DoD began developing the Defense Integrated Military Human Resources System in FY 2006 to replace all personnel and pay systems



USAAA reviewed training databases for interactive systems training.

and curtailed investments for legacy human resources systems. However, during the audit, an interactive training database for the Electronic Military Personnel Office system became operational and a similar training database was under development for the Deployed Theater Accountability Software System. These training databases will allow students to access brigade-sized files of about 4,500 personnel to simulate personnel transactions they would access at their home station and during operational deployments.

Report No. A-2012-0068-MTS

Operational Training for the Adjutant General Workforce

USAAA performed this audit at the request of the deputy chief of staff, G-1. USAAA reported that operational training for human resources units and S-1 personnel was not consistent and availability of the training varied by Army command and geographical location. This occurred because both the Army's implementation of the Personnel Services Delivery Redesign and the condensed Army Force Generation cycle reduced training opportunities. As a result, some human resources units and S-1 personnel may not be fully prepared to provide support to commanders and soldiers when deployed. Various Army commands organized ad hoc training teams and exercises to fill the operational training gap. However, there was no oversight or coordination to ensure that all deploying adjutant general soldiers received training. Unit deployments and reductions in Overseas Contingency Operations funding also affected the availability of some teams. Further, the absence of human resources metrics hindered the ability of unit commanders to monitor the skill development of S-1 personnel and identify training requirements.

Report No. A-2012-0069-MTS

Mission Support Elements

At the request of the assistant secretary of the Army (manpower and reserve affairs) and the deputy chief of staff, G-8, USAAA audited U.S. Army Forces Command's mission support elements. USAAA focus was to verify that work performed by the MSEs was different than work performed by U.S. Army Installation

Management Command's installation support personnel and operational staff (corps/division headquarters). USAAA reported that the lines of responsibility were aligned with Decision Point 91 decisions and continued to differ from those performed by installation support personnel. Although functions provided by both groups were sometimes similar, each provided services to different customers with a different funding stream consistent with Decision Point 91. USAAA also found functions performed by the mission support elements differed from those done by the corps/division headquarters staff; however, in some cases, the headquarters staff had the necessary skill sets to satisfy the functions, while in other areas the headquarters structure was not sufficient. In addition, USAAA found that there were no approved workload metrics to verify the associated staffing requirements to ensure the mission support elements was right-sized. U.S. Army Forces Command was working with the U.S. Army Manpower Analysis Agency to assess the staffing requirements and develop manpower models for its mission support elements.

Report No. A-2012-0075-MTS

ARMY CRIMINAL INVESTIGATION COMMAND

Significant Activities

Since October 1, 2011, Army CID has generated more than 4,610 new reports of investigation and more than 4,046 investigative sequence actions. In spite of the demanding case load, Army CID maintained a solve rate of 99 percent for drug crimes, 93 percent for violent persons crimes, 95 percent for economic fraud crimes, and 98 percent for miscellaneous crimes. The solve rate for general crimes was 52 percent, well above the national average of 12.4 percent. Army CID's overall solve rate for this reporting period was 89 percent, with more than \$42.9 million in recoveries and cost avoidance generated.

Army CID placed significant emphasis on the conduct of sexual assault and death investigations

“Since October 1, 2011, Army CID has generated more than 4,610 new reports of investigation and more than 4,046 investigative sequence actions.”

to help meet the intent of DoD and Department of the Army leadership in reducing the number of sexual assaults and suicides that affect the Army community. The Army CID continued to hire additional dedicated sexual assault investigators and formed special victims units to improve the quality of sexual assault investigations, and increased efforts to hold offenders accountable for their actions.



An Army CID special agent searches motor pool during investigation.

Protective Services

Since October 2011, the Army CID conducted 13 Operation Enduring Freedom and five Operation New Dawn travel missions, 111 travel missions to OCONUS locations, 190 CONUS missions (excluding the daily protection of principals within the National Capital Region), and four visiting foreign counterpart missions for ministers, chiefs of defense and Army chief of staff equivalents within the national capital region and throughout CONUS.

Major Procurement Fraud

Army CID continues to focus its efforts on countering fraud and corruption related to overseas contingency operations. Since October 2011, 78 reports of investigation were initiated, with approximately \$42.6 million in total recoveries and an additional \$754,000 identified as cost avoidance. Specific to OCO, Army CID initiated 17 ROIs and realized more than \$1.7 million in fines and restitutions.

U.S. Army Criminal Investigation Laboratory

Army CID's forensic Reach-Back Operations Center continued to expand its capabilities to support the forward deployed expeditionary forensic laboratories, the warfighter and other DoD agencies. Army CID's Reach-Back Operations Center has:

- Developed procedures to support the Biometrics Identity Management Agency and to re-establish latent-to-latent analysis for unidentified latent prints within the DoD Automated Biometric Identification System database. Since its inception on December 23, 2011, the Reach-Back latent print examiners have completed 7,079 examinations within 472 latent-to-latent cases, resulting in 544 identifications/matches.
- Provided forensic chemistry analysis to the

National Ground Intelligence Center's Anti-Armor Analysis Program that requested support for post-blast sample analysis. The forensic material was processed by Reach-Back to USACIL for trace-evidence analysis. Three cases for the Anti-Armor Analysis Program were coordinated and completed.

- Continued to support and facilitate forensic processing of improvised explosive device material the FBI's Terrorist Explosive Device Analytical Center received from the Combined Explosive Exploitation Cell in theater. To date, Reach-Back has received 514 wire twist cases for analysis and completed latent print analysis for 406 cases and DNA analysis for 118 cases. The completed cases resulted in the recovery of seven latent images and five DNA profiles resulting in one DNA profile hit.
- Received 100 DNA cases from Expeditionary Forensic Laboratory Leatherneck, Afghanistan, and coordinated with USACIL to complete the DNA analysis. Reach-Back completed the upload of all cases to the Combined Information Data Network Exchange and submitted 59 DNA profiles from 40 cases to the Armed Forces DNA Identification Laboratory for analysis, resulting in 23 cases with DNA profile hits.

Army CID continued forward on merging duplicate forensic support functions in teams out of Kandahar, Bagram and Forward Operating Base Leatherneck. On December 11, 2011, Expeditionary Forensic Laboratory-Bagram and the Combined Explosive Exploitation Cell-Bagram merged into one joint forensic laboratory, now termed Afghanistan Forensic Exploitation Laboratory-Bagram. By combining the laboratories, the forensic operation now houses five forensic disciplines (latent print, DNA, firearms and tool mark examiners, document exploitation and chemistry) providing timely dissemination of information and forensic processing for the warfighter and eliminating duplicated effort. The AFX is comprised of Army personnel, coalition forces, Department of the Army civilians, and contractors. On January 1, 2012, AFX-Kandahar was established, with AFX-Leatherneck projected for the March/April time frame.



An Army CID special agent swabs a weapon for DNA evidence.

The workload in Afghanistan continued to increase as there was not the usual decline in cases during the winter months. Army CID conducted more than 126,942 examinations and made 5,042 identifications. Latent print examiners closed 1,727 cases, DNA examiners 1,708 and fire arms/tool marks 391. Significant examples of some of the “hits” or identifications include:

- On October 15, 2011, Expeditionary Forensic Laboratory-Leatherneck DNA developed a profile from the swab of a latent print. This print was biometrically matched to a high-level, suspected improvised explosive device builder/facilitator in the Sangin and Kajaki Districts. This suspect was detained and removed from the battlefield. He was also linked to one of the most proficient improvised explosive device builder/facilitators, a top ten target. This suspect’s improvised explosive device incidents spanned from March 2011 to January 2012 and resulted in the injury of two coalition members and destruction of multiple vehicles.
- In February 2012, evidence was received from an improvised explosive device-related event that resulted in two U.S. service members wounded in action. An improvised explosive device pressure plate was processed, resulting in identifiable latent prints. One print was biometrically matched to a high-level, suspected improvised explosive device builder who had previously been linked to another improvised explosive device through DNA processing. This subject has been subsequently captured and removed from the battlefield.
- Another incident spanned February to December 2011. During this period, there were four separate improvised explosive device events, with the last resulting in two U.S. service members killed in action, one U.S. civilian killed in action, and three U.S. service members wounded in action. All evidence from the four events was processed and all four improvised explosive devices were biometrically linked to one individual through DNA. The last catastrophic event was processed by AXF-Bagram on December 19, 2011, and a DNA profile was obtained. On December 22, 2011, the

DNA profile was matched to the other three events spanning the year, but the suspect remained unknown. On December 25, 2011, a suspect was detained and a DNA reference sample was collected and processed through the Bagram laboratory. On January 1, 2012, the suspect was positively linked to all four improvised explosive device events through DNA.

DoD Criminal Investigation Task Force

Army CID continued to serve as the executive agency for the DoD Criminal Investigation Task Force that conducts criminal investigations of suspected terrorists and ultimately helps remove terrorists from the battlefield. In support of overseas contingency operations, the Task Force CITF had teams of CID special agents, attorneys and analysts at Fort Belvoir, Naval Station at Guantanamo Bay, Cuba, and in Afghanistan. The Task Force also had teams in Iraq until the U.S. withdrawal at the end of 2011. The Task Force continued to conduct investigations of detained suspected terrorists in Guantanamo and Afghanistan; to pursue justice for the victims killed on 9/11, in the attack on the USS Cole on October 12, 2000, and in other atrocities; to support Army CID in the Afghanistan Theater of Operations and to provide intelligence reach-back capabilities in support of United States and Army CID Anti-Terrorist Operations. The task force also:

- Assisted military units in Afghanistan with developing information about terrorists and criminal networks involved in capture, theft and diversion of U.S. and NATO military equipment traveling to and from Afghanistan.
- Supported two units in the Afghanistan Theater of Operations: Task Force 2010 and the Legal Operations Directorate of Combined Joint Interagency Task Force 435.
- Supported the Habeas Project overseen by DoD.
- Trained CID special agents and others for deployment to Afghanistan and trained Afghan law enforcement and judiciary personnel.
- Collaborated with the FBI on exploitation of evidence retained at the DoD National Media Exploitation Center.



An Army CID special agent teaches Afghan law enforcement authorities.

“Army CID managed expert law enforcement personnel who assist commanders through the Law Enforcement Professionals Program.”

The Task Force agents, analysts and attorneys continued to work with DoD Office of Military Commissions prosecutors on investigations of Guantanamo detainees, and assisted with a project intended to accelerate adjudication of detainee cases through the commissions process. The Commission, with the assistance of the Task Force and other federal agencies, has identified several dozen detainees for possible prosecution over the next several years. These detainees include Majid Shoukat Khan who joined with members of al-Qaeda in Pakistan to plan attacks against targets in the United States and elsewhere after September 11, 2001, and delivered \$50,000 in al-Qaeda funding to finance the bombing of a hotel in Indonesia in 2003 that resulted in the deaths of 11 people and wounded 81 others. Mr. Khan was formally charged and pleaded guilty to the Commission in March 2012 with his sentence pending. Six other Guantanamo detainees have also been charged. They are:

- Abd al-Rahim Hussayn Muhammad Abdu al-Nashiri, who allegedly was in charge of the planning and preparation of the October 12, 2000 attack on the USS Cole in which 17 sailors were killed, and for whom pretrial commission hearings have begun.
- Khalid Sheikh Mohammed, Muhammad Salih Mubarak Bin 'Attash, Ramzi Binalshibh, Ali Abdul Aziz Ali and Mustafa Ahmed Adam al Hawsawi, who were charged by prosecutors in connection with the 9/11 attack and whose cases are being reviewed by the convening authority.

Since October 1, 2011, Task Force analysts have responded to 63 requests for intelligence information pertaining to locations, individuals, trucking companies and other topics related to the theft of U.S. government material. This information helped Task Force 2010 recover \$836,000 worth of stolen U.S. equipment.

In Afghanistan, Task Force agents and analysts, working with Army CID and law enforcement professionals on investigations involving the theft of government property, participated in multiple raids on facilities being used as havens to store and distribute stolen government property and materials. In one case, Army CID was able to recover \$35,000 in equipment stolen

from U.S. military bases in Afghanistan. In February 2012, the Task Force participated in a separate operation with Army CID that resulted in detaining an individual responsible for the theft and sale of four Laser Target Designator and Range Finders valued at \$1.2 million. The operation resulted in the recovery of one laser and other U.S. military equipment valued at \$700,000.

With regard to cargo returning from the Pakistan ground lines of communication, Task Force analysts and agents recognized that cargo needed to be better monitored. The Task Force coordinated with U.S. Customs and Border Patrol leadership and was successful in helping to facilitate the logistical decision to move all retrograde cargo returning from the Pakistan ground lines of communication through a port that offers radiation monitoring and X-ray screening supervised by U.S. Customs and Border Patrol officials.

Law Enforcement Professionals Program

Army CID managed expert law enforcement personnel who assist commanders through the Law Enforcement Professionals Program. This program provides enhanced expertise and methodology to understand, identify, penetrate, interdict and suppress international insurgent and criminal-like networks. During the reporting period, Program personnel were instrumental in the arrest or capture of 29 insurgents. The Program personnel spent more than 287 hours training 96 Afghan National Security Forces.

Command Intelligence Operations Center

Army CID's Command Intelligence Operations Center continued to expand its analytical support to investigative elements worldwide by collecting, assessing and forwarding criminal intelligence to its field elements. It continues to expand the Army's e-Guardian Program, allowing its law enforcement to share and disseminate terrorist threat information with the FBI, other DoD law enforcement agencies and local civilian law enforcement authorities. The center personnel attached to the National and Regional Joint Terrorism Task Forces have assisted the FBI in several investigations concerning former Iraqi insurgents who entered the United States

under various U.S. immigration programs. Additionally, center personnel are leading an initiative at the National Joint Terrorism Task Force to identify potential insider threats posed by DoD contractors working in support of military operations in both the United States and overseas.

Significant Cases

Drill Instructor Guilty of Abusive Sexual Contact and Cruelty and Maltreatment

Overview: Investigation established a soldier sexually assaulted another male soldier assigned to his unit in Baumholder, Germany. During the course of the investigation, it was determined that while performing his duties as drill instructor at Fort Benning, Ga., he also sexually assaulted eight male trainees. The assaults on the trainees would have likely gone unreported if not for the thorough investigative efforts of the CID office. The soldier confessed to all of the offenses.

Result: The soldier was convicted by general courts-martial on September 21, 2011, of violating UCMJ Article 120 – Rape and Carnal Knowledge, and Article 93 – Cruelty and Maltreatment. He was sentenced to 22 months incarceration, a reduction in rank, forfeit all pay and allowances and a bad conduct discharge. Upon release, the enlisted member is required to register as a sex offender.

Captain Sentenced to Seven Years for Bribery and 10 Years for Conspiracy

Overview: Army Captain Sidharth Handa, while stationed in Afghanistan from March through November 2008, served as the liaison to the local governor and engineers on the Kunar Provincial Reconstruction Team. Capt. Handa assisted in awarding reconstruction project contracts funded by the U.S. government to local contractors through a competitive bidding process. Through investigation, Capt. Handa admitted that almost immediately upon his arrival in Afghanistan, he engaged in a scheme to secure bribes from contractors who sought to secure large PRT construction projects. With the help of an Afghan interpreter, Capt. Handa typically solicited bribes equal to 10 percent of the overall contract value, though the actual bribe payment was negotiated based on the

contractor's ability to pay. The total value of the bribes contractors agreed to pay amounted to more than \$1.3 million; Capt. Handa and the interpreter collected \$315,000, which they split evenly. Capt. Handa admitted that after leaving Afghanistan he tried to collect more than \$1 million in bribe money that contractors had pledged to pay. A cooperating witness offered to help him collect the money, and in 2010 and early 2011 Capt. Handa provided witness details of the outstanding bribes and other relevant facts to help secure the promised money. During the course of these conversations, Capt. Handa indicated he knew people in the drug business, and the witness and he developed plans to sell kilogram quantities of heroin to his drug contacts. According to court documents, on April 7, 2011, Capt. Handa met with the cooperating witness and an undercover officer in a northern Virginia hotel where Capt. Handa received what he believed was \$500,000 in collected bribe payments and acknowledged that he knew the right people to receive the kilogram of heroin shown to him by the undercover officer. Capt. Handa was arrested as he was leaving the hotel with the bribe money, a loaded handgun, and a spreadsheet detailing specific bribe amounts paid and outstanding. Army CID investigated this case jointly with member agencies of the International Contract Corruption Task Force, including DCIS, SIGAR, FBI and DEA.

Result: On September 23, 2011, Capt. Handa appeared at the Federal District Court for the Eastern District of Virginia and was found guilty of violating 18 U.S.C. §§ 201(b)(2)(A) Bribery of a public official; and U.S.C. § 846 Conspiracy to distribute one kilogram or more of heroin. For the offense of bribery, Capt. Handa was sentenced to 84 months confinement, three years supervised release, and restitution in the amount of \$315,000. For the offense of conspiracy, he was sentenced to 120 months confinement, and five years supervised release. The two confinement sentences were to be served concurrently. Furthermore, on February 6, 2012, Capt. Handa was debarred and listed in the excluded parties list system.

Soldier Sentenced to Eight Years for Indecent Liberties with a Child

Overview: NCIS notified Army CID that an



CID special agents and Military Police Drug Suppression Team members.

Army specialist assigned to the Kaiserslautern military community was soliciting parents of minors throughout Europe for sexual acts with their children. An undercover operation resulted in the soldier being apprehended and interviewed, wherein he confessed to meeting the undercover agent in order to perform sexual acts with her two children. The soldier also confessed to the offenses of possession of child pornography, aggravated sexual contact, abusive sexual contact and sodomy with a child under the age of 16, when he sexually assaulted his own two daughters on multiple occasions. Investigative efforts further identified another relative of the soldier as a victim. Evidence recovered during examination of the crime scene was forensically examined and revealed evidence of child pornographic images. The images were confirmed as known victims by the National Center for Missing and Exploited Children. Army CID investigated this jointly with NCIS Child Exploitation Investigations.

Result: At general courts-martial, the soldier pleaded guilty to violating UCMJ Article 120 – Rape and Carnal Knowledge, and Article 134 – General Article for indecent language. He was sentenced to eight years confinement, reduced in rank, forfeiture of all pay and allowances, and received a dishonorable discharge.

value management, overseas acquisition and disbursing and more. In addition, Army CID continued a series of audits on the protection of personally identifiable information and the Marine Corps' accountability over its small arms program. Our audits of military construction projects identified opportunities for the Department to put DON funds to other use by eliminating or reducing the scope of a number of projects. To date, our FY 2012 assist reports for the Naval Criminal Investigative Service have identified approximately \$1.4 million in potential fraud. Army CID will continue to work with senior DON officials to provide them with an expert and impartial assessment of critical DON issues. If necessary, Army CID will make recommendations that address the identified conditions and help prevent their recurrence.

Joint Warfighting and Readiness

Marine Corps Small Arms Accountability

The audit objective was to verify that the Marine Corps' small arms program, which includes handguns, shoulder-fired weapons, and light automatic weapons through heavy machine guns had adequate controls to ensure that the arms were secured and accounted for. NAVAUDSVC found all inventoried weapons to be accounted for at the eight Marine Corps activities visited; however, the Marine Corps needs to improve its accountability and control of small arms. NAVAUDSVC found problems with storage and access controls, key and lock controls, small arms accountability, armory personnel qualifications, documentation retention and outdated division-level policies. In addition, headquarters Marine Corps requested that NAVAUDSVC review Distribution Management Office compliance with defense transportation regulation's report of shipment notification requirements for conventional arms to include missiles, rockets and small arms. NAVAUDSVC found that Marine Corps weapon shipments requiring use of the transportation protective service did not consistently receive prescribed levels of shipment security controls. Specifically, NAVAUDSVC found that the Marine Corps Distribution Management Offices:

Naval Audit Service

The NAVAUDSVC's mission is to provide independent and objective audit services to assist Department of the Navy leadership in assessing risk to improve efficiency, accountability and program effectiveness. NAVAUDSVC works with senior Navy and Marine Corps officials to develop a risk-based annual audit plan that addresses critical areas officials feel merit additional oversight. NAVAUDSVC also responds to requests from senior DON officials to provide audit work on emergent issues including but not limited to the Department's Financial Improvement Program initiative, administration of base operation support contracts. In the past six months, our audits have addressed a number of important DON issues, such as energy initiatives, diversity, the relocation of Marine Corps forces to Guam, controls over various facets of the acquisition process such as earned

Navy



NAVAUDSVC reviewed the Marine Corps' small arms program controls.

- Did not consistently ensure that the report of shipment notifications were sent to receiving activities for weapons shipments and/or did not enter shipments in the Defense Transportation Tracking System.
- Did not consistently issue required transportation discrepancy reports to shipping activities notifying them of their noncompliance with the defense transportation regulations when reports of shipments were not sent.

As a result, receiving activities were often not aware of the weapon shipments and not prepared to detect potential shipping problems. These weaknesses increased the vulnerability to theft, loss and misuse of weapons. Management concurred with the seven recommendations to improve accountability and physical security control of Marine Corps small arms; and enhance transportation controls and oversight, and provide training to ensure compliance with DoD policy.

Report No. N2012-0002

Acquisition Processes and Contract Management

[Department of the Navy Acquisition and Disbursing Checks and Balances at Camp Lemonnier, Djibouti, Africa](#)

The objective of the audit was to verify that Department of the Navy checks and balances for acquisitions and disbursements were in place to detect, deter and prevent fraud, waste and abuse, and were in compliance with federal, DoD and DON acquisition and disbursing requirements at Camp Lemonnier, Djibouti, Africa. NAVAUDSVC found that significant internal control weaknesses with the oversight and management of the acquisition and disbursing operations supporting the Joint Task Force in Djibouti, that were identified by a NAVAUDSVC 2009 audit, had not been corrected. This created an environment conducive to fraud, waste and abuse. NAVAUDSVC also addressed weaknesses in the oversight and management of the contracting operations provided by Naval Supply Systems Command Fleet Logistics Center-Sigonella to Camp Lemonnier. These internal control weaknesses significantly affected the

Joint Task Force's and NAVSUP Fleet Logistics Center-Sigonella's ability to provide reasonable assurance to DoD and DON leadership that internal control objectives were being achieved.

Report No. N2012-0003

[Implementation of Earned Value Management for the Future Aircraft Carrier Program](#)

The audit objective was to verify that Earned Value Management was implemented in accordance with Department of Defense requirements and used to monitor acquisition program cost, schedule, and performance for the Future Aircraft Carrier program. NAVAUDSVC found that EVM was not implemented and used to monitor acquisition program cost, schedule and performance for the aircraft carrier's detailed design and construction contract in accordance with DoD requirements. As a result, the Navy did not have earned value data on which it could fully rely to manage and make informed decisions about the contractor's cost, schedule and technical performance.

Report No. N2012-0011

Information Assurance, Security and Privacy

[Personally Identifiable Information and Department of the Navy Data on Unencrypted Computer Hard Drives Released From Department of the Navy Control](#)

The audit objective was to verify that Department of the Navy disposal of hard drives is complying with DON chief information officer policy. NAVAUDSVC identified unencrypted hard drives containing easily accessible personally identifiable information (more than 240,000 Social Security numbers) and sensitive DON data (proprietary data and military orders) that had been improperly released from DON control. If DON CIO policy had not permitted the issuance of waivers for encrypted hard drives, all hard drives would have been required to be physically destroyed. Physically destroying the hard drives would have eliminated the possibility of unencrypted hard drives with DON PII and sensitive data being released from DON custody and control. The controls over the waiver/disposal process at Navy activities



NAVAUDSVC reviewed acquisitions in the Future Aircraft Carrier program.

were apparently not sufficient to ensure that all computers released from Navy control had the required encryption software installed on their hard drives or personnel were unaware of the policy. The release of hard drives puts the DON at an unnecessary level of risk for significantly costly breaches of PII and DON-sensitive information.

Report No. N2012-0009

Financial Management

Department of the Navy Military Standard Requisitioning and Issue Procedures Internal Controls

The audit objective was to verify that Military Standard Requisitioning and Issue Procedures were used in accordance with established guidance, and that internal controls were in place to prevent fraud, waste and abuse at selected Department of the Navy commands/activities. NAVAUDSVC findings indicated that there were several significant opportunities to improve the management of MILSTRIP processes at the Navy commands reviewed. At those commands, MILSTRIP processes for procurement, accounting for warehouse items and authorizing information technology purchases did not provide an effective internal control environment. The Navy commands did not have proper oversight nor did they maintain proper supporting documentation, such as requisitions, receiving reports and invoices for many DoD purchases. Opportunities existed to improve internal controls over maintaining and reconciling accounting and purchase-related records.

Report No. N2012-0022

Human Capital

Naval Pilot and Naval Flight Officer Diversity

The objective of this audit was to verify that the processes leading to the selection and assignment of naval pilots/flight officers support diversity. NAVAUDSVC determined that despite recent increases in minority enrollments at the U.S. Naval Academy and Naval Reserve Officer Training Corps, new naval pilot/flight officer accessions are not on track to reflect the diversity

of the nation. This condition existed because some minority groups had lower than expected rates of enrollments in commissioning sources, graduations from commissioning sources, preferences for naval pilot/flight officer careers and selection as naval pilot/flight officers. It was also found that for some minority groups the averaged scores during flight training were low.

Report No. N2012-0001

Individual Augmentee Reintegration Process

The audit objective was to verify that returning Navy and Marine Corps individual augmentees were receiving the support needed throughout the deployment cycle to reintegrate with family, community and employers. The Marine Forces Reserve did not effectively execute the Yellow Ribbon Reintegration Program for individual augmentees. None of the 112 individual augmentees in the NAVAUDSVC sample were provided with at least one deployment support and reintegration event for each of the five mandatory intervals, as required by under secretary of defense Directive-Type Memorandum 08-029. This condition existed because not all voluntary individual augmentees were adequately identified and tracked throughout the deployment cycle; not all individual augmentees were provided with sufficient reintegration event information; Yellow Ribbon Reintegration Program guidance was misinterpreted regarding the characteristics for providing a post-deployment event; compliance and effectiveness metrics were not established and the program was not identified as an assessable unit in the Marine Forces Reserve Internal Control Program. As a result, not all individual augmentees received the support thought by Congress and DoD to be needed to reintegrate with family, community and employers.

Report No. N2012-0015

Infrastructure and Environment

[Strategy for Considering Energy Efficient and Renewable Energy Initiatives Associated with the United States Marine Corps Guam Relocation Effort](#)



NAVAUDSVC reviewed the selection and assignment process of Navy pilots.

The audit objective was to verify that the Department of the Navy had a strategy for the consideration and implementation of energy efficient and renewable energy initiatives for the Marine Corps Guam relocation effort. NAVAUDSVC found that Naval Facilities Engineering Command, Pacific, developed a building energy strategy, but at the time of the site visit, an implementation plan for this strategy had not been developed. The goal of this strategy was to deliver the highest level of environmental improvement to meet federal mandates at the lowest cost level. The strategy was planned for facilities to achieve a 40.2 percent energy reduction, and a 13.5 percent renewable energy purchase requirement, which would exceed federal mandates. Since NAVAUDSVC's site visit, NAVFAC Pacific drafted an implementation plan for the building energy strategy that lacked critical elements. In addition, while viable base-specific renewable energy initiatives were not recommended or incorporated into the strategy for the future Marine Corps Base on Guam, NAVFAC Marianas evaluated potential island-wide renewable energy initiatives for Guam. This occurred because the strategy focused mainly on reducing energy consumption within individual facilities and buildings, but not base-wide. As a result, other viable initiatives might not be incorporated into the design and construction of the future Marine Corps Base to minimize energy consumption and maximize the use of renewable energy. Management concurred with all recommendations, the corrective actions met the intent of the recommendations and the recommendations were considered closed at the time of audit publication.

Report No. N2012-0004

[Consideration of Requirements for U.S. Marine Corps Training Ranges Associated with the Relocation of Marine Corps Forces to Guam](#)

The audit objective was to verify that requirements for Marine Corps training ranges were appropriately addressed in the planning for the relocation of the Marine Corps Forces to Guam. NAVAUDSVC found that the relocation plans did not fully address Marine Corps training range requirements of the relocating forces. This occurred, in part, because the training range requirements used to initiate

the National Environmental Policy Act process and the subsequent Environmental Impact Statement were not fully defined. In addition, decisions were made to provide for individual and small unit training range requirements to be located on Guam and Tinian, but to only plan for those ranges that did not have an adverse impact to cost, schedule or environmental planning. If required training ranges are not included in the relocation plans, Marine forces in Guam may be required to make unnecessary travel to obtain required training elsewhere, which could lead to increased costs, limited training opportunities and decreased unit readiness. Additional planning could be required which may adversely impact cost and schedule of the relocation. In addition, NAVAUDSVC determined that Marine Corps training and readiness manuals should be updated to include all required training events and range requirements with standardized planning details. Management concurred with all recommendations, and the corrective actions met the intent of the recommendations.

Report No. N2012-0008

[Selected Department of the Navy Military Construction Projects Proposed for Fiscal Year 2013](#)

The audit objective was to verify that the selected military construction projects were needed and the scope requirements were supported. The NAVAUDSVC identified unneeded and over-scoped projects and made recommendations to cancel the projects that were not needed and reduce the scope of the over-scoped projects. The commandant of the Marine Corps and commander, Navy Installations Command agreed with the recommendations and the associated potential monetary benefits. Both commands took appropriate corrective actions and NAVAUDSVC considers all of the recommendations closed.

Report No. N2012-0012

[Reporting of United States Marine Corps Aviation Fuel Consumption](#)

The overall objective was to verify that the Marine Corps was accurately reporting aviation fuel consumption. NAVAUDSVC reviewed a sample of 474 FY 2010 Fuel Enterprise Server fuel transactions. For the supported



NAVAUDSVC conducted review of Marine Corps training ranges in Guam.



NAVAUDSVC reviewed a sample of Fuel Enterprise Server fuel transactions.

transactions, NAVAUDSVC found that the quantities of fuel reported in the Fuel Enterprise Server were accurate. However, NAVAUDSVC found opportunities to improve the aviation fuel consumption reporting process. The internal control weakness occurred because oversight was not sufficient to ensure that Marine Aviation Logistics Squadrons' personnel received the fuel documentation from the Marine aircraft squadrons, or maintained the documents after completing the reconciliations, as required. NAVAUDSVC estimates that supporting documentation was not readily available for transactions representing 44 percent of the 125,031,672 gallons of fuel purchased by the Marine Corps. Therefore, the Marine Corps did not have assurance that the FY 2010 aviation fuel consumption was accurately reported. Management concurred with all recommendations, and the corrective actions met the intent of the recommendations.

Report No. N2012-0013

Other

[Defense Travel System – Marine Corps](#)

The audit objective was to verify that internal controls over the approval of travel authorizations and vouchers in the Defense Travel System for the Marine Corps were effective and in compliance with applicable laws and regulations. The NAVAUDSVC found that Marine Corps activities did not have proper separation of duties concerning Defense Travel System-related functions. Specifically, Defense Travel Administrator functions that allow complete access to the system were not separated from travel voucher review and approval functions as required by Department of Defense guidance. The lack of separation of duties represents an internal control weakness and places the Defense Travel System at risk for financial loss through misuse of the system. NAVAUDSVC also found that authorizing officials were approving travel expense payments that were not supported by receipts or were not allowable under guidance. This occurred because of insufficient training. NAVAUDSVC made eight recommendations to the Marine Corps to improve internal controls; and to request Defense Travel System changes so the system prevents administrators from also

reviewing and approving travel vouchers (the authorizing official function), and to create an exception report for management review when an administrator approves a travel voucher.

Report No. N2012-0010

[Suicide Crisis Links and/or Phone Numbers on Department of the Navy Websites](#)

The audit objective was to verify that the Department of the Navy initial response to Sailors and Marines requesting assistance related to suicidal behavior was handled appropriately. NAVAUDSVC focused on whether DON websites posted links/phone numbers to suicide-related prevention or crisis services. NAVAUDSVC found that 22 percent (321 of 143) of Navy home pages searched did not have a required working link to the National Suicide Prevention Lifeline in accordance with Navy Admin 178/11 of June 9, 2011, which states "Every Navy homepage now has a direct lifeline link to a live chat staffed by Veterans Affairs professionals." It should be noted that NAVAUDSVC found 100 percent (20 of 20) of selected Navy Operational Support Center websites posted working links. In addition, NAVAUDSVC found that 54 percent (30 of 56) of Marine Corps websites searched did not advertise a suicide crisis link or phone number, such as the National Suicide Prevention Lifeline, on their home page or within their website. However, this was not a requirement for the Marine Corps. Not having this information available is potentially a missed opportunity to encourage Sailors and Marines to seek assistance in a critical time of need.

Report No. N2012-0017

[Defense Travel System - Navy Controls Over Unsettled Travel Authorizations](#)

The audit objective was to verify that internal controls over unsettled travel authorizations and resulting vouchers in the Defense Travel System for the Navy were effective and in compliance with applicable laws and regulations. NAVAUDSVC found that the Navy had unliquidated travel authorizations at least 28 days old. In addition, the Defense Travel System did not correctly transfer scheduled partial payments to the accounting system, transferring them as travel payments instead of advances to travelers. Applicable guidance states that

travelers must submit travel vouchers within five working days after returning from the trip. These conditions existed because travelers did not file their vouchers within five working days as required by the Joint Federal Travel Regulation and Defense travel administrators did not identify unliquidated travel authorizations nor take action to liquidate the travel authorizations. The impact was that scheduled partial payments/advances to travelers were not collected timely and funds were not deobligated timely. NAVAUDSVC made 17 recommendations to improve internal controls to the Navy Defense Travel System Program Management Office and ten commands.

Report No. N2012-0020

Naval Criminal Investigative Service

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

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

Significant Activities

Crime Reduction

During the reporting period, NCIS fraud investigations resulted in nearly 40 convictions and more than \$2.5 million returned to the government in fines, forfeitures and restitution. Examples include:

- NCIS recovered more than \$1.8 million worth of stolen warfighting equipment and identified 47 active-duty military and 21 civilians on and around Marine Corps Base Camp Lejeune suspected of trafficking high-value military gear on Internet auction sites. The undercover operation was initiated after NCIS observed a significant increase in on-base larcenies in which similar items were taken, including night vision goggles, rifle optical scopes, suppressors, lasers and other International Traffic in Arms Regulations restricted items. The ongoing NCIS operation combined the efforts of DCIS; Department of Homeland Security; Bureau of Alcohol, Tobacco, Firearms and Explosives; Defense Logistics Agency; FBI; North Carolina State Bureau of Investigation and several local North Carolina police agencies.
- In January 2012, NCIS concluded a four-year long undercover operation targeting companies suspected of selling counterfeit or substandard aircraft or weapon system parts to DoD. Undercover agents purchased and tested suspected nonconforming parts and NCIS confirmed approximately \$750,000 worth of fraudulent components had been imported and distributed to Navy suppliers. The effort was conducted in support of the Naval Air Systems Command in Patuxent River, Maryland, and combined the efforts of eight U.S., law enforcement agencies. At least three of the implicated companies sold counterfeit integrated circuits to the Defense Supply Center Columbus, the Navy’s major supplier of micro components.
- NCIS is pursuing a global counter fraud initiative launched after a 2010 Naval Audit Service initiative identified a Defense Travel System embezzlement scheme. The ensuing NCIS-NAVAUDSVC initiative implicated ten DTS administrators who allegedly ma-

“During the reporting period, NCIS fraud investigations resulted in nearly 40 convictions and more than \$2.5 million returned to the government in fines, forfeitures and restitution.”

nipulated e-mail and banking information and falsified or altered travel vouchers to divert \$433,500 in DTS funding to bank accounts they controlled. An inspection of the system revealed several potential vulnerabilities that NCIS briefed to commands and for which those commands were instructed to conduct self-inspections of DTS accounts with guidance on how to identify and report suspected fraudulent activity. The U.S. Attorney's Office for the Eastern District of Virginia is prosecuting.

- During the investigation of a large scale credit card fraud ring, NCIS cyber specialists quickly conducted a highly technical examination of more than 100 pieces of diverse digital evidence seized by agents. The analysis led to identifying suspects and additional victims and neutralized a criminal enterprise that preyed on Navy military and civilian employees aboard the Norfolk Naval Base, Va. Beyond the computers, game consoles and cell phones examined, NCIS used capabilities to bypass an iPhone password, identified incriminating text messages and recovered a key scanner database password. NCIS was able to access an encrypted credit card scanner that contained the identities of known victims and led to identifying numerous additional victims. The efforts of NCIS enabled the prosecution team to present highly technical and complex investigative processes in easy to understand, laymen's terms resulting in all suspects pleading guilty without any preliminary hearings and receiving prison sentences ranging from seven to 35 years.
- During the past six months, more than 300 anonymous tips were reported through the NCIS text and web tip hotline, 287 through the website, 12 by text message and two from its smart phone application. Tipsters provided real-time, actionable intelligence leading to 27 investigations ranging from basic housing allowance fraud to espionage and illegal drug use. In November 2011, NCIS relayed a tip about USS Stennis personnel smoking the synthetic drug, "spice," aboard the ship to Stennis investigators; three sailors admitted they used the synthetic drug and were administratively separated from the Navy. Since its inception in April 2011, the program has collected almost 500 criminal intelligence tips and has led to the recovery of more than \$68,000.
- In addition to ongoing joint counter piracy efforts, NCIS took the lead in creating a comprehensive manual for investigating piracy. The Guide for Investigating Acts of Maritime Piracy, published in October 2011, is a compilation of best practices and expertise from more than 20 international law enforcement and security partners. It is already widely accepted as the authority for investigative responses and procedures during all phases of a piracy investigation, from the initial on-scene assessment to evidence collection, debriefs and collaboration with prosecutors.
- Forward-deployed NCIS agents produced 221 intelligence information reports on maritime piracy closing intelligence gaps identified by the Office of Naval Intelligence, Naval Forces Central Command, and U.S. African Command. NCIS remains a key partner in Combined Task Force 151, the front-line international counter piracy force that patrols shipping lanes and responds to piracy events.
- On October 21, 2011, a suspected pirate identified in an ongoing joint FBI and NCIS investigation was sentenced to life in prison for his role in an attack on the Quest sailboat in February 2011 that resulted in the deaths of four Americans. NCIS provided investigative support through the Middle East and Norfolk field offices and conducted debriefs with the suspected pirates. So far, 11 suspects have pleaded guilty to piracy-related charges and seven have been sentenced.

Global Partnerships and Capacity-Building

In support of Navy and Marine Corps global reach and forward presence goals, NCIS has aggressively pursued a global partnership network that supports naval global reach objectives with effective host nation law enforcement and security capabilities and timely and efficient cooperation, coordination and communication. Examples include:

- NCIS provided vessel tracking and basic technical investigative training to the Re-

public of Cape Verde judicial police through cogent partnership, a U.S. AFRICOM counternarcotics initiative to enhance host-nation interdiction capabilities and multinational coordination and cooperation. Subsequently, in October 2011, the police arrested four suspected drug traffickers and interdicted more than 1,500 kilograms of cocaine—the country’s largest narcotics seizure. NCIS and the Drug Enforcement Administration have been working jointly with the Cape Verde Judicial Police to examine weapons, sensitive evidence and technical equipment seized during the interdiction.

- In February 2012, NCIS provided narcotics intelligence to its Operation RIPTIDE task force that directly resulted in the seizure of \$5 million worth of heroin and methamphetamines in the U.S. Central Command area of responsibility. Operation Riptide is a counter-narcoterrorism task force comprised of NCIS, DEA, the Office of Naval Intelligence and the United Kingdom’s Serious Organized Crime Agency that supports Combined Task Force 150, Naval Forces Central Command and Combined Maritime Forces assets to identify and stop the flow of illegal drugs from Afghanistan, Pakistan and Iran.
- NCIS continued to support theater security cooperation and assist foreign and domestic partner capacity building through law enforcement and security interoperability seminars. Since November 2011, NCIS has provided numerous interoperability seminars directly or as part of the Navy Africa and Southern Partnership Stations including:
 - Improvised explosive device and vehicle-borne improvised explosive device recognition and post-blast crime scene investigation for law enforcement officers from several Middle East nations.
 - Port facility physical security practices for host Southeast Asian law enforcement and security officers encompassing port security, improvised explosive device recognition and threat management, and cargo container inspection.
 - Installation surveillance detection for Caribbean, Central and South Ameri-

can law enforcement officers and security specialists as part of the SOUTHCOM Southern Partnership Station program. Instruction included surveillance methodology, facility and area analysis, and route analysis.

- Port facility physical security practices for law enforcement and security officers from several Caribbean nations encompassing installation access control, intrusion detection systems, maritime threats, officer safety use of force continuum, high value asset protection, service craft inspection and waterside security and pier inspections. The seminars demonstrated how to identify and mitigate facility vulnerabilities.

Countering the Insider Threat

NCIS significantly increased biometric collection through information sharing agreements with foreign partners and continued deployment of advanced portable biometric devices. NCIS added almost 11,500 enrollments to the DoD Automated Biometric Identification System, yielding nearly 475 matches. In an innovative joint operation with a law enforcement partner in CENTCOM, NCIS enrolled facial images of nearly 900 refugees, resulting in three matches with individuals of concern. Recent biometrics-enabled successes include:

- Through the combined efforts of NCIS, Kuwaiti authorities and DEA, two suspected drug couriers were arrested and enrolled in the DoD Biometric-Enabled Watch List. NCIS subsequently discovered their biometric information matched that of two contractors currently working as truck drivers on the naval facility. They were placed on the watch list, disqualified from employment and denied access to the base.
- In November 2011, NCIS discovered that an applicant for access to a U.S. installation in Bahrain was suspected of terrorism and was listed on the TSA “No-Fly List.” NCIS collected biometric information and placed the suspect on the DoD watch list.
- In January 2012, NCIS agents conducting a routine employee screening learned that a third-country national in Bahrain had fraudulently attempted to enter the United



NCIS provided vessel tracking and basic technical investigative training.

States. The criminal record was discovered when NCIS received a positive match with FBI and DoD databases.

- While deployed to Afghanistan, NCIS polygraph examiners conducted more than 575 examinations including one conducted on an Afghan source that had been captured by anti-coalition forces. On his release, the source contacted his International Security Assistance Force handlers and requested a meeting. While his handlers suspected him of giving up sensitive information during his captivity, the source adamantly denied providing the enemies any information. He was turned over to the NCIS polygraph examiner for testing. He failed the exam and confessed to providing anti-coalition forces information regarding the work he had been performing for the Americans, and that he compromised the identities of approximately 10 other men from his village working for the Americans.

Significant Investigative Cases

[\\$2.17 million Settlement in Conflict of Interest Case](#)

Overview: NCIS initiated a joint investigation with DCIS and General Services Administration into alleged cost mischarging at the Naval Oceanographic Office at Stennis Space Center in Mississippi. No merit to the allegations of product services substitution was found. However, NCIS discovered evidence of preferential treatment in awarding a contract to provide support services for the at the National Center for Critical Information Processing and Storage at Naval Oceanographic Major Shared Resource Center. The investigation revealed that both the center's director and deputy director had provided confidential information before a \$2.4 billion contract was awarded to SAIC, in violation of the Procurement Integrity Act. Additionally, requirements defined by Dale Galloway, former director of the Information Technology Center for Space and Naval Warfare Systems Command, violated conflict of interest standards. During the investigation, seven DoD IG subpoenas were served, 65 depositions were taken and more than one million documents were reviewed. In June 2009, the Department of

Justice filed a civil complaint against Lockheed Martin, SAIC, Applied Enterprise Solutions and the implicated Naval Oceanographic Office officials for knowingly violating the False Claims Act.

Result: The final settlement was reached on September 27, 2011, when Applied Enterprise Solutions and its owner Dale Galloway agreed to pay nearly \$2.17 million, bringing the total settlement value to about \$30 million.

[Marine Sentenced to 30 Years for Rape of a Child](#)

Overview: In July 2011, a Marine staff sergeant's wife told NCIS that she saw her husband "French kissing" their 11-year old daughter. NCIS examined the crime scene at their home aboard Marine Corps Base Camp Pendleton and collected evidence from the house and from the staff sergeant's private vehicle. During interrogation the Marine confessed to having sexual intercourse with his daughter for the past two years.

Result: At a general court-martial in January 2012 the staff sergeant pleaded guilty to violating UCMJ Article 120 - Rape and Carnal Knowledge and Article 125 - Sodomy. He was sentenced to 30 years confinement, dishonorable discharge, reduction in rate and forfeiture of all pay and allowances.

[Sailor Sentenced to 21 Years for Murdering a Child](#)

Overview: In January 2011 a Navy fireman brought his unconscious and unresponsive 5-month old daughter to the U.S. Naval Hospital at Yokosuka, Japan. Doctors were unable to revive the child. NCIS examined the crime scene and interrogated the father who confessed that he caused the baby's injuries and demonstrated two "karate chops" he made to the girl's chest that ruptured her heart.

Result: At general courts-martial in February 2012 the Navy fireman pleaded guilty to violating UCMJ Article 118 - Murder. He was sentenced to 21 years confinement, dishonorable discharge, reduction in rate, and forfeiture of all pay and allowances.

[Petty Officer Sentenced to 12 Years for Child Manslaughter](#)

Overview: In September 2009 a petty officer



NCIS investigated cost mischarging at the Naval Oceanographic Center.

at Pearl Harbor Naval Station brought his unresponsive 14-month old son to the emergency room of an off-base hospital. Doctors determined the child was suffering from cranial and retinal bleeding. He was pronounced brain dead and removed from life support. An autopsy revealed the cause of death was abusive head trauma. Neither parent could account for the injuries during interviews with NCIS. The mother agreed to a polygraph examination, and NCIS determined that she was non-deceptive regarding the child's injuries. The petty officer, however, continued to deny involvement.

Result: At a general court-martial in December 2011, the petty officer was found guilty of violating UCMJ Article 119 - Manslaughter and Article 128 - Assault. He was sentenced to 12 years confinement, dishonorable discharge, reduction in rate and forfeiture of all pay.

Commanding Officer Guilty of Sexual Assaults

Overview: NCIS investigated two sexual assault complaints against the commanding officer of the USS Momsen (DDG-92) in spring 2011. The first woman claimed the commander had been drinking with her and other crew members before he coerced her into his stateroom and sexually assaulted her in November 2010. NCIS collected DNA from both the victim and commander, and the forensic analysis results were incriminating. During an interrogation the commander claimed to have an alcohol problem and that he drank heavily the night of the alleged assault. A month later, a second female reported that the commander sexually assaulted her in December 2010 while she was on liberty. NCIS conducted wire intercepts during which the commander was recorded apologizing for the assault.

Results: On October 17, 2011, at a general court-martial, the commanding officer pleaded guilty to violating UCMJ Article 120 – Rape and Carnal Knowledge and Article 133 – Conduct Unbecoming an Officer and a Gentleman. He was sentenced to 10 years confinement, forfeiture of all pay and allowances and dismissal. Confinement was reduced to 42 months in a plea agreement.

Five Sailors Guilty of Rape

Overview: In January 2011, a woman reported to

NCIS that she had been sexually assaulted by five Navy service members in a local hotel after she had consumed several alcoholic beverages with them. Investigation obtained video surveillance from both the bar and hotel. Photos and a video found on the suspects' cell phones were taken during the sexual assault, which demonstrated the woman's state of intoxication. All five suspects admitted having intercourse with her, and all but one admitted she was too intoxicated to give consent.

Result: On November 18, 2011, at a general court-martial, the last suspect pleaded guilty to violating UCMJ Article 86 – Absence without Leave, Article 92 – Failure to Obey Order or Regulation, and Article 120 – Rape and Carnal Knowledge. He was sentenced to nine years confinement and must register as a sex offender upon release. At an earlier general court-martial, two sailors pleaded guilty to violating UCMJ Article 120 and were sentenced to 10 years confinement (eight and one-half years suspended) and eight years (five years suspended). At a general court-martial, two sailors were found guilty of violating UCMJ Article 81 - Conspiracy and Article 120 and sentenced to confinement for eight and three years. All sentences included reduction in rate, forfeiture of all pay and allowances and dishonorable discharge.

Sailor Sentenced to 75 months for Possession and Distribution of Child Pornography

Overview: In January 2011 an ongoing NCIS operation identified a Navy electronics technician of having downloaded and sharing child pornography. NCIS made the discovery after determining that a particular IP address was likely used for downloading child sexual abuse images. Agents remotely connected to the computer and found 22 file names associated with child sexual abuse images. Investigation further resolved the IP address to a sailor aboard Naval Submarine Base New London. The sailor admitted to knowingly downloading and sharing child pornography.

Result: On December 6, 2011, at a general court-martial, the sailor pleaded guilty to violating UCMJ Article 134 – General Article for possession of computer hard drives containing child pornography and distribution

Air Force

of child pornography. He was fined \$25,000 and sentenced to 75 months confinement, reduction in rate, forfeiture of pay and allowances and a dishonorable discharge.

Air Force Audit Agency

The Air Force Audit Agency mission is to provide all levels of Air Force management timely, relevant and quality audit services by reviewing and promoting the economy, effectiveness and efficiency of operations; assessing and improving Air Force fiduciary stewardship and the accuracy of financial reporting; and evaluating programs and activities and assisting management in achieving intended results. The AFAA is committed to reaching out to Air Force customers at all levels. To support Air Force decision makers, the AFAA is composed of approximately 700 members spanning more than 50 worldwide locations. The AFAA conducts centrally directed, Air Force-wide audits in numerous functional areas to support Air Force senior leaders. Installation-level audit teams provide additional audit services to installation commanders.

To provide Air Force officials timely, responsive, balanced and value-added audit services, AFAA audit planning methods include frequent contact with Air Force senior leaders and Joint Audit Planning Groups. The FY 2012 Audit Plan was prepared in partnership with Air Force decision makers to address the most significant areas of management concern. As such, AFAA ongoing and planned audits address many of the Air Force's most critical programs and initiatives, including topics on electronic warfare, intelligence gathering, force management, installation security, control of nuclear-related material, aircraft systems acquisition, health initiatives and auditable financial statement preparation.

During the first half of FY 2012, the AFAA published 62 centrally directed audit reports, made more than 105 recommendations to Air Force senior officials and identified \$576.4 million in potential monetary benefits. The following paragraphs provide and synopsise a few examples of AFAA audit coverage related

specific DoD management challenge areas.

Joint Warfighting and Readiness

Worldwide War Reserve Materiel

The War Reserve Materiel program supports the National Security Strategy with assets acquired, positioned and maintained to meet Secretary of Defense Strategic Planning Guidance objectives. As such, WRM assets support wartime activities reflected in the Air Force War and Mobilization Plan for requirements over and above primary operating stocks and deployed equipment. As of February 2011, Air Force personnel managed WRM at more than 100 installations, including approximately 264,000 Standard Base Supply System authorizations exceeding \$4 billion and about 129,000 on-hand assets valued at \$2.26 billion. Although Air Force personnel accurately determined WRM requirements, they either misstated or duplicated about 161,000 SBSS authorizations valued at \$2.1 billion. In addition, personnel did not actively pursue WRM redistribution, prioritize the need for almost 30,000 WRM asset shortages valued at \$299.8 million or submit consumable requirements totaling \$286.7 million. Maintaining accurate SBSS authorizations helps the Air Force retain only appropriate equipment and deleting duplicated authorizations would allow the Air Force to reduce buy and budget requirements by more than 1,200 authorizations and put \$17.6 million to better use over six years (execution year and the Future Years Defense Program). Further, establishing excess asset distribution plans helps the Air Force maintain the highest level of readiness in all theaters and ensures the Air Force retains critical wartime assets while reducing maintenance cost for unneeded assets. Finally, distribution of excess assets would fill shortages within the Air Force for more than 3,500 assets with requisitions valued at \$57.8 million.

Report No.F2012-0003-FD3000

Air Force Range Optimization

Training air crews for combat requires access to ranges suitable for actual or simulated weapons delivery and dedicated airspace suitable for



AFAA reviewed Air Force range optimization training.

air-to-air and air-to-ground tactics. Modifying and developing ranges capable of supporting these requirements is particularly important given the advances in military technology to combat threats emerging during contingencies. During 2010, the Air Force was responsible for providing range resources and infrastructure to approximately 40 ranges with approximately \$521 million programmed for maintenance, repair and modernization in FY 2011 through 2015. AFAA determined units optimized training range flying hours, but personnel did not develop or implement range capabilities based on training requirements. Linking range capabilities to supported training requirements allows the Air Force to accurately report range capabilities and defend range modernization costs to senior Air Force, DoD and Congressional leaders. Further, implementing identified training range capabilities to address new training requirements will allow the Air Force to efficiently use \$39.6 million in flying hour costs over six years (execution year and the Future Years Defense Program).

Report No. F2012-0004-FD3000

Air Force Emergency and Standby Generators

Emergency and standby generators provide backup power to mission critical facilities and functions during power outages. Emergency generators are permanently installed on mission critical facilities, while standby portable generators provide backup power as needed. As of March 1, 2011, the Air Force maintained approximately 6,100 emergency generators and 2,200 standby generators valued at approximately \$1 billion and \$64 million, respectively. Air Force personnel did not properly authorize 149 generators or properly match 341 generators to facility load requirements. Eliminating unauthorized and oversized generator requirements will save the Air Force \$124.8 million over six years (execution year and the Future Years Defense Program). In addition, personnel did not account for 128 (15 percent) of 847 emergency and standby generators reviewed. Properly accounting for real property equipment is essential for determining availability, location, and security of vital equipment and facilities. Finally, personnel did not test, perform oil changes or add safety

features to 347 generators. As a result, generators may sustain costly equipment damage and may not meet critical facility requirements in times of need. In addition, lives are unnecessarily put at risk when safety features are not properly maintained.

Report No. F2012-0005-FD1000

Information Assurance, Security, and Privacy

United States Air Forces Central Deployed Locations Network Controls

The United States Air Forces Central employs foreign nationals and contractors who require area of responsibility network access in performance of official duties. Foreign nationals and contractors must meet information assurance requirements before AFCENT network personnel can grant them access to the AOR network. In October 2010, more than 500 foreign nationals and 2,000 contractors had access to the AOR network at seven AOR locations. AFAA disclosed Air Force personnel did not properly authorize access or configure AOR network user accounts for foreign nationals and contractors, did not label foreign national and contractor email accounts for clear identification, and did not restrict network access to sensitive data including access by unauthorized foreign nationals and contractors. Thoroughly investigated and approved foreign nationals and contractors with properly configured accounts decrease the risk of untrustworthy individuals accessing sensitive information. In addition, clear, easily identifiable email display names and addresses decrease the risk of unintentionally disclosing sensitive information to unauthorized individuals. Finally, restricting access to shared network drives and folders protects for official use only, personally identifiable information and other sensitive information from unauthorized distribution and use. On March 18, 2011, AFCENT network personnel restricted user access to sensitive AOR network folders averting more than \$2.9 million in privacy breach notification costs to the Air Force.

Report No. F2012-0001-FB4000



AFAA reviewed Air Forces central deployed locations network controls.



AFAA evaluated Air Force emergency and standby generators.

Defense Enterprise Accounting and Management System Selected System Controls

The Defense Enterprise Accounting and Management System is an Office of Secretary of Defense, Comptroller initiative designed to transform business and financial management processes and systems. Once properly designed, DEAMS will provide accurate, reliable and timely financial information to support effective business decision making for U.S. Transportation Command, Defense Finance and Accounting Service and the Air Force. As of July 2010, DEAMS program costs have exceeded \$147 million. Management requested \$838.8 million in additional funding over the Future Years Defense Program. AFAA determined DEAMS personnel did not effectively implement segregation of duties, interface and configuration management controls. Strengthening segregation of duties, interface and configuration management controls will enhance data integrity; promote complete, timely, reliable and auditable financial data; and could result in more than \$86 million in potential monetary benefits.

Report No. F2012-0003-FB2000

Information Technology Duplication Identification Process

Within the Department of Defense, information technology portfolio managers are charged to identify opportunities for consolidation, avoidance of IT system duplication, and if there is a need for new investments, to enable reengineered processes to fill the gaps in capabilities. Historically, IT resources have been managed and acquired as stand-alone systems rather than an integral part of a net-centric capability, resulting in duplicate investments in systems or platforms that deliver the same or similar capabilities. As of September 9, 2011, there were 2,335 IT investments registered in the Enterprise Information Technology Data Repository. The FY 2012 IT budget reported for the president's budget is \$6.75 billion. AFAA determined Air Force IT governance and criteria did not incorporate effective review procedures to identify and prevent IT duplication. In addition, Air Force management did not develop or implement an effective training program for portfolio managers to detect IT duplication. Establishing an effective methodology to detect

IT duplication within the Air Force will help eliminate duplication and make more funds available to aid the warfighter. In addition, establishing a portfolio management IT training and education program that includes identifying and eliminating duplicate IT systems will help enhance the Air Force's tactical, operational and strategic missions.

Report No. F2012-0004-FB2000

Air National Guard Information Systems Security

Air National Guard base local area networks are information systems connected to the Air Force Network. To maintain information system security, the Air Force requires the ANG to comply with DoD Information Assurance Certification and Accreditation Process and the Federal Information Security Management Act of 2002. As of November 5, 2010, ANG reported 150 base local area networks in the Enterprise Information Technology Data Repository. An audit to determine whether the ANG effectively managed information system security revealed ANG officials did not properly perform system certification and accreditation. Noncompliant system certification and accreditation could result in undetected security vulnerabilities, presenting unnecessary and avoidable risks to the Air Force Network. Further, ANG personnel did not properly register systems in the Enterprise Information Technology Data Repository. Incomplete and inaccurate system registration contributes to erroneous network security assessments and inaccurate FISMA status reporting to the Office of Management and Budget and Congress. Finally, ANG officials did not effectively manage system user accounts. To maintain the confidentiality, integrity and availability of critical Air Force information systems, system administrators assign unique access rights and permissions to users to ensure system and data access is limited to only those authorized.

Report No. F2012-0002-FB4000

Acquisition Processes and Contract Management

Green Procurement: Standard Base Supply System Purchases

The Federal Green Procurement Program mandates agencies implement sustainable environmental practices for the acquisition of green products. Agencies are required to purchase United States Environmental Protection Agency-designated recycled-content and Department of Agriculture-designated biobased products. Air Force personnel use the Standard Base Supply System to order supplies, including EPA- and USDA-designated antifreeze, refined lubricating oil, sorbents and vehicle tires. In FY 2010, the Air Force spent more than \$17 million on these four products and more than \$2.9 billion on all SBSS purchases. AFAA auditors determined Air Force personnel did not purchase green alternatives for gear oil and sorbents and missed opportunities to purchase retread vehicle tires. Buying recycled and biobased products complies with federal laws, conserves natural resources, reduces waste and improves human safety and health. Maximizing green alternative purchases could save the Air Force \$2.8 million over six years (execution year and the Future Years Defense Program). In addition, Air Force personnel did not make cost-efficient tire purchases for at least 79 stock numbers reviewed. Making cost-efficient tire purchases could save the Air Force \$6.2 million over six years (execution year and the Future Years Defense Program).

Report No. F2012-0004-FD1000

C-130 Avionics Modernization Program

The C-130 Hercules aircraft is the Air Force's primary tactical aircraft for air-dropping troops and cargo into hostile areas. Because the C-130 has been in inventory for more than 37 years, the Air Force initiated the Avionics Modernization Program to upgrade and enhance the avionics equipment. The AMP will provide a modern digital glass cockpit with multi-function displays, wide field of view head-up displays, improved communication and navigation capabilities, and night vision imaging. The C-130 AMP will modernize 221 aircraft with program costs totaling more than \$6.1 billion. While Air Force personnel adequately accomplished life-cycle management planning, personnel did not establish accurate spare part requirements. As a

result, the FY 2012 President's Budget overstated spare part requirements by \$41 million over six years (execution year and the Future Years Defense Program).

Report No. F2012-0005-FC3000

Requirement Computations for Items Without Recent Procurement

The Secondary Item Requirements System (D200A) computes future weapon system spare part buys and repair quantities. These computations pass to the Automated Budget Compilation System to form the basis for the Air Force budget. An item that computes a buy requirement and does not have a recent procurement date may indicate the item is no longer available. The March 2010 D200A computation cycle showed 430 items with a date of last procurement occurring in 1995 or earlier and approximately \$170 million in corresponding buy requirements. Logistics personnel could improve the effectiveness of requirement computations for items without recent procurement. While logistics personnel planned for continued support of items that can no longer be procured, logistics personnel did not accurately compute and support requirements for items without recent procurement. As a result, logistics personnel overstated buy requirements; reducing the overstatement would allow the Air Force to put \$41.1 million to better use.

Report No. F2012-0006-FC4000

TF39 Engine Drawdown

The C-5 Galaxy aircraft, powered by four General Electric TF39 engines, is a strategic airlift aircraft flown by Air Mobility Command, Air National Guard and Air Force Reserve Command personnel. The Air Force plans to retire 22 C-5 aircraft by FY 2013 and replace TF39 engines on 52 C-5 aircraft by the end of FY 2016. In addition, between FY 2012 and 2017, the Air Force plans to overhaul 123 TF39 engines valued at \$448 million. The Air Force currently maintains 502 active TF39 engines valued at \$1.8 billion. AFAA disclosed Air Force personnel did not properly calculate or contract for TF39 engine overhaul requirements. Reducing TF39 engine overhaul requirements by available serviceable engines would reduce the TF39 overhaul budget by more than \$190 million for FY 2013 through 2016.



AFAA evaluated C-130 avionics modernization program.

Contracting for only approved funded overhaul quantities ensures the Air Force complies with the appropriation's purpose and amount rules, remains within statutory funding limitations, and avoids contract penalties.

Report No. F2012-0007-FC2000

Financial Management

Services Medical Activity – Air Force: Out-of-Service Debt

Out-of-service debt is a material component of the Service Medical Activity-Air Force financial statements. As of March 31, 2010, out-of-service debt accounted for more than \$26 million of total reported accounts receivables in the accounts receivable line item. Medical accounts receivables arise when payment for medical services, provided by the government, is not made at the time services are provided. They are reported as a receivable if they are unpaid at the financial statement reporting date. Air Force Medical Service financial officers did not accurately report the individual out-of-service debt in the second quarter FY 2010 accounts receivable balance. Specifically, medical personnel did not properly process (identify, support, record and transfer) out-of-service debt. As a result, military treatment facilities did not collect a potential \$12 million in delinquent debt; financial managers could not support the accuracy and validity of the accounts receivables reported in the financial statements; and the accounts receivable line item was understated by at least \$10.7 million in the second quarter FY 2010 SMA-AF financial statements. In addition, debt collections were not properly processed at the Debt and Claims Management Office. Proper follow-up procedures on debt collections will allow the Air Force to accurately track and validate out-of-service debts and make collected funds available for immediate use. Retrieving the funds erroneously credited to FY 2005 through 2009 will provide nearly \$1.7 million for use in current operations.

Report No. F2012-0001-FB3000

Military Personnel Appropriation Man-days

Military personnel appropriation man-days (hereafter referred to as man-days) are short-term Air Reserve component force support to

satisfy active duty mission requirements that cannot be met with existing personnel. Man-day requirements should be limited to valid mission requirements because they represent additional costs to the MPA in the form of full-time pay and benefits to ARC members. In FY 2011, the Air Force budgeted more than \$495 million for man-days. AFAA determined Air Force officials did not use man-days for valid mission needs. Of 232 approved man-day requests reviewed, command functional area managers approved 82, totaling more than \$2.6 million, which either did not meet valid man-day requirements or did not adequately justify and certify the specific mission requirements. Using man-days for valid mission requirements will provide \$33 million over the next six years (execution year and the Future Years Defense Program) to fund other service-wide priorities. In addition, personnel did not effectively monitor man-day execution. Specifically, 25 percent of man-day requests reviewed authorized more or less days than originally allocated to the man-day mission. Based on statistical projection, at least 180,000 additional man-days (valued at \$42 million) were used without prior approval during the period reviewed. In addition, returning unused man-days will provide approximately \$72 million over the next six years (execution year and the Future Years Defense Program) to support mission requirements.

Report No. F2012-0002-FD4000

Support Equipment Budgeting Process

Support equipment, such as generator sets, chemical detectors and maintenance platforms supports Air Force assigned missions. The operations and maintenance and investment budgets include projections for current and future support equipment requirements. Backorders aligned to authorizations without valid on-hand inventory, are also included in budget projections. As of September 2011, the FY 2011 through 2016 support equipment budget included 4,089 items valued at \$1.1 billion with 3,700 backorders valued at about \$430 million. AFAA disclosed logistics personnel did not accurately compute the operations and maintenance support equipment budget. As a result, personnel overstated the FY 2011 through 2016 budget by 6,041 items valued at \$80.4

million. In addition, personnel did not always validate backorders. Cancelling unnecessary authorizations and associated backorders will provide \$19.5 million to fill valid requirements.

Report No. F2012-0007-FC4000

Health Care

Internal Medicine Subspecialty Clinic Optimization

In an era of competing resources, military treatment facilities must have effective referral management policies and sufficient internal medicine subspecialty appointments in which to schedule patients. Whenever IM subspecialty treatment cannot be provided within the MTF, patients requiring these services are referred to the TRICARE network (private sector purchased care) for treatment. During FY 2010, the Air Force spent approximately \$102 million to purchase IM subspecialty care from the private sector while employing 196 IM subspecialists at 17 MTFs. AFAA disclosed that four MTFs reviewed referred more than 2,300 IM subspecialty care patients to the private sector at an additional cost to DoD rather than using existing appointments and creating additional appointments from available clinic capacity. Improving IM subspecialty clinic appointment utilization and capacity management will increase the number of patients treated within the MTF, resulting in increased physician readiness and reduced private sector care costs of approximately \$3.7 million over six years (execution year and the Future Years Defense Program).

Report No. F2012-0001-FD2000

Medical Affirmative Claims

Third party liability claims, henceforth referred to as medical affirmative claims, exist when a person or entity, other than the injured party, is liable for causing an injury or disease and treatment is provided at a military treatment facility. The medical cost reimbursement program is a coordinated effort between the judge advocate general of the Air Force and the Air Force surgeon general. Specifically, MTFs identify and the Air Force Legal Operations Agency adjudicates and collects MAC reimbursements for the MTFs. In return, the Air Force Legal Operations Agency

obtains reimbursement from the Air Force surgeon general for the expenses related to these collection actions. In FY 2010, MTFs collected more than \$2.3 million from MCRP claims. AFAA determined MTF officials either did not identify or process 41 percent of MAC collection opportunities reviewed. Improving MAC identification and processing procedures will result in potential monetary benefits of nearly \$1.7 million over six years (execution year and Future Years Defense Program). In addition, Air Force Legal Operations Agency personnel could not support more than \$550,000 in expenses and did not provide the Air Force surgeon general with required annual reports accounting for program charges. Adequately supported and reported program expenses are necessary to evaluate whether funds are being appropriately used.

Report No. F2012-0004-FD2000

Nuclear Enterprise

Management of Air Force Nuclear Weapons-Related Materiel Positive Inventory Controls

The Air Force manages a worldwide supply chain supporting diverse nuclear-capable weapons systems and related materiel. Due to the sensitive nature of nuclear weapons-related materiel, Air Force logistics management personnel initiated positive inventory controls to track NWRM assets at the serial number level from the time an asset enters the Air Force inventory until the asset leaves the inventory. The positive inventory control fusion database combines data feeds from several systems in order to provide tracking capability. As of November 2010, item managers were responsible for a worldwide NWRM inventory of more than 21,500 assets valued at more than \$6.7 billion. Although item managers could track NWRM assets by serial number, not all managers used PIC fusion or conducted daily reconciliations. Consistent utilization and reconciliation of PIC fusion helps ensure NWRM data accuracy and visibility. Item managers did not always maintain supporting documentation for balance adjustments. Maintaining adequate supporting documentation for adjustments is essential for effective positive inventory control of NWRM assets.

Report No. F2012-0003-FC4000



AFAA reviewed nuclear weapons-related materiel inventory controls.

Air Force Office of Special Investigations

Significant Activities

[AFOSI Investigative Activity in Afghanistan, Kuwait and Iraq](#)

Investigative activity conducted by AFOSI agents was instrumental in the successful outcome of military operations.

- AFOSI investigative activity led to the identification and subsequent capture of two local nationals working as contractors on projects with coalition forces on Kandahar Air Field, Afghanistan. These local nationals had extensive connections to area Taliban networks and were responsible for smuggling weapons and explosives for enemy forces.
- In the vicinity of Kandahar Air Field, AFOSI agents led military information operations in identifying a Taliban facilitator who was directly responsible for indirect fire attacks on U.S. and coalition forces. The facilitator and his son had extensive ties to the Taliban.
- AFOSI members in the Kandahar air field identified and collected information critical to the capture of a Taliban sub-commander with multiple associations to Taliban commanders. This particular sub-commander was responsible for the collection of weapons from nomads in the Daman region and their redistribution to different commanders.
- As a result of information collections in and around Bagram Air Field, Afghanistan, AFOSI agents identified an Iranian national who obtained a Pakistani passport to gain employment at coalition forces locations. Agents learned that this individual developed plans to conduct an attack on a specific coalition forces base.
- As a result of aggressive information operations in and around Bagram, AFOSI agents collected and presented information that lead to the debarment or arrest of 13 local national contractors who worked on U.S. or coalition forces installations. These 13 local nationals had ties to Taliban members and

were collecting and providing the Taliban with information on coalition forces activities. Four of the 13 had participated in two indirect fire attacks against U.S. resources.

- Investigative activity near Shin and District, Afghanistan revealed information that led to an operation to capture a mid-level Taliban commander responsible for improvised explosive device and suicide bomber attacks throughout Western Afghanistan. He was tied to attacks since 2009 that killed two Afghan National police chiefs and seven Afghan national policemen.
- In an investigative operation to identify and neutralize internal threats to U.S. military personnel and resources at locations in Kuwait, AFOSI members netted nine third country nationals who were ultimately barred from all U.S. military installations. The third country nationals were found in possession of hand drawn maps of military installations, gave false information to officials, and in one case the individual was determined to be a violent extremist and sympathizer to extremists activities.
- AFOSI members stationed in the vicinity of Kirkuk Regional Air Base, Iraq developed time critical information that lead to the capture of four Jaysh Rijal al-Tariq al Naqshabandi fighters who were in the process of conducting an indirect fire attack on coalition forces. Along with the four individuals, Iraqi police elements seized four 57mm rockets.



AFOSI special agents conduct operations in Southwest Asia.

Significant Investigative Cases

[\\$300,000 in Restitution to U.S. Transportation Command](#)

Overview: USTRANSCOM contracted Hummingbird Aviation, LLC, for helicopter services in Afghanistan. However, the FAA would not certify any of the helicopters for use in Afghanistan and Hummingbird's contract with USTRANSCOM was terminated for convenience. Charles Priestley, the CEO for Hummingbird, requested payments to allow the small business to continue operating and submitted a cost proposal for the termination for convenience. In total, USTRANSCOM paid Hummingbird nearly \$1.9 million. As a means

of prodding the FAA to approve the use of its helicopters in Afghanistan, Priestly stated that he back-dated the lease.

Result: On January 23, 2012, in the U.S. District Court, Southern District of Illinois, Priestly pleaded guilty to 18 U.S.C. section 287, false, fictitious and fraudulent claim. He was sentenced to serve five years of probation and to pay a \$4,000 fine and \$300,000 in restitution to USTRANSCOM. The Air Force, in accordance with Federal Acquisition Regulation Subpart 9.4, issued a notice of debarment excluding Priestly and Hummingbird from federal contracting for six years.

[Convicted Murderer Sentenced to Life without Parole](#)

Overview: An investigation was initiated after being notified by the 18th Security Forces Squadron, Kadena Air Base, Japan and Okinawa police department that an Air Force technical sergeant was found dead in his off-base residence by a coworker. An active duty Air Force neighbor reported hearing loud noises and fighting coming from the apartment between 4:00 a.m. and 4:30 a.m. on February 6, 2011. The victim's wife admitted to marital problems but denied involvement in her husband's death. The wife told investigators that on February 3, 2011, she fought with her husband and after the argument she started staying at a deployed friend's off-base residence. The wife stated that the night before her husband was killed she was with the staff sergeant. An ex-boyfriend of the wife and coworker of the victim, the staff sergeant revealed that he and the victim's wife conspired on at least three plans to murder the technical sergeant, starting as early as September 2010. The staff sergeant stated that the victim's wife had asked him to kill her husband. Additionally, he provided details on how he murdered the victim on February 6, 2011, and those details were corroborated with evidence found at the victim's residence and from the wounds to his body. This was investigated jointly with the Okinawa police department and AFOSI served as the lead agency. Okinawa Police arrested the wife for conspiring to commit murder and the legal proceedings for the wife are still pending.

Result: At general courts-martial, the staff sergeant pleaded guilty to UCMJ Articles 81 -

Conspiracy; 118 - Murder; and 134 - General Article for wrongly endeavoring to impede an investigation. He was sentenced to life in prison without the possibility of parole, reduced in rank to E-1, forfeiture of all pay and allowances, and received a dishonorable discharge.

[Air Force Sergeant Receives 20 Months for Possession of Child Pornography](#)

Overview: An investigation was initiated in September 2010 based upon information from Immigrations and Customs Enforcement that an Air Force staff sergeant had used PayPal, an online payment system, to purchase subscriptions to child pornographic websites. During interviews conducted by AFOSI and ICE, the sergeant admitted to purchasing, downloading and storing child pornographic images and videos between 2006 and early 2010. The images and videos were collected by downloading from the internet via websites and peer-to-peer file sharing programs to his laptop and portable hard drive. The sergeant consented to a search of his apartment and assisted law enforcement in identifying computers and storage media likely to contain child pornography. That equipment was examined and found to contain more than 39,000 suspected child pornographic images and approximately 725 suspected child pornographic videos. This was investigated jointly with ICE and AFOSI served as lead.

Result: At general courts-martial, the sergeant pleaded guilty to UCMJ Article 134 - General Article for possession of child pornography. He was sentenced to 20 months confinement, reduced in rank to E-1, forfeiture of all pay and allowances, and received a bad conduct discharge. Sex offender notification is required.

[Lieutenant Commander Sentenced to 22 Years Imprisonment for Sexual Exploitation of a Child](#)

Overview: An investigation was initiated October 21, 2009, based upon information received from the Internet Crimes Against Children Task Force, Anchorage police department that a lieutenant commander assigned to Elmendorf Air Force Base maintained child pornography on a peer-to-peer file sharing network. The LCDR was apprehended on October 22, 2009. Agents searched his off-base residence where they found numerous forms of computer hardware,

“In September 2011, during an update of computer software located on a cleared defense contractor’s computer system, an unapproved wireless router was found attached to a computer located in a classified room...”

media storage, and film that contained many sexually explicit photos of young males. The LCDR’s son was interviewed and disclosed that his father took sexually explicit photos of him while assigned to Sheppard AFB, Texas. The investigation looked at the LCDR’s current and past interaction with various youth programs, to include those while assigned to Sheppard AFB, TX from 2002-2006. Additionally, reviews of the LCDR’s hand-written journals disclosed that he “went too far” with young boys in the 1980s. AFOSI investigated this case jointly with the Internet Crimes Against Children Task Force.

Result: On December 5, 2011, in U. S. District Court, District of Alaska, the LCDR pleaded guilty to violating 18 U.S.C. sections 2251(a) and (e), sexual exploitation of a child – production and attempted production of child pornography; and 18 U.S.C. section 2252(a) (2) and (b)(1), receipt and attempted receipt of child pornography. He was sentenced to 22 years imprisonment and supervised release for life. Sex offender notification is required.

Unauthorized Disclosure to Foreign National and Security Violation

Overview: In September 2011, during an update of computer software located on a cleared defense contractor’s computer system, an unapproved wireless router was found attached to a computer located in a classified room at Teledyne. The wireless router was used by an individual to call a woman he met online who lived in Vietnam. He later attached a webcam to another unclassified computer at the site to web-chat online with the same woman in Vietnam. Subject traveled to Vietnam to meet with this woman. Subject was aware of committing a security violation by attaching a web-cam and wireless router. The employee worked as a test engineer on a classified contract for Raytheon and the U.S. Air Force. Employee had no prior security violations. This case was jointly investigated with the FBI.

Result: Employee’s access and clearance to secure areas was revoked. He no longer has access to classified information and is not deemed a threat to national security, nor seems to have any substantial positive intelligence value.

Appendices

Audit, Inspection, and Evaluation Reports Issued

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

DoD IG
(703) 604-8937
www.dodig.mil/PUBS

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

Naval Audit Service
(202) 433-5525
www.hq.navy.mil/navalaudit

Air Force Audit Agency
(703) 696-7904
www.afaaf.af.mil

	DoD IG	Military Depts.	Total
Joint Warfighting and Readiness	8	52	60
Information Assurance, Security, and Privacy	4	19	23
Acquisition Processes and Contract Management	25	27	52
Financial Management	24	49	73
Health and Safety	4	9	13
Nuclear Enterprise	1	1	2
Other	3	14	17
Total	69	171	240

Joint Warfighting and Readiness

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-009	DoD Complied With Policies on Converting Senior Mentors to Highly Qualified Experts, but Few Senior Mentors Converted	10/31/2011
DoD IG	DODIG-2012-026	Air Force Can Improve Controls Over Base Retail Inventory	11/23/2011
DoD IG	DODIG-2012-028	Assessment of U.S. Government and Coalition Efforts to Develop the Logistics Sustainment Capability of the Afghan National Army	12/09/2011
DoD IG	DODIG-2012-034	Assessment of Afghan National Security Forces Metrics-Quarterly (Classified)	01/20/2012
DoD IG	DODIG-2012-052	Report on the Program and Contract Infrastructure Technical Requirements for the Guam Realignment Program	02/08/2012
DoD IG	DODIG-2012-054	Marine Corps Transition to Joint Region Marianas and Other Joint Basing Concerns	02/23/2012
DoD IG	DODIG-2012-063	Assessment of the DoD Establishment of the Office of Security Cooperation-Iraq	03/16/2012
DoD IG	DODIG-2012-064	Vulnerability and Risk Assessments Needed to Protect Defense Industrial Base Critical Assets	03/13/2012
USAAA	A-2012-0002-ALS	Issuing Ammunition to Coalition Forces: Controls Over Transactions	10/06/2011
USAAA	A-2012-0010-FFS	Full-Time Support Staff, U.S. Army Reserve	11/09/2011
USAAA	A-2012-0012-IEE	Central Heating Distribution System, Joint Base Lewis-McChord, Washington	11/08/2011

Agency	Report Number	Report Title	Date
USAAA	A-2012-0013-ALM	Follow-up Audit of Rotor Blades	11/08/2011
USAAA	A-2012-0015-FFM	Controls Over the Incentive Program in the Indiana Army National Guard, Joint Force Headquarters, Indiana Army National Guard and U.S. Property and Fiscal Office for Indiana	11/03/2011
USAAA	A-2012-0016-IEE	Trend Report: Establishing Baselines and Reporting for Energy and Sustainability Federal Mandates	11/10/2011
USAAA	A-2012-0025-ALL	Agreed-Upon Procedures Attestation--Analysis of 45 Contracts Associated With Unit Supply Operations at Combined Security Transition Command - Afghanistan; Kabul, Afghanistan (For Official Use Only)	12/20/2011
USAAA	A-2012-0026-ALS	System Support for Command Supply Discipline Program	12/12/2011
USAAA	A-2012-0030-ALM	Follow-up Audit of Fleet Management of Firefinder Radars, CECOM Life Cycle Management Command	01/04/2012
USAAA	A-2012-0034-FFF	Training Within the ARFORGEN Model, Office of the Deputy Chief of Staff, G-3/5/7	12/22/2011
USAAA	A-2012-0039-FFP	Army Implementation of Ration Control in Korea, U.S. Army Installation Management Command-Korea (For Official Use Only)	01/11/2012
USAAA	A-2012-0040-FMF	Controls Over the Incentive Program in the Army National Guard	01/06/2012
USAAA	A-2012-0042-IEO	Audit of Joint Basing-Funding of Installation Services	01/10/2012
USAAA	A-2012-0043-MTP	Audit of the Army's Installation Actions Taken to Implement Fort Hood Recommendations	01/13/2012
USAAA	A-2012-0050-MTT	Ground Operating Tempo Program Reporting and Execution	02/02/2012
USAAA	A-2012-0051-IEO	Installation Facilities and Operations Support, Assistant Chief of Staff for Installation Management	01/20/2012
USAAA	A-2012-0053-MTP	Readiness of Army Units Allocated to Support the Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive Consequence Management Response Force	01/25/2012
USAAA	A-2012-0054-ALS	Audit of the Item Unique Identification Program, Aviation Project Management Offices	01/26/2012
USAAA	A-2012-0055-ALS	Audit of the Item Unique Identification Program, Combat Support and Combat Service Support Project Management Offices	01/26/2012
USAAA	A-2012-0056-ALS	Audit of the Item Unique Identification Program, Ground Combat Systems Project Management Offices	01/26/2012
USAAA	A-2012-0057-ALS	Item Unique Identification Program	02/27/2012
USAAA	A-2012-0059-FMP	Army Service Component Command Transition Process, U.S. Army Pacific (For Official Use Only)	02/14/2012
USAAA	A-2012-0060-MTH	Application of Army Reenlistment Standards	02/02/2012
USAAA	A-2012-0062-ALM	Depot-Level Maintenance Workload Reporting - FY 10	02/21/2012
USAAA	A-2012-0064-IEM	Child, Youth and School Services Staffing Requirements, Fort Bliss, Texas	02/13/2012
USAAA	A-2012-0067-FMP	Watercraft Readiness and Operations, Hawaii	03/01/2012
USAAA	A-2012-0068-MTS	Institutional Training for the Adjutant General Workforce	03/01/2012
USAAA	A-2012-0069-MTS	Operational Training for the Adjutant General Workforce	03/01/2012
USAAA	A-2012-0070-MTE	Audit of the U.S. Equipment Transfer to Iraq Program--Phase II (For Official Use Only)	03/16/2012
USAAA	A-2012-0071-ALS	Materiel Release Process for Munitions Previously Fielded by Other Military Services	03/20/2012
USAAA	A-2012-0072-MTE	Commander's Emergency Response Program, U.S. Forces - Afghanistan (For Official Use Only)	03/16/2012
USAAA	A-2012-0074-MTT	Follow-up Audit of Use of Role Players-Army wide	03/08/2012
USAAA	A-2012-0075-MTS	Mission Support Elements	03/13/2012
USAAA	A-2012-0077-MTE	Audit of Property Accountability of Organizational and Theater-Provided Equipment in Iraq	03/13/2012
USAAA	A-2012-0081-MTE	Audit of Bulk Fuel Accountability in Afghanistan--Phase 1 (For Official Use Only)	03/21/2012
NAVAUDSVC	N2012-0002	Marine Corps Small Arms Accountability	10/20/2011
AFAA	F-2012-0001-FC2000	Corrosion Control Management	10/03/2011
AFAA	F-2012-0002-FC2000	Aircraft Structural Integrity Program for Fighter Aircraft	12/05/2011
AFAA	F-2012-0003-FC2000	Foreign Military Sales Engine Programs	01/23/2012
AFAA	F-2012-0004-FC2000	Technical Order Management	01/27/2012
AFAA	F-2012-0006-FC2000	Technical Order Management in the United States Air Forces Central Area of Responsibility	02/27/2012

Appendix A

Agency	Report Number	Report Title	Date
AFAA	F-2012-0001-FC4000	Care of Supplies in Storage	10/11/2011
AFAA	F-2012-0002-FC4000	Aircraft Fuels Servicing Vehicles	10/12/2011
AFAA	F-2012-0004-FC4000	Special Purpose Recoverables Authorized Maintenance	12/15/2011
AFAA	F-2012-0005-FC4000	Legacy Equipment Item Unique Identifier Implementation	02/14/2012
AFAA	F-2012-0005-FD1000	Air Force Emergency and Standby Generators	02/03/2012
AFAA	F-2012-0001-FD3000	Expeditionary Site Survey Process	10/03/2011
AFAA	F-2012-0003-FD3000	Worldwide War Reserve Materiel	10/25/2011
AFAA	F-2012-0004-FD3000	Air Force Range Optimization	11/07/2011
AFAA	F-2012-0005-FD3000	United States Air Forces Central Deployed Locations Storage Container Management	12/07/2011
AFAA	F-2012-0006-FD3000	Integrated Defense Program	01/10/2012
AFAA	F-2012-0001-FD4000	Interim Report of Audit, Air Force Reserve Command Mobility Graduate Flying Training Program	10/26/2011

Information Assurance, Security, & Privacy

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-001	Assessment of Security Within the Department of Defense – Training , Certification, and Professionalization	10/06/2011
DoD IG	DODIG-2012-050	Improvements Needed With Host-Based Intrusion Detection Systems (For Official Use Only)	02/03/2012
DoD IG	DODIG-2012-053	Investigation of Sensitive Compartmented Information Leaks in the Department of Defense (Classified)	02/28/2012
DoD IG	DODIG-2012-056	An Investigation on Sensitive Compartmented Information of Leaks in the Department of Defense	02/27/2012
USAAA	A-2012-0007-IET	Energy Management for Information Technology	10/31/2011
USAAA	A-2012-0031-FFD	Workforce Requirements for Expeditionary Forensics, Office of the Provost Marshal General and U.S. Army Criminal Investigation Command (For Official Use Only)	12/27/2011
USAAA	A-2012-0033-IET	Agents of the Certification Authority, Army Chief Information Officer/G-6	12/21/2011
USAAA	A-2012-0044-MTP	Time-Sensitive Report, Audit of Army Personnel Actions Taken to Implement Fort Hood Recommendations (For Official Use Only)	01/13/2012
USAAA	A-2012-0047-FMT	Attestation Review of Enterprise E-mail Cost-Benefit Analysis	01/19/2012
USAAA	A-2012-0066-FMI	Workload Survey - Army intelligence Program Funding (For Official Use Only)	02/15/2012
USAAA	A-2012-0073-MTP	Vulnerability Assessments and Risk Mitigation Plans for Non-Installation U.S. Army Corps of Engineers Sites (For Official Use Only)	03/12/2012
USAAA	A-2012-0080-MTP	Audit of Army Personnel Actions Taken to Implement Fort Hood Recommendations	03/22/2012
NAVAUDSVC	N2012-0009	Personally Identifiable Information and Department of the Navy Data on Unencrypted Computer Hard Drives Released From Department of the Navy Control	12/08/2011
NAVAUDSVC	N2012-0014	Protecting Personally Identifiable Information (PII) at Selected Department of the Navy Classified Activities (Classified)	01/09/2012
NAVAUDSVC	N2012-0019	Freedom of Information Act Implementation in the Department of the Navy	02/06//2012
NAVAUDSVC	N2012-0025	Protecting Personally Identifiable Information at the Naval Sea Systems Command Human Resources Offices	03/09/2012
AFAA	F-2012-0001-FB2000	National Security System Classification	11/18/2011
AFAA	F-2012-0003-FB2000	Defense Enterprise Accounting and Management System Selected System Controls	01/17/2012
AFAA	F-2012-0004-FB2000	Information Technology Duplication Identification Process	02/01/2012
AFAA	F-2012-0001-FB4000	United States Air Forces Central Deployed Locations Network Controls	10/24/2011
AFAA	F-2012-0002-FB4000	Air National Guard Information Systems Security	01/11/2012
AFAA	F-2012-0003-FB4000	System Vulnerability Detection and Mitigation	02/16/2012
AFAA	F-2012-0005-FB4000	Follow-up Audit, Information Systems Inventory	03/15/2012

Acquisition Processes and Contract Management

Agency	Report Number	Report Title	Date
DoD IG	DoDIG-2012-002	Hotline Complaint Involving Auditor Independence at a Field Audit Office in the Defense Contract Audit Agency, Western Region	10/16/2011
DoD IG	DODIG-2012-004	Changes Are Needed to the Army Contract With Sikorsky to Use Existing DoD Inventory and Control Costs at the Corpus Christi Army Depot (For Official Use Only)	11/03/2011
DoD IG	DODIG-2012-005	DoD Countermine and Improvised Explosive Device Defeat Systems Contracts for the Vehicle Optics Sensor System	10/28/2011
DoD IG	DODIG-2012-006	Counter Narcoterrorism Technology Program Office Task Orders Had Excess Fees, and the Army Was Incorrectly Billed (For Official Use Only)	11/01/2011
DoD IG	DODIG-2012-007	Acquisition of the Multi-Platform Radar Technology Insertion Program Needs Transparency and Accountability (For Official Use Only)	11/02/2011
DoD IG	DODIG-2012-017	U.S. Naval Academy Officials Did Not Adhere to Contracting and Gift Policies	11/07/2011
DoD IG	DODIG-2012-029	Report on Quality Control Review of Grant Thornton, LLP FY 2009 Single Audit of Concurrent Technologies Corporation	12/05/2011
DoD IG	DODIG-2012-030	Contractor Compliance Varied with Classification of Lobbying Costs and Reporting of Lobbying Activities (For Official Use Only) * This report was rescinded on April 5, 2012, and will be re-issued as report number DODIG-2012-030R.	12/12/2011
DoD IG	DODIG-2012-031	Acquisition Procedures for the Guam Design-Build Multiple Award Construction Contract (For Official Use Only)	12/08/2011
DoD IG	DODIG-2012-033	Award and Administration of Multiple Award Contracts for Services at U.S. Army Medical Research Acquisition Activity Need Improvement	12/21/2011
DoD IG	DODIG-2012-036	DoD Needs to Improve Accountability and Identify Costs and Requirements for Non-Standard Rotary Wing Aircraft (For Official Use Only)	01/05/2012
DoD IG	DODIG-2012-037	American Recovery and Reinvestment Act - U.S. Army Corps of Engineers Mobile District Contractor Performance and Reporting Controls Were Generally Effective	01/06/2012
DoD IG	DODIG-2012-038	Hotline Complaint Concerning Inadequate Audit Services Provided by an Audit Team in the Defense Contract Audit Agency, Mid-Atlantic Region	01/10/2012
DoD IG	DODIG-2012-039	Summary Report on DoD's Management of Unfinalized Contractual Actions	01/13/2012
DoD IG	DODIG-2012-041	Evaluation of DoD Contracts Regarding Combating Trafficking in Persons: U.S. European Command and U.S. Africa Command	01/17/2012
DoD IG	DODIG-2012-042	Naval Air Systems Command Lakehurst Contracts Awarded Without Competition Were Properly Justified	01/20/2012
DoD IG	DODIG-2012-045	Quality Control Review of Army Audit Agency's Special Access Program Audits	10/27/2012
DoD IG	DODIG-2012-046	Performance and Reporting Controls Over American Recovery and Reinvestment Act Projects at Fort Wainwright, Alaska, and Fort Huachuca, Arizona, Were Generally Effective	01/30/2012
DoD IG	DODIG-2012-048	Implementation and Reporting of the American Recovery and Reinvestment Act of 2009: Government Controls Over Selected Near Term Energy-Efficient Technologies Projects Were Generally Effective	02/01/2012
DoD IG	DODIG-2012-049	Improvements Needed With Identifying Operating Costs Assessed to the Fleet Readiness Center Southwest	02/02/2012
DoD IG	DODIG-2012-057	Guidance Needed to Prevent Military Construction Projects from Exceeding the Approved Scope of Work	02/27/2012
DoD IG	DODIG-2012-059	Inadequate Controls Over the DoD Service-Disabled Veteran-Owned Small Business Set-Aside Program Allow Ineligible Contractors to Receive Contracts	02/29/2012
DoD IG	DODIG-2012-060	Defense Contract Management Agency's Investigation and Control of Nonconforming Materials	03/09/2012
DoD IG	DoDIG-2012-061	Report on Quality Control Review of the Raich Ende Malter & Co. LLP FY 2009 Single Audit of the Riverside Research Institute	03/07/2012
DoD IG	DODIG-2012-062	Contractor-Invoiced Costs Were Accurate, but DoD Did Not Adequately Track Funding	03/08/2012
USAAA	A-2012-0003-ALA	Audit of Weapon System Requirements Process	10/12/2011
USAAA	A-2012-0005-IEI	Military Construction Contract, U.S. Army Corps of Engineers Fort Worth District, Unaccompanied Enlisted Personnel Housing for Brigade Combat Teams 1, 2, and 3, Fort Bliss, Texas	10/21/2011

Appendix A

Agency	Report Number	Report Title	Date
USAAA	A-2012-0008-FFT	Warfighter Field Operations Customer Support Contract	10/27/2011
USAAA	A-2012-0011-ALC	Contracting Operations in Support of Arlington National Cemetery, Mission and Installation Contracting Command-Fort Belvoir	10/27/2011
USAAA	A-2012-0017-ALC	Army Contract Renewals, U.S. Army Mission and Installation Contracting Command Center, Fort Knox and U.S. Army Corps of Engineers, Sacramento District	11/10/2011
USAAA	A-2012-0018-IET	Information Technology Service Contract, Program Executive Office Simulation, Training, and Instrumentation	11/21/2011
USAAA	A-2012-0019-IEI	Military Construction Contract, U.S. Army Corps of Engineers Sacramento District, 212th Fires Brigade Headquarters Building, Fort Bliss, Texas	11/15/2011
USAAA	A-2012-0020-ALA	Army Rapid Acquisition Processes Testing Procedures, U.S. Army Test and Evaluation Command	11/21/2011
USAAA	A-2012-0021-ALC	Contracting Operations in Support of Arlington National Cemetery, Army Contracting Command, National Capital Region	11/18/2011
USAAA	A-2012-0024-ALL	Agreed-Upon Procedures Attestation to Determine the Sources and Costs for the U.S. Government's Late Cancellation of Host Nation Trucking Missions, Afghanistan (For Official Use Only)	12/05/2011
USAAA	A-2012-0027-IEE	Hurricane and Storm Damage Risk Reduction System: Contract Modification Data, U.S. Army Corps of Engineers, Mississippi Valley Division, New Orleans District and Task Force Hope	12/09/2011
USAAA	A-2012-0049-MTE	Controls Over Vendor Payments (Phase II) Southwest Asia (For Official Use Only)	02/16/2012
USAAA	A-2012-0061-IEE	American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting, U.S. Army Corps of Engineers Savannah District	02/14/2012
USAAA	A-2012-0078-ALE	Agreed-Upon Procedures Attestation of Port Services Contracts in Europe (For Official Use Only)	03/15/2012
USAAA	A-2012-0086-IEO	Audit of the Base Realignment and Closure Act 2005 - Phaseout of Support Contracts	03/30/2012
NAVAUDSVC	N2012-0003	Department of the Navy Acquisition and Disbursing Checks and Balances at Camp Lemonnier, Djibouti, Africa	11/09/2011
NAVAUDSVC	N2012-0007	Communications Security Equipment Provided to U.S. Industrial Firms under Contract to the Department of the Navy (Classified)	12/06/2011
NAVAUDSVC	N2012-0011	Implementation of Earned Value Management for the Future Aircraft Carrier Program	12/22/2011
AFAA	F-2012-0001-FC1000	Transition of Contract Senior Mentors to Highly Qualified Experts	10/17/2011
AFAA	F-2012-0007-FC2000	TF39 Engine Drawdown	03/01/2012
AFAA	F-2012-0001-FC3000	Acquisition Category III Program Management	11/04/2011
AFAA	F-2012-0002-FC3000	B-1 Cockpit Modifications	11/22/2011
AFAA	F-2012-0003-FC3000	Acquisition Programs at Air Logistics Centers	01/09/2012
AFAA	F-2012-0004-FC3000	QF-16 Full Scale Aerial Target Program Planning	01/24/2012
AFAA	F-2012-0005-FC3000	C-130 Avionics Modernization Program	01/31/2012
AFAA	F-2012-0006-FC4000	Requirement Computations for Items without Recent Procurement	02/17/2012
AFAA	F-2012-0004-FD1000	Green Procurement: Standard Base Supply System Purchases	01/25/2012

Financial Management

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-008	Independent Auditor's Report on the DoD Military Retirement Fund, FY 2011 and FY 2010 Basic Financial Statements	11/04/2011
DoD IG	DODIG-2012-010	Independent Auditor's Report on the Air Force General Funds FY 2011 and FY 2010 Basic Financial Statements	11/08/2011
DoD IG	DODIG-2012-011	Independent Auditor's Report on the Air Force Working Capital Funds FY 2011 and FY 2010 Basic Financial Statements	11/08/2011
DoD IG	DODIG-2012-012	Independent Auditor's Report on the Army General Fund FY 2011 and FY 2010 Basic Financial Statements	11/08/2011
DoD IG	DODIG-2012-013	Independent Auditor's Report on the Army Working Capital Fund FY 2011 and FY 2010 Basic Financial Statements	11/08/2011

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-014	Independent Auditor's Report on the Navy General Fund FY 2011 and FY 2010 Basic Financial Statements	11/08/2011
DoD IG	DODIG-2012-015	Independent Auditor's Report on the Navy Working Capital Fund FY 2011 and FY 2010 Basic Financial Statements	11/08/2011
DoD IG	DODIG-2012-016	Independent Auditor's Report on the United States Marine Corps General Fund FY 2011 and FY 2010 Combined Statement of Budgetary Resources	11/08/2011
DoD IG	DODIG-2012-018	Endorsement of the Qualified Opinion on the DoD Medicare-Eligible Retiree Health Care Fund FY 2011 and FY 2010 Basic Financial Statements	11/16/2011
DoD IG	DODIG-2012-019	Endorsement of the Unqualified Opinion on the TRICARE Management Activity's Contract Resource Management FY 2011 and FY 2010 Basic Financial Statements (For Official Use Only)	12/02/2011
DoD IG	DODIG-2012-020	Independent Auditor's Report on the U.S. Army Corps of Engineers, Civil Works, FY 2011 and FY 2010 Basic Financial Statements	11/14/2011
DoD IG	DODIG-2012-021	Independent Auditor's Report on the DoD Agency-Wide FY 2011 and FY 2010 Basic Financial Statements	11/15/2011
DoD IG	DODIG-2012-022	Independent Auditor's Report on the Department of Defense Special Purpose Financial Statements for Fiscal Years Ending September 30, 2011 and 2010	11/15/2011
DoD IG	DODIG-2012-023	Management Improvements Needed in Commander's Emergency Response Program in Afghanistan	11/21/2011
DoD IG	DODIG-2012-027	Deficiencies in Journal Vouchers That Affected the FY 2009 Air Force General Fund Statement of Budgetary Resources	12/01/2011
DoD IG	DODIG-2012-032	Funding for Enhancements to the Standard Procurement System	12/14/2011
DoD IG	DODIG-2012-035	American Recovery and Reinvestment Act - Improvements Needed in Implementing the Homeowners Assistance Program	12/21/2011
DoD IG	DODIG-2012-040	Independent Auditor's Report on the Attestation of the Existence, Completeness, and Rights of the Department of the Navy's Ships and Submarines, Trident Missiles and Satellites	01/19/2012
DoD IG	DODIG-2012-043	Army Needs to Identify Government Purchase Card High-Risk Transactions	01/20/2012
DoD IG	DODIG-2012-047	Independent Auditor's Report on the DoD FY 2011 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities	01/30/2012
DoD IG	DODIG-2012-051	Navy Enterprise Resource Planning System Does Not Comply With the Standard Financial Information Structure and U.S. Government Standard General Ledger	02/13/2012
DoD IG	DODIG-2012-058	Distribution of Funds and Mentoring of Finance Officers for the Afghanistan National Army Payroll Need Improvement	02/29/2012
DoD IG	DODIG-2012-065	DoD Compliance With the Requirements of the Improper Payments Elimination and Recovery Act	03/15/2012
DoD IG	DODIG-2012-066	General Fund Enterprise Business System Did Not Provide Required Financial Information	03/26/2012
USAAA	A-2012-0004-FFP	Host Nation Support--Korea, Office of the Assistant Chief of Staff for Installation Management (For Official Use Only)	10/25/2011
USAAA	A-2012-0006-IEO	Audit of the Office of the Chief Legislative Liaison Fund Controls and Business Practices	10/19/2011
USAAA	A-2012-0009-FFS	Implementing the Temporary Change of Station Action Plan	11/09/2011
USAAA	A-2012-0014-FFR	Independent Auditor's Report for FY 11 American Red Cross Financial Statements	11/02/2011
USAAA	A-2012-0022-FFM	Army Executive Dining Facility Fund Financial Statements, Office of the Administrative Assistant to the Secretary of the Army	12/06/2011
USAAA	A-2012-0023-FFM	Army Executive Dining Facility Fund Internal Controls, Office of the Administrative Assistant to the Secretary of the Army	12/06/2011
USAAA	A-2012-0028-ALS	Time Sensitive Report for the Audit of Second Destination Transportation Funding Requirements (For Official Use Only)	12/15/2011
USAAA	A-2012-0036-FFR	National Science Center's Special Fund Financial Statement, Fort Gordon, Georgia (For Official Use Only)	01/04/2012
USAAA	A-2012-0037-FFR	Issues for Management Consideration, Audit of National Science Center Special Fund Financial Statement (For Official Use Only)	01/04/2012
USAAA	A-2012-0038-FFM	Army Defense Travel System Permission Levels, Deputy Assistant Secretary of the Army (Financial Operations)	12/22/2011
USAAA	A-2012-0041-FMF	Controls Over Contributions from the Afghanistan Security Forces Fund (For Official Use Only)	02/14/2012

Appendix A

Agency	Report Number	Report Title	Date
USAAA	A-2012-0046-IEE	American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting, U.S. Corps of Engineers Philadelphia District	01/19/2012
USAAA	A-2012-0048-FMI	Temporary Duty Authorizations and Vouchers, Program Executive Office Missiles and Space, Precision Fires Rocket Missile Systems	02/13/2012
USAAA	A-2012-0058-FMF	Agreed-Upon Procedures Attestation Validating Communications-Electronics Command Inventory Values (For Official Use Only)	01/20/2012
USAAA	A-2012-0063-FMF	Agreed-Upon Procedures Attestation of Program Manager-Defense Communications and Army Transmission Systems Reimbursable Operations (For Official Use Only)	02/09/2012
USAAA	A-2012-0079-FMF	Controls Over Unemployment Compensation Program for Ex-Service Members	03/16/2012
USAAA	A-2012-0084-ALE	Attestation Examination of Army Suggestion Proposal EUDG080270	03/28/2012
USAAA	A-2012-0085-MTE	Micro-Purchases by Field Ordering Officers, Afghanistan	03/30/2012
NAVAUDSVC	N2012-0005	Business Process Reengineering Efforts for Selected Department of the Navy Business System Modernizations; Global Combat Support System - Marine Corps	11/17/2011
NAVAUDSVC	N2012-0006	Department of the Navy Nonappropriated Fund Purchase Card Pilot Program	11/22/2011
NAVAUDSVC	N2012-0018	Department of the Navy Fiscal Years 2009 and 2010 Reimbursable Orders at Selected Fleet Activities	02/01/2012
NAVAUDSVC	N2012-0022	Department of the Navy Military Standard Requisitioning and Issue Procedures Internal Controls	02/21/2012
NAVAUDSVC	N2012-0024	Business Process Reengineering Efforts for Selected Department of the Navy Business System Modernizations; Personalized Recruiting for Immediate and Delayed Enlisted Modernization	03/06/2012
NAVAUDSVC	N2012-0026	Independent Attestation - Agreed-Upon Procedures Attestation Engagement of Assessing Internal Controls Over Financial Reporting in the Department of the Navy	03/15/2012
NAVAUDSVC	N2012-0028	Independent Attestation - Agreed-Upon Procedures Attestation Engagement of the Office of Naval Research Statement of Budgetary Resources	03/28/2012
AFAA	F-2012-0001-FB1000	Air Mobility Command Fuel Efficiency Governance Process	01/17/2012
AFAA	F-2012-0002-FB1000	Air Force Smart Operations for the 21st Century Savings Validation	02/17/2012
AFAA	F-2012-0003-FB1000	Debt Remission	02/27/2012
AFAA	F-2012-0004-FB1000	Air Force Services Funds Management	03/09/2012
AFAA	F-2012-0002-FB2000	Automated Funds Management - Accounting Conformance (REVISED)	01/11/2012
AFAA	F-2012-0001-FB3000	Service Medical Activity - Air Force: Out-of-Service Debt	10/03/2011
AFAA	F-2012-0002-FB3000	General Fund General Equipment - Medical Equipment	10/14/2011
AFAA	F-2012-0003-FB3000	Memorandum Report of Audit, Operating Materials and Supplies - Missile Motor Accountability	12/05/2011
AFAA	F-2012-0004-FB3000	Overall Health of General Fund Real Property Financial Reporting	12/07/2011
AFAA	F-2012-0005-FB3000	Memorandum Report of Audit, Civilian Pay Process - Defense Industrial Financial Management System	02/22/2012
AFAA	F-2012-0006-FB3000	Memorandum Report of Audit, Operating Materials and Supplies - Aircraft Engine Accountability	02/22/2012
AFAA	F-2012-0004-FB4000	Information Technology Efficiencies Initiative Governance	03/14/2012
AFAA	F-2012-0005-FC2000	Aircraft Parts Sustainment Engineering	01/31/2012
AFAA	F-2012-0006-FC3000	Air Force Test Center Infrastructure Funding	02/15/2012
AFAA	F-2012-0007-FC4000	Support Equipment Budgeting Process	02/28/2012
AFAA	F-2012-0001-FD1000	Interim Report of Audit, Baseline Adjustments to the Annual Energy Management Report	10/03/2011
AFAA	F-2012-0002-FD1000	Base Realignment and Closure 2005 Finalization	10/26/2011
AFAA	F-2012-0003-FD1000	Fiscal Year 2011 Utilities Privatization Economic Analyses	11/04/2011
AFAA	F-2012-0006-FD1000	Medical Real Property Records	03/12/2012
AFAA	F-2012-0007-FD1000	United States Air Forces Central Area of Responsibility Utilities	03/13/2012
AFAA	F-2012-0008-FD1000	Air Force Real Property - Administrative Space Utilization	03/14/2012

Agency	Report Number	Report Title	Date
AFAA	F-2012-0003-FD2000	Medical Food Service Accounting	01/30/2012
AFAA	F-2012-0002-FD3000	Intelligence Contingency Funds - Fiscal Year 2010	10/12/2011
AFAA	F-2012-0002-FD4000	Military Personnel Appropriation Man-Days	11/22/2011

Health and Safety

Agency	Report Number	Report Title	Date
DoD IG	D-2011-TAD-002	Assessment of the BRAC 133 Mark Center Emergency Generator Fueling (Classified)	10/07/2011
DoD IG	DODIG-2012-003	Review of Matters Related to the Sexual Assault of Lance Corporal Maria Lauterbach, U.S. Marine Corps	10/18/2011
DoD IG	DODIG-2012-055	Inspection of DoD Detainee Transfers and Reliance on Assurances (Classified)	02/23/2012
DoD IG	DODIG-2012-067	Assessment of DoD Wounded Warrior Matters - Camp Lejeune	03/30/2012
USAAA	A-2012-0001-IEM	Audit of Behavioral Health Programs, U.S. Army Garrison, Fort Sam Houston	10/04/2011
USAAA	A-2012-0032-IEM	Follow-up Audit of Trauma Services Cooperative Agreement, Brooke Army Medical Center, Fort Sam Houston, Texas	12/20/2011
USAAA	A-2012-0035-IEE	Audit of Federal Employee Compensation Act Fraud Investigation (For Official Use Only)	01/10/2012
USAAA	A-2012-0045-ALE	Preventive Healthcare Initiatives in Europe, Public Health Command Region-Europe (For Official Use Only)	01/11/2012
AFAA	F-2012-0001-FD2000	Internal Medicine Subspecialty Clinic Optimization	11/01/2011
AFAA	F-2012-0002-FD2000	Patient Safety Program	11/21/2011
AFAA	F-2012-0004-FD2000	Medical Affirmative Claims	02/02/2012
AFAA	F-2012-0005-FD2000	Air Force Medical Service Workforce Diversity	02/23/2012
AFAA	F-2012-0003-FD4000	Outdoor Recreation Safety	03/08/2012

Nuclear Enterprise

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-044	Status of Recommendations to Improve the Department of Defense Nuclear Enterprise - Phase II	01/24/2012
AFAA	F-2012-0003-FC4000	Management of Air Force Nuclear Weapons-Related Materiel Positive Inventory Controls	11/03/2011

Other

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-024	Independent Engineering Assessment of the Army's Transportation Plan for the BRAC Recommendation #133 Project Fort Belvoir - Mark Center, Virginia	11/30/2011
DoD IG	DODIG-2012-025	Review of Matters Related to the Office of the Assistant Secretary of Defense (Public Affairs) Retired Military Analyst Outreach Activities	11/21/2011
DoD IG	DODIG-2012-068	Assessment of Voting Assistance Programs for Calendar Year 2011	03/30/2012
NAVAUSVC	N2012-0001	Naval Pilot and Naval Flight Officer Diversity	10/19/2011
NAVAUSVC	N2012-0004	Strategy for Considering Energy Efficient and Renewable Energy Initiatives Associated with the United States Marine Corps Guam Relocation Effort	11/15/2011
NAVAUSVC	N2012-0008	Consideration of Requirements for U.S. Marine Corps Training Ranges Associated with the Relocation of Marine Corps Forces to Guam	12/08/2011
NAVAUSVC	N2012-0010	Defense Travel System-Marine Corps	12/21/2011
NAVAUSVC	N2012-0012	Selected Department of the Navy Military Construction Projects Proposed for Fiscal Year 2013	01/05/2012
NAVAUSVC	N2011-0008	N2012-0013 Reporting of United States Marine Corps Aviation Fuel Consumption	01/06/2012

Appendix A

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2012-0015	Individual Augmentee Reintegration Process	01/19/2012
NAVAUDSVC	N2012-0016	Ethics Program at Marine Corps Combat Development Command	01/27/2012
NAVAUDSVC	N2012-0017	Suicide Crisis Links and/or Phone Numbers on Department of the Navy Web Sites	01/30/2012
NAVAUDSVC	N2012-0020	Defense Travel System-Navy Controls Over Unsettled Travel Authorizations	02/10/2012
NAVAUDSVC	N2012-0021	Fiscal Year 2012 First Quarter Test of Department of the Navy Sexual Assault-Related Phone Numbers	02/17/2012
NAVAUDSVC	N2012-0023	Naval History and Heritage Command Detachment Boston Time and Attendance Processes and Other Issues	02/27/2012
NAVAUDSVC	N2012-0027	Commander, Navy Installations Command Safety and Occupational Health Workplace Inspections	03/22/2012
NAVAUDSVC	N2012-0029	Department of the Navy Educational and Developmental Intervention Services	03/29/2012

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

Reports Containing Potential Monetary Benefits

Reports Issued		Potential Monetary Benefits	
		Disallowed Costs	Funds Put to Better Use
DODIG-2012-004 Changes Are Needed to the Army Contract With Sikorsky to Use Existing DoD Inventory and Control Costs at the Corpus Christi Army Depot	11/03/2011	N/A	\$65,866,481
DODIG-2012-006 Counter Narcoterrorism Technology Program Office Task Orders Had Excess Fees, and the Army Was Incorrectly Billed	11/01/2011	N/A	\$1,526,279
DODIG-2012-017 U.S. Naval Academy Officials Did Not Adhere to Contracting and Gift Policies	11/07/2011	N/A	\$3,661,759
DODIG-2012-023 Management Improvements Needed in Commander's Emergency Response Program in Afghanistan	11/21/2011	N/A	\$18,500,000
DODIG-2012-033 Award and Administration of Multiple Award Contracts for Services at U.S. Army Medical Research Acquisition Activity Need Improvement	12/21/2011	N/A	\$139,916
DODIG-2012-062 Contractor-Invoiced Costs Were Accurate, but DoD Did Not Adequately Track Funding	03/08/2012	N/A	\$510,095
Total			\$90,204,530

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

Follow-up Activities

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

Status	Number	Funds Put To Better Use ¹ (\$ in thousands)
A. For which no management decision had been made by the beginning of the reporting period.	34 ²	\$51,057
B. Which were issued during the reporting period.	68 ³	90,204
Subtotals (A+B)	102	141,261
C. For which a management decision was made during the reporting period. (i) dollar value of recommendations that were agreed to by management. - based on proposed management action - based on proposed legislative action (ii) dollar value of recommendations that were not agreed to by management.	70	136,887 510 136,377 ⁴
D. For which no management decision has been made by the end of the reporting period.	34	\$4,374
Reports for which no management decision was made within six months of issue (as of March 31, 2012).	11 ⁵	712

1. DoD IG issued no audit reports during the period involving “questioned costs.”
2. Incorporates retroactive adjustments.
3. Does not reflect DODIG-2012-030, “Contractor Compliance Varied With Classification of Lobbying Costs and Reporting of Lobbying Activities,” which was rescinded April 5, 2012.
4. 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.
5. DoD IG Report Nos. D-2011-045, “American Recovery and Reinvestment Act Project – Solar and Lighting at Naval Station Norfolk, Virginia”; D-2011-106, “The Department of the Navy Spent Recovery Act Funds on Photovoltaic Projects That Were Not Cost-Effective”; D-2011-108, “Geothermal Energy Development Project at Naval Air Station Fallon, Nevada Did Not Meet Recovery Act Requirements”; D-2011-109, “American Recovery and Reinvestment Act “Heating, Ventilation, and Air Conditioning Replacement” Project at Naval Support Activity Norfolk - Planning and Initial Execution Could Have Been Improved”; D-2011-111, “Guidance on Petroleum War Reserve Stock Needs Clarification”; D-2011-112, “Counterintelligence Interviews for U.S.-Hired Contract Linguists Could Be More Effective”; D-2011-116, “American Recovery and Reinvestment Act Wind Turbine Projects at Long-Range Radar Sites in Alaska Were Not Adequately Planned”; SPO-2011-005, “Assessment of Allegations Concerning Traumatic Brain Injury Research Inquiry in Iraq,” March 31, 2011; and SPO-2011-008, “Assessment of Planning for Transitioning the Security Assistance Mission in Iraq from Department of Defense to Department of State Authority,” had no decision as of March 31, 2012, but action to achieve a decision is in process. DoD IG Report Nos. D-2011-095, “Afghan National Police Training Program: Lessons Learned During the Transition of Contract Administration,” and D-2011-110, “Better Management of Fuel Contracts and International Agreements in the Republic of Korea Will Reduce Costs,” had no decision as of March 31, 2012, but were decided on April 11, 2012.

► Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C. Appendix, Section 5(a)(8),(9), & (10).

Follow-up Activities

Status of action on central internal audits period ending March 31, 2012

Status	Number	Funds Put to Better Use ¹ (\$ in thousands)
DoD IG		
Action in Progress - Beginning of Period ²	101	\$43,036
Action Initiated - During Period	70	136,887
Action Completed - During Period	68	25,382
Action in Progress - End of Period	100	29,700 ²
Military Departments		
Action in Progress - Beginning of Period	499	4,439,367
Action Initiated - During Period	169	1,296,389
Action Completed - During Period	210	668,149
Action in Progress - End of Period	528 ³	4,947,781 ³

1. DoD IG issued no audit reports during the period involving “questioned costs”.
2. On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$1.025 million, DoD IG agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.
3. Incorporates retroactive adjustments.

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

Contract Audit Reports Issued¹

Type of audit ²	Reports Issued	Dollars Examined (\$ in millions)	Questioned Costs ³	Funds Put to Better Use
Incurring Costs, Ops Audits, Special Audits	1,603	\$11,663.1	\$653.5	--- ⁴
Forward Pricing Proposals	936	\$59,003.8	---	\$5,154.6 ⁵
Cost Accounting Standards	343	\$400.0	\$10.3	---
Defective Pricing	15	(Note 6)	\$22.3	---
Totals	2,897	\$71,066.9	\$686.1	\$5,154.6

1. This schedule represents Defense Contract Audit Agency contract audit reports issued during the six months ended March 31, 2012. This schedule includes any audits that DCAA performed on a reimbursable basis for other government agencies and the associated statistics may also be reported in other OIGs' Semiannual Reports to Congress. Both "Questioned Costs" and "Funds Put to Better Use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication. In prior semiannual reporting periods, DCAA reported the total number of assignments completed. The total number of assignments completed during the six months ended March 31, 2012 was 4,467. Some completed assignments do not result in a report issued because they are part of a larger audit or because the scope of the work performed does not constitute an audit or attestation engagement under generally accepted government auditing standards, so the number of audit reports issued is less than the total number of assignments completed.
2. This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as:
 - 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.

► Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C. Appendix, Section 8(f)(1).

Status of Action on Post-Award Contracts¹

	Number of Reports	Costs Questioned (\$ in millions)	Disallowed Costs ⁶
Open Reports:			
Within Guidelines ²	512	\$1,043.9	N/A ⁷
Overage, greater than 6 months ³	583	\$1,229.6	N/A
Overage, greater than 12 months ⁴	431	\$1,145.7	N/A
In Litigation ⁵	198	\$2,294.5	N/A
Total Open Reports	1,724	\$5,713.7	N/A
Closed Reports	375	\$394.3	\$154.5 (39.2%) ⁸

1. This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by DoD Components. The status of action on significant post-award contract audits is reported in accordance with DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports". Because of limited time between availability of the data and reporting requirements, there is minimal opportunity to verify the accuracy of the reported data.
2. These reports are within the time frames established by OMB Circular A-50, "Audit Follow-up", and DoD Instruction 7640.02 as described in footnotes 3 and 4 below.
3. OMB Circular A-50 requires that audit reports be resolved within 6 months after report issuance. Generally, an audit is resolved when the contracting officer determines a course of action, which is documented and approved in accordance with agency policy.
4. DoD Instruction 7640.02 states that audit reports are overage if not dispositioned within 12 months from date of issuance. Generally, disposition is achieved when the contractor implements audit recommendations, the contracting officer negotiates a settlement with the contractor, or the contracting officer issues a final decision pursuant to the Disputes Clause.
5. Of the 142 reports in litigation, 56 are under criminal investigation.
6. Disallowed costs are costs sustained by the contracting officer in negotiations with contractors.
7. N/A (not applicable)
8. Contracting officers disallowed \$154.5 million (39.2 percent) of the \$394.3 million questioned as a result of significant post-award contract audits during the period. The contracting officer disallowance rate of 39.2 percent represents an increase from the disallowance rate of 22.0 percent for the prior reporting period.

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

Status of Reports with Action Pending

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

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

Reason Action Not Completed: Delays due to compliance activities and Food and Drug Administration validation prior to deployment.

Principal Action Office: Air Force, ASD(HA)

Report: D-2006-077, DoD Security Clearance Process at Requesting Activities, 4/19/2006

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

Reason Action Not Completed: Despite repeated recommendations to revise personnel security program guidance, the current guidance is dated January 1987. Delays continue for revision and coordination of DoD Instruction 5200.2 and DoD Manual 5200.2. Estimated Completion Date on the instruction is June 2012. ECD on the Manual is January 2014 for volume 1 and March 2014 for volume 2. Air Force Instruction delays are due to the consolidation of several current AF security instructions into a single publication. ECD is Dec 2012. Army Regulation 380-67 is in legal review. ECD is Fall 2012.

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

Report: D-2008-002, DoD Salary Offset Program, 10/9/2007

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

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

Principal Action Office: DFAS

Report: D-2008-045, Controls Over the TRICARE Overseas Healthcare Program, 2/7/2008

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

Reason Action Not Completed: Extensive time needed to develop and receive approval of fee schedules.

Principal Action Office: ASD(HA)

Report: D-2008-066, FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior, 3/19/2008

Description of Action: Publish guidance/manual to address defi-

ciencies in interagency acquisitions on the proper use of Non-DoD contracts.

Reason Action Not Completed: The Army delayed staffing the draft directive pending a determination regarding future use of Directives within the Department of the Army. The Draft Directive was reformatted as a manual for issuance and as an Appendix to the Army's Federal Acquisition Regulation Supplement.

Principal Action Office: Army

Report: D-2008-079, Management of Incremental Funds on Air Force Research, Development, Test, and Evaluation Contracts, 4/8/2008

Description of Action: Review the requirements of Air Force Instruction 65-601, chapter 13, to clarify the use of Research, Development, Test, and Evaluation funds in the second year.

Reason Action Not Completed: AFI 65-601, Volume I is approaching final coordination and is expected to be complete in March 2012.

Principal Action Office: Air Force

Report: D-2008-089, Planning Armor Requirements for the Family of Medium Tactical Vehicles, 5/9/2008

Description of Action: Update the capabilities documents for the FMTV to include armor kit requirements. Once these requirements are approved, document plans for issuance of the armor kits.

Reason Action Not Completed: Although action was initiated in late 2008, Army has yet to establish validated armor kit requirements for the FMTV.

Principal Action Office: Army

Report: D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, 5/13/2008

Description of Action: The Army is working to update its regulations, policies, and procedures for performing the annual and end-of-day inventory reconciliations.

Reason Action Not Completed: The Army has coordinated the revision of policy and guidance, which is expected to be published this year. Requested systems changes to the Logistics Modernization Program have not been funded.

Principal Action Office: Army

Report: D-2008-118, Host Nation Support of U.S. Forces in Korea, 8/25/2008

Description of Action: Conduct joint reviews of accounting and disbursing procedures for Labor Cost Sharing funds. Prepare and issue any required updates to current policies and procedures based on joint review results.

Reason Action Not Completed: Extensive time taken to complete coordination between DoD Components to conduct joint reviews of accounting and disbursing policy, and update appropriate policy

guidance.

Principal Action Office: USD(C)

Report: D-2008-130, Approval Process, Tracking, and Financial Management of DoD Disaster Relief Efforts, 9/17/2008

Description of Action: Develop a memorandum of understanding with the Federal Emergency Management Agency that establishes guidelines and requirements for using and being reimbursed for DoD equipment used on mission assignments.

Reason Action Not Completed: The Department is reviewing current procedures to determine if they align with the recently published DoDD 3025.18 and addresses issues identified.

Principal Action Office: USD(C)

Report: D-2009-028, Organizational Structure and Managers Internal Control Program for the Assistant Secretary of Defense and American Forces Information Service, 12/10/2008

Description of Action: Investigate potential misuse of funds, improper contracting, and statutory violations.

Reason Action Not Completed: The formal Antideficiency Act Violation investigations are ongoing.

Principal Action Office: ASD(PA), WHS

Report: D-2009-030, Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistant Ambush Protected Vehicles, 12/5/2008

Description of Action: Report is FOUO.

Reason Action Not Completed: Joint Staff has been delayed issuing revised guidance due to pending DoD overarching guidance being issued. Marine Corps action is on hold pending completion of JS corrective action.

Principal Action Office: JCS, USMC

Report: D-2009-037, TRICARE Controls Over Claims Prepared By Third-Party Billing Agencies, 12/31/2009

Description of Action: Resolve legal relationship between providers and billing agencies in accordance with requirements.

Reason Action Not Completed: Subsequent to mediation discussions between the TRICARE Management Activity and DoD IG, TMA is seeking ways to satisfy the intent of this recommendation.

Principal Action Office: ASD(HA)

Report: D-2009-051, Controls Over Time and Attendance Reporting at the National Geospatial-Intelligence Agency, 2/9/2009

Description of Action: Revise guidance to improve internal controls over time and attendance, especially the use of overtime and compensatory time.

Reason Action Not Completed: Awaiting the issuance of the final NGA instruction addressing time and attendance.

Principal Action Office: NGA

Report: D-2009-059, Air Force Management of the U.S. Government Aviation Into-Plane Reimbursement Card Program, 3/6/2009

Description of Action: Develop Air Force-specific guidance and procedures on the use of the AIR Card. Develop a training program to ensure training for all personnel involved in AIR functions.

Reason Action Not Completed: Extensive time required to staff and get approval of regulation. ECD November 12, 2012.

Principal Action Office: Air Force

Report: D-2009-062, Internal Controls Over DoD Cash and Other Monetary Assets, 3/25/2009

Description of Action: Improve internal controls over cash and other monetary assets by establishing a special control account, developing policies and procedures, and monitoring cash usage. Develop non-cash methods of payment for contingency operations.

Reason Action Not Completed: Corrective actions cannot be implemented until coordination with the OMB and/or the Department of the Treasury is complete. Extensive coordination needed between DoD and its Components, and with the Treasury and OMB.

Principal Action Office: USD(C), DFAS

Report: D-2009-064, FY 2007 DoD Purchases Made Through the National Institutes of Health, 3/24/2009

Description of Action: Develop mandatory training to address how the rules and regulations governing multiple-award contracts differ from those governing the General Services Administration's federal supply schedules, including the award and administration of task and delivery orders.

Reason Action Not Completed: Updating policy and in-processing Federal Acquisition Regulation changes takes time. Developing training materials to be consistent with the FAR changes also takes time.

Principal Action Office: USD(AT&L)

Report: D-2009-066, Marine Corps' Management of the Recovery and Reset Programs, 4/1/2009

Description of Action: Update USMC guidance to comply with Departmental guidance on prioritizing requirements.

Reason Action Not Completed: The USMC's Ground Equipment Reset Strategy document was under revision and is now awaiting approval by the commandant of the Marine Corps.

Principal Action Office: USMC

Report: D-2009-072, Monitoring Power Track Payments for DoD Freight Transportation, 4/9/2009

Description of Action: Use data mining to monitor problematic payments for duplicate payment indicators.

Reason Action Not Completed: Enterprise Data Warehousing and data mining solutions to assist with the pre-payment and post-payment processes will be analyzed and implemented through an internal controls effort sponsored by the deputy assistant secretary defense (transportation policy) and DFAS. The ECD is February 2013.

Principal Action Office: USD(AT&L)

Report: D-2009-086, Controls Over the Contractor Common Access Card Life Cycle in the Republic of Korea, 6/9/2009

Description of Action: US Forces Korea will rewrite Regulation 700-19 to address the issues stated in the recommendations.

Reason Action Not Completed: The rewrite to Regulation 700-19 is being re-staffed and is scheduled to be complete in May 2012.

Principal Action Office: USFK

Report: D-2009-098, Status of the Defense Emergency Response Fund in Support of the Global War on Terror, 7/30/2009

Description of Action: Review the Fund for GWOT obligations and deobligate all unliquidated obligations, withdraw all excess funds provided to the DoD Components, and transfer the funds to the U.S. Treasury.

Reason Action Not Completed: Extensive time needed to coordinate deobligation of unliquidated obligations, withdrawal of excess funds,

Appendix F

and transference of funds to U.S. Treasury.

Principal Action Office: USD(C)

Report: D-2009-104, Sanitization and Disposal of Excess Information Technology Equipment, 9/21/2009

Description of Action: DoD CIO is updating DoD Directive 8500.01, DoD Instruction 8500.02, and DoD Instruction 8510.01.

Reason Action Not Completed: Extended time is required for revision of DoD guidance series.

Principal Action Office: DoD(CIO)

Report: D-2009-108, U.S. Air Forces Central War Reserve Materiel Contract, 9/23/2009

Description of Action: The Air Force will ensure a qualified contracting officer reviews award fees and sales of Government property and closes the old WRM contract. DCAA will audit direct costs under the old WRM contract and perform required surveillance of internal controls.

Reason Action Not Completed: The Air Force has not completed corrective actions on contracting issues. DCAA has not completed its audit work.

Principal Action Office: Air Force, DCAA

Report: D-2010-015, DoD Civil Support During the 2007 and 2008 California Wildland Fires, 11/13/2009

Description of Action: Update joint publication to add clarity to the process of staffing Federal Emergency Management Agency mission assignments, on the legal employment of surveillance by DoD assets providing assistance to civil authorities, and on specific events for command and control handoff guidance.

Reason Action Not Completed: Extensive time required to develop, coordinate and implement the guidance.

Principal Action Office: JCS, USD(C), NORTHCOM

Report: D-2010-023, Review of Defense Technical Information Center Internal Controls, 12/3/2009

Description of Action: Revise the DoD Financial Management Regulation to state when charging indirect costs to other DoD organizations is permitted.

Reason Action Not Completed: The USD Comptroller is considering issuing a DoD chief financial officer policy memo in anticipation of the next FMR update.

Principal Action Office: USD(C)

Report: D-2010-024, Contracted Advisory and Assistance Services for the U.S. Army Future Combat Systems, 11/24/2009

Description of Action: Report is FOUO.

Reason Action Not Completed: Extensive time required to coordinate and issue guidance.

Principal Action Office: USD(AT&L)

Report: D-2010-026, Joint Civilian Orientation Conference Program, 12/9/2009

Description of Action: Update DoD Instruction 5410.19 to clarify how to administer and manage the JCOC program. Initiate a preliminary Antideficiency Act review of the use of JCOC fees received since the inception of the Miscellaneous Receipts Statute.

Reason Action Not Completed: Investigations for several allegations are complete. The entire report may be complete by April 2012, and then will be coordinated through legal counsel and the chain of com-

mand. Revisions to DoD Instruction 5410.19 are in process.

Principal Action Office: ASD(PA), WHS

Report: D-2010-028, Rapid Acquisition and Fielding of Materiel Solutions by the Navy, 12/15/2009

Description of Action: Report is FOUO.

Reason Action Not Completed: Long-term corrective actions are ongoing.

Principal Action Office: Navy

Report: D-2010-032, DoD Countermine and Improvised Explosive Device Defeat Systems Contracts - Husky Mounted Detection System, 12/31/2009

Description of Action: Report is FOUO.

Reason Action Not Completed: Extensive time required to award contract. ECD April 18, 2012.

Principal Action Office: Army

Report: D-2010-035, Defense Logistics Agency Contracts for M2 Machine Gun Spare Parts in Support of Operations in Southwest Asia, 1/11/2010

Description of Action: Evaluate the metrics used to manage the product quality deficiency reporting process and update the DLA Joint Product Quality Deficiency Report instruction.

Reason Action Not Completed: Extensive time required to develop, coordinate and implement the guidance.

Principal Action Office: DLA

Report: D-2010-036, Controls Over Navy Military Payroll Disbursed in Support of Operations in Southwest Asia at San Diego-Area Disbursing Centers, 1/22/2010

Description of Action: Develop an electronic storage capability for supporting documentation.

Reason Action Not Completed: Navy will commence the Training Requirements and Information Management System implementation within the U.S. on April 2, with a completion date of June 29. A new version of TRIM that can accommodate overseas users is expected to be released in September.

Principal Action Office: Navy

Report: D-2010-037, Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System, 1/25/2010

Description of Action: Review the Deployable Disbursing System payments for FY 2006 and FY 2007 for duplicate payments and collect the over payments.

Reason Action Not Completed: The Marine Corps has reviewed the identified documents for duplicate payments and demand letters were issued. Research indicates remaining payments are not duplicates, excepting one item that remains in dispute.

Principal Action Office: USMC

Report: D-2010-043, Deferred Maintenance and Carryover on the Army Abrams Tank, 3/2/2010

Description of Action: Report is FOUO.

Reason Action Not Completed: The proposed change has been incorporated into the revised Financial Management Regulation, which will be published in the near future.

Principal Action Office: USD(C)

Report: D-2010-048, DoD Methodology for the Valuation of Excess, Obsolete, and Unserviceable Inventory and Operating Materials and Supplies, 3/25/2010

Description of Action: Develop methodologies for estimating net realizable value of excess, obsolete, and unserviceable inventory, operating material and supplies, munitions, and missiles.

Reason Action Not Completed: Reorganization within the office and developing methodologies for different assets takes time to complete.

Principal Action Office: USD(C)

Report: D-2010-051, Defense Contract Management Agency Acquisition Workforce for Southwest Asia, 4/8/2010

Description of Action: Revise DoD Instruction 5000.66 to require military departments and defense agencies to develop guidance to identify acquisition, technology and logistics workforce requirements in accordance with other DoD instructions and the Financial Management Regulation.

Reason Action Not Completed: Extensive time required to revise and coordinate instructions/guidance.

Principal Action Office: USD(AT&L)

Report: D-2010-065, Validity and Security of Selected DoD Civilian Employee Accounts, 5/25/2010

Description of Action: Classified

Reason Action Not Completed: Corrective actions are on schedule.

Principal Action Office: DFAS

Report: D-2010-075, Foreign Allowances and Differentials Paid to DoD Civilian Employees Supporting Overseas Contingency Operations, 8/17/2010

Description of Action: Finalize and issue uniform DoD-wide policies and procedures to accurately and consistently authorize foreign allowances and differentials. Review foreign allowances and differential paid records to identify inaccuracies and make the necessary adjustments.

Reason Action Not Completed: Extensive time required to coordinate with DoD components and agencies. Additional time needed to evaluate the scope of the inaccuracies and take the necessary corrective actions.

Principal Action Office: USD(P&R), DFAS

Report: D-2010-078, Air Force Use of Time-and-Materials Contracts in Southwest Asia, 8/16/2010

Description of Action: The Air Force Center for Engineering and Environment will review invoices for Time-and-Materials task orders, and request Defense Contract Audit Agency for assistance, and obtain reimbursements for incorrect charges with attention to \$24.3 million for labor charges invoiced by the contractors but not authorized by the task orders.

Reason Action Not Completed: AFCEE has not received funds that were requested from U.S. Forces- Iraq to conduct the review, and DCAA's work is ongoing.

Principal Action Office: Air Force

Report: D-2010-081, Army Use of Time-and-Materials Contracts in Southwest Asia, 8/27/2010

Description of Action: The Army Contracting Command will establish a plan for reviewing invoices for 18 contracts and request Defense Contract Audit Agency assistance. White Sands Missile Range will review a task order and obtain a refund from the contractor. DCAA will conduct incurred cost audits on the contractor for FY 2006 and FY

2007.

Reason Action Not Completed: The ACC and DCAA have not completed reviews of task orders and audits of incurred costs.

Principal Action Office: Army

Report: D-2010-086, Audit of the Utility Tax Relief Program in Germany, 9/29/2010

Description of Action: Develop regulatory guidance requiring eligible civilian personnel to participate in the Utility Tax Avoidance Program in Germany; and develop a standard form to prove participation or ineligibility for the program.

Reason Action Not Completed: Long-term corrective actions are in process.

Principal Action Office: USD(P&R)

Report: D-2010-087, Weaknesses in Oversight of Naval Sea System Command Ship Maintenance Contract in Southwest Asia, 9/27/2010

Description of Action: NAVSEA will obtain cost and pricing data for review with Defense Contract Audit Agency.

Reason Action Not Completed: Delays by the contractor in providing cost and pricing data preventing DoD review.

Principal Action Office: Navy

Report: D-2010-088, Accountability and Disposition of Government Furnished Property in Conjunction With the Iraq Drawdown - Logistics Civil Augmentation Program, 9/30/2010

Description of Action: Defense Contract Management Agency-Iraq to (1) provide a sufficiently supported account of all management decisions and actions taken concerning the acceptance, use and disposition of unused trash trucks; (2) determine whether personnel or cost recovery actions were warranted; and (3) determine proper disposition of the trucks.

Reason Action Not Completed: Two of the three actions have been completed. The third action is ongoing. Final disposition on the allowability of costs questioned in the DCAA Form 1 is pending. The Administrative Contracting Officer requested additional information from the contractor and DCAA on Feb 3, 2012. Disposition of the audit results is expected by May 24, 2012.

Principal Action Office: DCMA

Report: D-2010-091, DoD Needs to Improve Management and Oversight of Operations at the Theater Retrograde-Camp Arifjan, Kuwait, 9/30/2010

Description of Action: Develop appropriate performance requirements for processing materiel that are applicable, auditable and measurable and coordinate those requirements with the contracting officer for inclusion in the newly awarded contract.

Reason Action Not Completed: Negotiations are ongoing to further refine the performance metrics on the new contract and final agreement with the contractor is expected by April 2012.

Principal Action Office: Army

Report: D-2011-018, FY 2008 and FY 2009 DoD Purchases Made Through the General Services Administration, 11/30/2010

Description of Action: Review the standardized interagency agreement to identify necessary enhancements in the financial accountability area.

Reason Action Not Completed: Management has not responded to a request for current status of agreed-upon implementing action.

Principal Action Office: USD(AT&L)

Appendix F

Report: D-2011-020, DoD Controls Over Information Placed on Publicly Accessible Web Sites Require Better Execution, 11/29/2010

Description of Action: Update guidance for information posted to publicly accessible websites; require annual assessment and documentation of DoD Internet services and use of Internet-based capabilities; provide enforcement procedures for annual certification requirements; mandate procedures to register Internet addresses and contact information; ensure implementation of policies on the use of DoD Internet services and Internet based capabilities; require an inventory capability and a registration system for public DoD websites; expand distribution of Operations Security and threat assessment reports; and identify the system that will maintain the inventory of DoD publicly accessible websites.

Reason Action Not Completed: Extensive time required to revise and coordinate guidance.

Principal Action Office: DoD(CIO), ASD(PA), DISA

Report: D-2011-021, More DoD Oversight Needed for Purchases Made Through the Department of Energy, 12/3/2010

Description of Action: Determine the feasibility of using direct purchases; update guidance to require that activities participate in technical evaluations of offers; determine whether changes to the FAR and Defense Federal Acquisition Regulation will be necessary to address contract financing associated with multiple-year appropriations and to ensure consistency with the DoD FMR; and determine the magnitude of the potential funding problems related to Work For Others projects with the Department of Energy.

Reason Action Not Completed: Extensive time required for coordination among the DoD Components and other federal agencies.

Principal Action Office: USD(C), USD (AT&L), Air Force

Report: D-2011-028, Contracts Supporting the Broad Area Maritime Surveillance Program, 12/23/2010

Description of Action: Develop an agency improvement policy that will require all letters of delegation be modified to include necessary surveillance and inspection requirements.

Reason Action Not Completed: Additional time required to finalize guidance.

Principal Action Office: DCMA

Report: D-2011-032, Logistics Civil Augmentation Program IV Support Contract, 1/7/2011

Description of Action: Army will issue guidance for assigning personnel to supervise contractors performance for functions closely associated with inherently governmental duties.

Reason Action Not Completed: Army has not yet issued guidance regarding contractor performance closely associated with inherently governmental duties.

For this reporting period, there were no disallowed costs on reports over 12 months old with final action pending.

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

Principal Action Office: Army

Report: D-2011-036, Competition Should Be Used for Instructor Services for the Mine Resistant Ambush Protected Vehicles, 2/3/2011

Description of Action: The Army will complete a formal investigation of the Antideficiency Act violation, will comply with DoD reporting requirements, and will provide a copy of the preliminary and final investigation report to the DoDIG,

Reason Action Not Completed: The Army is conducting a formal investigation of the Anti Deficiency Act violation.

Principal Action Office: Army

Report: D-2011-037, Marine Corps Fulfillment of the Urgent Universal Need Statement for the Laser Dazzler, 2/9/2011

Description of Action: Perform a review of the circumstances that led to the purchase of the 28 Compact High Power Laser Dazzlers and initiate administrative action if appropriate.

Reason Action Not Completed: Extensive time required for coordination within and between the DoD Components and for DCIS to complete its investigation.

Principal Action Office: Navy

Report: D-2011-043, Fleet Industrial Supply Center Ship Maintenance Contracts in Southwest Asia, 2/22/2011

Description of Action: Revise internal guidance and conduct market research to identify potential new contractors.

Reason Action Not Completed: Additional time required to finalize guidance and conduct market research at centralized level.

Principal Action Office: Navy

Report: D-2011-050, DoD Needs to Improve High Dollar Overpayment Review and Reporting, 3/16/2011

Description of Action: Develop procedures for reviewing information on corrections, including recalls, offsets, and rejects for overpayments. Also, implement a methodology to include statistically sampling commercial pay entitlement systems for improper payments.

Reason Action Not Completed: Extensive time required to coordinate and develop procedures and a methodology.

Principal Action Office: USD(C)

Contract Audits with Significant Findings

DCAA

Audit Report No. 09711-2003A10100002	Date: November 4, 2011
Subject: Independent Audit of 2003 Incurred Cost Proposal	
Prepared For: Defense Contract Management Agency	
Report: \$11.9 Million Questioned Costs	
The audit of the incurred cost proposal resulted in \$11.9 million questioned direct and indirect costs. Significant items of questioned costs related to unsupported costs for a specific contract (\$7.1M), unsupported direct consultant fees (\$1.3M) and unallowable bonuses (\$2M).	

Audit Report No. 03521-2011V17900002	Date: January 12, 2011
Subject: Independent Audit of Work in Kind Credit Requests	
Prepared For: Department of the Army, Galveston District Corps of Engineers	
Report: \$21.0 Million Questioned Cost	
The audit of the contractor's \$34.0 million work in-kind credit requests on a project cooperation agreement resulted in \$21.0 million of questioned costs due to lack of adequate supporting documentation for the costs.	

Audit Report No. 06501-2010G17100002	Date: November 10, 2011
Subject: Independent Audit of Termination Settlement Proposal	
Prepared For: Defense Contract Management Agency, Atlanta	
Report: \$87.0 Million Questioned Cost	
The audit of the contractor's termination settlement proposal resulted in \$87.0 million of questioned cost. Significant items questioned include \$34.1 million of questioned subcontractor settlement expenses; \$16.8 million of unallocable severance pay and payments under the Worker Adjustment and Retraining Notification Act (WARN); and \$22.9 million of fee.	

Audit Report No. 06441-2003V10100003/2004V10100003/2005V10100012	Date: December 21, 2011
Subject: Independent Audit of Incurred Costs for FYs 2003, 2004, 2005	
Prepared For: U.S. Agency for International Development	
Report: \$24.7 Million Questioned Cost	
The audit of the contractor's incurred cost proposals questioned all of the claimed costs, totaling \$24.7 million, in accordance with FAR 31.201-2 Determining allowability, because the contractor could not provide any supporting data for the claimed costs.	
The audit of the contractor's termination settlement proposal resulted in \$31.2 million of questioned unallowable, unallocable or unreasonable costs, including \$10.0 million of direct labor, gifts, and bonuses; and \$9.9 million of general project expenses and construction equipment rental or purchases.	

Audit Report No. 01311-2009N17100002	Date: December 30, 2011
Subject: Independent Audit of Termination for Convenience Settlement Proposal	
Prepared For: Department of the Air Force, Air Force Material Command	

Appendix G

Report: \$32.6 Million Questioned Cost
The audit of the settlement proposal resulted in \$32.6 million questioned cost, including \$29.9 million of claimed subcontractor costs from related companies for work that was unreasonably priced; outside the scope of the contract; or for goods or services that were not provided.

Audit Report No. 04201-2010C17200003-S1	Date: January 5, 2012
Subject: Supplement to Report on Audit of Claim for Equitable Adjustment	
Prepared For: U.S. Army Corps of Engineers	
Report: \$14.6 Million Questioned Cost	
The audit of the price adjustment claim for alleged differing site conditions and government delay identified total questioned costs of \$14.6 million resulting from unallowable subcontractor labor and other costs; and excessive prime and subcontractor profit.	

Audit Report No. 09821-2011M17100003-S1	Date: January 24, 2012
Subject: Independent Audit of Termination Proposal	
Prepared For: Defense Contract Management Agency	
Report: \$13.7 Million Questioned Costs	
The audit of the \$19.0 million termination proposal resulted in \$13.7 million questioned costs. Significant items of questioned costs related to direct labor, material and other direct costs. The costs were questioned because (i) costs were incurred prior to first article testing approval and therefore are unallowable per FAR and contract terms; (ii) costs were not supported by the contractor's accounting records; and (iii) consultant fees did not have the proper supporting documentation per FAR.	

Audit Report No. 06421-2011N17900500	Date: January 13, 2012
Subject: Independent Audit of Travel Costs	
Prepared For: Department of the Army, Army Contracting Command – Rock Island	
Report: \$21.7 Million Questioned Cost	
The audit of billed travel costs under a single contract resulted in questioning all of the billed costs because the contractor did not obtain advance written approval for the travel as required by the contract terms.	

Audit Report No. 04201-2011G17200001	Date: January 23, 2012
Subject: Independent Audit of Equitable Adjustment Proposals	
Prepared For: Department of the Navy, Naval Facilities Engineering Command Marianas	
Report: \$23.9 Million Questioned Cost	
The audit of nine equitable adjustment proposals resulted in questioned costs for unallowable equipment, subcontract, consultant, and travel costs; and for an understated credit for a reduction in the contract scope of work.	

Audit Report No. 03181-2010D17900006	Date: January 24, 2012
Subject: Independent Audit of Billed Costs	
Prepared For: Department of State	
Report: \$75.0 Million Questioned Cost	
The audit of labor and labor related other direct costs billed on a contract resulted in questioned direct labor of \$53.9 million for employees who did not meet the qualifications specified in the contract or did not work the hourly or weekly schedule specified in the contract; and \$21.1 million in post differential, danger pay, and DBA insurance costs associated with the questioned direct labor or in excess of the maximum contractual limitations.	

Audit Report No. 06701-2010S42000002	Date: February 10, 2012
Subject: Independent Postaward Audit	
Prepared For: Department of the Army, U.S. Army TACOM - Picatinny	

Report: \$12.6 Million Recommended Price Adjustment
The audit of the contractor's compliance with 10 U.S.C. 2306a (Truth in Negotiations Act) resulted in a recommended price adjustment of \$12.6 million for overstated labor and material costs because the contractor did not use the most current job cost data in its proposal or provide the data to the government prior to final negotiations.

Audit Report No. 06431-2010I17100001	Date: February 17, 2012
Subject: Independent Audit of Termination Settlement Proposal	
Prepared For: Defense Contract Management Agency – Terminations Division	
Report: \$19.8 Million Questioned Cost	
The audit of subcontract termination settlement proposal questioned \$8.0 million of claimed royalties, \$5.3 million of proposed settlement expenses, \$3.6 million of related indirect expenses, and \$2.7 million of claimed fee that was not in accordance with the terms of the subcontract or prime contractor award fee determination letters.	

Audit Report No. 02211-2006U10100001	Date: February 29, 2012
Subject: Independent Audit of Corporate Residual and Directly Allocated Expenses	
Prepared For: Defense Contract Management Agency – Southern Virginia	
Report: \$50.5 Million Questioned Cost	
The audit of the corporate office incurred cost proposal questioned a total of \$50.5 million. Major elements questioned included \$18.8 million of unallowable or inadequately documented bonus payments and incentive compensation; and \$18.4 million of healthcare expenses that were either offset by employee premium contributions or were double-counted in the proposal.	

Audit Report No. 02701-2006A10100002	Date: February 29, 2012
Subject: Independent Audit of FY 2006 Incurred Cost Submission	
Prepared For: Defense Contract Management Agency	
Report: \$11.1 Million Questioned Cost	
The audit of contractor's incurred cost submission resulted in \$11.1 million of questioned costs, including \$8.2 million of direct labor which did not reconcile to the accounting records and was not billed in accordance with subcontract terms; \$2.0 million of material and other direct costs which could not be reconciled to the accounting records; and \$0.9 million of unsupported direct costs for which no detail was provided.	

Audit Report No. 06211-2005C10100013	Date: February 29, 2012
Subject: Independent Audit of Final Incurred Cost Proposal for FY 2005	
Prepared For: Department of the Treasury, Internal Revenue Service	
Report: \$19.6 Million Questioned Cost	
The audit of the incurred cost proposal resulted in net questioned costs of \$19.6 million including \$18.2 million of direct intercompany charges for which adequate documentation was not provided to determine that the costs were allowable, allocable to Government contracts, or reasonable; \$2.3 million of direct unallowable deferred costs; and \$0.9 million of upward adjustments to indirect expenses resulting from other audits of corporate or home office cost allocations.	

Audit Report No. 03511-2010M17100002	Date: March 14, 2012
Subject: Independent Audit of Price Adjustment Claim	
Prepared For: Department of the Army, AMCOM Contracting Center	
Report: \$22.6 Million Questioned Cost	
The audit of the price adjustment claim resulted in \$13.6 million of questioned direct labor cost that was unsupported, previously recovered, duplicated, overstated, not incurred and/or unreasonable; \$5.3 million of other direct costs which were not adequately supported and which the contractor did not demonstrate were a result of the alleged constructive contract changes; \$2.0 million of indirect expenses related to the questioned costs; and \$1.7 million of claimed profit.	

Appendix G

Audit Report No. 04261-2010S17200003	Date: March 23, 2012
Subject: Independent Audit of Equitable Adjustment Contract Disputes Claim	
Prepared For: Department of the Army, U.S. Army Engineer District, Alaska	
Report: \$40.5 Million Questioned Cost	
The audit of claim identified \$40.5 million of questioned cost including \$13.1 million of direct project costs, \$14.0 million of equipment costs, \$2.6 million of labor costs, \$3.2 million of overhead, and \$3.6 million of profit. Direct costs were questioned because they (i) were underestimated by the contractor in its bid, and not caused by changed contract scope; (ii) were caused by the contractor's or subcontractor's actions or inactions and not by the government; (iii) were duplicated in the claim; (iv) were unallocable to the contract; or (vi) were unallowable under FAR Part 31.	

Audit Report No. 02201-2008D10100003	Date: March 30, 2012
Subject: Independent Audit of Final 2008 Indirect Cost Rate Proposal	
Prepared For: Defense Contract Management Agency	
Report: \$22.4 Million Questioned Cost	
The audit of the incurred cost proposal questioned \$15.9 million of indirect costs for unreasonable executive compensation; unallowable loss on asset disposition; and unallowable contingent environmental remediation costs. In addition, the audit questioned \$6.4 million of direct travel and associated labor costs because the contractor failed to provide evidence that the travel was incurred for an allowable business purpose.	

Audit Report No. 03161-2012H17100001	Date: March 30, 2012
Subject: Independent Audit of Termination Proposal	
Prepared For: Defense Contract Management Agency, DCMA Terminations Group	
Report: \$10.5 Million Questioned Cost	
The audit of the termination proposal questioned \$10.5 million, including \$6.0 million of bid and proposal expenses improperly included in the termination proposal; \$1.3 million of settlement expenses, most duplicated elsewhere in the proposal; and \$3.1 million of profit.	

DoD IG

Report No. DODIG-2012-004	Date: November 03, 2011
Subject: Changes are Needed to the Army Contract With Sikorsky to Use Existing DoD Inventory and Control Costs at the Corpus Christi Army Depot	
Report: \$65.9 Million of Funds put to Better Use	
The Army Aviation and Missile Life Cycle Management Command did not effectively use \$47.5 million to \$58.7 million of excess DoD inventory that could be used to satisfy Corpus Christi Army Depot requirements before procuring the same items from Sikorsky. AMCOM also made an unjustified incentive payment of \$11.8 million to Sikorsky Aircraft Corporation for reducing material costs, when depot costs increased by \$29.3 million. Additionally, DoD IG found issues relating to Sikorsky receiving excess profits totaling \$930,760 on items procured from the Defense Logistics Agency.	

Report No. DODIG-2012-006	Date: November 01, 2011
Subject: Counter Narcoterrorism Technology Program Office Task Orders Had Excess Fees, and the Army Was Incorrectly Billed	
Report: \$1.5 Million of Funds Put to Better Use	
The U.S. Space and Missile Defense Command Contracting and Acquisition Management Office overpaid Raytheon approximately \$815,000 and U.S. Training Center approximately \$77,000 in fixed fees. Northrop Grumman charged the Army for non Counter Terrorism Program Office work and double billed the Army for insurance charges. Northrop Grumman issued credits totaling \$168,279.	

Report No. DODIG-2012-023	Date: November 21, 2011
Subject: Management Improvements Needed in Commander's Emergency Response Program in Afghanistan	
Report: \$18.5 Million of Funds put to Better Use	

U.S. Central Command and U.S. Forces-Afghanistan controls over the Commander's Emergency Response Program contract payments and reporting were not adequate. Specifically, USCENTCOM and USFOR-A did not maintain and report reliable and meaningful CERP data, deobligate unused CERP project funds for closed or terminated CERP projects, identify or prevent improper payments, identify or prevent unauthorized advance payments, or mitigate the risk of overpayments and underpayments because of currency rate fluctuations. USFOR-A had potentially up to \$38.4 million in outstanding unliquidated obligations, improper payments, and high-risk CERP advance payments, and a high risk for currency exchange rate fraud and overpaying or underpaying Afghanistan vendors.

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

Results of Peer Reviews

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

The Department of Health and Human Services OIG conducted an external peer review of DoD IG Office of Audit and issued a final report on December 2, 2009. DoD IG received a peer review rating of pass. There are no outstanding recommendations. A copy of the external quality control review report can be viewed on at www.dodig.mil/audit.

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

DoD IG conducted an external quality control review of the United States Postal Service OIG audit organization and issued a final report on March 31, 2010. USPS OIG received a peer review rating of pass. All outstanding recommendations have been implemented as of March 31, 2011. A copy of the external quality control review report in its entirety can be viewed on the USPS OIG website at www.uspsoig.gov.

Peer Review of DCIS Operations by the U.S. Department of Health and Human Services Office of Inspector General

The U.S. Department of Health and Human Services OIG conducted an external peer review of DCIS's system of internal safeguards and management procedures in effect through July 2011 and HHS OIG also conducted an evaluation to determine DCIS' compliance with applicable internal policies and procedures from April 2009 to July 2011. Since DCIS does not derive its statutory law enforcement authority from the Attorney General or the Inspector General Act, it is not subject to the Council of the Inspectors General on Integrity and Efficiency thus DCIS's participation in this peer review was voluntary. After completing its review of DCIS, the HHS OIG issued a final report dated August 19, 2011, and concluded that the system of internal safeguards and management procedures for DCIS was in full compliance with the quality standards established by CIGIE and the Attorney General guidelines. These safeguards and procedures provide reasonable assurance that DCIS is conforming to the professional standards for investigations established by CIGIE.

- ▶ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C. Appendix, Section 5(a)(14),(15),(16).

Acronyms

ACA-ITEC4	Army Contracting Agency, Information Technology, E-Commerce and Commercial Contracting Center	BRAC	Base Realignment and Closure
ACC	Army Contracting Command	CAPS-C	Computerized Accounts Payable System-Clipper
ACC-NCR	Army Contracting Command - National Capital Region	CCAD	Corpus Christi Army Depot
ACC-RSA	Army Contracting Command – Redstone Arsenal	CCIU	Computer Crime Investigative Unit
ADA	Antideficiency Act	CERP	Commander's Emergency Response Program
ADFM	Active-Duty Family Member	CIGIE	Council of Inspectors General for Integrity and Efficiency
AFAA	Air Force Audit Agency	CNTPO	Counter Narcoterrorism Technology Program Office
AFAA/FS	Air Force Audit Agency Financial Systems Audits Directorate	COR	Contracting Officers' Representative
AFAA/QL	Air Force Audit Agency Acquisition and Logistics Audits Directorate	DASA(P)	Deputy Assistant Secretary of the Army for Procurement
AFAA/SP	Air Force Audit Agency Support and Personnel Audits Directorate	DCAA	Defense Contract Audit Agency
AFB	Air Force Base	DCIS	Defense Criminal Investigative Service
AFCEE	Air Force Center for Engineering and Environment	DCMA	Defense Contract Management Agency
AFCENT	Air Forces Central	DEA	Drug Enforcement Administration
AFOSI	Air Force Office of Special Investigations	DEAMS	Defense Enterprise Accounting and Management System
AFR	Agency Financial Report	DFARS	Defense Federal Acquisition Regulation Supplement
AGR	Active Guard and Reserve	DFAS	Defense Finance and Accounting Service
AIR	Aviation Into-Plane Reimbursement	DIACAP	DoD Information Assurance Certification and Accreditation Program
AMC	Army Materiel Command	DLA	Defense Logistics Agency
AMCOM	Army Aviation and Missile Life Cycle Management Command	DMEN	Digital Media Examination Network
AMP	Avionics Modernization Program	DoD SDVOSB	Department of Defense Service-Disable Veteran-Owned Small Business
ANA	Afghan National Army	DoDD	Department of Defense Directive
ANC	Arlington National Cemetery	DOJ	Department of Justice
ANG	Air National Guard	DON	Department of the Navy
ANP	Afghan National Police	DON SDO	Department of Navy Suspension and Debarment Official
ANSF	Afghan National Security Forces	DoS	Department of State
AOR	Area of Responsibility	DSS	Defense Security Service
Army CID	Army Criminal Investigation Command	DSS IG	Defense Security Service Inspector General
ASA(ALT)	Assistant Secretary of the Army (Acquisition, Logistics and Technology)	DTRA	Defense Threat Reduction Agency
ASD(HA)	Assistant Secretary of Defense for Health Affairs	ECD	Estimated Completion Date
ASD(NII)	Assistant Secretary of Defense for Networks and Information	ECHO	Eastern Connecticut Hematology & Oncology, Associates, PC
ASD(PA)	Assistant Secretary of Defense for Public Affairs	ERP	Enterprise Resource Planning
ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives	ESPC	Energy Savings and Performance Contracts
botnet	Robot Network	EVM	Earned Value Management
		FAR	Federal Acquisition Regulation
		FDCA	Food, Drug, and Cosmetic Act
		FLETC	Federal Law Enforcement Training Center

Appendix I

FMTV	Family of Medium Tactical Vehicles	NTM-A/CSTC-A	North Atlantic Treaty Organization Training Mission-Afghanistan/ Combined Security Transition Command-Afghanistan
FOUO	For Official Use Only	NWRM	Nuclear Weapon-Related Material
FPDS-NG	Federal Procurement Data System – Next Generation	OCO	Overseas Contingency Operations
FRCSW	Fleet Readiness Center Southwest	OCR	Operation Chain Reaction
GFEBs	General Fund Enterprise Business System	ODC	Other Direct Cost
GPC	Government Purchase Cards	ODO	Other Defense Organizations
GSA	General Services Administration	OSC-I	Office of Security Cooperation - Iraq
GWOT	Global War on Terror	OMB	Office of Management and Budget
HAP	Homeowners Assistance Program	PCOLS	Purchase Card On-Line System
HHS	Health and Human Services	PDHRA	Post Deployment Health Reassessment
HHS OIG	U.S. Department of Health and Human Services Office of Inspector General	PRC	People's Republic of China
HIDS	Host-Based Intrusion Detection Systems	SCI	Sensitive Compartmented Information
HQE	Highly Qualified Expert	SFIS	Standard Financial Information Structure
ICCTF	International Contract Corruption Task Force	SIGIR	Special Inspector General for Iraq Reconstruction
ICE	Immigration and Customs Enforcement	SIPRNet	Secret Internet Protocol Router Network
IDIQ	Indefinite Delivery Indefinite Quantity	SMDC CAMO	Space and Missile Defense Command Contracting and Acquisition Management Office
IG	Inspector General	SPO	Special Plans and Operations
IM	Internal Medicine	SPS	Standard Procurement System
IRS	Internal Revenue Service	TMA	TRICARE Management Activity
ISAF	International Security Assistance Force	UCA	Un definitized Contractual Actions
ISF	Iraq Security Forces	USAAA	U.S. Army Audit Agency
ISO	Investigations of Senior Officials	USACE	U.S. Army Corps of Engineers
JCOG	Joint Civilian Orientation Conference Program	USACIL	U.S. Army Criminal Investigation Laboratory
JCS	Joint Chiefs of Staff	USAID	U.S. Agency for International Development
LCDR	Lieutenant Commander	USAMRAA	U.S. Army Medical Research Acquisition Activity
LOGCAP	Logistics Civil Augmentation Program	USCENTCOM	U.S. Central Command
MAC	Medical Affirmative Claim	USCYBERCOM	U.S. Cyber Command
MACC	Multiple Award Construction Contract	USD(AT&L)	Under Secretary of Defense (Acquisition, Technology and Logistics)
MCRP	Medical Cost Reimbursement Program	USD(C)	Under Secretary of Defense (Comptroller)
MHE	Mental Health Evaluation	USD(P&R)	Under Secretary of Defense for Personnel and Readiness
MILCON	Military Construction	USETTI	U.S. Equipment Transfer to Iraq Program
MILSTRIP	Military Standard Requisitioning and Issue Procedures	USFK	United States Forces-Korea
MoD/GS	Ministry of Defense/ General Staff	USFOR-A	United States Forces - Afghanistan
MPA	Military Personnel Appropriation	USJFCOM	U.S. Joint Forces Command
MP-RTIP	Multi-Platform Radar Technology Insertion Program	USML	U.S. Munitions List
MRAP	Mine Resistant Ambush Protected Vehicles	USPS	U.S. Postal Service
MTF	Military Treatment Facilities	USPS OIG	U.S. Postal Service Office of Inspector General
NATO	North Atlantic Treaty Organization	USSGL	U.S. Government Standard General Ledger
NAVAUDSVC	Naval Audit Service	USSOCOM	U.S. Special Operations Command
NAVFAC	Naval Facilities Engineering Command	USSTRATCOM	U.S. Strategic Command
NAVSEA	Naval Sea System Command	USTC	U.S. Training Center
NAVSUP	Naval Supply Systems Command	USTRANSCOM	U.S. Transportation Command
NCIS	Naval Criminal Investigative Service	WARN	Worker Adjustment and Retraining Notification Act
NGA	National Geospatial Intelligence Agency	WHS	Washington Headquarters Services
NIPRNet	Non-Classified Internet Protocol Router Network	WRI	Whistleblower Reprisal Investigations
NORTHCOM	U.S. Northern Command		
NSA	National Security Agency		
NSD	Navigation Systems Division		
NSRWA	Non-Standard Rotary Wing Aircraft		



Department of Defense
Inspector General
4800 Mark Center Drive
Alexandria, VA 22350-1500

www.dodig.mil

Defense Hotline 1.800.424.9098



Inspector General Department of Defense

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

Department of Defense Inspector General
Office of Communications and Congressional Liaison
4800 Mark Center Drive Alexandria, VA 22350-1500

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