

United States Department of Defense Office of Inspector General



Department of Defense Inspector General Requirements Plan for Increased Oversight Capabilities Fiscal Years 2013 – 2018 May 1, 2013

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EXECUTIVE SUMMARY

This report was originally prepared on March 31, 2008, for the defense committees as directed by the Committee on Armed Services, United States Senate, in the language of Senate Report 110-77, to accompany S. 1547, the National Defense Authorization Act for Fiscal Year 2008 (P.L. 110-181). This version addresses changes in the internal and external operational environments since the plan was last updated on August 31, 2010.

For the past five years, fiscal years 2008 through 2012, the Congress has provided the Office of Inspector General, Department of Defense (DoD IG) with funding to support increased audit, investigative, assessment and evaluation capabilities. The funding has bridged the gap between the requirements identified in previous versions of this plan and the President's Budget. This has enabled the DoD IG to accomplish its mission of providing independent, relevant, and timely oversight of the Department that supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and the Congress; and informs the public. As directed by the Congress in Senate Report 112-173, to accompany S. 3254, the National Defense Authorization Act for Fiscal Year 2013, the DoD IG submits this requirements plan to establish future staffing objectives based on oversight needs and current budget realities.

Given the current fiscal climate, the DoD IG reevaluated the previous requirements plan for increased oversight capabilities. The result is a plan that calls for an FY 2018 end state of 1,900 versus 2,061 full-time equivalents (FTEs), 161 less than originally planned; a 7.8 percent downward adjustment. This end state still represents an increase of 286 FTEs over the FY 2013 authorized FTE level of 1,614, and will allow for substantive increases in our oversight capabilities. It also reduces the required budget, which was \$399 million in FY 2016 end state under the previous plan, to \$364 million in FY 2016 in the current plan, a reduction of \$35 million or 8.8 percent. This revised plan strikes a balance between the intent of the language of Senate Report 110-77, the current fiscal realities, and a manageable level of growth that minimizes risk in an environment of fiscal uncertainty.

Continued support for funding by Congress over the past five years has enabled the DoD IG to increase oversight capabilities by hiring additional personnel, investing in new technology, and creating new functions within the organization to meet the needs of the Congress, the Department, and the public. The DoD IG provides significant value, achieving a \$3.6 billion return on investment (ROI) in FY 2012, a return rate of \$2.3 million per DoD IG employee. During the last five years, FY 2008-2012, the DoD IG returned \$17.3 billion to the government. The DoD IG has also worked to improve our technology; using more predictive analytics to more proactively address fraud, waste, and abuse impacting the Department.

The impact of DoD IG oversight extends far beyond the financial contributions. For example, our inspections and evaluation reporting had a significant impact on DoD success in achieving key operational and program objectives in Southwest Asia (SWA). Our reporting has facilitated the building of Iraq's security forces and continues to

improve the development of Afghanistan’s security forces, which are priority U.S. national security objectives. DoD IG inspections have also expedited the recovery and transition of those service personnel assigned to the Wounded Warrior Program who were the most seriously wounded, injured, or ill as a result of combat service in SWA.

Though we cannot predict ROI, one could expect that an increase in oversight capabilities, and corresponding value and return on investment, would require incremental increases in resources. Our analysis of current and future personnel, organization and technology for the DoD IG includes a review of our current staffing level and structure, our current funding level, and our current workload. We identified areas that we believe lack coverage, and identified areas where we believe additional coverage would be of greatest value to the Department. This analysis, giving consideration to the current fiscal environment, resulted in the revised requirements for FYs 2013-2018, and the corresponding personnel projections shown below.

FY13-18 Requirements	FY13	FY14	FY15	FY16	FY17	FY18
DoD IG Budget (Millions)	\$322 ¹	\$347	\$355	\$364	\$373	\$383
DoD IG Personnel (FTEs)	1,614	1,666	1,720	1,780	1,840	1,900

BACKGROUND

Senate Report 110-77, to accompany the National Defense Authorization Act (NDAA) for Fiscal Year 2008, addressed funding for the Office of Inspector General, Department of Defense (DoD IG) stating that, “The committee is concerned that funding levels for this important independent audit and investigative function is not keeping pace with the demands for the Inspectors’ General services in the global war on terror.”

The report directed the IG to, “provide to the defense committees, by March 31, 2008, an analysis of the current and future personnel, organization, technology, and funding requirements of the OIG” to include, “a comprehensive and detailed master plan, with annual objectives and funding requirements that provides the fastest possible increase in audit and investigative capabilities.”

The report further stated that, “The nation’s annual defense costs have crossed the \$500 billion mark, well beyond the annual budgets of just over \$200 billion before the start of the GWOT in 2001. Despite this growth, the personnel strength of the OIG has remained nearly constant. The committee is concerned that the capabilities of the OIG are not keeping pace, in terms of qualified personnel, with the growth in the size of the defense budget and the numbers of contracts.”

As a result, the Committee on Armed Services, United States Senate, recommended an increase of \$10 million for FY 2008 to start and accelerate the growth

¹ \$350 million in appropriations for FY13 was reduced by \$28 million as a result of sequestration.

of the DoD IG. Additional funding in the amount of \$24 million was subsequently provided in the FY 2008 Department of Defense Appropriations Act (P.L. 110-116).

In response to Senate Report 110-77, the DoD IG provided the defense committees with a report titled, “The Department of Defense Inspector General Growth Plan for Increasing Audit and Investigative Capabilities, Fiscal Years 2008 – 2015,” dated March 31, 2008. The DoD IG provided an update in the report titled, “Requirements Plan for Increased Oversight Capabilities, Fiscal Years 2011 – 2016,” dated August 31, 2010. The present document supersedes these previous reports, taking into consideration recent changes in our internal and external operating environment, and current budgetary realities.

The additional funding received in FYs 2008-2013 has enabled the DoD IG to increase its oversight capabilities, whereas these capabilities would have otherwise decreased due to budget constraints. However, the gap between the President’s Budget and what has been appropriated each year, coupled with continuing resolutions, has hindered the ability of the DoD IG to fully implement the requirements plan for increased oversight capabilities. House Report 111-491, to accompany the NDAA for FY 2011, expressed concern over funding for the DoD IG stating that, “The committee is aware that a plan for increasing DOD IG audit and investigative capabilities was published March 31, 2008. This plan required increased resources for it to be fully implemented, and Congress provided these resources in fiscal years 2008–10. The committee is concerned that the Department of Defense Inspector General is funded below the level required to meet the growth plan in fiscal year 2011. The committee believes the Department has had sufficient time to assimilate the requirements of the IG growth plan and is disappointed that the Department has failed to fully resource the IG requirements. The committee expects the Secretary of Defense to provide the necessary resources to this critical function in future budget requests.”

Most recently, Senate Report 12-173, to accompany the NDAA for FY 2013, recommended an increase over the President’s budget request of \$59.1 million in operations and maintenance (O&M) for the DoD IG, recognizing “the critical independent audit and investigative functions of the DoD IG play a critical role in identifying waste, fraud, and abuse in DoD programs and operations.” The requirements plan budget for FY 2013 of \$350.3 million was ultimately passed in HR 933, Consolidated and Further Continuing Appropriations Act for FY 2013, but was subject to a mandatory 7.8 percent, \$28 million reduction due to sequestration.

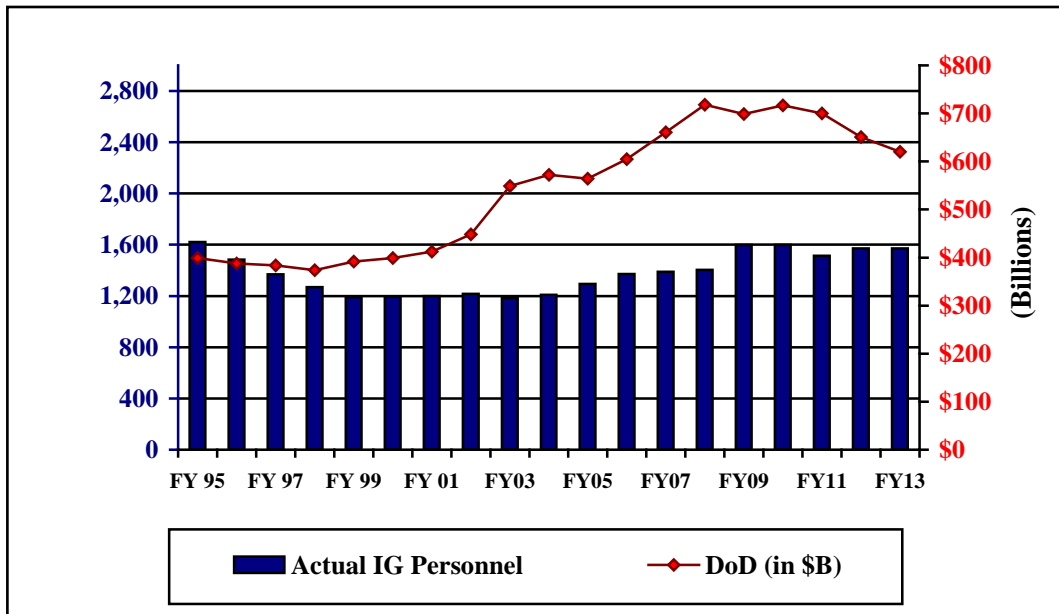
These funding challenges, along with the current fiscal environment, have led to a reevaluation of our long-range requirements plan. This revised plan considers the above mentioned challenges, taking a more conservative approach in order to minimize risk, while continuing to adhere to the intent of the language in Senate Report 110-77 to increase oversight capabilities.

FUNDING AND PERSONNEL REQUIREMENTS

The capabilities of the DoD IG have improved, but not kept pace, in terms of qualified personnel, with the growth in the size of the defense budget, which leaves the Department increasingly more vulnerable to fraud, waste and abuse and inefficiencies that undermine the mission. Moreover, our ability to adequately cover high-risk areas and Defense strategic priorities has become strained due to the fact that our staffing levels have not kept pace with the growth of the nation’s annual defense costs, which have risen from \$399 billion in FY 2000 to over \$650 billion in FY 2012 (in 2012 constant dollars).

Despite the growth in the DoD budget and the demand for IG services, the DoD IG’s strength has increased moderately during this same period, as depicted in the chart below, returning to the approximate personnel strength levels of 1995. The support from the Congress and the Department in recent years has helped to narrow this gap; however, the gap between the DoD budget and congressional intent must continue to be addressed in order to ensure that the level of oversight adequately addresses the level of risk for fraud, waste and abuse to occur. Any proposed increases in personnel outlined in this plan are intended to provide the necessary coverage to mitigate these risks.

Growth of the DoD Budget – Budget Authority ²
 (Inflation adjusted 2012 constant dollars - billions)



As shown in the preceding table, there is still a significant gap in the growth of the Department’s budget and the number of DoD IG personnel available to provide oversight for the Department. Even with the Department’s plans to achieve \$487 billion in savings from 2012 through 2021, as referenced in its FY 2014 budget request, there will still be a significant gap compared to the budget-to-personnel ratios prior to 2001.

² National Defense Budget Estimates for FY 2012 (March 2011) and National Defense Budget Estimates for FY 2013 (March 2012), Office of the Under Secretary Of Defense (Comptroller).

With the resource challenges that the Department is likely to face in future years, it is increasingly important that appropriate oversight is provided to detect and deter fraud and waste and promote the efficient and effective use of available resources.

The funding that was provided to DoD IG in FYs 2008-2013 via the respective appropriations acts, coupled with the partial annualization of our budget plan by the Department in fiscal years 2009, 2011, and 2014, has allowed us to work toward the goal of strengthening our oversight capabilities by increasing our authorized FTEs from 1,387 in FY 2007 to 1,614 in FY 2013. This has enabled the DoD IG to dedicate more resources to provide oversight related to acquisitions and quality assurance and expand our presence in SWA. However, this increase falls significantly short of the 1,918 FTEs originally planned for FY 2013.

The challenges and uncertainties of our budget from year to year have hindered the ability of the DoD IG to achieve planned FTE levels. It was necessary to restrain increases in staffing to levels that would not place us at risk of conducting a furlough or reduction in force if funding remained at the level provided in the President's Budget, as opposed to the level requested in the requirements plan for the current and following years. As a result, contracts were put in place to support some functions that are not inherently governmental. The use of such contracts offers flexibility and reduced risk by providing the opportunity to not exercise option years if funding is not available, as opposed to a furlough or reduction in force of DoD IG personnel.

The FTE projections in this plan assume that the use of contracts will remain relatively constant in each fiscal year. However, if our plan becomes annualized, in part or full, we will reevaluate the use of contracts, shifting resources towards additional FTEs where appropriate.

As directed by the Congress in Senate Report 112-173, to accompany S. 3254, the National Defense Authorization Act for Fiscal Year 2013, the DoD IG considered the current budget realities in this revision to our long-range requirements plan. The severity of the current fiscal environment was highlighted in a January 10, 2013 memorandum from the Deputy Secretary of Defense, "Handling Budgetary Uncertainty in Fiscal Year 2013." In this memorandum, the Deputy Secretary commented on the extended continuing resolution and looming sequestration, noting that, "Either of these problems, in isolation, would present serious budget execution challenges to the Department, negatively impacting readiness and resulting in other undesirable outcomes." The unfortunate truth is that these types of fiscal problems can create more of a need for oversight, rather than less.

Recognizing the necessity to balance the need for oversight and current budget realities, the DoD IG plans to increase personnel by 52 FTEs between FY 2013 and FY 2014. This minimal, three percent level of growth will adjust personnel authorizations from the current FY 2013 level of 1,614 to 1,666 in FY 2014, and allow the DoD IG to enhance oversight capabilities in order to meet current and future demands. This is a significant reduction compared to the personnel level of 1,980 called for in the 2010 plan.

Associated with the reduction in FTEs is a \$22.8 million reduction in the budget for FY 2014. Compared to the previous plan, this is a six percent reduction. The revised plan calls for personnel levels to continue to increase, but at a more conservative level through FY 2018, to 1,900 FTEs, a reduction of 161 FTEs from the previous plan. This is a total reduction of \$90.8 million compared to the last three years under the previous plan, FYs 2014-2016. This moderate pace of growth will allow us to increase oversight capabilities at a more manageable rate given the current budget realities.

Our analysis of future requirements included Auditing, Investigations, Administrative Investigations, Intelligence and Special Program Assessments, Policy and Oversight, Special Plans and Operations, DoD Hotline, Administration and Management, the Office of Professional Responsibility, and other mission support. The reductions in the projected FTEs compared to the previous plan are applied largely to the mission support areas so that core mission functions, such as auditing, evaluations, inspections, assessments and investigations are resourced. However, a moderate increase in mission support will be required to provide an appropriate level of support to core mission functions.

The requested increases through FY 2018 will enable the DoD IG to continue to perform our statutory duties and provide oversight coverage of the high risk and high impact areas within DoD while expanding coverage of DoD's efforts to improve its financial management, to include audits that we plan to conduct regarding DoD financial statements in support of the Department's Financial Improvement and Audit Readiness (FIAR) plan; DoD contracting, particularly services contracting; cybersecurity, to include information security; homeland defense and critical infrastructure protection; fraud, waste and abuse detection through predictive analytics; major acquisition programs and information technology acquisitions; and contracts and operations associated with SWA. Increased coverage of these areas also supports mitigation of IG identified management challenges and Government Accountability Office (GAO) high-risk areas.

RETURN ON INVESTMENT

In FY 2010, the Secretary of Defense identified the need to improve effectiveness and efficiencies in business operations in order to sustain mission essential activities. The DoD IG has the statutory authority and the technical expertise to promote change and reform in DoD processes, programs and operations, resulting in greater economies and efficiencies. DoD IG auditors, investigators, and other oversight professionals add value by helping to manage and control risk, and detect and deter fraud, waste, and abuse. The right number and mix of controls decreases the likelihood of fraud, waste and abuse in the Department.

In FY 2012 the DoD IG returned over \$3.7 billion to the U.S. Government through its audit and investigative activities. This equates to a return of \$2.3 million per DoD IG employee, or \$10.81 for every dollar appropriated to DoD IG. The DoD IG also conducted 1,173 Administrative Investigations, reviewed 165 existing and proposed policy regulations, and managed 19,369 DoD Hotline contacts.

During the period of FY 2010-2012, DoD IG auditors identified \$8.08 billion in potential monetary benefits, a yearly average of \$3.7 million per auditor. DoD IG audits have made a positive impact in shaping the Department's ability to be more effective and efficient. DoD IG auditors issued 352 audit reports from FY 2010 through FY 2012. During this same timeframe, 97 percent of the recommendations finalized were agreed to by DoD managers.

From FY 2010-2012, DCIS investigations resulted in 1,096 criminal indictments, 855 convictions, and \$3.45 billion in criminal, civil, and administrative recoveries. Excluding headquarters and field managers, this is an average of \$4.38 million per agent, per year. Since its creation, DCIS has participated in cases that have resulted in over \$15.68 billion in criminal, civil, and administrative recoveries.

In addition to the substantial monetary benefits, the DoD IG has achieved significant non-monetary benefits in the area of life and safety risks to the men and women serving in the military. Recent DoD IG oversight efforts resulting in significant non-monetary benefits have included identification of drugs sold to the DoD for diseases and ailments not approved by the Food and Drug Administration (FDA); quality and safety of military construction projects; transitioned care processes for soldiers wounded in Afghanistan; and safety equipment for military personnel, including body armor and armored vehicles.

The DoD IG also plays a significant role in identifying savings that can be shifted to directly support and maintain U.S. combat power, which is critical in the current fiscal environment. However, in order to maximize effectiveness, it is essential that there are sufficient numbers of auditors, investigators, and other oversight professionals available to support the Secretary of Defense's initiative.

DoD IG oversight professionals also provide coverage of congressionally requested projects, and projects required by statute. DoD IG efforts improve DoD business operations, promote compliance with laws and regulations, improve force readiness, and improve the effectiveness of the care and safety of service members.

Over the coming months and years, the DoD IG will continue to conduct reviews that will identify savings and efficiencies that will help the Department achieve its goals. It is anticipated that these efforts will identify significant savings in areas such as excess inventory and spare parts, identification of redundancies or duplicate requirements in major acquisition programs, and identification of improper payments.

The DoD IG has also expanded the role of the Office of Professional Responsibility (OPR), increasing focus on assessing and improving efficiency and effectiveness within the DoD IG. OPR is responsible for conducting Manager's Internal Control Program (MICP) reviews and providing analysis of each DoD IG component to determine managerial, operational and administrative efficiency and effectiveness. This is

being accomplished through inspections of DoD IG offices, as well as independent, objective, professional investigations into allegations of DoD IG employee misconduct.

Additionally, the DoD IG established a new division to evaluate DoD and military service criminal investigative policies, programs, and training focused on violent crimes including murder, suicide, sexual assaults, robbery, criminal child abuse, and aggravated assault. The Violent Crimes Division was established in July 2011 and is located within the Office of the Assistant Inspector General for Investigative Policy and Oversight.

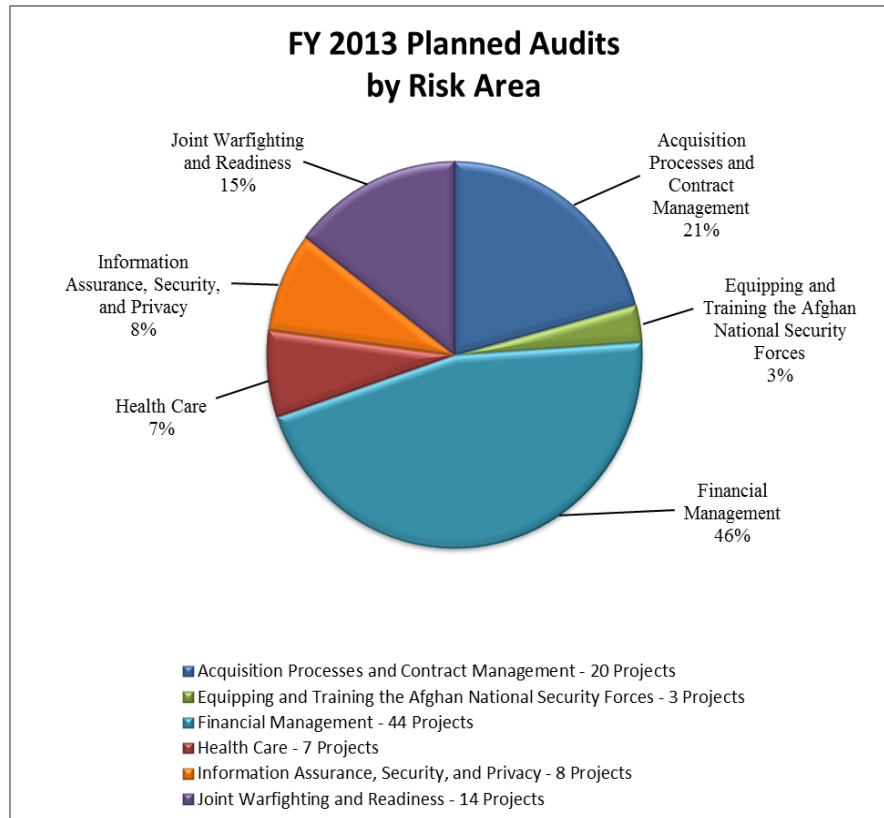
The DoD IG is also expanding its review of technical programs and its cadre of engineers to support the oversight of ever increasing technical and complex DoD programs. This growth allows for more technical oversight and rigor for weapons systems in early phases of development that requires significant system engineering knowledge and technical expertise. Assessing programs in early phases increases savings, avoids mistakes, ensures lessons learned, and mitigates risk to the Department. The value of the DoD IG's engineering support and oversight has been demonstrated in recent projects such as the review of the F-22 Accident Investigation Board Report, F-35 AS9100 assessment, and electrical and fire safety reviews in Afghanistan.

Additional resources have also contributed to significant improvements in our audit and investigative capabilities, and in other key areas, such as Investigations of Senior Officials, Whistleblower Reprisal Investigations, Special Plans and Operations, Intelligence and Special Program Assessments, the DoD Hotline, and Policy and Oversight.

Auditing

With the current staffing levels for FY 2013, our primary audit focus will be on the following risk areas that were identified in the DoD Office of the Inspector General FY 2013 Audit Plan, dated November 2012.

- Acquisition Processes and Contract Management
- Equipping and Training the Afghan National Security Forces (ANSF)
- Financial Management
- Health Care
- Information Assurance, Security, and Privacy
- Joint Warfighting and Readiness



The chart above graphically depicts planned Audits by risk area. In prioritizing our oversight to address these risk areas, Audit designed the planned audits to improve the safety and welfare of Service members and their families, support the Department's Overseas Contingency Operations (OCO), improve operations and financial reporting, identify improvements in ongoing efficiency efforts, and identify new efficiencies. We will continue to adjust our planned audits and priorities throughout FY 2013 and beyond to respond to new management requests, congressional requests, Hotline allegations, and other out-of-cycle requirements.

Audit plans to grow by filling current vacancies, and then adding 25 billets in FY 2015. This growth represents one additional audit division, headed by a GS-15. This division will be placed in the Acquisition and Contract Management Directorate, and will provide additional coverage in the area of weapons systems acquisition, a high risk and high impact area of DoD.

Investigations

In FY 2012, with 354 agents, DCIS investigations (both independent and joint with other law enforcement agencies) recouped over \$3.6 billion for the U.S. government. DCIS agents managed approximately 1,776 active cases at an average of seven per investigative agent. DCIS work resulted in the criminal convictions of 247 individuals, contributed to the suspension of 126 contractors and companies, and caused 207 others to be debarred from doing business with the federal government.

The majority of the DCIS case inventory involves investigations of procurement fraud, health care fraud, and illegal technology transfer, all impacting the DoD. In FY 2012, this casework resulted in an average return on investment (ROI) of \$9.4 million per agent. FY 2012 was a peak year, but the previous ROI for FY11 was \$5.5 million per agent.

DCIS spends more than 85% of its investigative efforts in core mission areas of:

- Procurement fraud and public corruption
- Product substitution including counterfeit parts
- Illegal technology transfer
- Health care fraud
- Computer intrusions and cyber crime

DCIS places its highest priority on critical safety issues, and systemic management failures are treated with the same level of priority as pursuing criminal and civil investigations. This ensures that issues impacting DoD stewardship of its personnel and resources are addressed even when they will not likely result in prosecution. While DCIS growth cannot reasonably be expected to keep pace with the growth of the DoD budget since 2001, moderate growth is needed to continue to diligently detect and deter fraud impacting the Department. Additional DCIS agents will uncover more fraud with significant and measureable results.

Inspections, Evaluations & Assessments

With the growth in the DoD IG budget, and consistent with the demand for its oversight services, DoD IG has expanded its assessment, evaluation and inspection oversight capability into critical areas in support of DoD Strategic Goals. Recent assessment activities addressed a number of DoD national security mission priorities. While assessing the development of the Afghan Air Force, an Office of Special Plans and Operations (SPO) team identified critical safety problems with the C-27A aircraft being provided by the U.S. The DoD IG sent a management letter to the Commander, NTM-A alerting him to these safety problems; the aircraft deployment was subsequently cancelled. The Commander, NTM-A said this “timely OIG oversight action probably saved lives.” It also prevented substantial additional U.S. investment in the C-27A program.

The DoD IG’s Policy and Oversight component recently completed its review of the Air Force Accident Investigation Board Report concerning the F-22A Mishap of November 16, 2010, revealing that there was not enough evidence for the AIB’s stated ‘clear and convincing’ cause of the mishap. The AIB report is currently being reviewed and corrected based on DoD IG findings.

The Office of Intelligence and Special Program Assessments provides oversight across the full spectrum of programs within the Intelligence Enterprise, Special Access Programs, Nuclear Enterprise and related security areas within the Department. Recent

reports reviewed detainee operations and Stability Operations Information Centers in Afghanistan.

DoD IG inspection, evaluation and assessment reporting constitutes a key oversight contribution to DoD programmatic and operational efficiency and effectiveness, and complements the work accomplished by means of audits and investigations.

Promoting Integrity and Accountability

The DoD Hotline is a confidential and reliable vehicle, for military service members, DoD civilians, contractor employees and the public to report fraud, waste, mismanagement, abuse of authority, threats to homeland security and leaks of classified information. The DoD Hotline receives thousands of contacts from the general public and members of the DoD community each year. The top categories of cases resulting from those contacts include internal misconduct, reprisal, finance, and contract administration. Prior increases in the DoD IG budget have enabled the expansion of the DoD Hotline operations to better handle the growing number of contacts. Additional funding will enable the continued expansion of this critical oversight tool, as well as increased outreach efforts to promote awareness of the hotline and encourage reporting of fraud, waste and abuse.

DoD IG's Office of Administrative Investigations (AI) promotes public confidence in the integrity and accountability of DoD leadership by investigating allegations of misconduct by senior DoD officials and by protecting whistleblowers from reprisal. In FY 2012, AI closed 513 whistleblower reprisal complaints, a 51 percent increase over FY 2011, and closed 639 investigations of senior officials, a 40 percent increase over FY 2011.

Whistleblower protection is of paramount importance in identifying potential fraud, waste and abuse, as well as threats to national security. The enactment of the Whistleblower Protection Enhancement Act of 2011 strengthened whistleblower protections and created the Whistleblower Protection Ombudsman. Section 117 of the act requires the designation of a Whistleblower Protection Ombudsmen in Inspectors General Offices to educate agency personnel about whistleblower rights.

OVERSEAS CONTINGENCY OPERATIONS

Section 842, "Investigation of Waste, Fraud, and Abuse in Wartime Contracts and Contracting Processes in Iraq and Afghanistan," of the 2008 NDAA requires the DoD IG to conduct, "thorough audits...to identify potential waste, fraud, and abuse in the performance of...Department of Defense contracts, subcontracts, and task and delivery orders for the logistical support of coalition forces in Iraq and Afghanistan." Further, the FY 2009 NDAA, Section 852, "Comprehensive Audit of Spare Parts Purchases and Depot Overhaul and Maintenance of Equipment for Operations in Iraq and Afghanistan," required that, "the Army Audit Agency, the Navy Audit Service, and the Air Force Audit

Agency shall, in coordination with the Inspector General of the Department of Defense develop a comprehensive plan for a series of audits...to identify potential waste, fraud, and abuse in the performance of the following: Department of Defense contracts, subcontracts, and task and delivery orders for depot overhaul and maintenance of equipment for the military in Iraq and Afghanistan; spare parts for military equipment in Iraq and Afghanistan; and Department of Defense in-house overhaul and maintenance of military equipment used in Iraq and Afghanistan.”

Due to the complex operational environment in SWA, the DoD IG established the Office of the Deputy Inspector General for Special Plans and Operations (SPO) in 2008. This component has focused on high value assessment missions such as munitions accountability in Iraq and Afghanistan, the drawdown of U.S. forces in Iraq, and of critical importance, the development of the Iraq and Afghan security forces, supplementing the efforts already undertaken by other DoD IG components. The resources made available through the funding of the requirements plan have allowed for permanent staffing and growth of this office, which was initially staffed in 2008 with personnel reassigned from other components.

In its reporting, SPO has identified significant challenges and impediments, and recommended courses of action to enable DoD and its military Commands to effectively and accountably expend the Congressionally-appropriated Afghan National Security Forces Fund to build an independent Afghan Army and Police force. This is a key U.S. security objective, the accomplishment of which is essential to the withdrawal of our military personnel and which will provide the necessary support for a stable, sovereign Afghan government. SPO also has evaluated issues concerning the establishing of the Office of Security Cooperation - Iraq (OSC-I) within the U.S. Mission in Baghdad. OSC-I has a key DoD role in promoting progress with respect to the security assistance and cooperation relationship between the U.S. and Iraqi military forces and governments.

The DoD IG plans to continue investigations of fraudulent activity and corruption related to DoD operations in SWA, to include Trafficking in Persons issues. We anticipate an increase in significant theft and technology transfer investigations as forces draw down in Afghanistan. DCIS currently deploys nine special agents and one supervisory special agent for four-month rotations to SWA: Kuwait City, Kuwait and Bagram, Kandahar and Kabul, Afghanistan. DCIS has an on-site Regional Director of Investigations in Kabul, Afghanistan in order to oversee SWA operations.

An expeditionary workforce model has been adopted to support efforts throughout all of SWA. The DoD IG has core staff forward deployed at all times. The core contingent is comprised of individuals serving between 4 and 12-month deployments. The actual number of auditors, investigators, and inspectors in SWA and Iraq fluctuates on a daily basis depending on requirements.

The DoD IG plans to maintain appropriate staffing levels in SWA to conduct essential oversight and investigations. Due to congressional support, we have been able to dedicate more DoD IG resources to provide increased oversight on potential waste, fraud,

and abuse, and increased efficiency and effectiveness, as well as expand our footprint across SWA. This plan enables us to continue to provide an appropriate level of oversight in SWA as DoD enters a critical phase that requires a sustained focus on the continued training, equipping and mentoring of the Afghan National Security Forces to enable the ANSF to assume the lead security operations role.

Additionally, our field offices in Hawaii will help support our efforts to provide oversight on the major restructuring of the current force structure, the planned force restructure of the Marines from Japan to Guam, and in strengthening and rebalancing U.S. forces in the Pacific.

The DoD IG is taking a more proactive approach to planning for oversight of future overseas contingency operations, in accordance with the Section 848 of the National Defense Authorization Act for FY 2013, Responsibilities of the Inspectors General for Overseas Contingency Operations. The Deputy Inspector General for Southwest Asia is developing a plan for standing up and discharging responsibilities in future OCOs. The plan will address additional oversight responsibilities and required resources to enable the DoD IG to respond quickly and effectively to future OCOs.

INFORMATION TECHNOLOGY REQUIREMENTS

In order to maximize efficiency and effectiveness, enhance communications to global field sites, and maintain oversight capabilities in overseas contingency operations, the DoD IG must continue to commit resources to the agency's Information Technology (IT) portfolio and capabilities to sustain mission success.

Protection and modernization of IT resources is critical to the success of the DoD IG mission. The DoD IG requires additional resources to effectively defend against ever increasing IT security risks, and provide timely response to Federal Information Security Management Act (FISMA), Office of Budget and Management (OMB), and DoD Information Assurance (IA) requirements. Failure to adequately protect DoD IG IT resources threatens the confidentiality and integrity of DoD IG work products, and increases the risk of loss, or compromise of DoD IG data, to include that of whistleblowers and other sources to the DoD Hotline.

Supporting the DoD IG mission requires a resilient, agile, and sustainable IT infrastructure. To meet this requirement, the DoD IG is using an enterprise approach to integrate business processes and technologies, leveraging a common underlying enterprise architecture, and managing costs by eliminating redundant technologies. The base architecture has been established, and successfully used as a foundation for the Defense Criminal Investigative Service (DCIS) Case Reporting and Information Management System (CRIMS), a case management system supporting the DoD IG investigative mission and providing improved capabilities to meet mandatory reporting requirements. Additionally, the new enterprise architecture was used to build the Defense Case Activity Tracking System (D-CATS), a case tracking system supporting the DoD Hotline and Administrative Investigations (AI) component, providing more consistent

tracking and reporting of Hotline referrals and investigations of senior officials. Using a streamlined approach, D-CATS reached initial operating capability in less than 6 months. Additional capabilities will continue to be built on the DoD IG enterprise architecture platform, including an Enterprise Project Management System (EPMS) that will replace the Defense Automated Management Information System (DAMIS) and enhance tracking of organizational metrics for audits, investigations, and other activities, and feed into an agency dashboard, enhancing visibility of mission activities for all levels of DoD IG leadership.

Building on CRIMS, which was successfully deployed in 2011, the DoD IG is pursuing additional functionality that will further enhance mission readiness by building upon the initial operational capability and extend this modernization to classified cases on the SIPRNet and to the DoD IG Office of Professional Responsibility (OPR). Additionally, CRIMS will automate Defense Central Index of Investigations (DCII) and Defense Incident Based Reporting System (DIBRS) reporting, and allow DCIS to more effectively track grand jury investigations and custody of evidence. Finally, based on availability of funding, the DoD IG intends to add a geographical information system that will provide a common operational picture of DCIS field locations, subjects, DoD components, and DoD contractors.

The DoD IG is investing \$750 thousand in FY 2012 research, development, testing & evaluation (RDT&E) funds to begin development of an analytics system that will identify meaningful patterns and correlations among variables in complex data, and increase visibility of fraud, waste, and abuse within the DoD through statistical analysis and the development of predictive modeling techniques. This system will build on existing technologies already used by DoD IG auditors, and extends this capability out to previously stove-piped data located in CRIMS, D-CATS, and public, legal, financial and contracting databases, as well as making this capability available to all DoD IG components. Once established, this increased analytics capability will be enhanced with predictive modeling approaches to increase organizational efficiency and effectiveness thus enabling DoD IG analysts to more effectively determine high-risk areas, and allow audit and investigative resources to be more efficiently allocated to those areas. In FY 2015, additional funding will be required for additional modules to be developed and added to the predictive analytics platform.

Additional resources are also required for the investigation of cyber-crime and digital media processing, examination, and review support for all DCIS investigations through the full deployment of DCIS's Digital Media Examination Network (DMEN) system. As DCIS expands its presence and increases its criminal investigative capabilities, the potential evidence from numerous digital media sources, such as electronic mail accounts, smartphones, laptops, corporate data centers, and "cloud" storage continues to grow exponentially. DCIS is currently on target to acquire, process and review over 160 terabytes of electronic media in FY 2013, double the amount DCIS processed in FY 2009. Without additional resources, such as DMEN, DCIS may face challenges in keeping pace with the increasing operational and technological

requirements and encounter shortfalls processing and reviewing the digital media-based evidence needed to support its customers.

LOOKING AHEAD

Additional resources will enable us to provide increased oversight in other key areas, such as:

- Strategic pivot to Asia-Pacific
- Contract surveillance
- Service contracts and multiple award schedule contracts
- Military construction requirements
- Contracts in support of Southwest Asia
- Logistics assessments and audits
- Equipment status
- Foreign military sales administration
- Ammunition resupply operations in the U.S. Central Command
- Cost controls over the movement of cargo
- Controls over hazardous and fissile materials
- Direct and general support maintenance operations in a field environment
- Sustainment planning for military operations
- Special Access Programs
- Nuclear Enterprise
- Intelligence Enterprise
- Procurement Fraud and Public Corruption
- Product Substitution
- Illegal Technology Transfer
- Health Care Fraud
- Computer Intrusions and Cyber Crime
- Counter-terrorism / counter-insurgency
- Security Force Assistance
- Development of the Afghan National Security Forces
- Post-2014 train, equip, advise and assist mission in Afghanistan
- Biosurety
- Wounded warrior transition programs
- Security Cooperation / Assistance programs worldwide

SUMMARY OF FUTURE PERSONNEL AND BUDGET REQUIREMENTS

The table below depicts our current and future core budget and personnel requirements for Fiscal Years 2013 through 2018, based on the mission requirements identified in this plan, and taking into consideration the current budget realities. It does not include Overseas Contingency Operations (OCO) or American Recovery and Reinvestment Act (ARRA) funding. In accordance with the DoD's Efficiency Initiative, the IG is also evaluating contractor positions and in-sourcing where possible.

	FY13	FY14	FY15	FY16	FY17	FY18
Budget (Millions)	\$322 ³	\$347	\$355	\$364	\$373	\$383
Civilian Personnel	1,614	1,666	1,720	1,780	1,840	1,900
Annual Growth		52	54	60	60	60
Cumulative Growth		52	106	166	226	286

³ \$350 million in appropriations for FY13 was reduced by \$28 million as a result of sequestration.

APPENDIX

A

REPORT LANGUAGE

SR 110-77, 2008 NDAA

HR 111-491, 2011 NDAA

SR 112-173, 2013 NDAA

SR 110-77, to Accompany S. 1547, 2008 NDAA**Department of Defense Inspector General**

The budget request included \$214.9 million in Operation and Maintenance, Defense-wide (OMDW) for the Office of the Inspector General (OIG). This is slightly less than the \$216.3 million requested and the \$218.0 million provided for fiscal year 2007. The committee is concerned that funding levels for this important independent audit and investigative function is not keeping pace with the demands for the Inspectors' General services in the global war on terror.

The OIG audits, investigates, inspects, and evaluates the programs and operations of the Department of Defense (DOD), and recommends policies and process improvements that promote economy, efficiency, effectiveness, and integrity in DOD programs and operations. For the last 3 years, the OIG has achieved \$27.5 billion in savings and \$1.7 billion in recovery for the nation. The committee notes that in that same 3 years the exponential growth in the number and cost of Department contracts for operations, procurement, research, and construction within the United States and around the world. The nation's annual defense costs have crossed the \$500.0 billion mark, well beyond the annual budgets of just over \$200.0 billion before the start of the global war on terror in 2001. Despite this growth, the personnel strength of the OIG has remained nearly constant. The committee is concerned that the capabilities of the OIG are not keeping pace, in terms of qualified personnel, with the growth in the size of the defense budget and the numbers of contracts.

Therefore, the committee recommends an increase of \$10.0 million in OMDW for the OIG to start and accelerate the growth of the OIG. The committee directs the Inspector General to provide to the defense committees, by March 31, 2008, an analysis of the current and future personnel, organization, technology, and funding requirements of the OIG. This report shall also include a comprehensive and detailed master plan, with annual objectives and funding requirements, that will provide the fastest possible increase in audit and investigative capabilities.

HR 111–491, to Accompany H.R. 5136, 2011 NDAA**TITLE XIV—OTHER AUTHORIZATIONS****ITEMS OF SPECIAL INTEREST****Department of Defense Inspector General Growth Plan**

The budget request contained \$283.4 million for the Department of Defense Inspector General (DOD IG).

The committee is aware of the important role of the Department of Defense Inspector General. The inspector general improves the economy, efficiency, and effectiveness of DOD personnel, programs and operations, and helps to eliminate fraud, waste, and abuse.

The committee is aware that a plan for increasing DOD IG audit and investigative capabilities was published March 31, 2008. This plan required increased resources for it to be fully implemented, and Congress provided these resources in fiscal years 2008–10. The committee is concerned that the Department of Defense Inspector General is funded below the level required to meet the growth plan in fiscal year 2011. The committee believes the Department has had sufficient time to assimilate the requirements of the IG growth plan and is disappointed that the Department has failed to fully resource the IG requirements. The committee expects the Secretary of Defense to provide the necessary resources to this critical function in future budget requests.

The committee recommends \$283.4 million, the amount of the request.

SR 112–173, to Accompany S. 3254, 2013 NDAA

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Department of Defense Inspector General growth plan

The budget request for the Department of Defense Office of the Inspector General (DODIG), included \$273.8 million in Operation and Maintenance (O&M)—\$73.1 million less than the fiscal year 2012 appropriated level and \$76.5 million less than the amount required to carry out the DODIG's growth plan for fiscal year 2013. The committee recommends an increase of \$59.1 million in O&M for the DODIG.

The committee recognizes that all elements of the Department of Defense (DOD) have been required to reduce staffing and expenditures and that a growth plan established in 2008 requires reconsideration in light of new budgetary realities. The committee further recognizes that last year's appropriated funding included \$14.0 million for expenses related to base realignment and closing (BRAC) that will not be needed this year.

However, the independent audit and investigative functions of the DODIG play a critical role in identifying waste, fraud, and abuse in DOD programs and operations. In fiscal year 2011, DODIG audits and investigations resulted in \$2.6 billion of savings, an average \$8.79 saved for every dollar appropriated and \$1.6 million saved per DODIG employee.

The increase recommended by the committee would not fully fund the DODIG growth plan, but would restore DODIG funding to the fiscal year 2012 appropriated level, minus the \$14.0 million for BRAC funding that is no longer needed. The committee directs that the added funding be used by the DODIG to conduct oversight related to military operations in Afghanistan, review contract management and acquisitions, and support audits to identify potential waste, fraud, and abuse. The committee directs the DODIG to reevaluate the 2008 growth plan and establish future staffing objectives on the basis of audit and investigation need and current budgetary realities.