

# INSPECTOR GENERAL

*United States Department of Defense*



## SEMIANNUAL REPORT TO THE CONGRESS

APRIL 1, 2014 TO SEPTEMBER 30, 2014



*Required by Public Law 95-452*

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

## Mission

*Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that: supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.*

## Vision

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



For more information about whistleblower protection, please see the inside back cover.



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



Inspector General  
Jon T. Rymer

I am pleased to present the Department of Defense Inspector General Semiannual Report to Congress for the reporting period April 1, 2014, to September 30, 2014.

Our oversight of the Department identifies fraud, waste and abuse, and is critical as the Department continues to balance operational needs within tight budgetary constraints. Our core values of integrity, competency, independence, and efficiency are reflected in our investigations, audits, assessments, evaluations, and inspections. These are some of the significant issues identified during this reporting period:

- We remain concerned that the Department will be unable to meet statutory deadlines to provide reliable, timely, and useful financial and managerial data to meet its auditability deadlines. The Department and Services have spent more than \$3.8 billion on four systems to help track and manage financial data; however, these new systems are producing unreliable data.
- The drawdown of forces in Afghanistan will continue to challenge the Services' ability to determine the operational capability of equipment. The Department needs to ensure proper processes and procedures are in place to keep or dispose of the equipment.
- We also determined there is a need for better internal controls to ensure accountability and transparency of the \$3.3 billion of direct contributions given to the Afghanistan Security Forces Fund.

We also uncovered instances of fraud, waste and abuse such as

- The Missile Defense Agency (MDA) negotiated a \$1 billion contract without considering the audit results from the Defense Contract Audit Agency (DCAA). If MDA officials had considered the audit results from DCAA, the Government could have negotiated a significantly better price, saving millions of dollars in reduced contract fees.
- A U.S. Army Reservist pled guilty to money laundering and violating the Procurement Integrity Act involving a military contract for services in Afghanistan. The reservist, who provided sensitive information to a defense contracting company during the source-selection process, was paid \$9.4 million from the proceeds of the contract. The defense contracting company and its employee also pled guilty to violating the Procurement Integrity Act, and money laundering.

During this reporting period, we issued 76 reports identifying \$9 billion in potential monetary benefits. In addition, Defense Criminal Investigative Service investigations were the basis for 70 arrests, 145 criminal charges, 136 criminal convictions, 68 suspensions and 137 debarments as well as \$354.9 million in investigative receivables and recoveries. Administrative Investigations closed 409 senior official and 669 whistleblower reprisal/restriction complaints. The Defense Hotline fielded 5,995 contacts from the public and members of the DoD community and closed 3,239 cases.

We are expanding our oversight responsibilities as a result of Operation Inherent Resolve. We have been working closely with the Inspectors General from the U.S. Department of State and the U.S. Agency for International Development to ensure proper oversight and accountability of taxpayer dollars during this operation.

I would also like to thank our DoD IG employees, the defense oversight community, the Department, and Congress for their commitment in supporting this office.

Jon T. Rymer  
Inspector General

## SUMMARY OF AUDIT ACTIVITIES

Reports Issued	50
Potential Monetary Benefits Identified	
Recommendations Made with Questioned Costs	\$142.1 million
Recommendations Made on Funds Put to Better Use	\$8.90 billion
Achieved Monetary Benefits	\$280.1 million

## SUMMARY OF DEFENSE CRIMINAL INVESTIGATIVE SERVICE ACTIVITIES

Total Investigative Receivables and Recoveries <sup>1</sup>	\$354.9 million
Recovered Government Property	\$2.3 million
Civil Judgments/Settlements	\$306.7 million
Criminal Fines, Penalties and Restitution Ordered (does not include Asset Forfeitures)	\$42.9 million
Administrative Recoveries <sup>2</sup>	\$2.9 million
Investigative Activities	
Arrests	70
Criminal Charges	145
Criminal Convictions	136
Suspensions	68
Debarments	137
Asset Forfeiture Results	
Seized	\$1.5 million
Final Orders of Forfeiture	\$1.6 million
Monetary Judgments	\$9.3 million

<sup>1</sup> Includes investigations conducted jointly with other law enforcement organizations.

<sup>2</sup> Includes contractual agreements and military non-judicial punishment.

## SUMMARY OF ADMINISTRATIVE INVESTIGATIONS

---

Complaints Received	1,124
Senior Official Received	454
Whistleblower Reprisal Received	670
Complaints Closed	1,078
Senior Official	409
Whistleblower Reprisal	669

## SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES

---

Existing and Proposed Regulations Reviewed	135
Evaluation Reports Issued	15
Inspector General Subpoenas Issued	347
Contractor Disclosures Received	108

## SUMMARY OF INTELLIGENCE AND SPECIAL PROGRAM ASSESSMENTS ACTIVITIES

---

Reports Issued	5
----------------	---

## SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES

---

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

## SUMMARY OF DoD HOTLINE ACTIVITIES

---

Contacts	5,995
Cases Opened	2,949
Cases Closed	3,239

# CONTENTS

---

## 1. OVERVIEW

MISSION & ORGANIZATION .....	2
MISSION .....	2
ORGANIZATION .....	3

## 2. EXECUTIVE SUMMARY

OVERVIEW .....	4
PRIORITIES .....	5
CORE MISSION AREAS .....	5
ENABLING MISSION AREAS .....	8

## 3. CORE MISSION AREAS

AUDITS .....	10
ACQUISITION PROCESSES & CONTRACT MANAGEMENT .....	10
FINANCIAL MANAGEMENT .....	14
HEALTH CARE .....	18
JOINT WARFIGHTING AND READINESS .....	20
INVESTIGATIONS .....	21
PROCUREMENT FRAUD .....	21
PUBLIC CORRUPTION .....	23
PRODUCT SUBSTITUTION .....	25
HEALTH CARE FRAUD .....	27
ILLEGAL TECHNOLOGY TRANSFER .....	29
INSPECTIONS .....	31
HEALTH AND SAFETY .....	31
JOINT WARFIGHTING AND READINESS .....	33
ADMINISTRATIVE READINESS .....	33
COMPLIANCE .....	34
NUCLEAR ENTERPRISE .....	35
OTHER .....	35
ADMINISTRATIVE INVESTIGATIONS .....	37
WHISTLEBLOWER REPRISAL INVESTIGATIONS .....	37
REPRISAL INVESTIGATIONS .....	37
INVESTIGATIONS OF SENIOR OFFICIALS .....	39

# CONTENTS

POLICY AND OVERSIGHT .....	42
AUDIT POLICY AND OVERSIGHT .....	42
INVESTIGATIVE POLICY AND OVERSIGHT .....	45
CRIMINAL INVESTIGATIVE POLICY .....	46
TECHNICAL ASSESSMENTS .....	47
<b>4. ENABLING MISSION AREAS</b>	
CONGRESSIONAL TESTIMONY AND BRIEFINGS .....	50
DOD HOTLINE .....	51
PROGRAMS .....	56
OUTREACH .....	59
<b>5. SERVICES</b>	
ARMY .....	64
U.S. ARMY AUDIT AGENCY .....	64
U.S. ARMY CRIMINAL INVESTIGATION COMMAND .....	74
NAVY .....	76
NAVAL AUDIT SERVICE .....	76
NAVAL CRIMINAL INVESTIGATIVE SERVICE .....	85
AIR FORCE .....	88
AIR FORCE AUDIT AGENCY .....	88
CYBER SECURITY .....	92
AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS .....	93
<b>6. APPENDIXES</b>	
APPENDIX A. AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED .....	96
APPENDIX B. REPORTS CONTAINING POTENTIAL MONETARY BENEFITS .....	104
APPENDIX C. FOLLOWUP ACTIVITIES .....	105
APPENDIX D. CONTRACT AUDIT REPORTS ISSUED .....	107
APPENDIX E. STATUS OF ACTION ON POST-AWARD CONTRACTS .....	108
APPENDIX F. STATUS OF REPORTS WITH ACTION PENDING .....	109
APPENDIX G. SECTION 845 ANNEX AUDIT REPORTS WITH SIGNIFICANT FINDINGS ..	120
APPENDIX H. RESULTS OF PEER REVIEWS .....	133
APPENDIX I. ACRONYMS .....	135

# 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 6-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...”	9-48
Section 5(a)(2)	“description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies...”	9-48
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.”	9-48
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.	95-103
Section 5(a)(7)	“a summary of each particularly significant report...”	9-48
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...”	105
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...”	105
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...”	105
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...”	133
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...”	133
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...”	106
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...”	106
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...”	120-132
Section 8(f)(1)	“information concerning the number and types of contract audits...”	107
Section 5 note	“an annex on final completed contract audit reports...containing significant audit findings.”	109-119



# OVERVIEW



## SERVING THE CONGRESS AND THE DEPARTMENT

Department of Defense Inspector General (DoD IG) is an independent, objective agency within the U.S. Department of Defense (DoD) 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 Congress.

## MISSION

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

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

## VISION

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

## CORE VALUES

- Integrity
- Efficiency
- Accountability
- Excellence

## GOAL 1

Promote economy, efficiency and effectiveness.

## GOAL 2

Identify, deter and investigate fraud, waste and abuse.

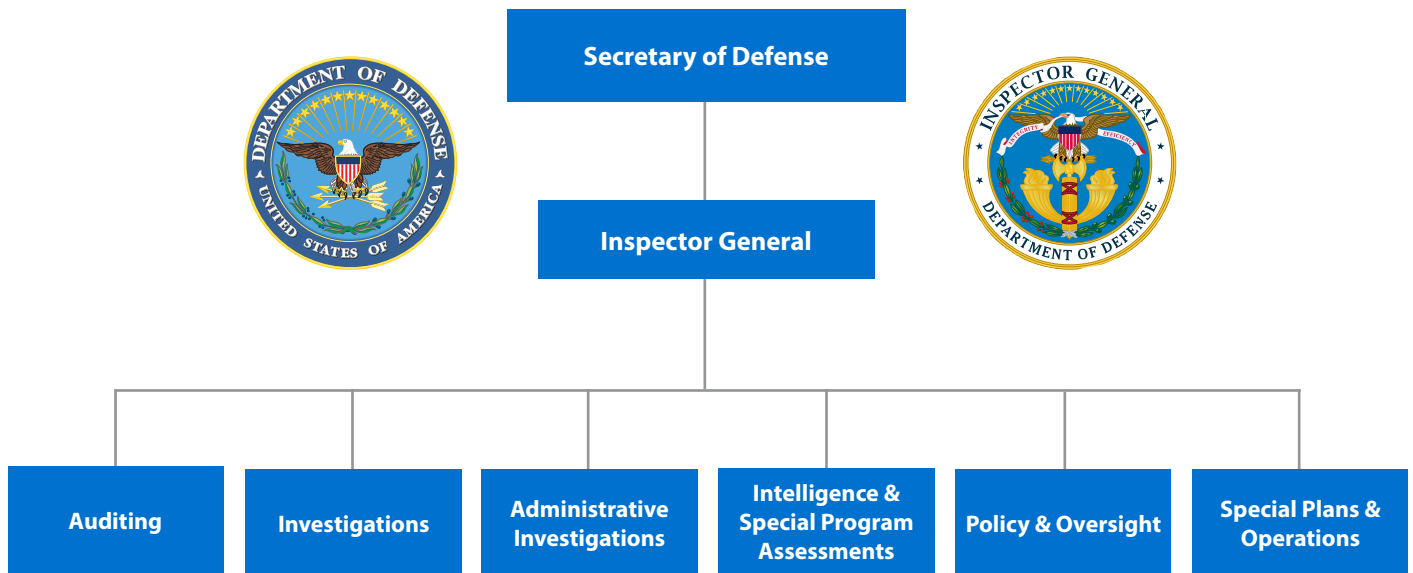
## GOAL 3

Engage, enable and empower our people.

## GOAL 4

Achieve excellence through unity.





## AUDITING

The Office of the Deputy Inspector General for Auditing conducts audits within 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 conducts highly relevant, objective, professional investigations of matters critical to DoD property, programs, and operations that provide for our national security with emphasis on life, safety, and readiness.

## 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; restriction from communicating with an IG or Member of Congress; whistleblower reprisal against service members, defense contractor employees, and DoD civilian employees (appropriated and nonappropriated fund).

## 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, counterintelligence, nuclear and security enterprises, and other special programs within DoD.

## POLICY AND OVERSIGHT

The Office of the Deputy Inspector General for Policy and Oversight provides oversight and policy for audit and investigative activities, conducts engineering assessments of DoD programs, 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 of all facets of DoD programs and operations. Senior DoD leaders and Congress use these assessments to make informed decisions regarding priority national security objectives.

## 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 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.

*“We are dedicated to serving the warfighter and the taxpayer by conducting audits, investigations, and inspections that result in improvements to the Department.”*

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 information to Congress. We summarize below the work of each component as of September 30, 2014.

**Auditing** issued 50 reports with more than 300 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 improve existing or identifying new efficiencies. Of those reports, 50 percent addressed acquisition processes and contracting issues; 26 percent addressed financial management issues; 8 percent addressed health and safety issues; 4 percent addressed cyber security issues; and 12 percent addressed joint warfighting and readiness issues.

**Investigations-Defense Criminal Investigative Service** opened 300 cases, closed 349 cases and has 1,678 ongoing investigations. Cases resolved in this reporting period primarily addressed criminal allegations of procurement fraud, public corruption, product substitution, illegal transfer of technology and health care fraud.

**Administrative Investigations** received a total of 454 senior official and 670 whistleblower reprisal/restriction complaints in the second half of FY 2014; and closed a total of 409 senior official and 669 whistleblower reprisal/restriction complaints. Effective September 7, 2014, the DoD Hotline was realigned under Administrative Investigations with reporting beginning in the first half of FY2015.

**Intelligence and Special Program Assessments** issued five reports that addressed the intelligence, the nuclear, and the security enterprises.

**Policy and Oversight** issued 15 evaluation reports addressing its oversight of audit and investigative issues in DoD. In particular, we reviewed adult sexual assault investigation policies; child sexual assault investigations; DoD compliance with the Sex Offender Registration and Notification Act; development and implementation of sexual assault evidence and criminal records retention policy; Pratt & Whitney commercial engine cost accounting standards; use of audit results on a \$1 billion Missile Defense Agency contract; and Exoatmospheric Kill Vehicle quality assurance and reliability. Policy and Oversight also issued 4 Department-wide policies, coordinated 135 existing and proposed DoD policy issuances, issued 346 IG subpoenas, and received 108 contractor disclosures.

**Special Plans and Operations** issued 6 assessment reports with 184 recommendations that addressed a range of issues, including inspection of the Armed Forces Retirement Home; development of a sustainable Afghan National Security Force and sustainable Afghan National Police health care; compliance of the DoD Combating Trafficking in Persons program; selection and training of personnel to leadership and cadre positions in Army Warrior Transition Units and Marine Corps Wounded Warrior Battalions; and DoD interaction with State Defense Forces.

## PRIORITIES

As a Department-wide priority, the Secretary of Defense identified the need to improve effectiveness and efficiencies in business operations 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 assessments to support the Department's goals to:

- Prevent and deter conflict.
- Prevail in today's wars.
- Prepare to defeat adversaries and succeed in a wide range of contingencies.
- Preserve and enhance the all-volunteer force.
- Reform and find further efficiencies in 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.
- Joint warfighting and readiness.
- Cyber Security.
- Health and safety.
- Equipping and training Afghan National Security Forces.
- Nuclear enterprise.

Our investigations resulted in criminal, civil, and administrative actions. This SAR highlights the following investigative priorities for crimes impacting the Department:

- Procurement fraud.
- Public corruption.
- Product substitution.
- Health care fraud.
- Illegal technology transfer.

## CORE MISSION AREAS

We issued 76 reports identifying \$9 billion in potential monetary benefits. We achieved an additional \$280 million in financial savings based on management-completed corrective actions to reports issued in this reporting period and previous reporting periods. In addition, Defense Criminal Investigative Service investigations were the basis for 70 arrests, 145 criminal charges, 136 criminal convictions, 68 suspensions and 137 debarments, as well as \$354.9 million in investigative receivables and recoveries.

### AUDITS

Of the 50 audit reports issued during this reporting period, audit readiness, spare parts, and health care payments were the predominant focus areas.

#### Audit Readiness

DoD is developing and deploying Enterprise Resource Planning systems as a critical component of DoD's auditability strategy and ability to meet the 2017 audit deadline. Given the large volume of transactions and the complexity of DoD's operations, combined with the inability of the current systems to produce data that comply with accounting standards, DoD IG remains concerned that the Department will be unable to meet its auditability deadlines if these new systems are not fully operational. Delays and deficiencies in the Enterprise Resource Planning systems could prevent the Department from reaching its 2017 auditability requirement. DoD IG continues to identify critical deficiencies in the deployment and reliability of the new Enterprise Resource Planning systems. Specifically, DoD IG has identified that despite spending more than \$3.8 billion on the four systems reviewed this period, the system(s) were not designed to comply with standards, allowed erroneous data entry, required extensive manual adjustments, and produced unreliable data. Collectively, these identified deficiencies could prevent DoD from reaching the 2017 auditability deadline.

***DODIG-2014-066, DODIG-2014-068,  
DODIG-2014-087, DODIG-2014-090, DODIG-2014-104***

## Spare Parts

DoD continues to experience challenges in adequately managing spare parts inventory. DoD IG issued six reports this period that identify recurring challenges in the effective management and procurement of spare parts, including \$32.9 million of potential monetary benefits. Specifically, DoD procured additional parts even though parts were available in existing DoD inventories. In addition, DoD did not always procure spare parts at fair and reasonable prices and overpaid for repair parts. ***DODIG-2014-054, DODIG-2014-064, DODIG-2014-088, DODIG-2014-106, DODIG-2014-110, DODIG-2014-119,***

## Health Care Payments

DoD did not always exercise adequate financial management for health care services. DoD IG issued three reports this period that identify challenges in effective management of health care costs. Specifically, DoD did not transfer more than \$11 million in delinquent accounts for collection. In addition, DoD did not negotiate rates for overseas locations, representing approximately \$238 million in health care payments. With health care costs increasingly consuming DoD budget dollars, it is important that DoD control costs and collect delinquent debt. ***DODIG-2014-052, DODIG-2014-101, DODIG-2014-112***

## INVESTIGATIONS

The Defense Criminal Investigative Service (DCIS) was instrumental in the first extradition of a fugitive from Iraq to the United States. Working jointly with the Federal Bureau of Investigation, DCIS agents obtained an international arrest warrant for Metin Atilan, the president of PMS Services, Ltd. Atilan was indicted in 2008 on charges of conspiracy and wire fraud. While under house arrest, Atilan fled to Turkey and was arrested in Iraq in 2013. On July 26, 2014, Atilan was returned to the United States under a 1936 extradition treaty between the United States and Iraq.

A DCIS investigation with the Food and Drug Administration and Department of Veterans Affairs resulted in Genzyme Corporation paying \$22.8 million to the U.S. Government. The payment settled allegations that Genzyme violated the False Claims Act by marketing an adhesion barrier for purposes not approved by the Food and Drug Administration.

A DCIS investigation with U.S. Army Criminal Investigation Command, Internal Revenue Service and the Small Business Administration resulted in defense contractor Joseph Terry being sentenced to 9 years in jail and ordered to pay a money judgment in excess of \$1 million. Terry fraudulently obtained more than \$14 million in DoD contracts by falsifying tax returns and other documents allowing him access to contracts set aside for small disadvantaged businesses.

## INSPECTIONS

DoD IG performed a comprehensive inspection of all aspects of the Armed Forces Retirement Home (AFRH). The inspection consisted of 13 areas of AFRH operations and management. DoD IG found that AFRH was not accredited by a recognized civilian accrediting organization in the areas of medical care, dental care, rehabilitation, and pharmacy services. Also, medical record documentation, nursing notes, and documentation of medication were incomplete. Credentialing and privileging processes had deficiencies. Numerous AFRH standard operating procedures were contradictory, difficult to understand, used references that were not pertinent to the subject, and were out of date. AFRH Agency and AFRH-Washington were also found to lack sufficient/competent physician leadership. ***Report No. DODIG-2014-093***

DoD IG initiated an assessment to review the progress of U.S. military and Coalition efforts in developing effective and sustainable Afghan National Police (ANP) health care. DoD IG found that the Afghan Air Force made significant progress in conducting casualty evacuation during the past year with an increased number of improved response times. Also, improved cooperation among Government of the Islamic Republic of Afghanistan organizations had a positive effect on the development of the Afghan National Security Forces health care system and direct medical support to the ANP. Despite improvements, DoD IG found that U.S. military and Coalition plans and advisory efforts were not consistently focused on developing the ANP medical capability to provide effective point of injury care for combat casualties. Medical advisory resources were also not sufficient or, in some cases, not skilled and trained to aid in the development of ANP medical capability. ***Report No. DODIG-2014-072***

DoD IG reviewed DoD Combating Trafficking in Persons program performance and compliance with DoD Instruction 2200.01, “Combating Trafficking in Persons (CTIP),” September 15, 2010. DoD IG summarized findings from its multiyear review beginning in 2009 in response to the requirement for the Inspectors General of the Department of Defense, Department of State, and United States Agency for International Development to investigate a sample of contracts for which there was a heightened risk that contractors may engage in acts related to trafficking in persons. Despite positive actions by DoD Components, DoD IG found that DoD CTIP programs still did not meet current U.S. Government and DoD policy standards. Most DoD Components also had not reviewed their CTIP programs. Additionally, the Office of the Under Secretary of Defense for Personnel and Readiness had not completed any routine reviews of DoD Components’ self-assessments of their CTIP programs. Further, the Joint Staff and combatant commands have not adequately addressed CTIP in operational and contingency plans. Lastly, DoD CTIP training compliance was incomplete and did not provide specific CTIP training for certain job functions.

**Report No. DODIG-2014-079**

## POLICY AND OVERSIGHT

The DoD IG substantiated the validity of a complaint that Missile Defense Agency (MDA) contracting officials negotiated a \$1 billion contract without considering the results of an audit performed by the Defense Contract Audit Agency (DCAA). If MDA officials had considered the DCAA results, the Government could have negotiated a significantly lower contract value and thereby saved millions of dollars in reduced contract fees. In addition, MDA officials failed to withhold approximately \$73 million from the contractor’s billings, as the Federal Acquisition Regulation requires.

**Report No. DODIG-2014-115**

DoD IG evaluated the Military Criminal Investigative Organizations’ (MCIOs’) adult sexual assault investigation policies to determine whether they aligned with DoD requirements, Service requirements, Council of Inspectors General on

Integrity and Efficiency (CIGIE) Quality Standards for Investigations, and accepted law enforcement investigative techniques. DoD IG found that MCIO investigative policies generally align with DoD, Services, CIGIE, and International Association of Chiefs of Police investigative actions in their sexual assault investigative policies and guidance.

**Report No. DODIG-2014-108**

DoD IG performed a quality assurance assessment of MDA’s Ground-Based Midcourse Defense, Exoatmospheric Kill Vehicle, procured from Raytheon Missile Systems via the prime contractor Boeing. The evaluation found that the majority of quality management systems were in compliance. However, some areas need improvement, such as the contractors were not ensuring that software development processes and testing were sufficient; that all quality assurance and technical requirements for mission-critical assemblies flowed down to the supply chain and were verified; contractors were not adhering to configuration management processes, specifically with respect to management of change processes for design requirements; and MDA and the contractors were not ensuring that all quality management systems were in compliance with the aerospace quality management system standard AS9100C. DoD IG identified a total of 48 nonconformances that were violations of AS9100C. These nonconformances could result in the production of nonconforming hardware and software which could affect mission success.

## ADMINISTRATIVE INVESTIGATIONS

At the request of the Deputy Secretary of Defense, DoD IG agreed to lead a task force to improve the timeliness of senior official administrative investigations. By memorandum dated September 5, 2014, the Deputy Secretary of Defense asked the Service Secretaries to support the effort. The task force will establish an “as is” state of operations for each Service Inspector General, develop a “to be” state consisting of best practices, and submit an action plan to improve the timeliness of senior official investigations. DoD IG will provide a report to the Deputy Secretary of Defense by November 4, 2014.

## ENABLING MISSION AREAS

---

### DoD HOTLINE

The DoD Hotline received 5,995 contacts from the public and members of the DoD community during this reporting period. Based on these contacts, the Hotline opened 2,949 cases and closed 3,239 cases.

### CONGRESSIONAL AFFAIRS

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.

### CONGRESSIONAL REQUESTS

The Office of Communications and Congressional Liaison (OCCL) supports DoD IG by serving as the contact for communications to and from Congress, and by serving as the DoD IG public affairs office. From April 1, 2014, through September 30, 2014, OCCL received 108 new congressional inquiries and closed 114.

New inquiries and pending legislation involved issues such as:

- a review that articulates which DoD ejection seat-equipped aircraft meet the aircrew survivability and equipment airworthiness requirements stipulated by current policy and regulation, and
- a review of DoD noncompetitive information technology contracts to determine whether they were properly justified as sole source.

In addition, OCCL continues to proactively reach out to congressional staffers to ensure they are informed about upcoming IG releases and ongoing reviews.



2

# CORE MISSION AREAS



## AUDITS

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

- Acquisition processes and contract management.
- Financial management.
- Health care.
- Joint warfighting and readiness.

### ACQUISITION PROCESSES & CONTRACT MANAGEMENT

During this reporting period, the DoD IG identified acquisition and contract management related weaknesses and deficiencies in the Department's procurement and management of spare parts, acquisition and development of future capabilities, acquisition of assets for Afghanistan National Security Forces, utility services, and contractor oversight. These acquisition and contract management weaknesses impact the Department's ability to deliver capabilities that are on time, within budget, and meet performance objectives.

#### Air Force Did Not Justify the Need for MQ-9 Reaper Procurement Quantities

##### OVERVIEW:



DoD IG reviewed whether the Air Force effectively managed the MQ-9 acquisition program. Specifically, DoD IG determined whether the Air Force justified the overall procurement quantity of 401 MQ-9 aircraft.

##### FINDINGS:

The Air Force did not justify the need for the planned procurement quantity of 401 MQ-9 aircraft, at an estimated cost of \$76.8 billion. This occurred because Air Combat Command officials did not follow the Joint Capabilities Integration Development System requirement to obtain Joint Requirements Oversight Council approval for an increase in procurement quantity. Additionally, Air Combat Command officials did not conduct and maintain consistent, complete, and verifiable analyses for determining the necessary aircraft quantity. As a result, the Air Force risks spending



DoD IG reviewed whether the Air Force effectively managed the MQ-9 acquisition program.

approximately \$8.8 billion to purchase, operate, and maintain 46 MQ-9 aircraft it may not need.

##### RECOMMENDATIONS:

DoD IG recommended the Director of Plans, Programs, and Requirements, Headquarters Air Combat Command, perform comprehensive analyses to determine the necessary quantity of MQ-9 aircraft for mission, training, test, Air National Guard, backup, and attrition reserve; update and submit the MQ-9 production document to the Air Force Requirements Oversight Council and Joint Requirements Oversight Council for validation of the cost and quantity before making any FY 2015 procurement decisions; and review the actions of the Air Force's Air Combat Command MQ-9 Requirements Branch officials, and initiate corrective measures and actions to ensure analysis is conducted and maintained. Additionally, DoD IG recommended the Chairman of the Air Force Requirements Oversight Council validate the necessary quantity and cost in the updated MQ-9 production document prior to providing the updated production document to the Joint Requirements Oversight Council for revalidation.

**Report No. DODIG-2014-123**

#### Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program

##### OVERVIEW:



The House Committee on Appropriations requested in its report (House Report 113-113) to accompany H.R. 2397, the DoD Appropriations

Bill, 2014, that the DoD IG review the \$4.2 billion PCS Program and determine whether potential cost savings and efficiencies could be implemented throughout the program. In response to the legislative mandate, DoD IG reviewed whether DoD could implement potential cost savings and efficiencies throughout the DoD Permanent Change of Station Program.

## FINDINGS:

DoD IG determined that while DoD and the Services implemented or plan to implement various initiatives to reduce costs and improve the Permanent Change of Station (PCS) Program, additional efficiencies and savings within the \$4.2 billion Permanent Change of Station Program could be realized by implementing additional control measures. These control measures include ensuring that services track and manage nontemporary storage entitlements; Army improves oversight of overpayments made for service members who exceed their maximum household goods weight entitlements; personal property shipping office personnel use the most cost-effective method to accomplish domestic moves; DoD imposes weight limits for household good shipments during certain local moves; DoD uses the most cost-effective mode of transportation for all overseas PCS moves; and DoD considers implementing a statutory incentive that would allow service members to voluntarily reduce the weight of shipped household goods and receive a portion of the savings.

## RECOMMENDATIONS:


Among the recommendations, DoD IG recommended that the Under Secretary of Defense for Personnel and Readiness and the Deputy Assistant Secretary of Defense for Transportation Policy update the Joint Federal Travel Regulations to remove authority for the Government to continue paying nontemporary storage costs after the entitlement period expires and to apply weight limitations to local moves executed at the convenience of the Government. In addition, the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD; Under Secretary of Defense for Personnel and Readiness; and the Deputy Assistant Secretary of Defense for Transportation Policy convene a working group to study the feasibility of

implementing a statutory incentive to encourage sharing of costs savings when minimizing the weight of household goods shipments. Also, recommended the Commander, U.S. Transportation Command, evaluate the cost effectiveness of using each Patriot Express channel for PCS travel and, pending the results of the review, take appropriate action to reduce the number of Patriot Express missions flown, if warranted.

**Report No. DODIG-2014-076**

## Army Integrated Air and Missile Defense Program Needs to Improve Software, Test, and Requirements Planning

### OVERVIEW:

 DoD IG evaluated the efforts to prepare the Army Integrated Air and Missile Defense program for initial production. The Army Integrated Air and Missile Defense will integrate multiple sensors (radar) and shooters (missile launchers), using a mission command single integrated fire control network to provide the warfighter a full view of defended airspace, including friendly force and threat information.

### FINDINGS:

DoD IG determined that the Army needs to improve the software delivery and test planning for the Army Integrated Air and Missile Defense program before acquiring 31 Integrated Air and Missile Defense Battle Command Systems at an estimated cost of \$416.1 million. Additionally, the Army needs to specifically define the capability requirements for the second program increment to increase the likelihood



DoD IG evaluated the efforts to prepare the Army Integrated Air and Missile Defense program for initial production.

that the system will provide useful and supportable capabilities that can be effectively developed, tested, and produced at an affordable cost.


## RECOMMENDATIONS:

DoD IG recommended the Under Secretary of Defense for Acquisition, Technology, and Logistics postpone the initial production decision until the Army completes testing that shows the program meets planned requirements. Additionally, the Commander, Army Fires Center of Excellence, should fully define system capability requirements for the planned second increment of the Army Integrated Air and Missile Defense.

**Report No. DODIG-2014-081**

## Defense Logistics Agency Aviation Potentially Overpaid Bell Helicopter for Sole-Source Commercial Spare Parts

### OVERVIEW:

 DoD IG determined whether the Defense Logistics Agency (DLA) was purchasing sole-source commercial parts at fair and reasonable prices from Bell Helicopter Textron.

### FINDINGS:

DoD IG found that the contracting officer did not sufficiently determine whether prices were fair and reasonable for sole-source commercial parts negotiated on a contract. This occurred because the contracting officer did not perform an adequate analysis when procuring sole-source commercial parts. Specifically, the contracting officer used the previous DoD purchase price without performing historical price analysis and accepted Bell's market-based pricing strategy in a noncompetitive environment without performing a sufficient sales analysis. As a result, the contracting officer did not obtain cost data to perform cost analysis, and DLA potentially overpaid Bell Helicopter Textron about \$9 million on 33 of 35 sole-source commercial spare parts reviewed. In addition, DLA may overpay as much as \$2.6 million over the next 12 months on future orders under this contract.



DoD IG determined whether DLA purchased sole-source spare parts for Bell Helicopters at fair and reasonable prices.


### RECOMMENDATIONS:

Among the recommendations, DoD IG recommended the Director, Defense Pricing, should issue guidance to establish a percentage of commercial sales that is sufficient to determine fair and reasonable prices when items are being acquired on a sole-source contract and market-based prices are used. In addition, DoD IG recommended the contracting officer assess and implement available options to voluntarily recover from Bell Helicopter Textron about \$9 million in excessive payments as well as review other parts ordered under this contract and request a voluntary refund from Bell Helicopter Textron for any other identified overpayments.

**Report No. DODIG-2014-088**

## Onitic Engineering and Manufacturing Overcharged the Defense Logistics Agency for Sole-Source Spare Parts

### OVERVIEW:

 DoD IG determined whether the Defense Logistics Agency (DLA) purchased sole-source spare parts at fair and reasonable prices from Onitic Engineering and Manufacturing (Onitic).

*“DLA paid as much as 831 percent more for spare parts purchased from Ontic than it previously paid other suppliers for the same parts.”*

## FINDINGS:

DoD IG determined that DLA contracting officials did not obtain fair and reasonable prices for sole-source spare parts purchased from Ontic for 21 parts, valued at \$26.2 million. DLA paid as much as 831 percent more for spare parts purchased from Ontic than it previously paid other suppliers for the same parts. Also, DLA paid Ontic approximately 124 percent more than the prices Ontic paid its suppliers to manufacture complete or nearly complete spare parts. This occurred because DLA did not conduct sufficient analysis to establish the reasonableness of Ontic’s proposed prices. Specifically, DLA contracting officials used previous DoD purchase prices without determining the price reasonableness of those prices and did not eliminate unallocable and unreasonable costs included in Ontic’s prices. In addition, DLA contracting officials and Ontic did not consistently comply with Federal guidance for analyzing subcontractor prices to determine price reasonableness. Furthermore, licensing agreements between Ontic and the original equipment manufacturers reduced the contracting officials’ leverage to negotiate fair and reasonable prices. As a



DoD IG determined whether DLA purchased sole-source spare parts, such as an air heat exchanger, at fair and reasonable prices from Ontic.

result, DLA paid approximately \$8 million more than is fair and reasonable for 21 sole-source spare parts. Additionally, based on annual procurement data, DLA will spend approximately \$11 million more than is fair and reasonable over the next 5 years if no change is made and if DLA’s current level of demand for the sole-source spare parts continues.


## RECOMMENDATIONS:

DoD IG recommended that the Director, DLA, develop a quality assurance process to require contracting officers to conduct cost analysis on all Ontic proposals to determine price reasonableness, confirm contracting officer’s conduct and use adequate cost or price analyses, and substantiate that contracting officers verify that prime contractors conduct appropriate cost or price analyses to establish the reasonableness of proposed subcontract prices. In addition, DoD IG recommended that DLA recover the \$8 million in overpayments from Ontic and perform a review of all other sole-source spare parts purchased from Ontic and request refunds for all other identified overcharges.

**Report No. DODIG-2014-110**

## Independent Auditor’s Report on Agreed-Upon Procedures for DoD Compliance With Service Contract Inventory Compilation and Certification Requirements for FY 2012

### OVERVIEW:

 DoD IG performed the procedures, which were agreed to by House Armed Services Committee staff, solely to assess DoD’s compliance with Federal and DoD requirements when DoD Components compiled and certified the FY 2012 inventory of contracts for services.

### FINDINGS:

Overall, DoD included required elements in the FY 2012 inventory of contracts for services; however, DoD was inconsistent in reporting its service contracts. DoD Components did not include all the required elements and varied in the level of information they provided in the certification letter to signify completion of their FY 2012 review of contracts for services. In addition, guidance directing the Component FY 2012 review of the inventory of contracts for services was at times unclear.

## RECOMMENDATIONS:

DoD IG recommended the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense for Personnel and Readiness provide an update on the status for staffing the Total Force Management Support Office and finalizing the service contract review form, identify the DoD Components required to submit an inventory of contracts for services, and clarify policies and procedures related to inventory of contracts for services processes.

**Report No. DODIG-2014-114**

## FINANCIAL MANAGEMENT

The Department's financial management challenges impair its ability to provide reliable, timely, and useful financial and managerial data to support operating, budgeting, and policy decisions. Gaps in the financial framework harm the accuracy, reliability, and timeliness of budgetary and accounting data and financial reporting, reducing the effectiveness of decisions made by leaders at all levels. The Department continues to struggle with effective and timely development and implementation of their business transformation efforts. During this reporting period, DoD IG reported on identified weaknesses and deficiencies in the Department's development and implementation of the enterprise resource planning systems, audit readiness efforts, management of cash and commemorative program funds, and reporting of improper payments.

### DoD Efforts to Meet the Requirements of the Improper Payments Elimination and Recovery Act in FY 2013

#### 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.

#### FINDINGS:

DoD met five of the six requirements of the "Improper Payments Elimination and Recovery Act of 2010." However, DoD did not meet the reduction targets for five of the eight payment programs with established targets. In addition, DoD's inability to ensure that all required payments were reviewed resulted in unreliable estimates and rates.

## RECOMMENDATIONS:

DoD IG recommended that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:

- coordinate with Military Departments and Defense agencies to develop metrics and quality assurance goals as well as programmatic corrective action plans, including holding those officials financially liable where appropriate;
- develop and submit a remediation plan to the appropriate congressional committees as required by the "Improper Payments Elimination and Recovery Act of 2010"; and
- coordinate with the Director of Office of Management and Budget to review the Defense Finance and Accounting Service Travel Pay program and determine whether additional funding would help the agency comply with Public Law 111-204 for meeting payment reduction targets.

**Report No. DoDIG-2014-059**

### Improvement Needed for Management of Commemorative Program Funds

#### OVERVIEW:



DoD IG determined whether accounting of funds used for the Korean War 60th Commemoration program was accurate and complete.

*"The Army spent at least \$2 million more than the \$5 million spending limit set by Public Law 111-383 and, as a result, may have violated the Antideficiency Act."*

#### FINDINGS:

The Army spent at least \$2 million more than the \$5 million spending limit set by Public Law 111-383 and, as a result, may have violated the Antideficiency Act. Additionally, the Army Deputy Chief of Staff, G-2 initiated a contracting action that improperly obligated \$125,100 after the funds were no longer available and transferred less money than required to the DoD Vietnam War Commemorative Fund, another potential violation of the Antideficiency Act.

**RECOMMENDATIONS:**


DoD IG recommended the Secretary of the Army should issue implementing guidance for effectively performing executive agent responsibilities in accordance with DoD Directive 5101.1. Additionally, the Assistant Secretary of the Army (Financial Management and Comptroller) should:

- obtain and review supporting documentation for \$517,510 in disbursements and initiate corrective actions if improper payments are found;
- initiate a preliminary review in accordance with DoD Regulation 7000.14-R, volume 14, chapter 3 to determine whether the Army violated the Antideficiency Act, and, if it did, recommend corrective actions, including actions for responsible officials; and
- initiate corrective action to identify and transfer all unobligated amounts that remained in the DoD Korean War Commemoration Fund as of September 30, 2013.

**Report No. DODIG-2014-067**

**Government of the Islamic Republic of Afghanistan Needs to Provide Better Accountability and Transparency Over Direct Contributions**

**OVERVIEW:**

 DoD IG determined whether the Government of the Islamic Republic of Afghanistan’s (GIROA) Ministries of Defense and Interior have controls in place to ensure a transparent and accountable fiscal process for the direct funding provided for the sustainment of the Afghan National Security Force (ANSF).

**FINDINGS:**

GIROA lacked the basic controls to provide reasonable assurance that it appropriately spent \$3.3 billion of Afghanistan Security Forces Fund (ASFF) direct contributions. As a result, Combined Security Transition Command-Afghanistan could not verify that the GIROA used Afghanistan Security Forces Fund direct contributions properly or for their intended purposes.



DoD IG determined whether GIROA Ministries of Defense and Interior have controls in place for the fiscal process for the direct funding provided for the sustainment of ANSF.

**RECOMMENDATIONS:**


DoD IG recommended that Combined Security Transition Command-Afghanistan:

- improve its commitment letters with the Ministries of Defense and Interior by requiring GIROA to modify how it accounts for and reports its use of ASFF direct contributions,
- distribute ASFF direct contributions to GIROA in Afghani instead of U.S. dollars,
- coordinate with GIROA to develop capacities within Ministries of Defense and Interior to address identified weaknesses in the ANSF payroll process and Ministries of Defense and Interior expenditure process for ASFF direct contributions, and
- withhold future ASFF direct contributions if GIROA does not correct the conditions identified or document the reasons for not withholding future contributions.

**Report No. DODIG-2014-102**

**Improvements Needed in the General Fund Enterprise Business System Budget-to-Report Business Process**

**OVERVIEW:**

 DoD IG performed this audit to determine whether the General Fund Enterprise Business System (GFEBS) Program Management

Office implemented the DoD Business Enterprise Architecture Budget-to-Report Business Process to properly support the Army General Fund Statement of Budgetary Resources. The Army developed GFEBS to improve the use of resources, comply with statutory and regulatory accounting requirements, standardize financial and business processes, and provide the capabilities to meet future needs. GFEBS is the Army General Fund general ledger and, beginning in FY 2013, the system of record for Army General Fund distribution.

*“Despite spending \$910 million on the GFEBS development and implementation, the system’s data for the Budget-to-Report business process was unreliable and required \$141.3 billion of adjustments...”*

#### FINDINGS:

Despite spending \$910 million on the GFEBS development and implementation, the system’s data for the Budget-to-Report business process was unreliable and required \$141.3 billion of adjustments to prepare the FY 2013 Army General Fund Statement of Budgetary Resources, which reported \$266.5 billion of Total Budgetary Resources. As a result, the Army is at risk of not meeting the FY 2014 Statement of Budgetary Resources audit readiness date.


#### RECOMMENDATIONS:

DoD IG recommended Army officials verify that the GFEBS posting logic documentation is accurate and complete, and use it to validate GFEBS general ledger account postings; direct GFEBS Program Management Office to reconfigure GFEBS to properly record Budget-to-Report transactions; provide the Army Budget Office with training on performing their Budget-to-Report responsibilities using GFEBS; create procedures that address the entire Budget-to-Report process; use GFEBS to execute all Army General Fund appropriations; and assess how implementing corrective actions for the findings identified will impact the timeline for asserting audit readiness of the Army General Fund Statement of Budget Resources.

**Report No. DODIG-2014-090**

## Global Combat Support System-Army Did Not Comply With Treasury and DoD Financial Reporting Requirements

#### OVERVIEW:

 DoD IG determined whether the Army fielded the Global Combat Support System-Army (GCSS-Army) with the proper functionality to provide reliable financial information and support audit readiness requirements. The Army initiated development of GCSS-Army in 1997 to replace 13 legacy systems. GCSS-Army contains supply, maintenance, property, and tactical finance functionalities.

#### FINDINGS:

The Army did not ensure GCSS-Army complied with Treasury and DoD guidance, which is necessary for providing reliable financial information and supporting audit readiness requirements. Although Army personnel were responsive to correcting deficiencies identified during the audit, the Army spent \$725.7 million on a system that has significant obstacles to overcome to comply with the Federal Financial Management Improvement Act and meet the FYs 2014 and 2017 auditability deadlines. This included posting logic issues that resulted in abnormal balances of \$703.7 million, or 23.5 percent, of the \$3 billion GCSS-Army fourth quarter FY 2013 Trial Balance.

#### RECOMMENDATIONS:

DoD IG recommended the Under Secretary of Defense (Comptroller)/Chief Financial Officer, in coordination with the DoD Deputy Chief Management Officer, should develop and implement procedures to validate that GCSS-Army complies with applicable guidance and internal control standards. They should also publish account attribute, chart of account, and posting logic guidance by the beginning of each fiscal year, with a deadline for system implementation. The Assistant Secretary of the Army (Financial Management and Comptroller), in coordination with the GCSS-Army Product Manager, should formalize and expand the annual review process of GCSS-Army to include a review of the account attributes, chart of accounts, and posting logic and develop an automated functionality for demonstrating GCSS-Army account postings.

**Report No. DODIG-2014-104**



## Logistics Modernization Program System Not Configured to Support Statement of Budgetary Resources

### OVERVIEW:



DoD IG determined whether the Army's Logistics Modernization Program system Product Management Office implemented the Budget-to-Report business process required to support the Army Working Capital Fund Statement of Budgetary Resources.

### FINDINGS:

Despite spending more than \$1.8 billion, Army personnel did not perform sufficient reengineering to provide the correct system requirements for executing the Budget-to-Report business process. As a result, the Logistics Modernization Program system cannot provide financial managers with reliable budgetary execution information without more than \$41 billion in manual adjustments to prepare the budgetary reports. Unless Army personnel perform the reengineering needed to implement the DoD Transaction Library correctly, it is unlikely they will achieve audit-ready financial statements by FY 2017.

### RECOMMENDATIONS:

DoD IG recommended the Under Secretary of Defense (Comptroller)/ Chief Financial Officer develop procedures for distributing budget authority to the budget offices for recording in the enterprise resource planning systems and establish comprehensive sub-allotment procedures. Further, the Deputy Chief Financial Officer should collaborate with the Deputy Chief Management Officer to extend the DoD transaction codes' alignment in the DoD Business Enterprise Architecture.

**Report No. DODIG-2014-066**

## Air Force Managers Did Not Implement Adequate Controls for the Defense Enterprise Accounting and Management System Order-to-Cash Business Process

### OVERVIEW:



DoD IG determined whether the Air Force's controls over recording accounting transactions within the Defense Enterprise Accounting and Management System (DEAMS) Order-to-Cash business process were adequate. DEAMS is a joint

Enterprise Resource Planning initiative among the Air Force, the U.S. Transportation Command, and the Defense Finance and Accounting Services. When fully deployed, DEAMS will serve as the financial management system of record for the Transportation Working Capital Fund and the General Fund for both U.S. Transportation Command and the Air Force.

*“ In FY 2012, 11 accounts associated with the DEAMS Order-to-Cash business process produced about \$2.8 billion of abnormal balances while processing data for only one location.”*

### FINDINGS:

Unless adequate controls are developed and implemented for the DEAMS Order-to-Cash business processes, the Air Force will continue to have significant errors in its reported financial data, and managers will not successfully reach the FY 2017 auditability goal. In FY 2012, 11 accounts associated with the DEAMS Order-to-Cash business process produced about \$2.8 billion of abnormal balances while processing data for only one location. However in FY 2013, Air Force managers implemented improvements that resulted in a reduction of abnormal balances in the 11 accounts to about \$154 million. In addition to the FY 2013 abnormal balances, the lack of reconciling controls and controls to make corrections to incorrectly categorized Transportation Working Capital Fund transactions resulted in data errors of about \$25 million. As DEAMS deploys to additional locations, data inaccuracies could grow significantly if site-specific process weaknesses and functional gaps are not identified and resolved.

### RECOMMENDATIONS:

DoD IG recommended that the Assistant Secretary of the Air Force (Financial Management and Comptroller) establish and maintain evidence of metrics for measuring abnormal balances. Furthermore, DoD IG recommended Assistant Secretary of the Air Force (Financial Management and Comptroller) conduct and maintain evidence of a comprehensive site assessment to include risk

assessments and business process reengineering. Additionally, the Director, DEAMS Functional Management Office should conduct and maintain evidence of monthly monitoring of the metrics measuring abnormal balances at all deployed sites of DEAMS, and report the outcome to senior level Air Force managers.

**Report No. DODIG-2014-068**

## Improvements to Controls Over Cash Are Needed at Army Disbursing Stations in Kuwait and Saudi Arabia

### OVERVIEW:



DoD IG determined whether the controls at the Army disbursing stations in Kuwait and Saudi Arabia were adequate to safeguard, account for, document, and report cash held at those sites. In addition, DoD IG evaluated whether the U.S. Army Financial Management Command effectively implemented technical oversight and provided assistance to the Army disbursing station in Saudi Arabia. The three disbursing stations reviewed had \$4.9 million in cash on hand at the time of DoD IG's cash counts.

*“...An Army disbursing station in Kuwait did not report a loss of funds of about \$6.5 million and had not conducted a formal loss of funds investigation.”*

### FINDINGS:

Controls at Army disbursing stations in Kuwait and Saudi Arabia, were not adequate to safeguard, account for, document, and report cash. In addition, an Army disbursing station in Kuwait did not report a loss of funds of about \$6.5 million and had not conducted a formal loss of funds investigation. As a result, the risk of losing the remaining balance of \$5.4 million has increased.

### RECOMMENDATIONS:

Among other recommendations, DoD IG recommended the Army conduct staff assistance visits when a new disbursing officer or deputy disbursing

officer is appointed to an Army disbursing station in Kuwait. In addition, DoD IG recommended that the Army revise the training curriculum for disbursing officers or deputy disbursing officers and certify that they have taken this training. DoD IG also recommended that the disbursing officer for the Army disbursing station in Kuwait report a loss of funds of \$5.4 million, conduct an investigation and prepare a report, inform senior officials at the Departments of State and Treasury of the loss of funds, and request assistance from these officials in recovering the lost funds. Furthermore, senior officials should review the actions of the disbursing officers for the two disbursing stations regarding the deficiencies identified in this report and take appropriate management action, including holding the necessary officials accountable.

**Report No. DODIG-2014-057**

## HEALTH CARE

Over the last decade, health care costs continued to grow substantially, and the Military Health System costs have been no exception. The DoD appropriations for health care in FY 2014 were \$32.7 billion, which is an increase of about 80 percent since FY 2005, and has almost tripled since FY 2001 from \$12.1 billion. The Department reported that growing health care costs will limit its ability to fund readiness requirements. Any steps the Department can take to ensure the most effective use of the limited resources should be taken. During this reporting period, DoD IG issued reports addressing the Department's management of delinquent medical service accounts. Additionally, DoD IG reviewed the Department's efforts for timely transmittal of service members' health records to the Department of Veterans Affairs.

## DoD Did Not Negotiate Rates With Overseas Health Care Providers and Generally Paid Claims as Billed

### OVERVIEW:



DoD IG determined the extent to which the TRICARE Management Activity, through the TRICARE Overseas Program contractor, negotiated and adhered to reasonable rates for health care services provided in overseas locations.

**FINDINGS:**

The TRICARE Management Activity did not negotiate rates in any of the 163 overseas locations, which represented \$238 million in health care payments in FY 2012. Without negotiating rates or implementing other cost containment measures, the TRICARE Management Activity potentially paid more than necessary for health care services provided by overseas health care providers.

**RECOMMENDATIONS:**

DoD IG recommended that the Assistant Secretary of Defense (Health Affairs) initiate action to either establish negotiated rates with high-dollar-volume overseas providers or implement other cost containment measures in high-dollar-volume locations with significant increases. Also, the Assistant Secretary should establish procedures to negotiate rates directly with the TRICARE Overseas Program contractor when the contractor provides service as a health care provider.

**Report No. DODIG-2014-052**

**Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight**

**OVERVIEW:**



DoD IG determined whether the military treatment facilities properly managed accounts that were more than 180 days delinquent by transferring the debt to the U.S. Treasury or by actively pursuing collection. The project is the first in a series of projects assessing whether the military treatment facilities properly managed accounts that were more than 180 days delinquent.

**FINDINGS:**

Brooke Army Medical Center Uniform Business Office management did not effectively manage delinquent medical service accounts. Unless Brooke Army Medical Center Uniform Business Office management acted to collect \$73.1 million in delinquent debt and improved its collection process, they would continue to incur rising delinquent balances for future medical service accounts.



Brooke Army Medical Center Uniform Business Office management did not effectively manage delinquent medical service accounts.

**RECOMMENDATIONS:**

DoD IG recommended the Commander, Brooke Army Medical Center, validate that the planned medical billing system will prioritize delinquent medical service accounts and alert the clerks as to which accounts require follow up. Additionally, the Chief of Staff, U.S. Army Medical Command should research additional means to increase collections at Brooke Army Medical Center and other Army military medical treatment facilities; and the Assistant Secretary of Defense (Health Affairs) should meet with Department of Health and Human Services to discuss reimbursement problems with military medical treatment facilities and Medicaid.

**Report No. DODIG-2014-101**

**Transfer of DoD Service Treatment Records to the Department of Veteran Affairs**

**OVERVIEW:**



DoD IG determined whether DoD effectively transferred service treatment and personnel records to the Department of Veterans Affairs. Specifically, DoD IG evaluated whether DoD made available timely and complete service treatment records to the Department of Veterans Affairs (VA).

## FINDINGS:

DoD did not consistently transfer timely and complete service treatment records to the VA. DoD did not provide the Military Departments with clear or comprehensive guidance concerning the service treatment records transfer process, to include the DoD-VA agreed upon procedure for certifying service treatment records completeness. DoD's failure to consistently make timely and complete service treatment records available to the VA likely contributed to delays in processing veterans' benefit claims.

## RECOMMENDATIONS:

DoD IG recommended that the Under Secretary of Defense for Personnel and Readiness, in coordination with the Director, Defense Health Agency, revise DoD Instruction 6040.45, "Service Treatment Record (STR) and Non-Service Treatment Record (NSTR) Life Cycle Management," October 28, 2010, to update the process for certifying service treatment records as complete and require the Military Departments to perform annual reviews of service treatment records with service members to achieve service treatment records completeness. DoD IG also recommend that the Commander, U.S. Army Medical Command, and the Commander, U.S. Navy Bureau of Medicine and Surgery, identify and resolve inefficiencies in the service treatment records transfer process that delay the timely processing of them for active duty and Reserve Component personnel.


**Report No. DODIG-2014-097**

## JOINT WARFIGHTING AND READINESS

The drawdown of forces from Afghanistan will continue to challenge the Services as they deal with retrograde and reset equipment; much of that equipment is returning after utilization rates exceeded many of the designed operating parameters. As the drawdown continues in Afghanistan, the Department must ensure that adequate oversight of returned equipment and the equipment reset process are properly managed so that only unusable equipment is disposed of and serviceable equipment is fielded to intended users. During this reporting period, DoD IG conducted several audits addressing security and handling of equipment staged for retrograde, cargo procedures, and force provider equipment.

## The Army Did Not Properly Account For and Manage Force Provider Equipment in Afghanistan

### OVERVIEW:

 DoD IG determined whether DoD properly accounted for force provider equipment in Afghanistan. A force provider module is a compilation of components that support 600 personnel.

### FINDINGS:

The Army did not properly account for force provider modules deployed to Afghanistan from 2001 through 2013. Further, the Army did not ensure accurate accounting requirements codes were assigned to individual force provider components. This increased the risk that units would improperly destroy, abandon, or lose force provider equipment in theater, which could result in increased reset costs.

### RECOMMENDATIONS:

Among other recommendations, DoD IG recommended that the Army identify and account for all nonexpendable force provider components by serial number and revise Army regulations to ensure items are correctly assigned accounting requirements codes. DoD IG recommended the Commanding General, Army Materiel Command, establish guidance that lists the responsibilities regarding



A force provider kitchen container full of equipment was not properly accounted for and abandoned in Afghanistan.

the accountability of force provider equipment and require quarterly reconciliations of property books to the equipment deployed into theater.

**Report No. DODIG-2014-098**

### Navy Can Improve Management of Zero Demand Items

#### OVERVIEW:



DoD IG determined whether the Navy, in coordination with the Defense Logistics Agency (DLA), effectively identified and managed zero-demand stock. In FY 2013, DoD spent approximately \$15.4 million to store items that had no demand for 5 or more years. As of October 2012, DLA reported approximately 500,000 unique National Stock Numbers with zero demand for 5 or more years, that occupy more than 3.6 million cubic feet of space at DLA Distribution locations. The Navy owns and manages more than 90,000 of those items, which occupy more than 1.2 million cubic feet. The Navy pays DLA approximately \$5 million annually to store zero-demand items.

#### FINDINGS:

Naval Supply Systems Command has reduced the number of zero-demand items through its disposal review process. However, Naval Supply Systems Command needs additional improvements to identify and manage zero-demand items. For the 89 zero-demand items reviewed, Naval Supply Systems Command personnel did not identify 18 zero-demand items, valued at \$26.1 million, with no valid requirement as potential excess for disposal. As a result, Naval Supply Systems Command is paying Defense Logistics Agency storage costs for items no longer needed.

#### RECOMMENDATIONS:

DoD IG recommended that the Commander, Naval Supply Systems Command, develop and implement procedures to clarify requirements related to the review of zero-demand items; and, in coordination with the Office of the Assistant Secretary of Defense for Logistics and Materiel Readiness, develop a phased approach, with milestones, for reviewing all zero-demand items.

**Report No. DODIG-2014-063**

## INVESTIGATIONS

The following cases are highlights of investigations conducted by the Defense Criminal Investigative Service (DCIS) and its Federal law enforcement partners during the reporting period. DCIS investigative highlights are listed under the following categories:

- Procurement fraud
- Public corruption
- Product substitution
- Health care fraud
- Illegal technology transfer

### PROCUREMENT FRAUD

Procurement fraud investigations continue to comprise a major part of the DCIS case inventory. 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 or labor mischarging, defective pricing, price fixing, bid rigging, and defective and counterfeit parts. The potential damage resulting from procurement fraud extends well beyond financial losses. This crime poses a serious threat to the ability of the Department to achieve its operational objectives and can have a negative effect on the implementation of programs. DCIS places the highest priority on investigations impacting safety and operational readiness to protect the welfare of warfighters throughout the procurement process.

### Government Contractor in Huntsville Sentenced to 9 Years in Prison for Fraud

#### OVERVIEW:



A joint investigation with U.S. Army Criminal Investigation Command, Internal Revenue Service-Criminal Investigation, and the Small Business Administration (SBA) Office of Inspector General disclosed that in 2003, Joseph Terry applied for and obtained a small disadvantaged or minority-owned business status from the SBA. To maintain that status, Terry submitted false tax returns to the SBA from 2004 through 2008. Having the special status

with the SBA enabled his company, Government Technical Services (GTS), to bid and win Government contracts specifically set aside for small disadvantaged businesses. Terry submitted personal and corporate returns to the SBA for tax years 2002 through 2007, in an attempt to show he was current on filling his taxes. GTS obtained a \$961,551 contract in September 2006 to install metal roofing on three DoD buildings at Fort Polk, Louisiana. To obtain authorization to start work on this contract, GTS submitted forged performance and payment bonds and a power of attorney from a Mississippi bond company and its parent surety company in Louisiana. GTS won the contract, but was terminated in April 2008 for failing to perform the work and for providing fraudulent bonds. In all, Terry fraudulently obtained more than \$14 million in Government contracts. Additionally, Terry induced banks to make mortgage loans totaling \$480,000 based on his false tax returns and other false financial documents. Terry also induced his then-girlfriend, Michelle Vandergrift, to falsely claim on a loan application that GTS employed her.

## RESULT:

Previously, Michelle Vandergrift pleaded guilty to money laundering in connection with Terry's inducement that she falsely claim on the mortgage application that she worked for GTS. She was sentenced to 12 months probation, a \$20,000 money judgment, and ordered to pay a \$100 special assessment fee. Terry previously pleaded guilty to wire fraud, false statements to the Small Business Administration, false statements on a credit loan/application, money laundering, and aiding and abetting. On July 29, 2014, Terry was sentenced to 108 months imprisonment, 36 months supervised release, a money judgment in excess of a \$1 million, and a \$1,300 special assessment fee.

## Widespread Suspensions for California-Based Masonry Companies

### OVERVIEW:

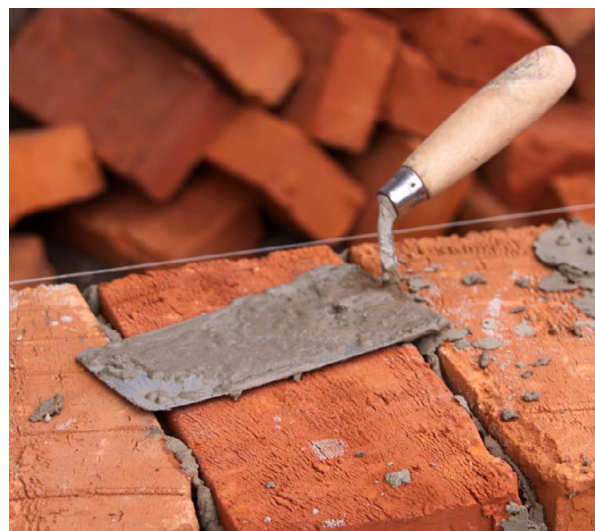


A joint investigation with the Naval Criminal Investigative Service and Small Business Administration-Office of the Inspector General disclosed that from 2009 through 2012, Frazier Masonry Corp. (FMC), F-Y Inc., CTI Concrete & Masonry Inc., Masonry Technology Inc., Masonry Works Inc., Russell Frazier, Gary Cox and Robert

Yowell (collectively the Frazier defendants) allegedly violated the False Claims Act by misrepresenting their small business status in connection with military construction contracts. The case involved contracts to construct facilities at Marine Corps bases at Camp Lejeune, North Carolina, and Camp Pendleton, California. The investigation revealed the defendant masonry subcontractors and their principals misrepresented to the prime contractors that they were small businesses, and that these misrepresentations caused the prime contractors to falsely certify that they had complied with the small business provisions of the contracts.

## RESULT:

Previously, Russell Frazier, Gary Cox and the Frazier Masonry Corporation were suspended from contracting with the Federal Government by the Navy effective July 29, 2013. Effective October 24, 2013, all companies affiliated with Frazier were suspended, to include, Holver Investments, LLC; Pyramid Partners, LLC; Camarillo Hangar, LLC; Executive King Air, LLC; FM Commercial, LLC; RM Leasing, LLC; RMF Investments, LLC; Real Stone Source, LLC; RMF Holdings, LLC; RP Imports, LLC; RPHT Investments, LLC; Ironwood Holdings, LLC; Fanshell Holdings, LLC; La Marina Holdings, LLC; Carron Holdings, LLC; DMR Holdings, LLC; Reno Office, LLC; Vegas Yard, LLC; Lancaster Yard, LLC; Ovington Division, LLC; and Aveleight LLC. On December 18, 2013, the



A DCIS investigation of masonry companies led to a 1.7 million settlement.

Frazier defendants entered into a Civil Settlement Agreement with the Department of Justice in which the defendants agreed to pay the Government \$1.17 million to settle the allegations of false claims. In accordance with the civil settlement agreement, Russell Frazier agreed to sell his personal residence and pay the Government 60 percent of the net proceeds exceeding \$3 million. In March 2014, Frazier sold his home for \$4.4 million. The net proceeds were \$1.16 million of which 60 percent is \$698,250. The relator is to receive \$146,633 of the \$698,250, and the remainder of \$551,618 is to be paid to the U.S. Government.

On May 28, 2014, as a result of guilty pleas for false statements, Russell Frazier was sentenced to 12 months and 1 day imprisonment followed by 2 years of supervised release. Gary Cox was sentenced to 6 months imprisonment followed by 2 years of supervised release. In addition, Frazier and Cox were each ordered to pay a \$50,000 fine and a \$100 special assessment fee, for a grand total of \$1.97 million in settlements and fines.

## U.S. Army Reservist Sentenced to Prison For Procurement Fraud In Afghanistan

### OVERVIEW:



A joint investigation with the U.S. Army Criminal Investigation Command, Internal Revenue Service – Criminal Investigation Division, and Immigrations and Customs Enforcement – Homeland Security Investigations, identified \$24 million in financial transactions going to personal accounts belonging to Christopher Harris of American International Security Corporation (AISC), a DoD contractor operating in Afghanistan. During the course of the investigation, Lieutenant Colonel David Young, a U.S. Army Reservist assigned to the Combined Joint Special Operations Task Force in Afghanistan, was identified as having received a substantial amount of money from Harris.

According to court documents, Young admitted that by virtue of his position as a Federal official, he possessed confidential bid, proposal, and source selection information concerning a contract, which he disclosed to Harris and Michael Taylor, the owner and Chief Executive Officer of AISC. Young admitted the information provided gave a competitive advantage in the source-selection process and that the Army

subsequently awarded the contract to AISC. According to the plea agreements, AISC paid Harris, who worked as the country manager in Afghanistan for AISC, more than \$17 million throughout the life of the contract; Young received more than \$9.4 million from the proceeds of the contract.

*“On June 13, 2014, Young...was sentenced to 42 months confinement and 36 months supervised release, and was ordered to pay a \$200 penalty assessment.”*

### RESULT:


On June 13, 2014, Young, who had previously pleaded guilty to money laundering and violating the Procurement Integrity Act, was sentenced to 42 months confinement, and 36 months supervised release, and was ordered to pay a \$200 penalty assessment. Harris previously pleaded guilty to conspiracy to violate the Procurement Integrity Act, and conspiracy to commit money laundering, and was sentenced June 23, 2014, to 24 months confinement, and 36 months supervised release, and ordered to pay a \$200 penalty assessment. Taylor previously pleaded guilty to violating the Procurement Integrity Act and is currently awaiting sentencing.

## PUBLIC CORRUPTION

Corruption by public officials poses a fundamental threat to the country’s national security and overall safety and undermines the public trust in the Government. Public corruption wastes billions of tax dollars and negatively affects DoD and the mission of the warfighter. DCIS combats this issue with the authority, resources, and expertise to conduct undercover operations, court-authorized electronic surveillance, and forensic audits. Using these tools, DCIS pursues those who undermine the integrity of the DoD acquisition system. The entire procurement system is based on the trust and integrity of the public officials who oversee the purchase, quality, safety, and security of the equipment, and the services that warfighters require to carry out the mission.

## Fugitive Defense Contractor Extradited from Iraq

### OVERVIEW:


 As a result of a joint investigation with the Federal Bureau of Investigation, Metin Atilan, President And Chief Executive Officer of PMA Services Ltd., was indicted in June 2008 on charges of conspiracy to engage in contract fraud, conspiracy to engage in wire fraud, and wire fraud. According to court documents, between 2006 through 2008, Atilan allegedly offered bribes and kickbacks to secure contracts for services and construction projects associated with U.S. military operations in Iraq. Atilan was first arrested in Las Vegas May 23, 2008. While awaiting extradition from Nevada to Ohio, Atilan, a dual U.S. and Turkish citizen, allegedly removed his electronically monitored ankle bracelet and escaped to his native country of Turkey.

### RESULT:

In July 2013, Atilan was arrested in Erbil, Iraq, pursuant to an INTERPOL international arrest warrant (Red Notice). In January 2014, Atilan was ordered to be extradited to the United States by an Iraqi judge to face the charges against him pursuant to a previously filed extradition request by the United States in 2010. On July 26, 2014, Atilan was returned to the U.S. Following his initial hearing, Atilan was remanded into the custody of the U.S. Marshals Service. The extradition of Atilan is the first successful extradition of a fugitive from Iraq to the United States under an extradition treaty between the two countries dating back to 1936. Charged individuals are presumed innocent until proven guilty.

## U.S. Army Sergeant First Class Sentenced to 5 Years for Bribery and Theft

### OVERVIEW:

 A joint investigation with the Federal Bureau of Investigation, U.S. Army Criminal Investigation Command and the Special Inspector General for Afghanistan Reconstruction disclosed that U.S. Army Sergeant First Class James E. Travis, acted as both paying agent and contracting officer representative out of Forward Operating Base Sharana, Afghanistan. As a contracting officer representative responsible for approving completion of contracts and payments,



A DCIS investigation resulted in the forfeiture of this Silverado truck to partially satisfy a money judgment.


Travis admitted to accepting kickbacks from various vendors. According to court documents, Travis received approximately \$211,890 in kickbacks from vendors involving several contracts. In addition, Travis, another U.S. soldier, and a local Afghan national worked together to steal fuel from Forward Operating Base Sharana. Agents estimated that Travis facilitated the theft of 182,815 gallons of fuel worth an estimated \$422,303.

### RESULT:

Previously, Travis pleaded guilty to bribery and theft of Government property. On April 9, 2014, Travis was sentenced to 60 months of imprisonment and 36 months of supervised release, and was ordered to pay restitution in the amount of \$422,303 and a \$200 special assessment. Additionally, a criminal forfeiture money judgment in the amount of \$165,758 was ordered against Travis.

## Former Marine Sentenced to 3 Years in Prison for Theft of Government Property

### OVERVIEW:

 A joint investigation with Naval Criminal Investigative Service disclosed that between March 2012 and February 2013, William Carpio, then a gunnery sergeant in the U.S. Marine Corps, embezzled property belonging to the United States. In February 2013, law enforcement were tipped off



that Carpio was mailing suspicious packages using a non-local return address. Further investigation revealed that Carpio, who had supervisory responsibility over military supplies at New River Air Station, North Carolina, was purchasing property on his Government purchase card and then selling the property, using the Internet, to businesses.

## RESULT:

Previously, Carpio pleaded guilty to theft of Government property. On June 3, 2014, he was sentenced to 37 months imprisonment followed by 3 years of supervised release, and was ordered to pay \$1.01 million in restitution to the U.S. Government and a \$100 special assessment. Additionally, Carpio received a preliminary order of forfeiture in the amount of \$354,180 from a previously seized PayPal account.

## Large Scale Bribery Scheme Involving Officials at the U.S. Navy Military Sealift Command

### OVERVIEW:



A joint investigation with the Federal Bureau of Investigation and Naval Criminal Investigative Service disclosed that between March 2005 and June 2009, Kenny Eugene Toy, a civil servant employed as a senior systems engineer at the Military Sealift Command Headquarters in Washington, D.C., and Scott B. Miserendino, a contractor at Military Sealift Command Headquarters, accepted bribes from



A DCIS investigation uncovered bribery of Military Sealift Command employees.

Defense contractors. Toy and Miserendino received cash payments and other items of value in exchange for their assistance in directing U. S. Government subcontracts and task orders to two Virginia Government contracting companies. The bribes were paid by Michael P. McPhail, former co-owner of Company A; Roderic J. Smith, the former president of Company A; Dwayne Allen Hardman, the co-founder of Companies A and B; Adam C. White, former vice president at Company A; and Timothy S. Miller, former cofounder of Company B.

## RESULT:

Previously, White, Smith, and McPhail each pleaded guilty to conspiracy to commit bribery. Hardman and Toy also pleaded guilty to bribery. In addition, Hardman, McPhail, Miller and Smith were suspended from contracting with the Federal Government. On April 8 and April 14, 2014, White and Toy, respectively, were also suspended from contracting with the Government. On June 23, 2014, Smith was sentenced to 48 months in prison followed by 1 year of supervised release and ordered to pay a \$100 penalty assessment. On July 9, 2014, Hardman was sentenced to 96 months imprisonment followed by 3 years of supervised release and ordered to pay a \$100 penalty assessment. On July 11, 2014, White was sentenced to 24 months in prison followed by 3 years of supervised release and ordered to pay a \$100 penalty assessment. On July 29, 2014, Toy was sentenced to 96 months in prison followed by 3 years of supervised release and ordered to pay a \$100 penalty assessment. On August 5, 2014, McPhail was sentenced to 36 months in prison followed by 3 years of supervised release and ordered to pay a \$100 penalty assessment.


## PRODUCT SUBSTITUTION

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

Federal law enforcement partners, supply centers, and the defense industrial base to ensure that DoD contractors provide the correct parts and components to meet DoD requirements. DCIS actively participates in the Defense Supply Center-Columbus Counterfeit Material/Unauthorized Product Substitution Team and partners at the national level with the Intellectual Property Rights Coordination Center, to focus on preventing the proliferation of counterfeit parts. 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.

## Supplier Conspired to Sell Counterfeit Integrated Circuits to U.S. Navy

### OVERVIEW:


 A joint investigation with U.S. Immigration and Customs Enforcement-Homeland Security Investigations and Naval Criminal Investigative Services determined that Peter Picone, President, Epic International Electronics, conspired to import thousands of counterfeit integrated circuits (IC) from China and Hong Kong and then resold them to U.S. customers, including the Department of the Navy. According to court filings, from 2007 through 2012, Picone conspired with his suppliers in China and Hong Kong to purchase millions of dollars of ICs bearing the counterfeit marks of approximately 35 major electronics manufacturers, including Motorola, Xilinx and National Semiconductor. Picone sold counterfeit ICs to contractors knowing they would be supplied to the U.S. Navy for use in nuclear submarines. Testing by the Navy and one of its contractors revealed that the ICs purchased from Picone had been resurfaced to change the date code and to affix counterfeit marks in an attempt to disguise their true origin. Agents searched Picone's business and residence on April 24, 2012, and recovered 12,960 counterfeit ICs.

### RESULT:

Previously, Picone and Epic were suspended from Government contracting. On June 3, 2014, Picone pleaded guilty to conspiring to traffic in counterfeit military goods. On July 1, 2014, a consent order of forfeiture was issued requiring forfeiture of 12,960 integrated circuits bearing counterfeit trademarks and a \$70,050 money judgment was also ordered. Sentencing is scheduled for October 2014.

## Contractors to Pay \$1.6 Million for Making False Statements to the Government

### OVERVIEW:

 A DCIS investigation disclosed that Dennis Frederick, owner and President of Precision Metal Spinning, Inc., and Brian Frederick, an executive officer of Precision Metal, willfully and knowingly made materially false statements. They represented that the outer wall assemblies provided for use in Tomahawk cruise missile engines were being welded by Precision Metal using welding standard P2560. The outer wall assemblies were actually being welded by a different corporation using a different welding standard.

### RESULT:

On April 29, 2014, Dennis Frederick and Brian Frederick pleaded guilty to submitting false statements to the Government. On September 3, 2014, each defendant was sentenced to 1 year and 1 day of confinement, 3 years supervised release, and jointly and severally ordered to pay \$1.6 million in restitution to the Naval Air Systems Command. Additionally, Dennis Frederick was ordered to pay a \$10,000 fine and a \$100 special assessment fee. The defendants were also both ordered to complete 100 hours of community service and, as a special condition of their supervised release, both have been suspended from contracting or subcontracting with the U.S. Government for the duration of their prison terms and supervised release.



A DCIS investigation revealed nonconforming welding on Tomahawk cruise missiles.



DCIS investigated nonconforming batteries for HMMWV gun turrets.

### Defense Contractors Settle Alleged False Claims Act Violations for \$5.5 Million

#### OVERVIEW:



A DCIS investigation disclosed that East Penn Manufacturing Company Corporation and its subsidiary, MK Battery, Inc. allegedly supplied nonconforming dual-purpose batteries to NPC Robotics, Inc., for use by DoD to power gun turrets atop Highly Mobile Multipurpose Wheeled Vehicles (HMMWV). BAE Systems, Inc., was contracted to install the batteries in the HMMWVs. The DoD contract required dual-purpose batteries with both a strong starting capacity and good, deep cycling ability. In 2005, DoD determined that a sample of the batteries met the requirements of the contract, and the batteries were approved for use. East Penn allegedly made changes to the design and manufacturing of the batteries that negatively affected their deep-cycle performance. East Penn, MK Battery, NPC, and BAE failed to inform DoD of the changes.

#### RESULT:

On September 4, 2014, East Penn, MK Battery, NPC, and BAE entered into a civil settlement with the Department of Justice and agreed to pay \$5.5 million to resolve alleged violations of the False Claims Act.

## HEALTH CARE FRAUD

The rising costs associated with health care continue to be a national concern. DCIS has experienced an increase in allegations of health care fraud, and combatting this crime is one of DoD IG's top investigative priorities. Of particular concern are allegations of potential harm to DoD military members and their dependents. In addition to patient harm, typical investigations scrutinize health care providers participating in corruption or kickback schemes, overcharging for medical goods and services, marketing of drugs for uses not approved by the Food and Drug Administration, and approving unauthorized individuals to receive TRICARE health care benefits. DCIS continues to proactively target health care fraud through coordination with other Federal agencies and participation in Federal and state task forces.

### \$22.8 Million Settlement by Genzyme Corporation to Settle Alleged False Claims

#### OVERVIEW:




A joint investigation with Food and Drug Administration (FDA) Office of Criminal Investigation and U.S. Department of Veteran Affairs Office of Inspector General disclosed that Genzyme Corporation allegedly marketed off-label use of a semi-liquid form of its Seprafilm adhesion barrier, referred to as slurry. The FDA approved a solid form state of Genzyme's Seprafilm for use in traditional or "open belly" surgeries as an adhesion barrier to patients' internal organs following surgery, but before closure of the surgical incision, to prevent tissue adhesions. Beginning in 2002, following the decrease in traditional surgeries and increase in laparoscopic surgeries, Genzyme allegedly marketed its slurry for use during laparoscopic procedures. The FDA considers slurry as potentially dangerous to patients when combined with saline, which is used extensively in laparoscopic procedures.

#### RESULT:

On April 25, 2014, Genzyme entered into a civil settlement agreement with the U.S. Department of Justice in which Genzyme agreed to pay \$22.8 million to settle allegations Genzyme violated the False Claims Act. Of that amount, the Defense Health Agency received \$846,810.

## TRICARE Provider to Pay More Than \$29 Million to Settle False Claims Allegations

### OVERVIEW:


 A joint investigation with Health and Human Services Office of Inspector General disclosed that from 2003 through 2008, Shands Healthcare, which operates a network of health care providers in Florida, allegedly submitted inpatient claims to Medicare, Medicaid, and TRICARE for certain inpatient services and procedures that Shands Healthcare allegedly knew were correctly billable only as outpatient services or procedures.

### RESULT:

Previously, Shands entered into a civil settlement agreement with the Department of Justice in the amount of \$26 million to settle allegations that six of its health care facilities submitted false claims to Medicare, Medicaid, and other health care programs. Of this amount DoD received \$1 million, and the Qui Tam relator received \$4.6 million. On June 6, 2014, Shands entered into supplemental civil settlement agreement in which the company agreed to pay an additional \$3.2 million. Of this amount, Health and Human Services will receive \$124,803 and the relator will receive \$849,509.

## Military Pharmacy Employees Jailed for Drug Theft

### OVERVIEW:

 A joint investigation with the Food and Drug Administration-Office of Criminal Investigation disclosed that from approximately January 2008 to June 11, 2013, Issa Wasco Koroma, a former pharmacy employee at the Walter Reed National Military Medical Center; Rodger Gurdon, former pharmacy technician at Fort Belvoir Community Hospital; and another codefendant, conspired to steal medical products from military pharmacies and re-sell the stolen pharmaceuticals for profit. The thefts occurred at Fort Belvoir, Walter Reed National Military Medical Center, and the former Walter Reed Army Medical Center, all of which were military hospitals owned and operated by the Department of Defense. The stolen pharmaceuticals consisted of Norditropin, Humatrope, Somatotropin, and Botox,



A DCIS investigation identified pharmacy employees stealing from Walter Reed National Military Medical Center.

as well as erectile dysfunction medications and other branded varieties of human growth hormone. The medication stolen by Koroma and his coconspirators were pre-retail medical products that were diverted prior to their delivery to individual patients. The prescription medications had been purchased by TRICARE and were intended for the use of individual TRICARE patients. The total loss to DoD caused by the theft scheme was approximately \$4.5 million.

### RESULT:

Previously, Koroma pleaded guilty to conspiracy to steal pre-retail medical products and theft of pre-retail medical products. On May 14, 2014, Koroma was sentenced to 60 months in prison followed by 3 years of supervised release, and ordered to pay restitution of \$4.46 million and a \$200 special assessment fee. Additionally, a forfeiture order determined the following property was subject to forfeiture: \$10,250 seized on June 11, 2013, from Koroma's residence; five winning Maryland Pick Four lottery tickets seized on June 11, 2013, from Koroma's residence, and any proceeds there from, amounting to \$25,000, and a money judgment of \$4.43 million. Gurdon previously pleaded guilty to conspiracy to steal pre-retail medical products, interstate receipt of stolen property, and conspiracy to possess and distribute more than 100 kilograms of marijuana.

On August 25, 2014, Gurdon was sentenced to 78 months in prison followed by 5 years of supervised release, and ordered to pay restitution in the amount of \$4.46 million and a \$300 penalty assessment. Gurdon's restitution is jointly and severally liable with co-defendant Issa Wasco Koroma and a second codefendant.

## \$1.28 Million Settlement by TRICARE Physician and Clinic

### OVERVIEW:



A DCIS investigation disclosed that Dr. David Hatfield and Developmental Behavioral Health, allegedly billed TRICARE for services not rendered to patients and allegedly falsified records to support the claims for therapy services to patients. Developmental Behavioral Health, which is solely owned by Hatfield, primarily provides Applied Behavioral Analysis therapy to family members of active duty military who are diagnosed with autism spectrum disorders. Between 2008 and 2012, TRICARE paid Developmental Behavioral Health more than \$2 million for Applied Behavioral Analysis therapy. Also, it was determined that Hatfield provided therapy services to developmentally disabled children and allegedly accepted TRICARE payments for unallowable administrative matters, such as time spent on completing timecards, cancelled appointments, and money or time spent on food and supplies.

### RESULT:

On September 19, 2014, Hatfield and Developmental Behavioral Health entered into a Consent Judgment in which they agreed to pay TRICARE \$1.28 million to settle the allegations of false claims.

## ILLEGAL TECHNOLOGY TRANSFER

DCIS serves a vital role in national security through investigations of theft and illegal import, export or diversion of strategic technologies and U.S. Munitions List items to banned nations, criminal enterprises, and terrorist organizations. This includes the illegal transfer or theft of defense technology, weapon systems, and other sensitive

components and programs. Consistent with its role in protecting America's warfighters, DCIS is an integral participant in the President's Export Control Reform Initiative. DCIS is a charter member of the Export Enforcement Coordination Center, a multiagency center established to serve as a focal point for the coordination and enhancement of Government export enforcement efforts.

## Defense Contractor Sentenced for Selling Stolen Military Equipment

### OVERVIEW:



A joint investigation with the U.S. Immigration and Customs Enforcement-Homeland Security Investigations and the Department of Commerce disclosed that Janiece Michelle Hough conspired with active duty U.S. Army personnel, Department of Defense contractors, and civilians to traffic property stolen from Fort Hood, Texas. Hough worked as a data manager for Tesco, Research, Analysis & Maintenance, Inc. Hough sold stolen military items online and exported them from the United States knowing they were stolen and subject to U.S. export restrictions. The stolen items were illegally exported to Germany, Finland, and Japan and included Advanced Combat Optical Gunsights, infrared aiming lasers, and M-16 firearm components.



DCIS solved the theft of Army equipment like this Advanced Combat Optical Gunsight.

## RESULT:

On June 17, 2014, Hough pleaded guilty to smuggling goods from the United States and was sentenced to 6 months of incarceration, 8 months of home confinement, 28 months of probation, and 100 hours of community service, a forfeiture money judgment of \$198,054 and a \$100 special assessment fee.

## Former Police Officer Sentenced for Embezzlement of DoD-Provided Equipment

### OVERVIEW:



A joint investigation with the Columbus Division of Police and the Federal Bureau of Investigation disclosed that former Columbus, Ohio, police officer Steven Dean misappropriated and sold property belonging to the Columbus Division of Police received through the 1033 Law Enforcement Support Office (LESO) Program administered by the Defense Reutilization and Marketing Service, Battle Creek, Michigan. The program, which originated in the National Defense Authorization Act of 1997, allows transfer of excess DoD property, which might otherwise be destroyed, to law enforcement agencies across the United States and its territories. Dean was in charge of his department's LESO program. Dean did not maintain an inventory and pilfered property from the LESO program. Between October 1, 2005, and June 1, 2012, Dean embezzled and sold more than \$250,000 worth of LESO Program property, which included heavy equipment, vehicles, restaurant equipment, and construction equipment.

*“On August 15, 2014, Dean was sentenced to 30 months of imprisonment, 3 years of supervised release, and ordered to forfeit \$251,570 less the value of the recovered DoD equipment, and to pay a \$200 special assessment fee.”*

## RESULT:

Previously, Dean pleaded guilty to embezzlement from a program receiving Federal funds and theft of Government property. On August 15, 2014, Dean was sentenced to 30 months of imprisonment, 3 years of supervised release, and ordered to forfeit \$251,570 less the value of the recovered DoD equipment, and to pay a \$200 special assessment fee.



DCIS investigated a contractor for illegal export of F-16 canopy seals.

## Defense Contractor Sentenced to 7 Years in Prison for Export Violations

### OVERVIEW:



A joint investigation with the Federal Bureau of Investigation and Immigration and Customs Enforcement-Homeland Security Investigations disclosed that Ronald A. Dobek, a former employee of Derco Aerospace, Inc., certified he understood and would adhere to the International Trafficking in Firearms Regulations when he signed the end user certifications for F-16 aircraft canopies. Dobek procured and exported seven F-16 aircraft canopy seals from the United States to Venezuela using Federal Express. The canopy seals are designated as defense articles on the United States Munitions List; however, Dobek did not obtain the required export license from the U.S. Department of State. To conceal his illegal activity, Dobek shipped the canopy seals in a Home Depot box that was marked as containing modeling and trim.

## RESULT:

Previously, Dobek was convicted on three counts of conspiring to export and exporting United States Munitions List items without a license. On July 21, 2014, Dobek was suspended from Government contracting. On September 10, 2014, Dobek was sentenced to 84 months imprisonment and 3 years of supervised release, and ordered to pay a \$300 criminal penalty assessment.

## INSPECTIONS


The following summaries highlight inspections, assessments and evaluations conducted by DoD IG in the following categories:

- Health and safety.
- Joint warfighting and readiness.
- Administrative readiness.
- Compliance.
- Nuclear enterprise.

## HEALTH AND SAFETY

### Inspection of the Armed Forces Retirement Home

#### OVERVIEW:

 Section 1518 of the “Armed Forces Retirement Home (AFRH) Act of 1991,” November 15, 1990, as amended by Public Law 112-81, “National Defense Authorization Act for FY 2012,” December 31, 2011, (section 418, title 24, United States Code), requires that the Inspector General of the Department of Defense perform a comprehensive inspection of all aspects of AFRH every 3 years. To obtain a comprehensive picture of the AFRH enterprise, DoD IG inspected 13 areas of AFRH operations and management, to include medical operations, human resources, financial



DoD IG inspected operations and management at Armed Forces Retirement Home—Gulfport, Mississippi.

management, AFRH Inspector General, admissions and eligibility, facilities engineering and safety, information assurance, resident/recreation services, contracts management, security, estate matters and disposition of effects, AFRH Hotline activity, and senior management.


#### RESULT:

Issues found in the area of medical operations at AFRH were the most significant. AFRH was not accredited by a recognized civilian accrediting organization in the areas of medical care, dental care, rehabilitation, and pharmacy services. Also, medical record documentation, nursing notes, and documentation of medication were incomplete. Credentialing and privileging processes had deficiencies. Numerous AFRH standard operating procedures were contradictory, difficult to understand, used references that were not pertinent to the subject, and were out of date. AFRH Agency and AFRH-Washington were also found to lack sufficient/competent physician leadership. In total, DoD IG issued 131 recommendations to the Office of the Under Secretary of Defense (Personnel and Readiness), Deputy Director of Defense Health Agency, and the Chief Operating Officer-AFRH.

**Report No. DODIG-2014-093**

### Assessment of DoD Wounded Warrior Matters: Selection and Training of Warrior Transition Unit and Wounded Warrior Battalion Leaders and Cadre

#### OVERVIEW:

 DoD IG conducted this follow-on assessment to look at whether the U.S. Army and the U.S. Marine Corps had policies and procedures in place to ensure the selection and training of appropriately qualified personnel to fill leadership and cadre positions for Army Warrior Transition Units (WTUs) and Marine Corps Wounded Warrior Battalions (WWBns). In six Wounded Warrior site visits and previously issued assessment reports, DoD IG noted systemic issues and challenges with the selection and training of WTU and WWBn leaders and cadre.

#### RESULT:


The Army Medical Department Center and School did not have sufficient full-time, authorized instructor staff to provide standardized training for

newly assigned WTU leaders and cadre, as well as Community-Based Warrior Transition Units. Also, The Marine Corps Wounded Warrior Regiment relied on Marine Reserve individual mobilization augmentee personnel to staff the majority of senior noncommissioned officer and noncommissioned officer leadership positions in WWBns and detachments. The lack of a dedicated instructor staff resulted in training program course inconsistency and lack of continuity, and has limited development of training program enhancements that would have better prepared leaders and cadre for their challenging WTU assignments. Further, the selection of enlisted Active Component Marines for assignment to WWBns and detachment leadership positions did not include medical and legal screening or a formal interview and review process. In total, the report makes eight recommendations. The Department of the Army, Office of the Surgeon General; and the Marine Corps Assistant Deputy Commandant for Manpower and Reserve Affairs concurred with all the recommendations. However, DoD IG requested the Marine Corps Deputy Commandant for Manpower and Reserve Affairs provide the final analysis and results of the Wounded Warrior Regiment manning and staffing review.

**Report No. DODIG-2014-100**

## Military Housing Inspections – Japan

### OVERVIEW:

 DoD IG inspected military housing facilities in Japan for compliance with applicable DoD and Federal policies and standards. The areas of inspection were electrical, fire protection systems, and environmental health and safety. The environmental inspections focused on radiation, radon, mold, pest infestation, water quality, lead-based paint, and asbestos.

### RESULT

DoD IG inspected approximately 2 percent of housing at 15 military installations in Japan and identified 1,057 total deficiencies (violations of code). The majority of violations of code identified during the inspection were attributed to insufficient



DoD IG inspected military housing facilities in Japan for compliance with applicable DoD and Federal standards.

inspection, maintenance, and repair of housing facilities. The 1,057 deficiencies that could affect the health, safety, and well-being of warfighters and their families included: 542 fire protection systems, 420 electrical systems, 87 environmental health and safety, and 8 housing management. Of the total 1,057 deficiencies, 145 were considered critical deficiencies requiring immediate action in Notices of Concern issued to the U.S. Pacific Command and U.S. Forces Japan. Of note, based on radiation measurements, the estimated individual annual doses at each U.S. Forces Japan installation tested were very low. At these levels, there are no demonstrable radiation-induced health effects.

U.S. Pacific Command, U.S. Forces Japan and the Services provided full concurrence. The Acting Deputy Under Secretary of Defense for Installation and Environment disagreed with our recommendation to issue policy for both control and remediation of mold and radon. Based on the inspection, the significant presence of mold and DoD's current ad hoc approach to radon mitigation places unnecessary risk on the warfighter and their dependents. DoD IG firmly believes that serious health hazards such as these need to be addressed at the DoD level.


**Report No. DODIG-2014-121**



## JOINT WARFIGHTING AND READINESS

### Afghan National Army (ANA) Metrics (July – December 2013) – Classified

#### OVERVIEW:

 DoD IG selected, summarized and concisely presented 6 months of quantitative and qualitative metrics deemed indicative of progress toward the goal of developing a sustainable Afghan National Security Force transition to Afghan control by the end of 2014. Reports are produced separately for the Afghan National Police and the Afghan National Army (ANA). This report centered on the ANA.


#### RESULT:

This report, providing an overview of the ANA, was released on May 15, 2014. This report is classified.

**Report No. DODIG-2012-034.8**

### U.S. Military and Coalition Efforts to Develop Effective and Sustainable Health Care in Support of the Afghan National Police

#### OVERVIEW:

 DoD IG initiated this assessment to review the progress of U.S. military and Coalition efforts in developing effective and sustainable Afghan National Police (ANP) health care. Specifically, DoD IG assessed whether the plans to develop effective and sustainable health care services for the ANP were comprehensive and implemented to meet the transition timeline. Additionally, DoD IG determined whether advisory resources were sufficient and appropriate to support the medical needs of the ANP. Further, DoD IG assessed whether developmental efforts were on schedule and effective in ensuring adequate medical capability, including logistics, to provide proper medical support to ANP personnel from the point of injury to the next required level of care.

#### RESULT:

This report notes that the Afghan Air Force made significant progress in conducting casualty evacuation during the past year with an increased number of improved response times. Also noted was that improved cooperation among Government of the



DoD IG reviewed the progress of U.S. and Coalition efforts in developing effective and sustainable ANP health care.

Islamic Republic of Afghanistan organizations had a positive effect on the development of the Afghan National Security Forces health care system and direct medical support to the ANP.


However, U.S. military and Coalition plans and advisory efforts were not consistently focused on developing the ANP medical capability to provide effective point of injury care for combat casualties. Medical advisory resources were also not sufficient or, in some cases, not skilled and trained to aid in the development of ANP medical capability.

**Report No. DODIG-2014-072**

## ADMINISTRATIVE READINESS

### Evaluation of Department of Defense Interaction with State Defense Forces (SDF)

#### OVERVIEW:

 DoD IG conducted a self-initiated assessment on DoD interaction with State Defense Forces (SDF) to specifically address relevant legislation and DoD Component policies/regulations governing SDF; compliance with existing law, policies, and regulations; effectiveness of DoD interaction with SDF; and Federal impediments to effective management of the SDF program.

## RESULT:

The status of SDF varied among the states choosing to establish them, and the interaction between DoD and the 23 SDF was not properly defined. DoD/SDF cooperation and interaction was impeded by two critical aspects:

- Improper and overly restrictive implementation of the statute establishing SDF nearly prohibited DoD interaction with or support of those forces. A correct interpretation of the language differentiates voluntary, state-maintained “other troops” from the dual-function National Guard. Accordingly, as state organizations, SDFs would not be eligible for Federal benefits such as pensions and health care. However, this would not prohibit DoD from sharing any equipment acquired to further DoD missions with SDFs.
- The Office of the Secretary of Defense and DoD agencies lacked policy outlining the sharing and loaning of DoD equipment or other guidance governing DoD interaction with SDF. Recent changes to policy controlling combined disaster response of DoD, the National Guard, and other state actors did not include discussion of SDF.


The Under Secretary of Defense for Policy was partially responsive to DoD IG recommendations. DoD IG modified and redirected one recommendation to the Chief, National Guard Bureau that the Bureau change the regulation governing National Guard/SDF interaction to say that SDF be considered as any other state entity, excepting those specific restrictions stated in section 109(d), title 32, United States Code.

**Report No. DODIG-2014-065**

## COMPLIANCE

### Evaluation of the Department of Defense Combating Trafficking in Persons Program

#### OVERVIEW:

 DoD IG reviewed DoD Combating Trafficking in Persons program performance and compliance with DoD Instruction 2200.01, “Combating Trafficking in Persons (CTIP),” September 15, 2010. The assessment summarized findings from the DoD IG’s multiyear review beginning in 2009, in response to the requirement for the Inspectors General of the

Department of Defense, Department of State, and United States Agency for International Development to investigate a sample of contracts for which there was a heightened risk that contractors may engage in acts related to trafficking in persons. Field work was performed from 2009 to 2012 with a follow-up in 2013.

## RESULT:

This report notes positive actions by DoD Components to combat trafficking in persons:

- The Defense Procurement and Acquisition Policy Office, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics drafted guidance to implement changes in U.S. Government and DoD policy regarding CTIP.
- The Army and Air Force Exchange Service developed a “Bill of Workers Rights.”
- The Army Contracting Command-Kuwait and the Defense Contract Management Agency incorporated CTIP into contract quality assurance.

Despite positive actions by DoD Components, DoD CTIP programs still did not meet current U.S. Government and DoD policy standards. Most DoD Components also had not reviewed their CTIP programs. Additionally, the Office of the Under Secretary of Defense for Personnel and Readiness had not completed any routine reviews of DoD Components’ self-assessments of their CTIP programs. Further, the Joint Staff and combatant commands have not adequately addressed CTIP in operational



DoD IG reviewed DoD Combating Trafficking in Persons program performance and compliance.

and contingency plans. Lastly, DoD CTIP training compliance was incomplete and did not provide specific CTIP training for certain job functions.

**Report No. DODIG-2014-079**

## NUCLEAR ENTERPRISE

The Department needs to sustain its focus on the nuclear enterprise, even in the face of probable funding reductions, by continuing to foster an environment that emphasizes the nuclear mission and promotes a reliable, safe, secure, and credible nuclear deterrent. DoD IG provides oversight for evaluating policies, procedures, plans, and capabilities of nuclear weapons; nuclear weapon platforms; and nuclear command, control, and communications.

### Insufficient Infrastructure Support to the Fixed Submarine Broadcast System

#### OVERVIEW:



DoD IG's overall objective was to examine the Fixed Submarine Broadcast System's (FSBS) state of health and ability to sustain its required capabilities. The assessment examined FSBS infrastructure, maintenance, planned or required upgrades, funding, and management.

#### RESULT:

DoD IG found that some FSBS transmitter sites do not meet DoD requirements guidance. Although FSBS transmitters have undergone recent upgrades, the supporting infrastructure—critical to the continued and sustained operation of the transmitters—has deteriorated due to varying degrees of component obsolescence, system neglect, maintenance deferral, and lack of proper oversight. In addition, during recent transmitter upgrades, failure to identify and define supporting infrastructure requirements also contributed to system degradation. Also, a 6-year gap in inspections has resulted in an unsound sense of readiness and FSBS system capabilities. This report is classified.

**Report No. DODIG-2014-083**

## OTHER

### An assessment of Contractor Personnel Security Clearance Processes in the Four Defense Intelligence Agencies

#### OVERVIEW:

DoD IG assessed:

- how, or if, substantiated investigations of misconduct were reported to Agency Clearance Adjudication Facilities and to the DoD Consolidated Adjudication Facility;
- if the referred investigations had been adjudicated; and
- the results of those security adjudications.

#### RESULT:

DoD IG found:

- there was a lack of effective personnel security policy,
- there was a lack of effective record keeping,
- there was an avoidance of personnel security adjudication for contractor personnel involved in misconduct,
- there was a lack of personnel security information sharing, and
- there was a lack of connectivity between the Defense Central Index of Investigations (DCII) and the Joint Personnel Adjudicative System (JPAS).

DoD IG recommended the following actions.

- The Under Secretary of Defense for Intelligence develop overarching policies governing operation of DCII and JPAS; expedite publishing new security policy; and advocate revising Executive Order 12968 to require that personnel security clearance adjudicative and due process actions continue, even if the contractor employee no longer has access to classified information. The Under Secretary of Defense for Intelligence concurred with these recommendations. DoD IG redirected revision of one directive to Office of General Counsel, DoD.
- The Offices of Security of the Defense Intelligence Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office, and National

Security Agency, Offices of Security develop formal procedures to ensure that reports of investigation into misconduct by contractor personnel are reported to the appropriate adjudicative organizations; and ensure that the appropriate security databases are populated with personnel security adjudicative determinations. The agencies concurred with some of these recommendations and non-concurred with others.

- The Directors of Defense Intelligence Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office, and National Security Agency ensure IG reports of investigation into contractor misconduct are reported to the DoD Consolidated Adjudication Facility. The agencies concurred with this recommendation.
- The Director, Defense Human Resources Activity, (1) work with the General Services Administration to add the Excluded Parties List System/System for Award Management to the set of databases accessed by the Automated Continuing Evaluation System that the Defense Personnel Security Research Center developed; and, (2) develop software to automatically flag the personnel security adjudicative portion of JPAS that a DCII file exists on a specific Subject. The Defense Manpower Data Center manages both JPAS and DCII. The Director, Defense Human Resources Activity did not concur with action 1, but did concur with action 2.

**Report No. DODIG-2014-060**

## Assessment of DoD Processes in Support of Committee on Foreign Investment in the United States (CFIUS) Determinations and Foreign Ownership, Control, or Influence (FOCI) Mitigation

### OVERVIEW:

DoD IG assessed the process for determining and relaying relevant threat information and recommendations to the CFIUS, the strength of FOCI mitigation within cleared defense industry, and the effectiveness of existing tools to help FOCI mitigations and CFIUS determinations. DoD IG found that existing policies clearly define requirements to support National Interest Determinations, but they do not effectively delineate roles and responsibilities to support the Services, agencies, and the acquisition

community resulting in a significant backlog of decisions. DoD IG also found that a centralized, accessible database to process and store Department of Defense Form 254s with an identified executive agent would support DoD and the National Industrial Security Program, improve the standardization of information, and verify, track, and manage relevant contractor documentation.

### RESULT:

DoD IG made two recommendations in support of policies and procedures that will assist in the processing of National Interest Determinations and support the creation of a central repository for classified contracts and relevant documentation. The Office of the Under Secretary of Defense for Intelligence, and the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics concurred with the two main recommendations and the comments were responsive. Management non-concurred with designating, at this time, an executive agent for the Department of Defense Form 254 central repository but will reevaluate whether there is a need for an executive agent at a later date.

**Report No. DODIG-2014-080**

# ADMINISTRATIVE INVESTIGATIONS

The DoD IG Office of the Deputy Inspector General for Administrative Investigations (DIG AI) consists of two directorates: Whistleblower Reprisal Investigations (WRI) and Investigations of Senior Officials (ISO). The Office of the Deputy Inspector General for Administrative Investigations completed an organizational transformation to achieve its vision of becoming the model administrative investigations organization in the Federal Government. As noted earlier, effective September 7th, 2014, the DoD Hotline was realigned under Administrative Investigations with reporting beginning 1st half FY2015.

## WHISTLEBLOWER REPRISAL INVESTIGATIONS

The WRI Directorate investigates and conducts oversight reviews of investigations conducted by the Military Services and Defense agency IGs into allegations of whistleblower reprisal made by DoD service members, nonappropriated fund instrumentality employees, and DoD contractor employees under Title 10 of the United States Code (U.S.C.). 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 under the authority of the IG Act, allegations of reprisal filed by DoD appropriated fund civilian employees.

DoD IG is committed to maintaining the Department’s whistleblower protection program as a model for the Federal Government by improving the timeliness and quality of reprisal investigations:

- issued DoD Directive 1401.03, “Nonappropriated Fund Instrumentality Employee Whistleblower Protection” (June 13, 2014).
- initiated formal coordination of DoD Directive 7050.06, “Military Whistleblower Protection.”

## REPRISAL INVESTIGATIONS

During the reporting period, the Department received a total of 670 complaints involving reprisal, restriction from communicating with a Member of Congress/ Inspector General, and procedurally improper mental health evaluation referrals and closed a total of 669 complaints.

Figure 2.1 Total Complaints Received During FY 2014 (2nd Half)

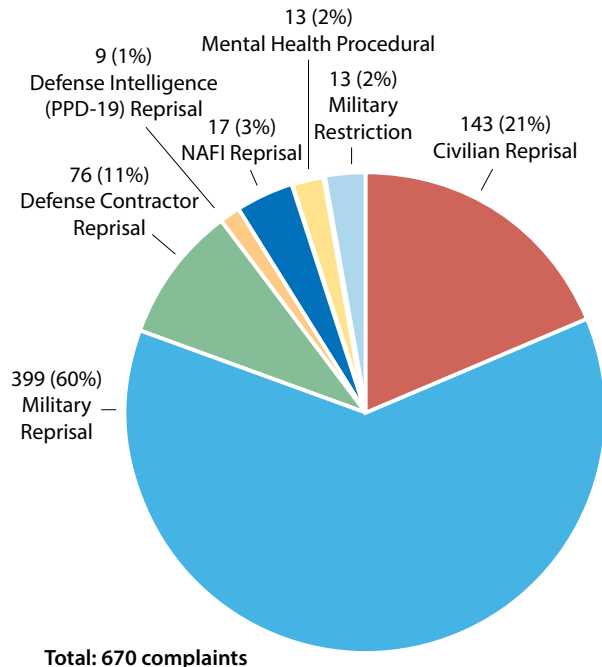


Table 2.1 shows the number and type of complaints closed by DoD IG and the Military Services/Defense agency IGs during FY 2014 (2nd half).

Of the 669 complaints closed this period, 403 were dismissed due to insufficient evidence to warrant an investigation; 48 were withdrawn; and 218 were closed following full investigation. Of the 218 investigations closed, 27 involved procedurally improper mental health evaluation referrals (17 substantiated [63 percent]); 4 involved restriction from communicating with a member of Congress/ Inspector General (1 substantiated [25 percent]); and 187 involved whistleblower reprisal (23 substantiated [12 percent]).

Table 2.1 Complaints Closed During FY 2014 (2nd Half)

## Reprisal, Restriction, and Mental Health Procedural Complaints Closed in FY2014 (2nd Half)

	Total Closed	Dismissed	Withdrawn	Investigated	Substantiated Cases	Substantiation Rate
<b>Type of Complaint</b>	<b>Closed by DoD IG</b>					
Civilian Reprisal	149	144	0	5	1	20%
Defense Intelligence (PPD-19) Reprisal	3	3	0	0	0	0%
Military Reprisal	120	95	11	14	1	7%
Defense Contractor Reprisal	83	72	4	7	1	14%
NAFI Reprisal	32	13	1	18	3	17%
<b>Subtotal FY 14 (2nd Half)</b>	<b>387</b>	<b>327</b>	<b>16</b>	<b>44</b>	<b>6</b>	<b>14%</b>
Military Restriction	2	0	0	2	1	50%
Mental Health Procedural	3	3	0	0	0	0%
<b>Total FY 14 (2nd Half)</b>	<b>392</b>	<b>330</b>	<b>16</b>	<b>46</b>	<b>7</b>	<b>15%</b>
<b>Type Complaint</b>	<b>Closed by Component IG with Oversight Review by DoD IG</b>					
Civilian Reprisal	0	0	0	0	0	0%
Military Reprisal	239	67	29	143	17	12%
<b>Subtotal FY 14 (2nd Half)</b>	<b>239</b>	<b>67</b>	<b>29</b>	<b>143</b>	<b>17</b>	<b>12%</b>
Military Restriction	9	4	3	2	0	0%
Mental Health Procedural	29	2	0	27	17	63%
<b>Total FY 14 (2nd Half)</b>	<b>277</b>	<b>73</b>	<b>32</b>	<b>172</b>	<b>34</b>	<b>20%</b>
<b>Grand Total FY14 (2nd Half)</b>	<b>669</b>	<b>403</b>	<b>48</b>	<b>218</b>	<b>41</b>	<b>19%</b>

### Substantiated Whistleblower Reprisal/ Restriction/Procedurally Improper Mental Health Evaluation Allegations

The following are examples of recent substantiated whistleblower reprisal/restriction/procedurally improper mental health evaluation allegations.

- An Army major general restricted a Navy Reserve lieutenant commander from communicating with a DoD IG team by ordering the lieutenant commander to “stay in his lane” during the DoD IG team inspection of a hospital facility in theater. The major general was issued a Memorandum of Concern.
- Army unit commander gave a soldier three adverse, event-oriented performance counseling statements and a referred (adverse) Officer Evaluation Report in reprisal for that soldier’s protected communications to a law enforcement official, to members of his chain of command, and to the Army Inspector General. Corrective action is pending.
- Command officials improperly referred a Navy petty officer for a mental health evaluation. The investigation also found that the behavioral health clinician improperly conducted the mental health evaluation. Corrective action is pending.
- A Navy officer issued a Navy Reserve commander an unfavorable fitness report in reprisal for making a protected communication to her commanding officer and the Deputy Chief of the Navy Reserve. Corrective action is pending.
- An Air Force Reserve colonel issued a letter of counseling to a subordinate Air Force Reserve major in reprisal for making a protected communication to the Deputy Commander of the Air Force Reserve. Corrective action is pending.
- An Army military police battalion first sergeant directed the issuance of a negative counseling statement and influenced a denied promotion to a soldier for making a protected communication during a unit town hall-type sensing session. The company commander denied the soldier’s promotion in reprisal for making a protected communication. Corrective action is pending.

- Command officials recommended an officer be administratively separated in reprisal for making protected communications to the Marine Corps Inspector General and a U.S. senator. Corrective action is pending.
- A Defense contractor terminated the employment of a senior accountant in reprisal for reporting to the DoD Hotline that the contractor committed fraud, submitted falsified documents to Government agencies, and reprimed against employees. Corrective action is pending.
- A management official at a Naval agency significantly changed an appropriated fund employee's supervisory duties and responsibilities in reprisal for the employee's disclosures to agency officials of fraud, waste, abuse, and violations of Joint Ethics Regulations and the Federal Acquisition Regulation. Corrective action is pending.

## Corrective Action Taken During Second Half of FY 2014 on Military Whistleblower Cases Closed in Previous Reporting Periods

The following are examples of actions taken on military whistleblower cases closed in previous reporting periods.

- An Army command sergeant major threatened to remove a master sergeant from her position and unduly influenced her reassignment in reprisal for making a protected communication during an Army administrative investigation. The command sergeant major was issued a General Officer Memorandum of Reprimand that was placed in his local personnel file.
- Two master sergeants recommended/issued a letter of reprimand to a staff sergeant in reprisal for his protected communication to the chain of command. Additionally, an Air Force technical sergeant and staff sergeant threatened to take action against members of the unit if they did not follow the chain of command. The master sergeants and the technical sergeant received Letters of Reprimand and the staff sergeant received a Letter of Admonishment.
- An Army first sergeant threatened to restrict a soldier's protected communication with an IG

for not utilizing the noncommissioned officer support channel. The first sergeant retired prior to command action being taken.

- An Army lieutenant colonel improperly referred a soldier within his unit for a mental health evaluation. The lieutenant colonel received verbal counseling on proper procedures under DoD Instruction 6490.1 and DoD Directive 6490.4.
- An Air Force lieutenant colonel (commander) suspended a civil service employee's security clearance and improperly referred the employee for a mental health evaluation in reprisal for the employee's protected disclosures. The lieutenant colonel received a Letter of Reprimand that was downgraded to a Letter of Counseling after he provided a rebuttal statement to his commander.

## INVESTIGATIONS OF SENIOR OFFICIALS

To promote public confidence in the integrity of DoD leadership, ISO investigates and conducts oversight reviews of investigations conducted by the Military Services and Defense agency IGs into alleged misconduct by senior DoD officials (brigadier general/ rear admiral and above (and officers selected for promotion to general/flag officer grade), members of the senior executive service, and senior political appointees). The WRI directorate investigates allegations of reprisal involving senior officials and oversees DoD Component investigations of the same.

Misconduct allegations are noncriminal in nature and typically involve ethics or regulatory violations. Specialized units within each Military Service Office of Inspector General conduct the majority of senior official investigations. ISO investigates allegations against the most senior DoD officials (three-star and above general/flag officers and equivalents), senior officials in the Joint or Defense Intelligence Community, and allegations not suitable for assignment to Military Services IGs. ISO conducts oversight reviews of all Service/Defense agency Inspector General investigations of misconduct involving senior officials.

At the request of the Deputy Secretary of Defense, DoD IG agreed to lead a task force to improve the timeliness of senior official administrative

Table 2.2 Complaints Closed During FY 2014 (2nd Half)

## Senior Official Complaints Closed in FY2014 (2nd Half)

	Total Closed	Dismissed	Investigated	Substantiated Cases	Substantiation Rate
<b>Service/Agency</b>	<b>Closed by DoD IG</b>				
Army	99	97	2	0	0%
Navy	39	37	2	1	50%
Air Force	45	41	4	2	50%
Marine Corps	9	8	1	0	0%
Combatant command/ Defense Agency	110	103	7	2	29%
<b>Subtotal FY14 (2nd Half) Closed by DoD IG</b>	<b>302</b>	<b>286</b>	<b>16</b>	<b>5</b>	<b>31%</b>
<b>Service/Agency</b>	<b>Closed by Component IG with Oversight Review by DoD IG</b>				
Army	55		55	14	25%
Navy	10		10	6	60%
Air Force	31		31	6	19%
Marine Corps	5		5	1	20%
Combatant command / Defense Agency	6		6	3	50%
<b>Subtotal FY14 (2nd Half) Oversight Review by DoD IG</b>	<b>107</b>		<b>107</b>	<b>30</b>	<b>28%</b>
<b>Total FY14 (2nd Half)</b>	<b>409</b>	<b>286</b>	<b>123</b>	<b>35</b>	<b>28%</b>

investigations. By a memorandum, dated September 5, 2014, the Deputy Secretary of Defense asked the Service Secretaries to support the effort. The task force will establish an “as is” state of operations for each Service Inspector General, develop a “to be” state consisting of best practices, and submit an action plan to improve the timeliness of senior official administrative investigations. DoD IG will provide a report to the Deputy Secretary of Defense by November 4, 2014.

During the period, the Department received 454 complaints of senior official misconduct and closed 409. Of the 409 complaints closed, 286 were dismissed due to lack of a credible allegation of misconduct and 123 were closed following investigation. Of the 123 investigations closed, 16 were closed by DoD IG and 107 were closed by service IGs with oversight by DoD IG. Of the 123 investigations closed, 35 (28 percent) contained substantiated allegations of misconduct. DoD IG processed 356 requests for senior official name

checks for general/flag officers pending nomination, promotion, retirement, and reassignment for a total of 7,496 names checked in FY2014 (2nd Half).

### Examples of Substantiated or Significant Senior Official Cases

The following is a list of significant senior official cases closed:

- A Senior Executive Service leader (SES) mistreated subordinates by yelling and swearing at them in the workplace in the presence of others; made comments of a sexual nature to female subordinates; sexually harassed a subordinate; misused Government contractors for personal services; and consumed alcohol and allowed subordinates to consume alcohol in the Pentagon without proper authorization. Although the SES had retired from Federal service, the management official shared the investigation report with Component personnel in various meetings to emphasize that the substantiated



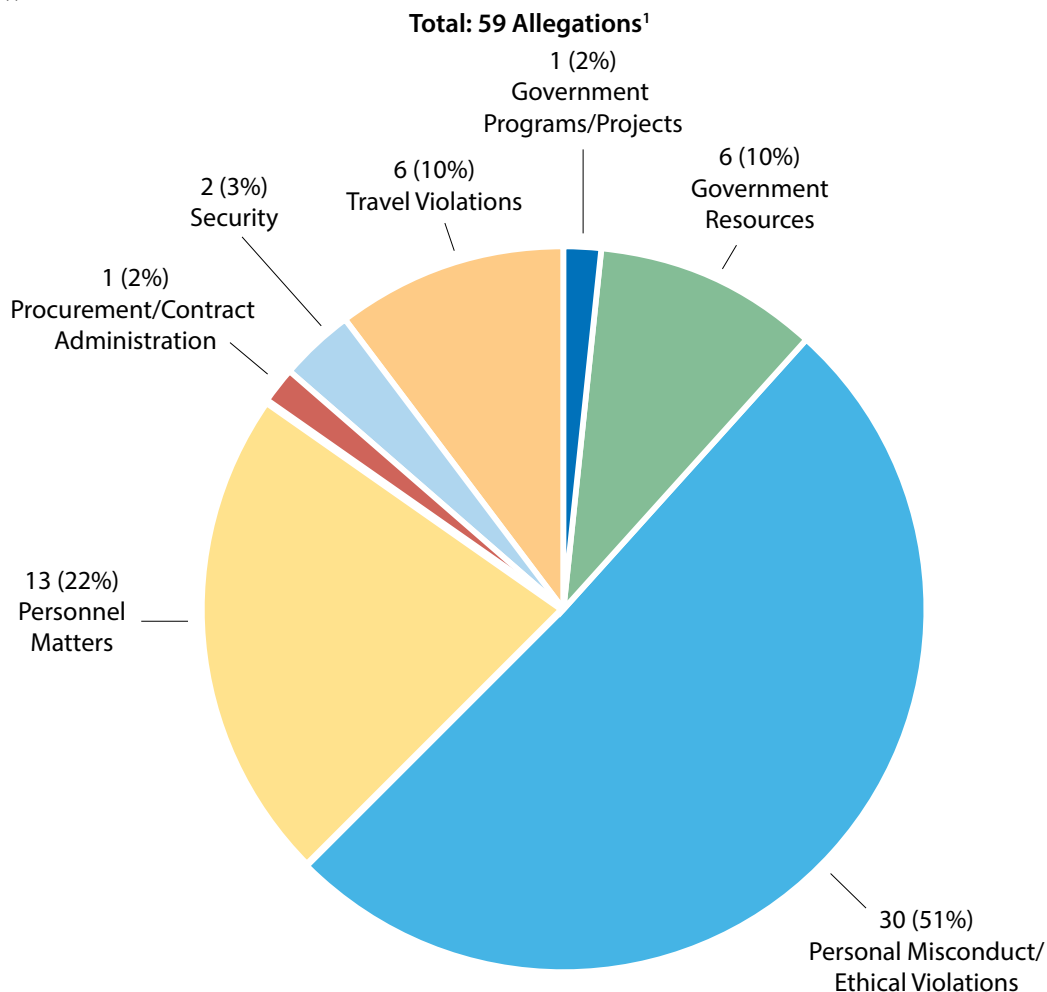
behaviors would not be tolerated. The official also initiated a climate survey to further address the impact the retired SES's misconduct had on the organization. DoD IG also provided the results to the Office of Personnel Management in the event the SES would seek future Federal employment.

- A lieutenant general failed to treat his subordinates with dignity and respect by making degrading and personal comments toward subordinates in an open forum of 30 people. The lieutenant general received a verbal counseling.
- An SES improperly accepted 11 airline seat upgrades from subordinates. The SES resigned from Government service before the investigation concluded. Accordingly, DoD IG provided the results of the investigation to the Office of

Personnel Management in the event the SES would seek future Federal employment.

- A lieutenant general failed to review and approve a contract as required by the Federal Acquisition Regulations, and another lieutenant general failed to provide appropriate oversight of the same contract to prevent or mitigate fraud in recruiting programs. The two lieutenant generals retired before the investigation was completed; however, the Service established internal controls to prevent similar lapses in senior leader oversight of future recruiting programs.
- Two brigadier generals improperly endorsed a non-Federal entity and failed to protect and conserve Government resources in holding a conference. The Service Vice Chief of Staff issued a memorandum of concern to each subject.

Figure 2.2 Types of Substantiated Misconduct



<sup>1</sup> The number of allegations (59) does not equal the number of substantiated investigations closed (35) during the period as some investigations addressed more than one allegation.

## POLICY AND OVERSIGHT

DoD IG provides policy, guidance, and oversight for Department audits and investigations. DoD IG also provides analysis and comments on all proposed draft DoD policy issuances, conducts technical assessments of DoD programs, and provides engineering support for other assessments.

### AUDIT POLICY AND OVERSIGHT

DoD IG provides audit policy direction, guidance, and oversight for its auditing component; and the Military Departments' audit organizations, the Defense Contract Audit Agency, other Defense audit organizations and public accounting firms under the Single Audit Act of 1984. As such, DoD IG provides guidance and oversight for more than 6,700 DoD auditors in 22 DoD audit organizations, which is nearly 40 percent of all auditors in Federal Inspector General audit organizations.

#### Complaint Regarding the Use of Audit Results on a \$1 Billion Missile Defense Agency Contract

##### OVERVIEW:



DoD IG conducted this evaluation to determine the validity of a complaint alleging that Missile Defense Agency (MDA) negotiated a \$1 billion contract without considering the audit results from Defense Contract Audit Agency (DCAA).

##### FINDINGS:

DoD IG substantiated the complaint. MDA contracting officials negotiated the \$1 billion contract without considering the results of an audit performed by DCAA. If MDA officials had considered the DCAA results, the Government could have negotiated a significantly lower contract value and thereby saved millions of dollars in reduced contract fees. Although MDA officials had requested a DCAA audit, they did not wait for the results and withheld key information from DCAA. MDA officials also did not consider the impact of the contractor's

business system deficiencies, as Federal Acquisition Regulation 15.406-3(a)(4), "Documenting the Negotiation," requires. In addition, MDA officials failed to withhold approximately \$73 million from the contractor's billings, as Federal Acquisition Regulation Clause 52.216-26, "Payments of Allowable Costs Before Definitization," requires.

##### RESULT:

MDA disagreed with certain aspects of the reported findings, but agreed with the reported recommendations. The disagreement did not result in changes to DoD IG's findings. DoD IG recommended that (1) MDA consider appropriate corrective and/or administrative action for not maintaining effective communications with DCAA or using the audit results in establishing a fair and reasonable contract price; and (2) MDA provide training to contracting officials on the requirement to withhold a percentage of payments until the Government and the contractor reach agreement on the contract terms. During the evaluation, MDA took action to develop procedures for improving its communications with DCAA and ensuring appropriate consideration of DCAA audit results.

**Report No. DODIG-2014-115**

#### Review of Audits Issued by the Defense Contract Audit Agency in FY 2012 and FY 2013

##### OVERVIEW:



As part of DoD IG's continuous oversight responsibility of DCAA, DoD IG reviewed a cross section of 16 DCAA audits completed between October 2011 and February 2013, including 5 audits of forward-pricing proposals and 11 audits of incurred cost proposals and other audit types.

##### FINDINGS:

DoD IG identified 1 or more significant inadequacies on 13 of the 16 selected DCAA audits, finding deficiencies with generally accepted Government auditing standards in the areas of audit planning, evidence, working paper documentation, and supervision. In addition, DoD IG's review disclosed instances of auditors not obtaining adequate cost or pricing data.

**RESULT:**

DoD IG made 96 recommendations associated with the 13 audits found to contain inadequacies. The Director, DCAA agreed with 72 recommendations and did not agree with 24. DoD IG requested that DCAA reconsider its responses to 21 of the 24 recommendations for which DCAA did not agree.

**Report No. DODIG-2014-109**

### Implementation of 2011 Generally Accepted Government Auditing Standards Independence Standards at the DoD Audit Organizations

**OVERVIEW:**

DoD IG conducted an evaluation of implementation of 2011 Generally Accepted Government Auditing Standards (GAGAS) Independence Standards at DoD Audit Organizations to determine whether the DoD audit organizations implemented the December 2011 GAGAS independence standards and whether the standards were being followed. DoD IG reviewed 16 of the 21 DoD audit organizations.

**FINDINGS:**

Of the 16 DoD audit organizations reviewed, 10 had fully implemented, 4 had partially implemented, and 2 had not implemented the 2011 GAGAS independence standards. In addition, four audit organizations performing nonaudit services did not fully assess and document potential impairments to independence as required by GAGAS 3.34, which requires the auditor to assess the skill, knowledge, or experience of the audited entity management's designated individual who will oversee and accept responsibility for the nonaudit service. Also, some auditors' statements of independence were either missing or improperly completed. In addition, one audit organization failed to comply with the standards when performing control self-assessments and continuous auditing.

**RESULT:**

Five of the seven respondents agreed with DoD IG's recommendations. The Auditor General, Department of the Army agreed with the intent of one recommendation but only partially addressed all the

specifics of the recommendation. The Commander, Naval Supply Systems Command, responding for the Chief Executive Officer, Naval Exchange Service Command, disagreed with two recommendations and did not adequately address one of the four recommendations. DoD IG requested these two agencies provide comments to the final report.

**Report No. DODIG-2014-089**

### Hotline Allegations Regarding Defense Contract Management Agency Contracting Officer Actions on Several Business System Audit Reports

**OVERVIEW:**

DoD IG conducted this review to determine the validity of a DoD Hotline complaint alleging that a Defense Contract Management Agency (DCMA) contracting officer did not take timely or appropriate action on several Defense Contract Audit Agency (DCAA) audit reports covering the business systems of a large DoD contractor.

**FINDINGS:**

DoD IG substantiated the DoD Hotline complaint. Even though the Defense Federal Acquisition Regulation Supplement states that the contracting officer should make a final determination within 30 days, the DCMA contracting officer took up to 1,374 days as of March 25, 2014. In addition, the contracting officer has not implemented withholdings for significant deficiencies. Also, the DCAA field audit office has not conducted timely followup audits of the reported business system deficiencies. Finally, DCAA did not obtain sufficient evidence in support of its July 29, 2013, memorandum stating that the contractor appeared to have implemented adequate controls for the remaining estimating system deficiencies.

**RESULT:**

Of the five recommendations for DCMA, the Director, DCMA, concurred with two and partially concurred with three. The DCMA comments and planned corrective actions were fully responsive to all five recommendations. Of the three recommendations for DCAA, the Director of DCAA concurred in principle with one and did not concur with two. DCAA

Director did not agree to rescind its July 29, 2013, memorandum, which addressed the contractor's estimating system or notify the contracting officer that the memorandum had been rescinded. DoD IG requested that the Director, DCAA, provide additional comments on the two recommendations he did not agree with.

**Report No. DODIG-2014-084**

## Quality Control Review of PricewaterhouseCoopers, LLP FY 2012 Single Audit of Massachusetts Institute of Technology

### OVERVIEW:



As the cognizant Federal agency for the Massachusetts Institute of Technology (MIT), DoD IG performed a review of the PricewaterhouseCoopers, LLP (PwC) single audit of MIT and supporting working papers for the audit period of July 1, 2011, through June 30, 2012. DoD IG's objective was to determine whether PwC conducted the single audit in accordance with generally accepted Government auditing standards, the American Institute of Certified Public Accountants auditing standards, and the auditing and reporting requirements of Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations. MIT is a private educational institute located in Cambridge, Massachusetts, and conducts research, primarily receiving funding from the Federal Government through grants and contracts.

### FINDINGS:

MIT complied with OMB Circular A-133 reporting requirements. PwC generally met auditing standards and Circular A-133 requirements, and no additional work is required for the FY 2012 single audit. However, DoD IG identified deficiencies related to the documentation of audit sampling, reliance on financial statement internal control testing, and the review of the special tests and provisions, sub-recipient monitoring, and reporting compliance requirements that need to be addressed for future audits.

### RESULT:

PwC agreed to take recommended actions. Management comments were responsive and no additional comments were needed.

**Report No. DODIG-2014-078**

## Hotline Complaint Regarding the Settlement of the Pratt & Whitney Commercial Engine Cost Accounting Standards Case

### OVERVIEW:



DoD IG conducted an oversight review to determine the validity of a DoD Hotline complaint alleging that (i) management exerted pressure to settle a case in litigation for an amount agreeable to the contractor rather than fair to the taxpayer and (ii) the settlement amount was about \$500 million less than an amount consistent with Government procurement regulations.

### FINDINGS:

DoD IG found no evidence to substantiate the allegation that there was pressure from the highest levels of the Defense Contract Audit Agency (DCAA) and Defense Contract Management Agency (DCMA) to settle the litigation for an amount that was agreeable to Pratt & Whitney rather than an amount that was fair to the taxpayer. DoD IG did substantiate that DCMA did not establish a settlement position that was consistent with the Federal Acquisition Regulation. Therefore, DoD IG was not able to provide a reliable estimate for a settlement amount. DoD IG also found that DCAA assistance negatively impacted the settlement amount; DCMA legal counsel was unable to influence the decision to settle; and DCMA did not vet one negotiator with a potential conflict of interest. Additionally, DoD IG determined that current problems with the DCMA administration of Pratt's continuing Cost Accounting Standards 418 noncompliance may result in increased costs on DoD contracts; therefore, DoD IG issued a Notice of Concern to the Director, DCMA, on April 17, 2013.

### RESULT:

DCMA comments were responsive to the recommendations and identified actions that met the intent of the report recommendations. DCAA did not

agree that they negatively impacted negotiations and, as a result, will not implement the recommendation to perform an internal review to assess auditor adherence with the requirements of DCAA Contract Audit Manual 15-506.2, “Support Government Trial Attorney,” and take necessary corrective action, where warranted. DCAA did not provide new evidence to consider or factual support for certain key assertions from their response.

**Report No. DODIG-2014-077**

## INVESTIGATIVE POLICY AND OVERSIGHT

DoD IG evaluates the performance of and develops policy for the DoD criminal investigative and law enforcement community, as well as the non-Defense Criminal Investigative Organization offices of DoD.

### Development and Implementation of Sexual Assault Evidence and Criminal Records Retention Policy

#### OVERVIEW:



This evaluation was required by the “National Defense Authorization Act for Fiscal Year 2014.” DoD IG objective was to review the Military Criminal Investigative Organizations’ progress in implementing DoD policy on the retention of and access to evidence and criminal records relating to sexual assault of service members as required by “The National Defense Authorization Act for Fiscal Year 2012,” and DoD Instruction 5505.18, “Investigation of Adult Sexual Assault in the Department of Defense,” January 25, 2013.

#### FINDINGS:

The DoD has developed policy for retaining and accessing evidence and criminal records for sexual assault victims as required by National Defense Authorization Act for Fiscal Year 2012. The Military Criminal Investigative Organizations have issued Service-specific policies and procedures to implement Federal law and DoD guidance.

#### RESULT:

As the DoD has developed policy for retaining and accessing evidence and criminal records for sexual assault victims, no recommendations were made.

**Report No. DODIG-2014-082**

### Evaluation of DoD Compliance with the Sex Offender Registration and Notification Act

#### OVERVIEW:



DoD IG evaluated the Department’s compliance with the Sex Offender Registration and Notification Act (SORNA), established by Title I of the “Adam Walsh Child Protection and Safety Act of 2006” (Public Law 109-248). DoD IG also evaluated whether the Department effectively accounts for registered sex offenders with access to DoD facilities. SORNA requires people convicted of most sexual offenses to register with their States. The States enter the registration into the national sex offender database. There is no separate Federal or military registration system. SORNA requires a host of Federal agencies to implement its statutory requirements.

#### FINDINGS:

DoD IG determined the Department is compliant with existing SORNA requirements; however, improved processes would promote more efficient compliance. The Department lacks policy requiring Military Departments and Defense agencies to account for registered sex offenders, and consequently, does not effectively account for registered sex offenders with access to DoD facilities, or for sex offenders deploying to, or returning from, foreign countries. The Department can better support efforts by Federal counterparts and other agencies to account for DoD-affiliated convicted sex offenders.

#### RESULT:

Overall Under Secretary for Personnel and Readiness and the Secretaries of the Military Departments management comments were responsive and agreed with DoD IG’s recommendations. Where the Secretaries did not comment on pertinent recommendations, DoD IG requested their comments.

**Report No. DODIG-2014-103**

## Evaluation of Military Criminal Investigative Organizations' Child Sexual Assault Investigations

### OVERVIEW:



DoD IG evaluated 163 Military Criminal Investigative Organization (MCIO)

investigations of sexual assaults of children closed in 2012 to determine whether the MCIOs completed investigations as required by DoD, Military Services, and MCIO guidance.

### FINDINGS:

A total of 153 of 163 MCIO investigations (94 percent) met investigative standards. A total of 10 of 163 MCIO investigations (6 percent) had significant deficiencies. DoD IG returned those 10 cases to the MCIOs for followup corrective action. A total of 57 of the 163 cases had no investigative deficiencies. The remaining 96 cases had minor deficiencies that had no impact on the outcome or resolution of the investigation.

### RESULT:

Management comments were generally responsive. DoD IG considered management comments on a draft of the report when preparing the final report and made changes as appropriate.

**Report No. DODIG-2014-105**

## Evaluation of Military Criminal Investigative Organizations' Adult Sexual Assault Investigation Policies

### OVERVIEW:



DoD IG evaluated the Military Criminal Investigative Organizations' (MCIOs') adult

sexual assault investigation policies to determine whether they aligned with DoD requirements, Military Services requirements, Council of Inspectors General on Integrity and Efficiency Quality Standards for Investigations, and the International Association of Chiefs of Police sexual assault investigative techniques.

### FINDINGS:

The DoD IG found that MCIO investigative policies generally align with DoD, Military Services, Council of Inspectors General on Integrity and

Efficiency, and International Association of Chiefs of Police investigative actions in their sexual assault investigative policies and guidance.

### RESULT:

The Commander, U.S. Army Criminal Investigation Command expressed concerns regarding the timeliness and accuracy of the report. The Director, Naval Criminal Investigative Service and the Commander, Air Force Office of Special Investigations agreed in part with the recommendations, but objected to DoD IG's evaluation in a number of areas in the report. As a result of management comments, DoD IG performed additional evaluations of policies, evaluated work for relevance, and revised the report in some areas. No further comments were required.

**Report No. DODIG-2014-108**

## CRIMINAL INVESTIGATIVE POLICY

During the reporting period, DoD IG issued three policies affecting the criminal investigative arena as follows:

1. **DoD Instruction 5100.86, "DoD Forensic Science Committee," April 18, 2014.** This instruction reissues DoD Instruction 5100.86 and establishes the DoD Forensic Science Committee. The Committee is established as a joint DoD committee to review advances in forensic science technologies and procedures and suggest resolutions to criminal investigative related forensic science policy issues of concern to the DoD forensic science community and its customers. The Committee also provides advice to other DoD entities on forensic science issues and suggests guidance for inclusion in DoD IG criminal investigative policy.
2. **DoD Instruction 7050.05 "Coordination of Remedies for Fraud and Corruption Related to Procurement Activities," May 12, 2014.** The instruction reissues and updates established policy, responsibilities, and procedures for the coordination of criminal, civil, contractual, and administrative remedies stemming from both criminal and administrative investigations of fraud or corruption related to DoD procurement activities.

3. **DoD Instruction 5505.11 “Fingerprint Card and Final Disposition Report Submission Requirements,” July 21, 2014.** The instruction reissues and establishes policy, assigns responsibilities, and prescribes procedures governing the collection and disposition of fingerprints and reporting of criminal history data for inclusion in the National Crime Information Center criminal history database by DoD law enforcement agencies.

## TECHNICAL ASSESSMENTS

DoD IG conducts technical assessments of DoD programs and provides engineering support for other assessments.

### Exoatmospheric Kill Vehicle Quality Assurance and Reliability Assessment – Part A

#### OVERVIEW:



DoD IG performed a quality assurance assessment of the Missile Defense Agency’s (MDA’s) Ground-Based Midcourse Defense, Exoatmospheric Kill Vehicle, which is procured from Raytheon Missile Systems via the prime contractor Boeing. DoD IG assessment will result in two separate projects/reports as follows:

- Part A: Assess Raytheon conformity to the aerospace quality management system standard AS9100C, “Quality Management Systems - Requirements for Aviation, Space and Defense Organizations,” contractual quality assurance clauses, and internal quality assurance processes and procedures; and
- Part B: Assess the Exoatmospheric Kill Vehicle reliability of deployed assets (classified report) at later date.

#### FINDINGS:

The evaluation found that the majority of quality management systems were in compliance. However, some areas need improvement such as the contactors were not ensuring that software development processes and testing were sufficient; that all quality assurance and technical requirements for mission-critical assemblies flowed down to the supply

chain and were verified; not adhering to configuration management processes, specifically with respect to management of change processes for design requirements; and MDA and the contractors were not ensuring that all quality management systems were in compliance with AS9100C. DoD IG identified a total of 48 nonconformances that were violations of AS9100C. These nonconformances could result in the production of nonconforming hardware and software which could affect mission success.

#### RESULT:

MDA provided responsive comments on the draft of this report and agreed with the five recommendations in the report. Additionally, MDA provided technical and security comments that have been incorporated into this report as appropriate. No further comments were required.

*Report No. DODIG-2014-111*

### Assurance Policy Evaluation – Spacecraft and Strategic Systems

#### OVERVIEW:



DoD IG evaluated the sufficiency of DoD mission assurance policies and procedures used in the acquisition of spacecraft and strategic systems.

#### FINDINGS:

DoD IG determined that there were no significant gaps or weaknesses in the DoD acquisition policies and procedures regarding mission assurance. The term “mission assurance” refers to the necessary systems engineering, design, quality, safety, reliability, maintainability, and availability requirements. DoD Instruction 5000.02, “Operation of Defense Acquisition Systems,” and the Defense Acquisition Guidebook generally support the mission assurance tenets through application of systems engineering practices. However, the Mission Assurance Guide TOR-2007(8546) 6018 provides more detailed guidance for systems engineering, quality assurance, and reliability; and it should be used by programs in their acquisition process. DoD IG found three common program management practices across the Missile Defense Agency, Space and Missile Systems

Center, and Strategic Systems Program that should be considered DoD standard practices. These three practices are 1) developing specific policies and standards, which are applied on every program and contract, 2) verifying program requirements through in-depth quality assurance audits of the program and contractors; and 3) using independent organizations that report directly to the agency head to ensure mission success. These practices help ensure a specific level of mission success for their programs.

### **RESULT:**

The Director of Acquisition Resources and Analysis concurred with the recommendations. Deputy Assistant Secretary of Defense (Systems Engineering) will update the Defense Acquisition Guidebook, chapter 4, by 2015 to implement the DOD IG recommendations and will invite the Missile Defense Agency, Space and Missile Systems Center and Strategic Systems Program to present their best practices at a System Engineering Forum in 2015.

**Report No. DODIG-2014-116**



# 3

## ENABLING MISSION AREAS



## CONGRESSIONAL TESTIMONY AND BRIEFINGS

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

During this semi-annual period, DoD Inspector General Jon Rymer, testified at one hearing and submitted a prepared Statement for the Record for another hearing. On May 13, 2014, the Inspector General testified before the Senate Homeland Security and Governmental Affairs Committee at a hearing on “Improving Financial Accountability at the Department of Defense.” The hearing focused on the efforts under way at the Department of Defense to



DoD Inspector General Jon Rymer testifies before the Senate Homeland Security and Governmental Affairs Committee on May 13, 2014.

improve financial management and obtain a clean, unqualified audit of its books. Inspector General Rymer’s statement highlighted several critical areas that DoD must address to improve its financial management and help prepare auditable financial statements. His statement also addressed progress the Department has made, but noted that many challenges remain to ensure it reaches the 2014 and 2017 statutory deadlines.

Inspector General Rymer also submitted a Statement for the Record in support of a hearing on April 10, 2014, before the Subcommittee on Financial and Contracting Oversight, Senate Committee on Homeland Security and Governmental Affairs on “Oversight of Small Agencies.” The hearing focused on at least 41 entities that lack current oversight by inspectors general. This situation results in more than a billion dollars in budget authority every year that receives virtually no oversight. A statement from Inspector General Rymer was requested based on his role as the Chair of the Council of the Inspectors General on Integrity and Efficiency Audit Committee. His statement discussed efforts by the Audit Committee to confirm that inspectors general for small agencies meet the requisite standards for performing critical audit oversight work.

### MEETINGS WITH CONGRESSIONAL MEMBERS AND STAFF

During the reporting period, DoD IG representatives had 52 meetings with Members of Congress and/or their staffs. Topics of discussion during those meetings included issues such as an assessment of the Joint Prisoner of War/Missing in Action Accounting Command, audits of Enterprise Resource Planning systems, and a series of reviews related to the financial management capacity and risks within the Afghan Ministry of Defense and Ministry of Interior.

## DOD HOTLINE

The mission of the DoD Hotline is to provide a confidential, reliable means to report violations of law, rule or regulation, mismanagement, gross waste of funds, abuse of authority, and classified information leaks involving the Department of Defense; as well as the detection and prevention of threats and danger to the public health and safety of the Department and the Nation.

*“This reporting period the Hotline received 5,995 contacts, initiated 2,949 cases, and closed 3,239 cases. The number of contacts received represents a 60 percent decrease from FY 2013.”*

This reporting period, the Hotline received 5,995 contacts, initiated 2,949 cases, and closed 3,239 cases. The number of contacts received represents a 60 percent decrease from FY 2013. The primary reasons for the decrease were the use of the online complaint Web form as the primary means of reporting fraud, waste, and abuse to the Hotline and restructuring of the Hotline phone tree to provide complainants with guidance on reporting complaints directly to the appropriate DoD Component.

The Hotline intends to become the recognized leader of the Federal Government hotline programs and continues these efforts by hosting quarterly DoD hotline working groups and participating in the Federal Working Group it initiated. These venues provide the opportunity and benefit of sharing best practices and implemented change across Government. In its pursuit to establish a common vision for the Federal hotline community, the Federal Working Group is currently collaborating on identifying and standardizing “core areas” for hotline inclusion in Semiannual Reports to Congress.

Significant accomplishments of the DoD Hotline during the reporting period include:

- Initiated the cradle-to-the-grave assignment of complaints to investigators, which is a more streamlined process of operations that improves efficiency and effectiveness from complaint receipt to closure.
- Implemented the Quality Control Review process. Properly conducted Quality Control Reviews are paramount to preventing the unauthorized disclosure of complainant identity and ensure the tasked organization does not have an impairment to independence.
- The Hotline business decision to no longer accept complaints via email has proven to be very effective in obtaining information necessary to efficiently analyze, refer, and resolve complaints. Free-flow email lacked the level of detail required to take action and caused a significant delay in processing complaints. This change has been in effect for 1 year and is being shared as a best practice with hotline working groups, as most agencies or organizations are experiencing similar challenges with email complaints.
- The Hotline enhanced its method for receiving complaints, including:
  - branding of marketing and communication materials;
  - improving the interactive online complaint Web form as the primary means of reporting information to the Hotline;
  - providing an automated acknowledgement of complaint receipt to complainant; and
  - updating the Hotline website to provide accurate and simple instructions for filing a complaint and to provide information on the complaint process.

DoD IG is committed to maintaining the Department’s Whistleblower Program as a model for the Federal Government. The DoD Hotline directly supports this commitment by continuously analyzing and improving its processes for handling whistleblower complaints.

Figure 3.1 Hotline Poster 2014



Figure 3.2 Hotline Contractor Poster 2014

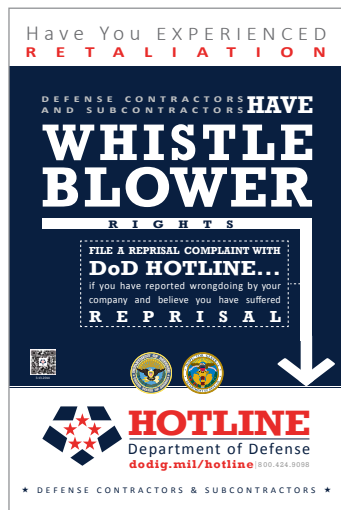
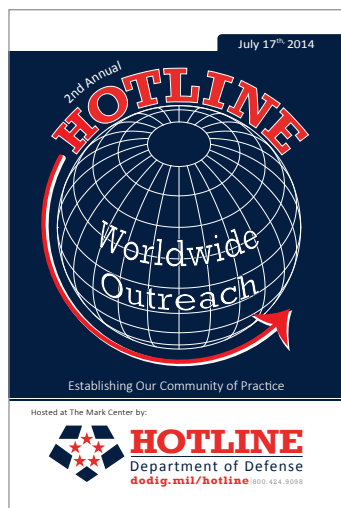


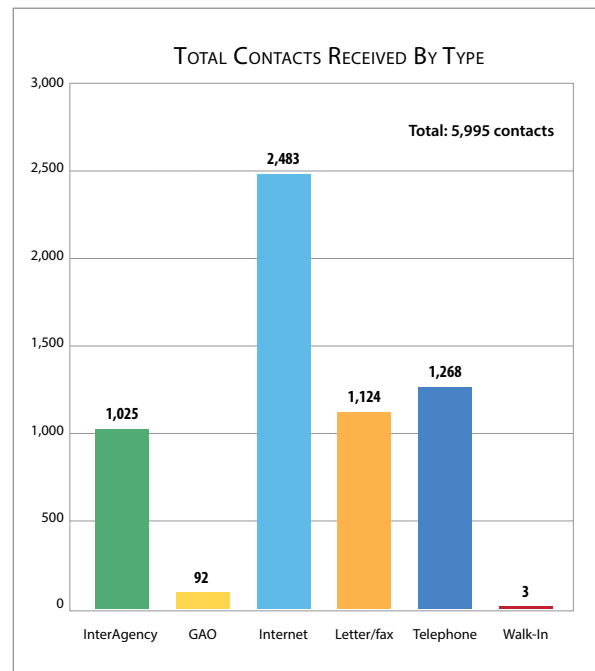
Figure 3.3 Hotline Outreach Poster 2014



## HOTLINE CONTACTS AND CASE INITIATION

During this reporting period the DoD Hotline received 5,995 contacts. The contacts were received in the following ways:

Figure 3.4 Total Contacts Received by Type of Method



## Open Cases

The DoD Hotline initiated 2,949 cases to the following activities:

Military Services	
Air Force	251
Army	560
U.S. Army Criminal Investigation Command	80
Navy	245
Marine Corps	75
Joint Staff	148

DoD IG	
Investigation of Senior Officials	311
Whistleblower reprisal Investigations	398
Hotline	10
Audits	21
Investigations	120
Administration and Management	2

DoD IG (cont'd)	
Intelligence & Special Program Assessments	78
Office of Professional Responsibility	8
Special Plans & Operations	1
Policy & Oversight	3
Audit Policy & Oversight	189
Investigative Policy & Oversight	22
Office of General Counsel	8

Defense Agencies/DoD Field Activities	
Defense Advanced Research Projects Agency (DARPA)	1
Defense Contract Management Agency (DCMA)	51
Department of Defense Education Activity (DODEA)	20
Defense Contract Audit Agency (DCAA)	39
Defense Commissary Agency (DECA)	12
Defense Finance and Accounting Services (DFAS)	14
Defense Intelligence Agency (DIA)	20
Defense Information Systems Agency (DISA)	9
Defense Logistics Agency (DLA)	30
Defense Media Activity (DMA)	4
Defense Security Service (DSS)	32
Defense Threat Reduction Agency (DTRA)	2
Missile Defense Agency (MDA)	3
National Geospatial Intelligence Agency (NGA)	5
National Reconnaissance Office (NRO)	2
National Security Agency (NSA)	7
Pentagon Force Protection Agency (PFPA)	10
Defense Health Agency/ (DHA)	29
Washington Headquarters Services (WHS)	10

Office of the Secretary of Defense	
AAFES	10
Administration	2
Acquisition, Technology, and Logistics (AT&L)	15
Comptroller	1
Deputy Chief Management Office (DCMO)	2
Health Affairs	1
Intelligence	6
Military Entrance Processing Command (MEPCOM)	5

Office of the Secretary of Defense (cont'd)	
Non-DoD	51
Office of General Counsel (OGC)	3
Personnel and Readiness (P&R)	17
Policy	4
Public Affairs	2

## Closed Cases

The DoD Hotline closed 3,239 cases to the following activities:

Military Services	
Air Force	224
Army	657
U.S. Army Criminal Investigation Command	95
Navy	287
Marine Corps	86
Joint Staff	149

DoD IG	
Investigation of Senior Officials	297
Whistleblower Reprisal Investigations	425
DoD Hotline	91
Audits	15
Investigations	118
Administration and Management	1
Intelligence & Special Program Assessments	78
Office of Professional Responsibility	3
Special Plans & Operations	1
Policy & Oversight	3
Audit Policy & Oversight	177
Investigative Policy & Oversight	20
Office of General Counsel	7

Defense Agencies/DoD Field Activities	
DARPA	2
DCMA	52
DODEA	38
DCAA	66
DECA	15
DFAS	25
DIA	25

Defense Agencies/DoD Field Activities (cont'd)	
DISA	7
DLA	33
DMA	3
DSS	32
DTRA	4
MDA	2
NGA	5
NRO	2
NSA	5
PFPA	12
DHA (TRICARE Mgmt Activity)	31
WHS	6

Office of the Secretary of Defense	
AAFES	10
Administration	5
AT&L	10
Comptroller	2
Health Affairs	4
Intelligence	6
MEPCOM	9
Non-DoD	56
OGC	4
Policy	6
Public Affairs	3
P&R	25

## Closed Cases with Significant Results

### Labor Mischarging

Hotline received allegations involving a subcontractor and personnel from the prime contractor mischarging labor hours to the Government. An audit conducted by two DoD agencies found deficiencies in the prime contractor’s accounting system. The audit also disclosed that timesheet explanations did not provide adequate facts to justify cost/labor corrections.

Corrections included (1) submission of an Accounting System Corrective Action Plan and immediate action to correct vouchers submitted for subcontractor costs that were posted to incorrect project identifications; and (2) implementation of program reviews for wage determination schedules, accurate time charging, and creation of separate allocations project identifications for each contract year. Recovery resulted in the prime subcontractor crediting \$88,162 in Program Management Office (PMO) fees directly to the buying command.

### Contracting Fraud and Conspiracy

Criminal allegations of contracting fraud and conspiracy involving an Army supply and logistics contract for services in Afghanistan were received by the Hotline and referred to Army Criminal Investigation Command (CID). An investigation by Army CID found that a program and procurement manager responsible for providing vehicle-fleet maintenance for the Afghan National Army and the Equipment Maintenance Apprenticeship & Service was responsible for awarding bids to subcontractors for parts ordered on this contract. The program manager used his position to steer purchase orders and other business to a company owned by his spouse. The investigation further revealed a second program and deputy program manager collaborated in this scheme to defraud the Government agreeing to become business partners and formed a second company to hide their fraudulent scheme. The companies were awarded blanket purchase agreements in excess of \$10 million dollars at excessively unallowable price markups to supply parts to the U.S. Government. The proceeds were split among the group.

The program manager was convicted and sentenced to 12 months and 1 day confinement; 2 years supervised release; a restitution judgment in the amount of \$2,240,120; and a special assessment fee of \$100. The second individual was convicted and sentenced to 6 months confinement; 2 years supervised release, to include 6 months home confinement; a restitution judgment in the amount of \$30,964; and a special assessment fee of \$100. The husband and wife received a combined sentence of 36 months confinement; 4 years supervised release; a restitution judgment in the amount of \$4.6 million; and a special assessment fee of \$200.

The individuals and companies were debarred by the U.S. Army Procurement Fraud Branch, Fort Belvoir,

### Security Threat

An anonymous caller reported security vulnerability and possible insider threat to a DoD-cleared facility/industry. The caller alleged a contract employee's conduct could pose a threat to national security. A joint investigation was conducted by the Defense Security Service and Defense Intelligence Agency. The investigation concluded the individual's access to security information should be suspended due to misconduct and trustworthiness concerns. As of May 2014, the individual no longer has access to any U.S. Government agency or cleared contractor facility.

### Domestic Violence

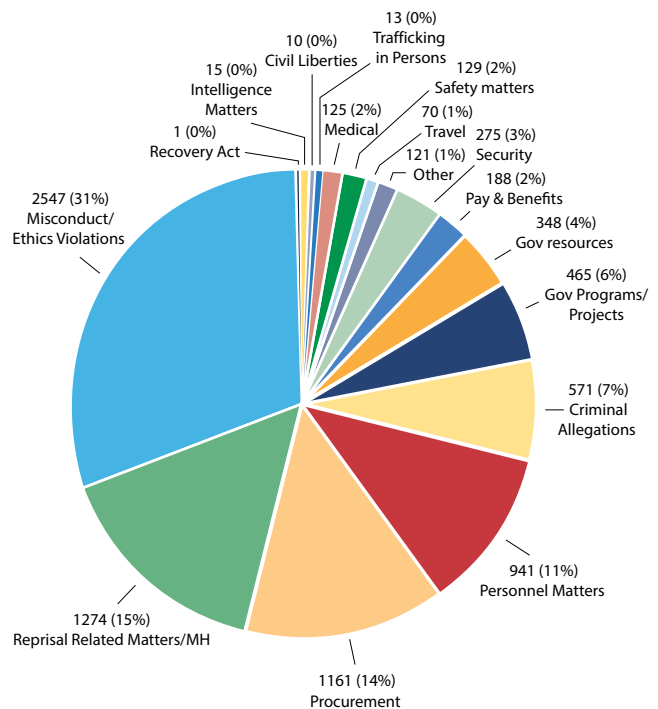
A spouse alleged misconduct by her active duty spouse, including evading legal financial obligations, and emotional and physical abuse. She also reported the service member's chain of command failed to properly address the issues. The investigation established probable cause to believe the active duty service member committed the offenses of sexual assault, communicating a threat, assault consummated by a battery, and false official statements. He was tried by special court-martial and found guilty of assault and making a false statement. The service member was confined for 3 months and received a bad conduct discharge.

## WHISTLEBLOWER PROTECTION OMBUDSMAN

In accordance with the Whistleblower Protection Enhancement Act of 2012, the Inspector General designated a Department of Defense Whistleblower Protection Ombudsman, whose role is to educate agency employees about the prohibitions, rights, and remedies related to retaliation for protected disclosures.

Outreach efforts to inform all Defense Department personnel of their whistleblower rights and protections have produced a sharp increase in contacts received by the DoD Whistleblower Protection Ombudsman so far this year, growing from about 4 to 6 a month as of August 2013 (the date the ombudsman was appointed) to a total of 270 since January 1, 2014.

Figure 3.5 Categories of Hotline Allegations



# PROGRAMS

## SUBPOENA PROGRAM

The DoD IG authority to issue subpoenas is based on the Inspector General Act of 1978, as amended. The Act authorizes the inspectors general to issue subpoenas in matters that involve fraud and abuse in Department programs and operations. A DoD IG subpoena request must meet three criteria: (1) the subpoena can only be issued for investigations within the statutory authority of the IG, (2) the information sought must be reasonably relevant to the IG investigation, audit, investigation, or evaluation, and (3) the subpoena cannot be unreasonably broad or burdensome. Using DoD IG subpoenas is a useful procedure for legally obtaining business, personnel, financial, and state and local Government records. Records obtained by DoD IG subpoenas may also be used to locate witnesses, confirm statements made by witnesses or subjects, and provide other relevant information. During this reporting period, 346 subpoenas were issued.

Figure 3.7 DoD IG Subpoenas Issued - FY 2014  
April 1, 2014 – September 30, 2014

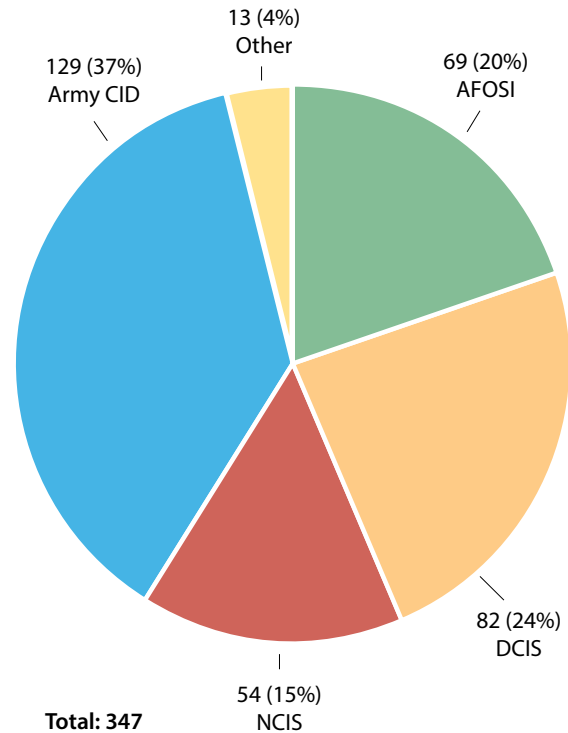


Figure 3.6 Subpoenas Requests by Type of Investigation - FY 2014  
April 1, 2014 – September 30, 2014

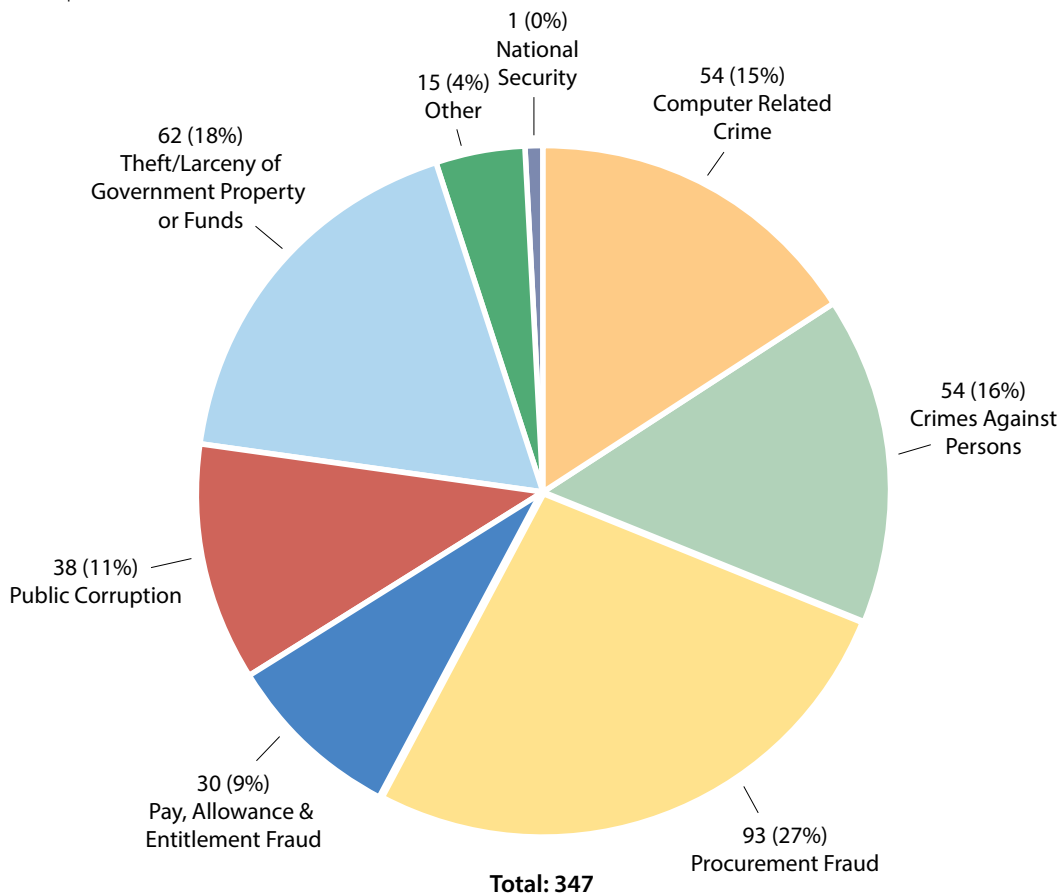
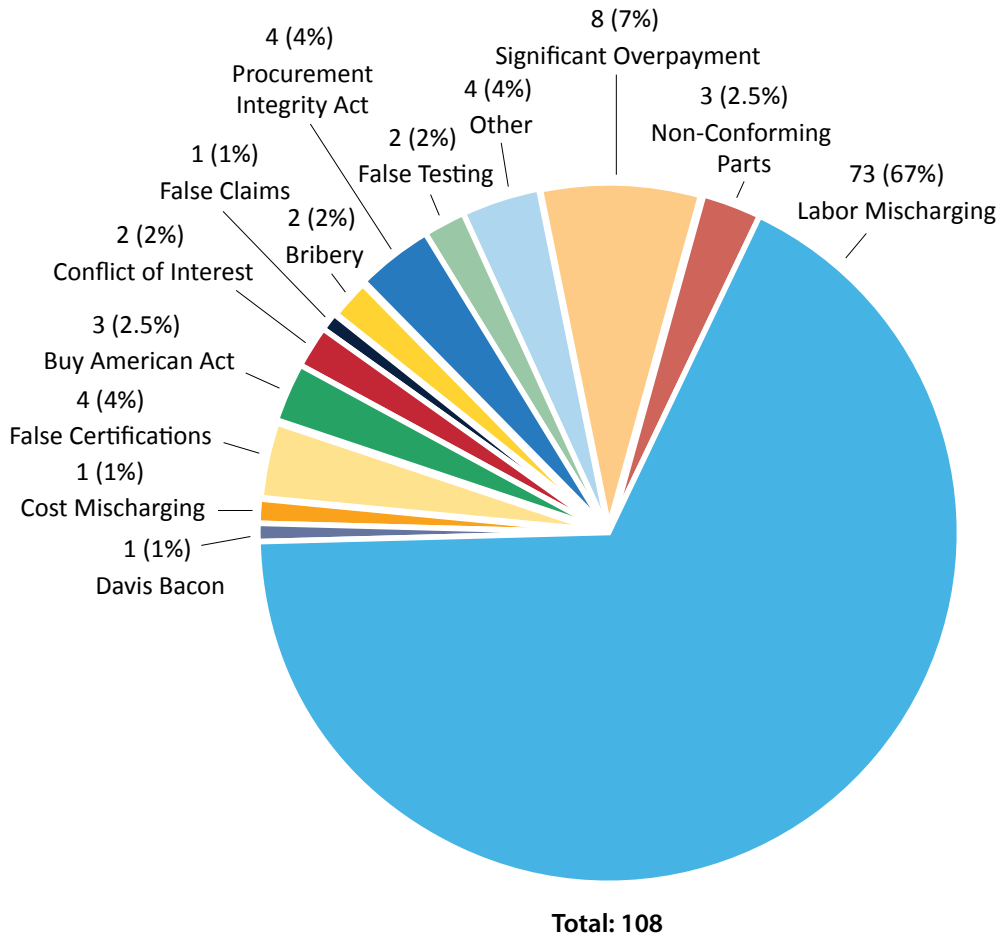




Figure 3.8 Contractor Disclosure Received By Type



## CONTRACTOR DISCLOSURE PROGRAM

All contractor disclosures affecting the Department of Defense made pursuant to the Federal Acquisition Regulation shall be reported to DoD IG in accordance with the Defense Federal Acquisition Regulation. A contractor disclosure is a written disclosure by a DoD contractor or subcontractor to the DoD IG that there is credible evidence that the contractor or subcontractor has committed a violation of title 18, or title 31, United States Code, in connection with the award, performance, or closeout of a contract or any subcontract. During this reporting period, 108 contractor disclosures were received.

## ASSET FORFEITURE PROGRAM

The Defense Criminal Investigative Service asset forfeiture program continues to effectively provide forfeiture support to DCIS investigations involving fraud, waste, and abuse by including forfeiture counts in all indictments, criminal informations, and consent agreements when warranted by the evidence. The program has successfully met its goal to deter criminal activity by depriving criminals of property used or acquired through illegal activity both in the United States and in Southwest Asia. Since 2007, DCIS has seized \$59.4 million, had final orders of forfeiture totaling \$35.22 million, and money judgments in the amount of \$113.92 million. During this 6-month reporting period, DCIS seized assets totaling \$1.5 million, had final orders of forfeiture totaling \$1.6 million, and money judgments in the amount of \$9.3 million. Assets that have been seized or forfeited include financial instruments, real property, and vehicles.

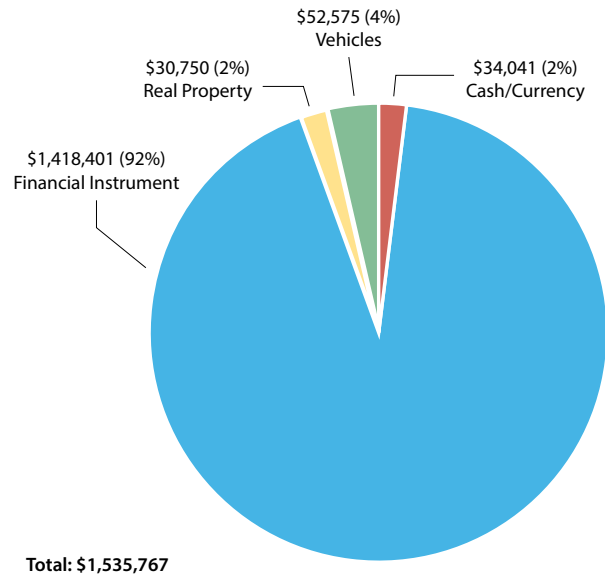
## Investigative Examples:

On August 18, 2014, cash in lieu of a 2008 BMW 750i and real property located in Tennessee were forfeited as part of a consent order of forfeiture. The total value of both assets was \$271, 240. The orders were against a defendant who directed and awarded supply blanket purchase agreements and purchase orders in support of a U.S. Army Afghanistan contract to separate companies owned and operated by the defendant's wife and another co-conspirator.

A money judgment in the amount of \$1.01 million was ordered on July 29, 2014. The defendant was the owner of a defense contracting firm bidding on contracts and performing work for the Department of the Army. The defendant obtained DoD contracts based on a fraudulent Small Business status, filed false invoices with the Defense Finance and Accounting Services, and submitted false Federal tax returns and tax documents to the Small Business Administration

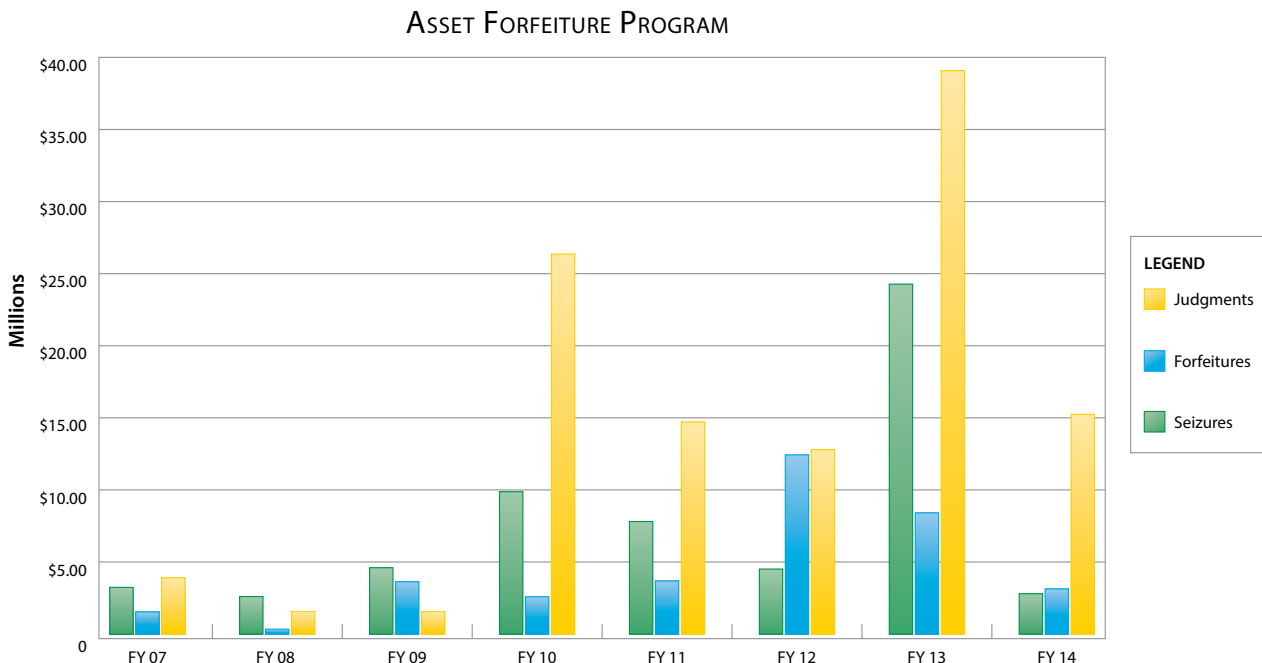
On July 3, 2014, a money judgment was ordered in the amount of \$7.03 million against a defendant who pleaded guilty to conspiracy to defraud the United States. The defendant conspired to unlawfully enrich himself by securing contracts set aside for small businesses by the Air Force.

Figure 3.9 Seized Assets By Type



On April 17, 2014, a company that supplied emergency-medical search and rescue equipment to the military forfeited \$300,000 in U.S. currency for bribing an employee of the Command Surgeons Office, U.S. Army Special Operations Command. The bribes were for the purpose of receiving contracts and preferential treatment such as facilitating inflated pricing on awarded contracts.

Figure 3.10 Asset Forfeiture Program



# OUTREACH

## INTERAGENCY INITIATIVES

### Southwest Asia Joint Planning Group

The Southwest Asia Joint Planning Group is the coordinating body for U.S. Government organizations conducting oversight of U.S. military and civilian activities in Southwest Asia. The group meets quarterly to coordinate and de-conflict oversight activities. The group last met in August 2014, with participants located in the continental United States and Afghanistan. During this reporting period, the Southwest Asia Joint Planning Group chairman, from the DoD IG office at Bagram Airfield, Afghanistan, hosted several distinguished guest speakers who provided timely situational awareness of ongoing and planned activities in Afghanistan during the quarterly meetings:

**May 2014:** Transition from NATO/ International Security Assistance Force mandate to “Resolute Support” mission

- Rear Admiral Tim Szymanski, Deputy Commander-Support to NATO Special Operations Component Command Afghanistan and Special Operations Joint Task Force Afghanistan



Southwest Asia Joint Planning Group met in August 2014 with several distinguished guest speakers.

**August 2014:** DoD’s policy and progress on operational contract support issues and mandates

- Richard Ginman, Director, Defense Procurement and Acquisition Policy
- Gary Motsek, Deputy Assistant Secretary of Defense (Program Support)
- Major General Lee K. Levy II, Vice Director for Logistics (J-4), Joint Staff

### FY 2015 Comprehensive Oversight Plan for Southwest Asia

Other notable Afghanistan-related activities by the Southwest Asia Joint Planning Group included the issuance of the FY 2015 Comprehensive Oversight Plan for Southwest Asia (COPSWA), which includes the updated Joint Strategic Oversight Plan for Afghanistan. These plans reflect interagency collaboration within the oversight community to provide comprehensive audits, inspections, and evaluations of contingency expenditures, to determine whether critical oversight gaps exist and to recommend actions to address those gaps. The FY 2015 COPSWA was effective as of September 1, 2014, and may be revised and updated as necessary.

The FY 2015 COPSWA includes descriptions of 297 planned and ongoing oversight projects by the Inspectors General of the Department of Defense, Department of State and the U.S. Agency for International Development; the Special Inspector General for Afghanistan Reconstruction; the Army Audit Agency; the Naval Audit Service; and the Air Force Audit Agency. The FY 2015 update also includes ongoing oversight efforts by the U.S. Government Accountability Office related to Southwest Asia. The oversight community uses a risk-based planning process that includes conducting outreach with congressional representatives, department and agency leadership, U.S. Central Command and senior military and civilian leadership in Afghanistan.

The COPSWA also includes an updated FY 2015 Joint Strategic Oversight Plan for Afghanistan that reflects the oversight of activities related to the transfer of greater security and other responsibilities to the Government of the Islamic Republic of Afghanistan and the transition of U.S. support from a combat mission to the train, advise, and assist Resolute Support Mission. In alignment with these changes, the

Figure 3.11 FY15 Comprehensive Oversight Plan for Southwest Asia



11 strategic oversight issues identified in FY 2014 have been consolidated in FY 2015 to a total of 7 issues (4 reconstruction, 2 other than reconstruction, and 1 new crosscutting section). As the DoD mission downsizes through the end of 2014, some of the in-country presence of the DoD oversight entities in Afghanistan will diminish. However, this diverse oversight community is committed to completing necessary oversight and maintaining effective working relationships to minimize duplication of efforts. The COPSWA also includes descriptions of oversight projects in the rest of the U.S. Central Command’s area of responsibility, which is comprised of a total of 20 countries, including Bahrain, Iraq, Kuwait, Pakistan, and other Southwest Asia countries. The projects in this COPSWA will help identify and deter fraud, waste, and abuse throughout this area, and continue to promote integrity, efficiency, and excellence.

### 1st Joint IG Summit on New Responsibilities for a Lead Inspector General for Overseas Contingency Operations

On September 4, 2014, DoD Inspector General Jon Rymer hosted the first Joint IG Summit to discuss implementation of additional responsibilities under Section 8L of the IG Act, as amended, which created the Lead Inspector General for Overseas Contingency Operations (LIG-OCO). The new responsibilities impact the inspectors general for DoD, the Department of State, and the U.S. Agency for International Development, as well as the Chairperson for the Council of the Inspectors General on Integrity and

Efficiency. Opening remarks were also provided by Inspector General Steve Linick, Department of State; Acting Inspector General Michael Carroll, U.S. Agency for International Development; and Chairperson Phyllis Fong, Council of the Inspectors General on Integrity and Efficiency.

The daylong agenda began with a panel presentation on the intent and expectations of the law that created Section 8L. Afterward and via videoconference from Bagram, Afghanistan, the DoD Deputy Inspector General for Southwest Asia opened the Summit working session, “Forward Together,” with an overview of Section 8L; comparisons to Special IGs; proposed legislative changes; and a summary of the draft LIG-OCO Concept of Operations Plan prepared by DoD IG working groups, to be further developed as a joint IG document.

In addition, four joint IG panels, comprised of senior subject-matter experts from each of the three Offices of Inspectors General (OIGs), gave presentations on how the three OIGs can implement Section 8L and work together in future overseas contingency operations. The four joint IG panels discussed:

1. Joint Oversight Planning and Operational Readiness
2. Administrative Challenges
3. Investigative Coordination Challenges
4. Outreach & Transparency Challenges



On September 4, 2014, DoD Inspector General Jon Rymer hosted the first Joint IG Summit to discuss responsibilities of the LIG-OCO.

The Summit was well attended by more than 80 participants from the three OIGs and conducted at the Mark Center and by videoconference from Bagram Airfield and U.S. Embassies or Consulates in Afghanistan, Pakistan, and Frankfurt, Germany.

## **Intelligence Community Inspectors General Forum**

DoD IG participates in the Intelligence Community Inspector General Forum, which promotes and furthers collaboration, cooperation, and coordination among the Inspectors General of the intelligence community. The forum meets quarterly to discuss issues of common concern and to plan how to address them collaboratively. During this period, the forum has focused on annual planning. The Director of National Intelligence spoke at the September forum.

## **U.S. – European Fraud Working Group**

The Defense Criminal Investigative Service hosted the U.S. – European Fraud Working Group in Wiesbaden, Germany, from July 15 to 17, 2014. This 3-day event brought together working level investigators, attorneys, auditors, and supervisors from numerous U.S. and European law enforcement agencies to discuss U.S. Department of Defense procurement fraud and public corruption topics. Twenty-four speakers from 21 agencies presented information on topics such as coordination of remedies in Europe, administrative personnel actions under German labor law, German policing and justice system, and civil litigation in European domestic courts. Seventy-five participants from 37 agencies attended the meetings, which laid the foundation for increased cooperation and understanding. The key note address was delivered by the DoD Deputy Inspector General for Investigations, who encouraged cultivating new partnerships to effectively and efficiently combat fraud, waste, and abuse of taxpayer dollars. The DCIS European Post of Duty is staffed by two special agents and one local national investigator and is located in Wiesbaden, Germany, the headquarters of U.S. Army Europe. The European Post of Duty's area of responsibility is home to three major DoD combatant commands: U.S. European Command, Supreme Headquarters Allied Powers Europe, and U.S. Africa Command. Also located in this area of responsibility are the headquarters for U.S. Air Force in Europe and Africa, the U.S. Naval Forces Europe and Africa, and the Allied Joint Forces Command Naples.

## **Defense Intelligence and Special Programs Oversight Committee**

The Deputy Inspector General for Intelligence and Special Program Assessments chairs the quarterly Defense Intelligence and Special Programs Oversight Committee, which was previously the Joint Intelligence Oversight Coordination Group. The committee promotes and furthers collaboration, cooperation, coordination, and information sharing among the Inspectors General and Auditors General of the Department of Defense. The committee's objectives are to support the DoD Inspectors General and Auditors General in the performance of audits, inspections, and evaluations within their respective departments and agencies as well as strengthen their collective role and effectiveness to enhance their support of the National Intelligence Strategy. Finally, the group seeks to optimize the use of resources, increase efficiency, and avoid duplication of effort among DoD Inspectors General and Auditors General. The group can also explore opportunities for joint and interagency training and education, as well as examine defense programs and operations and identify those requiring coverage from more than one member of the group. During this period the committee has focused on the annual planning process, specifically coordinating and de-conflicting work between the agencies.

## **Nuclear Enterprise Oversight Collaboration Group**

The Nuclear Enterprise Oversight Collaboration Group is an informal interagency forum of oversight agencies within the nuclear enterprise. The objectives of the forum are to improve communication, de-conflict projects, and identify potential joint projects for oversight agencies in the nuclear enterprise. Spring 2014 marked the group's second meeting and included representation from the Government Accountability Office, Nuclear Regulatory Commission Office of Inspector General (OIG), Departments of Justice, State, and Energy (OIG offices), the Nuclear Command and Control System Support Staff, Navy IG and Air Force A10's Assessment Division.

## ADMINISTRATIVE INVESTIGATIONS OUTREACH INITIATIVES

During the reporting period, the Office of the Deputy Inspector General for Administrative Investigations conducted more than 63 hours of instruction, training, and outreach to 672 attendees during 31 events. These sessions included training on whistleblower reprisal and senior official investigations for new Inspectors General (IG) assigned to Joint, Army, Navy, Air Force, and Marine Corps IG billets. Other events included:

- IG roundtables with the Services and Defense agency IGs to share best practices and to ensure awareness of recent changes to policies and laws;
- a briefing about whistleblower rights and protections for victims of sexual assault during the Marine Corps Annual Sexual Assault Coordinator/Victims' Advocates training workshop;
- Defense Media Activity videos highlighting whistleblower protection; and
- rolled out the Whistleblower Reprisal Investigations Directorate's inaugural Mobile Training Team version of the Basic Whistleblower Reprisal Investigator Training Course. Whistleblower Reprisal Investigations instructors traveled to U. S. European Command and trained their inspector general investigators on whistleblower statutes, intake processes, interviewing, investigative planning, report writing, report quality assurance processes, DoD IG oversight, and case closure procedures.

On May 21, 2014, more than 217 participants from the DoD IG staff, the Services, Defense agencies, and the Intelligence Community IG participated in the Office of the Deputy Inspector General for Administrative Investigations 5th Administrative Investigations Training Symposium. Featured topics included sexual assault in the military, title 5 reprisal and protection for the DoD intelligence community, and workshops for investigations of senior officials and military whistleblower reprisal. Guest speakers included the Services' Inspectors General.

## HOTLINE OUTREACH INITIATIVES

### Worldwide Outreach Event

The DoD Hotline hosted its 2nd Annual Hotline Worldwide Outreach on July 17, 2014, at the Mark Center in Alexandria, Virginia. More than 200 people, representing 34 Federal agencies, 53 DoD organizations and 6 non-Federal agencies, registered for the event. The outreach event allowed participants to share best practices and challenges of operating hotlines.

### DoD-wide Hotline Working Group

The DoD Hotline continues to host the quarterly meeting of the DoD-wide Hotline Working Group. The Working Group focuses on the requirements of DoD Instruction 7050.01 (DoDI 7050.01), "Defense Hotline Program," and the Council of the Inspectors General on Integrity and Efficiency's "Recommended Practices for OIG Hotlines," and issues affecting the hotline community within the Department as a whole. The Working Group met in May and August 2014 during this reporting period.

### Federal Hotline Working Group

There were two Federal Hotline Working Group meetings this reporting period in May and September 2014. The Department of Energy hosted the May event, while the September event was hosted by the Department of Health and Human Services. The working groups continue to share best practices as they relate to hotline operations. The focus of the next working group meeting will be standardization of data reporting for Semiannual Reports to Congress.

### Hotline Branding Effort

DoD Hotline launched an aggressive branding campaign. The fraud, waste, and abuse poster and the contractor reprisal poster have been re-designed. The new posters have been advertised via social media, working groups, and conferences.

### News Media

During this reporting period, the DoD Hotline Director was featured in a news article about the importance of the DoD Hotline, how Hotline staff "triage" complaints, and changes that have increased Hotline efficiency. To read a copy of the Hotline print news article, go to [www.defense.gov/news/newsarticle.aspx?id=123116](http://www.defense.gov/news/newsarticle.aspx?id=123116).

4

# SERVICES



# ARMY

## U.S. ARMY AUDIT AGENCY

To accomplish its mission, U.S. Army Audit Agency (USAAA) relies on a work force of highly trained professional auditors, many with advanced degrees and professional certifications. USAAA's staff consists of approximately 545 employees and is organized into 17 functional audit teams that provide audit support to all aspects of Army operations.

USAAA no longer maintains a physical presence in the U.S. Central Command area of responsibility assisting Army commanders. Overall, USAAA has deployed over 215 auditors since 2002 and issued more than 210 reports on Operation Enduring Freedom/Operation Iraqi Freedom.

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

During the second half of FY 2014, USAAA published 64 reports, made 170 recommendations, and identified about \$473 million of potential monetary benefits. A few of USAAA's significant reports are described in the following paragraphs:

### Property Accountability of Equipment Fielded Through Rapid Fielding Initiatives

#### OVERVIEW:

U.S. Army Audit Agency (USAAA) performed this audit in support of the Army's campaign on property accountability. The objective of the audit was to verify that the organizational clothing and individual equipment fielded through the Rapid Fielding Initiative to soldiers prior to deploying was accurately recorded on soldier property records. USAAA identified, reviewed, and observed the processes the Project Manager, Soldier Protection and Individual Equipment used to account for and record Rapid Fielding Initiative equipment fielded.

*“For 7,463 soldiers who participated in the fielding events, property records for 7,414 soldiers (about 99.3 percent) contained an accurate accounting of equipment fielded.”*

#### FINDINGS:

USAAA verified that the Army had processes in place to accurately record equipment fielded during rapid fielding events in soldier property records. After fielding events at Forts Bragg, Hood, and Riley, USAAA did automated comparisons of equipment fielded to soldiers according to the Soldier Portable Equipment Issue and Recovery System and equipment posted to soldiers' property records in the Installation Support Module. For 7,463 soldiers who participated in the fielding events, property records for 7,414 soldiers (about 99.3 percent) contained an accurate accounting of equipment fielded. Based on the results of observations and audit tests, USAAA concluded that the project manager developed comprehensive standard operating procedures that contained appropriate accountability procedures and internal controls and fielding personnel generally followed these procedures.

#### RESULT:

USAAA provided the Army reasonable assurance that organizational clothing and individual equipment fielded to soldiers through Rapid Fielding Initiative was properly accounted for and accurately recorded on the soldiers' property records. Because the audit findings were positive, the report didn't contain any recommendations.

**Report No. A-2014-0075-ALS**

### Financial Liability Investigations of Property Loss

#### OVERVIEW:

At the request of the Deputy Chief of Staff, G-4, U.S. Army Audit Agency (USAAA) audited the effectiveness of the Army's program to conduct financial liability investigation of property loss (FLIPLs). The purpose of a FLIPL is to determine responsibility for the loss, damage, or destruction of Government property. To assess the quality and completeness of FLIPLs, USAAA identified the four key elements in Army guidance that are critical to supporting



FLIPL conclusions and any resulting determination of liability: findings and recommendations, sworn statements, a legal review, and the FLIPL checklist. USAAA reviewed FLIPLs at major subordinate units from all three Army components.

“Overall, 349 of 501 FLIPLs (about 70 percent) were missing at least 1 of the 4 elements necessary for a well-supported FLIPL.”

#### FINDINGS:

USAAA concluded that improvements were needed to ensure that units completed FLIPLs in accordance with Army guidance. Overall, 349 of 501 FLIPLs (about 70 percent) were missing at least 1 of the 4 elements necessary for a well-supported FLIPL. USAAA’s results showed that 12 percent of FLIPLs were missing findings, 14 percent were missing sworn statements, 9 percent were missing legal reviews, and 68 percent had missing or incomplete FLIPL checklists.

Active Army and Army National Guard units appointed approval authorities at the appropriate command level. However, at the U.S. Army Reserve units visited, an officer at rank lower than Army guidance prescribed approved about 8 percent of the 128 FLIPLs reviewed.

Also, Active Army, Army National Guard, and Army Reserve units were not consistent in assessing financial liability and did not give sufficient justification for decisions. In addition, the Army Reserve did not hold individuals liable if a FLIPL exceeded regulatory guidelines for completing the FLIPL investigation.

These conditions occurred because Army commands needed to improve oversight of FLIPLs. Additionally, FLIPL registers weren’t accurate, and brigade and other higher-level commanders didn’t review subordinates’ FLIPL programs.

#### RESULT:

USAAA recommended that U.S. Army Forces Command, U.S. Army National Guard Bureau, and U.S. Army Reserve Command require brigade and higher-level commanders to conduct oversight

of FLIPLs prepared by subordinate commanders. At a minimum, USAAA recommended that these commands require commanders at all levels to review at least 10 percent of FLIPLs approved quarterly and assess whether subordinates’ decisions were consistent with Army guidance. Commands agreed to take prompt action to improve oversight and controls. USAAA also recommended that the Army’s Deputy Chief of Staff, G-4 improve oversight by implementing an automated FLIPL tracking system. The Deputy Chief of Staff, G-4 agreed and stated it planned to prepare a problem statement and business case analysis by December 31, 2015.

**Report No. A-2014-0088-ALS**

### Army Contributions to the Military Retirement Trust Fund

#### OVERVIEW:

U.S. Army Audit Agency (USAAA) conducted this audit to verify the adequacy of the processes and procedures the Army used to calculate its required monthly contribution to the Military Retirement Trust Fund (MRTF).

#### FINDINGS:

USAAA determined that the Army was generally calculating and disbursing the required monthly contributions to the Military Retirement Fund accurately. However, USAAA identified areas that needed improvement. Specifically the Army National Guard (ARNG) overstated its contribution to the MRTF by approximately \$4.3 million and the U.S. Army Reserve Command (USARC) didn’t submit contributions of approximately \$10.5 million during FYs 2009 to 2013 for adjustments that were made on soldiers’ base pay.

These conditions occurred primarily because neither USARC nor ARNG had documented all of their processes for performing and monitoring manual calculations or adjustments in their standing operating procedures. Consequently, improper modifications to the processes occurred during periodic staffing changes. In addition, neither USARC nor ARNG were retaining sufficient documentation to support their monthly contributions to the MRTF.

*“The Army could potentially achieve about \$12.4 million in savings during FYs 2014–2019 by revising its processes and procedures to ensure accurate computation of the Army’s future contributions to the MRTF.”*

**RESULT:**

USAAA made recommendations to both ARNG and USARC. USAAA recommended that the ARNG submit an adjustment to the trust fund for the contribution overpayments computed for its soldiers on full-time National Guard duty for operational support. USAAA also recommended that ARNG develop procedures to review its soldiers’ base pay disbursements during the life of the National Guard Personnel appropriation to determine if adjustments are needed to its contributions for the prior periods. USAAA recommended that the USARC submit adjustments to the MRTF for adjustments needed to its trust fund contributions during FYs 2009–2013. Both commands concurred with and took immediate action to implement these recommendations during the audit. The Army could potentially achieve about \$12.4 million in savings during FYs 2014–2019 by revising its processes and procedures to ensure accurate computation of the Army’s future contributions to the MRTF.

**Report No. A-2014-0074-FMF**

**Examination of Interim Solution for Recording Permanent Change of Station Costs**

**OVERVIEW:**

After experiencing an Anti-deficiency Act Violation in FY 2008, the Army elevated the Permanent Change of Station (PCS) Program to a Department-level material weakness in FY 2010. The material solution to this weakness was the deployment of an enterprise resource planning solution (the Integrated Personnel and Pay System-Army); however, this system isn’t scheduled for deployment until at least FY 2019. Therefore, until this material solution is available, the Army implemented an interim process to mitigate the material weakness and asserted that they implemented effective and proper internal controls and procedures to correct the following three deficiencies related to the Army’s material weakness on Active Component PCS orders: the inability to

obligate PCS orders when issued; the inability to apply a reliable cost estimate to PCS orders; and the inability to reconcile disbursements with obligation. U.S. Army Audit Agency’s (USAAA’s) responsibility was to express an opinion on the assertion based on an examination of evidence.

**FINDINGS:**

USAAA’s opinion was that while some control weaknesses still existed, the Army established processes and controls to ensure that Active Component PCS orders are substantially recorded in the Standard Army Finance Information System (STANFINS) with a unique standard document number; reliable cost estimates have been calculated and recorded in STANFINS for PCS orders; and reconciliation of disbursements for all PCS expenses with obligations in STANFINS is accomplished. Additionally USAAA recommended the Assistant Secretary of the Army, Financial Management and Comptroller revise their PCS interim process to include requirements to maintain an errors log for tracking and resolving data issues with the orders, record a default (temporary) obligation in STANFINS when they return an errors log to an order writing activity, and perform periodic testing of the order writing activity universe to ensure all orders are captured. Assistant Secretary of the Army, Financial Management and Comptroller agreed with the recommendations and took all corrective actions.

**RESULT:**

USAAA’s attestation informed Army leadership that the processes and controls reviewed will not meet the future financial system (General Fund Enterprise Business System) requirements which will require that sufficient obligations are recorded in the system before any disbursements are recorded. USAAA provided the Army leadership factors that they need to consider to decide whether to sustain or close the material weakness on Active Component PCS costs.

**Report No. A-2014-0101-FMF**

**Controls Over Special Compensation for Assistance With Activities of Daily Living**

**OVERVIEW:**

At the request of the Office of the Deputy Chief of Staff, G-1, U.S. Army Audit Agency (USAAA) audited the controls over the Special Compensation for

Assistance with Activities of Daily Living (SCAADL) Program in the Army. Specifically, USAAA verified that controls existed for the processes used to determine soldier eligibility; make accurate and supported payments to them; and stop payments for soldiers no longer considered eligible to make sure entitled soldiers received authorized compensation.

### FINDINGS:

Generally, the Army didn't have sufficient controls over the SCAADL program to ensure that entitled soldiers were receiving authorized payments. Although some controls were in place, the program needed additional controls and oversight to make sure payments started and stopped on time, redeterminations occurred, and regional medical commands and Warrior Transition Units applied the program consistently across the Army.

The Army generally calculated payments correctly. However, payments made in December 2013 to 38 percent of soldiers weren't fully supported. These conditions occurred because the Army didn't provide sufficient program oversight. It also didn't define roles, responsibilities, and procedures to: inform soldiers and initiate action to begin SCAADL payments; maintain complete SCAADL packets; initiate and track redeterminations; and stop all unsupported or expired payments. As a result, the program wasn't operating efficiently.

“Of the almost \$18.8 million the Army paid since the program began in September 2011, USAAA estimated the Army may have overpaid as much as \$1.6 million.”

### RESULT:

Of the almost \$18.8 million the Army paid since the program began in September 2011, USAAA estimated the Army may have overpaid as much as \$1.6 million. During the audit, Office of the Deputy Chief of Staff, G-1 took quick action to add controls to strengthen the eligibility redetermination process. Command issued an administrative procedure to update certifying official's responsibilities to include tracking redeterminations of soldiers at 180 days. It also authorized the Defense Finance and Accounting

Service—Indianapolis to suspend SCAADL payments if redeterminations didn't occur. Additionally, USAAA made recommendations to add and improve controls within the program to prevent overpayments because the Army usually cancels debts created from SCAADL overpayments for injured or wounded soldiers.

**Report No. A-2014-0106-FMF**

## Business Systems Information Technology Portfolio Management

### OVERVIEW:

U.S. Army Audit Agency (USAAA) conducted this audit to verify that the Army identified all of its defense business systems in accordance with the statutory requirements outlined in the 2012 National Defense Authorization Act and section 2222, title 10, United States Code.

### FINDINGS:

USAAA found that the Army may not have identified all of its defense business systems. USAAA reviewed 486 of 3,007 information systems from the Army Portfolio Management Solution and found that 59 within the Warfighting and Enterprise Information Environment Mission Areas had a high likelihood of meeting the defense business system definition. This occurred because DoD and Army guidance wasn't clear and was sometimes conflicting as to whether a system should be a defense business system. In addition, the Army lacked a formal process for determining whether a system was a defense business system.

### RESULT:

USAAA recommended the Army focus their efforts on the highest risk systems outside of the systems already identified as defense business systems. This allowed the Army to focus on reviewing the highest risk systems during this fiscal year's organizational execution plans. In addition, USAAA recommended the Army develop a formal process to ensure continuity in how systems are reviewed and adjudicated during the determination of whether a system should be identified as a defense business system. This will allow the Army to meet the 2012 National Defense Authorization Act as soon as possible and reduce the effort in identifying their defense business systems.

**Report No. A-2014-0064-FMT**

### Army Hearing Program—Monitoring Audiometry

#### OVERVIEW:

U.S. Army Audit Agency (USAAA) conducted this audit to verify that the Army identified corporate-level initiatives for monitoring audiometry and took sufficient actions to implement them at installations and units. USAAA reported that generally, the Army identified corporate-level initiatives to monitor audiometry, which included establishing requirements for conducting annual, followup, and termination audiograms, as well as reporting on participation. However, its review of Armywide and selected data for five sites showed the Army could improve how it implemented program requirements at installations and units.

#### FINDINGS:

USAAA's review of FY 2011 audiometric testing data showed that most soldiers (89 percent) assigned to table of organization and equipment units received annual audiograms. However, for FY 2011 at the five sites reviewed, USAAA determined:

- 55 percent of noise-exposed civilians didn't receive required annual audiograms.
- 72 percent of soldiers and 59 percent of civilians didn't complete required initial followup audiograms.
- 97 percent of soldiers and 96 percent of civilians didn't receive required termination audiograms before leaving noise-exposed hazardous areas or Federal service.

These conditions occurred because the sites didn't have effective processes to identify noise-exposed civilians who didn't receive annual audiograms. There also weren't processes to ensure supervisors were notified when soldier and civilian employees required followup audiograms, when they hadn't completed followup testing, or to make all personnel aware of the requirement to receive a termination test when out-processing or leaving a noise-hazardous area. In addition, participation rates in the hearing program for calendar year 2011 were also significantly overstated, which USAAA attributed to the method the Army used to generate participation rates for each installation. Without accurate participation rates, the Army can't reliably measure the effectiveness of its monitoring audiometry initiatives.

#### RESULT:

The audit contained six recommendations addressed to the Surgeon General to improve Army operations for monitoring audiometry for soldiers and civilians at the installations and unit levels. The Surgeon General and the Deputy Assistant Secretary of the Army (Military Personnel) agreed with the conclusion and recommendations.

**Report No. A-2014-0060-IEE**

### Army Workers' Compensation Program—Dual Benefits

#### OVERVIEW:

U.S. Army Audit Agency (USAAA) conducted the audit to verify that the Army had sufficient controls in place to identify civilians with compensable U.S. Department of Veterans Affairs (VA) benefits and that it notified the Department of Labor's Office of Workers Compensation Program of the potential for dual benefits. USAAA conducted work at the U.S. Army Civilian Human Resources Agency and the U.S. Department of Labor and obtained VA claims information from the VA. USAAA focused the review on injuries sustained during chargeback years 2008 through 2011 (July 1, 2007 through December 31, 2010) by 503 civilian employees who were also receiving VA benefits.

#### FINDINGS:

USAAA determined that the Army didn't have a process or procedures in place to identify civilians with compensable VA benefits or to notify the Department of Labor's Office of Workers Compensation Program of the potential for dual benefits. Consequently, the Army didn't have sufficient controls in place.

Using VA and Army workers' compensation claim data, USAAA reviewed 503 workers' compensation claims (192 claims with costs and 311 hearing claims during July 1, 2007 and December 31, 2010) for civilian employees who also received VA benefits. The review showed that 74 workers' compensation claims were at risk for dual benefits. Specifically, 14 of the 192 claims with costs and 60 of the 311 hearing claims were for the same injury for which claimants received VA compensation and were potential dual benefits. Also, the Army's Workers' Compensation Program paid:

- About \$198,000 in compensation costs for the 14 claims during the period USAAA reviewed and about \$637,000 since the inception of the claims.
- About \$1.7 million over the life of 46 of the 60 claims (14 didn't receive workers' compensation).

This occurred because there wasn't an Army procedure that required compensation specialists to validate that claimants declared VA benefits in Section 6b on Office of Workers Compensation Program's Form CA-7 (Claim for Compensation), using the SF-50 (Notification of Personnel Action), VA preference data.

#### **RESULT:**

USAAA issued six recommendations for the Army to establish sufficient controls to ensure it doesn't potentially pay dual benefits to civilian employees who file workers' compensation claims for the same injury for which claimants received VA compensation. The Deputy Chief of Staff, G-1 and Director, Manpower and Personnel, J1, National Guard Bureau agreed with USAAA's conclusion and recommendations.

**Report No. A-2014-0104-IEE**

### **Basic Allowance for Housing – Active Component**

#### **OVERVIEW:**

U.S. Army Audit Agency (USAAA) audited basic allowance for housing for Active Component service members to verify the amounts paid for housing allowances were consistent with the members' rank, duty location, and dependency status.

#### **FINDINGS:**

USAAA conducted comparative analyses and audit tests on reported financial, personnel, and housing data extracted from Defense Joint Military Pay System, Defense Manpower Data Center and Enterprise Military Housing from 2009 through 2011. Of the 646,218 service members entitled to receive basic allowance for housing, USAAA identified 5,202 (about 1 percent) who potentially received \$93 million in basic allowance for housing overpayments. USAAA sampled 597 of the 5,202 service members and found 158 (about 26 percent) who received \$1.6 million in payments that were potentially erroneous or mismatched based on USAAA's analysis of personnel and financial system records in four areas—eligibility,

dependency status, geographic location, and housing status. After the validity of the payments were reviewed by the system owners, potential overpayments valued at \$1.4 million to 127 service members were still unresolved and have subsequently been referred as appropriate for resolution.

#### **RESULT:**

The report contained four recommendations that will help the Army improve their validation processes for ensuring service members housing allowance payments are consistent with the members' rank, duty location, and dependency status. In addition, installation housing offices will now conduct periodic reviews in conjunction with Defense military pay offices further ensuring paid housing entitlements are appropriate. Lastly, the Army could potentially recoup \$1.4 million dollars in erroneous payments.

**Report No. A-2014-0067-IEF**

### **Implementing Community-Based Medical Homes**

#### **OVERVIEW:**

U.S. Army Audit Agency (USAAA) conducted this audit to verify that the Army realized goals to control costs, increase primary care capacity, and help patients achieve improved health through tailored health care services. USAAA audited off-post, primary care clinics called community-based medical homes. These homes are part of the Army's initiative to implement a patient-centered medical home concept.

#### **FINDINGS:**

USAAA determined that the Army generally realized its goals to control costs, increase primary care capacity, and help patients achieve improved health through tailored services. Resource managers at U.S. Army Medical Command (MEDCOM) Headquarters, in coordination with local military treatment facility personnel, did this by designing standardized clinics, enrolling patients, and providing comprehensive care to active duty family members.

However, MEDCOM faced some challenges in overseeing costs and delivering increased levels of primary care. In particular, some direct costs weren't accounted for consistently in the Medical Expense & Performance Reporting System. Resource management guidance to medical treatment facilities

personnel was sometimes unclear or interpreted inconsistently; supporting systems also didn't capture data correctly in the Medical Expense & Performance Reporting System. Also, community-based medical homes were understaffed, based on MEDCOM's 35-person staffing model, due to frequent staffing turnovers combined with a slow hiring process and hiring freezes.

*“Insufficient comparable information hindered MEDCOM's ability to understand actual community-based medical homes costs and make resource decisions.”*

Insufficient comparable information hindered MEDCOM's ability to understand actual community-based medical homes costs and make resource decisions. Staffing shortages also contributed to decreased productivity while placing more demands on remaining staff. While these challenges exist, the Army has an economically viable approach to provide increasing levels of access to primary care for active duty family members. Medical treatment facilities were proactive in efforts to ensure tailored services improved health care outcomes and led to higher patient satisfaction.

**RESULT:**

USAAA recommended that the medical command develop informational material on the proper use of emergency rooms and disseminate this to beneficiaries during primary care enrollment as part of the permanent change-of-station process. It also made recommendations to take all actions necessary to have direct costs captured consistently in Medical Expense & Performance Reporting System across all community-based medical homes and to help medical treatment facilities utilize various administrative tools, such as open-continuous announcements to fill staffing shortages. MEDCOM generally concurred with the recommendations and offered alternative actions that met the intent of the recommendations.

**Report No. A-2014-0070-IEM**

**Followup Audit of Ground Operating Tempo Program Execution and Reporting**

**OVERVIEW:**

U.S. Army Audit Agency (USAAA) followed up on Report A-2012-0050-MTT, Ground Operating Tempo (OPTEMPO) Program Execution and Reporting. The prior audit focused on six specific areas of the OPTEMPO program based on a series of capability portfolio reviews: mileage reporting, vehicle use, funding execution, funding migration, cost factor growth, and resourcing strategy. This followup audit focused on two of the six areas—vehicle use and resourcing strategy. Regarding vehicle use, the original audit reported that units drove vehicles for training events that were aligned with approved training strategies and were included in mileage projection reports. However, the audit found that funding requirements could be reduced by about \$26.9 million annually if units used commercial or organic resources to transport vehicles to training sites, rather than driving. For resourcing strategy, the original audit reported that there were unintended consequences of using mileage to resource the OPTEMPO program because the processes and procedures for tracking and reporting the mileage needed, and executed, to meet unit training requirements were highly susceptible to error. The Army needed to evaluate the current method, as well as alternate methods, for developing the OPTEMPO budget/program and ensure the most effective approach was in place.

**FINDINGS:**

USAAA determined that the Deputy Chief of Staff (DCS), G-3/5/7 implemented one of the two recommendations, followed up on by the audit team, and partially implemented the other. The DCS, G-3/5/7 addressed the use of commercial and organic resources at the FY 2012 training strategy review and by reducing OPTEMPO requirements for I Corps via the use of commercial rail to transport Strykers to training areas. Also, U.S. Army Forces Command issued guidance, since the original audit, to mitigate the effects of budget constraints, which required U.S. Army Forces Command activities to limit OPTEMPO miles by using the Heavy Equipment Transporter System. Overall, the Army realized or should realize about \$147.1 million of the original \$161.9 million in monetary benefits from FYs 2012-2017 identified during the original

audit. The DCS, G-3/5/7 partially implemented the recommendation associated with the resourcing strategy by tasking the Center for Army Analysis to conduct a study to determine the appropriateness and accuracy of the inputs used in the training resource model to develop the OPTEMPO budget. However, the Army limited the scope of the study and didn't conduct a comprehensive analysis of alternatives.

#### **RESULT:**

USAA issued three recommendations to the DCS, G-3/5/7, and Command agreed to implement them. By implementing these recommendations, the Army will be able to maximize the use of commercial and organic resources to transport training vehicles as a cost savings measure while ensuring minimum disruption to training and mission requirements. Also, the Army will ensure it's using the most accurate model for developing the budget for the OPTEMPO program.

**Report No. A-2014-0086-MTT**

### **Structure and Manning Decision Review Inputs and Training Resources Arbitration Panel Actions**

#### **OVERVIEW:**

U.S. Army Audit Agency (USAAA) performed this audit at the request of the former Deputy Commanding General of U.S. Army Training and Doctrine, which was based on a recommendation made by the Institutional Education and Training Reform Study performed in 2012 that focused on institutional training management systems and processes. USAAA focused their review on the sufficiency of the inputs into the Structure and Manning Decision Review (SMDR) process and the Training Resources Arbitration Panel (TRAP) actions. The SMDR is used to validate the projected institutional training seat requirements and synchronize them with the projected schoolhouse training capacity to meet operational unit readiness objectives. The Army uses TRAP actions to make any necessary adjustments to the training load once the SMDR process has established the initial requirements.

#### **FINDINGS:**

USAAA determined that inputs into the SMDR process were sufficient to provide a reasonably accurate Army Program for Individual Training. However, better synchronization with the Total Army Analysis process and results of senior leadership's force structure decisions could improve the program's accuracy. For FYs 2009-2012, an average of only 39 percent of the courses with only SMDR-programmed seats met the Department of the Army's 95-percent fill rate standard. Contributing to this low percentage was insufficient consideration of historical fill during the SMDR validation process. Although processes were in place to review, validate, and approve TRAPs, improvements were needed for better overall management of TRAPs to instill more discipline and accountability in the process. Specifically, fill rates for courses adjusted through TRAPs weren't significantly better than the rates for courses without TRAP adjustments.

#### **RESULT:**

The Army averaged between 78,000 and 87,000 unfilled training seats each year from FYs 2009-2012 depending on whether courses had TRAP adjustments. As a result, the Army was missing opportunities to more efficiently use its limited training resources and have higher fill rates for its training courses. Also, the Army was expending more manpower than necessary on reviewing and validating TRAP actions due to inefficiencies in the SMDR process. USAAA's analysis resulted in the Army taking actions to more effectively synchronize the timing of the SMDR process with force structure decisions. These actions should result in training requirements that are more precise and reduce the need for as many TRAP-adjustments.

USAAA recommended that the Army implement additional controls to the SMDR and TRAP processes that will require more oversight and accountability.

**Report No. A-2014-0112-MTT**

### **Performance of Renewable Energy Projects**

#### **OVERVIEW:**

The Army spent more than \$1.2 billion in FY 2012 on energy for its facilities. Although Federal and DoD mandates require the Army to meet targets for electricity consumed from renewable energy sources,

the Army wasn't meeting required renewable energy goals. U.S. Army Audit Agency (USAAA) conducted this audit to verify that renewable energy projects were performing as intended and contributing to energy goals.

#### **FINDINGS:**

Most of the 25 renewable energy projects reviewed at 7 sites were operational, and installation energy managers reported renewable energy output for these projects, which contributed to Federal and DoD renewable energy goals. However, some improvements were needed to ensure that projects were performing as intended and installations were reporting renewable energy output to help the Army meet goals. Specifically, eight projects performed as intended and produced more than the project's expected amount of renewable energy for FY 2012, and one project didn't perform as intended because it was broken.

USAAA couldn't fully determine whether the other 16 projects were performing as intended because expected performance sometimes wasn't defined in life-cycle cost analyses and actual performance was difficult to measure. Further, energy managers didn't accurately report FY 2012 renewable energy production into the Army Energy and Water Reporting System for eight projects. USAAA primarily attributed this to insufficient oversight.

#### **RESULT:**

The Army has missed opportunities to increase renewable energy contributions and, in some cases, reduce energy costs because projects are not performing as intended and installations are not consistently reporting renewable energy output. USAAA recommended that the Assistant Chief of Staff for Installation Management require installations to identify expected and actual annual performance for renewable energy projects and strengthen system controls in the Army Energy and Water Reporting System to improve the accuracy and completeness of reporting renewable energy data. USAAA also recommend that the Commander, U.S. Army Installation Management Command, and the Director, Army National Guard, take actions to make inoperable projects operational.

**Report No. A-2014-0114-IEE**

### **Fort Carson Combat Aviation Brigade (CAB) Central Energy Plant**

#### **OVERVIEW:**

U.S. Army Audit Agency (USAAA) conducted the audit to verify that Fort Carson selected the most cost-effective method for delivering utilities to the CAB complex and maximized opportunities to meet energy reduction goals. U.S. Army Installation Management Command approved the sites at Fort Carson, Colorado, for the CAB complex in July 2010. When completed, the planned complex will include 48 buildings: 8 built before 2005, 18 built between 2005 and 2010, and 22 new facilities planned for construction from FY 2012 to FY 2015 and beyond with a total cost of about \$796 million. In September 2010, the installation initiated a project to use a central energy plant (CEP) as the utility source for the complex, with estimated costs of about \$34 million.

#### **FINDINGS:**

USAAA reported that Fort Carson may not have selected the most cost-effective method to deliver utilities to the CAB complex or maximized opportunities to meet energy reduction goals. Installation personnel didn't obtain a life-cycle cost analysis (LCCA) before selecting the CEP as the energy source for the CAB complex. Their Programming Administration and Execution system didn't reflect that an LCCA or economic assessment was completed for the project, and according to the Assistant Chief of Staff for Installation Management personnel, the requirement wasn't enforced due to time constraints. Consequently, Fort Carson used a feasibility study that didn't meet the requirements of an LCCA. Additionally, the study used early project assumptions, which had since changed significantly. Specifically, Fort Carson's plans for the number of buildings using the CEP decreased by nearly two-thirds, and the costs for the CEP significantly increased from the study's estimate. Further, although personnel stated that the CEP supported energy and fossil fuel reduction requirements, as well as Net Zero and energy security goals, Fort Carson applied goals and requirements without proper consideration for costs; Fort Riley also didn't have sufficient support that showed the CEP was the best alternative. Consequently, by using the CEP, the Army might spend an additional \$26.6 million over the 40-year life cycle, 98 percent of which are first costs.



*“The audit...addressed to the Assistant Chief of Staff for Installation Management, identified about \$25.1 million in potential savings from selecting decentralized utilities for the Fort Carson CAB complex.”*

USAAA also reported that not adhering to LCCA requirements may be a systemic issue for the Army. Specifically, the audit identified 1,514 projects with a total cost of about \$36 billion that had either been initiated or modified in the DD Form 1391 processor from January 1, 2011, to December 31, 2014, and didn't have the required LCCA, economic assessment, or justification in the Programming Administration and Execution system.

#### **RESULT:**

The audit, which contained two recommendations addressed to the Assistant Chief of Staff for Installation Management, identified about \$25.1 million in potential savings from selecting decentralized utilities for the Fort Carson CAB complex. The audit also provided the office with assurance that Fort Carson's selection of a utility source for the complex will be in the best interest of the Army.

**Report No. A-2014-0121-IEE**

### **Integrated Disability Evaluation System**

#### **OVERVIEW:**

U.S. Army Audit Agency (USAAA) completed a series of audits on the Integrated Disability Evaluation System (IDES) at the request of the Assistant Secretary of the Army (Manpower and Reserve Affairs), The Surgeon General, and the Vice Chief of Staff of the Army. DoD and the U.S. Department of Veterans Affairs (VA) established IDES to replace earlier procedures that included duplicate medical examinations and disability ratings from the Military Services and VA. USAAA conducted these audits to verify that:

- military treatment facilities submitted complete, accurate, and timely case files to the VA for claim development and to Army physical evaluation boards for fitness determinations.

- soldiers enrolled in the IDES received transition services in accordance with Army standards for quality and timeliness.
- timeliness measures were accurate and, if not, that alternate measures were available at reasonable cost.

USAAA is focusing the final IDES audit on the medical evaluation board referral stage for Reserve Component cases.

#### **FINDINGS:**

USAAA determined that military treatment facilities submitted complete and accurate case files to VA for claim development and to Army physical evaluation boards for fitness determinations. USAAA also determined that physical evaluation boards relied on complete and accurate case files to determine if soldiers were fit for continued service and if unfitting conditions were combat-related. Additionally, treatment facilities assigned sufficient staff to medical evaluation boards to manage caseloads.

To address soldiers receiving transition services in accordance with Army standards for quality and timeliness, USAAA determined that soldiers enrolled in IDES received pre-separation counseling and generally completed the transition phase within the Army requirement.

USAAA reported that while the timeliness measure to separate soldiers no later than 90 days was accurate. However, the timeliness measure to complete 95 percent of IDES cases in the transition phase within 45 days, excluding terminal leave and permissive temporary duty, was generally inaccurate. This occurred because guidance on entering the Date Final Outprocessing Complete in the Veterans Tracking Application was inconsistent and physical evaluation board liaison officers sometimes didn't receive soldiers' DD Form 214 (Certificate of Release or Discharge). The U.S. Army Physical Disability Agency began entering the Date Final Outprocessing Complete in the Veterans Tracking Application after soldiers separated from the Army using weekly Transition Point Processing System reports. The Physical Disability Agency had already taken action to ensure Veterans Tracking Application data accuracy.

The Army also had sufficient procedures to ensure Reserve Component soldiers were referred to IDES when required. Additionally, IDES case files were generally complete when submitted to the Reserve Component Soldier Medical Support Center and Medical Evaluation Board Tracking Office for validation; however they weren't submitted timely. The Guard took an average of 246 days and the Reserve took an average of 353 days to forward the files for validation after the medical retention determination point. These averages far exceed the DoD 30-day goal.

**RESULT:**

As a result, the Army conducted medical and physical evaluation boards according to DoD and Army policies and provided soldiers with full and fair hearings. USAAA identified minor improvements for documenting referral timeliness and counseling soldiers.

**Report No. A-2014-0082-IEM and A-2014-0073-IEM**

## U.S. ARMY CRIMINAL INVESTIGATION COMMAND

### Significant Activities

#### Chemical Agent Resistant Coating Fraud

**OVERVIEW:**

The Criminal Investigation Division, Phoenix, Arizona, was notified by the Defense Criminal Investigative Service that Signetix Incorporated, provided nonconforming parts under a U.S. Army contract. Signetix was contracted to provide Chemical Agent Resistant Coating (CARC) on parts used on the Army's palletized load system. The joint investigation established the prime contractor was BAE Systems; one of their subcontractors further subcontracted to Signetix to treat the parts they manufactured with CARC. The investigation revealed the primary owner of Signetix, John Pace, admitted Signetix misrepresented their approved vendor status, that the CARC-painted products did not meet military specifications, and that Signetix had been painting CARC as a second tier subcontractor since 2004 even though they did not know the processes, standards, and required testing protocols for the military specifications until 2008. Mr. Pace further admitted

both he and the co-owner, Christopher Johns, signed certificates of compliance for the CARC-painted parts even though they knew CARC failed corrosion testing. Approximately 3,000 parts, valued at \$278,000, were treated by Signetix and provided to BAE who, in turn, unknowingly delivered 60 completed units to the Army.

*“On March 5, 2014, the U.S. Attorney’s Office, Phoenix, Arizona, negotiated a settlement agreement with the owners of Signetix, who agreed to pay \$200,000 in damages to the U.S. Government...”*

**RESULT:**

On March 5, 2014, the U.S. Attorney’s Office, Phoenix, Arizona, negotiated a settlement agreement with the owners of Signetix, who agreed to pay \$200,000 in damages to the U.S. Government; the payments were made in April and May 2014. On March 21, 2014, the owners of Signetix, Pace and Johns, as well as the corporation, were debarred from contracting and other nonprocurement transactions throughout the Executive Branch of the U.S. Government, until February 7, 2017.

#### Aggravated Sexual Contact and Rape

**OVERVIEW:**

The Criminal Investigation Division at Fort Meade, Maryland, received information that a sergeant first class had unlawful sexual contact with his 12-year-old daughter when they resided in Glen Allen, Virginia, between 2010 and 2011. The investigation also revealed that he raped his fiancée in 1998, while residing in Jacksonville, Alabama.

**RESULT:**

On July 11, 2014, during a general court-martial, at Fort Meade, the sergeant first class was convicted of rape from 1998 and engaging in a lewd act with a child under the age of 16 in 2010 and 2011. He was sentenced to 7 years confinement, reduction in rank to E-1, forfeiture of all pay and allowances, a dishonorable discharge and was required to register as a sex offender.

## Forcible Rape

### OVERVIEW:

The Newport News Police Department, Virginia, notified Criminal Investigation Division at Fort Eustis, Virginia, that Sergeant Charles Matson allegedly raped a female, who had no DoD affiliation, at her apartment after they attended a party together in June 2012. A joint investigation with the Newport News Police Department revealed that Matson committed the rape.

### RESULT:

On June 25, 2014, during a general court-martial at Fort Eustis, Virginia, Matson was convicted of rape. He was sentenced to 3 years confinement, reduction in rank to E-1, forfeiture of all pay and allowances, and a dishonorable discharge, and was required to register as a sex offender.

## Major Sexually Assaults his Children

### OVERVIEW:

The Criminal Investigation Division, Stuttgart, Germany, initiated this investigation with the German Police after a 13-year-old girl reported that her father, a major, was sexually abusing her. An investigation revealed that the major had performed multiple unlawful sexual acts with all three of his daughters on multiple occasions and locations both in Germany and in the continental United States between 2007 and 2012.

### RESULT:

On May 24, 2014, during a general court-martial, at Stuttgart, Germany, the major was convicted of taking indecent liberties with a child, committing indecent acts on a child, engaging in sexual contact with a child, engaging in a lewd act with a child, committing a sexual act on a child and sodomy. The major was as sentenced to confinement for life without the eligibility for parole, total forfeitures of all pay and allowances, and dismissal from the Army, and was required to register as a sex offender.

## Premeditated Murder and Maiming

### OVERVIEW:

This investigation was initiated after the Criminal Investigation Division, Fort Campbell, Kentucky, was notified by the Kentucky State Police, Bowling

Green, Kentucky, that a non-DoD affiliated civilian was found brutally murdered in his residence; the deceased was in a relationship with the wife of Specialist Robbie Knight, and the State Police investigators suspected Knight committed the murder. A joint Criminal Investigation Division and Kentucky State Police investigation revealed that Knight, after handcuffing the victim, assaulted the victim numerous times causing severe blunt force trauma before he subsequently shot and killed the victim.

### RESULT:

On May 21, 2014, during a judge-only general court-martial, at Fort Campbell, Kentucky, Knight pleaded guilty and was convicted of premeditated murder and maiming. Knight was sentenced to confinement for life (restricted to 52 years under a pretrial agreement) with the eligibility for parole, reduction in rank to E-1, forfeiture of all pay and allowances, and a dishonorable discharge.

## Army Assumes Investigation from Civilian Police

### OVERVIEW:

The Killeen Police Department, Texas, notified the Army Criminal Investigation Division of an allegation that in July 2013, Private First Class Ronny L. Cade sexually assaulted a female at her residence in Killeen, Texas. The Killeen Police Department relinquished investigative jurisdiction to the Army due to a lack of cooperation by the victim. An investigation determined Cade sexually assaulted the female by force.

### RESULT:

On April 25, 2014, during a general court-martial, at Fort Hood, Texas, Cade was convicted of rape and assault. He was sentenced to 5 years confinement and a dishonorable discharge, and was required to register as a sex offender.

## Attempted Rape and Kidnapping of a Soldier

### OVERVIEW:

This investigation was initiated by the Criminal Investigation Division on August 13, 2013, after a female soldier reported that Specialist Shawn Clark attempted to rape her. An investigation revealed that Clark, while holding a knife, entered the soldier's

barracks room and attempted to sexually assault her. The victim suffered lacerations during the assault but fended off the assault while Clark was attempting to forcibly remove her from the room.

**RESULT:**

On April 4, 2014, during a judge-only general court-martial, at Joint Base Elmendorf-Richardson, Arkansas, Clark pleaded guilty and was convicted of attempted rape, attempted kidnapping, assault consummated by battery, assault with a deadly weapon, and burglary. Clark was sentenced to 9 years confinement, reduction to E-1, forfeiture of all pay and allowances, and a dishonorable discharge, and he was required to register as a sex offender.

**Theft and Recovery of Sensitive Items**

**OVERVIEW:**

The Criminal Investigation Division at Fort Lewis, Washington, was notified that between February 1 and March 30, 2013, 12 thermal weapons scopes and 12 handheld radios, valued at \$179,368, were stolen from a secure location. The investigation resulted in the recovery of all the stolen Government property and identified Sergeant First Class Christopher Violette as the perpetrator. The investigation showed that Violette stole digital cameras and sold the cameras along with the scopes and the radios. The investigation also revealed that between January 1 and November 1, 2013, Violette wrongfully possessed and used a controlled substance (oxycodone).

**RESULT:**

On June 12, 2014, during a judge-alone, general court-martial, at Joint Base Lewis-McChord, Washington, Violette pleaded guilty and was convicted of larceny, wrongful sale of military property, and wrongful possession and use of a controlled substance (oxycodone). Violette was sentenced to 179 days confinement, forfeiture of all pay and allowances for 6 months, and reduction to the grade of E-5.

**NAVY**

**NAVAL AUDIT SERVICE**

The mission of the Naval Audit Service (NAVAUDSVC) is to provide independent and objective audit services to assist Department of the Navy (DON) leadership in assessing risk to improve efficiency, accountability, and program effectiveness. Each year, NAVAUDSVC works with DON senior leaders to develop a risk-based audit plan addressing critical areas officials feel merit additional oversight. In the past 6 months, NAVAUDSVC audits have addressed such issues as gapped billets on ships, contract administration, controls over salary and overtime, etc.

“NAVAUDSVC support to the Naval Criminal Investigative Service identified more than \$1 million in potential fraud (or approximately \$8.1 million over the entire fiscal year).”

NAVAUDSVC published a series of reports dealing with the accuracy of real property inventory data, which is critical to the development of a clean financial statement. NAVAUDSVC support to the Naval Criminal Investigative Service identified more than \$1 million in potential fraud (or approximately \$8.1 million over the entire fiscal year). In the year ahead, the NAVAUDSVC will continue to work with senior DON officials to provide them with expert and impartial assessments of critical issues and, if necessary, make recommendations that address identified conditions and help DON achieve greater efficiency and effectiveness in its operations.

**Joint Warfighting and Readiness**

**Fleet Gapped Critical Billets**

**OVERVIEW:**

Naval Audit Service (NAVAUDSVC) sought to determine whether internal controls over mission-critical shipboard billets ensured manning requirements were met and billets were not gapped.

**FINDINGS:**

The Navy has not developed a comprehensive strategy to reduce its gapped billets aboard ships. Current initiatives are beginning to show reductions in the number of gapped billets; however, additional time is required to determine if they will successfully correct all of the systemic sea duty billet gaps. Additionally, without increasing enlisted personnel, recurring gaps will not be corrected. NAVAUDSVC also found that the Navy inadvertently did not allow a sufficient number of sailors in sea billets to re-enlist and removed too many sailors as a result of Enlisted Retention Board actions.

Additionally, “Perform to Serve” actions did not give enough priority to Navy enlisted classifications when determining which sailors to retain or separate, contrary to Navy guidance. Enlisted community managers who used the Spread Enlisted Programmed Authorization model could not always explain how the Enlisted Programmed Authorization line on the model was calculated. Further, the Navy’s sea/shore flow model may not always accurately calculate the correct tour lengths for Navy enlisted ratings to reduce the number of gapped billets at sea. NAVAUDSVC noted that a formal continuity of operations plan was not in place to cover operations if the current employee who solely operates the model becomes unavailable. Furthermore, NAVAUDSVC found that the assignment of enlisted sailors to training is extending shore duty tours beyond the required minimum of 36 months, which is contributing to critical gapped billets at sea. These conditions occurred, in part, because: according to Deputy Chief of Naval Operations (N1) personnel, previous programming decisions reduced shore billets, which drove an imbalance in several enlisted ratings; the Spread Enlisted Programmed Authorization model does not consider enough factors to accurately predict the manpower needs of the Navy by year groups, and uses invalid or inaccurate assumptions in its calculations and does not properly adjust for different economic conditions; the Navy’s sea/shore flow model contains invalid assumptions and does not allow for assignment of sailors with the correct experience levels to be placed in the correct billets, when required; and the period of time designated for training was not included in the sailors’ shore rotation time period. As a result, gapped billets continue to exist, and sailors may

be required to work longer hours to make up for gapped billets. Junior sailors may not receive needed supervision. Ultimately, the lack of sufficient numbers of experienced sailors to fill critical sea billets may put the safety and readiness of Navy surface ships at risk and adversely impact the Navy’s ability to carry out its mission.

**RESULT:**

NAVAUDSVC made a total of nine recommendations to the Chief of Naval Operations; Commander U.S. Fleet Forces Command; Commander Pacific Fleet; Commander Naval Surface Forces; and Bureau of Navy Personnel to correct the deficiencies noted. Management took or plans to take appropriate corrective actions for all of the recommendations.

**Report No. N2014-0022**

## Information Assurance, Security and Privacy

### Cyberspace/Information Technology Skill Sets for Active Duty Military Personnel at Selected Navy Commands

**OVERVIEW:**

Naval Audit Service (NAVAUDSVC) determined whether the internal controls over management of Cyberspace/Information Technology Workforce (CS/ITWF) skill sets were sufficient to ensure that Navy Cyberspace/ Information Technology active duty military personnel at selected commands were technically proficient in information technology-related functions.

**FINDINGS:**

NAVAUDSVC determined that the Department of the Navy did not:

- uniformly define the Navy’s total CS/ITWF and identify which officer and enlisted personnel occupations comprised the CS/ITWF;
- ensure the CS/ITWF definition was communicated to all levels within the Navy; and
- establish an accurate, comprehensive database of all CS/ITWF military personnel.

NAVAUDSVC also found that the activity personnel interviewed did not have a consistent understanding

of who comprised the total CS/ITWF. The lack of a clearly identified CS/ITWF makes it difficult for the Department of the Navy and lower command levels to recognize future needs of the total CS/ITWF, determine the proficiency and skill gaps for the CS/ITWF, and establish and track CS/ITWF training and education as required. These issues may impact readiness of fleet and shore activity active duty personnel.

Additionally, NAVAUDSVC found that the Navy did not provide training and certification guidance for the overall CS/ITWF as required. It also did not provide sufficient guidance defining training for CS/ITWF line officers or provide pipeline training for the information systems technician (IT) and information systems technician (subsurface) (ITS) ratings. Therefore, the personnel interviewed said they did not have a full understanding of their roles and responsibilities. As a result of the absence of guidance and insufficient officer and enlisted CS/ITWF training, fleet and shore activity readiness may be adversely affected. Also, line officers may lack the ability to oversee CS/ITWF-related staff, and the number of available active duty personnel with the technological skill sets needed for Cyberspace/IT work roles may be limited. Finally, 14 of 15 activities NAVAUDSVC reviewed did not include the CS/ITWF in their inventory of assessable units for the Fiscal Year 2013 Managers' Internal Control Program at the activity or higher command levels.

### **RESULT:**

NAVAUDSVC made six recommendations to the Department of the Navy Chief Information Officer and five recommendations to the Deputy Chief of Naval Operations (Information Dominance) to correct the deficiencies noted. Management took or plans to take appropriate corrective actions for all of the recommendations.

**Report No. N2014-0021**

## **Acquisition Processes and Contract Management**

### **Administration of the Contract Closeout Process at Naval Facilities Engineering Command**

#### **OVERVIEW:**

Naval Audit Service (NAVAUDSVC) determined whether Naval Facilities Engineering Command's (NAVFAC's) contract closeout process was effective for closing contracts in a timely manner and for recovering excess funds from contracts.

#### **FINDINGS:**

Contract closeout documentation was not maintained for all contract closeout and contract closeout backlog issues were identified. Specifically, NAVFAC contracting personnel did not ensure the contract closeout statements were completed or maintained as required. This occurred due to a lack of oversight and monitoring by personnel. Secondly, NAVFAC did not always maintain final invoices to support real property assets as required by Department of Defense Financial Management Regulation. Contracting personnel were unaware of real property record retention requirements. Thirdly, NAVFAC used inaccurate methods to determine contract eligibility for contract closeouts. Reports were generated based on the original contract completion dates and not when a contract was physically completed. Finally, contract closeout was not emphasized. Contracting personnel are execution focused; therefore, contract closeout was a low priority. When required documentation is maintained, it provides assurance that payments made by NAVFAC to contractors are in compliance with laws and regulations. It also relieves the Government of any future liability. Closing contracts within required timeframes can help to limit NAVFAC's exposure to certain financial risks by identifying and recovering improper payments and avoiding paying interest fees. Timely closeout also ensures that NAVFAC de-obligates and uses unspent funds from completed contracts before the funds are canceled and returned to the U.S. Department of Treasury.

**RESULT:**

NAVAUDSVC recommended that:

- NAVFAC management codify and reissue existing procedures to establish internal controls and provide oversight to ensure contract completion statements be completed and retained as required by the Federal Acquisition Regulation and to meet financial statement auditability requirements;
- management establish internal controls and provide oversight to ensure that final invoices be retained for 10 years after disposal as required by the DoD Financial Management Regulation and to meet financial statement auditability requirements;
- NAVFAC codify and reissue existing procedures to establish an accurate method to determine which contracts are ready for closeout; and
- management establish yearly contract closeout goals and monitor results for effectiveness.

**Report No. N2014-0024**

### Service Contracts Awarded for Naval Meteorology and Oceanography Command

**OVERVIEW:**

The Vice Chief of Naval Operations requested that Naval Audit Service (NAVAUDSVC) conduct audits of service contracts supporting Navy Working Capital-funded activities. This audit is one of a series of audits on Department of the Navy service contracts supporting Working Capital Fund activities. The audit objective was to verify that service contracts for the Naval Meteorology and Oceanography Command were properly awarded and administered in accordance with applicable contract policies and procedures.

**FINDINGS:**

The Naval Meteorology and Oceanography Command and Naval Supply Systems Command did not administer 21 out of the 35 contract actions in NAVAUDSVC's sample in accordance with applicable Federal Acquisition Regulation, Department of Defense, and Department of the Navy policies and procedures. For example:

- Contracting officers did not properly appoint 6 contracting officer representatives (CORs) for 18 of the contract actions in NAVAUDSVC's sample that required a COR appointed in writing.
- CORs did not sufficiently document monitoring procedures for 10 of the contract actions to ensure products or services complied with the terms of the contract as required by Federal Acquisition Regulation.
- CORs did not have sufficient supporting documentation for two of the contract actions to ensure effective invoice review and validation as required by Naval Supply Systems Command Instruction 4205.3D.
- Requiring activities did not ensure the technical assistants/technical points of contact completed COR training for 12 of the contract actions.

**RESULT:**

NAVAUSVC recommended that the Naval Meteorology and Oceanography Command establish controls and provide oversight to ensure service contracts are properly awarded and administered in accordance with applicable contract policies and procedures.

**Report No. N2014-0026**

### Internal Controls for Purchases Charged Against Selected Contracts Supporting the Fleet Readiness Center Southwest E-2/C-2 Aircraft Program

**OVERVIEW:**

Naval Audit Service (NAVAUDSVC) assessed the internal controls for purchases charged against two Navy consumable contracts supporting the E-2/C-2 aircraft program at Fleet Readiness Center Southwest (FRCSW).

**FINDINGS:**

There were internal control weaknesses in the areas of requisitioning, independent receipt and acceptance, and general contract oversight that resulted in excessive spending against the contracts and allowed the opportunity for bribery, collusion, and improper contract purchases at FRCSW. Specifically, the actual purchase amounts exceeded the total estimates identified in both contracts by \$3.9 million (232 percent increase). These control

weaknesses occurred because purchases for the E-2/C-2 aircraft program were not processed in accordance with Department of the Navy policy and contractual requirements, and there was insufficient oversight by top FRCSW management over the E-2/C-2 aircraft program at all levels.

## RESULT:

NAVAUDSC recommended and management concurred that FRCSW improve internal controls and oversight to ensure that:

- contract purchases are properly reviewed and approved;
- Defense Logistics Agency purchase cardholders comply with the memorandum of agreement and contract requirements for placing orders and making payments;
- independent receipt and acceptance is properly documented and that purchased items are received by authorized command personnel other than the persons initiating the requirements and placing the orders; and
- contract purchases are properly reviewed and compared to contract ceiling mounts, including requiring the maintenance of order logs that show a running total of funds obligated under each contract in which orders are being placed.

**Report No. N2014-0031**

## National Defense Sealift Fund Supporting the Ready Reserve Force Program

### OVERVIEW:

Naval Audit Service (NAVAUDSVC) analyzed whether the National Defense Sealift Fund (NDSF) program funds provided to U.S. Department of Transportation's Maritime Administration (MARAD) and other internal and external funds supporting the Ready Reserve Force (RRF) vessels, as well as RRF infrastructure, additional Department of Defense/Navy-sponsored sealift activities, and special projects were used in accordance with applicable laws and regulations. NAVAUDSVC could not fully answer the audit objective because MARAD denied accessibility and visibility of NDSF transactions included in its financial and project management systems.

## FINDINGS:

Department of the Navy (DON), as the executive agent, had not provided sufficient oversight to ensure NDSF funds were used for vessel maintenance, repair, and operation as authorized in support of the RRF program being executed by MARAD. This occurred because the memorandum of agreement and charter did not address internal control activities and monitoring, such as management reviews, to assess the quality of performance to include performance metrics and to ensure desired results were achieved for the NDSF program. As a result, DON does not have reasonable assurance that the NDSF is being used appropriately in accordance with section 2218, title 10, United States Code, and that it has received services for which it paid. Also, DON was unaware that, per the limited information provided by MARAD, potentially \$28 million in unobligated funds remained in the Vessel Operations Revolving Fund and Treasury accounts and may be available to offset future program requirements. Further, based on information provided by MARAD, an additional \$14 million in aging undelivered orders may need to be de-obligated before the funds expire. Also, DON does not have visibility of how overhead is applied to support the RRF program and lacks assurance of the accuracy of the amounts charged. Ultimately, DON does not have visibility over financial information which may impact programmatic decision making within the NDSF program.

## RESULT:

NAVAUDSVC recommended that DON management establish a memorandum of agreement between the Chief of Naval Operations, Strategic Mobility and Combat Logistics Division (N42) and the Maritime Administration to define each organization's specific responsibilities for audit readiness, management, oversight, and accountability of RRF funding. This memorandum of agreement should include readiness performance metrics, budget execution data, and reporting processes.

**Report No. N2014-0034**



## Financial Management

### Internal Controls for Overtime Benefits Received at Norfolk Naval Shipyard and Portsmouth Naval Shipyard

#### OVERVIEW:

Naval Audit Service (NAVAUDSVC) determined whether policies, procedures, and practices were in place at Norfolk and Portsmouth Naval Shipyards to ensure that overtime benefits were provided only for the work performed in accordance with applicable laws and regulations.

*“Norfolk Naval Shipyard spent \$149.5 million on overtime benefits from the pay period ending October 23, 2010, through September 22, 2012; Portsmouth Naval Shipyard spent \$76.5 million on overtime benefits during the same timeframe.”*

#### FINDINGS:

NAVAUDSVC’s review focused on the overtime charged at Norfolk and Portsmouth Naval Shipyards during FYs 2011 and 2012. Norfolk Naval Shipyard spent \$149.5 million on overtime benefits from the pay period ending October 23, 2010, through September 22, 2012; Portsmouth Naval Shipyard spent \$76.5 million on overtime benefits during the same timeframe.

Norfolk Naval Shipyard and Portsmouth Naval Shipyard were unable to provide an audit trail to ensure that the approval of overtime could be traced down to the individual employee level. Additionally, supporting documentation showing that overtime was approved by a supervisor was not retained. Norfolk Naval Shipyard employees worked in excess of 13 consecutive days and in excess of 500 and 1,000 hours of overtime per fiscal year without the required documentation of approval from the department head or shipyard commander, respectively. NAVAUDSVC also found that supervisors did not receive appropriate training prior to certifying employees’ time, and supervisors certified time before being appointed as certifying

officers. Finally, employees at both shipyards did not attest to the accuracy of their time and attendance as required by the Department of Defense Financial Management Regulation.

#### RESULT:

A total of 12 recommendations were made to the Naval Systems Command, Norfolk Naval Shipyard, and Portsmouth Naval Shipyard regarding the issues described above. Six of the recommendations were nonconcurrent with and have been forwarded to the Director, Navy Staff for action.

**Report No. N2014-0029**

### Internal Controls over Naval Criminal Investigative Service Europe and Africa Field Office Salary Payments and Travel Process

#### OVERVIEW:

This audit was requested by the Director, Naval Criminal Investigative Service (NCIS) to ensure that salary and travel internal controls and methodologies were in place and functioning. The objective of this audit was to verify whether NCIS internal controls for outside of the continental United States salary payments and travel expenses were being managed in accordance with applicable laws and regulations and sufficiently prevent and detect fraud, waste, and abuse. Specifically, the audit team determined whether salary and travel payments were properly approved, supported, and processed. Naval Audit Service (NAVAUDSVC) also determined whether travel personnel were properly appointed, sufficiently trained, and followed applicable laws and regulations.

#### FINDINGS:

The audit found that opportunities existed for NCIS to improve the internal controls over their outside of the continental United States salary payments and travel process. NAVAUDSVC observed several internal control weaknesses with management oversight, guidance, records management, and training. Specifically, NAVAUDSVC found:

- travel vouchers that were not accurately processed, not submitted, or were submitted late;
- insufficient and/or missing salary and travel support documentation;
- noncompliance with salary and travel guidance;

- shipment invoices that were not reconciled to travel accounts; and
- allowance payments that were not accurately processed.

These conditions occurred because management did not follow Federal and Department of Defense guidance, and monitoring and oversight of the salary payments and travel process was insufficient. When internal controls are not properly implemented and executed, risk of overpayments and the potential for fraudulent activity increases.

### RESULT:

NAVAUDSVC made 10 recommendations to the Naval Criminal Investigative Service. These recommendations include complying with policy, implementing controls, and improving oversight to ensure that pay records are properly approved, processed, and maintained; and that travel records are properly approved, processed, and maintained; and travel payments are properly calculated and reviewed.

**Report No. N2014-0020**

## Government Commercial Purchase Card Transactions at Navy Region Southwest Dining Food Services

### OVERVIEW:

Naval Audit Service (NAVAUDSVC) assessed internal controls over Navy Region Southwest (NRSW) Dining Food Services Government Commercial Purchase Card (GCPC) program.

*“Specifically, NRSW Dining Food Services did not maintain sufficient documentation for 97 percent of all their purchase card transactions valued at \$2.45 million to support legitimate need, mandatory source screening, and receipt and acceptance.”*

### FINDINGS:

Controls over the GCPC program at NRSW Dining Food Services were not adequate to ensure legitimate Government need, proper screening for required vendors, receipt and acceptance, and property accountability. Specifically, NRSW Dining Food

Services did not maintain sufficient documentation for 97 percent of all their purchase card transactions valued at \$2.45 million to support legitimate need, mandatory source screening, and receipt and acceptance. NRSW Dining Food Services also did not ensure that 40 of its minor personal property items valued at \$564,023 were properly recorded by the regional property coordinators, and did not maintain property records for any of its 1,428 sub-minor property items valued at \$409,835 that may have contained easily pilfered or sensitive items. These control weaknesses occurred because management did not provide the necessary oversight to ensure that the GCPC program and property accountability practices complied with applicable directives.

### RESULT:

NAVAUDSVC recommended and management concurred that NRSW Dining Food Services ensure that:

- documentation is maintained showing independent receipt and acceptance;
- approving official determines that proper receipt, acceptance, and inspections were done on all items being certified for payment;
- card holders provide accurate value when personal property and equipment are purchased from the regional property coordinators; and
- officials develop and utilize a database to track sub-minor property that are easily pilfered and sensitive in nature.

**Report No. N2014-0038**

## Infrastructure and Environment

### Navy’s Real Property Inventory – Naval Facilities Engineering Command Marianas

#### OVERVIEW:

Naval Audit Service (NAVAUDSVC) determined whether the Internet Navy Facility Assets Data Store (iNFADS) is accurate and complete for the Navy’s Class 2 real property inventory within Naval Facilities Engineering Command (NAVFAC) Marianas.

#### FINDINGS:

Some data in iNFADS was inaccurate and incomplete for the Navy’s Class 2 real property within NAVFAC Marianas. In the review of 129 property records

valued at \$197.3 million NAVAUDSVC found at least 1 inaccuracy or unverifiable data element. Based on the review, NAVAUDSVC projected an overall inaccuracy rate of 31 percent and could not verify another 12 percent. Additionally, NAVAUDSVC performed a review of 20 high-dollar-value properties valued at \$2.6 billion and also found at least 1 inaccuracy. To test completeness, NAVAUDSVC reviewed 103 properties and determined that 9 properties were not properly recorded in iNFADS. These conditions occurred because sufficient policies and oversight were not in place to ensure that guidance was properly followed. Additionally, sufficient communication did not exist between personnel who affect timely and accurate real property data being updated in iNFADS. Also, asset evaluations for all property records were not conducted as required by Department of Defense guidance. Further, the real property Joint Base Consolidation process resulted in inaccurate and/or duplicate property records. As a result, planners and decision makers did not have an accurate and current real property inventory, which is critical to the:

- development of a clean financial statement;
- the Military Construction Program;
- identification of resource requirements for facilities management (Facilities Sustainment Model, Facilities Recapitalization Model, etc.);
- having an efficient interface with other Navy financial and management programs; and
- having an accurate inventory of real property under the control of the Department of the Navy.

#### RESULT:

NAVAUSVC recommended that the NAVFAC Marianas:

- coordinate with NAVFAC headquarters to clarify existing guidance regarding real property;
- establish oversight to ensure sufficient supporting documentation is maintained;
- establish a plan of action to ensure asset evaluations are conducted according to guidance;
- establish procedures to ensure the most up to date real property guidance is disseminated to all personnel having an impact on the accuracy of iNFADS;
- establish a communication plan between personnel that have an impact on the accuracy of iNFADS;

- conduct a review of all properties at Andersen Air Force Base and ensure those properties are accurately reflected in iNFADS; and
- correct all discrepancies identified by the audit within iNFADS.

NAVFAC Marianas concurred with all recommendations.

**Report No. N2014-0015**

### Navy's Real Property Inventory – Naval Facilities Engineering Command Hawaii

#### OVERVIEW:

Naval Audit Service (NAVAUDSVC) determined whether the Internet Navy Facilities Asset Data Store (iNFADS) was accurate and complete for Navy's Class 2 real property within Naval Facilities Engineering Command (NAVFAC) Hawaii.

#### FINDINGS:

Some iNFADS data was inaccurate and incomplete for Navy's Class 2 real property within NAVFAC Hawaii. NAVAUDSVC reviewed 159 statistically-selected property records, valued at \$182.8 million, and found there was at least 1 inaccurate data element on each record, including 58 records that existed for assets that were demolished or sold. Based on the results, NAVAUDSVC projected that the overall inaccuracy rate within iNFADS for NAVFAC Hawaii was 28 percent, while an additional 15 percent was unverifiable. To test the completeness of data in iNFADS, NAVAUDSVC conducted a "floor-to-book" review of 120 judgmentally-selected properties and found 32 properties were not captured correctly. These conditions occurred because sufficient procedures and oversight were not in place to ensure that pre-established guidance was properly implemented. Specifically, 105 of the 159 property records reviewed did not have an asset evaluation conducted within a 5-year period, as required by Department of Defense guidance. Further, reporting requirements for recording data into iNFADS was not clear and insufficient communication existed between personnel who affect real property data. As a result, planners and decision makers did not have an accurate and current real property inventory, which is critical to the development of a clean financial statement, development of a Military Construction Program, and identification of resource requirements for facilities management.

**RESULT:**

To improve upon the accuracy and completeness of Class 2 real property inventory, NAVAUDSVC recommended that NAVFAC Hawaii:

- coordinate with NAVFAC Headquarters to clarify existing guidance;
- establish oversight to ensure sufficient supporting documentation is maintained and asset evaluations are appropriately conducted;
- establish procedures to ensure that the most up-to-date real property guidance is promptly issued;
- establish a communication plan to proactively address changes; and
- conduct site visits on a recurring basis to all NAVFAC Hawaii sites.

NAVFAC Hawaii concurred with all recommendations. **Report No. N2014-0019**

**Navy’s Real Property Inventory – Naval Facilities Engineering Command Atlantic**

**OVERVIEW:**

Naval Audit Service (NAVAUDSVC) determined whether the Internet Navy Facility Assets Data Store (iNFADS) was accurate and complete for Navy’s Class 2 real property within Naval Facilities Engineering Command (NAVFAC) Atlantic.

**FINDINGS:**

Some iNFADS data was inaccurate and incomplete for the Navy’s Class 2 real property within the continental United States under NAVFAC Atlantic. Of the 159 statistically-selected property records reviewed, valued at approximately \$289.3 million, at least 1 of 10 data elements was inaccurate on all but 1 record, including 6 property records that incorrectly cited an “Active” status for demolished properties, and 1 property record for a property that should not have been included in the real property inventory. Based on the results, NAVAUDVC projected that the overall inaccuracy rate within iNFADS for the sampled NAVFAC Atlantic universe was 20 percent, with an additional 13 percent projected as unverifiable. In addition, 46 of the 159 property records reviewed did not have the asset evaluation conducted within the last 5 years, as required by Department of Defense guidance. Further, of the 166 judgmentally-selected property records used to verify completeness, 22

did not have a property record when one should have existed. Reporting requirements and business processes for recording data into iNFADS were not clear and insufficient communication existed between personnel who directly and/or indirectly affected real property data. As a result, planners and decision makers did not have an accurate and current real property inventory, which is critical for the development of:

- a clean financial statement, Military Construction Program, identification of resource requirements for facilities management (Facilities Sustainment Model, Facilities Recapitalization Model, etc.); and
- an interface with other Navy financial and management programs.

**RESULT:**

NAVAUDSVC recommended that NAVFAC Atlantic coordinate with NAVFAC Headquarters to clarify existing guidance; establish oversight to ensure that sufficient supporting documentation is maintained and asset evaluations are appropriately conducted; and establish a communications plan to proactively address changes. In addition, NAVFAC Atlantic and Bureau of Medicine and Surgery should correct all discrepancies within iNFADS that were identified by this audit.

**Report No. N2014-0027**

**Validation and Use of Navy Energy-Return on Investment Scores**

**OVERVIEW:**

Naval Audit Service (NAVAUDSVC) determined whether the Energy Return on Investment (e-ROI) scores for selected Navy energy projects were accurate and sufficiently supported, and whether these scores were used to make appropriate funding decisions.

“NAVAUSVC found that the e-ROI scores for 10 of 11 judgmentally-selected energy projects were based, in part, on invalid, inaccurate, or insufficiently supported financial elements...”

**FINDINGS:**

NAVAUDSVC identified weaknesses in the quality of the data used to generate the e-ROI scores and savings-to-investment ratios associated to FY 2013 projects. NAVAUSVC found that the e-ROI scores for 10 of 11 judgmentally-selected energy projects were based, in part, on invalid, inaccurate, or insufficiently supported financial elements such as project cost, energy savings, or nonenergy savings (some projects had issues with more than one of the financial elements). Specifically, 2 of the 11 energy projects did not represent valid needs. Project costs for one of the remaining nine valid energy projects were over-scoped, and costs for six projects were unsupported. NAVAUDSVC also identified inaccurate, inappropriate, and/or unsupported claimed savings related to seven of the nine valid projects, which were also used in the calculation of the savings-to-investment ratios.

**RESULT:**

NAVAUDSVC recommended the development of detailed guidance to explain which nonenergy savings must be claimed and the documentation required to support the claim. In addition to addressing the accuracy of data, a review process should be established to validate claimed project costs, energy savings, and nonenergy savings; ensure the maintenance of underlying supporting (source) documents; and prevent the submission of energy projects not meeting established requirements. NAVAUDSVC also recommended that one invalid energy project be removed and the reduction of project scope for another energy projects. NAVAUDSVC claimed \$7,868,000 in monetary benefits for funds potentially available for other use, as a result of management's removal of the invalid project.

**Report No. 2014-0037**

## NAVAL CRIMINAL INVESTIGATIVE SERVICE

### Significant Investigative Cases

#### Murder of a Navy Petty Officer

**OVERVIEW:**

On July 13, 2009, the Naval Criminal Investigative Service (NCIS) initiated an investigation after the

body of a Navy petty officer was found inside her room at Henderson Hall in Arlington, Virginia. The death was ruled a homicide; however, despite significant investigative efforts, a viable suspect was not identified. In February 2010, in an unrelated case, NCIS assisted Arlington County Police Department, Virginia, in arresting Jorge Torrez, a former Marine, suspected of abducting and assaulting or raping three women in Arlington County. While awaiting trial, Torrez bragged to fellow inmates about his involvement in the death of the petty officer at Henderson Hall in 2009 while he was a corporal in the Marine Corps. NCIS linked Torrez through DNA to evidence from the petty officer's room. In May 2011, NCIS presented the results of the investigation to the U.S. Attorney's Office, Eastern District of Virginia. At the time, Torrez was serving 5 consecutive life sentences plus 168 years for the armed robbery, sexual assault, and abduction of the 3 women in Arlington County.

“On May 30, 2014 Torrez was found guilty of first-degree murder and sentenced to death.”

**RESULT:**

In May 2014, in U.S. District Court, Eastern District of Virginia, Torrez pleaded not guilty to first-degree murder. On May 30, 2014 Torrez was found guilty of first-degree murder and sentenced to death.

#### Marine Guilty of Murdering Known Prostitute

**OVERVIEW:**

This joint Naval Criminal Investigative Service (NCIS) and Honolulu Police Department (HPD) investigation was initiated on May 29, 2013, when HPD and NCIS arrested Marine Master Sergeant Nathaniel Cosby for the murder of Ivanice Harris, a known prostitute. Surveillance video from the Waikiki Beach Hotel showed Harris and Cosby entering the hotel elevator at 3:39 a.m., May 16, 2013. At 6:04 a.m. the next day, video showed Cosby exiting, but Harris was not seen leaving the hotel. During questioning, Cosby admitted that he was with Harris on May 16, but he claimed he passed out and when he woke up, she was gone. Cosby was released to military jurisdiction, and NCIS assumed investigative responsibility.

“Cosby was convicted of murder while engaging in an inherently dangerous act and obstruction of justice.”

## RESULT:

On April 21, 2014, at a general court-martial, Cosby admitted he killed Harris, but he claimed he was defending himself after she threatened him with a knife. Cosby was convicted of murder while engaging in an inherently dangerous act and obstruction of justice. He was sentenced to life in prison and dishonorably discharged; the conviction resulted in an automatic reduction in grade and forfeiture of all pay and allowances.

## Serial Rapist Employed at Camp Lejeune

### OVERVIEW:

This investigation was initiated by the Naval Criminal Investigative Service (NCIS) in September 2012 when the Jacksonville Police Department, North Carolina, requested assistance after a Marine’s wife reported an unknown, armed man entered her home, demanded money, raped her, and stole her ATM card. The description of the assailant matched a similar assault earlier that evening. A review of ATM surveillance led to the identification of the suspect as Willie Brown, a civilian employee of Camp Lejeune, North Carolina. Investigators linked Brown to 12 other unsolved assaults, rapes, and burglaries in the area, and a joint NCIS-Jacksonville Police Department task force was established to review unsolved crimes between June 2011 and September 2012. The task force ultimately linked Brown to 14 victims, 7 of whom were military dependents. When questioned, Brown admitted he used the victim’s stolen credit cards, but denied any involvement in the burglaries, the sexual assaults, or any other crimes.

### RESULT:

On March 14, 2014, in the Superior Court Division, Jacksonville, North Carolina, Brown was found guilty of first-degree sexual offense, first-degree rape and robbery with a deadly weapon, first-degree burglary, second-degree rape, attempted second-degree rape, and assault with a deadly weapon. Brown was sentenced to 547 years confinement.

## Staff Sergeant Guilty of Raping Daughter

### OVERVIEW:

This investigation was initiated by Naval Criminal Investigative Service (NCIS) In January 2013, when notified by a friend of a 15-year-old who claimed that her father, a staff sergeant, had been raping her since she was 5 years old. An investigation confirmed the staff sergeant preformed multiple unlawful sexual acts with his daughter.

### RESULT:

On April 17, 2014, during a judge-alone general court-martial at Camp Lejeune, North Carolina, the staff sergeant pleaded guilty and was convicted of sodomy, indecent acts, sexual contact, indecent liberties, and sexual acts. He was sentenced to 45 years confinement, reduction to E-1, forfeiture of all pay and allowances, a dishonorable discharge, and he was required to register as a sex offender.

## Lance Corporal Convicted of Sexual Assault and Stealing Women’s Underwear

### OVERVIEW:

This investigation was initiated by Naval Criminal Investigative Service in May 2013 after a Marine lance corporal reported she had been sexually assaulted at Marine Corps Air Station Futenma, Okinawa, by an unknown man. The victim discovered the suspect in her room, and they struggled before he overpowered and raped her. Marines in the area heard her screams, causing the suspect to flee; but he was later captured and identified as Lance Corporal Jonathan Lynch. Investigation revealed that Lynch, in addition to the rape, had stolen more than 150 pairs of women’s undergarments from other rooms. A review of Lynch’s digital media revealed numerous images and videos of suspected child pornography.

### RESULT:

On May 9, 2014, during a judge-alone general court-martial, at Camp Foster, Okinawa, Lynch pleaded guilty and was convicted of sexual assault and larceny. Lynch was sentenced to 20 years confinement, reduction to E-1, forfeiture of all pay and allowances, a dishonorable discharge, and he was required to register as a sex offender. A pretrial agreement limited confinement to 8 years.

### Gang Member Convicted of Role in Planning Deadly 1979 Ambush on a Bus Carrying U.S. Sailors in Puerto Rico

#### OVERVIEW:

In December 1979, a bus with 17 U.S. sailors was ambushed en route to a secure communications site in Sabana Seca, Puerto Rico. During the incident, 2 sailors were killed and 10 others were seriously injured. Three separatist groups, including Los Macheteros, claimed joint responsibility. Although the Federal Bureau of Investigation (FBI) and Police of Puerto Rico investigated the crime, there was not enough evidence to bring formal indictments. The Navy Criminal Investigative Service's Cold Case Unit, the FBI, and the U.S. Attorney's Office, Eastern District of New York, maintained an active investigation, which identified Galloza Acevedo as a prime suspect and during interviews, he implicated himself in planning and directly participating in the attack. Acevedo was brought to New York for more interviews with agents from NCIS, the FBI, and a prosecution team from the Attorney's Office. After meeting with legal counsel, Acevedo agreed to continue cooperating in the investigation.

#### RESULT:

On May 9, 2014, in U.S. District Court for the Eastern District of New York, Galloza Acevedo pleaded guilty and was convicted of racketeering conspiracy (sections 1962(d) and 1963(a)(1980), title 18, United States Code). Galloza Acevedo was sentenced to 5 years imprisonment.

### Senior Chief Petty Officer Sexually Assaulted Daughter

#### OVERVIEW:

This investigation was initiated in March 2013 by the Naval Criminal Investigative Service after the wife of a Navy senior chief petty officer reported that her husband had been sexually assaulting their 12-year-old daughter since 2011. An investigation revealed that the senior chief petty officer performed multiple unlawful sexual acts with his daughter at various locations over a period of approximately 3 years.

#### RESULT:

On March 7, 2014, during a judge-alone general court-martial at Naval Base San Diego, California, the senior chief petty officer pleaded guilty and was convicted of aggravated sexual contact with a child, sexual abuse of a child, disobeying a lawful order, and conduct bringing discredit upon the armed forces. He was sentenced to 22 years confinement, reduction to E-1, forfeiture of all pay and allowances while confined, a dishonorable discharge and required to register as a sex offender. A pretrial agreement reduced confinement to 20 years, and if he completes a sex offender treatment program, it is further reduced to 15 years.

### Navy Members Commit Pay and Allowance Fraud through Defense Travel System Kickback Scheme

#### OVERVIEW:

This investigation was initiated in September 2010 when Naval Criminal Investigative Service was notified of travel fraud involving sailors from the Naval Construction Battalion Center Gulfport, Mississippi. The investigation revealed that nine sailors created false, fictitious, and fraudulent travel authorizations, claims, vouchers, and orders using the Defense Travel System. The investigation also revealed the sailors manipulated bank account numbers and email addresses of existing Defense Travel System orders and routed reimbursement for the fraudulent vouchers into their personal bank accounts. The active kickback scheme, identity theft, and larceny resulted in a loss to the U.S. Government of about \$160,000.

#### RESULT:

Nine sailors pleaded guilty of conspiracy to submit false claims (section 286, title 18 U.S.C.), and two sailors additionally pleaded guilty of aggravated identity theft (section 1028A, title 18, U.S.C.); the nine were sentenced in the U.S. District Court for the Southern District of Mississippi between July 2013 and May 2014. Collectively, they were sentenced to 18.9 years of confinement; 16 years of supervised release, 10 years of probation, and 660 hours of community service. Together, they were fined \$5,000 and ordered to pay more than \$578,667.67 in restitution.

### Civilian Steals Navy Member's Identity

#### OVERVIEW:

This investigation was initiated in April 2012 by Naval Criminal Investigative Service after Marine Corps Community Services reported that Jessica Massey, a non-DoD affiliated civilian, used 22 fraudulent checks to receive more than \$8,000 in cash and merchandise. The investigation determined Massey used the social security numbers from 14 different individuals, 1 of whom was a seaman. During questioning, Massey admitted to stealing the seaman's identity and writing fraudulent checks.

#### RESULT:

On June 3, 2014, in the U.S. District Court, Eastern District of North Carolina, Massey pleaded guilty and was convicted of aggravated identity theft. Massey was sentenced to 2 years confinement, 1 year of supervised release, and was ordered to pay a total of \$13,976 in restitution to the Marine Corps Community Services and two civilian banks.

### Sailor's Wife Brutally Attacked during Home Invasion on Guam

#### OVERVIEW:

On April 20, 2013, Naval Criminal Investigative Services Guam, was notified of a home invasion, burglary, and assault at the off-base home of a sailor assigned to the USS Frank Cable. The sailor's wife was found unresponsive, beaten, bound, and gagged; the severity of her injuries required a neurosurgeon. A joint NCIS investigation with Guam Police Department identified Anthony Mendiola and Raymond Tedtaotao as suspects. They were subsequently arrested and indicted.

#### RESULT:

On December 17, 2013, in Guam Superior Court, Tedtaotao was found guilty of attempted first-degree felony murder, first-degree felony robbery, and second-degree felony aggravated assault and second-degree burglary. On May 21, 2014, Tedtaotao was sentenced to 55 years imprisonment. On January 22, 2014, Mendiola was found guilty of second-degree felony robbery, second-degree felony burglary, and assault. On March 26, 2014, he was sentenced to 21 years imprisonment. All of the sentences were the maximum penalty allowed for each offense.

## AIR FORCE

### AIR FORCE AUDIT AGENCY

The Air Force Audit Agency (AFAA) 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 has more than 580 personnel at approximately 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. The Fiscal Year 2014 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 such as personnel, training, cyber systems, environmental management, systems acquisition, and health initiatives.

In 2013, the Secretary of Defense called for the Department to achieve audit readiness of the Statement of Budgetary Resources by the end of calendar year 2014 and of all Department financial statements by 2017. The Secretary also called for personnel to increase emphasis on asset accountability and execute a full review over financial controls. Consequently, during the second half of FY 2014, AFAA issued eight reports directly supporting Air Force Financial Improvement and Audit Readiness efforts.

Overall, during the second half of FY 2014, AFAA published 26 centrally directed audit reports, provided more than 42 recommendations to Air Force



senior officials, and identified \$713.6 million in potential monetary benefits. The following paragraphs provide and synopsise a few examples of AFAA audit coverage related to specific DoD Management Challenge areas.

## Joint Warfighting and Readiness

### Peacetime Engine Requirements

**OVERVIEW:**

Air Force Audit Agency (AFAA) determined whether Air Force personnel properly computed engine removals and correctly allocated flying hours to engines.

**FINDINGS:**

Air Force personnel did not properly compute engine removals or correctly allocate flying hours to the appropriate engines.

**RESULT:**

As a result, propulsion personnel overstated engine overhaul requirements for FYs 2014 through 2019 by 181 overhauls and understated requirements by 42 overhauls. Properly computing engine removals for the F108-100, TF33-100A, and TF33-102C engines will reduce the Air Force’s overhaul budget by approximately \$491 million, making funds available for other valid requirements. In addition, correct



AFAA determined whether Air Force personnel properly computed engine removals and correctly allocated flying hours to engines.

flying hour allocation improves the accuracy of engine removal computations and overhaul requirements valued at \$622 million annually.

**Report No. F-2014-0006-L20000**

### Depot Equipment Allowance Standards

**OVERVIEW:**

Air Force Audit Agency (AFAA) determined if Air Force logistics personnel properly supported depot equipment requirements used to establish allowance standards.

**FINDINGS:**

Equipment custodians did not properly support depot equipment requirements used to validate existing allowances for 51 (22 percent) of 235 statistically selected national stock numbers or increase 34 (43 percent) of 79 judgmentally-selected allowance change requests.

**RESULT:**

Redistributing excess equipment and reducing related authorizations and due outs will result in \$42.2 million in funds put to better use. AFAA made one recommendation to improve management of depot equipment allowance standards.

**Report No. F-2014-0003-L40000**

## Acquisition Processes and Contract Management

### Air National Guard Construction Closeout

**OVERVIEW:**

Air Force Audit Agency (AFAA) determined if Air National Guard personnel timely closed and properly capitalized completed construction projects.

**FINDINGS:**

Air National Guard personnel did not timely close 33 percent of eligible construction projects reviewed or properly capitalize 56 percent of required construction projects reviewed.

**RESULT:**

Prompt construction closeout helps ensure construction deliverables are efficiently received. In addition, Air Force could fund other critical projects by reallocating \$554,000 of unneeded residual funds



AFAA determined if Air National Guard personnel timely closed and properly capitalized construction projects.

against completed projects. Properly recording data and capitalizing property is critical for preparing accurate real-property records necessary for effective sustainment decision making and Air Force financial statement auditability. Finally, accurate capital improvement records would increase sustainment funding by \$744,610 over 6 years.

**Report No. F-2014-0006-O20000**

### F-15 Radar Improvement Programs

#### OVERVIEW:

Air Force Audit Agency (AFAA) determined if Air Force personnel accomplished effective acquisition and logistics support planning for the F-15 radar improvement programs.

#### FINDINGS:

Air Force personnel did not develop the most cost-effective contract strategy for acquiring F-15 radars.

#### RESULT:

Acquiring active electronically scanned array radar components directly from the manufacturer and eliminating contract pass-through costs could save the Air Force approximately \$166.1 million over the next 6 years. AFAA made one recommendation to improve the contract strategy for acquiring F-15 radars.

**Report No. F-2014-0004-L30000**

## Financial Management

### Heating, Ventilation, and Air-Conditioning Systems

#### OVERVIEW:

Air Force Audit Agency (AFAA) determined if Air Force personnel efficiently operated and effectively maintained heating, ventilation, and air-conditioning systems.

#### FINDINGS:

Personnel did not establish accurate operating schedules and appropriate temperature settings for 78 percent of the facilities reviewed. Further, personnel at the 14 locations reviewed did not properly perform preventative maintenance for heating, ventilation, and air-conditioning equipment in 832 facilities and did not implement 36 percent of the Civil Engineer maintenance, inspection, and repair team recommendations.

#### RESULT:

Efficiently operating systems will save the Air Force at least \$15 million over 6 years. In addition, effectively maintaining systems extends the longevity and reliability of expensive equipment.

**Report No. F-2014-0008-O20000**

### Depot Maintenance Overhead

#### OVERVIEW:

Air Force Audit Agency (AFAA) determined if Air Force personnel properly classified production overhead tasks as indirect labor and forecasted production overhead manpower requirements.

#### FINDINGS:

Air Logistics Complex personnel incorrectly classified 700 (42 percent) of 1,685 production overhead personnel as direct labor. In addition, existing guidance did not clearly outline policies, goals and metrics, and documentation requirements for managing production overhead manpower.

#### RESULT:

As a result of incorrect classification, personnel overstated FY 2012 direct labor hours by 1.3 million hours valued at \$48 million. Incorrectly classifying indirect tasks as direct overstates direct labor



AFAA determined if Air Force personnel properly classified production overhead tasks as indirect labor and forecasted production overhead manpower requirements.

requirements and gives the appearance the Air Logistics Complexes required more direct laborers than the workload actually supported. Further, improving production overhead manpower forecasts and performance metrics will provide management a consistent basis for comparison between Air Logistics Complexes and the ability to identify best practices and improve efficiency. AFAA made two recommendations to improve management of depot maintenance production overhead labor.

**Report No. F-2014-0008-L20000**

## Health Care

### Landfill Management

#### OVERVIEW:

Air Force Audit Agency (AFAA) determined if Air Force civil engineer personnel accurately accounted for landfills and operated landfills in compliance with Federal and state requirements.

#### FINDINGS:

Personnel did not accurately account for 369 (94 percent) of 392 active and closed landfills. In addition, personnel did not operate 48 percent of landfills in compliance with Federal and state requirements.

#### RESULT:

As a result, sustainment requirements were overstated by 175 percent. By accurately accounting for landfills, the Air Force would obtain a net monetary benefit of approximately \$26 million in funds put to better use over 6 years. Additionally, accurately accounting for landfill inventories will ensure closed landfills receive appropriate Defense Environmental Restoration Program funding. Finally, compliance with Federal and state requirements helps protect human health and the environment as well as prevent noncompliance/enforcement action fines. AFAA made two recommendations to improve landfill management.

**Report No. F-2014-0009-O20000**

### Radiology Equipment

#### OVERVIEW:

Air Force Audit Agency (AFAA) determined if Air Force personnel could increase usage of existing radiology equipment or invest in radiology equipment to reduce purchased services.

#### FINDINGS:

Air Force officials could increase usage of existing radiology equipment and invest in additional radiology equipment to reduce purchased services.



AFAA determined if Air Force personnel could increase usage of existing radiology equipment or invest in radiology equipment to reduce purchased services.

**RESULT:**

More effective radiology equipment management would allow officials to reduce purchased services, putting approximately \$13.5 million to better use over 6 years. AFAA made one recommendation to utilize radiology equipment to minimize purchased radiology service costs.

**Report No. F-2014-0008-O40000**

**CYBER SECURITY**

**Information Assurance Budgeting**

**OVERVIEW:**

Air Force Audit Agency (AFAA) determined if Air Force personnel effectively identified and planned for system information assurance requirements funding.

**FINDINGS:**

Information system program managers did not identify and establish required discrete information assurance budget lines for information systems.

**RESULT:**

Management’s inability to identify information assurance funds budgeted for or expensed against each information system diminishes the Air Force’s ability to responsibly secure and defend continuous information assurance funding. Additionally, unfunded or underfunded information assurance requirements put critical information systems and data at risk, including contingency planning systems, systems supporting Financial Improvement and Audit Readiness, and other mission support systems. AFAA made one recommendation to improve information assurance budgeting controls.

**Report No. F-2014-0007-O10000**

**Civil Engineer Platform Information Technology Security**

**OVERVIEW:**

Air Force Audit Agency (AFAA) determined if Air Force Civil Engineer (CE) personnel effectively identified and registered industrial control systems (ICS); coordinated identification and registration of non-ICS CE platform information technology (PIT) systems; conducted ICS information assurance risk assessments; and implemented ICS information assurance controls.



AFAA determined if Air Force CE personnel effectively identified and registered industrial control systems.

**FINDINGS:**

CE personnel did not identify or register CE ICS, coordinate identification and registration of non-ICS CE PIT systems, conduct ICS information assurance risk assessments, or implement ICS information assurance controls.

**RESULT:**

As a result, systems are unprotected and vulnerable to cyber threats from adversaries and malicious intruders and natural sources including human errors, equipment failures, and natural disasters. Unidentified CE PIT systems impede effective risk assessments and implementation of mitigating information assurance controls. Effective security risk assessment will promote efficient information assurance controls implementation and allow the Air Force to put to better use at least \$4.2 million over the next 6 years. Finally, effective information assurance control implementation mitigates risk of unauthorized system access and other cyber attacks and provides assurance of system and data confidentiality, integrity, and availability. AFAA made four recommendations to improve controls and processes over CE PIT system identification and registration, information assurance risk assessment, and information assurance control implementation.

**Report No. F-2014-0008-O10000**

## AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

### Significant Activities

#### Forcible Rape

##### OVERVIEW:

On April 16, 2013, Air Force Office of Special Investigations initiated an investigation based upon an allegation that Airman First Class Elis LaSalle sexually assaulted a female airman first class in 2011 while assigned to Shepard Air Force Base, Texas. An investigation determined LaSalle sexually assaulted the female airman first class by force.

##### RESULT:

On April 4, 2014, during a judge-alone general court martial at Shepard Air Force Base, LaSalle was convicted of aggravated sexual assault. He was sentenced to 15 years confinement, forfeiture of all pay and allowances, sex offender registration, and a dishonorable discharge, and was required to register as a sex offender.

#### DNA Identifies Child Molester

##### OVERVIEW:

This investigation was initiated by Air Force Office of Special Investigations (AFOSI) on August 9, 2011, after an 8-year-old female reported she was abducted from the Ramstein Air Base, Germany, housing area and sexually molested by an unknown male. From 2011 to 2013, AFOSI initiated a number of investigations based on reports of an unknown male attempting to lure U.S. military dependent children into his vehicle, storage areas, or basements in the area of Ramstein Air Base. Once secreted in one of these areas, he would perform or attempt to perform sexual acts on the children. In one instance, in January 2012, an unknown DNA sample was collected during the processing of the victim's clothing. In 2013, AFOSI initiated an unrelated investigation into allegations that a technical sergeant attempted to kiss the underage friend of his step-daughter. That investigation ultimately revealed the technical sergeant performed multiple, unlawful sexual acts with his step-daughter, from the age of 3 to 16, at multiple locations both in Germany and in the

continental United States. During the course of that investigation, the technical sergeant's DNA was collected and processed by the U.S. Army Criminal Investigation Laboratory; his DNA matched the sample collected at Ramstein Air Base in January 2012, and he was identified as the unknown male.

##### RESULT:

On March 19, 2014, during a judge alone, general court-martial at F. E. Warren Air Force Base, Wyoming, the technical sergeant pleaded guilty and was convicted of luring and holding a minor against her will, engaging in a lewd act with a child under the age of 16, engaging in sexual contact with a child under the age of 12, engaging in sexual contact with a child between the ages of 12 and 16, engaging in indecent conduct with a child under the age of 16, committing sodomy on a child under the age of 12, committing sodomy on a child between the ages of 12 and 16, unlawfully kissing a child under the age of 16, and committing an indecent act on a child under the age of 16. The technical sergeant was sentenced to 50 years confinement (restricted to 25 years under a pretrial agreement), reduction to E-1, forfeiture of all pay and allowances, and a dishonorable discharge, and he was required to register as a sex offender.

#### Overseas Housing Allowance Fraud

##### OVERVIEW:

This investigation was initiated by Air Force Office of Special Investigations on October 31, 2011, pursuant to information received from the 36th Munitions Squadron, Andersen Air Force Base, Guam, alleging entitlements fraud. The investigation revealed that Technical Sergeant Edward Biacan, Technical Sergeant Dora Sarmiento and Staff Sergeant John Taitano conspired with Sergeant First Class Randolph Angogo to claim unauthorized Overseas Housing Allowance (OHA) entitlements by falsely claiming residency at Angogo's home located in Anigua, Guam. Biacan confessed to signing a false lease with Angogo with the intent to collect a \$2,400 per month OHA and paying Angogo only \$700 per month. Sarmiento confessed to signing a false lease with Angogo with the intent to collect a \$2,400 per month OHA and paying Angogo only \$1,000 per month. Taitano confessed to signing a false lease with Angogo with the intent to collect a \$2,200 per month OHA and

paying Angogo \$1,000 per month. None of the service members actually moved into the residence and Angogo confessed to conspiracy, fraud, and accepting kickbacks for the housing scheme.

## RESULT:

In the District Court of Guam, Angogo was charged with conversion of Government property and the other three were charged with fraudulent claim against the United States; all defendants pleaded guilty. On June 18, 2014, Angogo was sentenced to 4 years of probation, 100 hours of community service, and ordered to pay \$9,700 in restitution. On July 31, 2013, Sarmiento was sentenced to 4 years of probation, 50 hours of community service, and ordered to pay \$39,902 in restitution. On July 24, 2013, Taitano was sentenced to 3 years of probation, fined \$1,000 and ordered to pay \$11,817 in restitution. On August 29, 2012, Biacan was sentenced to 3 years of probation, and ordered to pay \$24,912 in restitution.

## Rape and Lewd Acts with a Child

### OVERVIEW:

This investigation was initiated by Air Force Office of Special Investigations on February 21, 2013, pursuant to information from Family Advocacy at F. E. Warren Air Force Base, Wyoming, that a technical sergeant from the 90th Civil Engineer Squadron there sexually abused his 13-year-old step-daughter. An investigation determined the technical sergeant performed unlawful sexual acts with his two step-daughters on multiple occasions since 2007.

### RESULT:

On February 13, 2014, during a general court-martial, at F. E. Warren Air Force Base, the technical sergeant was convicted of attempting to engage in sexual contact with a child between the ages of 12 and 16, attempting to engage in a lewd act with a child under the age of 16, engaging in sexual contact with a child under the age of 12, engaging in sexual contact with a child between the ages of 12 and 16, and engaging

in a lewd act with a child under the age of 16. He was sentenced to 25 years confinement, reduction to E-1, forfeiture of all pay and allowances, a dishonorable discharge, and required to register as a sex offender.

## Temporary Duty Travel Voucher Fraud

### OVERVIEW:

This investigation was initiated by Air Force Office of Special Investigations after an audit of temporary duty travel vouchers by the 55th Comptroller Squadron, Offutt Air Force Base, Nebraska. The audit revealed Staff Sergeant Marcellues Hall and Senior Airman David Stanford, both from the 95th Reconnaissance Squadron, Royal Air Force Mildenhall, United Kingdom, created and filed fraudulent travel vouchers while stationed at Mildenhall. The investigation revealed Hall was an approving official for temporary duty vouchers and gave Stanford approval authority for four of Hall's vouchers. Hall claimed and received \$39,881 for 13 fraudulent vouchers and Stanford claimed and received \$26,330 for 9 fraudulent vouchers; the total loss was \$66,211.

### RESULT:

On February 11, 2014, during a general court-martial at Royal Air Force Mildenhall, Hall pleaded guilty and was convicted of conspiring to commit larceny in excess of \$500, absent without leave, dereliction of duty, stealing money or military property in excess of \$500, and making a false claim in excess of \$500. He was sentenced to 30 days confinement, 60 days hard labor without confinement, reduction to E-1, fined \$30,198 (in the event the fine is not paid, an additional 6 months confinement will be added), and received a bad conduct discharge. On March 14, 2014, during a general court-martial, Stanford was found guilty of conspiring to commit larceny in excess of \$500, stealing money or military property in excess of \$500, and making a false claim in excess of \$500. He was sentenced to 14 days hard labor without confinement, a reprimand, reduction to E-2, and a bad conduct discharge.

# 5

## APPENDIXES



# AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED

	DoD IG	Military Departments	Total
Acquisition Processes and Contract Management	33	23	56
Administrative Readiness	1	2	3
Cyber Security	2	9	11
Financial Management	15	37	52
Health and Safety	7	8	15
Human Capital	0	3	3
Infrastructure and Environment	0	15	15
Investigative Oversight	4	0	4
Joint Warfighting and Readiness	8	26	34
Nuclear Enterprise	1	0	1
Other	5	1	6
<b>Total</b>	<b>76</b>	<b>124</b>	<b>200</b>

## ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-054	Defense Logistics Agency Land and Maritime Paid Too Much for High Mobility Multipurpose Wheeled Vehicle Repair Parts (For Official Use Only)	04/04/2014
DoD IG	DODIG-2014-061	Defense Hotline Allegations Concerning the Fort Huachuca, Army Contracting Command-Aberdeen Proving Ground Contract Administration and Oversight Functions	04/14/2014
DoD IG	DODIG-2014-064	Improved Management Needed for the F/A-18 Engine Performance-Based Logistics Contracts (For Official Use Only)	04/25/2014
DoD IG	DODIG-2014-069	Invoice Processes Administered in Accordance With DoD Guidance; However, Purchase Request Approvals Need Improvement and the Army Could Gain Efficiencies By Converting to a Firm-Fixed-Price Contract (For Official Use Only)	05/02/2014
DoD IG	DODIG-2014-073	Northrop Grumman Improperly Charged Labor for the Counter Narco-terrorism Technology Program (For Official Use Only)	05/13/2014
DoD IG	DODIG-2014-075	Navy Official's Inappropriately Managed the Infrared Search and Track Block II Development (Classified)	05/16/2014
DoD IG	DODIG-2014-076	Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program	05/21/2014
DoD IG	DODIG-2014-077	Hotline Complaint Regarding the Settlement of the Pratt & Whitney Commercial Engine Cost Accounting Standards Case	05/30/2014
DoD IG	DODIG-2014-078	Quality Control Review of PricewaterhouseCoopers, LLP FY 2012 Single Audit of Massachusetts Institute of Technology	06/05/2014
DoD IG	DODIG-2014-081	Army Integrated Air and Missile Defense Program Needs to Improve Software, Test, and Requirements Planning (For Official Use Only)	06/09/2014
DoD IG	DODIG-2014-084	Hotline Allegations Regarding Defense Contract Management Agency Contracting Officer Actions on Several Business System Audit Reports	06/20/2014
DoD IG	DODIG-2014-088	Defense Logistics Agency Aviation Potentially Overpaid Bell Helicopter for Sole-Source Commercial Spare Parts (For Official Use Only)	07/03/2014



Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-091	Procedures to Ensure Sufficient Rare Earth Elements for the Defense Industrial Base Need Improvement (For Official Use Only)	07/03/2014
DoD IG	DODIG-2014-092	Navy and Marine Corps Have Weak Procurement Processes for Cost-reimbursement Contract Issuance and Management	07/11/2014
DoD IG	DODIG-2014-095	Enhanced Army Global Logistics Enterprise Basic Ordering Agreements and Task Orders Were Properly Executed and Awarded	07/25/2014
DoD IG	DODIG-2014-096	Improvements Needed in Contract Administration of Mi-17 Cockpit Modification Task Order (For Official Use Only)	07/28/2014
DoD IG	DODIG-2014-099	Solicitation, Award, and Management of Two Washington Headquarters Services Multiple-Award Contracts and Task Orders	08/13/2014
DoD IG	DODIG-2014-106	Military Sealift Command Oversight of Excess Spare-Parts Inventory and Purchases for Sealift Program Roll-On/Roll-Off Ships Needs Improvement	09/09/2014
DoD IG	DODIG-2014-107	Fort Knox and the Army Need To Improve Internal Controls for Utility Energy Services Contracts	09/08/2014
DoD IG	DODIG-2014-109	Review of Audits Issued by the Defense Contract Audit Agency in FY 2012 and FY 2013	09/08/2014
DoD IG	DODIG-2014-110	Ontic Engineering and Manufacturing Overcharged the Defense Logistics Agency for Sole-Source Spare Parts (For Official Use Only)	09/15/2014
DoD IG	DODIG-2014-111	Exoatmospheric Kill Vehicle Quality Assurance and Reliability Assessment – Part A	09/08/2014
DoD IG	DODIG-2014-113	Inappropriate Obligations for the T700 Technical, Engineering, and Logistical Services and Supplies Contract	09/17/2014
DoD IG	DODIG-2014-114	Independent Auditor's Report on Agreed-Upon Procedures for DoD Compliance With Service Contract Inventory Compilation and Certification Requirements for FY 2012	09/17/2014
DoD IG	DODIG-2014-115	Complaint Regarding the Use of Audit Results on a \$1 Billion Missile Defense Agency Contract	09/12/2014
DoD IG	DODIG-2014-116	Assurance Policy Evaluation – Spacecraft and Strategic Systems	09/17/2014
DoD IG	DODIG-2014-117	Quality Control Review of Army Audit Agency's Special Access Program Audits	09/17/2014
DoD IG	DODIG-2014-118	Improvements Needed in Contract Award of Mi-17 Cockpit Modification Task Order (For Official Use Only)	09/19/2014
DoD IG	DODIG-2014-119	Excess Inventory Acquired on Performance-Based Logistics Contracts to Sustain the Air Force's C-130J Aircraft (For Official Use Only)	09/22/2014
DoD IG	DODIG-2014-120	Acquisition Practices Used at United States Marine Corps Program Executive Officer Land Systems: Program Manager Medium and Heavy Tactical Vehicles (For Official Use Only)	09/22/2014
DoD IG	DODIG-2014-123	Air Force Did Not Justify the Need for MQ-9 Reaper Procurement Quantities (For Official Use Only)	09/30/2014
DoD IG	DODIG-2014-124	Army Needs to Improve the Reliability of the Spare Parts Forecasts It Submits to the Defense Logistics Agency	09/29/2014
DoD IG	DODIG-2014-125	Army and Marine Corps Program Officials Appropriately Assessed the Affordability of the Joint Light Tactical Vehicle Program (For Official Use Only)	09/30/2014
USAAA	A-2014-0059-MTE	Audit of Aviation Support Contract Drawdown-Afghanistan (For Official Use Only)	05/06/2014
USAAA	A-2014-0063-IEF	Agreed-Upon Procedures Attestation of Mission and Installation Contracting Command-Presidio of Monterey Contracts (For Official Use Only)	04/25/2014
USAAA	A-2014-0078-FMI	Foreign Language Support Contract Requirements, Afghanistan (For Official Use Only)	06/19/2014
USAAA	A-2014-0092-IEX	Audit of Acquisition and Cross-Servicing Agreements in Europe, Recouping Costs for Training Foreign Forces at Grafenwoehr Training Area (For Official Use Only)	08/27/2014

Agency	Report Number	Report Title	Date
USAAA	A-2014-0099-IEX	Followup Audit of Financial Liability Investigations of Property Lost by Contractors	09/03/2014
USAAA	A-2014-0105-FMP	Indefinite-Delivery/Indefinite-Quantity Contracts, Korea	09/10/2014
USAAA	A-2014-0110-IEX	Acquisition and Cross-Servicing Agreements in Europe, U.S. Army Europe	09/24/2014
USAAA	A-2014-0113-IEX	Port Services Contracts in Europe (For Official Use Only)	09/29/2014
USAAA	A-2014-0115-ALC	Organization and Alignment of Army Contracting	09/29/2014
NAVAUDSVC	N2014-0017	Naval History and Heritage Command Contracts	04/09/2014
NAVAUDSVC	N2014-0018	Naval Station Guantanamo Bay Base Operating Support Contracts	04/09/2014
NAVAUDSVC	N2014-0023	Internal Controls at the Naval Air Station Whiting Field Golf Course Pro Shop	05/21/2014
NAVAUDSVC	N2014-0024	Administration of the Contract Closeout Process at Naval Facilities Engineering Command	05/23/2014
NAVAUDSVC	N2014-0026	Service Contracts Awarded for Naval Meteorology and Oceanography Command	06/04/2014
NAVAUDSVC	N2014-0031	Internal Controls for Purchases Charged Against Selected Contracts Supporting the Fleet Readiness Center Southwest E-2C/C-2 Aircraft Program	07/15/2014
NAVAUDSVC	N2014-0032	Followup of Acquisition Program Staffing and Management Control at Naval Air Systems Command	07/22/2014
NAVAUDSVC	N2014-0033	Management and Accountability of Nuclear Weapons-Related Materiel	07/22/2014
NAVAUDSVC	N2014-0034	National Defense Sealift Fund Supporting the Ready Reserve Force Program	07/31/2014
NAVAUDSVC	N2014-0035	Requirements for Programs Managed by Program Executive Office Integrated Warfare Systems	08/06/2014
NAVAUDSVC	N2014-0039	Internal Controls over the Supply Requisition, Receipt, and Disposition Process at School of Infantry West	09/04/2014
NAVAUDSVC	N2014-0048	Navy Husbanding and Port Services Contracts	09/30/2014
AFAA	F-2014-0004-L30000	F-15 Radar Improvement Programs (For Official Use Only)	07/14/2014
AFAA	F-2014-0006-O20000	Air National Guard Construction Closeout	04/02/2014

## ADMINISTRATIVE READINESS

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-065	Evaluation of Department of Defense Interaction with State Defense Forces	04/30/2014
USAAA	A-2014-0098-FMR	Review of the FY 14 Army's Managers' Internal Control Program	09/02/2014
USAAA	A-2014-0111-FMF	Followup Army Defense Travel System Permission Level, Deputy Assistant Secretary of the Army (Financial Operations)	09/23/2014

## CYBER SECURITY

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-086	U.S. Central Command Vulnerability Management Program Needs Improvement (Classified)	06/25/2014
DoD IG	DODIG-2014-126	DoD Cybersecurity Weaknesses as Reported in Audit Reports Issued From August 1, 2013, Through July 31, 2014 (For Official Use Only)	09/26/2014
USAAA	A-2014-0064-FMT	Business Systems Information Technology Portfolio Management, U.S. Army Office of Business Transformation, U.S. Army Deputy Chief of Staff, G-3/5/7, U.S. Army Chief Information (For Official Use Only)	05/07/2014
USAAA	A-2014-0094-IET	Managing Information Technology Maintenance and License Agreements	08/29/2014
USAAA	A-2014-0108-ALA	Audit of the Distributed Common Ground System-Army (For Official Use Only)	09/11/2014
NAVAUDSVC	N2014-0021	Cyberspace/Information Technology Skill Sets for Active Duty Military Personnel at Selected Navy Commands	05/19/2014

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2014-0039	Followup on Controls over Navy Marine Corps Intranet Contractors and Subcontractors Accessing Department of the Navy Information	07/09/2014
NAVAUDSVC	N2014-0040	Commander, Navy Installations Command Enterprise-Wide Portal Initiatives	09/09/2014
AFAA	F-2014-0007-O10000	Information Assurance Budgeting	09/02/2014
AFAA	F-2014-0008-O10000	Civil Engineer Platform Information Technology Security	09/04/2014
AFAA	F-2014-0005-O30000	Classified Information Systems Protections - Joint Worldwide Intelligence Communication System (Classified)	07/02/2014

## FINANCIAL MANAGEMENT

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-056	Army Financial Improvement Plans Generally Managed Effectively, but Better Contract Management Needed	04/08/2014
DoD IG	DODIG-2014-057	Improvements to Controls Over Cash Are Needed at Army Disbursing Stations in Kuwait and Saudi Arabia	04/09/2014
DoD IG	DODIG-2014-059	DoD Efforts to Meet the Requirements of the Improper Payments Elimination and Recovery Act in FY 2013	04/15/2014
DoD IG	DODIG-2014-066	Logistics Modernization Program System Not Configured to Support Statement of Budgetary Resources	05/05/2014
DoD IG	DODIG-2014-067	Improvement Needed for Management of Commemorative Program Funds	05/06/2014
DoD IG	DODIG-2014-068	Air Force Managers Did Not Implement Adequate Controls for the Defense Enterprise Accounting and Management System Order-to-Cash Business Process	05/01/2014
DoD IG	DODIG-2014-070	Improvements Needed for Triannual Review Process at Norfolk Ship Support Activity	05/06/2014
DoD IG	DODIG-2014-071	Air Force Deputy Disbursing Officers Held Excess Cash	05/08/2014
DoD IG	DODIG-2014-087	Army's Audit Readiness at Risk Because of Unreliable Data in the Appropriation Status Report	06/26/2014
DoD IG	DODIG-2014-089	Implementation of 2011 Generally Accepted Government Auditing Standards Independence Standards at the DoD Audit Organizations	06/30/2014
DoD IG	DODIG-2014-090	Improvements Needed in the General Fund Enterprise Business System Budget-to-Report Business Process	07/02/2014
DoD IG	DODIG-2014-094	Approaches for Establishing Fraud Risk Assessment Programs and Conducting Fraud Audit Risk Assessments Within the Department of Defense	07/17/2014
DoD IG	DODIG-2014-102	Government of the Islamic Republic of Afghanistan Needs to Provide Better Accountability and Transparency Over Direct Contributions	08/29/2014
DoD IG	DODIG-2014-104	Global Combat Support System-Army Did Not Comply With Treasury and DoD Financial Reporting Requirements	09/03/2014
DoD IG	DODIG-2014-122	Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the FY 2014 Civilian Payroll Withholding Data and Enrollment Information	09/26/2014
USAAA	A-2014-0061-ALE	Agreed-Upon Procedures Attestation of Army Recreation Machine Program Revenues at U.S. Army Garrison Schweinfurt (For Official Use Only)	04/29/2014
USAAA	A-2014-0067-IEF	Basic Allowance for Housing – Active Component (For Official Use Only)	05/12/2014
USAAA	A-2014-0072-ALA	Weapon System Requirements Fluctuation	06/02/2014
USAAA	A-2014-0074-FMF	Army Contributions to the Military Retirement Trust Fund	06/03/2014
USAAA	A-2014-0076-FMR	Audit of Recording of Accounts Receivable-Public	06/18/2014
USAAA	A-2014-0079-FMR	Journal Vouchers for Financial Statement Adjustments	06/23/2014
USAAA	A-2014-0080-IEE	Audit of Reserve and Civilian Pay and Benefits – C Company, 203 <sup>rd</sup> Military Intelligence Battalion (For Official Use Only)	06/30/2014
USAAA	A-2014-0081-FMF	Miscellaneous Transactions for the Army Reserve	07/02/2014

Agency	Report Number	Report Title	Date
USAAA	A-2014-0083-FMP	Time-Sensitive Report; Revenue Collection; Audit of Base Operations Support-Reagan Test Site, Kwajalein (For Official Use Only)	07/14/2014
USAAA	A-2014-0093-FMR	Examination of Federal Financial Management Improvement Act Compliance Validation, Global Combat Support System-Army, Release 1.1	08/25/2014
USAAA	A-2014-0095-ALM	Audit of Sustainment Systems Technical Support-Requirements	08/27/2014
USAAA	A-2014-0096-FMR	Examination of Federal Financial Management Improvement Act Compliance Validation, Logistics Modernization Program System, Third Deployment	08/29/2014
USAAA	A-2014-0101-FMF	Examination of Interim Solution for Recording Permanent Change of Station Costs	09/04/2014
USAAA	A-2014-0102-IEX	Agreed-Upon Procedures Attestation of Local National Workforce Pay at Transportation Motor Pool, Stuttgart, Germany (For Official Use Only)	09/19/2014
USAAA	A-2014-0103-MTH	Transfers of Post-9/11 GI Bill Education Benefits, Deputy Chief of Staff, G-1 and Director, Army National Guard	09/05/2014
USAAA	A-2014-0106-FMF	Controls Over Special Compensation for Assistance With Activities of Daily Living	09/10/2014
USAAA	A-2014-0107-FMI	Overtime and Compensatory Time, Military Intelligence Civilian Excepted Career Program	09/10/2014
USAAA	A-2014-0122-FMI	Agreed-Upon Procedures Attestation of Reserve Pay (For Official Use Only)	09/30/2014
USAAA	A-2014-0123-FMR	Examination of Federal Financial Management Improvement Act Compliance-Requirements, Logistics Modernization Program System, Increment Two	09/30/2014
NAVAUDSVC	N2014-0020	Internal Controls over Naval Criminal Investigative Service Europe and Africa Field Office Salary Payments and Travel Process	05/15/2014
NAVAUDSVC	N2014-0025	Implementation of the Navy's Furlough Process at Naval Air Systems Command Patuxent River	06/03/2014
NAVAUDSVC	N2014-0028	Independent Attestation – Agreed-Upon Procedures Attestation Engagement of Department of the Navy Audit Readiness Sustainment – Civilian Pay	06/13/2014
NAVAUDSVC	N2014-0029	Internal Controls for Overtime Benefits Received at Norfolk Naval Shipyard and Portsmouth Naval Shipyard	07/01/2014
NAVAUDSVC	N2014-0036	Naval Audit Service Input for the Fiscal Year 2014 Statement of Assurance	08/18/2014
NAVAUDSVC	N2014-0038	Government Commercial Purchase Card Transactions at Navy Region Southwest Dining Food Services	09/03/2014
NAVAUDSVC	N2014-0047	Marine Corps Military Standard Requisitioning and Issue Procedures Internal Controls	09/30/2014
AFAA	F-2014-0004-L10000	Civilian Pay Financial Statement Assertion	04/01/2014
AFAA	F-2014-0005-L10000	Air National Guard Managers' Internal Control Program	04/02/2014
AFAA	F-2014-0006-L10000	Accounts Payable - Supporting Documentation	05/09/2014
AFAA	F-2014-0007-L10000	Military Pay Reconciliation Process Phase II	07/14/2014
AFAA	F-2014-0008-L10000	Air Force Working Capital Fund Spending Authority Collections - Financial Inventory Accounting and Billing System Transactions	09/02/2014
AFAA	F-2014-0009-L10000	Disbursing Offices Document Imaging Process Evaluation	09/02/2014
AFAA	F-2014-0010-L10000	Air Force Office of Special Investigations Emergency and Extraordinary Expense Fund	09/15/2014
AFAA	F-2014-0011-L10000	Air Force Working Capital Fund Medical/Dental Inventory - Contractor Controlled	09/16/2014
AFAA	F-2014-0005-L20000	Memorandum Report of Audit, Automated Business Services System Application Controls	04/01/2014
AFAA	F-2014-0008-L20000	Depot Maintenance Overhead	09/05/2014
AFAA	F-2014-0008-O20000	Heating, Ventilation, and Air-Conditioning Systems	05/29/2014

## HEALTH AND SAFETY

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-052	DoD Did Not Negotiate Rates With Overseas Health Care Providers and Generally Paid Claims as Billed	04/01/2014
DoD IG	DODIG-2014-093	Inspection of the Armed Forces Retirement Home	07/23/2014
DoD IG	DODIG-2014-097	Audit of the Transfer of DoD Service Treatment Records to the Department of Veterans Affairs	07/31/2014
DoD IG	DODIG-2014-100	Assessment of DoD Wounded Warrior Matters: Selection and Training of Warrior Transition Unit and Wounded Warrior Battalion Leaders and Cadre	08/22/2014
DoD IG	DODIG-2014-101	Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight	08/13/2014
DoD IG	DODIG-2014-112	Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight	09/16/2014
DoD IG	DODIG-2014-121	Military Housing Inspections – Japan	09/30/2014
USAAA	A-2014-0060-IEE	Army Hearing Program: Monitoring Audiometry	04/24/2014
USAAA	A-2014-0070-IEM	Implementing Community-Based Medical Homes, U.S. Army Medical Command	05/30/2014
USAAA	A-2014-0073-IEM	Audit of Integrated Disability Evaluation System – Transition Phase	05/30/2014
USAAA	A-2014-0082-IEM	Integrated Disability Evaluation System: Medical and Physical Evaluation Boards, Deputy Chief of Staff, G-1 and U.S. Army Medical Command	07/11/2014
USAAA	A-2014-0084-FMF	Audit of Medical Special Pays	07/15/2014
USAAA	A-2014-0116-MTM	Medical Research Foundation Awards, U.S. Army Medical Research and Medical Command	09/26/2014
AFAA	F-2014-0009-O20000	Landfill Management	09/15/2014
AFAA	F-2014-0008-O40000	Radiology Equipment	05/28/2014

## HUMAN CAPITAL

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2014-0016	Department of the Navy Recruiting Incentives for Non-Recruiters	04/07/2014
NAVAUDSVC	N2014-0041	Sexual Assault Training and Forensic Exam Procedures at Selected Commands	09/12/2014
NAVAUDSVC	N2014-0043	Off-Duty Employment of Naval Military Treatment Facility Personnel	09/23/2014

## INFRASTRUCTURE AND ENVIRONMENT

Agency	Report Number	Report Title	Date
USAAA	A-2014-0071-IEI	Audit of Plans for Demolishing Excess Property	06/02/2014
USAAA	A-2014-0087-FMP	Audit of Design Quality Assurance	07/24/2014
USAAA	A-2014-0091-MTP	Integrated Base Defense	08/13/2014
USAAA	A-2014-0104-IEE	Audit of Army Workers' Compensation Program – Dual Benefits (For Official Use Only)	09/15/2014
USAAA	A-2014-0114-IEE	Performance of Renewable Energy Projects	09/29/2014
USAAA	A-2014-0117-IEO	Audit of First Sergeant's Barracks Program 2020	09/29/2014
USAAA	A-2014-0118-IEO	Audit of the Soldier Family Assistance Centers Program	09/30/2014
USAAA	A-2014-0119-MTP	Army Controls Over Forensic Evidence, Office of the Provost Marshal General and U.S. Army Criminal Investigation Command (For Official Use Only)	09/30/2014
USAAA	A-2014-0121-IEE	Audit of the Fort Carson Combat Aviation Brigade Central Energy Plant	09/30/2014
NAVAUDSVC	N2014-0015	Navy's Real Property Inventory – Naval Facilities Engineering Command Marianas	04/02/2014

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2014-0019	Navy's Real Property Inventory – Naval Facilities Engineering Command Hawaii	04/22/2014
NAVAUDSVC	N2014-0027	Navy's Real Property Inventory – Naval Facilities Engineering Command Atlantic	06/09/2014
NAVAUDSVC	N2014-0037	Validation and Use of Navy Energy-Return on Investment Scores	08/21/2014
NAVAUDSVC	N2014-0042	Navy Expeditionary Combat Command Inventory Management	09/18/2014
NAVAUDSVC	N2014-0045	Internal Controls and Oversight of Personal Property in the Defense Property Accountability System at Naval Education and Training Command	09/25/2014

## INVESTIGATIVE OVERSIGHT

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-082	Development and Implementation of Sexual Assault Evidence and Criminal Records Retention Policy	07/11/2014
DoD IG	DODIG-2014-103	Evaluation of DoD Compliance with the Sex Offender Registration and Notification Act	08/29/2014
DoD IG	DODIG-2014-105	Evaluation of Military Criminal Investigative Organizations' Child Sexual Assault Investigations	09/09/2014
DoD IG	DODIG-2014-108	Evaluation of Military Criminal Investigative Organizations' Adult Sexual Assault Investigation Policies	09/16/2014

## JOINT WARFIGHTING AND READINESS

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-053	Audit of the Security and Handling of Equipment Staged for Retrograde at Aerial Ports of Debarkation in Afghanistan (Classified)	04/04/2014
DoD IG	DODIG-2014-058	Commercial Multimodal Cargo Procedures in Dubai Were Generally Effective, but Contract Oversight Could Be Improved	04/11/2014
DoD IG	DODIG-2014-062	Improvements Needed in the Stocking of Air Force Base Expeditionary Airfield Resources Support and Repair Spare Kits in Guam (Classified)	04/17/2014
DoD IG	DODIG-2014-063	Navy Can Improve Management of Zero-Demand Items	04/25/2014
DoD IG	DODIG-2012-034.8	Afghan National Army Metrics (July – December 2013) (Classified)	05/15/2014
DoD IG	DODIG-2014-072	U.S. Military and Coalition Efforts to Develop Effective and Sustainable Healthcare in Support of the Afghan National Police	05/19/2014
DoD IG	DODIG-2014-074	Navy Controls Over the Requirements Development Process for Military Construction Projects at Camp Lemonnier, Djibouti, Need Improvement (For Official Use Only)	05/16/2014
DoD IG	DODIG-2014-098	The Army Did Not Properly Account For and Manage Force Provider Equipment in Afghanistan	07/31/2014
USAAA	A-2014-0062-ALS	Management of Lateral Transfers, Program Executive Office, Ammunition	04/25/2014
USAAA	A-2014-0065-IEO	Followup Audit of Real Property Sustainment, Restoration, and Modernization (For Official Use Only)	05/09/2014
USAAA	A-2014-0066-IEF	Agreed-Upon Procedures Attestation of Use of Nonstandard Part Numbers in the Standard Army Retail Supply System (For Official Use Only)	05/09/2014
USAAA	A-2014-0068-FMT	Schoolhouse Automation, U.S. Army Training and Doctrine Command	05/12/2014
USAAA	A-2014-0075-ALS	Audit of Property Accountability of Equipment Fielded Through Rapid Fielding Initiatives	06/10/2014
USAAA	A-2014-0077-ALS	Audit of Ammunition Production Levels	06/19/2014
USAAA	A-2014-0085-ALA	Ammunition Testing, Deputy Chief of Staff, G-3/5/7	07/17/2014
USAAA	A-2014-0086-MTT	Followup Audit of Ground Operating Tempo Program Execution and Reporting, Office of the Deputy Chief of Staff, G-3/5/7	07/17/2014

Agency	Report Number	Report Title	Date
USAAA	A-2014-0088-ALS	Financial Liability Investigations of Property Loss	08/08/2014
USAAA	A-2014-0089-FMI	Bare Base Equipment in U.S. Army Special Operations Command (For Official Use Only)	08/15/2014
USAAA	A-2014-0090-ALM	Equipment Transparency Report, Assistant Secretary of the Army (Acquisition, Logistics and Technology) and Office of the Deputy Chief of Staff, G-8	08/27/2014
USAAA	A-2014-0097-ALA	Weapon System Upgrades Through Engineering Changes, Assistant Secretary of the Army (Acquisition, Logistics and Technology) (For Official Use Only)	09/02/2014
USAAA	A-2014-0100-IEX	Management of Equipment and Supplies in Europe	09/08/2014
USAAA	A-2014-0109-MTE	Followup Audit of Foreign Excess Property Programs (For Official Use Only)	09/12/2014
USAAA	A-2014-0112-MTT	Structure and Manning Decision Review Inputs and Training Resources Arbitration Panel Actions	09/26/2014
USAAA	A-2014-0120-FMI	Human Terrain System, U.S. Army Training and Doctrine Command	09/30/2014
NAVAUDSVC	N2014-0022	Fleet Gapped Critical Billets	05/20/2014
NAVAUDSVC	N2014-0044	Navy Program 9 Synchronization with Marine Corps Mobilization	09/25/2014
AFAA	F-2014-0006-L20000	Peacetime Engine Requirements	05/27/2014
AFAA	F-2014-0007-L20000	Follow-up Audit, J85 Engine Kit Requirements	07/14/2014
AFAA	F-2014-0009-L20000	Aircraft Structural Integrity Program	09/28/2014
AFAA	F-2014-0003-L40000	Depot Equipment Allowance Standards	06/03/2014
AFAA	F-2014-0004-L40000	Base Level Due-In From Maintenance Assets	09/02/2014
AFAA	F-2014-0007-O20000	Fuel Storage Tank Management	09/15/2014
AFAA	F-2014-0004-O30000	Joint Terminal Attack Controller Training (For Official Use Only)	05/27/2014
AFAA	F-2014-0007-O40000	Sexual Assault Prevention and Response Program	04/02/2014

## NUCLEAR ENTERPRISE

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-083	Insufficient Infrastructure Support to the Fixed Submarine Broadcast System (Classified)	06/23/2014

## OTHER

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-055	Investigation of a Hotline Allegation of a Questionable Intelligence Activity Concerning the Joint IED Defeat Organization (JIEDDO) Counter-IED Operations/ Intelligence Integration Center (COIC) (Classified)	04/04/2014
DoD IG	DODIG-2014-060	An Assessment of Contractor Personnel Security Clearance Processes in the Four Defense Intelligence Agencies	04/14/2014
DoD IG	DODIG-2014-079	Evaluation of the Department of Defense Combating Trafficking in Persons Program	06/16/2014
DoD IG	DODIG-2014-080	Assessment of DoD Processes in Support of Committee on Foreign Investment in the United States Determinations and Foreign Ownership, Control, or Influence Mitigation	06/10/2014
DoD IG	DODIG-2014-085	Evaluation of the Dissemination of DoD Intelligence Information to the Library of National Intelligence by the NSA (Classified)	08/13/2014
NAVAUDSVC	N2014-0046	Fleet Readiness Center Southwest Concurrent Certification Program	09/30/2014

◆ 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	Date	Potential Monetary Benefits	
		Questioned Costs	Funds Put to Better Use
DODIG-2014-054 Defense Logistics Agency Land and Maritime Paid Too Much for High Mobility Multipurpose Wheeled Vehicle Repair Parts (For Official Use Only)	04/04/2014	\$1,495,634	
DODIG-2014-063 Navy Can Improve Management of Zero-Demand Items	04/25/2014		\$90,835
DODIG-2014-064 Improved Management Needed for the F/A-18 Engine Performance-Based Logistics Contracts (For Official Use Only)	04/25/2014		\$14,400,000
DODIG-2014-074 Navy Controls Over the Requirements Development Process for Military Construction Projects at Camp Lemonnier, Djibouti, Need Improvement (For Official Use Only)	05/16/2014		\$4,720,000
DODIG-2014-088 Defense Logistics Agency Aviation Potentially Overpaid Bell Helicopter for Sole-Source Commercial Spare Parts (For Official Use Only)	07/03/2014	\$8,965,041	
DODIG-2014-096 Improvements Needed in Contract Administration of Mi-17 Cockpit Modification Task Order (For Official Use Only)	07/28/2014	\$151,543	
DODIG-2014-101 Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight	08/13/2014		\$73,102,820
DODIG-2014-110 Ontic Engineering and Manufacturing Overcharged the Defense Logistics Agency for Sole-Source Spare Parts (For Official Use Only)	09/15/2014	\$8,030,375	
DODIG-2014-112 Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight	09/16/2014		\$669,546
DODIG-2014-113 Inappropriate Obligations for the T700 Technical, Engineering, and Logistical Services and Supplies Contract	09/17/2014		\$1,307,842
DODIG-2014-118 Improvements Needed in Contract Award of Mi-17 Cockpit Modification Task Order (For Official Use Only)	09/19/2014	\$367,359	
DODIG-2014-123 Air Force Did Not Justify the Need for MQ-9 Reaper Procurement Quantities (For Official Use Only)	09/30/2014		\$8,812,700,000
<b>Total</b>		<b>\$142,194,620<sup>1</sup></b>	<b>\$8,906,991,043</b>

<sup>1</sup> A For Official Use Only report that is not listed identified questioned costs of about \$123 million.

◆ 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).



## FOLLOWUP ACTIVITIES

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

Status	Number	Funds Put to Better Use <sup>1</sup> (in thousands)
A. For which no management decision had been made by the beginning of the reporting period.	24	\$1,119,316 <sup>1</sup>
B. Which were issued during the reporting period.	76	\$9,049,186 <sup>2</sup>
Subtotals (A+B)	100	\$10,168,502
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.	60	\$1,350,482 <sup>3,4</sup>
D. For which no management decision has been made by the end of the reporting period.	40	\$8,818,020 <sup>5</sup>
Reports for which no management decision was made within 6 months of issue (as of September 30, 2014).	2 <sup>6</sup>	\$142

1. Includes \$973.2 million not previously reported.
2. DoD IG issued audit reports during the period involving \$142 million in "questioned costs."
3. 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.
4. Includes \$142 million in "questioned costs."
5. Includes \$142 thousand in "questioned costs."
6. DoD IG Report Nos. DODIG-2014-001, "MV-22 Squadrons Could Improve Reporting of Mission Capability Rates and Readiness," and DODIG-2014-044, "Improvements Are Needed in Contractor Oversight, Mission Security, and Personnel Safety for the Afghanistan Rotary Wing Program Contracts," had no decision as of September 30, 2014, but action to achieve a decision is in process.

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

## FOLLOWUP ACTIVITIES

Status of action on central internal audits period ending September 30, 2014

Status	Number	Funds Put to Better Use <sup>1</sup> (in thousands)
<b>DoD IG</b>		
Action in Progress - Beginning of Period	160	\$0
Action Initiated - During Period	65	\$1,350,482 <sup>1</sup>
Action Completed - During Period	55	\$280,162 <sup>2</sup>
Action in Progress - End of Period	170	\$0 <sup>3</sup>
<b>Military Departments</b>		
Action in Progress - Beginning of Period	515	\$6,913,341
Action Initiated - During Period	123	\$1,028,404
Action Completed - During Period	144	\$183,676
Action in Progress - End of Period	494	\$6,588,324

1. DoD IG opened audit reports during the period involving \$142 million in “questioned costs.”
2. Included are recouped “questioned costs” of \$15 thousand.
3. On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$24.4 billion, DoD IG agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.

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

## CONTRACT AUDIT REPORTS ISSUED<sup>1</sup>

Type of Audit <sup>2</sup>	Reports Issued	Dollars Examined (\$ in millions)	Questioned Costs <sup>3</sup> (\$ in millions)	Funds Put to Better Use (\$ in millions)
Incurring Costs, Ops Audits, Special Audits	2,377	\$93,236.9	\$2,086.2	---
Forward Pricing Proposals	578	\$39,096.9	---	\$5,314.6 <sup>5</sup>
Cost Accounting Standards	448	\$298.2	\$20.5	---
Defective Pricing	18	(Note 6)	\$54.7	---
<b>Totals</b>	<b>3,421</b>	<b>\$132,632.0</b>	<b>\$2,161.4</b>	<b>\$5,314.6</b>

**Note 1.** This schedule represents Defense Contract Audit Agency (DCAA) contract audit reports issued during the 6 months that ended September 30, 2014. 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 Office of Inspectors' General 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. The total number of assignments completed during the 6 months that ended September 30, 2014, was 10,055. 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.

**Note 2.** This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as:

- Incurred Costs – Audits of direct and indirect costs charged to Government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and provisions of the contract. Also included under incurred cost audits are Operations Audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy; and Special Audits, which include audits of terminations and claims.
- Forward Pricing Proposals – Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for re-determinable 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 Cost Accounting Standards 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).

**Note 3.** Questioned costs represent costs that DCAA has questioned because they do not comply with rules, regulations, laws, and/or contractual terms.

**Note 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.

**Note 5.** Represents potential cost reductions that may be realized during contract negotiations.

**Note 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 CONTRACTS<sup>1</sup>

	Number of Reports	Costs Questioned <sup>6</sup> (\$ in millions)	Costs Sustained <sup>7</sup> (\$ in millions)
Open Reports			
Within Guidelines <sup>2</sup>	437	\$1,889.5	N/A <sup>8</sup>
Overage, greater than 6 months <sup>3</sup>	581	\$4,055.5	N/A
Overage, greater than 12 months <sup>4</sup>	498	\$2,771.2	N/A
In Litigation <sup>5</sup>	175	\$2,004.5	N/A
Total Open Reports	1,691	\$10,720.7	N/A
Closed Reports	687	\$1,814.6	\$414.5 (22.8%) <sup>9</sup>
All Reports	2,378	\$12,535.3	

1. This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by 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." DoD IG have has not verified 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. 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. DoD Instruction 7640.02 states that audit reports are overage if not dispositioned (closed) 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.
  3. These reports have not been resolved and the 6-month OMB Circular A-50 deadline has passed.
  4. These reports have not been dispositioned and the 12-month DoD Instruction 7640.02 deadline has passed.
  5. Of the 175 reports in litigation, 34 are under criminal investigation.
  6. Cost Questioned represents the amount of audit exception, potential cost avoidance, or recommended price adjustment in the audit report.
  7. Cost Sustained represent the questioned costs, potential cost avoidance, or recommended price adjustment sustained by the contracting officer.
  8. N/A (not applicable). Cost Sustained occurs when an audit report has been dispositioned during the reporting period and as a result would not be applicable when reporting data on open reports.
  9. Contracting officers sustained \$414.5 million (22.8 percent) of the \$1,814.6 million questioned as a result of significant post-award contract audits during the period. The contracting officer sustention rate of 22.8 percent represents a decrease from the sustention rate of 45.3 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<sup>1</sup>

**Report:** D-2006-077, DoD Personnel Security Clearance Process at Requesting Activities, 04/19/2006

**Description of Action:** Updating DoD Personnel Security Clearance Program policies to include information on investigative responsibilities, security clearance systems, submission processes, levels of security clearances, and training requirements.

**Reason Action Not Completed:** Volume I of DoD Manual 5200.02 requires a second formal coordination due to extended amount of time since completion of initial formal coordination. Volumes I and II have been consolidated per General Counsel request. Estimated completion dates on formal coordination and comment adjudication are November 2014 and January 2015, respectively. Air Force guidance delayed due to increased workload supporting new personnel security efforts. Estimated completion date is November 2014. Army Regulation 380-67 revision on hold by Army Judge Advocate General pending publication of revised DoD guidance.

**Principal Action Office:** Under Secretary of Defense (Intelligence), Army, Air Force

**Report:** D-2008-089, Planning Armor Requirements for the Family of Medium Tactical Vehicles, 05/09/2008

**Description of Action:** Update the capabilities documents for the Family of Medium Tactical Vehicles to include armor kit requirements.

**Reason Action Not Completed:** Although action was initiated in late 2008, the Army has yet to establish validated armor kit requirements for the Family of Medium Tactical Vehicles.

**Principal Action Office:** Army

**Report:** D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, 05/13/2008

**Description of Action:** The Army is working to update system capabilities for annual and end-of-day inventory reconciliations.

**Reason Action Not Completed:** Requested systems changes to the Logistics Modernization Program are scheduled for incorporation in the November 2014 release with full implementation for March 2015.

**Principal Action Office:** Army

**Report:** D-2009-030, Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistant Ambush Protected Vehicles, 12/08/2008

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Joint Staff issued revised guidance in January 2012. The Marine Corps has not yet updated their guidance.

**Principal Action Office:** Marine Corps

**Report:** D-2009-062, Internal Controls Over DoD Cash and Other Monetary Assets, 03/25/2009

**Description of Action:** Improve internal controls over cash and other monetary assets by establishing a special control account, developing policies and procedures, and monitoring cash usage. Develop non-cash methods of payment for contingency operations.

**Reason Action Not Completed:** Corrective actions cannot be implemented until coordination with the Office of Management and Budget and/or the Department of the Treasury is complete. Extensive coordination needed between DoD and its Components, and with the Treasury and Office of Management and Budget.

**Principal Action Office:** Under Secretary of Defense (Comptroller), Defense Finance and Accounting Service

**Report:** D-2009-064, FY 2007 DoD Purchases Made Through the National Institutes of Health, 03/24/2009

**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 Federal Acquisition Regulation changes also takes time.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

1. For this reporting period, there were disallowed costs of \$22.4 billion on reports more than 12 months old with final action ending.

**Report:** D-2009-098, Status of the Defense Emergency Response Fund in Support of the Global War on Terror, 07/30/2009

**Description of Action:** Review the Fund for Global War on Terror obligations and deobligate all unliquidated obligations, withdraw all excess funds provided to the DoD Components, and transfer the funds to the U.S. Treasury. Revise DoD Financial Management Regulation guidance to eliminate confusion between the two appropriations, Defense Emergency Response Fund and Emergency Response Fund, Defense.

**Reason Action Not Completed:** Extensive time needed to coordinate de-obligation of unliquidated obligations, withdraw excess funds, transfer funds to U.S. Treasury, and update DoD Financial Management Regulation guidance.

**Principal Action Office:** Under Secretary of Defense (Comptroller),

**Report:** D-2010-015, DoD Civil Support During the 2007 and 2008 California Wildland Fires, 11/13/2009

**Description of Action:** Update DoD guidance 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:** Under Secretary of Defense (Comptroller),

**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 For Official Use Only.

**Reason Action Not Completed:** Extensive time required to coordinate and issue guidance.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** D-2010-026, Joint Civilian Orientation Conference Program, 12/09/2009

**Description of Action:** Update DoD Instruction 5410.19 to clarify how to administer and manage the Joint Civilian Orientation Conference program.

**Reason Action Not Completed:** A rewrite of DoD Instruction 5410.19 is under way.

**Principal Action Office:** Assistant Secretary of Defense (Public Affairs)

**Report:** D-2010-028, Rapid Acquisition and Fielding of Materiel Solutions by the Navy, 12/15/2009

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** D-2010-043, Deferred Maintenance and Carryover on the Army Abrams Tank, 03/02/2010

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** The proposed change has been incorporated into the revised Financial Management Regulation, now expected in February 2015.

**Principal Action Office:** Under Secretary of Defense (Comptroller)

**Report:** D-2010-051, Defense Contract Management Agency Acquisition Workforce for Southwest Asia, 04/08/2010

**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:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** D-2010-065, Validity and Security of Selected DoD Civilian Employee Accounts, 05/25/2010

**Description of Action:** Report is Classified.

**Reason Action Not Completed:** Extensive time required to establish policies and procedures to conduct periodic assurance reviews for identifying potentially invalid accounts and applying corrections.

**Principal Action Office:** Defense Finance and Accounting Service

**Report:** D-2010-078, Air Force Use of Time-and-Materials Contracts in Southwest Asia, 08/16/2010

**Description of Action:** With Defense Contract Audit Agency audit assistance, obtain reimbursements for incorrect charges not authorized by task orders.

**Reason Action Not Completed:** Backup documentation provided by the contractor on \$3.3 million of disputed Defense Contract Audit Agency findings is being reviewed.

**Principal Action Office:** Air Force

**Report:** D-2010-081, Army Use of Time-and-Materials Contracts in Southwest Asia, 08/27/2010

**Description of Action:** The Army Contracting Command will establish a plan for reviewing invoices for cited contracts and task orders.

**Reason Action Not Completed:** The Army Contracting Command and the Defense Contract Audit Agency have not completed reviews of task orders and audits of incurred costs.

**Principal Action Office:** Army

**Report:** D-2011-037, Marine Corps Response to Nonlethal Laser Dazzler Urgent Request, 02/09/2011

**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:** Competing management priorities.

**Principal Action Office:** Navy

**Report:** D-2011-060, Marine Corps Inventory of Small Arms Was Generally Accurate but Improvements Are Needed for Related Guidance and Training, 04/22/2011

**Description of Action:** Update Marine Corps Order 8300.1C to include additional guidance for small arms accountability.

**Reason Action Not Completed:** Delayed while awaiting the release of DoD 5200.08-R "Physical Security Program," Change 2 (April 8, 2014), and the implementation of Security Defense memorandum, "Final Recommendations of the Washington Navy Yard Shooting Internal and Independent Reviews," (March 18, 2014).

**Principal Action Office:** Navy

**Report:** D-2011-080, DoD and DoS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program, 07/07/2011

**Description of Action:** The Defense Contract Audit Agency will conduct audit work to verify that DynCorp did not double-bill claimed costs under DoD and Department of State contracts from December 30, 2010, through July 15, 2011.

**Reason Action Not Completed:** Corrective actions are ongoing and on schedule.

**Principal Action Office:** Defense Contract Audit Agency

**Report:** D-2011-089, Reducing Vulnerabilities at the Defense Information Systems Agency Defense Enterprise Computing Centers, 07/22/2011

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Extensive time required to coordinate and implement corrective actions.

**Principal Action Office:** Defense Information Systems Agency

**Report:** D-2011-090, Cost of War Data for Marine Corps Contingency Operations Were Not Reliable, 07/22/2011

**Description of Action:** Update Marine Corps Order 7300.21B "Marine Corps Financial Management Standard Operating Procedure Manual."

**Reason Action Not Completed:** The publication of updated Marine Corps Order 7300.21B was delayed to allow for the publication of the Consumer-Level Supply Policy (Marine Corps Order 4400.150), which was published on January 14 2014.

**Principal Action Office:** Navy

**Report:** D-2011-096, Improvements Are Needed to the DoD Information Assurance Vulnerability Management Program, 08/12/2011

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Extensive time required to revise and coordinate policy guidance.

**Principal Action Office:** DoD Chief Information Officer, U.S. Strategic Command

**Report:** D-2011-104, Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract With Sikorsky to Support the Corpus Christi Army Depot, 09/08/2011

**Description of Action:** Army will improve contracting procedures for pricing and procurement, and obtain refunds from Sikorsky for pricing and excessive escalation.

**Reason Action Not Completed:** A Department of Justice reached a settlement with Sikorsky for \$3.5 million. Additional Defense Contract Audit Agency activity is ongoing.

**Principal Action Office:** Defense Contract Management Agency, Army

**Report:** D-2011-106, The Department of the Navy Spent Recovery Act Funds on Photovoltaic Projects That Were Not Cost-Effective, 09/22/2011

**Description of Action:** Develop comprehensive policy for planning, prioritizing, selecting, and executing cost-effective shore energy projects in accordance with DoD and Federal requirements.

**Reason Action Not Completed:** The Marine Corps is developing planning and implementation guidance.

**Principal Action Office:** Marine Corps

**Report:** D-2011-111, Guidance for Petroleum War Reserve Stock Needs Clarification, 09/27/2011  
**Description of Action:** Report is Classified.  
**Reason Action Not Completed:** Corrective actions are on schedule.  
**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** D-2011-115, DoD Cannot Ensure Contractors Protected Controlled Unclassified Information for Weapon Systems Contracts, 09/30/2011  
**Description of Action:** Report is For Official Use Only.  
**Reason Action Not Completed:** Extensive time required to obtain public comments and issue a final rule.  
**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** 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  
**Description of Action:** Army will develop a plan to improve use of existing inventory and source of supply and will improve contracts related to materiel cost reduction incentives and purchases from Defense Logistics Agency to prevent Sikorsky from making excessive profits.  
**Reason Action Not Completed:** Long-term corrective actions are ongoing.  
**Principal Action Office:** Army

**Report:** DODIG-2012-007, Acquisition of the Multi-Platform Radar Technology Insertion Program Needs Transparency and Accountability, 11/02/2011  
**Description of Action:** Update the Acquisition Strategy before Milestone C, and update the Global Hawk Block 40 Test and Evaluation Master Plan.  
**Reason Action Not Completed:** Corrective actions are ongoing.  
**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-017, U.S. Naval Academy Officials Did Not Adhere to Contracting and Gift Policies, 11/07/2011  
**Description of Action:** The U.S. Naval Academy will revise guidance, improve controls, and implement computer software systems covering in-kind gifts and sponsorship funds.  
**Reason Action Not Completed:** Corrective actions are ongoing.  
**Principal Action Office:** Navy

**Report:** DODIG-2012-036, DoD Needs to Improve Accountability and Identify Costs and Requirements for Non-Standard Rotary Wing Aircraft, 01/05/2012  
**Description of Action:** Develop a departmental directive that establishes and implements policy for service and component airworthiness programs.  
**Reason Action Not Completed:** Extensive time required to coordinate and issue guidance.  
**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-039, Summary Report on DoD's Management of Undefined Contractual Actions, 01/13/2012  
**Description of Action:** Develop a transparent means to document incurred costs and reduced cost risk related to substantial incurred costs during undefinitized periods.  
**Reason Action Not Completed:** The original Defense Federal Acquisition Regulation Supplement case has been subsumed under a new Defense Federal Acquisition Regulation Supplement case to address a broader effort to review and modify the Department's profit guidelines.  
**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-050, Improvements Needed With Host-Based Intrusion Detection Systems, 02/03/2012  
**Description of Action:** Report is For Official Use Only.  
**Reason Action Not Completed:** Improvements to multiple systems and configuration processes are ongoing.  
**Principal Action Office:** U.S. Strategic Command, Defense Information Systems Agency

**Report:** DODIG-2012-057, Guidance Needed to Prevent Military Construction Projects From Exceeding the Approved Scope of Work, 02/27/2012  
**Description of Action:** Ensure that officials conduct scope verifications to ensure that facilities were constructed within the authorized facility sizes and take actions to correct discrepancies that occurred.  
**Reason Action Not Completed:** Corrective actions are in process.  
**Principal Action Office:** Army, Air Force, U.S. Central Command

**Report:** DODIG-2012-064, Vulnerability and Risk Assessments Needed to Protect Defense Industrial Base Critical Assets, 03/13/2012  
**Description of Action:** Report is For Official Use Only.



**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Assistant Secretary of Defense for Homeland Defense and Americas' Security Affairs

**Report:** DODIG-2012-066, General Fund Enterprise Business System Did Not Provide Required Financial Information, 03/26/2012

**Description of Action:** Implement corrective actions to address the Standard Financial Information Structure gaps as reported in the General Fund Enterprise Business System.

**Reason Action Not Completed:** Extensive time required to coordinate and implement corrective actions.

**Principal Action Office:** Army

**Report:** DODIG-2012-081, Defense Contract Management Agency Contract Support to the Navy Organic Airborne and Surface Influence Sweep Program, 04/27/2012

**Description of Action:** Navy will review the other programs of Littoral Combat Ship portfolio to determine whether program managers are maximizing the use of Defense Contract Management Agency services.

**Reason Action Not Completed:** Corrective actions are in process.

**Principal Action Office:** Navy

**Report:** DODIG-2012-082, DoD Can Improve Its Accounting for Residual Value From the Sale of U.S. Facilities in Europe, 05/04/2012

**Description of Action:** The Under Secretary of Defense (Comptroller), resolve the unobligated balance in the DoD Overseas Military Facilities Investment Recovery Account. The Office of the Under Secretary for Acquisition, Technology and Logistics will revise guidance to accommodate new legislation.

**Reason Action Not Completed:** Corrective actions are in process.

**Principal Action Office:** Under Secretary of Defense (Comptroller), Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-087, Logistics Modernization Program System Procure-to-Pay Process Did Not Correct Material Weaknesses, 05/29/2012

**Description of Action:** Develop a plan of action and milestones to bring the Logistics Modernization Program system into compliance with the DoD Business Enterprise Architecture Procure-to-Pay business rules.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2012-090, Information Security Controls Over the Defense Enrollment Eligibility Reporting System, 05/22/2012

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense (Personnel and Readiness)

**Report:** DODIG-2012-098, Defense Logistics Agency's Procurement Automated Contract Evaluation System, 06/05/2012

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** One recommendation under mediation.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2012-099, Adequate Contract Support and Oversight Needed for the Tactical Wheeled Vehicle Maintenance Mission in Kuwait, 06/01/2012

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2012-102, Cost-Control Measures Are Needed on the Army's Cost-Reimbursable Services Contract for Logistics Support of Stryker Vehicles, 06/18/2012

**Description of Action:** Revise Army regulation 700-127 to require the use of all necessary DoD overarching total life-cycle systems management metrics in performance-based logistics contracts to effectively ensure desired outcomes.

**Reason Action Not Completed:** Extensive time required to coordinate and issue guidance.

**Principal Action Office:** Army

**Report:** DODIG-2012-104, DoD Needs to Improve Vocational Training Efforts to Develop the Afghan National Security Forces Infrastructure Maintenance Capabilities, 06/18/2012

**Description of Action:** The Combined Security Transition Command-Afghanistan will execute existing transition strategy initiatives and develop new initiatives to accelerate development of Afghan National Security Forces infrastructure maintenance capabilities.

**Reason Action Not Completed:** Ongoing actions are on schedule.

**Principal Action Office:** U.S. Central Command

**Report:** DODIG-2012-107, Data and Processes Supporting the Fund Balance with Treasury Reconciliation for Other Defense Organizations, 07/09/2012

**Description of Action:** Develop a systems infrastructure that will allow: retrieval of detailed transactions that support open appropriations; reconciliations between transactions supporting the amounts on the Cash Management Report and Other Defense Organizations' accounting systems; and monthly transaction level reconciliations for the Other Defense Organizations. Also, develop an agreement that designates responsibility for remediating transactions that have remained unmatched since 2007.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Defense Finance and Accounting Service

**Report:** DODIG-2012-110, Better Oversight Needed for the National Guard's Weapons of Mass Destruction Civil Support Teams, 07/02/2012

**Description of Action:** The Director, National Guard Bureau-J3 will develop a written oversight plan that verifies compliance with mission reporting requirements and provides feedback to Weapons of Mass Destruction Civil Support Teams on omissions and errors.

**Reason Action Not Completed:** Extensive time required to convert all National Guard Bureau issued instructions to Chief, National Guard Bureau issued policy and manuals.

**Principal Action Office:** National Guard Bureau

**Report:** DODIG-2012-117, General Fund Enterprise Business System Project Office Contract Modifications, 08/14/2012

**Description of Action:** DoD Acquisition and Logistics officials established a working group to review acquisition policy related to Economy Act and non-Economy Act interagency acquisitions. The group will address: the recommendation regarding the use of either a reimbursement process or a direct citation when establishing economic act orders with non-DoD agencies; and the recommendation to include procedures for properly monitoring interagency acquisitions.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-119, Combatant Command Disaster Relief Operations, 08/14/2012

**Description of Action:** Implement best practices for disaster relief in key areas, such as command procedures, information sharing, phase-zero activities, and dissemination of lessons learned.

**Reason Action Not Completed:** European Command will review Disaster Relief Plans from other combatant commands and utilize concepts, ideas, and best practices from those plans that are compatible and effective into European Command's plans.

**Principal Action Office:** U.S. European Command

**Report:** DODIG-2012-122, DoD Should Procure Compliant Physical Access Control Systems to Reduce the Risk of Unauthorized Access, 08/29/2012

**Description of Action:** Require each office implementing Homeland Security Presidential Directive-12 (HSDP-12) to provide full oversight and accountability. Require Services and DoD agencies to report to the Under Secretary of Defense for Personnel and Readiness on the status of their efforts. Report on facilities' physical access control systems compliance with Federal Information Processing Standard 201. Require the completion of site surveys that address all mission requirements and infrastructure limitations.

**Reason Action Not Completed:** Meetings are being held to address visibility into the Department HSPD-12 physical access control systems implementation. Use of the Defense Property Accountability System to inventory and manage physical access control equipment, and promulgation of a memorandum establishing accountability for physical security equipment both have been delayed by changes to overarching guidance. A directive paragraph will be included in the Navy Physical Security and Law Enforcement Policy to include the requirement for installation officials to be included in the site survey. Headquarters Marine Corps actions have been deferred until a DoD-compliant enterprise access control solution is fielded.

**Principal Action Office:** Under Secretary of Defense (Personnel and Readiness), Under Secretary of Defense (Intelligence), Navy, Marine Corps

**Report:** DODIG-2012-129, General Purpose Forces Enablers Support to Special Operations Forces Works Effectively, but Opportunities Exist for Improvement, 09/13/2012

**Description of Action:** Report is Classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Joint Chiefs of Staff

**Report:** DODIG-2012-132, Audit of Justification and Planning for Project Repair Fire Station Building 106, Naval Station Great Lakes, 09/14/2012

**Description of Action:** Identify existing deficiencies, such as those identified in this report related to the unified facilities criteria and quality of life, and implement appropriate actions to correct the deficiencies.

**Reason Action Not Completed:** Of the 26 items noted, 19 now have been closed, 5 are in progress, and 2 are listed for future funding.

**Principal Action Office:** Navy

**Report:** DODIG-2012-135, Counter Narcoterrorism Technology Program Office's Mi-17 Overhaul Contracts, 09/27/2012

**Description of Action:** Army will consider suspension or debarment of a contractor; review analyses of costs to ensure correctness; withhold payments to contractor until costs have been verified as correct.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2012-137, U.S. Pacific Command's Petroleum War Reserve Requirements and Stocks, 09/26/2012

**Description of Action:** Revise DoD Manual 4140-25-M, "DoD Management of Bulk Petroleum Products, Natural Gas, and Coal," to include a requirement for updating the days of supply planning factors at least biannually.

**Reason Action Not Completed:** DoD Directive 4140-25 and DoD Manual 4140-25-M are expected to be issued in the 4th Quarter 2014 and 1st Quarter 2015, respectively.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2013-002, Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts, 10/04/2012

**Description of Action:** Conduct a review to identify single-bid competitive knowledge-based services contracts and develop procedures to monitor the input of single-bid competitive contract data into the Federal Procurement Data System - Next Generation.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-005, Performance Framework and Better Management of Resources Needed for the Ministry of Defense Advisors Program, 10/23/2012

**Description of Action:** Developing a performance management framework to cover Ministry of Defense Advisors program office responsibilities, including advisor recruiting, training, and deployment performance indicators; and coordinating to connect the performance management framework with the broader ministerial development assessment framework.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Assistant Secretary of Defense for Special Operations and Low-Intensity Conflict

**Report:** DODIG-2013-019, Defense Institution Reform Initiative Program Elements Need to Be Defined, 11/09/2012

**Description of Action:** Issue guidance that defines the Defense Institution Reform Initiative Program's mission and goals, program strategy, and performance measures; defines defense institution building roles and responsibilities; and implements procedures that require the coordination of the defense institution building program's mission and goals, program strategy, and performance measures with other security cooperation activities.

**Reason Action Not Completed:** Progress is ongoing toward development of the recommended guidance. Guidance is expected by the end of calendar year 2014.

**Principal Action Office:** Under Secretary of Defense (Policy)

**Report:** DODIG-2013-024, U.S. Army Corps of Engineers Needs to Improve Contract Oversight of Military Construction Projects at Bagram Airfield, Afghanistan, 11/26/2012

**Description of Action:** Take steps to assure that quality assurance personnel properly monitor contractor performance and fulfill quality assurance responsibilities for military construction projects.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-035, Better Reporting and Certification Processes Can Improve Red Teams' Effectiveness, 12/21/2012

**Description of Action:** Report is Classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Air Force, National Security Agency, U.S. Strategic Command

**Report:** DODIG-2013-036, Improvements Are Needed to Strengthen the Security Posture of USACE, Civil Works, Critical Infrastructure and Industrial Control Systems in the Northwestern Division, 01/14/2013

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-046, DoD Does Not Have Visibility Over the Use of Funds Provided to the Department of Energy, 02/15/2013

**Description of Action:** Determine whether the Invoice Processing Platform meets DoD's needs for tracking DoD-related Work for Others projects data.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2013-050, Recovering Organizational Clothing and Individual Equipment From Civilians and Contractor Employees Remains a Challenge, 02/22/2013

**Description of Action:** Implement procedures to recover organizational clothing and individual equipment from civilians and contractor employees.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2013-051, Improvements to Controls Over Cash Are Needed at the Army Disbursing Office at Soto Cano Air Base, Honduras, 03/04/2013

**Description of Action:** Provide an appropriate security container at the Army disbursing office on Soto Cano Air Base, Honduras.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** U.S. Southern Command

**Report:** DODIG-2013-055, Controls Over Wireless Intrusion Detection Systems at the Defense Logistics Agency, 03/13/2013

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2013-057, Enterprise Business System Was Not Configured to Implement the U.S. Government Standard General Ledger at the Transaction Level, 03/20/2013

**Description of Action:** The Deputy Chief Management Officer and Deputy Chief Financial Officer will establish procedures to validate that pre-certification authorities certify the DoD Standard Chart of Accounts and all applicable updates. The Deputy Chief Financial Officer will also initiate a working group to determine the best way forward for validating the posting logic within the DoD United States Standard General Ledger Transaction Library. The Defense Logistics Agency will develop appropriate documentation for verifying DoD Standard Chart of Accounts criteria to be submitted to DoD annually for Investment Review Board certification.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Defense Logistics Agency, Under Secretary of Defense (Comptroller)

**Report:** DODIG-2013-059, Air Force Needs Better Processes to Appropriately Justify and Manage Cost-Reimbursable Contracts, 03/21/2013

**Description of Action:** Revise current guidance to eliminate potential contradictions and clarify instructions for the use of cost-reimbursable contracts.

**Reason Action Not Completed:** Procedures, Guidance, and Information 242.7502 is being revised to clarify contracting officer responsibility relating to the contractor accounting system when awarding a cost-reimbursable type contract.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2013-063, Award and Administration of Performance-Based Payments in DoD Contracts, 04/08/2013

**Description of Action:** Issue guidance requiring contracting personnel to determine whether the contractor can obtain private financing at a reasonable rate before allowing Performance-Based Payments financing.

**Reason Action Not Completed:** Corrective actions are ongoing and on schedule.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2013-066, (U) Transportation Planning is Sufficient for Retrograde Operations; However, There is an Opportunity to Improve the Efficiency of Management Systems, 04/12/2013

**Description of Action:** Ensure that the Transportation Tracking Number common data field is operational and can be used during the remainder of the Afghanistan equipment drawdown.

**Reason Action Not Completed:** Implementation of Transportation Coordinators' - Automated Information for Movements System II version 7.0.1 has been delayed and the Army intends to research other potential methods of implementing a Transportation Tracking Number -like capability by leveraging existing data feeds.

**Principal Action Office:** Army

**Report:** DODIG-2013-069, Defense Contract Management Agency Quality Assurance Oversight Needs Improvement, 04/19/2013

**Description of Action:** Defense Contract Management Agency Santa Ana contract management office: verify that quality assurance representatives developed adequate quality assurance surveillance plans and performed process reviews and product examinations; certify that the supervisory reviews of quality assurance representatives were accurate, complete, and timely; and perform a risk analysis in coordination with Service Engineers to identify quality risk areas and determine the need to recall or restrict the use of critical safety items previously accepted.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** Defense Contract Management Agency

**Report:** DODIG-2013-070, Defense Agencies Initiative Did Not Contain Some Required Data Needed to Produce Reliable Financial Statements, 04/19/2013

**Description of Action:** Revise DoD Financial Management Regulation guidance to require costs of program reported in the Statement of Net Cost to be accounted for by program costs and not by appropriation, enabling the use of the Program Indicator Code attribute.

**Reason Action Not Completed:** Corrective actions are ongoing and on schedule.

**Principal Action Office:** Deputy Chief Management Officer, Under Secretary of Defense (Comptroller)

**Report:** DODIG-2013-072, Data Loss Prevention Strategy Needed for the Case Adjudication Tracking System, 04/24/2013

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2013-077, The Navy Commercial Bill Pay Office, in Naples, Italy, Needs to Identify and Report Improper Payments, 04/30/2013

**Description of Action:** Update guidance that clarifies responsibilities for processing payments in One Pay and identifying and reporting improper payments input by the Naples Commercial Bill Pay Office.

**Reason Action Not Completed:** Corrective actions are ongoing and on schedule.

**Principal Action Office:** Navy

**Report:** DODIG-2013-078, TRICARE Management Activity Needs to Improve Oversight of Acquisition Workforce, 05/01/2013

**Description of Action:** Develop a time-phased plan for all acquisition workforce personnel that did not attain position required certifications within allowed timeframes to obtain certifications and, as appropriate, initiate administrative action to remove them from acquisition related positions.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense (Personnel and Readiness)

**Report:** DODIG-2013-083, Efforts To Minimize Improper Payments for the Shipment of Household Goods Were Generally Effective But Needed Improvement, 05/15/2013

**Description of Action:** Use Government Services Administration data to improve compliance and implement automated controls over the input of Household Goods information.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** U.S. Transportation Command

**Report:** DODIG-2013-084, Increased Procurement Quantity for CH-53K Helicopter Not Justified, 05/31/2013

**Description of Action:** Perform a requirements analysis, an affordability assessment, and, before the low-rate initial production, submit any increases in quantity beyond 156 CH-53K aircraft to the Joint Requirements Oversight Council for review and decision.

**Reason Action Not Completed:** The requirements analysis has been completed and the affordability study is expected to be finished prior to January 2015.

**Principal Action Office:** Marine Corps

**Report:** DODIG-2013-095, Award and Administration of Radio Contracts for the Afghan National Security Forces Need Improvement, 06/27/2013

**Description of Action:** Two recommendations are disputed.

**Reason Action Not Completed:** The disputed recommendations are in mediation.

**Principal Action Office:** Under Secretary of Defense (Policy)

**Report:** DODIG-2013-097, Improvements Needed in the Oversight of the Medical-Support Services and Award-Fee Process Under the Camp As Sayliyah, Qatar, Base Operation Support Services Contract, 06/26/2013

**Description of Action:** Revise Army Regulation 40-68, Clinical Quality Management, to align the regulation with supervision requirements set forth in Federal Acquisition Regulation 37.4.

**Reason Action Not Completed:** Corrective actions are ongoing and on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-100, Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan Improved, but Additional Actions are Needed, 07/02/2013

**Description of Action:** Initiate corrective actions to recover premium transportation fees and provide a refund to the Army after litigation is completed.

**Reason Action Not Completed:** An Armed Services Board of Contract Appeals case remains in litigation.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2013-102, Improved Oversight of Communications Capabilities Preparedness Needed for Domestic Emergencies, 07/01/2013

**Description of Action:** Establish oversight procedures, including performance metrics, to verify that National Guard units perform regular preventive maintenance procedures for the Joint Incident Site Communications Capability system and report the readiness status of personnel and equipment for the Joint Incident Site Communications Capability system in a timely manner.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** National Guard Bureau

**Report:** DODIG-2013-103, Boeing Overstated Contract Requirements for the CH-47F Helicopter, 07/16/2013

**Description of Action:** Determine a use for the existing CH-47F Government-furnished property stored at New Breed Logistics.

**Reason Action Not Completed:** The review of property remaining on the Multiyear 1 contract cannot begin until February 2015.

**Principal Action Office:** Army

**Report:** DODIG-2013-105, Navy Did Not Develop Processes in the Navy Enterprise Resource Planning System to Account for Military Equipment Assets, 07/18/2013

**Description of Action:** Re-engineer the business process used to record military equipment and correct the existing material weakness in military equipment valuation.

**Reason Action Not Completed:** Corrective actions are ongoing and on schedule.

**Principal Action Office:** Navy

**Report:** DODIG-2013-109, Improved Security Needed to Protect Infrastructure and Systems in the Great Lakes and Ohio River Division, 07/29/2013

**Description of Action:** Implement improvements to physical security measures needed to prevent unauthorized access.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-115, The Navy's Management of Software Licenses Needs Improvement, 08/07/2013

**Description of Action:** Issue a memorandum requiring the Navy contracting personnel involved in preparing and awarding software license contracts to take specialized training that ensure software license contracts include appropriate language to protect the best interest of the Government, and develop a plan of action and milestones to ensure that applicable contracting personnel take software licensing training prior to issuing any future software license contracts.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Navy

**Report:** DODIG-2013-119, Better Procedures and Oversight Needed to Accurately Identify and Prioritize Task Critical Assets, 08/16/2013

**Description of Action:** Report is Classified

**Reason Action Not Completed:** Corrective actions are ongoing and on schedule.

**Principal Action Office:** Assistant Secretary of Defense for Homeland Defense and Americas' Security Affairs

**Report:** DODIG-2013-120, Army Needs Better Processes to Justify and Manage Cost-Reimbursement Contracts, 08/23/2013

**Description of Action:** Establish procedures for contracting officers to document the possibility of transitioning to firm-fixed-price contracts each time a cost-reimbursement contract is used.

**Reason Action Not Completed:** A policy memo was issued this summer and the Army will assess the extent to which the memo assisted in improving the cited weaknesses.

**Principal Action Office:** Army

**Report:** DODIG-2013-123, Army Needs To Improve Mi-17 Overhaul Management and Contract Administration, 08/30/2013

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are ongoing and on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-128, Air Force and Army Corps of Engineers Improperly Managed the Award of Contracts for the Blue Devil Block 2 Persistent Surveillance System, 09/19/2013

**Description of Action:** Provide training in the identification of specific material solutions and initiatives inappropriate for Army Corps of Engineers Engineer Research and Development Center to field.

**Reason Action Not Completed:** Corrective actions are ongoing and on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-130, Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process, 09/13/2013

**Description of Action:** Implement the Army's reengineered Acquire-to-Retire business process by developing standardized procedures and controls that leverage all the capabilities the General Fund Enterprise Business System provides.

**Reason Action Not Completed:** Corrective actions are ongoing and on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-136, Navy Commercial Access Control System Did Not Effectively Mitigate Access Control Risks, 09/16/2013

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Navy

**Report:** DODIG-2013-135, The Department of Defense and Veteran Affairs Health Care Joint Venture at Tripler Army Medical Center Needs More Management Oversight, 09/18/2013

**Description of Action:** Present billing and reimbursement problems to the Financial Management Working Group, which reports to the Health Executive Council, for resolution, and develop an action plan to improve reimbursements.

**Reason Action Not Completed:** Corrective actions are ongoing and on schedule.

**Principal Action Office:** Assistant Secretary of Defense (Health Affairs)

**Report:** DODIG-2013-137, DoD Is Not Properly Monitoring the Initiation of Maintenance for Facilities at Kandahar Airfield, Afghanistan, 09/30/2013

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-138, The U.S. Air Force Academy Lacked Effective Controls Over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts, 09/23/2013

**Description of Action:** Perform oversight of U.S. Air Force Academy's inventory of heritage assets until the entire inventory is properly accepted, recorded, and reported. Also, revise DoD Financial Management Regulation guidance to clarify the reporting requirement for nonmonetary gifts.

**Reason Action Not Completed:** Corrective actions are ongoing and on schedule.

**Principal Action Office:** Air Force, Under Secretary of Defense (Comptroller)

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

## SECTION 845 ANNEX AUDIT REPORTS WITH SIGNIFICANT FINDINGS

### DCAA

<b>Audit Report No. 3701-2007B101000001</b>	<b>Date:</b> March 28, 2014
<b>Subject:</b> Independent Audit of Contractor Fiscal Year (FY) 2007 Contracting Officer Determined Final Indirect Cost Rates for the Period of December 31, 2006 to December 29, 2007	
<b>Prepared For:</b> Divisional Administrative Contracting Officer, Defense Contract Management Agency	
<b>Report:</b> \$89.4 Million Questioned Costs	
<p>The audit of the indirect cost rate proposal disclosed \$89.4 million in questioned costs, including the following significant items: \$60.3 million of direct materials and other direct costs not adequately supported with purchase orders, vendor invoices, and proof of payment; \$18.3 million of consultant costs that were not adequately supported with statements of work, vendor invoices, and proof of payment; and \$4.2 million of unallowable travel costs including costs for first class airfare, alcoholic beverages, public relations, entertainment, or without receipts or other supporting documentation.</p>	
<b>Audit Report No. 9771-2007E10100003</b>	<b>Date:</b> March 31, 2014
<b>Subject:</b> Independent Audit of Contractor FY 2007 Incurred Cost Submission	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$14.7 Million Noncompliant Costs	
<p>The procedures performed disclosed \$14.7 million of costs noncompliant with various provisions of the Federal Acquisition Regulation, including: \$5.5 million of incentive compensation costs due to lack of an adequate bonus plan; \$3.8 million of indirect market assist costs due to unallowable selling costs, lack of required approvals, or unallowable meal and entertainment costs; \$3.8 million of misclassified rental costs; and \$1 million of training costs due to lack of adequate documentation and excessive labor costs.</p>	
<b>Audit Report No. 9861-2007R10100001</b>	<b>Date:</b> March 31, 2014
<b>Subject:</b> Independent Audit of Contractor FY 2007 Incurred Cost Submission	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$188.3 Million Noncompliant Costs	
<p>The audit of the contractor's FY 2007 incurred cost submission resulted in a disclaimer of opinion due to inadequacies in the contractor's submission and identified \$188.3 million of costs noncompliant with various provisions of the Federal Acquisition Regulation, including the following significant items: \$70.4 million of independent research and development costs with insufficient support of the nature and scope of the independent research and development projects; \$56.6 million of noncompliant overtime premium costs; \$26.2 million of consultant, professional services, and purchased labor costs due to lack of adequate supporting documentation; \$11.8 million of indirect labor performed by direct employees with insufficient documentation, or excessive charges for awaiting assignment, awaiting clearance, downtime, or overtime; and \$4.6 million in rent expense for excessive underutilized facilities.</p>	



<b>Audit Report No. 9841-2007C10100001</b>	<b>Date:</b> April 1, 2014
<b>Subject:</b> Independent Audit of Contractor FY 2007 Incurred Cost Submission	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$12.5 Million Questioned Costs	
The audit of the contractor's FY 2007 incurred cost submission resulted in \$12.5 million questioned costs, including the following significant items: \$4.9 million for direct costs charged to indirect accounts; \$4.7 million for cost incurred to directly benefit the design, construction, testing and implementation of an internally constructed capital asset; and \$1.0 million for out of period costs.	

<b>Audit Report No. 6851-2007A10100001</b>	<b>Date:</b> April 11, 2014
<b>Subject:</b> Independent Audit of Final Incurred Cost Proposal for Calendar Fiscal Year 2007	
<b>Prepared For:</b> Defense Contract Management Agency, Cost & Pricing Center	
<b>Report:</b> \$16.6 Million Questioned Costs	
The audit of the indirect cost rate proposal resulted in \$16.6 million questioned costs including the following significant items: \$11.0 million of unallowable travel costs due to lack of documentation of the business purpose of the trip; lack of supporting receipts, boarding passes or other documentation for airfare; in excess of the applicable General Services Administration or Department of State per diem limit; or airfare in excess of the Department of Transportation consumer reports average; and \$1.0 million of recruitment bonuses and expenses due to lack of supporting documentation such as employment agreements or vendor agreements.	

<b>Audit Report No. 6341-2010A17900008</b>	<b>Date:</b> April 24, 2014
<b>Subject:</b> Independent Audit of Labor Charging	
<b>Prepared For:</b> Army Contracting Command	
<b>Report:</b> \$12.7 Million Questioned Costs	
The audit of labor billings under the contract identified \$12.7 million of questioned billings for labor and related indirect burdens for employees or subcontractors that did not meet the contractual education or experience requirements or for whom documentation of education and experience was not provided.	

<b>Audit Report No. 2801-2007G10100001</b>	<b>Date:</b> April 30, 2014
<b>Subject:</b> Independent Audit of Calendar Year 2007 Incurred Cost Submission	
<b>Prepared For:</b> Divisional Administrative Contracting Officer, Defense Contract Management Agency	
<b>Report:</b> \$37.3 Million Questioned Costs	
The audit of the indirect cost rate proposal identified \$37.3 million in questioned costs, including the following significant items: \$20.7 million of premium airfare, travel on foreign flag air carriers, lodging and meals in excess of General Services Administration, Joint Travel Regulations or days of separation allowable per diem, entertainment, or alcoholic beverages; \$8.0 million of state income taxes and other corporate allocations questioned in the audit of the corporate office submission; and \$4.3 million of medical, pension, bonus, severance, and other fringe expenses.	

<b>Audit Report No. 3221-2007I10100001</b>	<b>Date:</b> May 1, 2014
<b>Subject:</b> Independent Audit of Home Office Incurred Cost Submission for Contractor Fiscal Year 2007	
<b>Prepared For:</b> Divisional Administrative Contracting Officer, Defense Contract Management Agency	
<b>Report:</b> \$61.0 Million Questioned Costs	
<p>The audit of the home office indirect cost proposal resulted in \$61.0 million of questioned costs including the following significant items: \$26.5 million of professional services and consultant costs for which adequate documentation such as consultant agreements, detailed invoices, or consultant work products was not provided; \$7.7 million of labor for advertising, lobbying, public relations, entertainment, and other unallowable activities; \$6.5 million of unallowable state tax; \$6.4 million of depreciation expense in excess of the actual expense or allocable to different time periods; \$3.2 million of hazardous waste cleanup expenses which were not supported by adequate documentation of the potentially responsible party; and \$2.8M of independent research and development expenses for which no documentation was provided.</p>	

<b>Audit Report No. 6341-2007A10100043</b>	<b>Date:</b> May 14, 2014
<b>Subject:</b> Independent Audit of FY 2007 Incurred Cost Audit	
<b>Prepared For:</b> Defense Contract Management Agency, Springfield	
<b>Report:</b> \$103.3 Million Questioned Costs	
<p>The audit of the direct cost proposal and related indirect costs questioned \$103.3 million of subcontract costs resulting from assist audits of the subcontract costs or from the prime contractor's failure to manage the subcontractors as required by Federal Acquisition Regulation 42.202.</p>	

<b>Audit Report No. 3321-2014L17900002</b>	<b>Date:</b> May 21, 2014
<b>Subject:</b> Independent Audit of Cost Estimate for Fiscal Year (FY) 2014 Administrative Closeout	
<b>Prepared For:</b> Procuring Contracting Officer, Department of the Army, Rock Island Contracting Center	
<b>Report:</b> \$19.5 Million Questioned Costs	
<p>The examination of the cost estimate disclosed \$19.5 million of questioned costs due primarily to the contractor's failure to demonstrate the necessity of estimated activities in the furtherance of the contract closeout, including \$7.0 million of estimated direct labor that included re-work, duplication of effort, or that was not required to perform contract closeout.</p>	

<b>Audit Report No. 2701-2007R10100001</b>	<b>Date:</b> May 29, 2014
<b>Subject:</b> Independent Audit of Fiscal Year (FY) 2007 Incurred Cost	
<b>Prepared For:</b> Divisional Administrative Contracting Officer, Defense Contract Management Agency	
<b>Report:</b> \$21.1 Million Questioned Costs	
<p>The audit of the indirect cost rate proposal resulted in \$21.1 million questioned costs, including the following significant items: \$6.4 million of corporate or group allocations questioned based on assist audits; \$3.1 million of health costs due to ineligible dependents; \$3.5 million of professional services or consultant costs because sufficient documentation was not provided to identify the nature of the services provided; \$3.3 million of executive compensation related to unallowable activities such as public relations or merger and acquisition activity or that is considered unreasonable; and a \$2.0 million transfer of direct material costs to a contract which was not adequately explained.</p>	

<b>Audit Report No. 09851-2006Q10100001</b>	<b>Date:</b> May 29, 2014
<b>Subject:</b> Independent Audit of Contractor FY 2006 Incurred Cost Submission	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$13.4 Million Questioned Costs	
The audit of the contractor's FY 2006 incurred cost submission resulted in \$13.4 million questioned costs, including the following items: \$9.9 million of subcontract costs for inadequate documentation or out of period costs; \$2.0 million of other direct costs mostly due to inadequate or no supporting documentation; and \$1.5 million of indirect expenses due to inadequate supporting documentation.	

<b>Audit Report No. 3321-2007K10100001</b>	<b>Date:</b> May 30, 2014
<b>Subject:</b> Independent Audit of Fiscal Year (FY) 2007 Final Indirect Cost Rate Proposal	
<b>Prepared For:</b> Defense Contract Audit Agency, Cost and Pricing Center	
<b>Report:</b> \$110.5 Million Questioned Costs	
The audit of the final indirect cost rate proposal resulted in \$110.5 million questioned costs including the following significant items: \$33.9 million of subcontract Defense Base Act (DBA) insurance because the claimed costs were not based on actual subcontractor labor cost; \$31.8 million of labor and benefits expenses for host country nationals due to insufficient documentation of pay rates, time charges, and proof of payment; \$14.1-million of subcontract costs due to lease costs in excess of the purchase cost for subcontractor provided facilities and equipment; \$13.5 million of home office allocations, and \$12.8 million of questioned legal settlements and expenses.	

<b>Audit Report No. 3321-2007K10100002</b>	<b>Date:</b> May 30, 2014
<b>Subject:</b> Independent Audit of Corporate Home Office and Intermediate Home Office Contractor Fiscal Year (CFY) 2007 Incurred Cost Submission	
<b>Prepared For:</b> Defense Contract Audit Agency, Cost and Pricing Center	
<b>Report:</b> \$32.7 Million Questioned Costs	
The audit of the final indirect cost proposal resulted in \$32.7 million questioned costs, including the following significant items: \$16.1 million of facility rental costs, which the contractor did not demonstrate were reasonable based on a market study or analysis; \$9.7 million of legal services, consultant, and subcontract costs for which sufficient documentation of the work actually performed and/or a cost/price analysis to demonstrate cost reasonableness was not provided; and \$2.0 million of incentive compensation for which sufficient documentation was not provided.	

<b>Audit Report No. 3541-2010O42000006</b>	<b>Date:</b> May 30, 2014
<b>Subject:</b> Independent Post-Award Audit of Contract Proposal	
<b>Prepared For:</b> Army Contracting Command - Warren	
<b>Report:</b> \$10.3 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 \$10.3 million price adjustment for overstated material and related indirect costs due to duplicated materials in the proposal, failure to disclose more current vendor quotes, and inaccurate application of escalation to certain material parts.	

<b>Audit Report No. 6161-2006Y10100020</b>	<b>Date:</b> June 11, 2014
<b>Subject:</b> Independent Audit of Incurred Costs for Fiscal Year Ended December 31, 2006	
<b>Prepared For:</b> Defense Contract Management Agency, Manassas	
<b>Report:</b> \$10.5 Million Questioned Costs	
<p>The audit of the final indirect cost rate proposal resulted in \$10.5 million questioned costs including the following significant items: \$11.2 million of questioned direct costs for labor, supplies, consultants, travel, and other costs because the contractor was unable to provide supporting documentation such as employee timesheets, vendor invoices, employee expense reports, or original receipts; and a \$0.7 million upward adjustment to indirect costs based on assist audits of corporate and home office allocations.</p>	
<b>Audit Report No. 9721-2007C10100001</b>	<b>Date:</b> June 13, 2014
<b>Subject:</b> Independent Audit of Incurred Cost Submission for Fiscal Year 2007	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$16.4 Million Questioned Costs	
<p>The audit of the contractor's incurred cost submission resulted in \$16.4 million in questioned costs, including the following significant items: \$8.3 million in other compensation costs due to lack of an adequate bonus plan, unsupported severance payments, and lack of support for performance awards; \$1.8 million of general and administrative costs due to lack of supporting documentation; \$1 million of occupancy costs due to lack of supporting documentation, unreasonable legal fees, and unallowable interest expenses; and \$1.9 million in time and material labor for employees who did not meet the required labor qualifications or costs claimed for subcontractor labor that exceeded the amount paid to the subcontractors.</p>	
<b>Audit Report No. 6321-2013R17100001</b>	<b>Date:</b> June 16, 2014
<b>Subject:</b> Independent Audit of Partial Termination for Convenience	
<b>Prepared For:</b> U.S. Department of State, Office of Acquisitions Management	
<b>Report:</b> \$14.6 Million Questioned Costs	
<p>The audit of the settlement proposal for a partially terminated contract resulted in \$14.6 million questioned costs including \$9.7 million of training and recruitment costs and associated indirect expenses that were unrelated to the terminated portion of the contract or were not recorded in the contractor's accounting records; and \$3.8 million of indirect costs that were included in both the termination settlement proposal and a separate equitable adjustment proposal submitted for the continuing portion of the contract.</p>	
<b>Audit Report No. 2161-2007T10100001</b>	<b>Date:</b> June 17, 2014
<b>Subject:</b> Independent Audit of 2007 Incurred Cost Proposal	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$33.9 Million Questioned Costs	
<p>The audit of the final indirect cost rate proposal resulted in \$33.9 million questioned costs, including the following significant items: \$15.1 million of subcontract costs because the contractor did not provide evidence that it adequately monitored the labor qualifications of its subcontractors; \$3.7 million of time and material labor costs due to differences between the claimed labor hours and the hours recorded in accounting records; \$6.8 million of independent research and development or bid and proposal project costs because the contractor did not provide documentation of the nature of the work performed; and \$4.5 million of state tax due to the difference between the proposed tax and the actual tax.</p>	

<b>Audit Report No. 9851-2010C10100016 &amp; Audit Report No. 9851-2011C10100015</b>	<b>Date:</b> June 18, 2014
<b>Subject:</b> Independent Audit of Contractor FY 2010 and 2011 Incurred Cost Submissions	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$30.6 Million Questioned Costs	
The audit of the contractor's FY 2010 and FY 2011 incurred cost submissions resulted in \$17.2 and \$13.4 million, respectively, of questioned direct and indirect labor. The contractor was unable to provide timesheets to support the claimed direct and indirect labor costs for FY 2010 and FY 2011; therefore, the direct and indirect labor were questioned in their entirety for both years.	

<b>Audit Report No. 1201-2006L10100404</b>	<b>Date:</b> June 19, 2014
<b>Subject:</b> Independent Audit of Contractor Fiscal Year (CFY) 2006 Incurred Costs	
<b>Prepared For:</b> Divisional Administrative Contracting Officer, Defense Contract Management Agency	
<b>Report:</b> \$24.1 Million Questioned Costs	
The audit of the final indirect cost rate proposal resulted in \$24.1 million questioned costs, including the following significant items: \$4.0 million of indirect labor by direct employees not supported with a work order or explanation; \$8.5 million of travel costs for non-economy class airfare, not supported with an explanation of the purpose of the trip, not allocable to contractor fiscal year 2006, or in excess of allowable per diem; \$4.2 million of lease costs related to idle facilities; and \$3.6 million of inter-organizational transfers to an overhead pool not supported with actual cost information and not based on a causal-beneficial relationship.	

<b>Audit Report No. 03531-2013E17100001</b>	<b>Date:</b> June 19, 2014
<b>Subject:</b> Independent Audit of Settlement Proposal	
<b>Prepared For:</b> U.S. Army Corps of Engineers, New Orleans District Hurricane Protection Office	
<b>Report:</b> \$41.3 Million Questioned Costs	
The audit of the termination for convenience proposal resulted in \$41.3 million questioned costs primarily relating to prior period costs not allocable to the contract; proposed subcontractor settlement expenses not in accordance with the terms of the prime contract or subcontract; and profit.	

<b>Audit Report No. 3121-2007K10100001</b>	<b>Date:</b> June 20, 2014
<b>Subject:</b> Independent Audit of Claimed Contractor Fiscal Year 2007 Incurred Direct Costs, Indirect Expense Rates, and Cost of Money Factors	
<b>Prepared For:</b> Defense Contract Management Agency, Cost And Pricing Center	
<b>Report:</b> \$70.9 Million Questioned Costs	
The audit of the final indirect cost rate proposal identified \$70.9 million of questioned costs, including the following significant items: \$14.5 million of claimed costs due to a calculation error in the submission; \$11.1 million of travel costs for unreasonable airfare or for which the contractor did not provide documentation substantiating that the costs were incurred and for what purpose; \$4.2 million of credits excluded from the proposal without adequate support for the exclusion; and \$3.3 million of facility costs not allocable to the segment audited because the cost allocation model did not distribute costs to the various occupants proportionate to benefits received; \$4.4 million of direct consultant costs because the contractor failed to provide adequate supporting documentation to establish the allowability and reasonableness of the costs; and \$10.3 million in proposed corporate costs due to the difference between the costs proposed in a separate corporate proposal and costs claimed in this proposal.	

<b>Audit Report No. 6631-2007C10100001</b>	<b>Date:</b> June 20, 2014
<b>Subject:</b> Independent Audit of 2007 Corporate Home Office Overhead Incurred Cost Proposal	
<b>Prepared For:</b> Defense Contract Management Agency Headquarters	
<b>Report:</b> \$22.9 Million Noncompliant Costs	
The procedures performed disclosed \$22.9 million of costs noncompliant with various provisions of the Federal Acquisition Regulation, including: \$9.1 million of expenses for consultant costs not supported with agreements or sufficiently detailed invoices, or for unallowable entertainment, contributions, public relations and advertising; and \$3.4 million of travel costs not adequately supported or in excess of Federal Acquisition Regulation limitations for airfare or per diem.	
<b>Audit Report No. 9861-2014T17100001</b>	<b>Date:</b> June 20, 2014
<b>Subject:</b> Independent Audit of Partial Termination Settlement Proposal	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$37.3 Million Questioned Costs	
The audit of the termination settlement proposal resulted in \$37.3 million questioned costs, including the following items: \$19.9 million of direct and indirect costs for FY 2007 due to application of a 20 percent decrement because the contractor failed to submit an adequate certified incurred cost proposal; \$8.7 million of proposed fee because the subcontractor exceeded the funding limitation and due to questioned base costs; \$6.4 million of indirect factory expenses and general and administrative costs due to differences between subcontractor's proposed rates and the Defense Contract Audit Agency audited rates for 2002, 2005, and 2006; \$1.8 million of travel costs across all years due to the lack of documentation; and \$0.5 million of settlement expenses because the subcontractor proposed more settlement expenses than incurred.	
<b>Audit Report No. 6821-2007F10100001</b>	<b>Date:</b> June 25, 2014
<b>Subject:</b> Independent Audit of Certified Final Indirect Cost Proposal for Fiscal Year 2007	
<b>Prepared For:</b> Defense Contract Management Agency, Corporate Administrative Contracting Officer	
<b>Report:</b> \$72.7 Million Questioned Costs	
The audit of the final indirect cost proposal resulted in \$72.7 million questioned costs, including the following significant items: \$11.5 million of the proposed net book value of assets used in the computation of cost of money rates; \$17.1 million of environmental remediation costs not in accordance with an advance agreement with the Government or for which adequate supporting documentation was not provided; \$8.5 million of pension costs associated with salary costs in excess of the Federal Acquisition Regulation compensation ceiling; and \$7.0 million of post-retirement benefits related to divested segments not in accordance with an advance agreement with the Government.	
<b>Audit Report No. 2161-2013G10110001</b>	<b>Date:</b> June 26, 2014
<b>Subject:</b> Independent Audit of Compliance with Requirements Applicable to Research and Development Program and on Internal Control over Compliance in Accordance with OMB A-133 for Fiscal Year 2013	
<b>Prepared For:</b> Corporate Administrative Contracting Officer, USAF – Enterprise Acquisition Division	
<b>Report:</b> \$16.4 Million Questioned Costs	
The audit of the contractor's compliance with OMB Circular A-133 requirements resulted in \$16.4 million questioned costs, including the following significant items: \$2.6 million of unreasonably high labor charges related to "downtime" when employees were awaiting assignment to a direct project; and \$11.0 million of facilities costs for vacant or underutilized facilities.	

<b>Audit Report No. 06861-2007C10100373</b>	<b>Date:</b> July 1, 2014
<b>Subject:</b> Independent Audit of Incurred Cost Proposal for Contractor Fiscal Year (CFY) 2007	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$26.0 Million Noncompliant Costs	
<p>The audit of the contractors shared services final indirect cost proposal disclosed that the contractor was unable to provide sufficient and competent evidential matter to support the majority of the transactions selected for audit resulting in a disclaimer of opinion. The procedures performed disclosed \$26.0 million of costs that were inadequately supported or unallowable, representing material noncompliances with Federal Acquisition Regulation Part 31. Significant noncompliant costs include: \$17.8 million of occupancy costs, \$4.1 million of adjustments included in the proposal but not in the books and records; and \$1.1 million of executive compensation.</p>	
<b>Audit Report No. 06271-2004F10100043/2005F10100056 (Revised)</b>	<b>Date:</b> July 3, 2014
<b>Subject:</b> Independent Audit of Incurred Costs Proposals for Fiscal Years (FYs) 2004 and 2005	
<b>Prepared For:</b> Defense Contract Management Agency, Philadelphia	
<b>Report:</b> \$45.1 Million Noncompliant Costs	
<p>The procedures that were performed identified \$45.1 million of costs noncompliant with various provisions of the Federal Acquisition Regulation, including the following significant items: \$28.2 million of indirect costs posted to the books via adjusting journal entries for which the contractor was unable to provide any supporting documentation, and \$14.5 million of direct contract costs because the contractor did not provide adequate supporting documentation for the transactions.</p>	
<b>Audit Report No. 9881-2007D10100012</b>	<b>Date:</b> July 3, 2014
<b>Subject:</b> Independent Audit of Contractor FY 2007 Incurred Cost Submission	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$20.8 Million Questioned Costs	
<p>The audit of the contractor's FY 2007 incurred cost submission resulted in \$20.8 million questioned costs, including the following significant items: \$9.4 million of questioned subcontract costs and \$6.1 million of questioned deployment expenses, which the contractor was unable to sufficiently substantiate.</p>	
<b>Audit Report No. 6811-2009U42098001</b>	<b>Date:</b> July 11, 2014
<b>Subject:</b> Independent Audit of Post-Award of Indirect Rates	
<b>Prepared For:</b> Army Contracting Command - Warren	
<b>Report:</b> \$26.1 Million Recommended Price Adjustment	
<p>The audit of the contractor's compliance with the Truth in Negotiations Act (10 U.S.C. 2306a) resulted in a recommended price adjustment of \$26.1 million for indirect costs and related profit because the contractor did not provide or disclose in a meaningful manner to the Government the historical overstatement of estimated out year rates for overhead and general and administrative expense for the pricing action.</p>	

<b>Audit Report No. 6811-2007U10100001</b>	<b>Date:</b> July 25, 2014
<b>Subject:</b> Independent Audit Report on Proposed Direct Cost Amounts on Unsettled Flexibly Priced Contracts for FY 2007	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$64.6 Million Questioned Costs	
The audit of the proposed direct contract costs resulted in \$64.6 million questioned costs for direct labor, contractor labor, materials, material consulting, travel, subcontracts, and other direct costs. Questioned costs were the result of the lack of adequate documentation to support costs claimed, the inability of the contractor to link the claimed costs to specific contracts and cost objectives, overtime, and other costs unallowable per contract terms, profit and fee on interdivisional subcontracts, and excessive travel charges.	

<b>Audit Report No. 6861-2007B10100001 (Revised)</b>	<b>Date:</b> August 5, 2014
<b>Subject:</b> Independent Audit of Fiscal Year 2007 Incurred Cost Proposal	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$19.9 Million Noncompliant Costs	
The procedures performed disclosed \$19.9 million of costs noncompliant with various provisions of the Federal Acquisition Regulation, including \$14.3 of rental costs for which insufficient documentation was provided to determine what was rented and for what purpose; and \$4.3 million of legal expenses related to a teaming agreement between the contractor and another vendor.	

<b>Audit Report No. 6741-2008A10100001</b>	<b>Date:</b> August 22, 2014
<b>Subject:</b> Independent Audit Report on Corporate Home Office Proposed Amounts for Fiscal Year 2008	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$39.8 Million Noncompliant Costs	
The procedures performed disclosed \$39.8 million of costs noncompliant with various provisions of the Federal Acquisition Regulation, including: \$15.8 million of consultant and professional services expenses where the contractor did not provide any supporting documentation, or the documentation provided did not support the expense, or that deviated from company's policies and procedures; and \$19.8 million of state income tax not supported with adequate documentation of payment.	

<b>Audit Report No. 6741-2008B10100001</b>	<b>Date:</b> August 26, 2014
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Year 2008	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$30.2 Million Noncompliant Costs	
The procedures performed disclosed \$30.2 million of costs noncompliant with various provisions of the Federal Acquisition Regulation, including: \$12.6 million of allocated corporate costs based on an audit of the corporate submission; and \$17.2 million of travel, consultant, and professional services costs primarily because the contractor failed to provide supporting documentation or the documentation provided did not justify the expense.	



<b>Audit Report No. 3711-2008A10100001</b>	<b>Date:</b> August 29, 2014
<b>Subject:</b> Independent Audit of Calendar Year (CY) 2008 Proposed Incurred Costs and Indirect Rates	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$44.0 Million Questioned Costs	
The audit of the indirect cost rate proposal resulted in \$44.0 million questioned costs, including the following significant items: \$9.9 million of freight and taxes because the contractor did not comply with the Fly America Act or for taxes for which an exemption was available; \$4.4 million of rental costs in excess of the costs of ownership for property leased from a related company; \$9.0 million of professional and consultant costs for out of period costs, unreasonable fees, or for representation services in a foreign country for a specific program; and \$5.0 million of legal fees for out of period costs, unsupported costs, or costs associated with an anti-trust lawsuit.	

<b>Audit Report No. 4611-2008Y10100001</b>	<b>Date:</b> August 29, 2014
<b>Subject:</b> Independent Audit of Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2008	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$76.6 Million Questioned Costs	
The audit of the proposed amounts resulted in \$76.6 million questioned costs, including the following significant items: \$53.1 million of purchased services because the contractor failed to provide adequate documentation to support the costs; \$12.1 million of costs for use of company owned aircraft in excess of the lowest priced air fare; \$3.8 million of tax expense due to a rounding error in the proposal; and \$3.4 million of unallowable profit on an intercompany lease.	

<b>Audit Report No. 6821-2007G10100001</b>	<b>Date:</b> August 29, 2014
<b>Subject:</b> Independent Audit of Certified Final Direct and Indirect Cost Proposal for Fiscal Year (FY) 2007	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$49.2 Million Questioned Costs	
The audit of the final indirect cost rate proposal resulted in \$49.2 million questioned costs, including the following significant items: \$41.5 million of software costs which were not adequately supported with vendor agreements or detailed invoices identifying the products purchased; \$3.3 million of consultant expenses not adequately supported; and \$1.8 million of unreasonable executive compensation.	

<b>Audit Report No. 2821-2011N17100001</b>	<b>Date:</b> September 5, 2014
<b>Subject:</b> Independent Audit of Parts of a Termination Proposal	
<b>Prepared For:</b> Defense Contract Management Agency - Atlanta	
<b>Report:</b> \$29.0 Million Questioned Costs	
The audit of the termination settlement proposal resulted in \$29.0 million questioned costs, including \$8.5 million of material costs due to assist audits of subcontractor proposals; \$4.2 million of incurred consultant costs because the consultant invoices did not document the services provided; \$4.2 million of incurred travel costs primarily due to lack of receipts for claimed expenses; and \$5.0 million of estimated future costs not specifically identified.	

<b>Audit Report No. 2131-2008A10100001-S1</b>	<b>Date:</b> September 13, 2014
<b>Subject:</b> Supplemental to Independent Audit of Incurred Cost Proposal for Fiscal Year 2008	
<b>Prepared For:</b> U.S. Army Contracting Command, Southwest Asia Support Reachback Branch	
<b>Report:</b> \$24.8 Million Questioned Costs	
<p>The audit of the final indirect cost rate proposal resulted in \$24.8 million of questioned costs, including the following significant items: \$14.0 million of direct costs because the contractor was unable to provide adequate supporting documentation, subcontract costs exceeded the subcontract agreement, or intercompany expenses were not supported with proof of payment and adequate price competition or that were incurred in a prior period; \$5.1 million of allocated bid and proposal or business development costs that were uncertified and unsupported; and \$2.3 million of incentive compensation not adequately supported.</p>	

<b>Audit Report No. 2361-2007B10100001</b>	<b>Date:</b> September 16, 2014
<b>Subject:</b> Independent Audit of Final Indirect Costs for Contractor Fiscal Year 2007	
<b>Prepared For:</b> Supervisor of Shipbuilding, Conversion and Repair, U.S. Navy	
<b>Report:</b> \$57.5 Million Questioned Costs	
<p>The audit of the nonlabor portion of the final indirect cost proposal resulted in \$57.5 million questioned costs, including the following significant items: \$37.8 million of health care self-insurance expenses for which the contractor did not provide adequate supporting documentation; \$13.4 million of unreasonable purchased health insurance premiums due to unreasonable premium increases when compared to the increase experienced by other firms in the United States for the same time period; and \$6.8 million of allocated corporate costs due to incorporating the final agreement on costs executed by the Government and the contractor.</p>	

<b>Audit Report No. 6161-2007Y10100002</b>	<b>Date:</b> September 16, 2014
<b>Subject:</b> Independent Audit of Incurred Costs for Fiscal Year ended December 31, 2007	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$31.3 Million Questioned Costs	
<p>The audit of the final indirect cost rate proposal resulted in \$31.3 million questioned costs, including the following significant items: \$18.8 million of subcontract costs not supported with signed subcontract agreements or purchase orders; \$1.2 million due to claimed subcontractor labor on time and material contracts at the negotiated prime labor category rates versus at cost; \$3.3 million in excessive and unsupported severance payments; and \$1.5 million of lease expenses for which the contractor failed to provide lease agreements.</p>	

<b>Audit Report No. 3221-2008T10100001</b>	<b>Date:</b> September 19, 2014
<b>Subject:</b> Independent Audit of CY 2008 Administrative, Centrally Managed, and Cost of Money Certified Final Indirect Cost Proposals	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$163.0 Million Questioned Costs	
<p>The audit of the final indirect cost proposals resulted in \$163.0 million in questioned costs, including the following significant items: \$50.0 million of legal expenses due to lack of advance approval of the individual and hourly rates as required by the contractor's policies or due to unallowable settlement costs; \$20 million of liability insurance expense because the contractor did not demonstrate that its actual loss history was used to determine the self-insurance premium; \$14.4 million of fringe costs related to unallowable labor costs; and \$12.0 million of state taxes due to an error in the true-up of the calendar year 2007 forecasted expense to actual expense.</p>	

<b>Audit Report No. 6161-2007Y10100004</b>	<b>Date:</b> September 22, 2014
<b>Subject:</b> Independent Audit of Incurred Costs for Fiscal Year ended December 31, 2007	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$11.8 Million Questioned Costs	
The audit of the final indirect cost rate proposal resulted in \$11.8 million questioned costs, including the following significant items: \$6.2 million of labor on time and material contracts because the contractor did not provide resumes to support the claimed employee qualifications; and \$3.5 million of subcontractor labor costs not in accordance with the terms of the subcontract or for which the contractor did not provide adequate supporting documentation.	

<b>Audit Report No. 6741-2008Q10100001</b>	<b>Date:</b> September 23, 2014
<b>Subject:</b> Independent Audit of Incurred Costs for Fiscal Year Ending March 31, 2008	
<b>Prepared For:</b> Defense Contract Management Agency, Chantilly	
<b>Report:</b> \$60.8 Million Questioned Costs	
The audit of the final indirect cost rate proposal resulted in \$60.8 million questioned costs, including the following significant items: \$26.0 million of unreasonable executive compensation; \$19.3 million in corporate allocations; \$5.8 million of professional services and consultant costs due to unallowable marketing or branding activities, costs not allocable to Government contracts, or lacking adequate supporting documentation such as consulting agreements; and \$1.3 million of meal expenses incurred for luncheons, receptions, networking meetings, and social functions for which no agendas, list of attendees was provided, or which did not appear to be bona fide business meetings, or were unreasonable in amount.	

<b>Audit Report No. 3701-2008B10100001</b>	<b>Date:</b> September 26, 2014
<b>Subject:</b> Independent Audit of Contractor Fiscal Year (FY) 2008 For Contracting Officer Determined Final Indirect Cost Rates for the Period of December 30, 2007 to January 3, 2009	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$62.0 Million Questioned Costs	
The audit of the final indirect cost rate proposal resulted in \$62.0 million questioned costs, including the following significant items: \$29.7 million of direct material costs for which the contractor was unable to provide adequate supporting documentation such as invoices, cancelled checks, and bills of material; and \$22.5 million of indirect purchased supplies and services for which the contractor was unable to provide adequate supporting documents such as statements of work or vendor agreements to demonstrate the nature and scope of the services, documentation of the purpose of the supplies, proof of payment, or out of period costs.	

<b>Audit Report No. 06281-2008H10100001</b>	<b>Date:</b> September 26, 2014
<b>Subject:</b> Independent Audit of FY 2008 Incurred Cost Submission	
<b>Prepared For:</b> Defense Contract Management Agency Maryland	
<b>Report:</b> \$168.4 Million Questioned Costs	
The audit of the final indirect cost proposal resulted in \$168.4 million questioned costs, including the following significant items: \$124.5 million in pension costs that should not have been claimed in the corporate incurred cost submission; \$16.1 million in health and welfare costs due to coverage of ineligible dependents; \$7.2 million of state income and franchise taxes due to costs double counted in the submission and due to incorporating the difference between taxes with estimated taxes for prior years; and \$4.2 million of unreasonable or unallowable executive compensation.	

<b>Audit Report No. 1301-2007B10100001</b>	<b>Date:</b> September 30, 2014
<b>Subject:</b> Independent Audit of Final Indirect Cost Rates for Contractor Fiscal Year 2014	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$23.3 Million Questioned Costs	
The audit of the indirect cost rate proposal resulted in \$23.3 million questioned costs, including the following significant items: \$3.9 million of depreciation expense because the contractor could not provide documentation of the purchase price of assets; \$2.4 million of costs for idle facilities; \$4.2 million of unallowable travel costs; and \$1.4 million of non-travel meal expenses for which documentation of the business purpose was not provided or were related to social activities.	

<b>Audit Report No. 4281-2007K10100010</b>	<b>Date:</b> September 30, 2014
<b>Subject:</b> Independent Audit of Fiscal Year 2007 Claimed Incurred Fringe Benefits Costs	
<b>Prepared For:</b> Department of the Navy, Office of Naval Research	
<b>Report:</b> \$60.5 Million Questioned Costs	
The audit of the claimed incurred fringe benefits costs resulted in \$60.5 million of questioned costs, including \$57.5 million of health plan costs because the contractor did not provide sufficient documentation to substantiate that the claimed costs were allowable, allocable, and reasonable; and \$2.4 million of social security taxes for a prior year and therefore not allocable to fiscal year 2007.	

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

## RESULTS OF PEER REVIEWS

---

### **DODIG-2014-117, Quality Control Review of Army Audit Agency's Special Access Program Audits**

DoD IG reviewed the U.S. Army Audit Agency's (USAAA) system of quality control over Special Access Programs audit reports issued for 2 fiscal years that ended September 30, 2013. DoD IG found that the system of quality control for the audit function of USAAA Special Access Programs in effect for the review period was designed in accordance with quality standards established by generally accepted Government auditing standards. Accordingly, DoD IG issued a pass opinion on USAAA's Special Access Programs audit quality control system for the review period ended that September 30, 2013. DoD IG identified areas of concern relating to quality control and audit documentation and made an applicable recommendation which the USAAA Auditor General concurred.

### **Peer Review of the United States Special Operations Command Office of Inspector General by the Defense Intelligence Agency Office of Inspector General**

Defense Intelligence Agency Office of Inspector General (OIG) conducted an external peer review of the United States Special Operations Command (SOCOM) OIG audit organization, and issued a final report July 18, 2014. United States Special Operations Command OIG received a rating of fail. There is one outstanding recommendation which requires the United States Special Operations Command OIG to periodically assess work on completed audits and, at least annually, summarize the results of monitoring activities, and identify, document, and remediate generally accepted Government auditing standards deficiencies.

### **Peer Review of Department of Defense IG by U.S. Department of Housing and Urban Development Office of the Inspector General**

The Department of Housing and Urban Development Office of the Inspector General conducted an external peer review of DoD IG Office of Audit and issued a final report November 13, 2012. DoD IG received a peer review rating of pass (with a scope limitation). There are no outstanding recommendations. A copy of the external quality control review report can be viewed at [www.dodig.mil/pubs/reviews.html](http://www.dodig.mil/pubs/reviews.html).

### **Peer Review of Department of Transportation Office of Inspector General by U.S. Department of Defense Office of the Inspector General**

DoD IG conducted an external quality control review of Department of Transportation Office of Inspector General, audit organization, and issued a final report August 8, 2013. Department of Transportation OIG, received a peer review rating of pass. There are no outstanding recommendations. A copy of the external quality control review report can be viewed on the Department of Transportation OIG website at [www.oig.dot.gov/about-oig/peer-review](http://www.oig.dot.gov/about-oig/peer-review).

### **Peer Review of Defense Contract Audit Agency by U.S. Department of Defense Office of the Inspector General**

DoD IG conducted an external review of the system of quality control for the Defense Contract Audit Agency in effect from January 1, 2013, through June 30, 2013, and issued a final report on August 21, 2014. Defense Contract Audit Agency received a peer review rating of pass with deficiency. There are no outstanding recommendations. A copy of the external quality control review can be viewed on the Defense Contract Audit Agency website at [http://www.dcaa.mil/external\\_peer\\_review.html](http://www.dcaa.mil/external_peer_review.html).

### 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 Office of Inspector General (OIG) conducted an external peer review of Defense Criminal Investigative Service's (DCIS's) system of internal safeguards and management procedures in effect through July 2011, and Department of Health and Human Services 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 (CIGIE); thus, DCIS's participation in this peer review was voluntary.

After completing its review of DCIS, the Department of Health and Human Services 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) and Section 8(c)(10).

# ACRONYMS

AAFES	Army and Air Force Exchange System	DoD IG	Department of Defense Inspector General Office
AFAA	Air Force Audit Agency	DON	Department of the Navy
AFOSI	Air Force Office of Special Investigations	DHA	Defense Health Agency (TRICARE Mgt. Activity)
AFRH	Armed Forces Retirement Home	DMA	Defense Media Activity
AISC	American International Security Corporation	DSS	Defense Security Service
ANA	Afghan National Army	DTRA	Defense Threat Reduction Agency
ANP	Afghan National Police	e-ROI	Energy Return on Investment
ARMY CID	U.S. Army Criminal Investigation Command	FBI	Federal Bureau of Investigation
ARNG	Army National Guard	FDA	Food and Drug Administration
ANSF	Afghan National Security Forces	FLIPL	financial liability investigation of property loss
ASFF	Afghan Security Forces Fund	FOCI	Foreign Ownership, Control, or Influence
CAB	Combat Aviation Brigade	FRCSW	Fleet Readiness Center Southwest
CARC	Chemical Agent Resistant Coating	FSBS	Fixed Submarine Broadcast System
CE	Civil Engineer	FY	Fiscal Year
CEP	central energy plant	GAGAS	Generally Accepted Government Auditing Standards
CFIUS	Committee on Foreign Investment in the United States	GAO	Government Accountability Office
CFY	Contractor Fiscal Year	GCPC	Government Commercial Purchase Card
CID	Criminal Investigation Division	GCSS-Army	Global Combat Support System-Army
CIGIE	Council of Inspectors General on Integrity and Efficiency	GFEBs	General Fund Enterprise Business System
COPSWA	Comprehensive Oversight Plan for Southwest Asia	GIRoA	Government of the Islamic Republic of Afghanistan's
COR	contracting officer representative	GTS	Government Technical Services
CS/ITWF	Cyberspace/Information Technology Workforce	HMMWV	High Mobility Multipurpose Wheeled Vehicle
CTIP	Combating Trafficking in Persons	IC	integrated circuits
DARPA	Defense Advanced Research Projects Agency	ICS	industrial control systems
DCAA	Defense Contract Audit Agency	IDES	Integrated Disability Evaluation System
DCII	Defense Central Index of Investigations	IG	Inspector General
DCIS	Defense Criminal Investigative Service	iNFADS	Internet Navy Facility Assets Data Store
DCMA	Defense Contract Management Agency	ISO	Investigations of Senior Officials
DCS	Deputy Chief of Staff	IT	information systems technician
DEAMS	Defense Enterprise Accounting and Management System	ITS	information systems technician (subsurface)
DeCA	Defense Commissary Agency	JPAS	Joint Personnel Adjudicative System
DFAS	Defense Finance and Accounting Service	LCCA	life-cycle cost analysis
DIA	Defense Intelligence Agency	LESO	Law Enforcement Support Office
DISA	Defense Information Systems Agency	LIG-OCO	Lead Inspector General for Overseas Contingency Operations
DLA	Defense Logistics Agency	MARAD	Maritime Administration
DoD	Department of Defense	MCIO	Military Criminal Investigative Organization
DODEA	Department of Defense Education Activity	MDA	Missile Defense Agency
		MEDCOM	U.S. Army Medical Command

MIT	Massachusetts Institute of Technology
MRTF	Military Retirement Trust Fund
NAFI	Nonappropriated Fund Instrumentality
NAVAUDSVC	Naval Audit Service
NAVFAC	Naval Facilities Engineering Command
NCIS	Naval Criminal Investigative Service
NDSF	National Defense Sealift Fund
NGA	National Geospatial-Intelligence Agency
NRO	National Reconnaissance Office
NRSW	Navy Region Southwest
NSA	National Security Agency
OCCL	Office of Communications and Congressional Liaison
OHA	Overseas Housing Allowance
OIG	Offices of Inspector General
OMB	Office of Management and Budget
OPTEMPO	Ground Operating Tempo Program
PCS	permanent change of station
PFPA	Pentagon Force Protection Agency
PIT	platform information technology
PwC	PricewaterhouseCooper, LLP

RRF	Ready Reserve Force
SBA	Small Business Administration
SCAADL	Special Compensation for Assistance with Activities of Daily Living
SDF	State Defense Forces
SES	Senior Executive Service
SMDR	Structure and Manning Decision Review
SORNA	Sex Offender Registration and Notification Act
STANFINS	Standard Army Finance Information System
TRAP	Training Resources Arbitration Panel
USAAA	U.S. Army Audit Agency
USARC	U.S. Army Reserve Command
U.S.C.	United States Code
USD (P&R)	Under Secretary of Defense for Personnel and Readiness
VA	U.S. Department of Veterans Affairs
WHS	Washington Headquarters Service
WRI	Whistleblower Reprisal Investigations
WTU	Warrior Transition Unit
WWBn	Wounded Warrior Battalion



# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

*The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD Hotline Director. For more information on your rights and remedies against retaliation, go to the Whistleblower webpage at [www.dodig.mil/programs/whistleblower](http://www.dodig.mil/programs/whistleblower).*

### **For more information about DoD IG reports or activities, please contact us:**

#### **Congressional Liaison**

Congressional@dodig.mil; 703.604.8324

#### **DoD Hotline**

1.800.424.9098

#### **Media Contact**

Public.Affairs@dodig.mil; 703.604.8324

#### **Monthly Update**

dodigconnect-request@listserve.com

#### **Reports Mailing List**

dodig\_report@listserve.com

#### **Twitter**

[twitter.com/DoD\\_IG](https://twitter.com/DoD_IG)

DEPARTMENT OF DEFENSE | INSPECTOR GENERAL



4800 Mark Center Drive  
Alexandria, VA 22350-1500  
[www.dodig.mil](http://www.dodig.mil)  
Defense Hotline 1.800.424.9098