

Inspector General

United States
Department of Defense



Semiannual Report to the Congress

April 1, 2007 - September 30, 2007

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OFFICE OF THE INSPECTOR GENERAL DEPARTMENT OF DEFENSE



VISION STATEMENT

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

MISSION STATEMENT

The Office of the Inspector General promotes integrity, accountability, and improvement of the Department of Defense personnel, programs, and operations to support the Department's mission and to serve the public interest.

CORE VALUES

Accountability • Integrity • Efficiency

Goal 1 Improve the economy, efficiency, and effectiveness of Department of Defense personnel, programs, and operations.

Goal 2 Eliminate fraud, waste, and abuse in the programs and operations of the Department.

Goal 3 Improve the efficiency and effectiveness of Inspector General products, processes, and operations.



Message from the Inspector General

We are pleased to present the Department of Defense Inspector General Semiannual Report to the Congress for April 1, 2007 to September 30, 2007. Issued in accordance with the Inspector General Act of 1978, as amended, this report summarizes our significant activities and recommendations.

The Department continues to face many challenges in the Global War on Terror (GWOT). The DoD IG has identified priorities based on those challenges and established the following goals: sustain the DoD IG presence in Southwest Asia; expand coverage of GWOT-related programs and operations; and increase efforts to prevent the illegal transfer of strategic technologies and U.S. munitions list items to proscribed nations, terrorist organizations, and other criminal enterprises. During this reporting period, the DoD IG opened a field office in Afghanistan as part of the strategic positioning of an IG forward deployed presence in the Southwest Asia region. The DoD IG also assembled an interagency, inter-service Assessment Team for Munitions Accountability to assess the controls over the distribution of conventional military arms, ammunitions, and explosives provided to the Iraq and Afghanistan Security Forces.



This Semiannual Report also highlights DoD IG activities related to improving financial management, contract management, and cyber security issues within the Department. The Department has made progress improving numerous acquisition processes and implementing the Financial Improvement and Audit Readiness Plan.

Our most notable audit and investigative work are summarized on the statistical highlights page at the beginning of this report. Over the last six months, the DoD IG has issued 54 audits, as well as achieved \$107 million in monetary benefits and identified \$988 million in potential monetary benefits on funds put to better use. During this reporting period, investigative activities resulted in 223 indictments and 152 convictions, as well as \$622 million in recoveries to the U.S. Government. The IG role as a watchdog must be exercised with independence and objectivity in order to provide the American people with confidence that the Department is a responsible steward of the taxpayer dollars spent for our Nation's defense.

This report also includes summaries of work being done by our counterpart Defense oversight organizations, including the Defense Contract Audit Agency, the Army Audit Agency, the Naval Audit Service, the Air Force Audit Agency, the Army Criminal Investigation Command, the Naval Criminal Investigative Service, the Marine Corps Criminal Investigation Division, and the Air Force Office of Special Investigations.

The DoD IG remains focused on accomplishing its goals of improving the economy, efficiency, and effectiveness of Department of Defense personnel, programs, and operations, as well as eliminating fraud, waste, and abuse in the programs and operations of the Department. We will maintain this focus in the year ahead; so that the men and women at the forefront of providing oversight have the training, tools, and infrastructure they need to serve our country successfully in locations around the globe.

In closing, we are proud of the dedication of DoD IG auditors, investigators, inspectors, and support personnel who continue to pursue our mission with integrity, professionalism, and devoted service to our men and women in uniform, DoD civilians, and the American people. We will continue to provide independent, objective, and relevant information to the Department and Congress and work hard to identify and fix issues in the transformation of the Department of Defense. We look forward to working closely with the Department and Congress to make the Department as efficient as possible in protecting our country and providing and caring for our Nation's warfighters.

Claude M. Kicklighter
Inspector General

Statistical Highlights

The following statistical data highlights Department of Defense Inspector General activities and accomplishments during the April 1, 2007 to September 30, 2007 reporting period.

Investigations¹

Total returned to the U.S. Government.....	\$621.9 Million
Seizures and Recoveries.....	\$2.7 Million
Civil Judgments.....	\$144.7 Million
Criminal Judgments.....	\$467.3 Million
Administrative Judgments.....	\$7.2 Million
Investigative Cases	
Indictments.....	223
Convictions.....	152
Suspensions.....	43
Debarments.....	87

Audit

Audit Reports Issued.....	54
Monetary Benefits	
Recommendations Made on Funds Put to Better Use.....	\$988 Million
Achieved Monetary Benefits (Funds Put to Better Use).....	\$107.4 Million

Policy and Oversight

Existing and Proposed Regulations Reviewed.....	137
Evaluation Reports Issued.....	13
Inspector General Subpoenas Issued.....	134
Voluntary Disclosure Program Recoveries.....	\$8 Million

Hotline Activities

Contacts.....	7,357
Cases Opened.....	995
Cases Closed.....	1,148
Dollar Recoveries.....	\$2.1 Million

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



DoD IG COVER



Cyber Security

IGIG reports were reviewed in all investigations... (text continues)

55 CYBER SECURITY



Financial Management

IGIG reports were reviewed in all investigations... (text continues)

63 FINANCIAL MANAGEMENT



Acquisition Process & Contract Management

IGIG reports were reviewed in all investigations... (text continues)

71 CONTRACT MANAGEMENT

Contents

GLOBAL WAR ON TERROR	1
GWOT Goals	3
GWOT Highlights	9
DoD IG	15
Army	28
Navy and Marine Corps	34
Air Force	38
SIGNIFICANT ACCOMPLISHMENTS	43
Joint Warfighting and Readiness	44
Human Capital	50
Information Security and Privacy	53
Financial Management	61
Acquisition Process and Contract Management	69
Health Care	78
DOD IG OUTREACH	81
Congressional Testimony	82
Defense Hotline	83
DoD IG Website	85
Georgetown University Master's Program	86
PCIE/ECIE Activities	87
DCIE Activities	88
Speeches/Conferences	88
Awards	90
DOD IG COMPONENTS	93
Deputy Inspector General for Auditing	94
Deputy Inspector General for Investigations	96
Deputy Inspector General for Policy and Oversight	99
Deputy Inspector General for Intelligence	103
Office of Communications and Congressional Liaison	104
LIST OF APPENDICES	105

DoD IG Reporting Requirements

IG ACT REFERENCES	REPORTING REQUIREMENTS	PAGE
Section 4 (a)(2)	▶ “review existing and proposed legislation and regulations...make recommendations...”	N/A
Section 5 (a)(1)	▶ “description of significant problems, abuses, and deficiencies...”	43-80
Section 5 (a)(2)	▶ “description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies...”	43-80
Section 5 (a)(3)	▶ “identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed...”	94-95
Section 5 (a)(4)	▶ “a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted...”	43-80
Section 5 (a)(5)	▶ “a summary of each report made to the [Secretary of Defense] under section 6(b)(2)...” (instances where information requested was refused or not provided,)	N/A
Section 5 (a)(6)	▶ “a listing, subdivided according to subject matter, of each audit report issued...” showing dollar value of questioned costs and recommendations that funds be put to better use.	106-117
Section 5 (a)(7)	▶ “a summary of each particularly significant report...”	43-80
Section 5 (a)(8)	▶ “statistical tables showing the total number of audit reports and the total dollar value of questioned costs...”	118
Section 5 (a)(9)	▶ “statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management...”	118
Section 5 (a)(10)	▶ “a summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period...”	118
Section 5 (a)(11)	▶ “a description and explanation of the reasons for any significant revised management decision...”	N/A
Section 5 (a)(12)	▶ “information concerning any significant management decision with which the Inspector General is in disagreement...”	N/A
Section 5 (a)(13)	▶ “information described under Section 804 [sic] of the Federal Financial Management Improvement Act of 1996...” (instances and reasons when an agency has not met target dates established in a remediation plan)	N/A
Section 5 (b)(2)	▶ “statistical tables showing the total number of audit reports and the dollar value of disallowed costs...”	119
Section 5 (b)(3)	▶ “statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision...”	119
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...”	122-159
Section 8 (f)(1)	▶ “information concerning the number and types of contract audits...”	120

GLOBAL WAR ON TERROR





DEPARTMENT OF DEFENSE INSPECTOR GENERAL

These are the people we work for....



and they deserve the Best!

GLOBAL WAR ON TERROR GOALS

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



The DoD IG is committed to supporting the GWOT and the needs of the men and women fighting this war. Overall, the DoD IG is responsible for providing oversight to more than \$550 billion in funds dedicated for the GWOT. The responsibility of the DoD IG is to identify and help fix critical mission support problems that impact Operations Enduring Freedom and Iraqi Freedom. The DoD IG has established the following GWOT-related goals:

GOAL 1

Sustain the DoD IG presence in Southwest Asia (SWA) to work on priority issues directly supporting efforts for Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF).

GOAL 2

Expand coverage of DoD GWOT-related programs and operations by providing oversight in fundamental areas, including contract surveillance, funds management, accountability of resources, health care for the warfighter and training and equipping of personnel.

GOAL 3

Increase efforts to prevent the illegal transfer of strategic technologies and U.S. munitions list items to proscribed nations, terrorist organizations, and other criminal enterprises.

GOAL 1: SUSTAINING THE DOD IG PRESENCE

To provide a more effective and efficient oversight role, the DoD IG has established field offices in strategic Southwest Asia locations. The placement of DoD IG personnel in Southwest Asia facilitates more timely reviews and reporting of results in-theater and minimizes disruption to the warfighter.

The DoD IG has a field office in Qatar as an in-theater base of operations. The DoD IG also has a field office in Kuwait and in Iraq at Camp Victory and the International Zone. During June 2007, the DoD IG established a field office at Bagram Air Base in Afghanistan.

AFGHANISTAN FIELD OFFICE



The DoD IG opened an office at the Bagram Air Base in Afghanistan with the support and endorsement of the U.S. Central Command and the Combined Joint Task Force-82. The Afghanistan office is staffed with up to three auditors at a time, on a rotational basis, serving tours of 6 to 12 months. Auditors from the Afghanistan office and DoD IG staff on temporary duty travel in Afghanistan are currently supporting the assessment on Munitions Accountability and are performing the audit on Contingency Construction Contracting Procedures Implemented by the Joint Contracting Command-Iraq/Afghanistan. In addition, the auditors in Afghanistan are providing support to DoD IG teams based in the continental United States looking at

contractor issues within Southwest Asia. As of September 30, 2007, three DoD IG staff was deployed to Afghanistan performing research, initiating audits, and supporting the munitions assessment team.

QATAR FIELD OFFICE

The DoD IG established a field office in Qatar collocated with U.S. Central Command Air Forces (CENTAF) on Al Udeid Air Base, Qatar. The Qatar office is staffed with up to nine auditors at a time, on a rotational basis, serving tours of 4, 6, or 12 months. The Qatar office conducts audits as required in Iraq, Afghanistan, or throughout the U.S. Central Command (CENTCOM) area of responsibility. Auditors from the Qatar field office have traveled to Iraq and Afghanistan to perform specific reviews, such as the audits of "Potable and Non-Potable Water in Iraq" and "Contractor Support to the Joint Improvised Explosive Device Defeat Organization in Afghanistan." Additionally, the Qatar office staff facilitates and may augment other teams that require temporary travel in-theater to conduct specific reviews. Also, the auditors in Qatar are providing support to DoD IG teams based in the continental United States looking at the management of contractor issues within Southwest Asia. As of September 30, 2007, five DoD IG staff were forward deployed in Qatar performing audits.

KUWAIT FIELD OFFICE

The DoD IG field office in Kuwait is staffed by two Defense Criminal Investigative Service special agents who are focused on contract fraud and other potential criminal activities in Southwest Asia that impact GWOT efforts.

IRAQ FIELD OFFICES

In coordination with the Commanding General, Multi-National Force-Iraq, the DoD IG established field offices in Iraq at Camp Victory and the International Zone. The Iraq offices are staffed with up to five auditors at a time, on a rotational basis, serving tours of 6 to 12 months. Auditors from the Iraq offices and DoD IG staff on temporary duty travel in Iraq performed Phase III of the Iraq Security Forces Fund audit and are currently supporting the assessment on Munitions Accountability. In addition, the DoD IG has assigned auditors in Iraq to provide the Defense Criminal Investigative Service support for ongoing criminal investigations pertaining to contract fraud. The auditors in Iraq also provide support to DoD IG teams based in the continental United States performing oversight related to Iraq such as the management of contractor issues within Southwest Asia and the Army Reset program. As of September 30, 2007, eight DoD IG staff were deployed to Iraq performing audits, inspections, and investigations.



DoD IG auditors at the Afghanistan Field Office, with General Petraeus in Iraq and at the Qatar Field Office.

GOAL 2: EXPANDING DOD IG OVERSIGHT

The GWOT, especially operations in Southwest Asia, continues to be a top priority of the DoD IG and its four operational components. Auditing, Investigations, Policy and Oversight, and Intelligence have 138 ongoing or completed projects.

Those 138 projects provide oversight of various functions and activities such as contracts, readiness, logistics, funds management, contract fraud, accountability, theft, corruption, and intelligence efforts. DoD IG has completed or is conducting oversight efforts that cover approximately \$88 billion related to DoD GWOT efforts.

AUDITS	INVESTIGATIONS	EVALUATIONS	INTELLIGENCE
36	90	8	4

The DoD IG is actively engaged in OEF and OIF to prevent fraud, waste, and abuse from occurring. The DoD IG is expanding its GWOT oversight efforts by covering a wide range of GWOT issue areas to best serve the warfighter and the American people. Specific examples of GWOT oversight coverage include:

- ◆ Use and controls over the Iraqi and Afghanistan Security Forces Funds;
- ◆ The effectiveness of practices related to solicitation, award, quality assurance, oversight, and final acceptance of construction projects;
- ◆ Armoring of Army Medium Tactical Vehicles;
- ◆ Procurement of Body Armor to include the adequacy of first article testing prior to award of contracts; and
- ◆ The controls over the issuance and use of the DoD common access card in Southwest Asia.



DoD IG auditors in Iraq.

DCIS is engaged in investigating DoD-related matters pertaining to the Iraqi theater, to include Kuwait. DCIS has 90 ongoing investigations related to the war effort, which include:

- ◆ War Profiteering
- ◆ Contract Fraud
- ◆ Contract Corruption

GOAL 3: INCREASE TECHNOLOGY PROTECTION

The Defense Criminal Investigative Service (DCIS) Technology Protection Program is DCIS's fastest growing program. Investigations under this program involve the illegal theft or transfer of technologies and U.S. Munitions List items to proscribed nations, criminal enterprises, and terrorist organizations that pose a threat to U.S. national security.

The illicit trans-national trafficking of critical military technology and weapons of mass destruction (WMD) components presents a danger to the United States, its allies and threatens America's Warfighters deployed around the world. The illegal exportation of Department of Defense technology to other countries has been and remains a high investigative priority for DCIS.



DCIS has investigated cases involving the illegal export of missile technology, military night vision data, fighter jet components, and helicopter technical data. Fostering a multi-agency approach has been and continues to be critical to the success of these investigations and prosecutions. DCIS conducts proliferation and technology transfer investigations with Immigration and Customs Enforcement (ICE), Military Criminal Investigative Organizations (MCIOs) and other law enforcement mission partners. As a result of these joint investigations, numerous cases have been successfully prosecuted.

Following a joint investigation by DCIS and ICE involving the attempted purchase of night vision devices, holographic sights, sniper rifles, sub-machine guns, stinger missiles, grenade launchers, six subjects associated with the Liberation Tamil Tigers Elam (LTTE) pled guilty to charges of conspiracy to violate the Arms Export Control Act and the International Traffic in Arms Regulations, laundering of monetary instruments and conspiracy to provide material support to a foreign terrorist organization. Thus far, two subjects have been sentenced to a period of one year and one day of incarceration. A total of \$701,925 has been recovered.



Military technologies involved in illegal export cases investigated by DCIS.

DCIS also recently teamed up with its ICE mission partners and participated in a conference regarding: new counter-proliferation task forces and training; improved coordination with export licensing agencies; foreign efforts to obtain controlled U.S. technology; and an enhanced U.S. law enforcement response.

DCIS actively participates in a variety of research and technology protection working groups. This participation includes regular meetings with the Intelligence Community (IC) and allows DCIS to provide and receive technology protection information developed during the course of DCIS and other agencies investigations.



Although DCIS does not use counter-intelligence investigative techniques, working with the IC regarding intelligence developed in support of technology transfer and proliferation has proven to be valuable. Any intelligence, gleaned from DCIS investigative efforts, provides additional support to analytical products produced by the IC for national security policy makers.

The Department of Justice (DoJ) recently launched an export enforcement initiative to harness the various export control/proliferation related assets in the law enforcement and intelligence communities and fuse them together with a focus on the detection, investigation, and prosecution of illicit attempts to acquire controlled U.S. technology.

DCIS Director Charles W. Beardall discusses the National Counter-Proliferation Initiative at a DoJ press conference.

DCIS is a partner in this initiative and continues to play a significant role in providing the U.S. Attorney's Office with the necessary assistance needed to undertake these complex and specialized prosecutions.

DCIS Director Charles W. Beardall recently participated in a DoJ press conference announcing the formation of this National Counter-Proliferation Initiative. The purpose of the initiative is to prevent critical, sensitive technology from being obtained by terrorists and countries hostile to the United States.

DCIS realizes the most effective way to combat the illegal transfer of technology is through a collaborative effort of investigative activities. Our national security can not afford to have agencies pulling in opposite directions. This collaborative effort thwarts illegal transfers of DoD technology.

A DCIS special agent displays night vision goggles and other military parts involved in technology protection investigations at the DoJ press conference.



GWOT HIGHLIGHTS

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



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

Through FY 2007, Congress has appropriated more than \$550 billion to DoD for the GWOT. Each dollar not prudently spent results in a dollar unavailable for GWOT priorities.

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

- › SOUTHWEST ASIA LEADERSHIP VISITS
- › IG ASSESSMENT OF MUNITIONS
- › JOINT TERRORISM TASK FORCES
- › INTERAGENCY GWOT OVERSIGHT

SOUTHWEST ASIA LEADERSHIP VISITS



In September 2007, Inspector General Kicklighter traveled to Kuwait, Afghanistan, Qatar, Turkey, and Iraq, where he led the DoD IG assessment on munitions accountability, discussed accountability concerns with senior military leaders and met with deployed DoD IG personnel, as well as with deployed auditors from other DoD oversight organizations. Senior officials Inspector General Kicklighter visited while in Southwest Asia included:

Amb. William Wood, Chief of Mission, U.S. Embassy Afghanistan	Brig. Gen. Robert Livingston, USA, Commanding General, Combined Joint Task Force Phoenix VI in Afghanistan
Amb. Ryan Crocker, Chief of Mission, U.S. Embassy, Baghdad	Brig. Gen. Robin Swan, USA, Commanding General, Coalition Military Assistance Training Team (CMATT) in Iraq
Charge d'Affaires Alan Misenheimer, Deputy Chief of Mission, U.S. Embassy, Kuwait	Brig. Gen. Andrew Twomey, USA, Deputy Commanding General, Combined Security Transition Command – Afghanistan (CSTC-A)
Amb. Chase Untermeyer, U.S. Embassy, Qatar	Brig. Gen. Michael Walsh, USA, Commander, Gulf Region Division, U.S. Army Corps of Engineers in Iraq
Amb. Ross Wilson, Chief of Mission, and Country Team, U.S. Embassy, Turkey	Afghan Minister of Defense and Minister of Interior
General Dan McNeill, USA, Commander, NATO International Security Assistance Force in Afghanistan	Afghan Inspectors General for the Ministry of Defense and the Ministry of Interior
General Gen. David H. Petraeus, USA, Commanding General, Multi-National Force – Iraq	Iraq Minister of Interior
Lt. Gen. James M. Dubik, USA, Commander, Multi-National Security Transition Command-Iraq (MNSTC-I)	Iraq Chief of Joint Staff and Iraq Ground Force Commander, Ministry of Defense
Lt. Gen. R. Steven Whitcomb, USA, Commanding General, Third Army, U.S. Army Central (ARCENT) and Coalition Forces Land Component Command (CFLCC)	Iraq Inspectors General for Ministry of Defense and Ministry of Interior
Lt. Gen. Raymond Odierno, USA, Commanding General, Multi-National Corps-Iraq (MNC-I)	Turkish National Police Senior Operations Officer for Anti-Smuggling and Organized Crime
Maj. Gen. Robert Cone, USA, Commanding General, Combined Security Transition Command – Afghanistan (CSTC-A)	Turkish General Staff Senior Intelligence Officer
Maj. Gen. Michael Jones, USA, Commanding General, Civilian Police Assistance Training Team (CPATT) in Iraq	Brig. Gen. Charles W. Lyon, Commander, 379th Air Expeditionary Wing, Udeid Air Base, Qatar

IG ASSESSMENT OF MUNITIONS



Inspector General Claude M. Kicklighter recently concluded a trip to Southwest Asia, where he led an interagency, inter-service Assessment Team for Munitions Accountability in response to accountability and control problems involving weapons and munitions that were purchased by the U.S. Government and intended for use by Iraq security forces.

The Assessment Team, which deployed in early September 2007, is comprised of representatives from the DoD IG, Department of State Office of Inspector General, the U.S. Army, Navy, and Air Force, Army Audit Agency, Army Criminal Investigation Command, U.S. Army Corps of Engineers, as well as other agencies. The teams' overall objective is to determine whether the controls over the distribution of conventional military arms, ammunition, and explosives provided to the security forces in Iraq and Afghanistan are adequate. This assessment will enable the DoD IG to identify any systemic problems related to the equipping of the Iraqi and Afghanistan security forces, especially regarding munitions, and recommend corrective actions that can be initiated to address these issues.

The issue of weapons and munitions accountability has been under increasing scrutiny by Congress. On September 21, 2007, DoD Principal Deputy Inspector General Thomas F. Gimble testified before the House Armed Service Committee regarding, "Accountability During Contingency Operations: Preventing and Fighting Corruption in Contracting and Establishing and Maintaining Appropriate Controls on Materiel." In addition, the Defense Criminal Investigative Service is working with the U.S. Army Criminal Investigation Command, the Federal Bureau of Investigation, the U.S. Department of Justice, the Special Inspector General for Iraq Reconstruction, and other government agencies on related investigations involving missing weapons, fraud, bribery, and corruption.



Inspector General Kicklighter and the Assessment Team for Munitions Accountability in Iraq.

JOINT TERRORISM TASK FORCES

The Defense Criminal Investigative Service (DCIS) is an ardent and active supporter of the FBI's Joint Terrorism Task Forces (JTTFs). DCIS currently staffs approximately 42 JTTFs on a full-time or part-time basis. A full-time DCIS program manager is also assigned to the National Joint Terrorism Task Force (NJTTF) located at the National Counterterrorism Center (NCTC), Mclean, VA.



The JTTF concept is based on the premise that success against terrorism is best achieved through cooperation among federal, state and local agencies. This has proven to be a highly effective model for combating terrorism. Cooperation blends the skills and resources of several agencies enhancing the capabilities of all involved.

The first JTTF was established in New York City in 1980 as a result of the increasing number of terrorist bombings in the late 1970s and early 1980s. There are now 103 JTTFs nationwide, including at least one at each of the FBI's 56 field offices. Additionally, the NJTTF in McLean, VA, brings together senior personnel from 45 different agencies representing the intelligence, law enforcement (state, local and other federal), and public safety communities. The NJTTF serves as a multi-agency information collaboration and fusion center.

DCIS special agent working with the FBI's JTTFs.

DCIS JTTF agents are currently playing key roles in many terrorism investigations. One recent example is the investigation and arrest of seven homegrown terrorists in Miami for plotting to bomb the Sears Tower in Chicago. The group had sworn an oath of allegiance to an FBI Informant who they believed was an Al Qaeda operative. The leader of the group met with the informant on several occasions and professed an interest in destroying FBI buildings around the country and the Sears Tower in Chicago. He asked for money, boots, uniforms, weapons and vehicles to carry out the plots. This group had conducted video surveillance of Federal facilities as well as the Sears Tower and was actively recruiting members for the group.

Another example is the investigation of the "Fort Dix Six" in New Jersey. Six men, all immigrants, were arrested for plotting to attack Fort Dix, New Jersey and other Department of Defense installations in the Philadelphia/New Jersey area. A video store clerk came to law enforcement authorities with information that one of the men had asked him to copy a DVD of a disturbing video that showed, among other things, the group taking target practice while yelling "Allah Akbar." The FBI infiltrated the group with an informant who arranged to meet with five of the "Six" to conduct a sale of weapons. The FBI New Jersey Resident Agency JTTF then arrested the "Six" and executed several search warrants. A DCIS agent assigned to the Philadelphia JTTF was involved in this investigation.

Creation of JTTFs involves a costly investment of personnel and equipment, however, this initiative realizes qualitative benefits in the form of improvements to interagency coordination and cooperation, sharing of intelligence and in obtaining arrests and convictions in counterterrorism investigations. DCIS will continue to support JTTFs in an effort to reduce the threat of terrorist acts against Department of Defense interests.



INTERAGENCY OVERSIGHT

The DoD IG is the lead oversight agency for accountability in DoD, and as such, is committed to maintaining an effective working relationship with other oversight organizations to minimize duplication of efforts and to provide more comprehensive coverage.

Effective interagency coordination, collaboration, and partnerships within the oversight community are essential to providing comprehensive reviews of wartime expenditures to identify whether critical gaps exist, and then to recommend actions to fix those gaps.

Internally, the Defense oversight community is increasing its partnerships and providing support within the Defense community for oversight efforts. For example, the DoD IG and Army Audit Agency are conducting a joint review of the Joint Contracting Command Iraq/Afghanistan.

In addition, the U.S. Army Corps of Engineers and the Army Audit Agency have provided personnel to support DoD IG oversight efforts. The Naval Audit Service and Air Force Audit Agency have provided support to the DoD IG munitions accountability assessment effort. Below is a list of GWOT-related collaborative working groups in DoD:

AFGHANISTAN WORKING GROUP

To minimize the impact on forward command operations, avoid overlapping and duplicate oversight requests, and facilitate the exchange of oversight information, the DoD IG along with the Government Accountability Office, the Department of State Inspector General, and the U.S. Agency for International Development Inspector General established a working group on oversight activities in Afghanistan. The DoD IG, as the Department of Defense representative of the group, also incorporates the ongoing and planned Afghanistan related oversight efforts of the service auditors general into the working group. The Afghanistan Working Group has convened twice this reporting period to discuss ongoing, planned, and completed projects that address issues related to Afghanistan operations. This group has briefed congressional committees and members of Congress on the ongoing, planned, and completed Afghanistan oversight projects.

GWOT COST OF WAR SENIOR STEERING GROUP

The DoD IG is an invited observer to the GWOT Cost of War Senior Steering Group that the Deputy Secretary of Defense established on February 26, 2007, to improve and standardize cost of war reporting. Attending the Senior Steering Group meetings, such as the one in September 2007 helps the DoD IG remain apprised of DoD efforts for cost of war reporting and furthers its oversight regarding financial aspects of GWOT to ensure timeliness and value to the DoD.

IRAQ INSPECTORS GENERAL COUNCIL

To minimize the impact on forward command operations, de-conflict overlapping and duplicate oversight requests, and facilitate the exchange of oversight information in Iraq, the DoD IG also participates in the Iraq Inspectors General Council chaired by the Special Inspector General for Iraq Reconstruction.



Inspector General Kicklighter meets with the Iraq Inspectors General Council.



The Southwest Asia Joint Planning Group meets.

SOUTHWEST ASIA JOINT PLANNING GROUP

The DoD IG established a Joint Planning Group on oversight activities in the Southwest Asia region that includes the military service inspectors general and auditors general, the Inspectors General of the Department of State and the Agency for International Development, the Special Inspector General for Iraq Reconstruction, and the combatant commands inspectors general. Through the Southwest Asia Joint Planning Group, the DoD IG is leading the coordination of oversight required to identify and fix critical mission support problems so military operations can better focus on “the fight.” Since April 2007, the DoD IG has conducted two quarterly Southwest Asia Joint Planning Group meetings to leverage and focus critical joint and interagency efforts on key high-risk areas affecting military operations.

PANEL ON CONTRACTING INTEGRITY

The DoD IG participates in the Panel on Contracting Integrity. Established under Section 813 of the National Defense Authorization Act for FY 2007, the panel is chaired by the Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics to conduct reviews of DoD progress made in eliminating areas of vulnerability in the Defense contracting system that allow fraud, waste, and abuse and affect Operations Iraqi Freedom and Enduring Freedom in Afghanistan.

INSPECTOR GENERAL

To date, over \$550 billion has been appropriated to the Department of Defense in support of the men and women of our Armed Forces fighting against terrorism. As of September 2007, the DoD IG had approximately 225 personnel supporting GWOT projects that address a wide variety of matters to include contracting, accountability, theft, and corruption. During this reporting period, Auditing, Investigations, Policy and Oversight, and Intelligence have 138 ongoing or completed GWOT projects.

The DoD IG is working with other members of the Defense oversight community, such as the Services audit and investigative organizations, to evaluate and provide recommendations for actions to the Department in addressing critical mission support areas.

The DoD IG is committed to supporting the GWOT efforts and ensuring the effective use of resources to support U.S. Forces in Southwest Asia. To uphold its commitment to support the warfighter, the DoD IG has field offices in Qatar, Iraq, and Afghanistan to conduct and facilitate necessary oversight functions. The DoD IG leverages its deployed personnel to support GWOT-related projects that require presence within the region. The DoD IG works with other oversight organizations within the Department to coordinate oversight and to avoid duplicate efforts.

To maintain a forward presence, the deployment and redeployment of DoD IG personnel will continue to be a critical issue warranting additional management attention and efforts.



AUDIT

The DoD IG completed 5 GWOT-related projects since April 1, 2007, and has 31 ongoing GWOT-related projects as of September 30, 2007. The projects address issues related to acquisition and contracting, funds management, readiness, logistics, equipping the warfighter, and management of contractor common access cards.

DoD GWOT programs covered by ongoing projects is about \$88 billion. As of September 30, 2007, the DoD IG had 14 auditors assigned to the Qatar, Iraq, and Afghanistan field offices.

The DoD IG is taking proactive measures to address critical gaps in the oversight of GWOT operations. For example, the Deputy Inspector General for Auditing contacted the Director, Defense Finance and Accounting Service (DFAS) to immediately address accountability issues germane to funds management in a wartime environment.

Lacking adequate supporting documentation for expenditures increases the risks for fraud, waste, and abuse by military, civilian, and contractor to occur and not be detected by traditional control mechanisms. As a result of the Deputy Inspector General for Auditing actions, the Director, Defense Finance and Accounting Service deployed personnel to Southwest Asia to determine where DFAS could assist the deployed DoD forces in accountability issues.

ONGOING GWOT AUDITS



DoD IG Afghanistan Field Office Team.

The DoD IG audit oversight is focused in several fundamental areas—accountability, funds management, contract surveillance, and training and equipping personnel. The 31 ongoing GWOT-related projects address critical readiness issues that directly impact the warfighter, such as munitions accountability, the procurement of armor protected vehicles, potable and nonpotable water quality concerns, the acquisition of medium tactical vehicles, and resetting ground vehicles within the U.S. Army commands. The ongoing projects include a number of audits initiated at the request of Congress, such as concerns with the water quality for U.S. forces.

AUDIT TITLE	AUDIT DESCRIPTION
Payments for Transportation Using PowerTrack	The objective will be to determine whether DoD established adequate control procedures over transportation payments made using PowerTrack® and payments made to US Bank for PowerTrack® services. This includes Global War on Terror transportation payments.
Internal Controls and Data Reliability of the Deployable Disbursing System	The DoD IG is reviewing whether controls over transactions processed through the Deployable Disbursing System are adequate to ensure the reliability of the data processed, to include financial information processed by disbursing stations supporting GWOT.
Contingency Construction Contracting Procedures Implemented by the Joint Contracting Command—Iraq/Afghanistan	The DoD IG Forward Operating Activity in Afghanistan is reviewing the efficiency of contingency construction contracting procedures implemented in the Afghanistan area of operations. Specifically, the DoD IG will review the effectiveness of practices related to contract solicitation, award, quality assurance, oversight, and final acceptance of construction projects.
Summary of Issues Impacting Operations Iraqi Freedom and Enduring Freedom Reported by Major Oversight Organizations Beginning FY 2003 through FY 2007	The DoD IG is summarizing contract, funds management, and other accountability issues identified in audit reports and testimony that discuss mission-critical support to OIF and OEF.
Defense Hotline Allegations Concerning Contracts Issued by U.S. Army TACOM Life Cycle Management Command to BAE Systems Land and Armaments, Ground Systems Division	The DoD IG initiated the audit in response to Defense Hotline allegations concerning contracts issued by U.S. Army Tank Automotive Command (TACOM) Life Cycle Management Command to BAE Systems Land and Armaments, Ground Systems Division. The DoD IG will evaluate whether contract award and administrative procedures complied with Federal and DoD policy.

AUDIT TITLE	AUDIT DESCRIPTION
Controls Over the Contractor Command Access Card Life Cycle	The DoD IG is reviewing whether controls over Common Access Cards (CACs) provided to contractors are in place and work as intended. Specifically, within Southwest Asia, the DoD IG will evaluate whether DoD officials issue CACs to contractors, verify the continued need for contractors to possess CACs, and revoke or recover CACs from contractors in accordance with DoD policies and procedures.
End-Use Monitoring of Defense Articles And Services Transferred To Foreign Customers	The DoD IG is reviewing the Golden Sentry Program, which monitors how foreign governments use U.S. defense articles and services, to evaluate whether the program records and controls transfers of sensitive arms effectively.
Procurement And Delivery of Joint Service Armor Protected Vehicles	The DoD IG is reviewing whether the Mine Resistant Ambush Protected (MRAP) vehicle program office is effectively procuring armored vehicles in accordance with the Federal Acquisition Regulation and DoD requirements. Specifically, the DoD IG is reviewing MRAP program administration to evaluate whether the program office is taking appropriate actions to accelerate vehicle delivery to users. In addition, the DoD IG is evaluating the Services' requirements for MRAP and High Mobility Multipurpose Wheeled Vehicles.
Operations and Maintenance Funds Used for Global War on Terror Military Construction Contracts	The DoD IG is reviewing whether DoD Components followed requirements for using operation and maintenance funds for GWOT military construction. Specifically, the DoD IG is evaluating whether DoD followed proper procedures for administering, executing, and reporting the use of Operation and Maintenance funds on GWOT military construction contracts.
Funds Appropriated for Afghanistan and Iraq Processed Through the Foreign Military Sales Trust Fund	The DoD IG is evaluating whether funds appropriated for the security, reconstruction, and assistance of Afghanistan and Iraq and processed through the Foreign Military Sales Trust Fund are properly managed. Specifically, the DoD IG is reviewing whether the transfer of appropriated funds from the Army's accounts into the Foreign Military Sales Trust Fund was properly authorized, accounted for, and used for the intended purpose. The DoD IG is also reviewing whether Foreign Military Financing funds granted to Afghanistan and Iraq are properly accounted for and used for their intended purpose. In addition, the DoD IG is verifying whether the appropriated funds are properly reported in DoD financial reports.
Marine Corps' Management of the Recovery and Reset Programs	The DoD IG is evaluating the effectiveness of the Marine Corps' Recovery and Reset Programs for selected equipment. Specifically, the DoD IG is reviewing how the Marine Corps met its equipment requirements through the Reset and Recovery Programs, whether it effectively repaired or replaced selected equipment, and whether the Marine Corps used funds for their intended purpose.
Contractor Support to the Joint Improvised Explosive Device Defeat Organization In Afghanistan	The DoD IG is conducting the audit in response to a congressional request. The DoD IG Qatar Field Office is evaluating whether Wexford Group International and any other contractor performed services outside the scope of the contract relating to improvised explosive devices and asymmetric warfare in support of the Joint Improvised Explosive Device Defeat Organization. In addition, the DoD IG is evaluating whether contractors operated within applicable laws and regulations.

AUDIT TITLE	AUDIT DESCRIPTION
Distribution of Funds and the Validity of Obligations for the Management of the Afghanistan Security Forces Fund	This is the first part of a three-phase review of the nearly \$4.7 billion appropriated to the Afghanistan Security Forces Fund in Public Laws 109-13, 109-234, and 109-289. The DoD IG is reviewing the distribution of funds from the Office of Management and Budget through the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Assistant Secretary of the Army (Financial Management and Comptroller) to the Defense Security Cooperation Agency. In Phase II, the DoD IG is evaluating whether obligations recorded for the Afghanistan Security Forces Fund were made in accordance with legislative intent and applicable appropriations law. In Phase III, the DoD IG will evaluate whether the goods and services purchased for Afghanistan security forces were properly accounted for and whether the delivery of goods and services were properly made to the Afghanistan security forces.
Defense Hotline Allegations Concerning the Biometric Identification System for Access Omnibus Contract	The DoD IG initiated the audit in response to Defense Hotline allegations concerning the acquisition of the Biometric Identification System for Access Omnibus contract under the Army's Strategic Services Sourcing contract vehicle. Specifically, the DoD IG is evaluating whether source selection procedures were conducted in compliance with Federal and DoD policy.
Internal Controls Over Air Force General Funds Cash and Other Monetary Assets	The DoD IG is evaluating whether internal controls for Air Force General Funds, Cash, and Other Monetary Assets are effectively designed and operating to adequately safeguard, account for, and report cash and other monetary assets.
Export Controls Over Excess Defense Articles	The objective is to assess the adequacy of controls over the transfer of excess Defense articles to foreign persons. Specifically, the DoD IG will determine whether transferred property was adequately demilitarized and controlled in accordance with the requirements of the Foreign Assistance Act of 1961 (Public Law 87 195), as amended, and the Arms Export Control Act of 1976 (Public Law 90 269), as amended.
Internal Controls Over Navy General Fund, Cash and Other Monetary Assets Held Outside the Continental United States	The DoD IG is evaluating whether internal controls for Navy General Fund, Cash, and Other Monetary Assets held outside of the continental United States are effectively designed and operating to adequately safeguard, record, account, and report Cash and Other Monetary Assets.
Management of the Iraq Security Forces Fund in Southwest Asia—Phase III	This is the final part of a three-phase review. The DoD IG addressed the distribution of Iraq Security Forces funds in Phase I and the obligation of funds in Phase II. In Phase III, the DoD IG is evaluating whether the goods and services purchased for Iraq security forces were properly accounted for and whether the delivery of goods and services was properly made to the Iraq security forces.
Internal Controls Over Army General Fund, Cash and Other Monetary Assets Held Outside of the Continental United States	The DoD IG is reviewing whether internal controls for Army General Fund, Cash, and Other Monetary Assets held outside of the continental United States are effectively designed and operating to adequately safeguard, account, and report Cash and Other Monetary Assets.

AUDIT TITLE	AUDIT DESCRIPTION
DoD Training for U.S. Ground Forces Supporting Operation Iraqi Freedom	The DoD IG plans a series of reviews related to this issue. The DoD IG is reviewing whether U.S. ground forces supporting OIF are receiving training necessary to meet operational requirements. The DoD IG will also evaluate whether requirements reflect the training necessary in the area of operation and verify whether ground forces receive required training. In addition, the DoD IG will evaluate whether training meets the needs of ground forces supporting Operation Iraqi Freedom. Specifically, the DoD IG is reviewing the use of observers and controllers in preparing Army units for deployment in Phase I and in Phase II, the DoD IG will evaluate equipment levels at combat training centers. In Phase III, the DoD IG will review increased theater-specific training requirements and how that training is executed at combat training centers.
DoD Support to the NATO International Security Assistance Force	The DoD IG is evaluating DoD support to the North Atlantic Treaty Organization International Security Assistance Force in Afghanistan. Specifically, the DoD IG is reviewing DoD support in areas that include, but are not limited to, training, communications, and interoperability.
Supplemental Funds Used for Medical Support for the GWOT	The DoD IG is evaluating whether supplemental funds for the medical mission were properly justified and sufficient controls on their use were implemented as directed by DoD and military department guidelines. The DoD IG is initially focusing on the Defense Health Program portion of supplemental funding for the medical organizations that supported medical backfill and pre- and post-deployment.
Procurement, Distribution, and Use of Body Armor in DoD	The DoD IG is conducting the audit in response to a congressional request. The DoD IG is reviewing DoD procurement policies and practices for acquiring body armor and the effectiveness of body armor acquired and used in support of GWOT operations.
Hiring Practices of the Coalition Provisional Authority in Iraq	The DoD IG is conducting the audit in response to a congressional request. The DoD IG is evaluating the hiring practices that DoD used to staff personnel to the provisional authorities supporting the Iraqi government from April 2003 to June 2004. Specifically, the DoD IG is reviewing the process DoD used to assign personnel to the Office of Reconstruction and Humanitarian Assistance and the Coalition Provisional Authority in Iraq.
Inspection Process of the Army Reset Program for Equipment for Units Returning from Operation Iraqi Freedom	The DoD IG is examining the Army Reset Program for equipment of units that return from OIF to evaluate the effectiveness of the inspection process. The DoD IG expanded the scope of the audit to include missiles, tracked vehicles, wheeled vehicles, communications, and small arms.
Potable and Nonpotable Water in Iraq	The DoD IG is conducting the audit in response to a congressional request. The DoD IG is evaluating the contractor's water quality testing processes for effectiveness and reviewing whether internal controls enable safe, nonpotable water to be provided to U.S. forces in Iraq. The DoD IG is also reviewing whether the processes for providing potable and nonpotable water to U.S. forces are adequate. The DoD IG extended this project to address additional Congressional questions.



AUDIT TITLE	AUDIT DESCRIPTION
DoD Use of Global War on Terror Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation	The DoD IG is evaluating the adequacy of DoD financial controls over use of GWOT supplemental funding provided for procurement and research, development, test, and evaluation. The DoD IG is also evaluating whether congressionally approved funds were placed on contracts and used for purposes stipulated in the GWOT supplemental funding.
Conditional Acceptance and Production of Army Medium Tactical Vehicles in Support of the Global War on Terror	The DoD IG is evaluating whether the Army is adequately protecting the Government's interest when it includes conditional acceptance provisions in production contracts for the Family of Medium Tactical Vehicle Program. In addition, the DoD IG is evaluating whether management is cost effectively producing the Family of Medium Tactical Vehicles as funded in support of the GWOT.
Supply Chain Management of Clothing, Individual Equipment, Tools, and Administrative Supplies	The DoD IG is evaluating the supply chain management of clothing and textile (Class II) items to determine whether they were being efficiently and effectively obtained. Specifically, the DoD IG is reviewing the requirements determination, the acquisition of selected Class II items, and supply responsiveness (whether soldiers receive Rapid Fielding Initiative before they deploy).
Internal Controls Over Out-Of-Country Payments	The DoD IG is evaluating whether internal controls over out-of-country payments supporting GWOT provide reasonable assurance that payments are properly supported and recorded.

OTHER ONGOING GWOT EFFORTS

AUDIT TITLE	AUDIT DESCRIPTION
Research on DoD Contracting Issues Related to the GWOT	The DoD IG is examining DoD GWOT funding for contracts and issues surrounding those contracts. In addition, the project will also include research of military construction issues pertaining to GWOT.

COMPLETED GWOT PROJECTS

The 5 completed GWOT-related projects have resulted in findings involving critical issues in readiness, logistics, contract surveillance, and funds management. A brief overview of each audit is listed as follows:

AUDIT TITLE	AUDIT DESCRIPTION
Research of the Controls Over the Management of Contractors	The DoD IG conducted this research to address ongoing concerns over contractors in Southwest Asia. The objective of the research project was to determine the control process for issuance, verifying the continued need, and recovery of Common Access Cards provided to contractor personnel in Southwest Asia. The DoD IG also reviewed the procedures used to account for the number of contractor personnel working in Southwest Asia. As a result of this research effort, in August 2007, the DoD IG announced the "Controls Over the Contractor Common Access Card Life Cycle."

AUDIT TITLE	AUDIT DESCRIPTION
Procurement Policy for Armored Vehicles	The DoD IG concluded that the Marine Corps Systems Command awarded sole-source contracts to Force Protection, Inc., for the Joint Explosive Ordnance Disposal Rapid Response Vehicle even though Marine Corps Systems Command officials knew other sources were available for competition. In addition, TACOM Life Cycle Management Command and Marine Corps Systems Command officials did not adequately justify the commercial nature of three commercial contracts with Force Protection, Inc., for the Cougar and the Buffalo Mine Protected Clearance Vehicle. The TACOM Life Cycle Management Command also awarded a contract for crew protection kits to Simula Aerospace and Defense Group, Inc., an Armor Holdings, Inc., subsidiary that did not meet the Federal Acquisition Regulation definition of a responsible prospective contractor. Specifically, Simula Aerospace and Defense Group, Inc., did not have the necessary production control procedures, property control systems, and quality assurance measures in place to meet contract requirements for crew protection kits.
U.S. Transportation Command Compliance with DoD Policy on the Use of Commercial Transport	The DoDIG did not substantiate two of the three Defense Hotline allegations regarding the use of commercial sealift services. Specifically, the DoD IG could not substantiate that the U.S. Transportation Command directed the use of a commercial vessel rather than a more cost-effective Government vessel in support of the 25th Infantry Division training exercise in Fort Irwin, California, and that the U.S. Transportation Command had directed the use of commercial vessels in similar situations and on a regular basis. However, the DoD IG partially substantiated the allegation that the use of a commercial vessel prevented the brigade from accomplishing some of its mission-essential tasks and eliminated potential opportunities for the warfighter to train for deployment. In addition, the DoD IG found that the U.S. Transportation Command surface business model was not consistent with Office of the Secretary of Defense interim guidance and the U.S. Transportation Command memorandum on the use of commercial transportation.
Management of Prepositioned Munitions	The DoD IG concluded that the U.S. European Command effectively managed its prepositioned munitions program and that it continues to review its objectives for prepositioned munitions to support future theater and global requirements while downsizing and continuing to transform. The review also concluded that munitions managers identified excess and unserviceable munitions stored in their stockpiles. In addition, the U.S. European Command provided more than 25,000 short tons of munitions to support U.S. Central Command's Global War on Terror operations.
Antideficiency Act Investigation of the Operation and Maintenance Appropriation Accounts 2142020 and 2152020	The DoD IG transmitted the final report to the Office of General Council concluding that an Antideficiency Act violation occurred because funding for Phases I and II of construction at Camp Bucca, Iraq, was completed using Operation and Maintenance appropriated funding instead of Military Construction appropriated funding.



INVESTIGATIONS

The Defense Criminal Investigative Service (DCIS), the criminal investigative arm of the DoD Inspector General, has been engaged in investigating DoD-related crimes pertaining to the Iraqi theater and Kuwait since the start of the war. From May 2003 through October 2004, DCIS had teams of two to three agents deployed to Baghdad. In addition, from October 2004 to the present, the DCIS European office and multiple CONUS-based DCIS offices have continued to investigate allegations of criminal conduct in the Southwest Asia theater. In September 2006, DCIS re-deployed two special agents to Iraq and two special agents to Kuwait. Both offices, in partnership with the U.S. Army Criminal Investigation Command (USACIDC) and other law enforcement organizations, are conducting criminal investigations and examining weaknesses and trends that may result in fraud, corruption, or other crimes threatening DoD.

ONGOING GWOT INVESTIGATIONS AND TASK FORCES

DCIS investigations are focused on crimes such as bribery, theft, illicit gratuities, bid-rigging, defective and substituted products, and conflicts of interest. These crimes expose U.S. and coalition forces to substandard equipment and services, and resource shortages that aggravate an already severe and dangerous environment. DCIS is conducting 90 investigations related to the war effort (war profiteering, contract fraud, and contract corruption), most of these as part of a joint effort with other law enforcement organizations. Fifteen of these investigations are being conducted almost entirely in Southwest Asia. The remaining 75 investigations are being conducted mostly in CONUS and Germany. Of the 90 ongoing investigations, 18 involve military officers who purportedly received bribes and gratuities from Department of Defense contractors and subcontractors, were involved in a conflict of interest, or stole DoD funds.

DCIS promotes the readiness of U.S. and coalition forces through the vigorous investigation of alleged thefts, anti-trust violations, and other breaches of public trust that affect programs and services with critical security applications. The investigation of criminal activity in Iraq involves members of the U.S. Armed Forces, U.S. contractor personnel, and indigenous and foreign contractor personnel. As part of the larger contractor oversight effort and as an example of investigative cooperation and synergy, in January 2004, an investigation was initiated on information from the Defense Contract Audit Agency (DCAA) concerning allegations of kickbacks and gratuities solicited and/or received by Kellogg, Brown & Root (KBR) employees, and KBR overcharging for food, meals, and fuel. To address this complex referral, a Federal investigative task force was formed at Rock Island, IL, comprised of DCIS, USACIDC, the Federal Bureau of Investigation, the Internal Revenue Service Criminal Investigation Division, and the Office of the United States Attorney for the Central District of Illinois. The task force continues to examine criminal allegations involving the execution of the U.S. Army's Logistics Civil Augmentation Program (LOGCAP) III contract by KBR. Some prosecutions have occurred, and others are anticipated.

More recently, as a result of the magnitude of alleged criminal activities within the Iraqi theatre, a group of Federal agencies formalized a partnership to combine resources to investigate and prosecute cases of contract fraud and public corruption related to U.S. Government spending in Iraq reconstruction. The participating agencies in the International Contract Corruption Task Force (ICCTF) are DCIS; USACIDC's Major Procurement Fraud Unit; the Office of the Inspector General, Department of State; the FBI; the Special Inspector General for Iraq Reconstruction; and the Office of the Inspector General, Agency for International Development. The ICCTF has established a Joint Operations Center which is a case-coordination cell and criminal intelligence element aimed at achieving maximum

interagency cooperation to successfully prosecute fraud and corruption cases in support of the war effort in Iraq. The mission and objectives of the ICCTF are a shared responsibility of the participating agencies. Case information and criminal intelligence are shared without reservation, and statistical accomplishments are reported jointly. The agency heads or their designees meet regularly to collectively provide policy, direction, and oversight to investigative efforts.

In addition, DCIS has initiated a project and committed resources to review documents associated with payments made by DoD in the Southwest Asia theater. Payment records are currently stored at Defense Finance & Accounting Service, Rome, NY (DFAS-Rome). The DCIS project is designed to proactively detect fraud involving payments made by DoD to support the war effort in Iraq and the Global War on Terror. This project is expected to be a long-term effort, and DCIS is working with its ICCTF partners, as well as coordinating its activities with the U.S. Attorney's Office for the Northern District of New York and the Department of Justice. The Deputy Inspector General for Auditing is conducting a concurrent review of the DFAS-Rome records.

GWOT INVESTIGATIVE RESULTS



As a result of closed and ongoing investigations, eleven Federal criminal indictments and fifteen Federal criminal informations have been issued, and two Article 32 hearings under the Uniform Code of Military Justice have been conducted. As a result of the investigations, nineteen U.S. persons and one foreign national have been convicted of felonies, resulting in a total of approximately fifteen years of confinement and twelve years of probation; five individuals and two companies were debarred from contracting with the U.S. Government; twenty-one companies and persons were suspended from contracting; and two contractors signed settlement agreements with the U.S. Government. In all, \$9.84 million was paid to the U.S. in restitution; \$323,525 was levied in fines and penalties; \$33,319 was forfeited; and \$836,609 was seized.

DCIS and ATF special agents inspecting crates of weapons.

Two examples of GWOT-related investigations involving DCIS follow:

A charity known as the Islamic American Relief Agency (IARA) was officially designated as a supporter of global terrorists, including Osama bin Laden, al-Qaeda and Hamas. As the result of an on-going joint DCIS and FBI investigation, a Federal grand jury in Missouri named the subjects in a 33-count indictment for illegally transferring more than \$1.4 million to Iraq in violation of the International Emergency Economic Powers Act and the Iraqi Sanctions Regulations. Five officers and associates of the IARA were charged with money laundering, theft of public money, and obstructing the administration of U.S. tax laws.

Five members of the terrorist group “The Fort Dix Six” were arrested by the FBI Joint Terrorism Task Force and charged with plotting to kill soldiers at U.S. Army Fort Dix, NJ. A sixth member was charged with aiding and abetting the illegal possession of firearms. All six were denied bail and are being held by the DoJ pending trial. DCIS has joined the on-going FBI and JTTF investigation.

POLICY AND OVERSIGHT

The DoD IG's Office of Policy and Oversight has played a key role in ongoing efforts in Southwest Asia to develop and promote the establishment of effective oversight and security organizations in Afghanistan and Iraq. Some of those projects have been conducted jointly with the Department of State (DoS) and the Department of Justice (DOJ) and have provided critical assessments and detailed recommendations aimed at helping the fledgling democracies in those countries to counter crime, corruption, human rights abuses, and other threats to include terrorism. A brief overview of each project follows:

Support to Inspectors General of the Iraqi Security Forces: Until July 2007, the DoD IG provided two full-time IG advisors to the Multi-National Security Transition Command-Iraq (MNSTC-I) Transition Teams in Baghdad. These advisors assisted the Offices of the Inspectors General for the Ministry of Defense, Joint Headquarters (JHQ), and the Ministry of Interior. Prior to reassigning these advisors back to Arlington, VA, the DoD IG facilitated the establishment of a new MNSTC-I billet for an "IG Integration Officer." The billet was approved and filled in July 2007. The DoD IG will provide assistance and advice as requested.



As a successful collaborative effort, the DoD IG senior advisor and the Director of the Embassy's Office of Accountability and Transparency (OAT) worked with the Government of Iraq to establish the Joint Anti-Corruption Council (JACC) in April 2007. Chaired by the Iraqi Prime Minister's representative, the JACC coordinates and integrates the activities of the four Iraqi anticorruption institutions--Iraqi IG system consisting of 31 ministerial IG Offices, the Commission on Public Integrity, the Board of Supreme Audit, and the Central Criminal Court System. As one of its first priorities, the JACC established a project team to develop the plans to establish an Iraqi Academy of Principled Governance. The Embassy selected the DoD IG Advisor to assist the JACC in developing those plans. On June 11, 2007, the DoD IG advisor and his Iraqi counterpart briefed the Academy project proposal to the JACC members. The council approved the proposal. The Iraqi project team is responsible for follow-up actions, and the DoD IG will provide further advice or assistance when requested.

Policy and Oversight team meets with MNSTC-I ISF IG advisors.

During this reporting period, the DoD IG advisors also:

- Assisted the Iraqi IGs in planning and conducting inspections of the offices of IGs at three ministries. Those inspections assessed the performance of the IGs, their staffs and organizations.
- Coordinated initiatives to improve the management of detainee issues: case adjudications, overcrowded facilities, problems with accommodating a sharp increase of detainees as a result of surge operations, transfer of detainees from MoD to Ministry of Justice facilities, and the creation of the Iraqi Detainee Operations Committee.
- Supported the development of MoD's JHQ Military IG system, including military IGs at each level of command down to division level. Building on training conducted in November 2006, and in March 2007 by the MNSTC-I IG Transition Team advisors, the U.S. Army IG School will host an intensive 3-week train-the-trainer session for the Iraqi IG instructors in FY 2008 for selected military IG officers. These officers will return to Iraq to establish a military IG training school.



Policy and Oversight personnel with Iraqi military IGs and aircrew during Iraqi IG inspection.

Finally, in July 2007, the DoD IG initiated a project to document the lessons learned during our 3-year experience in establishing and developing a viable, sustainable, effective IG system in Iraq. This project will capture the concepts, strategies, options, and practical applications that can be used in other “Stability, Security, Transition, and Reconstruction (SSTR)” operations where establishing a federal IG system may be appropriate in nation building missions.

Interagency Department of Defense/Department of State/Department of Justice Assessment of the Counternarcotics Program in Afghanistan (Report No. IE-2007-005): The final report for this assessment was released on July 31, 2007. The final report made 27 recommendations for improvements in the areas of security, policy prioritization, resource availability/adequacy, contracting, interagency coordination/management, and mobility. The assessment underscored the requirement for a long-term emphasis

in the area of counternarcotics in the region as counternarcotics efforts, including those of the United States, have not succeeded in stemming opium and opiate production in Afghanistan.

ONGOING PROJECTS

Evaluation of U.S. Army Response to Shooting of Reuters Employee. The objective is to determine whether the Army properly investigated and reported the August 2005 incident in Baghdad in which soldiers killed a Reuters driver and injured a cameraman as they filmed an ambush from their car.

Assessment of the Iraqi Ministry of Defense (MoD) and Ministry of Interior (MoI) Inspectors General System. The objective is to assess the current MoD, MoI, and Joint Headquarters Inspector General System and define the requirements to build capacity and develop a stable, viable, and self-sustaining system.

Department of Defense/Department of Veterans Affairs Interagency Care Transition. The objective is to evaluate the extent to which laws, policies, and processes ensure that injured Operation Iraqi Freedom and Operation Enduring Freedom Service members are provided effective, transparent, and expeditious access to health care and other benefits when identified for separation or retirement due to their injuries.

Review of Investigative Documentation Associated with the Death of Corporal (CPL) Steven W. Castner. Review of Army Regulation 15-6 investigation regarding the combat death of CPL Castner in July 2006 and the training CPL Castner and his unit received before their deployment to Iraq. Determine if additional actions are required.



DoD IG personnel in Iraq.



INTELLIGENCE

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

ONGOING PROJECTS

U.S. Government's Relationship with the Iraqi National Congress: The objective of this review is to respond to direction from the House Appropriations Committee through the Office of the National Counterintelligence Executive to review the U.S. Government's Relationship with the Iraqi National Congress. On June 12, 2006, the DoD IG published a report on Phase One of the project. The report on Phase Two is expected to be published during the 1st Quarter of FY 2008.

Review of Intelligence Resources at the Joint Intelligence Task Force Combating Terrorism and Special Operations Command in Support of Operation Enduring Freedom and Operation Iraqi Freedom: The review will examine intelligence missions and corresponding resources at both the Joint Intelligence Task Force Combating Terrorism and Special Operations Command to determine the sufficiency of those resources to accomplish their intelligence missions.

Evaluation of Department of Defense Intelligence, Surveillance, and Reconnaissance (ISR) Activities in Support of U.S. Pacific Command for the Conduct of Operation Enduring Freedom – Philippines: The objective of the evaluation is to assess the process and procedures for the requirement, synchronization, and allocation of ISR resources to USPACOM-Philippines under the command and control of the DoD and national systems requested through the DoD collection management and global force management process.

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

PLANNED PROJECTS

Evaluation of Department of Defense Overt Human Intelligence Training in Support of Operation Enduring Freedom: The objective of the project will be to evaluate the effectiveness of overt Human Intelligence training, with specific emphasis on operations supporting OEF. The evaluation will validate the training processes, instructor qualifications, costs and benefits and the quality of training. The DoD IG will also compare and contrast DoD contractor-provided instruction versus DoD government-provided instruction.

Evaluation of Department of Defense Outsourcing of Intelligence Support to Operation Enduring Freedom and Operation Iraqi Freedom: The overall objective of this evaluation will be to determine the effectiveness and efficiency of contractor support to military intelligence. Furthermore, the report will assess the suitability of outsourcing inherently government intelligence functions.

SERVICES OVERSIGHT

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



U.S. ARMY

Army Audit Agency

Army Criminal Investigation Command

U.S. NAVY AND MARINE CORPS

Naval Audit Service

Naval Criminal Investigative Service

Marine Corps Criminal Investigation Division

U.S. AIR FORCE

Air Force Audit Agency

Air Force Office of Special Investigations

ARMY

ARMY AUDIT AGENCY

Army Audit Agency (AAA) maintains a significant presence in the U.S. Central Command area of responsibility to assist Army commanders in the Global War on Terror. AAA has had 10 to 30 auditors deployed in Iraq, Kuwait, and Afghanistan since May 2005. Overall, AAA has deployed more than 100 auditors since 2002. In addition, many of its stateside reports are directly focused on GWOT issues.

The audits in theater have concentrated primarily on logistics and contracting issues. AAA has issued 23 reports addressing various services provided under the \$22 billion Logistics Civil Augmentation Program (LOGCAP) contract, as well as 33 additional reports addressing other logistics issues, military pay, and fund management.

Currently, AAA has ongoing audits in theater of additional LOGCAP services; contracting operations at the contracting offices in Kuwait, Iraq, and Afghanistan; retrograde operations; container management; and accountability over contractors on the battlefield. It is also providing support to the DoD IG Munitions Assessment Team.



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

Stateside, AAA has audits underway in the areas of reset, tactical wheeled vehicle strategy, body armor, and contractor support and housing facilities at mobilization stations.

Army Audit Agency personnel in Southwest Asia.

In June 2007, the Auditor General accompanied Senator Claire McCaskill of Missouri and Senator Thomas Carper of Delaware to Iraq and Kuwait as part of a congressional delegation that assessed contractor operations in theater. The invitation to join the delegation was extended because of the Auditor General's testimony to the U.S. Senate Armed Services Committee on AAA's LOGCAP audit work. The delegation met with top Army officials, key representatives from the oversight community, and service personnel from Missouri and Delaware.

Over the last six months, AAA issued five reports and continued or began work on 12 ongoing audit projects.

COMPLETED AUDITS


Asset Visibility in Support of OIF and OEF, Army Reserve Equipment, 88th and 999th Reserve Readiness Commands. AAA assessed whether visibility was sufficient over U.S. Army Reserve's left behind equipment and equipment returning from the Southwest Asia area of operations. The audit showed that visibility issues persisted over class VII rolling stock because units weren't following established procedures and best practices for accountability and visibility. The audit found that instances of insufficient inventories and incomplete transfer and hand receipt documentation and transactions; units did not establish derivative unit identifier codes to assist in the development of the unit level property book; and units did not comply with Department of the Army guidance and code equipment as left behind or designate property location codes for equipment in unit property records. Consequently, unit property records did not provide necessary asset visibility data to the higher tier asset visibility capabilities used by Army decision makers. AAA made five recommendations that, if implemented in conjunction with the Army's Operation Total Recall, will improve visibility over the Army's class VII rolling stock.

Theater Linguist Program in Afghanistan. This audit assessed whether the Army's linguist program and associated contracts were managed effectively. AAA found that the program generally met command's linguistic needs but wasn't effectively or efficiently managed. The program lacked full visibility over requirements determination, the number of contracts awarded, and the number and types of linguists employed. Also, managers did not maintain adequate oversight over the contracts. For the 15 contracts reviewed, which had a total value of about \$205 million, AAA identified about \$17.8 million in potential monetary benefits the Army could achieve through better use of linguists. AAA made 12 recommendations to improve the linguist services provided to the Army.

Rapid Equipping Force (REF) Initiative. AAA evaluated how effective the Army was managing the REF Initiative, which is an important contributor to the Army's efforts to provide warfighters with what they need in a timely manner. Since inception of the program in May 2002, REF has provided more than 87 different types of equipment, totaling about 15,000 individual items, to the theater. AAA concluded that the Army was effectively managing REF. One key reason was the organizational alignment of REF under the Deputy Chief of Staff, G 3/5/7, with close working relationships with the Assistant Secretary of the Army (Acquisition, Logistics and Technology). An equal contributor to success was that REF developed and executed the necessary processes to quickly fulfill warfighter needs and appropriately end projects or recommend the transition of project management to the greater Army. To build on its success, REF needs to formalize its ad hoc processes.

Civilian Pay in Support of OEF and OIF. At the request of the Secretary of the Army, AAA did the audit to determine whether Army personnel deployed in support of OIF and OEF were receiving additional pay allowances. AAA found that most deployed civilians were receiving their additional pay allowances, but the timing and accuracy of the payments needed improvement. AAA projected that about 76 percent of deployed civilians experienced a pay problem. Two major factors contributed to this condition: an untimely process for starting and stopping payments and inaccurate interpretations of pay guidance. Shortly after completion of AAA's fieldwork, the Army initiated appropriate actions to improve the accountability and controls for deployed civilians.

Resource Requirements for Reset. AAA did the audit at the request of the Deputy Chief of Staff, G 4 to evaluate the Army's process for identifying resource requirements for resetting equipment and tracking and measuring results. AAA concluded that the Army did not have a reliable process to identify its resource requirements and did not establish processes to effectively track and measure the results of equipment reset for FYs 05-06. The Army also



did not establish strategic objectives or fully incorporate other initiatives and factors when it allocated equipment resources between depot and field levels. During the audit the Army took many corrective actions, including issuing descriptive guidance on roles and responsibilities and establishing a task force to monitor and track requirements and expenditures. The task force established metrics to help monitor the benefits achieved as a result of the \$17.1 billion in supplemental funding provided to the Army for FY 2007.

ONGOING AUDITS

Class III (Bulk and Retail) Fuel Operations in the Iraq Area of Operations, LOGCAP Operations in Support of OIF. This audit of class III (bulk and retail) fuel operations in the Iraq area of operations concentrated specifically on the management of fuel operations under the LOGCAP contract. AAA found that 3rd Corps Support Command provided sufficient fuel support to units to execute mission requirements, but the method for determining fuel stockage levels was inefficient and often led to excess fuel inventory. The audit also identified fuel accountability issues at all the fuel sites resulting from poor inventory practices. AAA made nine recommendations that should lead to improved management of fuel operations in Iraq. The report is currently awaiting the official Army position.

Contract Administration Over Contracted Dining Facility Operations, LOGCAP Operations in Support of OIF. This audit concentrated specifically on the administration of dining facility operations in the Iraq area of operations under the LOGCAP contract. AAA found that although soldiers were routinely provided nutritious, high-quality food and service comparable to commercial restaurants in the United States, the process for administering dining facility operations needed improvement. Contract administration by administrative contracting officers assigned to Defense Contract Management Agency was inhibited because of a lack of training and continuity of personnel. AAA made eight recommendations that should strengthen the administration of dining facility operations in Iraq. The report is awaiting the official Army position.

Internal Controls Over Contracted Dining Facility Operations, LOGCAP Operations in Support of OIF. This audit of controls over contracted dining facility operations in the Iraq area of operations concentrated specifically on whether controls over the operations were in place and operating as intended. Although dining facilities provided food and service comparable to commercial restaurants in the United States, the controls over operations weren't adequate. The contractor did not implement standing operating procedures, perform proper headcounts, follow scheduled meal plans, or practice appropriate controls over warehouse operations. These weaknesses could result in excessive waste and cost. AAA made eight recommendations that should result in improved controls over dining facility operations. The report is awaiting the official Army position.

Retrograde Operations in Southwest Asia. This audit involves work in Iraq and Kuwait. The objective of the audit is to evaluate the retrograde and redistribution of military property resulting from restructuring military forces and the attendant contractor support.

Shipping Containers. This audit involves work in the U.S., Iraq, Kuwait, and Afghanistan. The objectives of the audit are to evaluate whether shipping containers were adequately managed to ensure accountability and minimize detention charges; visibility over equipment and supplies transported to, within, and from the theater of operations was adequate; and controls over payments for the use of containers were adequate.

Logistics Support—OEF-Philippines. U.S. Army, Pacific asked AAA to assess the execution and administration of the logistics support contract for OEF-Philippines. AAA identified an overall absence of adequate controls and a weak and understaffed contract administration structure. These conditions resulted in unsupported contract charges, and the development and execution of inefficient solutions to mission needs. AAA calculated that the Army could save about \$58 million by recouping payments and restructuring the logistics support contract.

U.S. Army Contracting Command, Southwest Asia – Kuwait (Phase I). Criminal Investigation Command and Third Army/Army Forces Central Command requested the audit to determine whether U.S. Army Contracting Agency's office in Kuwait was operating effectively and in accordance with established laws and regulations. AAA found that the office wasn't operating effectively and in accordance with established laws and regulations. Adequate internal controls weren't in place to make sure contract requirements were properly planned and awarded, and awarded contracts were properly administered. In addition, oversight over contracting operations was hampered because automated records used to monitor and manage contracting operations weren't fully complete and accurate. These internal control weaknesses created an environment where contracting actions were highly susceptible to fraud, waste, abuse, and increased costs to the Army.




Army Audit Agency auditors in the field in SWA.

Army Contracting Command, Southwest Asia – Kuwait (Phase II). This is a follow-on audit to AAA's overall assessment of contracting operations at Army Contracting Command, Southwest Asia – Kuwait. AAA's objective is to determine whether the requirements determination process was adequate and deliverables were received and used as intended for selected contracts. AAA is reviewing two contracts for services valued at more than \$2 billion and is continuing work on insurance requirements under the Defense Base Act.

Contracting Operations at Joint Contracting Command Iraq/Afghanistan (Multiple Audits). Partially based on the results of a USACIDC request of the audit of contract operations at Army Contracting Command, Southwest Asia – Kuwait, AAA's objective was to assess whether goods and services acquired under the contracts were properly justified and cost-effective and whether contracts were properly awarded and administered. AAA is reviewing 18 contracts for support services, valued at about \$428 million, awarded at 4 contracting offices in Iraq and Afghanistan. Examples of contracts under review include nontactical vehicle lease and service, sewer repair, furniture, communications, and line haul transportation.

Reset (Multiple Audits). AAA is working on five audit projects related to reset. The Agency is evaluating the metrics used for FY 2007 in the Army's monthly reports to Congress and will report on whether the reports accurately depict the status of reset. The FY 2007 audit seeks to evaluate the four components of the metric report: procurement quantities ordered, sustainment quantities repaired, field level reset for brigade combat teams completed, and obligations related to each of these components. AAA is also doing an audit of battle loss computations to determine whether weapon system managers accurately computed and appropriately used battle loss estimates to reduce the level of reset maintenance requirements and identify requirements to replace lost equipment. The fifth audit is looking at the management of contracts for field level reset.



Accounting for Seized Assets and Development Fund for Iraq Balances. At the request of the Assistant Secretary of the Army (Financial Management and Comptroller), AAA is evaluating the status of funds within three accounts maintained to acquire goods and services for the benefit of the Iraqi government. The objectives of the audit are to determine the residual balances in the Army's seized assets and Developmental Fund for Iraq accounts, and to determine whether the residual balances could be returned to the Government of Iraq.

Temporary Change of Station Orders and Housing Facilities at Mobilization Stations. Soldiers mobilized to provide CONUS and other overseas support during wartime are issued temporary change of station (TCS) orders during their mobilization period. About 15,000 soldiers are currently mobilized under TCS orders in support of OEF and OIF. The Army recently revised its entitlements policy for soldiers mobilized under TCS orders. AAA is reviewing the authorization processes for soldiers under TCS orders and travel vouchers submitted as TCS claims, and how mobilized soldiers are housed while at CONUS-based mobilization stations.

Army CONUS Support Base Services Contract. This is AAA's second audit concerning contractor operations at mobilization stations. The CONUS support base services contract provides administrative, training, and maintenance support to units and individuals processing through mobilization stations en route to Iraq and Afghanistan. AAA is reviewing the contract to determine whether it is structured to provide flexible, timely, and cost-beneficial services at various CONUS mobilization stations and whether it should be expanded for use at all mobilization stations.

Accountability Over Contractors Downrange. This effort is the second in a series of audits concerning issues associated with contractors on the battlefield. Tens of thousands of contractors are currently deployed for OEF and OIF acting as a force multiplier by providing various services to soldiers, including systems support, transportation, and food service. Accountability over these contractors is crucial for the Army to maintain operational support of them while they are in theater and to have visibility over contract capabilities in the theater of operation. During the audit AAA is evaluating current and future accountability methods in theater and roles and responsibilities throughout the Army.

U.S. ARMY CRIMINAL INVESTIGATION COMMAND

The United States Army Criminal Investigation Command (USACIDC) provides critical felony criminal investigations, actionable criminal intelligence, logistics security, and protective services to a joint and expeditionary force globally postured in direct support of the War against Terrorism. USACIDC presently has more than 140 soldier and civilian special agents in Iraq, Afghanistan, and Kuwait investigating felony-level crime, providing Personal Security Officer support for High Risk Personnel, and providing criminal intelligence and forensic support to the Joint Improvised Explosive Device (IED) Detection Task Force.

The USACIDC special agents investigate detainee abuse; investigate and interrogate suspected terrorists to gather physical and testimonial evidence needed for successful judicial prosecutions; investigate contract fraud and public corruption of Congressional interest; and provide protective service for ambassadors, dignitaries of U.S. cabinet rank in forward deployed environments, foreign heads of defense, and in the highest terrorist threat environments, the Special Representative to the United Nations Secretary General in Iraq.

USACIDC also provides command and control leadership to the Criminal Investigation Task Force (CITF), a joint enterprise with investigators from the U.S. Air Force Office of Special Investigations (AFOSI) and the Naval Criminal Investigative Service (NCIS). The unit investigates and formulates best evidence prosecutable packets against personnel

held at Guantanamo Bay, Cuba. CITF special agents in Iraq actively and aggressively support the Central Criminal Court of Iraq by investigating and promulgating the legal resolution of international terrorist prosecution under the Iraqi judicial system.

Joining with other federal law enforcement agencies, DoD agencies, and the national intelligence community, USACIDC supports the FBI regional and national Joint Terrorism Task Forces in combating terrorism in the continental United States by fusing Army criminal intelligence with other all source processed intelligence, thus presenting a better operating picture of domestic terrorism. Their specific efforts are designed and focused to eliminate, mitigate, or apply countermeasures that serve to protect DoD assets and other valuable resources.

USACIDC special agents help streamline information sharing between national intelligence and law enforcement agencies by contributing personnel and support to the Antiterrorism Operations and Intelligence Cell at the Army Operations Center; the National Joint Terrorism Task Forces; and the Global Situation Awareness Facility, Office of the Secretary of Defense. USACIDC provides criminal activity threat estimates and criminal activity threat assessments to protect, defend and harden mission essential vulnerability areas and human resources.


USACIDC deployed five special agents to support the Joint Improvised Explosive Device Defeat Organization Task Force as members of a Law Enforcement Implementation Plan aimed at developing criminal intelligence to defeat the criminal threat, concentrating initially on the IED threat. As embedded members of the III Corps Special Staff, the teams are working in the Counter IED Operational Integration Center, C3. Developing doctrine along with cutting edge criminal intelligence techniques is the foundation in reaching the goal of reducing U.S. and coalition casualties due to IEDs. Instilling a law enforcement perspective throughout every echelon of the task force began with meeting with key III Corps intent on defeating the IED criminal networks.



A USACIDC special agent in Southwest Asia.

Tasks established included: work jointly with the contractors to develop and implement new and changing tactics and techniques; develop ways to collect criminal information from an array of sources; analyze and refine criminal information into actionable criminal intelligence for all commanders within the theater via immediate criminal alert notices and Bulletins to assist in the education of Soldiers with boots on the ground and reduce the loss of life. An essential methodology is to evolve the process into an efficient and effective combat multiplier, adaptive in nature, resulting in predictive analysis.

USACIDC special agents continued their emphasis on providing logistical security (LOGSEC) by focusing on the integrity of the logistics pipeline associated with deployments/redeployments and contingency operations. Special emphasis is given to prevention, detection and investigation of criminal acts committed by either terrorists or criminal elements from within the factory, to use in the foxhole, for either reutilization or disposal. Designed to prevent supply diversion, theft, destruction, product substitution, or the sabotage of supplies while in transit from force provider to warfighter in a combat theater of operation, those LOGSEC efforts draw on the vigilance of every USACIDC military and civilian member.



USACIDC is fully engaged and forward deployed in helping to establish firm procedures to reduce contract fraud in the Iraq, Afghanistan and Kuwait theaters of operations with more than 80 ongoing criminal investigations to combat major contract fraud. The USACIDC has four fraud resident agencies in Iraq, Afghanistan and Kuwait, manned by highly trained investigators of the Major Procurement Fraud Unit reinforced by special agents from every command and specialty within the USACIDC. From this investigative effort, more than 20 military and civilian government employees have been indicted on charges of contract fraud, with confirmed bribes of at least \$15 million dollars. It is believed that the contracts affected range in excess of \$6 billion dollars.

In addition to criminal investigations, the USACIDC is contributing significantly to correcting systemic weaknesses in contingency contracting operations. Working with the AAA, the USACIDC produced a comprehensive Crime Prevention Survey detailing systemic weaknesses in Kuwait contracting operations. Additionally, the USACIDC has briefed and continues to support the efforts of special commissions established by the Department of the Army and the Department of Defense tasked to improve contracting program management processes.

Many of the contracting investigations that are ongoing are being conducted jointly with the FBI, DCIS and the Special Inspector General for Iraq Reconstruction (SIGIR). The USACIDC is playing the lead role in this investigative effort, providing the majority of the dedicated agent manpower. The combined efforts of all the investigative agencies provides for the depth of resources and the international network required to complete these complicated investigations in a timely manner. This International Contract Corruption Task Force works in conjunction with the Anti-Trust, Civil, and Criminal Divisions of the U.S. Department of Justice, (DoJ) for prosecutions, indictments, civil recoups and restitutions.

The USACIDC is fully committed to cooperation with the DOD IG, DoJ, the AAA, the DCIS, FBI, SIGIR, the Army Contracting Agency, the Joint Contracting Command-Iraq/Afghanistan, as well as Combatant and Component Commanders.

U.S. NAVY AND MARINE CORPS

NAVAL AUDIT SERVICE

The Naval Audit Service (NAVAUDSVC) supports the Department of the Navy (DON) GWOT goals by auditing selected policies, procedures, and activities to ensure they achieve the stated objectives and maximize efficiencies. The Naval Inspector General publishes a DON Risk Assessment annually. The NAVAUDSVC includes in its audit plan topics based on the risks and areas of vulnerability identified in the risk assessment with respect to GWOT.

The NAVAUDSVC has audited military interdepartmental purchase requests. The NAVAUDSVC is continuing a series of audits on antiterrorism and force protection. The NAVAUDSVC is auditing intelligence-related contracting and classified financial reporting.

NAVAL CRIMINAL INVESTIGATIVE SERVICE

The Naval Criminal Investigative Service (NCIS) actively supports the GWOT through a number of unique efforts. Since January 2006, NCIS has operated a forensic laboratory in Camp Fallujah, Iraq (LPL-CF), processing nearly 50,000 individual items during this reporting period, resulting in more than 325 identifications of suspected insurgents and other persons of interest. At least 188 of those identifications resulted in criminal prosecution in the Central Criminal Court of Iraq. The LPL-CF is on course to process 150,000 items this calendar year. And at the request of United States Central Command (USCENTCOM), NCIS conducted a forensic survey in Afghanistan to determine the level of forensic support required there.

NCIS supports efforts aimed at detecting, deterring and disrupting terrorism against DoN personnel and assets worldwide. The Combating Terrorism Directorate brings a wide array of offensive and defensive capabilities to the mission of combating terrorism. Offensively (counterterrorism), NCIS conducts investigations and operations aimed at interdicting terrorist activities. Defensively (antiterrorism), NCIS supports key DoN leaders with protective services and performs vulnerability assessments of military installations and related facilities to include ports, airfields, and exercise areas to which naval expeditionary forces deploy. NCIS special agents search a house cave in Iraq (pictured right).



NCIS special agents, analytical and support personnel deployed around the globe to support counterterrorism efforts. A brief overview of efforts listed as follows:

- Thirty-five special agents supported the Multi-National Forces (MNF) Strategic Counterintelligence Directorate – Iraq by fulfilling operational and strategic counterintelligence requirements and providing counterintelligence support to the unified and special commands. Of these, one agent currently fills the operations chief and deputy director positions. Additionally, two NCIS agents deployed to support the MNF staff as the Chief of Interrogations Operations.
- Forty-one special agents provided criminal investigative support for the Marine Expeditionary Forces – Iraq. Two additional special agents served as special counterintelligence officers on Marine Expeditionary Forces staff.
- Twenty-eight special agents, eight intelligence analysts, and two mobilized United States Navy Reserve intelligence specialists supported the USMC Joint Prosecution and Exploitation Center –Iraq in conducting criminal investigations and analyzing evidence on non-US suspects for prosecution by the Central Criminal Court of Iraq.
- Twelve special agents, including CI, polygraph examiners, and cyber forensics experts, fulfilled operational and strategic counterintelligence requirements and provided counterintelligence support to the unified and specified commands in Afghanistan. A NCIS special agent currently fills the operations chief billet.
- Five NCIS polygraph examiners supported detention center interrogations, and other special missions to validate operational and strategic counterintelligence requirements for USCENTCOM and component commanders in Afghanistan.
- Seven special agents, deployed to Guantanamo Bay, Cuba, conducted detainee interviews and prepared trial reports concerning the detainees' involvement in war crimes within the USCENTCOM area of responsibility (AOR).
- Seven agents deployed to Balad, Iraq; three supported the Task Force Counterintelligence Coordinating Authority and four provided cyber forensic expertise in support of special operations.

- Eighteen special agents deployed to Iraq to provide CI/Human Intelligence (HUMINT) support; six agents provided support to the Naval Expeditionary Combatant Command, and twelve agents provided support to the Counter Insurgency Operations with Theater Internment Facility (TFI) at Camp Bucca.
- Four special agents and one mobilized USNR intelligence officer provided manning for counterintelligence and force protection responsibilities within the area of responsibility of the NCIS resident agent in Kuwait.
- Twelve special agents support the Criminal Investigations Task Force (CITF) investigating war crimes within the USCENTCOM AOR. This period, CITF contributed independent investigative findings regarding the ultimate disposition of detainees at Guantanamo Bay, Cuba; supported Department of Justice and Office of Military Commissions (OMC) prosecution with respect to indictments and trial of alleged terrorists; established a vehicle for prosecution of alleged terrorists via the Central Criminal Court of Iraq; developed unique web-based software for field investigators permitting worldwide access of investigative information to the DoD at large; cooperated closely with the Government of Afghanistan to evaluate detainees' involvement in terrorism against the United States and Coalition Forces; and supported investigators on the battlefield.
- Two agents deployed as Personal Security Advisors to the Commander, Joint Task Force – Horn of Africa (CJTTF-HOA). These agents supervised a security team composed of a USMC military policeman and USN master-at-arms, oversaw fixed physical security measures and provided continuous coordination with non-U.S. security forces to ensure the CJTTF-HOA's safety while traveling outside of American control.
- Twenty-two special agents and three mobilized USNR intelligence officers deployed to Djibouti to provide CI/HUMINT and force protection support to the Commander, Joint Task Force, Horn of Africa, as well as force protection and criminal investigative support for the Commanding Officer of Camp Lemonier.
- Ten special agents provided investigative support aboard the following Navy combatants: USS Enterprise, USS Harry S. Truman, USS Dwight D. Eisenhower, USS Bataan, USS Bon Homme Richard, USS Kearsarge, USS Kitty Hawk, USS Blue Ridge, USS Chester Nimitz, USS Ronald Reagan, USS John C. Stennis, and USNS Comfort.

During this period, the NCIS Protective Operations Department provided personal security for nine foreign dignitaries and Navy commanders, visiting through either the Defense Foreign Liaison Office or Navy Foreign Liaison Office. And, in addition to maintaining personnel security details on DON high risk billets worldwide, it assisted USACIDC



NCIS special agents in Afghanistan hills.

on twelve protective service operations in support of the Office of the Secretary of Defense and Joint Chiefs of Staff principals. The NCIS Directorate of Intelligence, by monitoring classified threat streams relating to terrorism, issued 409 threat assessments directly to DoN deployed assets to assist in force protection planning; 7 reports regarding locations where DoN assets have an operational interest; and 271 daily threat summaries. And, with an emphasis on HUMINT collection, a plan focusing on Navy and national requirements, to include to the Maritime Domain Awareness initiative, was implemented with five agents deployed to NCIS field offices. During this period, the NCIS Cyber Division – Iraq supported four separate major wrongful death cases involving terabytes of media taken from suspects and witnesses, and conducted multiple forensic examinations pertaining to an unfounded wrongful death allegation. The division in Afghanistan continued to refine its closed forensics network for electronic media extraction and analysis.

MARINE CORPS CRIMINAL INVESTIGATION DIVISION

The United States Marine Corps-Criminal Investigation Division (USMC-CID) supports the Marine Corps garrison and field commands in the GWOT. Through rapid deployments, USMC-CID responds to all investigative requests and requirements not assumed by the NCIS and/or at the combat and garrison commander's request. USMC-CID provides investigative support, Sensitive Site Exploitation training to operating forces, and prosecutorial support to the Joint Prosecution and Exploitation Centers (JPEC) throughout the Iraqi theater.

In Iraq, during this reporting period, the USMC-CID:

- Deployed agents in support of JPEC.
- Reviewed, prepared, and forwarded detainee packages and evidence for prosecution/release of current detainees in country.
- Devised and conducted training to operating forces on preserving, gathering, and documenting evidence.
- Prepared, forwarded, and executed high value target packages in conjunction with other agencies.

In addition to USMC-CID detachment operations in Iraq, agents also deployed as individual augmentees to sister service units operating in Afghanistan in support of special operations. They also conducted protective service operations worldwide in support of combatant commanders and high risk events.



USMC-CID agents conduct an investigation and visit with local kids in the International Zone.



U.S. AIR FORCE

AIR FORCE AUDIT AGENCY

During the 6-month period ending September 30, 2007, the Air Force Audit Agency completed three audits directly related to the Global War on Terror. The Air Force Audit Agency has seven ongoing and planned GWOT-related audits conducted in the United States Central Command Air Forces (CENTAF) overseas area of responsibility (AOR). In addition, the Air Force Audit Agency has four ongoing and planned GWOT-related audits, not conducted in the AOR.

COMPLETED GWOT AUDITS IN THE AOR

Central Command Air Forces Deployed Locations Services Contract Management. During FY 2006, CENTAF personnel administered approximately \$78 million in service contracts for items such as leased vehicles, food services, and custodial requirements at four major operating locations. The CENTAF Commander requested this review to assess service contract management in a contingency environment. The audit disclosed Air Force personnel did not effectively manage service contracts. Specifically, review of 10 CENTAF service contracts (totaling more than \$32 million) showed CENTAF AOR personnel did not properly validate contract requirements for 5 contracts (contract requirements at three of four locations exceeded requirements by \$1.1 million annually) nor adequately monitor contractor performance for 7 contracts valued at \$27.4 million. Reducing contract requirements to reflect actual needs will allow the Air Force to put \$4.9 million to better use over the 6-year Future Years Defense Plan. Effective contractor performance monitoring helps CENTAF AOR personnel verify the Air Force fully receives services purchased.

Central Command Air Forces Deployed Locations Ground Fuel Management. Ground fuel use in the CENTAF AOR totaled 15.6 million gallons, valued at over \$19.2 million, in FY 2005. For the first quarter of FY 2006, ground fuel use totaled 6.7 million gallons, valued at \$13.9 million. An audit disclosed that CENTAF personnel generally established adequate physical controls over fuel pumps and properly recorded fuel disbursements. However, they did not accurately account for fuel payments. Specifically, CENTAF officials had not established processes and support necessary to validate fuel charges and subsequent payments. Further, CENTAF officials did not accurately pay host-nation fuel charges or collect fuel charge reimbursements from coalition partners. Although auditors did not identify any erroneous fuel payments, properly validating ground fuel billings and reconciling fuel charges to payments prevents incorrect payments, accruing unknown liabilities, and over-obligating funds for fuel consumed. Seeking past reimbursements and collecting future payments from coalition partners may yield savings of approximately \$2.3 million over the 6-year Future Years Defense Plan.

Central Command Air Forces Deployed Locations Government-Wide Purchase Card Program. From October 2005 to April 2006, CENTAF personnel at Balad, Ali Al Salem, and Al Dhafra Air Bases (ABs) and Baghdad International Airport (BIAP) made approximately 4,800 GPC purchases totaling over \$11 million. Auditors concluded GPC program management at deployed locations required improvement. CENTAF AOR personnel maintained support for GPC transactions, established adequate separation of duties, and periodically reconciled bank statements to purchase receipts. Further, our review did not disclose any instances of fraudulent cardholder activity. However, AOR personnel did not properly record GPC-purchased assets on accountability records. Additionally, AOR cardholders

purchased non-mission essential assets and did not always obtain required purchase approval. Proper GPC program controls reduce the risk of undetected theft and loss, unexpected shortages of critical items, and unnecessary purchases of items already on hand. Ineffective controls resulted in unrecorded, non-mission essential, or improperly approved purchases valued at over \$264,000.

ONGOING AND PLANNED GWOT AUDITS IN THE AOR

Central Command Air Forces Cryptographic and Secured Communication Equipment. This ongoing audit will determine whether Air Force personnel effectively manage cryptographic and secured communication equipment in the CENTAF AOR. Specifically, auditors will determine whether CENTAF AOR personnel properly account for and control cryptographic and secured communication equipment.



AFSA auditors outside billeting tent at Al Udeid AB, Qatar.

Central Command Air Forces Prepositioned Mobility Bags. This ongoing audit will determine whether Air Force personnel effectively manage the mobility bag program. Specifically, auditors will determine if CENTAF personnel properly account for and control mobility bag inventories, and effectively manage shelf life items. Further, the audit will determine whether Air Force personnel accurately computed requirements after prepositioning mobility bags in the CENTAF AOR. Audit work will also be performed at 22 locations outside the CENTAF AOR to determine whether installation logistics readiness personnel properly transferred accountability of mobility bags from installation records to CENTAF records per Air Staff guidance.

Patient Movement Items. This ongoing audit will assess whether medical officials properly manage the patient movement item (PMI) program. Specifically, auditors will assess whether medical officials properly develop and maintain equipment level requirements, account and track PMI, and perform required maintenance functions.

MQ-1 Predator Asset Accountability and Maintenance. This ongoing audit will determine whether Air Force personnel effectively manage the MQ-1 Predator Unmanned Aerial System. Specifically, auditors will determine whether Air Force personnel properly maintain program asset accountability, timely accomplish and accurately record maintenance actions, and develop and maintain program unit type codes addressing current and projected mission needs.

Central Command Air Forces Deployed Locations Aerial Port Operations. This planned audit was requested by CENTAF officials. During the audit planning phase, auditors will determine whether the subject is appropriate for audit within the CENTAF Area of Responsibility in the near future and, if so, to formulate audit objectives. The auditors will discuss and examine the following management topics: efficiency and effectiveness of cargo movement, personnel movement, safety of aerial port operations, and reimbursement of CENTAF intra-theater transportation costs.

Central Command Air Forces Deployed Locations Munitions Management. During the audit planning phase, auditors will determine whether the subject is appropriate for audit within the CENTAF AOR in the near future and, if so, to formulate audit objectives. The auditors will discuss and examine munitions accountability, serviceability, storage and control; shelf-life management; and requirements forecasting.

Central Command Air Forces Deployed Locations War Reserve Materiel Management. This planned audit was requested by the CENTAF Commander. During the audit planning phase, auditors will determine whether the subject is appropriate for audit in the CENTAF AOR in the near future and, if so, to formulate audit objectives. The auditors will discuss and examine asset authorizations, requirements, accountability, and maintenance.

ONGOING AND PLANNED GWOT AUDITS OUTSIDE THE AOR



Air National Guard Emergency Response. This ongoing audit will assess whether Air National Guard officials properly managed selected aspects of emergency medical response programs. Specifically, auditors will determine whether Air National Guard officials: effectively prepared teams to transport medical emergency equipment, supplies, and personnel to disaster sites; sufficiently trained personnel to perform emergency medical duties; adequately developed and implemented patient tracking systems; and effectively maintained medical equipment and supplies.

AFAA team for Fourth AOR Rotation.

Readiness Training for Deployable Communications. This ongoing audit will determine whether the Air Force effectively managed crew position training and assignments for deployable network control centers. Specifically, auditors will determine if communications squadron personnel received crew position training for network control center deployments and assigned appropriate personnel to support network control center deployments.

Follow-up Audit, Weapons of Mass Destruction Emergency Responder Program. This ongoing audit will determine the effectiveness of management actions in response to AFAA Report of Audit F2004-0008-FD3000, Weapons of Mass Destruction Emergency Response Equipment, September 7, 2004. The audit will determine whether the Air Force effectively implemented a WMD emergency responder program. Specifically, auditors will evaluate whether Air Force officials established requirements for WMD response assets, equipped emergency responders with necessary assets for personnel protections and mission accomplishment, accounted for emergency response assets, and trained installation emergency responders to effectively respond to a WMD incident.

Selected Aspects of Deployment Management. This planned audit was requested by the Director of Logistics Readiness (AF/A4R). During the audit planning phase, auditors will determine whether the subject is appropriate for audit in the near future and, if so, to formulate audit objectives. The auditors will discuss and examine (a) deployment processing policy, guidance, and standardization for both military and civilian deployments; and (b) installation deployment officer roles, responsibilities, training, and tools.

AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS



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

During this reporting period, AFOSI special agents deployed to operations in Iraq and Afghanistan, and proactively worked with coalition forces and direct action units on human source information to effect the capture or killing of 21 Al Qaeda and 69 Taliban fighters, as well as 168 other fighters or insurgents. Of the 258, 18 were known leaders, with 13 of those officially classified as "High Value Individuals (HVIs)." Their positions included death squad leaders; kidnappers; snipers; explosively formed projectile (EFP) and improvised explosive device (IED) makers, emplacements, suppliers and financiers; indirect-fire shooters and spotters, and assassination cell leaders.

In one event, AFOSI special agents, leveraging a well-placed human source, uncovered hundreds of gallons of chemicals used to make home-made explosives from several storage locations in Iraq. The effects of the total amount of explosives which could be derived from the seized chemicals were estimated to be 40,000 lbs. If used properly to maximize explosive effects in a single device, the effects could equate to four or more times the explosive impact of the device used in the 1995 Oklahoma City Federal Building bombing.

Also in support of GWOT, AFOSI is in the process of creating a National Capital Region Fraud Unit that will participate in the ICCTF and be the focal point for all AFOSI's counter-fraud efforts in Southwest Asia.

And with agents assigned to the Criminal Investigation Task Force (CITF), AFOSI agents serve jointly with criminal investigators from the NCIS and USACIDC to capture and bring to trial non-US citizen terrorists that were affiliated with Al Qaeda.



AFOSI special agent in Iraq.

IN REMEMBRANCE OF FALLEN AFOSI AGENTS



On November 1, 2007, three special agents of the U.S. Air Force Office of Special Investigations (AFOSI) were killed in the line of duty when their vehicle was struck by an improvised explosive device while near the Balad Air Base in Iraq.

Master Sgt. Thomas A. Crowell, 36, of Neosho, MO.; Staff Sgt. David A. Wieger, 28, of North Huntingdon, PA.; and Nathan J. Schuldheiss, 27, of Newport, RI, were on a counterintelligence operation when the attack occurred.

Special Agent Crowell was an active duty agent assigned as the superintendent of Detachment 301, Scott AFB, IL. He managed criminal and counterintelligence investigations at Air Mobility Command's showcase airlift wing. This support included coordinating with civilian law enforcement agencies and conducting liaison meetings to resolve investigations and collect information affecting the security of USAF resources.

Special Agent Wieger was a technical services agent at AFOSI Detachment 303, Travis AFB, CA. He served in that position since September 2004 and was responsible for the technical surveillance countermeasures program supporting all special access programs / special access required programs and all Air Force installations on the West Coast to include Alaska and Hawaii.

Special Agent Schuldheiss was assigned to Detachment 204, Offutt AFB, NE. He graduated from Gonzaga University in Spokane Washington in 2002 with a degree in Political Science. He attended, and was awarded his Juris Doctorate in 2005. He was hired by the Air Force in September 2005 after earning a Juris Doctorate from Roger Williams University School of Law in Bristol, RI.

In May 2007, Special Agent Schuldheiss volunteered and was deployed to the AFOSI Expeditionary Detachment 2411, Balad, Iraq, in support of Operation Iraqi Freedom. During this time, Special Agent Schuldheiss was chosen as Civilian Special Agent of the Quarter for July – September 2007.



Paying tribute to the fallen AFOSI agents.

SIGNIFICANT ACCOMPLISHMENTS



JOINT WARFIGHTING AND READINESS

The challenge of Joint Warfighting and Readiness is to provide the right force, personnel, equipment, and supplies in the right place at the right time, and in the right quantity, across the full range of military operations. This challenge is compounded by the strain on resources as a result of Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF). This challenge further encompasses the need for the Services and allies to be interoperable, communicate with each other effectively, share data when necessary, and train together when possible. To meet that challenge, the Department is transforming its logistics capabilities to support fully integrated, expeditionary networked, decentralized, and adaptable forces. The Department is also transforming its infrastructure through base realignment and closures to an efficient, cost-effective structure. In making recommendations for realignment and closure, the Department gave priority consideration to military value, particularly mission capability and the impact on operational readiness, joint warfighting, and training.

AUDIT


The GWOT section discusses joint warfighting and readiness audits pertaining to OIF and OEF. Other joint warfighting and readiness related audits, such as logistics and Base Realignment and Closure, reports are discussed below.

The Defense Logistics Agency's Warstopper Program provides funding for the preservation of critical industrial capabilities for selected items. Demand for these items was high in wartime but declined rapidly in peacetime. The items included nerve agent antidote auto-injectors; chemical protective overgarments and gloves; meals, ready-to-eat; tray pack rations; combat boots including cold weather boots; and barrier materials. The Warstopper Program generally has been successful in providing a stable industrial base for selected Warstopper items managed by the Defense Logistics Agency. The Warstopper Program increased industry's capacity to provide surge and sustainment of selected Warstopper items, such as chemical gloves and meals ready to eat. However, the Defense Logistics Agency included items in the program that did not meet its criteria. As a result, the Defense Logistics Agency may have used scarce Warstopper funds for projects that should not have been included in the Warstopper Program and may have overlooked higher priority projects.



Chemical protective overgarments, a selected Warstopper item managed by the Defense Logistics Agency.

In the DoD FY 2000 Logistics Strategic Plan, senior DoD logistics leaders agreed that DoD needed to develop a new way to measure logistics response time that included the requisitions or transactions from maintenance organizations that the local supply organizations filled. The new measurement, termed "customer wait time" would become a key DoD performance metric. It measured "order-to-receipt time" for spare and repair parts that organization-level maintenance organizations submit. DoD officials established business rules that defined goals for measuring customer wait time, and reported customer wait time metrics from 2001 to 2005. Further, the customer wait time days reported



to DoD by selected Army and Marine Corps units during the fourth quarter of FY 2005 were generally accurate. However, the customer wait time metric did not allow DoD officials to effectively measure the link between customer wait time and operational availability of equipment. Consequently, officials do not know how the customer wait time for high priority items will affect operational readiness.

The Army requested and used emergency supplemental operations and maintenance funds in FY 2006 and similarly requested and planned to use supplemental funds in FY 2007 to provide Rapid Fielding Initiative program items to soldiers who did not and were not scheduled to deploy in support of contingency operations. As a result, the Program Executive Office Soldier used about \$221 million in emergency supplemental funds during FY 2006 to provide Rapid Fielding Initiative items to about 125,000 soldiers who had not deployed and were not planned to deploy in support of contingency operations. Additionally, Program Executive Office Soldier records as of October 2006 showed that it planned to provide Rapid Fielding Initiative items to about 100,000 soldiers that were not planned to deploy during the first 5 months of FY 2007. The cost of Rapid Fielding Initiative items was approximately \$177 million in emergency supplemental funds for FY 2007 that could have been put to better use.


The Army administration and oversight of 4,408 Aviation Into-plane Reimbursement Cards need to be improved. Specifically, the Aviation Into-plane Reimbursement Card database contains inaccurate and unreliable Army ownership information. In addition, at the unit level, the process for accounting for Aviation Into plane Reimbursement Cards, verifying \$171.4 million in Aviation Into-plane Reimbursement Card charges, and retaining Aviation Into-plane Reimbursement Card receipts was inadequate. As a result, there is a higher risk of Aviation Into-plane Reimbursement Card misuse and erroneous billings.

Implementing recommendations resulting from the 2005 Base Realignment and Closure (BRAC 2005) process will be a challenge for the near future. In addition to improving the readiness and cost efficiency associated with realigning base structure, a primary objective of BRAC 2005 was to examine and implement opportunities for greater joint activity among the military departments.

ARMY AUDIT AGENCY

The Army in Europe was returning many bases to Germany while simultaneously opening forward operating sites in Eastern Europe. Assessing the environmental condition of installations is a key component of both actions. The Army Audit Agency (AAA) audited environmental planning procedures used to support these actions and estimate liabilities resulting from environmental damage. The Agency reported that existing policy did not allow the Army to fund additional testing to sufficiently document environmental conditions and reduce potential third party claims. Also, because DoD and DA environmental policies did not address testing at forward operating sites, no procedures were in place for the Army in Europe to sufficiently document the environmental conditions at its new forward operating site in Romania. The Army Audit Agency estimated that the Army could avoid about \$36 million in future third party claims by conducting sufficient testing in Romania. The Army did the testing and plans to issue revised guidance to allow for additional testing after announcing base closures or opening forward operating sites.

As of May 30, 2006 the Army had 21,204 soldiers with the necessary occupational specialties (both enlisted military occupational skills and officer area of concentration) related to detecting, handling, or dealing with the effects of WMD. However, only about seven percent of the soldiers had either the skill identifiers or the additional skill identifiers associated with the specialized aspects of the WMD elimination mission. About 22 percent of those soldiers



worked outside their primary military occupational specialty and could be reassigned to staff mission requirements. AAA also identified 10,731 civilians with skill levels that could augment this mission. Additionally, personnel who had received long-term specialized WMD training from 20th Support Command could not be identified through the Army's personnel system. Further, specialized commercial off-the-shelf equipment essential for the WMD elimination mission wasn't documented in the modified table of organization and equipment for 20th Support Command and subordinate units. By addressing these issues, the Army will be better prepared to assign personnel and resource requirements for the WMD elimination mission.

The Army aligned functional responsibilities for force protection with appropriate organizations. However, responsibility gaps existed at the Secretariat level, where the Army did not have designated responsibilities for Title 10 functions for antiterrorism; chemical, biological, radiological, nuclear, and high-yield explosive installation preparedness; continuity of operations; critical infrastructure risk management; computer network defense; and operations security. The Army also did not have a lead Secretariat office to provide primary oversight for force protection.

The Army needed to clearly define in doctrine and regulations the tactical control responsibilities to deal with terrorist events and natural disasters at its installations. It also needed to define the full scope of force protection and the capabilities, functions, and programs that support it. Until it resolves these issues, the Army will be unable to implement effective processes and organizational structures to manage force protection.

The Army did not align resources for 4 of the 13 programs and functions the Army Audit Agency reviewed, which could affect implementation of the budget and performance integration called for in DoD Management Initiative Decisions 910 and 913. Also, installations sometimes used funds programmed for antiterrorism and installation preparedness exercises to pay the salaries of security personnel and thus undermined their preparedness for a major terrorist event. Service component commands should coordinate and program funds for full-scale emergency response exercises to make sure they occur and include all appropriate activities. In addition, programming of resources for physical security at installations was fragmented between U.S. Army Installation Management Command (IMCOM) and mission activities under other commands. To better integrate security and use resources more effectively, IMCOM should be responsible for programming physical security resources for Army-funded mission activities at its installations.

The Office of the Surgeon General took adequate actions to implement the recommendations. The office revised Army Regulation 40-501 (Standards of Medical Fitness) to clarify the required flight physicals for contractor aircrews, giving them the option to maintain a Federal Aviation Administration class 2 medical certificate or an Army class 2 flight duty medical examination. Contractor aircrews that opt for Federal Aviation Administration physicals must submit a copy of their certificate and medical information to U.S. Army Aeromedical Activity for population-based surveillance and risk mitigation. The revision also includes a checklist that identifies key management controls to evaluate the proper handling and distribution of personal identification and medical information.

Although the Army was effectively performing analyses to prepare for future effects on ranges and training capabilities and identifying and maintaining information for munitions expended and estimated dud rates, information in the Army's Range Facility Management Support System wasn't reliable. As a result, the Army had no assurance it was reporting accurate information for environment reports, assessments, and toxic release inventories. Also, two of the three installations the Agency visited had stockpiles of range residue and munitions debris because of shortages in personnel, funding, and effective guidance. Consequently, if range residue stockpiles continue to grow, the Army may increase the risk of off-range migration of contaminants and the potential that regulators could view the scrap stockpiles as unlicensed landfills.

NAVAL AUDIT SERVICE

The Department of the Navy (DoN) has established controls in the system for managing Base Realignment and Closure Military Construction (BRACON) project development, cases still occurred where projects were not properly scoped. The Naval Audit Service (NAVAUDSVC) audited 11 BRACON projects planned for submission in the FY 2008 Program Objectives Memorandum and determined that: eight projects had a valid need but were over scoped by \$53.2 million; one project had valid requirements and was properly scoped; one project had valid requirements but was under scoped by \$56,000; and one project was cancelled by Commander, Navy Installations Command (CNIC) due to a decision not to relocate an aircraft squadron to China Lake. NAVAUDSVC recommended that CNIC reduce the scope of seven projects by \$45.8 million and the Commandant of the Marine Corps (CMC) reduce the scope of one project by \$7.4 million. CNIC and CMC agreed to adjust the scope of the audited projects and agreed with the \$53.2 million of potential monetary benefits.


Approximately \$63.8 million in unobligated BRAC funds and \$19.6 million in BRAC unliquidated obligations (ULOs) that were not needed by the Budget Submitting Offices (BSOs) holding the funds. The BSOs returned \$36.2 million of unobligated funds to the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN (FM&C)) and deobligated \$10.4 million of BRAC ULOs. In addition, ASN (FM&C) agreed to direct the BSOs to return remaining unneeded BRAC unobligated funds to ASN (FM&C) and deobligate remaining invalid and unsubstantiated BRAC ULOs, recapture the funds, and return them to ASN (FM&C).

The USMC has developed and implemented an anti-terrorism (AT) program and risk assessment process in accordance with the DoD and USMC AT Strategic Action Plan. However, dedicated and centralized funding for AT program management (as part of a program of record) has not been established through the Program Objectives Memorandum process; optimal AT/Mission Assurance management baseline staffing requirements at USMC installations had not been established; a standardized risk assessment tool has not been established for use and been fully implemented at most of the USMC installations visited; random antiterrorism measures were generally not in compliance with DoD standards; the Marine Corps Critical Asset Management System guidance had not been provided to installations; and Headquarters Marine Corps had not developed an effective system or tracking procedure to record the progress of the installations in meeting the USMC AT Strategic Goals and Performance Objectives. Commandant of the Marine Corps took and/or planned appropriate corrective actions on all recommendations.

The Marine Corps Second Destination Transportation billing dispute process had internal control weaknesses that resulted in \$8.68 million of unresolved disputes from FYs 2001-2005.

AIR FORCE AUDIT AGENCY

Air Force personnel did not always provide valid actual and projected obligations for inter-service and partnership workloads reported in the 50/50 report for FYs 2006 through 2008. Specifically, Air Force personnel improperly identified 3 of 21 inter-service programs as contract workload and incorrectly reported actual or projected obligations for 6 additional programs, provided inaccurate depot maintenance data for 4 (17 percent) of 23 partnerships reviewed, and did not prepare and maintain documentation supporting the contract depot maintenance amounts submitted for 5 (11 percent) of 44 percent inter-service and partnership programs reviewed. As a result, the Air Force overstated contract depot maintenance (and understated organic) workload by \$23.6 million in FY 2006 and \$8,000 in FY 2008



and understated contract depot maintenance (and overstated organic) workload \$452,000 in FY 2007; overstated organic depot maintenance workload (and understated contract) associated with partnerships by approximately \$4.6 million for FY 2006, \$1.7 million for FY 2007, and \$1.9 million for FY 2008; and cannot adequately support and defend reported contract depot maintenance workload if challenged on Air Force compliance with the legal limitation. Further, auditors could not validate reported depot maintenance partnership amounts of \$29.6 million for FY 2006, \$64.4 million for FY 2007, and \$93.6 million for FY 2008. Without changes in procedures and better controls to ensure accurate depot maintenance workload reporting, the Air Force risks misstating compliance with the statutory limitation.

Although F-22 program officials established a sustainment strategy to provide adequate aircraft support, they could improve the overall business approach for aircraft sustainment. Specifically, F-22 program officials did not fully implement a logistics support contract that met DoD and Air Force performance-based logistics guidelines. Consequently, the aircraft is not meeting user-defined intermediate performance goals that measure progress toward attaining system level maturity. Additionally, F-22 program officials did not ensure the contractor spare parts requirements identification process effectively incorporated reliability improvements and other factors to reduce overall costs. As a result, spare part inventories were not systematically and predictably optimized. Successful implementing of performance-based logistics approach is critical to controlling sustainment costs and improving F-22A readiness.

Air Force personnel did not maintain accurate inventory record balances in asset control systems for spare parts undergoing repair at contractor facilities. Physical inventories at five contractor locations disclosed on-hand inventory balances did not match the Air Force Government Furnished Material Transaction Reporting System recorded balances for 110 of 137 stock numbers reviewed or the Secondary Item Repair System recorded balances for 87 of 137 stock numbers reviewed. Consequently, buy and repair requirements were misstated by \$36.1 million. By reducing overstated requirements, the Air Force can put \$27.2 million to better use.

Although Military Working Dog (MWD) officials generally provided cost-effective program management, security forces personnel did not obtain reimbursements from non-DoD agencies for personnel costs related to providing MWD support. Implementing effective procedures to obtain reimbursement for personnel costs associated with MWD teams should increase DoD reimbursement by \$2.2 million over the 6 Year Future Years Defense Plan.

Air Force personnel did not effectively implement and use all available system functions, verify external program data was accurate and current for program usage, and properly manage system equipment upgrades and accountability. Specifically, wing officials at 8 of 15 locations did not implement the Theater Battle Management Core System - Unit Level (TBMCS-UL) program, use all core system functions and associated equipment, or efficiently utilize contracted personnel resources. As a result, TBMCS-UL program personnel had at least \$4.3 million in equipment that was either idle or utilized for other wing operations and, more than \$2.6 million in underutilized contracted personnel resources. Additionally, the TBMCS-UL OPS program did not always provide accurate and timely data for operational awareness. At five of the six locations where officials had implemented TBMCS, building, mapping, and operations data were inaccurate or did not include the most current operational data. Further, Air Force and installation personnel inappropriately replaced/upgraded Information Technology equipment, and did not properly establish TBMCS-UL equipment accountability. Program management initiated more than \$7 million in equipment replacement without validating current installation needs. Lastly, installation personnel did not properly account for 595 assigned equipment items valued at more than \$3 million.

INVESTIGATIONS



The Defense Criminal Investigative Service (DCIS) works to ensure that our warfighters have the equipment necessary to effectively accomplish their mission by focusing significant resources on the theft, diversion, and illegal transference of Defense technology and other property through their DCIS Technology Protection Program. This program currently oversees investigations involving the illegal diversion of strategic technologies and U.S. Munitions List items, some of which have been targeted by proscribed nations and terrorist organizations that pose a threat to national security. The Department of Homeland Security, FBI, and various members of the Intelligence Community recognize DCIS as a significant partner in the on-going battle against counter-proliferation and illicit technology transfer.

A DCIS investigation involved the attempted purchase of night vision goggles.

The NCIS Law Enforcement Information Exchange (LInX) program, a state of the art law enforcement information sharing system between federal, state, and local law enforcement agencies, continued its nationwide expansion and now includes more than 400 local, county, state and federal law enforcement agencies, in seven geographic regions around the United States. The information gathered from millions of law enforcement records directly supports NCIS criminal, counterintelligence and counterterrorism investigations. NCIS has begun to develop two additional LInX regions in North Carolina and Southern California. Additionally, NCIS is leading the development of a DoD LInX, so that criminal investigative information can be shared of between the DCIOs. This effort is expected to greatly facilitate DoD criminal investigative efforts related to joint basing, joint military operations, and the DCIO's move to Quantico under Base Realignment and Closure in 2010.

Following a joint undercover investigation by DCIS and Immigration and Customs Enforcement (ICE), six subjects pled guilty to charges of conspiracy to violate the Arms Export Control Act and the International Traffic in Arms Regulations, laundering of monetary instruments, and conspiracy to provide material support to a foreign terrorist organization. The investigation involved the attempted purchase of night vision devices, holographic sights, sniper rifles, sub-machine guns, stinger missiles, grenade launchers for the Liberation Tamil Tigers Elam, a known Sri Lankan Rebel/terrorist group. Thus far two conspirators have been sentenced to a period of 1 year and one day of incarceration. A total of \$701,925 has been recovered.

FIM-92A Stinger Missile systems, which provide short-range air defense against low-altitude airborne targets, are an example of a Defense technology protection item.





HUMAN CAPITAL

Challenges for the DoD's Human Capital area include making sure that the military and civilian workforce are appropriately sized, well trained, and well supported operationally, and capable of supporting current and future needs.


AUDIT

ARMY AUDIT AGENCY

The model U.S. Army Reserve Command (USARC) used initially to determine bonuses for specific military occupational specialties did not adequately capture current force requirements and wasn't consistently applied. As a result, the model could not adequately tie bonuses to critical skill shortages and early deploying units. In August 2006 USARC implemented a new model that used the Army Force Generation process and personnel shortages as the basis for offering bonuses. However, the Office of the DCS, G-1 and USARC did not fully document and disseminate the results of decisions made regarding bonuses. USARC also did not have key internal controls in place and operating for the overall management of the Selected Reserve Incentive Program. As a result, the bonus program was vulnerable to waste and misuse. Additionally, the processes the Reserve used for obligating, budgeting, and paying bonuses did not ensure appropriate use of resources and did not give adequate consideration to commitments made this year for future anniversary payments. USARC followed DoD and Defense Financial Accounting Service guidance for enlistment bonuses, and obligated and budgeted funds in the year it expected to make the payments. However, the guidance conflicted with fiscal law. As a result, USARC and Congress did not have visibility over the true annual cost of enlistment bonuses. USARC also did not have key internal controls in place for the bonus payment process. Consequently, from October 2002 through June 2006, it may have made almost \$5 million in initial payments to soldiers who did not meet eligibility requirements. In addition, from October 2005 through May 2006, USARC paid about \$300,000 in anniversary payments to non-prior service soldiers who weren't satisfactory participants. Command could make similar payments totaling about \$1.8 million over the Program Objective Memorandum years.

AAA validated whether the Army took sufficient actions to correct the material weakness related to the Reserve Component mobilization accountability process. Since first reporting the material weakness during FY 03, the Army automated the Department of the Army-level mobilization order-issuing process by developing and fielding the Department of the Army Mobilization Processing System and integrating the individual Reserve Component order-issuing systems with Department of the Army Mobilization Processing System to ensure the accountability of all mobilized soldiers. The Deputy Chief of Staff, G-3/5/7 also established four performance criteria to measure its progress in correcting the material weakness. AAA applied the criteria to test the accuracy and completeness of the data transferred among the systems. AAA concluded that the Army met the intent of the criteria and took significant actions to correct the material weakness.

At the request of Criminal Investigation Command, AAA audited the dependent eligibility processes for third country nationals. CID asked AAA to audit military personnel systems to support a joint task force investigating DoD personnel who fraudulently sponsored third country nationals for the purpose of committing financial and immigration crimes. Third country nationals are individuals from countries the nation hosting U.S. Forces identifies as "visa-restricted."



AAA found weaknesses in internal controls that sponsors exploited to fraudulently enroll third country nationals in the Defense Eligibility Enrollment System. These weaknesses allowed the third country nationals to gain access to DoD benefits and entitlements, immigrate into Germany (where the audit was performed), and gain physical access to U.S. military bases in Europe. DoD guidance for enrollment decisions wasn't adequate to authenticate foreign documents such as court adoption decrees or birth certificates. Based on AAA's recommendations, the Under Secretary of Defense (Personnel and Readiness) plans to establish Service wide guidance for authenticating foreign documents. The Army also issued interim guidance prescribing minimal authentication requirements and strengthened controls for reviewing enrollments.

AIR FORCE AUDIT AGENCY

The Air Force explosive site planning process was generally adequate; however, Air Force Safety Center, (AFSC) personnel did not process site plans timely. Specifically, as of August 2006, AFSC personnel had not processed 1,689 (68 percent) of 2,486 base-level plans received over the past several years for approval. Further, for DoD Explosives Safety Board-approved plans, AFSC averaged 631 days to complete the approval process. Errors or omissions in site planning by units could potentially increase risk to life and property, increase the chance of adverse political consequences should a mishap occur, and potentially disrupt missions. Further, without DoD Explosives Safety Board approved site plans, the Air Force could be forced to delay the use of multi-million dollar facilities or could lose the use of military construction funds if the funds expire.

Overall, the Air Force accurately prepared and adequately supported the government cost estimates and the cost data for the utilities privatization economic analyses. With one minor exception, the Air Force calculated and supported cost effectiveness analysis (CEA) model cost input in accordance with the Air Force Utilities Privatization Policy and Guidance Manual. As a result of privatization, the Air Force should save about \$6.5 million over the life of the contracts for two of the three utility systems. By retaining the other system, the Air Force should avoid more than \$17 million in additional costs that would be incurred under privatization.

Air Force officials did not eliminate halon fixed fire suppression systems in hush houses or minimize release of halon into the atmosphere. Specifically, in 93 (78 percent) of 119 hush houses, fixed fire suppression systems were filled with 232,148 pounds of halon that should have been phased out. Additionally, 19 of these 93 hush houses, containing 36,500 pounds of halon, had no requirement for a fixed fire suppression system or had alternative fire protection methods available. Further, the Air Force inadvertently discharged halon into the atmosphere 44 times (over 73,000 pounds) between 1995 and 2007. Proper fire bottle maintenance, fixed fire suppression systems upgrades, and adequate personnel training could have prevented at least 30 of these discharges. Eliminating the 232,148 pounds of halon from hush house fixed fire suppression systems and returning this ozone depleting substance to the Halon Defense Reserve for mission critical use will reduce Air Force halon shortages and allow the Air Force to immediately save over \$3.6 million (and as much as \$23.2 million). In addition, the Air Force risks future releases of halon into the atmosphere resulting in serious environmental and human health effects.

Education Services personnel at the 10 locations reviewed did not effectively use the tuition assistance program to meet current force development objectives. Specifically, Education Services personnel approved tuition assistance for military degree plans and civilian courses unrelated to official duties, current jobs, or Air Force enduring competencies and special needs. Eliminating tuition assistance payments for unrelated courses would provide over \$144 million that could be put to better use over the 6 Year Future Years Defense Plan. Proper program administration improves overall Education Services Office operations, helps members achieve education and career progression goals, and maximizes return on the Air Force's \$147 million annual tuition assistance investment.

POLICY AND OVERSIGHT

REVIEW OF WOUNDED WARRIORS' INITIATIVES



On September 12, 2007, the DoD/Veterans Affairs (VA) Inspectors General Interagency Care Transition team met with the DoD/VA Wounded, Ill and Injured Senior Oversight Committee (WII-SOC) Overarching Integrated Product Team (OIPT) to share information and coordinate actions in response to the “Implementation of Recommendations of the President’s Commission on Care for America’s Returning Wounded Warriors (Dole/Shalala Report).”

The interagency team is completing their Care Transition project that evaluated post-deployment health care and benefits issues for injuries and illnesses resulting from duty in Operations Enduring Freedom and Iraqi Freedom.

DoD IG team working on the Interagency Care Transition Project.

This meeting with the WII-SOC is one example of the constructive engagement process and how the IGs can facilitate program improvements and positive change.

IMPROVING THE DOD SAFETY PROGRAM

During this period, the DoD IG safety evaluation team briefed Office of the Secretary of Defense, Joint Staff, Combatant Command (COCOM), and Services officials on the emerging results of the “Evaluation of the DoD Safety Program.” On April 25, 2007, the team led a discussion on safety during the Defense Council on Integrity and Efficiency quarterly meeting in conjunction with the Joint/COCOM IG Conference. Prior to this venue, the team provided the keynote presentations for the European Command Tri-Service Safety Conference in Germany and the Joint Services Safety Conference in Massachusetts. In September, the team briefed the Executive Secretary for the Defense Safety Oversight Council (DSOC) and members of the Integration Group on the preliminary findings and recommendations that are being considered for the team’s final report. Also in September, the team presented the results and recommendations from their assessment on how safety and occupational health accountability is portrayed in individual evaluation reports. These communications and discussions are essential to promote dialogue and corporate “buy-in” on ideas to improve the DoD safety program.

INFORMATION SECURITY & PRIVACY





Cyber Security

DCIS agents were involved in 43 investigations involving computer intrusions or data theft incidents and issued 25 reports on matters that were potential threats to the DoD GIG.

The Department of Defense (DoD) has maintained a longstanding interest in the development and security of the Internet—from its initial growth out of the Defense Advanced Research Projects Agency (DARPA) Network to the recent efforts in establishing the Air Force Cyber Command. DoD is heavily dependent upon the Internet as an enabler of voice and data communications for everything from acquisitions to battlespace management. The DoD interface to the Internet is via its Global Information Grid (GIG). The GIG is the globally interconnected, end-to-end set of information capabilities, associated processes, and personnel for collecting, processing, storing, disseminating and managing infor-

mation on demand to warfighters, policy makers, and support personnel. The GIG includes all owned and leased communications and computing systems and services, software (including applications), data, security services, and other associated services necessary to achieve information superiority. It also includes national security systems as defined in section 5142 of the Clinger-Cohen Act of 1996. The GIG supports all DoD, national security, and related intelligence community missions and functions (strategic, operational, tactical, and business), in war and in peace. The GIG provides capabilities from all operating locations (bases, posts, camps, stations, facilities, mobile platforms, and deployed sites). The

GIG provides interfaces to coalition, allied, and non-DoD users and systems. While the entire Department plays a role in GIG protection, several Defense agencies maintain pivotal roles in GIG protection and cyber security. These agencies include the Joint Task Force-Global Network Operations (JTF-GNO), the National Security Agency (NSA), the DoD Cyber Crime Center (DC3), the Defense Criminal Investigative Organizations (DCIOs), and the Defense Information Systems Agency (DISA).

JTF-GNO is U.S. Strategic Command's (USSTRATCOM) operational component supporting USSTRATCOM in directing the operation and defense of the GIG to assure timely and secure net-centric capabilities across strategic, operational, and tactical boundaries in support of DoD's full spectrum of warfighting, intelligence, and business missions.

The DoD Cyber Crime Center (DC3) is the DoD center of excellence for efficiently organizing, equipping, training, and employing scarce resources to more effectively address the proliferation of computer crimes affecting the DoD. It is comprised of the Defense Computer Forensics Laboratory (DCFL), Defense Cyber Investigations Training Academy (DCITA), and the Defense Cyber Crime Institute (DCCI).

The DCFL mission is to provide digital evidence processing, analysis, and diagnostics for any DoD investigation that requires computer forensic support to detect, enhance, or recover digital media, to include audio and video. This includes criminal, counterintelligence, counterterrorism, and fraud investigations of the DCIO's

and DoD counterintelligence activities, safety investigations, Inspector General directed inquiries and commander inquiries. Over the past six months, the DCFL team of digital forensics experts supported 132 cases, with a digital volume of 47.16 terabytes of information in protection of the GIG and DoD mission.

The DCCI is the research, development, testing and evaluation directorate of DC3. The institute's work bridges law enforcement, academia, industry, intelligence and the forensic communities. DCCI develops and conducts test and validation of software and hardware for digital forensic applications, a process necessary for reliable, valid and repeatable results, while also researching and developing new tools.

The DCITA provides computer investigation training to forensic examiners, investigators, system administrators, or any other DoD members who must ensure Defense information systems are secure from unauthorized use, criminal and fraudulent activities, and foreign intelligence service exploitation. The DCITA has delivered more than 7,800 units of training for digital forensic examiners, cyber crime investigators and incident responders. Since initiating its certification program in June 2006, DCITA has certified more than 350 Basic Digital Media Collectors, Basic Digital Forensic Examiners and Computer Crime Investigators. DCITA instructs 21 courses across five specialty tracks: technology, responders, intrusions, forensics, and network investigations. Several DCITA courses are approved for undergraduate credit by the American Council on Education, and DCITA is currently in the process of professional accreditation

through the Council of Occupational Education.

DCIOs and counterintelligence activities employ cyber crime investigators and digital forensic analysts to investigate cyber crimes and threats to the GIG. These organizations and activities include the Defense Criminal Investigative Service (DCIS), US Army Criminal Investigation Command (USACIDC), US Naval Criminal Investigative Service (NCIS), and US Air Force Office of Special Investigations (AFOSI), and the U.S. Marine Corps-Criminal Investigation Division (USMC-CID).

Increasing and rapidly emerging asymmetric threats in the form of cyber intrusions and malicious network activities, underscored the need for a highly skilled and agile cadre of digital detectives. The USACIDC Computer Crime Investigative Unit (CCIU) conducts investigations and proactive vulnerability assessments that protect the Army's LandWarNet. CCIU consists of special agents, professional staff, and contractors partnering with the Army's Chief Information Officer/G-6, Army Computer Emergency Response Team (ACERT), JTF-GNO, and other law enforcement and counterintelligence organizations.

DCIS computer crime agents are trained and certified to seize and search digital media in support of criminal and administrative investigations. In support of over 60 investigations, DCIS' 38 computer crime personnel created forensic images of approximately 17 terabytes of data and analyzed over 7 terabytes of material supporting a wide range of DCIS case types. In addition to providing expert digital forensic services, DCIS

computer crime agents also investigate computer intrusions, cyber data theft, and national security matters impacting the security of the DoD's Global Information Grid (GIG). DCIS agents work closely with the JTF-GNO, Service Computer Emergency Response Teams, and information assurance staffs of the combatant commands and Defense agencies.

DCIS agents were involved in 43 investigations involving computer intrusions or data theft incidents and issued 25 reports on matters that were potential threats to the DoD GIG. Eleven (11) long term projects were ongoing to further protect the GIG and proactively identify incidents of computer fraud. DCIS worked closely with other federal law enforcement organizations to collaboratively share and exploit data related to the trafficking in child pornography. Forty-eight (48) child pornography investigations were ongoing during this period.

The Defense Information Systems Agency (DISA) is a DoD combat support agency that delivers information technology to enhance the capabilities of the nation's warfighters and all who support them in defense of the nation. DISA operates under the direction of the assistant secretary of defense for networks and information integration [ASD(NII)]. With a workforce of approximately 1,900 active duty military personnel and 5,000 civilians, located in the National Capital Region and in 29 field offices around the world, DISA aims to provide sufficient and efficient voice, video, data, and computing capabilities to meet the requirements of its "customers."



The DoD has long been instrumental in promoting cyber security both within and outside the Department. DoD supported the creation of the Computer Emergency Response Team Coordination Center (CERT/CC) in 1988 after the outbreak of the first Internet worm (The Morris Worm). The CERT Program is part of the Software Engineering Institute (SEI), a federally funded research and development center at Carnegie Mellon University in Pittsburgh, Pennsylvania. Following the Morris worm incident, which brought 10 percent of Internet systems to a halt in November 1988, DARPA charged the SEI with setting up a center to coordinate communication among experts during security emergencies and to help prevent future incidents. This center was named the CERT Coordination Center.

The individual military services began to form computer response capabilities beginning with the activation of Air Force Information Warfare Center in 1993. The other military Services followed shortly thereafter: the Army CERT (ACERT), the Navy Computer Incident Response Team (NAVCIRT), and the Marine CERT (MARCERT). The DoD CERT became operational in 1997 under the control of DISA. Even though DISA was tasked to protect DoD networks, it had no directive authority over the Service components and virtually no authority to enforce recommended defensive measures. To fill this gap, the Joint Task Force—Computer Network Defense (JTF-CND) was formed in 1998 to provide intelligence, law enforcement and other support functions to the DoD CERT. In 2002, JTF-CND became Joint Task Force

– Computer Network Operations (JTF-CNO) under the command of U.S. Space Command (USSPACECOM). Although this gave the JTF-CNO more authority, it still did not exercise direct control over the individual Service components. Finally, in 2005, the JTF-CNO (renamed the JTF Global Network Operations [JTF-GNO]) combined with DISA's Global Network Operations Security Center (GNOSC) and DoD CERT, and was placed under the direct command authority of USSTRATCOM where it was assigned the mission to “Operate and Defend the Global Information Grid.”

USSTRATCOM has overall responsibility for network defense and operations of the GIG. The Service components have day to day operational and defense responsibilities for

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

DISA Initiative - Compliance Validation

Using DISA Field Security Operations (FSO) inspection teams, Enhanced Compliance Validation (ECV) site visits assess the effectiveness of security controls at enclaves throughout the GIG to ensure that these controls meet minimum DoD requirements. The reports generated by these visits provide the site leadership with information concerning the security posture of systems, network infrastructure(s), policies, procedures, and traditional security components reviewed. Results of the ECV are also made available to the Secret Internet Protocol Router Network (SIPRNET) Connection Approval Office, Non-classified Internet Protocol Router Network (NIPRNET) Connection Approval Office, and JTF-GNO. Recommendations for correcting vulnerabilities and timelines for this mitigation are tracked to resolution with lessons-learned captured and disseminated widely to improve self-assessment

efforts throughout the DoD. Over the past six months, ECV visits have shown an upward trend in compliance and leadership engagement in response actions across all combatant commands, services, and agencies.

Despite DISA's attempts at compliance, the Department continues to be challenged by the need to provide a robust information security and privacy program for its data, systems, operations, and initiatives. The DoD has not adopted National Institute of Standards and Technology (NIST) standards or NIST guidelines established in Special Publications. It has, however, established a cooperative relationship working with NIST and the Director of National Intelligence to establish, in the near future, a common set of information security controls, risk management framework, and security certification and accreditation process that can meet the needs of federal agencies managing and operating both national security and non-national security systems. The DoD does not yet have a comprehensive, enterprise-wide inventory of information systems, to include warfighting mission area systems and those containing DoD information operated by contractors. Lack of progress in meeting these challenges severely hampers the ability of the DoD to protect operational information for the warfighter and privacy data for all employees, as well as perform basic fiduciary responsibilities and oversight for DoD information technology expenditures.

JTF-GNO Initiatives – INFOCON

Modeled from the well known Defense Condition (DEFCON) system, the Information Condition (INFOCON) system provides a

framework within which the Commander USSTRATCOM, regional commanders, service chiefs, base/post/camp/station/vessel commanders, or agency directors can increase the measurable readiness of their networks to match operational priorities. The readiness strategy provides the ability to continuously maintain and sustain one's own information systems and networks throughout their schedule of deployments, exercises and operational readiness life cycle independent of network attacks or threats. The system provides a framework of prescribed actions and cycles necessary for reestablishing the confidence level and security of information systems for the commander and thereby supporting the entire GIG. The INFOCON system, including responsibilities, processes, and procedures, applies to NIPRNET and SIPRNET systems under the purview of the Joint Chiefs of Staff and all DoD activities within the unified commands, military services, and DoD agencies. The DoD has been successful in using the new INFOCON system for just over a year. During this time, DoD has gained sufficient knowledge from both real-world and exercise experiences in using the INFOCON process. DoD is now in the process of revising the specified tasks and response options to adjust and ultimately improve the INFOCON system.

Law Enforcement & Counterintelligence

The JTF-GNO Law Enforcement Counter Intelligence Center (LE-CIC), in defense of the GIG, obtains information related to cyber crime cases from AFOSI, Army MI, DCIS, NCIS, USACIDC, and other computer crime investigative agencies.

These investigations are initiated in response to intrusions and incidents occurring across the DoD GIG. JTF-GNO and the DCIOs have been successful in gaining attribution, neutralizing, and/or mitigating hacking activities and associated members of hacker groups. Below are some recent cyber crime successes worked among the DCIO community.

Cleared Defense Contractor

A cleared defense contractor (CDC) under a DoD contract to provide computer maintenance for the Navy's 6th Fleet, based in Naples, Italy admitted to investigators to programming malicious software codes (Malware) into DoD computers that track Navy submarines in May 2006 while in Naples. The contractor stated to Navy investigators he was upset that his company's bid on a potential contract was not awarded. The contractor was sentenced on Wednesday, April 4, 2007, to one year in prison, a fine of \$10,000, and three years of probation upon his release. It was estimated that

over 540 man-hours were required to repair the damage and inspect all 65 computers at the Naples site.

Italian Hacker Group

An Italian court sentenced four adults and two minors (Subjects) who, in March 2001 and July 2006, compromised the Australian Government's Defense Department's website and approximately 700 other websites including the U.S. Pentagon and NASA. The adult subjects each received a 17-month jail sentence from a court in Ravenna. The two minor subjects' trial in Bologna is pending final adjudication.

Fort Monroe

On October 16, 2006, the U.S. District Court, District of Kansas, Wichita, Kansas sentenced a man to one year confinement in Federal prison with one year supervised release for the offenses of unauthorized access and damage to a Government computer (18 USC §§ 1030

(A)(5)(A)(III) and 2). The man was furthermore sentenced to five years confinement in Federal prison with three years supervised release, which will run concurrent with the first sentence (18 USC §§ 1029 (A)(3) and 2). The man will forfeit the sum of \$53,207, proceeds he obtained as a result of unauthorized access and damage to U.S. Army systems located at Fort Monroe, Virginia.

Northwest Hospital

On August 25, 2006 a Vacaville, California man was convicted on two felony counts and sentenced to 37 months in prison and ordered to pay restitution in the amount of \$252,000 to the Northwest Hospital in Seattle and the Department of Defense. The man along with two unnamed co-conspirators remotely compromised computers on the Internet, including computers at Northwest Hospital in Seattle, WA and over 400 Defense Department computers, by installing a malicious Internet Relay Chat (IRC) client program and creating and operating IRC robots or "bots" that responded autonomously to commands sent to it by the IRC server. Botnets were utilized by the subject to illegally install Adware on compromised computers without the consent or knowledge of the computers' owners. The subject and the two unnamed co-conspirators utilized affiliate marketing to fraudulently obtain commission payments from Adware companies totaling approximately \$100,000. The Botnet created by the subject infected the computer network at Northwest Hospital and the increased scanning traffic interrupted normal hospital communications. Due to the increased scanning traffic, the doors to the hospital operating rooms did not open, pagers



A DCIS special agent working a computer crime investigation.

did not work, and computers in the intensive care unit shut down.

Botnets

On May 8, 2006 a California man was convicted on four felony counts and was sentenced to 57 months in prison and ordered to pay restitution in the amount of \$15,000 for damage caused to the China Lake Naval Air facility and DISA. The subject engaged in illegal activity involving computers, including production of malicious code, spread of the code through a network of botnets, and sale of access to the infected computers for the purpose of launching denial of service attacks and generating income through surreptitious installation of adware.

DoD IG Audit

USTRANSCOM did not accurately report the security status of the Integrated Computerized Deployment System in response to the annual Congressional and Office of Management and Budget (OMB) reporting requirements of the Federal Information Security Management Act. Correcting the security weaknesses found by the auditors should help reduce vulnerabilities and security risks to the data stored in the system and provide more accurate FISMA reporting by the DoD.

DoD components did not consistently implement Privacy Program policy for reporting, collecting, safeguarding, maintaining, using, and disseminating personal information, with the result that personal information contained in DoD information systems could be vulnerable to access by unauthorized personnel, and/or for unauthorized purposes. Additional-

ly, DoD components did not comply with the requirements of the E-Government Act of 2002 Privacy Impact Assessment program, with the result that security risks associated with the protection of personal information may not be evaluated, leaving the information vulnerable to compromise or misuse.

Army Audit Agency

Protecting the LandWarNet, which is the Army's portion of the GIG, is a high priority for the Army. The Army Chief Information Officer (CIO)/G-6 established a strategic goal to "protect and defend the Army's systems, networks, and information" that specifically addresses information assurance and security issues. That goal is incorporated into the Army CIO/G-6 campaign plan and its 500-day plan that focuses on completing near-term specified and implied missions. AAA has developed an audit strategy that provides balanced audit support across the spectrum of the CIO/G-6's strategic goals. In accomplishing that mission, AAA maintains a continuous presence in the information assurance area.

Based on FY 2005 data, about 1,800 of the 4,500 Army Web sites (40 percent) were operating outside of the Army's two primary portals: Army Knowledge Online and the U.S. Army Home Page. In addition to limiting progress toward network-centric operations and reducing the total cost of ownership, the noncompliant Web sites made the Army network more susceptible to unauthorized access because they bypassed the single sign on authentication process. The Army agreed to take action on recommendations to consolidate oversight responsibilities, establish a

central registration repository for all Web sites, and issue instructions for implementing the single sign on authentication process.

Using signal detection devices over a limited area, AAA identified more than 240 wireless devices and 2 wireless networks connected to the GIG without the necessary security precautions or approvals. AAA also found that some activities were using cordless telephones that did not meet minimum security requirements. The individuals responsible for establishing, maintaining, or monitoring the devices were generally unaware of the security requirements and therefore did not properly secure the devices before beginning operations. The activities generally agreed to disable or remove the wireless devices from access to the GIG.

Naval Audit Service

The Naval Audit Service found 1,700 improperly disposed of documents containing Protected Personal Information (PPI), including 7,900 Social Security numbers, as well as medical records, traffic tickets and other police records, travel documents, and personnel rosters. Since the Naval Audit Service identified PPI material at every facility visited, the Naval Audit Service concluded that improper disposal of PPI material is a systemic condition that may exist at other Department of the Navy locations.

Air Force Audit Agency

Air Force personnel properly accounted for Secret Internet Protocol Router Network (SIPRNet) computer equipment processing classified data because of the risk associated with loss of control that, in turn, could com-

promise classified data and seriously damage national security. Air Force personnel properly accounted for locally purchased SIPRNet computers; however, centrally procured SIPRNet computer equipment processing classified data lacked sufficient accountability controls. Specifically, at 4 of the 5 major commands reviewed, 200 (35 percent) of 573 centrally procured desktop and laptop computers were not recorded in Asset Inventory Management module of the Air Force Equipment Management System. Consequently, the Air Force had no visibility over SIPRNet computers valued at \$393,954 containing highly sensitive information. Proper accountability in the Asset Inventory Management module establishes responsibility for equipment and provides management visibility over equipment on hand and in use to better manage acquisition decisions and ensure accurate financial reporting.

Critical Infrastructure Partnership Advisory Council (CIPAC) – Defense Industrial Base (DIB)

In addition to protecting the GIG and investigating intrusions targeting the DoD, DCIS has worked closely with the Federal Bureau of Investigation and the Defense Industrial Base (DIB) to investigate intrusions into their networks when there is an associated loss of defense information.

Attention to this problem has been growing since 2004. In early 2007 DoD began work in earnest to bridge the policy gap surrounding requirements to report computer intrusions among the DIB. In short, no broad policy exists for the DIB to report computer intrusions into their unclassified networks—including those

networks storing or processing sensitive unclassified defense data.

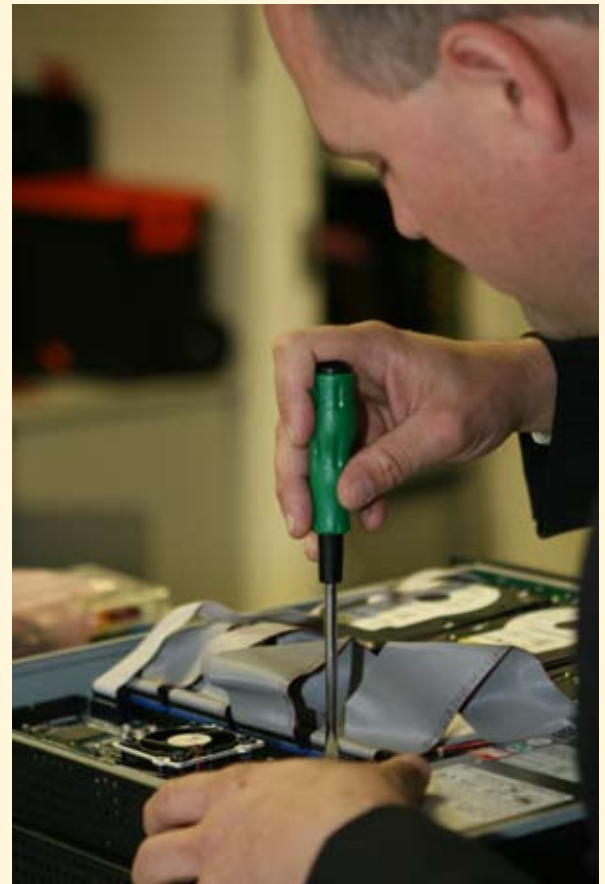
Under the auspices of the CIPAC, DoD is working with industry to develop a new framework for DIB network protection, incident reporting, and data loss damage assessments. The DoD IG, along with the DC3 and DCIOs, has been working closely with the DoD acquisition and information technology communities to address this problem.

The Office of the Secretary of Defense is expected to implement changes through the Defense supplement to the Federal Acquisition Regulation to bolster network security, require incident reporting, and increase the availability of network threat data to members of the DIB.

The Way Forward

Since the Department's reliance on computer networks continues to grow. The availability and integrity of these networks is paramount for the Department to operate efficiently and with lethal accuracy.

GIG protection, however, is not enough. The DoD relies on the DIB to develop and produce those machines with which the Department goes to war, provide healthcare for its service members and dependents, and perform important support functions in combat zones. The growing



DCIS investigates high tech crime, including computer intrusions, unauthorized access, and data theft. DCIS has 38 agents and analysts trained and qualified to seize and search digital data.

importance of protecting DIB information systems and networks cannot be understated. As the Department takes action to close the policy gap surrounding DIB incident reporting, the DCIOs have already begun to feel the stretch of thin cyber crime resources now required to address a broader range of incident response.

Should the Department fully embrace the need to better secure the DIB, an increase in cyber incident responders is long overdue.

FINANCIAL MANAGEMENT





DoD IG Role in the FIAR Plan

The DoD IG has been and will continue to be an advisor to the FIAR process. In this capacity, the DoD IG highlights areas of concern and provides realistic timeframes for audits. By communicating audit results, the DoD IG assists DoD components in identifying control weaknesses that need to be addressed in the components validation process. Additionally, the DoD IG provides advice and guidance about system requirements to financial statement audit teams and works with those teams in performing the systems portion of the audits. The DoD IG also conducts a variety of other financial audit services in addition to financial statements and financial system audits. Through those audits, DoD IG auditors identify material issues that impact the quality of the Department's financial reporting process and its ability to record and report reliable, accurate, and timely financial information.

The Way Forward

While the Department continues to be challenged by the complexity, number, and internal control weaknesses of its financial systems, particularly amidst conducting Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF), initiatives such as the FIAR plan and the Comptroller's business rules focus the efforts of the Department to reach a common goal. The DoD IG is encouraged that the Comptroller continues to consider new approaches to assist in the achievement of auditable financial statements. The new focus on overall audit readiness rather than

Financial Management

Financial Management challenges affect DoD's ability to provide reliable, timely, and useful financial data needed to support operating, budgeting, and policy decisions.

The Department continues to struggle with its ability to provide reliable, timely, and useful financial and managerial data to support operating, budgeting, and policy decisions. Some of the problems hindering the Department's efforts, such as improper payments, and retention of appropriate accounting and disbursing records, impact critical mission support to Operations Iraqi and Enduring Freedom.

In December 2005, the Department published the initial version of its Financial Improvement and Audit Readiness (FIAR) Plan with the intent to incrementally address some of its long-standing and pervasive problems. The FIAR Plan identifies criti-

cal activities for improving internal controls, resolving auditor identified weaknesses, optimizing fiscal stewardship, and achieving audit readiness. Milestones for resolving problems and achieving success are established and monitored so that decision makers can explore a broader range of options with greater confidence.

The DoD Comptroller's Office established business rules that focus efforts on improving the underlying financial management of the financial statements. These business rules were revised in the June 2007 update to the FIAR plan to include a sixth phase in the process. The six-phased approach is outlined in the chart on the next page.

THE SIX-PHASED APPROACH

Discovery & Correction	Segment Assertion	Audit Readiness and Validation	Audit Readiness Sustainment	Financial Statement Assertion	Financial Statement Audit
Management evaluates individual financial segments, identifies weaknesses and deficiencies, and implements corrective actions.	Management asserts audit readiness to OIG and OUSD(C) using an assertion package.	OIG or an IPA firm validates management's assertion using an examination Engagement.	Annual verification of segments using OMB A-123, Appendix A, as guidance.	Management asserts financial statement audit readiness to OIG and OUSD(C) for concurrence.	OIG and IPA firms audits the organizations financial statements.

concentrating efforts on audits of specific line items is a step in the right direction. The new business rules introduce more rigor and increased independence into DoD management's validation process to better ensure that financial statements are ready for audit. The DoD IG continues its role as the auditor and overseer of financial statement audits for the Department and stands ready to assist the Department in fulfilling its responsibility to provide accurate fiscal accountability and to sustain accurate financial reporting.

Completed Audit Work

The DoD IG completed audits of financial statements, financial systems, and financial-related information during this reporting period. The results of that work are discussed in the sections below.

Financial Statement Audits

In November 2006, the DoD IG issued a disclaimer of opinion on the U.S. Army Corps of Engineers (USACE) Principal Financial Statements because time constraints precluded the performance of sufficient audit work to complete the audit within established timeframes and auditors were unable to determine whether material amounts on the financial statements were fairly present-

ed. Based on additional audit work since November, auditors identified a departure from generally accepted accounting principles and scope limitations related to supporting documentation for Property, Plant and Equipment sample items that caused uncertainty with the Property, Plant and Equipment beginning balance. Until those issues are resolved to the auditor's satisfaction, the current disclaimer will not be changed. USACE is making progress by working to fix the majority of the Property, Plant and Equipment beginning balances by September 30, 2007, and Office of the Under Secretary of Defense (Comptroller) is tracking the progress through weekly updates from USACE and DoD IG personnel. The option year for the USACE financial statement audit contract for FY 2007 was exercised in April and audit work began in June. The FY 2007 audit work is progressing on schedule. Additionally, the Defense Information Systems Agency is making progress in its readiness for a Financial Statement audit.

Financial Systems Audits

Financial System audits provide invaluable information which regard to the validity of financial statement information. The following system-related concerns were identified during this reporting period.

- The audit trail within the Business Enterprise Information System allows general ledger entries to be traced to the source transactions. In addition, source transactions that pass the filter tables can be traced to the general ledger accounts. However, internal control weaknesses in the System prevent auditors and accountants from determining whether all transactions were correctly processed by the System which precluded auditors from confirming the Army General Fund general ledger balances. Internal controls could be improved by maintaining a centralized log that matches all corrections of filtered transactions to their original transactions, reconciling the information in the Filter Criteria Table with Department of Treasury and DFAS guidance, and adequately documenting the process used by the Business Enterprise Information System to process and record transactions to the general ledger accounts.

- The Defense Security Service lacked assurance that the invoices it paid for personnel security investigation requests were accurate. As a result, DoD could not validate payments of \$355.1 million for FY 2005 investigations or more than \$600 million in FY 2006. Strengthening control activities and monitoring over the payment for personnel security investigations will help ensure that DoD funds for that purpose are safeguarded.

- Defense Civilian Pay System information assurance controls related to accessing the System, its data, and DFAS facilities were not always effective; risk assessments were not always performed, and audit trails were not always maintained or reviewed. As a result, the Defense Civilian Pay System was at risk for unauthorized system access, manipulation or loss of data, and theft of personnel information.

Financial-Related Audits

Throughout the reporting period, the DoD IG has conducted financial-related audits in several areas including improper payment recoveries, valuation of operating materials and supplies, purchase cards, military interdepartmental purchase requests (MIPRs) and garnishments.

The following concerns were reported:

- The Under Secretary of Defense (Comptroller)/Chief Financial Officer did not have adequate controls to fully implement a recovery audit program to recover improper payments to DoD vendors and employees. Efforts to manage recovery audit contracts have been largely unsuccessful and DoD should pursue a Navy initiative and expand recovery audits in the area of telecommunication payments. In December 2006, the Navy awarded a recovery audit contract and projected it could recover 21 percent of the nearly \$1 billion it paid for telecommunication services in prior years. By expanding this effort to Army, Air Force, and other DoD telecommunication payments, DoD could realize as much as \$837 million in potential monetary benefits.

- The value of Operating Materials and Supplies reported on the FY 2006 Navy Financial Statements was overstated by at least \$4 billion. This condition occurred because the Navy: did not accurately report the Sponsor Owned Material it included in the Navy's FY 2006 Financial Statements; misclassified more than \$2.5 billion of Sponsor Owned Material as Operating Materials and Supplies; did not maintain audit trails or adequately validate the data gathered about its Sponsor Owned Material before submitting the data to the Assistant Secretary of the Navy (Financial Management and Comptroller) for inclusion in the financial statements; and did not always follow physical control procedures for managing materials. The Navy needs to ensure its financial reporting of Sponsor Owned Material complies with Federal Financial Accounting Standards No. 3 and 6; perform a complete reconciliation of its Sponsor Owned Material inventory amounts recorded in the Real-time Reutilization Asset Management System with the actual amounts of on-hand inventory; and ensure that audit trails are maintained and supporting documentation is available for all data recorded in accounting systems and used in financial reports.

- Of the 298 purchase card transactions sampled at Pacific Command (PACOM), 4 purchases exceeded the purchase card threshold, 2 included excessive shipping costs, and 1 did not have adequate supporting documentation. Additionally, the approving official did not properly review 37 of the transactions prior to approving them, and did not properly screen sources prior to completing 22 transactions. The agency program coordinator and approving officials must

take action to communicate and enforce existing guidance to minimize the potential for fraud, waste and abuse. The agency program coordinator also needs to reinforce training in the Business Operations Branch to improve the performance of personnel.

- PACOM did not follow the Chairman of the Joint Chiefs of Staff Instruction and their guidance for use of Official Representation Funds. PACOM personnel made 46 of the 50 purchases examined prior to verifying the availability of funds. For 21 of the 50 purchases, PACOM personnel incorrectly paid excise taxes. Additionally, PACOM personnel did not provide required documentation to fully support the Official Representation Funds purchases reviewed. Although gift items were not a part of our sample, during the testing of the Official Representation Funds process, the DoD IG observed that PACOM inappropriately retained 863 gift items (valued at \$16,459) in inventory.

- The Missile Defense Agency did not have adequate internal controls over governmental purchases. Specifically, the Missile Defense Agency did not properly manage the outgoing and incoming MIPR processes. The internal controls were inadequate because the Missile Defense Agency did not follow applicable MIPR regulations. As a result, the Missile Defense Agency personnel could not ensure that all purchases were in the best interest of the Government and complied with Federal, DoD, and the Missile Defense Agency regulations as well as public laws. New procedures and controls should be developed to ensure that required data and supporting documents are completed and

reviewed before a MIPR is certified; MIPR disbursements and reimbursable billings are verified against source documents and all documentation is maintained; and recorded commitments, obligations, and deobligations are valid and timely.

- The Defense Finance and Accounting Service did not ensure that proper amounts were garnished from current and retired DoD employees to pay debt obligations. Based on our statistical sample, the Defense Finance and Accounting Service improperly garnished approximately \$6.6 million from current and retired DoD employees' earnings during Fiscal Year 2005. Additionally, the Defense Finance and Accounting Service could garnish incorrect amounts from current and retired DoD employees' present and future earnings. The Defense Finance and Accounting Service should establish a formal managers' internal control program, establish and revise internal policies and procedures, modify the Defense Finance and Accounting Service systems, and revise current and retired DoD employees' accounts with accurate information.

Army Audit Agency

Over the past several years, the Army has been developing automated business applications to transform its institutional processes. These business applications will enhance the Army's responsiveness to combatant commanders using state-of-the-art information management concepts and information technologies. Additionally, by streamlining and integrating processes and supporting information systems, the Army will free resources currently spent on business operations to invest in warfighting capabilities.



DoD IG auditors review DoD financial statements - the largest, most complex, and most diverse in the world.

Two of the Army's major efforts in this area are implementation of the Single Army Logistics Enterprise (SALE), and development and deployment of the General Fund Enterprise Business System (GFEBS). The components of SALE focus on upgrading and consolidating the Army's logistics systems, including the Property Book Unit Supply Enhanced (PBUSE), the Logistics Modernization Program (LMP), and the Global Combat Support System-Army (GCSS-Army). By initiating the GFEBS project, the Army will provide more accurate and up to date financial management data for decision making by Army managers and enhance the audit readiness of the Army's financial statements.

A primary focus of Army Audit Agency's work in this area has been evaluating whether these and other financial and feeder systems comply with the requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996. At the request of Army leadership, Army Audit Agency began its work during 2000 by examining the Web-Based

Property Book (now PBUSE). Since then the Agency has examined several feeder systems to evaluate their compliance with FFMIA requirements. The Army Audit Agency's work gave the Army's financial managers the assurance they needed to continue to move forward in improving financial information, especially in the areas of real property and general equipment—two areas of major concern as managers strive to achieve audit readiness.

During the past year Army Audit Agency continued its focus on GCSS-Army, GFEBS, and LMP to evaluate compliance with FFMIA—an effort that will continue for the next several years. Army Audit Agency completed an initial requirements review for GCSS-Army and will continue to work with system developers as the system moves into testing. For GFEBS, Army Audit Agency reported on system developers' identification of the requirements necessary for the system to comply with FFMIA and



its testing during the system's technology demonstration phase. During the upcoming testing phase of the system's first deployment, Army Audit Agency will evaluate whether the previously identified system requirements are working as intended and meet FFMIA requirements. Army Audit Agency recently reported that the first deployment functionality for LMP substantially complied with FFMIA, and the Agency will start work to make sure new functionality being added for the second deployment meets FFMIA requirements.

Assurance that Army systems are compliant with FFMIA is a major step toward auditable financial statements. The Army Audit Agency's graduated approach provides the Army with positive assurance throughout the system build process—an approach that is significantly more detailed and goes beyond negative assurance, which GAO recently cited as insufficient in a report on the efforts of other Federal agencies. The graduated approach also provides additional credibility that the Army systems will meet necessary financial requirements once the systems are brought on line, and identifies and solves compliancy

issues during the build process to minimize costly changes after fielding.

In addition to the Army Audit Agency's efforts related to FFMIA compliance, it did other work related to financial management. One of the more significant audits included work on the relief efforts in the aftermath of Hurricane Katrina.

Army Audit Agency evaluated the Army's processes and procedures to account for funds used to support Hurricane Katrina relief efforts and determined whether the Army obtained proper reimbursement for the expenses incurred. As of March, 2006 the Army had received about \$532.3 million from DOD emergency supplemental appropriations and about \$115.6 million in reimbursable funding authority from the Federal Emergency Management Agency (FEMA). Resource managers from First U.S. Army to the unit level followed guidance and correctly accounted for the receipt, obligation, and expenditure of funds. Units also promptly identified and returned unused funds. However, procedures for coding financial transactions did not give First Army full visibility in the Army's Standard Finance System over the funds that performing activities obligated, spent, and billed for each mission assignment. The Army also did not have adequate procedures to fully capture or consistently track costs related to operations and use of equipment (that is, the operational tempo). As a result, the Army did not fully identify and obtain reimbursement for these costs, and U.S. Army Reserve Command undercharged FEMA about \$2 million for flying hour costs. Additionally, the Army National Guard acquired about

\$16 million in excess uniforms that it improperly charged to the DOD supplemental appropriation.

Further, units did not clearly understand FEMA's requirements to obtain reimbursement, and they submitted bills without notifying First Army or giving FEMA adequate supporting documentation. Consequently, FEMA identified about \$36 million in billings for potential chargeback to the Army because of insufficient documentation. As of May 2006 First Army had coordinated with FEMA and reduced the amount of the disputed bills to about \$253,000.

Naval Audit Service

The Industrial Logistics Support Management Information System (ILSMIS) is a material management system that provides life-cycle procurement and supply systems management for Naval Surface Warfare Centers and Naval Undersea Warfare Centers of the Naval Sea Systems Command (NAVSEA), and for the Naval Supply System Command's Fleet Industrial Supply Centers. ILSMIS does not fully comply with Financial Management Regulations and other applicable laws and regulations. Significant improvements were needed to the internal control environment at NAVSEA Warfare Centers to ensure that ILSMIS data is verifiable and supportable. Internal control improvements were also needed for system security. Therefore, reasonable assurance was not provided that management's objectives were being achieved, assets were safeguarded from the risk of fraud, and resources were used economically and efficiently for the purposes intended. Additionally, NAVSEA and the Office of the Commander,

Fleet Industrial Supply Centers management did not ensure that ILSMIS maintained accurate inventory values and clear audit trails to permit tracing transactions from source documents to reported total dollar values on the financial statements. Therefore, reasonable assurance of the reliability of financial reporting values cannot be provided. This does not permit total asset visibility for accurate accounting, reporting, and auditability of the financial statement line item

Air Force Audit Agency

Security Assistance Management Information System (SAMIS) personnel implemented satisfactory system controls in all but two areas and did not address applicable accounting standards. Specifically, SAMIS management personnel identified, designed, and tested Federal Financial Management System Requirements related to system controls; however, they needed to strengthen the implementation of two controls to be fully compliant. In addition, SAMIS management personnel did not identify, design, test, and implement applicable federal accounting conformance requirements. Correcting these system control weaknesses and applicable accounting conformance requirements will enhance data integrity and provide Air Force management with more accurate, complete, and reliable data.

Of 30 trial balance accounts reviewed, AMARC financial managers did not effectively support or accurately and properly record amounts for 7 accounts within the Property, Plant, and Equipment (PP&E); Accrued Liabilities; and Accounts Receivable areas. As a result, AMARC financial records for Other Structures and Facilities for

the period ending 31 March 2006 were understated by \$2,710,288, with \$4,300,558 understated for related accumulated depreciation. Also, the Fixed Asset Equipment financial records were overstated by \$2,200,091 and the related accumulated depreciation overstated by \$1,489,360 for the same period. In addition, AMARC equipment custodians did not maintain accurate Fixed Asset Equipment records. Equipment custodians also did not give the AMARC equipment manager accurate information for Air Force Equipment Management System input. As a result, \$9,517,826 in equipment assets were not fully supported, equipment book values were overstated by \$649,792 and accumulated depreciation understated by \$649,792, and auditors could not verify equipment book values of \$28,674. Further, AMARC financial managers did not properly support 3 of 18 manual journal voucher liability transactions for Accrued Non-government Liabilities and Accrued Civilian Salary and Wages. Consequently, financial managers did not have assurance that accrued liabilities totaling \$1,595,019 were valid. Lastly, although AMARC financial managers properly reconciled subsidiary records to general ledger balances each month, AMARC personnel did not accurately process the aged accounts receivable for two of seven journal vouchers reviewed. Accurately processing accounts receivable aging enables managers to identify problems early that may occur in the receivables process, helps management take timely corrective action, and helps produce reliable financial statement amounts for local and major command analyses.

The Air Force Audit Agency disclosed the Defense Finance and Accounting Service (DFAS) Denver accountants did not properly maintain Financial Inventory Accounting and Billing System (FIABS) Intra-Governmental Open Receipt Not Billed accounts payable transactions. Further, DFAS Dayton accountants did not reconcile the FIABS Intra-Governmental Accounts Payable Open Receipt Not Billed listing to the Standard Material Accounting System trial balance. As a result, HQ Air Force Materiel Command, Financial Management agreed to cancel accounts payable valued at \$117.6 million by the end of May 2007. Of this amount, accounts payable totaling \$201,036 relate to non-DoD organizations. In addition, the Ogden, Warner Robins, and Oklahoma City Air Logistics Centers (ALCs) did not establish effective internal controls over their accounting operations. Consequently, the ALCs could not determine organizational risks, assess the quality of performance over time, or ensure personnel adhered to established directives.

Also, Ogden, Warner Robins, and Oklahoma City ALC accountants did not accurately record or properly support General Accounting and Finance System (GAFS) nonfederal accounts payable balances. Further, DFAS Dayton accountants did not accurately account for GAFS nonfederal accounts payable. Specifically, 3 (20 percent) of 15 ALC accounts payable balances reviewed were incorrect. As a result, the Air Force accounts payable balance recorded in the Working Capital Fund financial statements was overstated by at least \$1 million. Reconciling accounts payable to supporting documentation allows accountants to identify and correct errors in the GAFS database.



Air Force personnel improperly used supplemental funds for 28 (21 percent) of 131 Hurricane Katrina transactions. As a result, the Air Force inaccurately recorded obligations totaling more than \$29 million for invalid or inadequately supported requirements and understated obligations by \$478,878. Of the \$29 million, financial management personnel could deobligate \$9.1 million for use on other understated requirements. Further, although Air Force personnel paid for valid hurricane personal property losses, opportunities existed to limit Air Force liability for such losses in the future. By limiting Air Force liability for individual personal losses not covered by insurance, the Air Force would reduce future expenditure of funds for unusual occurrences such as a natural disaster. Alternatively, the Air Force could improve morale and eliminate inequities by paying personal damages for both on and off-base members. Finally, Air Force Reserve financial personnel did not properly record hurricane related flying hour costs, record mission classification, or submit flying

hour costs for reimbursement. As a result, Air Force officials overstated Hurricane Katrina flying hour costs by more than \$466,000 on Air Force accounting records and unnecessarily absorbed costs of more than \$60,000 in support provided to the Federal Emergency Management Agency.

U.S. Central Command Air Forces (CENTAF) personnel, in general, established adequate physical controls over fuel pumps and properly recorded fuel disbursements. However, they did not accurately account for fuel payments. Specifically, CENTAF officials had not established processes and support necessary to validate fuel charges and subsequent payments. Further, CENTAF officials did not accurately pay host-nation fuel charges or collect fuel charge reimbursements from coalition partners. Although AFAA did not identify any erroneous fuel payments, properly validating ground fuel billings and reconciling fuel charges to payments prevents incorrect payments, accruing unknown liabilities, and over-obligating funds for fuel consumed. Seeking past reimbursements and collecting future payments from coalition partners may yield savings of approximately \$2.3 million over the 6-year Future Years Defense Plan.

The Integrated Engineering Management System (IEMS) Program Office personnel properly incorporated system controls, but did not assess IEMS conformance with Defense Finance and Accounting Service accounting requirements to comply with the Federal Financial Management Information Act. Specifically, IEMS Program Office personnel did not review Defense Finance and Accounting Service guidance to identify applicable accounting conformance

requirements and document compliance with these requirements. Fully addressing accounting requirements will improve overall IEMS data reliability.

Investigations

The Department of Defense loses millions of dollars annually because of financial crime, public corruption, and major thefts. Through the investigative efforts of DCIO special agents, abuses in the procurement process, such as the substitution of inferior products, overcharges, bribes, kickbacks, and cost mischarging, are exposed. Additionally, the DCIOs have partnered with acquisition and financial agencies to proactively identify areas of vulnerability. Additionally, the DCIOs investigate abuses by committed by DoD personnel. The following DCIO effort illustrates investigative efforts to combat financial threats to the DoD.

USACIDC identified reserve soldiers assigned to the Washington, D.C. area who were committing fraud and larceny in their monthly TDY housing allowance. Thus far, 35 investigations have been initiated, resulting in identification of 35 subjects, an estimated cumulative loss to the Government of over \$2,900,000. Thus far \$122,000 has been returned to the Government. As a result of these investigations, there have been major financial management changes in the way the Army calls reserve soldiers to active duty to support contingency operations. Further investigation continues and USACIDC is partnering with the Internal Review Service and the Office of the Assistant Secretary of the Army for Financial Management and Comptroller.

ACQUISITION PROCESS & CONTRACT MANAGEMENT





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Acquisition Process & Contract Management

The Department continues to experience the management challenge to provide required materiel and services that are superior in performance, high in quality, sufficient in quantity, and within the timeframes needed by the warfighter.

The Department continues to face the difficult challenge of meeting the urgent warfighter needs for high performing products and services at the right time, in the right quantity, and at a reasonable price. The most current high profile example of an urgent need is V-shaped hull, armored vehicles. Secretary of Defense Robert M. Gates has made this vehicle the Department's top priority. The picture above depicts a version of the V shaped hull, armored vehicles.

Yet contractors are having a difficult time ramping up to meet the urgent demand in a timely manner. These vehicles are not getting to the battle-

field fast enough and soldiers' lives are at greater risk. Balancing the service to the warfighter against the service to the taxpayer becomes increasingly difficult as the quantity of procurement actions and amount of dollars spent continues to grow while the procurement workforce has remained largely unchanged. Fiscal Year 2007 procurement spending is already more than \$318 billion through the first 11 months and the Department continues to be the largest purchaser of goods and services in the world. The amount of spending is more than double procurement spending from as recently as FY 2001. However, the increase in procurement ac-

tions has been even more dramatic. Procurement actions have increased almost ten fold for procurements over \$25,000. In FY 2001, there were approximately 348,000 actions in this category, but by FY 2006 the number had increased to approximately 3.7 million actions.

Adding to the difficulty in acquiring goods and services is the aging of and decline in the size of the acquisition workforce that oversees the Department's procurement process. In the past decade, DoD procurement staff has been cut by 10 percent to 26,000 personnel according to the Pentagon. The workforce from a decade ago oversaw Defense procurement of approximately 258,000 transactions over \$25,000 and total DoD spending on procurement of \$132 billion. With the increase in procurement dollars and actions, the workforce has become overburdened and has taken shortcuts (either through lack of staff, lack of experience or deliberate action) in the acquisition process to keep up with the demands. The reduced workforce was also stretched thin when performing acquisition oversight required by the DoD 5000 series of guidance.

Changes to the acquisition process as a result of the Federal Acquisition Streamlining Act and the Clinger-Cohen Act while enacted to improve the acquisition process, also continue to inhibit contracting officers' abilities to use "Truth in Negotiation" protections especially in regard to items considered to be commercial acquisitions. Changes in the Clinger-Cohen Act allowed items to be classified as commercial if they were "of a type", were merely offered to the public, or would be available to meet Government needs in the future. The Act

eliminated the need to establish that a commercial market actually existed. One of the primary benefits of buying commercial items is having prices established by market interactions.

During the past six months, our audits have found common themes of shortfalls in acquisition and contracting processes. Program and contracting officials have not used sound and prudent business practices in negotiating prices, have not adequately justified sole source procurements or established appropriate frameworks to promote competition, and have omitted or otherwise not performed required processes before making key acquisition decisions. The DoD IG is continuing to identify problems with interagency contracting as well in our series of congressionally mandated audits.

DoD IG audits found that program and contracting personnel may not have used the best available information to determine fair prices. For example, on the audit of the C-17 Globemaster III Sustainment Partnership Contract, the contract was awarded in October 2003 and prices were negotiated in November 2003, but definitization of the pricing on the contract was delayed for almost 8 months. The program office decided to do a revalidation of the data used to establish the negotiated amount from November 2003 even though the revalidation may have produced unreliable results. Other available information indicated that the price could be too high and would result in extra profit for the contractor. However, the Air Force used the old pricing information. As a result, the Air Force may not have achieved the best price when it definitized the contract valued at \$4.9 billion. The Air Force

also cannot ensure that exercising options that were priced based on the original negotiation will be advantageous to the Government.

Program and contracting staff also continue to make sole source awards without sufficient justification and don't always use the most prudent approaches to promote competition. During another DoD IG audit "Procurement Policy for Armored Vehicles", the audit team found that the Marine Corps awarded sole source contracts to one contractor for the Joint Explosive Ordinance Disposal Rapid Response Vehicle even though program officials knew that other sources were available for competition. In addition, the officials did not adequately justify the commercial nature of the vehicles. As a result, the Marine Corps continued to award contracts to the contractor even though the contractor did not meet delivery schedules for getting vehicles to the battlefield. As a result, risks were increased for the warfighters. In addition, the use of commercial contracts may have limited the Government's ability to ensure it paid fair and reasonable prices.

In another case, on the Procurement of Propeller Blade Heaters for the C-130 Aircraft, the DoD IG audit team found that while the Defense Logis-

tics Agency (DLA) successfully competed the worldwide demand for the C-130 aircraft propeller blade heater and reduced the unit price from \$509.72 to \$265.00, the worldwide demand did not include blade heaters for the Air Force C-130 propeller shop and these blade heaters were not part of the competition. DLA continued to procure these blade heaters, which represented about 87 percent of the total, under a single source contract at the higher price. As a result, DLA's single source philosophy has stifled competition precluding another contractor from receiving a fair opportunity to compete for blade heater requirements even though it's entry into the market place has reduced blade heater unit prices by 48 percent. The DoD IG calculates that DLA could have achieved savings of about \$2 million for the Air Force and the taxpayer, if the blade heater requirement had been competed when two approved sources were available. DoD IG auditors also calculated that the Air Force will continue to pay \$1 million more than necessary if DLA continues to procure the 3,673 blade heaters in the contractor inventory at the higher price. The C-130 is shown below.

Several DoD IG audits also found problems with program office adherence to the DoD 5000 series of guid-



ance. On the audit of the Acquisition of the Navy Rapid Airborne Mine Clearance System (RAMICS), the audit team found that the Program Manager, Mine Warfare plans to hold the low-rate initial production decision review with the milestone decision authority in August 2008 before completing needed testing and program documentation. Specifically, the Program Manager, Mine Warfare will not have completed developmental testing to demonstrate the ability to integrate RAMICS with the MH 60S helicopter, conducted an operational assessment to gauge the system's operational effectiveness and suitability, or completed key program planning documents. Until the Program Manager, Mine Warfare completes and obtains this needed testing and program documentation, the Navy is at risk of acquiring four low-rate initial production units of unknown operational performance at an estimated cost of \$15 million. These units may not satisfy warfighter requirements and could require costly retrofits.

The Naval Surface Weapons Center staff also did not fully define significant system capability requirements, the required number of RAMICS, and the expected life-cycle costs in the draft capability production document prepared to support the low-rate initial production decision planned for August 2008. Until the Naval Surface Warfare Center staff updates the draft capability production document to fully define required system capabilities, quantities, and life-cycle costs, the Navy will be unable to effectively plan and budget for the system and verify through testing that RAMICS will satisfy essential warfighter capability requirements.



MH-60S Helicopter

The above pictures shows the Rapid Airborne Mine Clearance System Mission Kit components as integrated with the MH-60S helicopter.

This report also addressed concerns with staffing shortfalls. The audit team found that the Defense Contract Management Agency cannot fully support the Program Manager, Mine Warfare in the surveillance of the contract due to limited staff resources.

The DoD IG also found acquisition process problems during the review of the Airbursting Fuze Technology Used for the Objective Individual Combat Weapon and the Advanced Crew Served Weapon. The XM307 Program Office began developing the XM307 in the system development and demonstration phase of the acquisition process before the Joint Requirements Oversight Council approved the warfighter requirements for the XM307. As a result, the Future Combat Systems (FCS) and the XM307 Program Offices prematurely spent about \$98.1 million in research, development, test, and

evaluation funds on developing the XM307 Program. In this regard, the FCS Program Manager planned to spend an additional \$93.3 million in those funds for the program without assurance that the XM307 will satisfy warfighter requirements.

In this case, the Army took action during the audit by initiating plans to withdraw \$80.1 million of the \$93.3 million from the program and to use the remaining \$13.2 million to close out the contract.

In addition, the then- Program Executive Officer Soldier prematurely, and without authorization, approved the XM307G Program for entry into the system development and demonstration phase of the acquisition process. As a result, the XM307G Program Manager began the process for developing the program before having an approved requirements document and full funding for the program.

The picture on the next page depicts a variant of the XM weapon system.

The DoD IG issued a report that discusses the U.S. Special Operations Command administration and management of funding purchases, award fees for high-dollar, long-term logistics contracts, and documentation for Economy Act orders. USSOCOM financial and contracting officials did not comply with Federal appropriations law and the DoD regulations. Actions taken by the U.S. Special Operations Command should improve the contract award and administration process.

Army Audit Agency

The Army has been increasing the amount of dollars it expends on contracts over the past five years. The increasing scope of contract activity and dollars and the shrinking civilian acquisition workforce, combined with continued significant audit findings related to acquisition and the contracting process, give rise to the need for more concentrated audit coverage of the cross-cutting issues related to contracting policies, procedures, and practices. Accordingly, Army Audit Agency is focusing its current and fu-

ture contract audit coverage in these areas:

- Contingency contracting and the shift to sustainment contracts when requirements become more stable and quantifiable.
- Contracting and oversight structure required to deploy and operate during a contingency operation.
- The number and skill level of the acquisition workforce required to handle the Army's procurement workload.
- Endemic problems in Army contracting processes that lead to increased risk of fraud and waste.
- The organization, alignment, and automated tools the Army contracting community needs to effectively execute the contracting mission.

During the past six months Army Audit Agency has done audits of acquisition and contracts in a wide range of areas, including GWOT, readiness support, Hurricane Katrina relief, installation security, and purchase cards. Descriptions of some of the more significant audits follow.

Although many changes in policy and procedures have occurred to strengthen purchase, fuel, and travel card program controls over the past five years, card programs continued to encounter internal control weaknesses that resulted in improper and questionable transactions. Strategic actions were needed to strengthen key internal controls related to program management and oversight. Also, consolidation of the card programs would enable the establishment of the program management and oversight structure necessary to bring about permanent and longstanding improvements to the effectiveness and efficiency of the programs within the Army. The Secretary of the Army agreed with the recommendation to consolidate card programs and issued a directive appointing the Assistant Secretary of the Army (Acquisition, Logistics and Technology) the proponent for the consolidated charge card office.

As part of GWOT, Congress granted temporary authority for the Army to contract for increased security guard services at military installations. The Army Audit Agency audited the initial contracts in CONUS as a result of suggestions from U.S. Army Installation Management Command (IMCOM) and because of the high expected cost (CONUS contracts accounted for slightly more than half of the \$500 million annual cost) to the Army. Initial requirements weren't adequately identified for the security guard contracts because the Army had little time to quantify requirements to replace soldiers performing security functions. Army Audit Agency recommended that the Army consistently identify and refine requirements at installations as conditions change and reduce or eliminate



XM Weapon System

the award fee provisions in contracts, which were originally intended to spur contract startup. In response, the Army established new levels of security in its October 2006 contract resolicitations and estimated it will save about \$70 million by reducing the number of contract guards at Army installations. The Army also eliminated award fees in contracts, which Army Audit Agency estimated could save an additional \$71 million over the FY 2007 to 2012 Program Objective Memorandum.

U.S. Army, Europe and Seventh Army (USAREUR) significantly reduced manning levels for contract guards during FYs 05 06, however, command and garrisons assigned to IMCOM's Europe Region did not properly compute manning requirements. This occurred primarily because USAREUR did not have a process to uniformly apply a consistent manning standard to validate requirements. Additionally, command needed to improve its process to track manning at guard posts. Disagreement between Office of the Provost Marshal General (OPMG) and USAREUR on manning standards contributed to the lack of a consistent standard to validate guard requirements in Europe. Overall, USAREUR overstated its manning requirements for contract guards by 174 "24/7" equivalent positions valued at about \$39.7 million annually. OPMG took action to implement the recommended reductions and identified locations where it could install automated pedestrian gates to further reduce contract guard costs by about \$2.4 million during FY 2007 and about \$5.2 million during FY 2008. With annual validation of requirements, USAREUR could

achieve savings of at least \$36.7 million during FY 2008.

USACE structured acquisition plans for restoring and enhancing the hurricane protection system to provide best value to the government. The plans met the requirements of the Federal Acquisition Regulation; provided for appropriate competition; included steps to mitigate risks; identified appropriate contract types; and focused on ways to execute the mission in the most effective, economical, and timely manner. However, the USACE needed to update acquisition plans to incorporate the effects of cost increases and schedule slippage to make sure plans were executable within acceptable levels of risk.

The USACE planned appropriately to award a significant amount of work to small and local businesses. But its goal to award 41 percent of contract award dollars to small businesses was too ambitious because of incorrect assumptions made on the amount of contracts to be awarded for architecture-engineering support. Changing the goal to a more realistic percentage would help the USACE ensure that only appropriate contracts are awarded to small businesses within acceptable levels of risk related to cost and performance.

The USACE did not report accurate data on its hurricane related contracts. A review of 62 contracts, valued at almost \$1.3 billion, showed that most of the contracts (58 of 62) had at least 1 data reporting error related to contract type, business size, competition type, disaster codes, contract amounts, and contractor name or location. Additionally, 137

contracts, valued at about \$27 million weren't reported in the USACE hurricane relief and recovery report. Reporting errors occurred primarily because the USACE relied on manual processes for reporting contract data for Hurricane Katrina that were prone to error. These errors affected the credibility of USACE reports to Congress, other Federal agencies, and the public as to the extent of competition obtained on hurricane-related contracts and the amount of contracts awarded to small and disadvantaged businesses and companies in states affected by the hurricanes. Preparation of contract data reports would be less labor-intensive and include more reliable data if the USACE used the Army Contract Business Intelligence System to automatically provide contract data for future disasters.

The Army Audit Agency audited the Army's contract pricing process for fees charged by commercial travel offices. The Deputy Assistant Secretary was concerned that the Army was paying more than it should for agent transaction fees when using the Defense Travel System (DTS). Army Audit Agency found that the transaction fees Military Surface Deployment and Distribution Command arranged for the Army were reasonable when compared with the transaction fees arranged for other Military Services during the same timeframe. However, although the Army transaction fees appeared reasonable, the Army could reduce the fees by increasing use of the travel reservations module in DTS. At the end of the second quarter FY 2006, the Army had a usage rate of only about 7 percent for the module. Army Audit Agency reported that the Army could

save about \$49 million in transaction fees by FY 2012 if it achieved its 75 percent usage goal for DTS.

The Army Audit Agency issued five site reports that evaluated how 19 requiring activities implemented DoD policy when acquiring supplies and services using non DoD contracts. Overall, Army Audit Agency found that the activities partially implemented the policy, sometimes did not document coordinated efforts and obtain management approval, and often did not collect and report complete and accurate assisted acquisition data to the Department of the Army. These conditions primarily occurred because applicable policy guidance wasn't fully disseminated. As a result, the Army had no assurance that non-DoD contracts were in its best interest or that the data reported to DA was reliable for management analysis.

The Army Audit Agency determined that the Office of the Chief of Public Affairs Strategic Planning Division did not follow proper contracting procedures to obtain strategic communications support services from a subcontractor. Division personnel initiated a subcontract, wrote the subcontract statement of work, and tasked the subcontractor directly without coordinating with the contracting officer. In addition, the structure of the existing contract increased the Army's risk that it would acquire goods or services that were outside the scope of the contract.

Naval Audit Service

The Naval Audit Service developed a methodology using data mining techniques and computational analysis to proactively identify high risk purchase

card transactions which may identify potentially fraudulent vendors and/or transactions. The audit also deterred improper use of purchase cards reducing the risk to the Department of the Navy. The audit identified a cardholder/contract specialist/Authorized Contract Officer at Naval Air Systems Command, using the purchase card as a method of payment for an Indefinite Delivery Indefinite Quantity contract for training totaling \$36 million. Adequate records to support contract payments were not maintained. The audit resulted in a command investigation that subsequently identified a savings of \$539,128 for training that was never completed.

Air Force Audit Agency

The Air Force Audit Agency concluded that although the flexible acquisition sustainment tool (FAST) streamlined program-level acquisition planning processes, Air Logistics Center product directorate personnel did not perform adequate acquisition planning for requirements placed on FAST delivery/task orders. As a result, the Air Force paid an estimated \$34 million for subcontractor add-on costs that may not have been incurred had other contract alternatives been used. Additionally, FAST delivery/task order award actions were inconsistent with fair opportunity objectives. Consequently, the Air Force limited its opportunities to realize competition benefits including innovative solutions, improved levels of service, and overall best value to the Air Force. Further, product directorate personnel did not adequately support exemption to competition waivers used to justify sole source delivery/task order awards. Without properly supported waivers, approval

officials and decision makers cannot ensure sole source contracts are appropriate, fair opportunity objectives are met, and the best interest of the Air Force is served. Lastly, the FAST Program Office did not successfully motivate prime contractors to achieve small business subcontracting requirements. As a result, during FY 2004 and 2005, small businesses did not realize approximately \$83 million of revenue guaranteed to them under FAST contract provisions.

The Air Force Audit Agency assessed service contract management in a contingency environment and concluded that the United States Central Command Air Forces (CENTAF) Area of Responsibility (AOR) personnel did not validate contract requirements at three of four locations. A review of 10 service contracts (totaling more than \$32 million) showed 5 contracts exceeded requirements by \$1.1 million annually. Reducing contract requirements to reflect actual needs will allow the Air Force to put \$4.9 million to better use over the 6-year Future Years Defense Plan. Furthermore, CENTAF AOR personnel at three of four locations reviewed did not adequately monitor contract performance for seven contracts valued at \$27.4 million. Effective contractor performance monitoring helps CENTAF AOR personnel verify the Air Force fully receives services purchased.

The Air Force Audit Agency disclosed CENTAF AOR personnel maintained support for government purchase card (GPC) transactions, established adequate separation of duties, and periodically reconciled bank statements to purchase receipts. Further, auditors did not disclose any

instances of fraudulent cardholder activity. However, AOR personnel did not properly record GPC-purchased assets on accountability records, purchased non-mission essential assets, and did not always obtain required purchase approval. Proper GPC program controls reduce the risk of undetected theft and loss, unexpected shortages of critical items, and unnecessary purchases of items already on hand. Ineffective controls resulted in unrecorded, non-mission essential, or improperly approved purchases valued at over \$264,000.

Investigations

The Defense Criminal Investigative Organizations (DCIOs) devote substantial resources toward the prevention, detection, investigation, and prosecution of crimes involving the acquisition and contract management processes, which impact DoD programs. Such crimes include: defective pricing; cost and labor mischarging; progress payment fraud; Fast Pay fraud; Government Purchase Card fraud; Anti-Trust Act violations; and economic espionage. Several investigative efforts are highlighted below.

Securitas GMBH, a security guard company in Germany, agreed to reimburse the U.S. Government \$2.8 million. The result of a joint DCIS and USACIDC investigation found Securitas falsified labor hours and inflated invoices submitted between October 2004 and July 2005 on a contract calling for security guard services at multiple U.S. military facilities throughout Europe.

AKAL Security, Inc., negotiated a civil settlement to pay the U.S. government \$13.5 million. USACIDC and

DCIS jointly investigated allegations that AKAL Security made false statements, violating the terms of its contract to provide trained civilian guards at eight stateside U.S. Army bases. Its violations included supplying security guards who failed to satisfy weapons qualification requirements and failing to satisfy contractual man-hour requirements, and falsified documentation to cover up the company's inability to satisfy contract requirements.



A joint DCIS, USACIDC, and ICE investigation initiated on a Voluntary Disclosure submitted by Northrop Grumman. Northrop Grumman Electro-Optical Systems, established that Northrop Grumman fabricated and altered test results, and did not properly test night vision intensifier tubes used in night vision goggles and sniper scopes under several U.S. Army and U.S. Navy contracts. Northrop Grumman entered into a litigation and settlement agreement with the DOJ Civil Division and the U.S. Attorney's Office for the District of Arizona, wherein it agreed to pay the U.S. government \$8 million.

The University of California at Berkeley (UCB) entered into a negotiated agreement with the U.S. Government in the amount of \$3.4 million to settle allegations of false claims and false statements. A DCIS investiga-

tion found that UCB, the recipient of DoD grants, directly charged the costs of administrative and clerical salaries although these costs were already paid as a component of indirect costs built into the contracts. UCB continued to double bill the government from 1996-2001 despite being informed they could not do so.

As the result of a joint USACIDC, DCIS, and FBI investigation, both the owner and the manager of S&S Sales pled guilty to conspiring to submit false and inflated invoices relative to a contract with the Defense Commissary Agency to deliver cheese and specialty products to the Fort Bliss Commissary. An audit disclosed that S&S invoices for items delivered significantly exceeded the quantities of products sold by the commissary. Both were convicted, with the manager sentenced to 24 months confinement, 3 years probation, and ordered to pay \$482,356 in restitution; the owner was sentenced to 30 months and 3 years probation. Both were debarred from Government contracting.

A DCAA audit indicated the management personnel of Ben Franklin Technology Center of Western Pennsylvania used Office of Naval Research grant funding to pay over \$2 million of personal and unauthorized expenses. The grant was established to promote USN electro-optics technology to the private sector. The NCIS investigation resulted in the company president and vice president each being sentenced to 34 months confinement and 36 months supervised probation, required to pay \$1.6 million in restitution to the U.S. government. The company settled civilly and paid \$950,000 restitution.

All parties were debarred from future business with the U.S. Government.

The owners and senior officers of Government and Commercial Supply, Inc., conspired with two USN civilian employees to rig contract awards with the Naval Facilities Engineering Command, Naval Research Laboratory, the Naval Surface Warfare Center, and other U.S. Government agencies. The conspirators falsified purchase orders and invoices for shell companies to create the appearance of competition. In exchange, the two USN civilian employees accepted bribes and kickbacks. As the result of a joint NCIS and FBI investigation, the conspirators were found guilty of subcontractor kickbacks, bribery, false statements, bid rigging, and conspiracy in U.S. Federal District Court. They were sentenced to varying periods of confinement and supervised probation and together paid \$672,000 in fines and restitutions. The shell companies and involved parties were debarred from future business with the U.S. Government.

Initiated from a qui tam complaint, the DCIS, USACIDC, NCIS, and several non-DoD federal agencies joint investigation found a major corporation and a major accounting firm failed to pass on to the Government rebates and other items of value they received from vendors as required by contract. The investigation revealed the accounting firm kept a second set of accounting records to conduct and/or track purchases and subcontracts with technology vendors under Government contract. Both were charged with Civil False Claims and Conspiracy. A civil agreement was reached, and action against the company is pending. The accounting firm

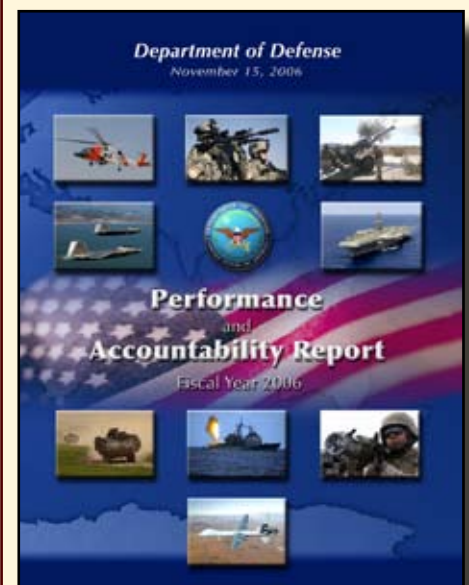
paid \$2.3 million and the company paid \$3 million for a total of \$5.3 million to the U.S. Government.

A joint investigation with USACIDC and DCIS found Saudi Logistics and Technical Support (SALTS) overcharged the Army Aviation and Missile Command (AMCOM) \$10.5 million under a contract for delivering generators by not properly notifying U.S. contracting authorities of significant cost reductions due to fluctuations in currency exchange rates. An AMCOM Contracting Officer's Final Decision was issued to SALTS demanding it reimburse the U.S. Government \$10.5 million (\$7.4 million plus \$3.1 million in interest). The DCIS notified USACIDC that SALTS failed to reimburse the U.S. Government; therefore the contracting officer forwarded a debt collection package to DFAS to effect the \$10.5 million recovery.

The USMC-CID initiated an investigation after 26 U.S. Bank Voyager Fuel Cards, 9 cellular telephone ear pieces, and 1 Palm Pilot and cradle were stolen from a building on Marine Corps Base (MCB), Camp Pendleton, CA. Two of the fuel cards were used in unauthorized transactions totaling \$2,776. As a result of the investigation, one entered into plea agreement and was awarded deferred prosecution for 3 years, agreed to pay \$4,026 restitution, and was debarred from military installations for 5 years in exchange for cooperation with the investigation. He then provided information on his accomplice who was received 6 months deferred prosecution, debarment from MCB, Camp Pendleton, CA, for 1 year and ordered to pay \$500 in restitution.

About the DoD Management Challenges

The significant accomplishments of the Department of Defense Inspector General (DoD IG), as well as the Department of Defense audit, investigative, and inspections communities are based on DoD management challenge areas identified by the DoD IG. The DoD IG annually assesses the most crucial management and performance challenges faced by the DoD based on the findings and recommendations of audits, inspections, and investigations conducted during the year. Our significant activities help the Department focus their efforts on mitigating management challenges identified by the DoD IG. The Inspector General Summary of Management Challenges is included in the DoD Performance and Accountability Report.



The DoD IG works with the Defense oversight agencies to leverage efforts and to ensure that projects are coordinated to avoid duplication and minimize impact to operations.



HEALTH CARE


The Military Health System (MHS) must provide quality health care for approximately 9.1 million eligible beneficiaries within fiscal constraints while facing growth pressures, legislative imperatives, and inflation that make cost control difficult in both the public and private sectors. The DoD challenge is magnified because the MHS's primary mission is to provide health support for the full range of military operations. Part of the challenge in delivering health care is combating fraud.

A major challenge to the Department is sufficient oversight of the growing cost of health care for its beneficiaries. The increased frequency and duration of military deployment further stresses the MHS in both Active and Reserve components. The DoD budget for health care costs was about \$40 billion in FY 2007, including \$21.9 billion in the Defense Health Program appropriation, \$6.5 billion in the Military Departments' military personnel appropriations, \$0.4 billion for military construction, and \$11.2 billion for the contributions to the DoD Medicare Eligible Retiree Health Care Fund to cover future costs of health care for Medicare eligible retirees, retiree family members and survivors. Increasing health care benefits provides additional pressure to manage and contain costs. The Department is scheduled to transition to the next generation of TRICARE contracts during fiscal year 2008. The Department's challenge is how to oversee the growing cost of health care for military members and to effectively transition to the next generation of TRICARE contracts. Part of the challenge in delivering health care is combating fraud. As of September 30, 2007, health care fraud constituted 8 percent of the 1,626 DCIS open cases.

Maintaining medical readiness continues to be a challenge. Readiness of the medical staff and units includes ensuring that medical staff can perform at all echelons of operation and the units have the right mix of skills, equipment sets, logistics support, and evacuation and support capabilities. The challenge of keeping reservists medically ready to deploy continues due to the frequency and duration of Reserve deployments. In addition, transitioning the wounded, ill, or injured Service members to post-deployment care will continue to grow as a challenge while the Global War on Terror, Operation Iraqi Freedom, and Operation Enduring Freedom continue. Information assurance relating to sensitive medical information continues to be a challenge in the health care community. Episodes of potential exposure of electronic patient information during the year demonstrate the challenge to maintain security and privacy. Also, expanding automation efforts, including the transition from paper to electronic patient records, increases the exposure of sensitive patient information to inadvertent or intentional compromise. Maintaining information operations that ensure the protection and privacy of data will continue to grow as a challenge.

AUDIT

DoD IG resources focused on cost and GWOT issues. The DoD IG continued audits of the Controls Over the TRICARE Overseas Program and the Supplemental Funds Used for Medical Support for the Global War on Terror. The DoD IG also completed a joint audit with the Army Audit Agency of the Outpatient Third Party Collection Program. During the second phase of the Controls Over the TRICARE Overseas Program audit, the team completed a significant support effort for an ongoing DCIS/United States Attorney Office investigation of health care billing improprieties in the Philippines. The team has completed the audit field work of the second phase focusing on the accuracy of TRICARE overseas claim payments made to providers in countries other than the Philippines and the potential need for worldwide implementation of price caps and other administrative controls for health care services provided overseas.



The Assistant Secretary of Defense for Health Affairs requested an audit of the Third Party Collection Program. The program allows DoD to collect for health care provided to beneficiaries with health insurance other than TRICARE. A statistical sample (representing 41 percent of the FY 2005 outpatient visits and pharmacy prescriptions) showed that MHS administrators could increase collections by \$9.4 million per year with additional focus on procedures to identify patients' insurance status and to submit and follow-up on insurance claims.

In recent years the U.S. Army Medical Department has experienced funding shortfalls for medical programs and operations that affect its ability to provide quality healthcare for military personnel and their family members. One of the strategies the department has aggressively pursued to help offset recurring funding shortages is to expand the Third Party Collection Program. The program generates substantial revenues each year for the military healthcare system by billing third party payers for medical treatment provided to beneficiaries of the military healthcare system who have health insurance. Historically, the level of billings and collections for outpatient services at military treatment facilities, including the Army, has not been as successful as for inpatient services because of problems implementing systemic procedures for identifying beneficiaries with other healthcare insurance at outpatient clinics. Because of the high risk associated with third party collections for outpatient services, and at the request of the Assistant Secretary of Defense (Health Affairs), DoD IG and AAA collaborated on a joint audit of the Third Party Collection Program.

The DoD summary report covered audit results related to the outpatient Third Party Collection Program for the U.S. Air Force, Army, and U.S. Navy. The joint audit team concluded that military treatment facilities needed to take additional measures to identify patients with other health insurance to increase overall billings and collections related to outpatient services. The review covered six geographic regions for the military services with an estimated workload of 41 percent of the total patient encounters. The summary report identified potential additional collections of about \$56.5 million related to outpatient services provided by medical facilities for the three military services. The report also identified a material internal control weakness at all three Services related to the lack of adequate procedures for identifying patients with other health insurance and for following up on insurance claims.

ARMY AUDIT AGENCY

The U.S. Army Medical Command provided its military treatment facilities substantial policy, guidance, and oversight for the Third Party Collection Program. However, Army military treatment facilities continued to have problems identifying patients with other health insurance, billing for related medical services, and following up on unpaid claims. The report addressed recommendations to strengthen selected management aspects of the program, which would increase collections for outpatient services by about \$19.2 million. The \$19.2 million represents the Army portion of potential monetary benefits DoD IG reported that totaled about \$56.5 million for the three Services.

AAA identified a potential funding violation that came to AAA's attention as part of the joint audit of the outpatient Third Party Collection Program. The U. S. Army Medical Command provided funding for the design, development, and testing of an automated system for the program called the third party collection claims single interface system. The Medical Command used operation and maintenance funds when it should have used research, development, test, and evaluation funds. As a result, a potential Antideficiency Act violation occurred because the correct appropriation wasn't used to fund about \$2.6 million for development and testing of the single interface system. The Medical Command initiated prompt action to report the potential violation to the Office of Assistant Secretary of the Army (Financial Management and Comptroller) through the Office of The Surgeon General.



AIR FORCE AUDIT AGENCY

Air Force privacy officers did not complete required Health Insurance Portability and Accountability Act (HIPAA) risk assessments or properly implement other patient information safeguards including refresher training, sequestered record accountability, outside business agreements, and physical record controls involving a patient population of approximately 118,000 individuals. Adherence to HIPAA requirements provides assurance that medical information for over 2.6 million active duty and retired military members, their families, and other eligible beneficiaries is adequately safeguarded, reducing the likelihood of privacy violations and adverse publicity.

INVESTIGATIONS

The DCIOs conduct significant investigations involving TRICARE, a managed healthcare insurance program administered by the Assistant Secretary of Defense (Health Affairs) that provides health care to active duty and retired military personnel and their family members. To ensure that DoD provides quality patient care to DoD beneficiaries, the DCIOs have aggressively pursued health care investigations involving “harm to patient,” corruption, kickbacks, and allegations with significant TRICARE impact. Investigations highlighting their success follow.

As the result of a joint DCIS and HHS OIG investigation, a civil settlement was reached to pay the U.S. Government \$1.2 million. Loma Linda Behavioral Medical Center (LLBMC) overbilled federal insurance programs, to include TRICARE from 1992-1996. The investigation of LLBMC was part of a larger investigation involving Health Financial Advisors, Inc. As the result of a joint investigation conducted by DCIS, HHS, DoL, FDA, FBI, DEA, and IRS, Purdue Pharma LLC and three executives were charged with misbranding the highly addictive drug OxyContin. The false claims were not approved by the FDA, whose approval TRICARE requires before authorizing pharmacy drug benefits. All pled guilty to one count of misbranding a drug with the intent to defraud or mislead, and agreed to pay a total of \$377 million in fines, forfeitures, and restitution.

OTHER SIGNIFICANT ACTIVITIES

DCIS JOINS THE DEPARTMENT OF JUSTICE ASSET FORFEITURE PROGRAM

During this reporting period, DCIS became a full participant in the Department of Justice (DoJ) Asset Forfeiture Program (AFP). By doing so, DCIS joins 11 other Federal law enforcement agencies in a program that allows participating agencies to seize property related to certain violations of law and to process them through the judicial system for forfeiture to the DoJ AFP fund. The Attorney General’s guidelines note three primary goals of asset forfeiture: (1) to punish and deter criminal activity by depriving criminals of property used or acquired through illegal activities; (2) to enhance cooperation among foreign, federal, state, and local law enforcement agencies through the equitable sharing of assets recovered through this program; and, (3) to produce revenues to strengthen law enforcement. Some of the types of crime subject to asset forfeiture include mail fraud, wire fraud, bribery, theft from interstate commerce, money laundering, and conspiracy to commit those crimes. DCIS investigates these types of crime when a nexus to the Department of Defense exists.

DOD IG OUTREACH





CONGRESSIONAL TESTIMONY

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

- On September 20, 2007, Mr. Thomas F. Gimble, Principal Deputy Inspector General, Department of Defense, testified before the House Armed Service Committee regarding “Accountability During Contingency Operations: Preventing and Fighting Corruption in Contracting and Establishing and Maintaining Appropriate Controls on Materiel.” Mr. Gimble described the Inspector General led assessment related to the accountability of weapons, munitions, and explosives, as well as, general contracting issues. Mr. Gimble discussed the immediate objective of the assessment team, which was to assess the effectiveness and efficiency of the management and accountability of munitions (weapons, ammunition, and explosives) in Iraq and Afghanistan.
- On June 19, 2007, Mr. Thomas F. Gimble, Principal Deputy Inspector General, Department of Defense, testified before the House Committee on the Judiciary, Subcommittee on Crime, Terrorism, and Homeland Security regarding “War Profiteering and Other Contractor Crimes Committed Overseas.” Mr. Gimble, described the Inspector General oversight mission, to include establishing an in-theater oversight presence and improving interagency coordination to minimize duplication within the oversight community to include participation in the Iraq Inspectors General Council. Mr. Gimble further detailed the accomplishments and current ongoing audits, evaluations and investigations.
- On April 24, 2007, Mr. Thomas F. Gimble, Principal Deputy Inspector General, Department of Defense, testified before the House Committee on Oversight and Government Reform regarding “Investigations by the Office of the Inspector General, Department of Defense, concerning the Death of Corporal Patrick Tillman and the Rescue of Private First Class Jessica Lynch.” The DoD IG report regarding the death of CPL Tillman, found that each of the three previous Army investigations established the basic facts of CPL Tillman’s death; however, each of the investigations were deficient, and thereby contributed to misunderstandings and perceptions of concealment. Regarding PFC Lynch, Mr. Gimble reported that the United States Central Command Inspector General found no evidence that any U.S. military member exhibited inappropriate or dishonorable behavior in connection with the rescue mission.
- On April 24, 2007, Mr. Thomas F. Gimble, Principal Deputy Inspector General, Department of Defense, testified before the Permanent Subcommittee on Investigations of the Senate Committee on Homeland Security and Governmental Affairs on “Transit Benefits: How Some Federal Employees are Taking Uncle Sam for a Ride.” The hearing addressed allegations of abuse of the Federal Transit Benefit Program by federal employees and the need for improved internal controls to prevent abuse. Mr. Gimble described the work the IG is performing to assess the effectiveness of internal controls for this program.
- On March 27, 2007, Mr. Claude M. Kicklighter testified before the Senate Armed Services Committee during his confirmation hearing to be DoD IG. During the hearing Mr. Kicklighter set the tone for his time as Inspector General by stating “I look forward to joining the IG family, and together, will continue to build the IG team that our troops, their families, the Department of Defense and this Congress and the American people have a right to expect.” The Senate Armed Services Committee favorably reported the nomination of Mr. Kicklighter on March 28, 2007 and was confirmed by the United States Senate on April 12, 2007.

DEFENSE HOTLINE

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

The DoD Hotline receives allegations from around the world via email, Internet, U.S. mail, fax, and telephone.

DISTRIBUTION OF HOTLINE CASES BY CATEGORY FOR FY 2007

- Internal Misconduct (314)
- Reprisal (254)
- Contract Administration (251)
- Finance and Accounting (229)
- Government Property (146)
- Programs/Projects (142)
- Personnel Actions(59)
- Procurement (53)
- Security (52)
- Medical (44)
- Other (31)
- Non-Appropriated Fund (19)
- Military Support Services (15)
- Improper Mental Health Evaluation (3)

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SIGNIFICANT HOTLINE CASES

Waste and Violation of the Joint Federal Travel Regulation

The complainant alleged that personnel were not placed on appropriate orders (Permanent Change of Station (PCS)/ Temporary Duty (TDY)) for various training courses. This resulted in personnel improperly drawing full per diem when they were only entitled to PCS rates. The Hotline inquiry substantiated that personnel attending the same course were improperly placed in various different status. The military service rectified the problem by giving the National Guard the lead in selecting the best COA to minimize cost and maximize training.

Improper Receipt of Military Benefits

An anonymous source reported that a finance officer and service member were receiving basic allowance for housing (BAH) benefits they were not authorized. During investigation into the matter the service member admitted to receiving unauthorized BAH while residing in government quarters which resulted in a loss to the Government of \$22,042. The service member received punishment under the Uniform Code of Military Justice and was required to pay back all monies received without authorization.



Flawed Debt Collection Process

An anonymous source questioned the Department of Defense debt collection process after relating their failure to collect a debt from a Defense contractor. A review determined a demand letter was issued and the contractor attempted to satisfy the debt, however the checks were returned for insufficient funds. The Hotline continued contact with the debt collection agency and an installment debt payment was established. To date, \$557,897 of the \$798,323 has been repaid.

Ethics Violation

The Hotline received a complaint alleging an officer directed soldiers to perform manual labor for private organizations in exchange for command endorsement and monies (in connection with a volleyball tournament.) The Hotline investigation confirmed the directions service members received from a superior officer appeared as orders and thus violated the Joint Ethics Regulation by encouraging or requesting the subordinate service members use official time to perform activities other than those required in the performance of official duties. The investigation further determined the unit received a payment from a private corporation for services rendered by the service members. The payment of \$48,000 was transferred to the U.S. Treasury.

Kickback Scheme involving a DoD Contractor

The Defense Hotline received an anonymous complaint alleging the presence of a kickback scheme involving over 30 individuals from corporate officers and employees of that company, along with related corporate entities, on contracts involving the Department of Defense. The kickback scheme involved charges for work not performed, writing off personal expenses for business expenses, percentage of sales to company principals, the use of leased cars and credit cards, inflated charges, fictitious invoices, etc. A grand jury indicted the individuals on over fifty criminal violations including conspiracy to commit racketeering, misconduct by a corporate official, filing or preparing false or fraudulent tax returns, failure to file a report, and failure to file a gross income tax return. The indictments resulted in over \$400,000 in fines and settlement costs, 80 years prison time, 34 years probation, 240 hours community service, and debarment from government contracting.

Abuse of Authority, Government Personnel and Resources

The Hotline received a complaint alleging the director of a Defense agency used a spare room in an agency warehouse to install a bowling alley for recreation. The director approached an employee for the installation that declined, however, was later directed by his immediate supervisor to construct the bowling lane during official hours. The director violated 5 CFR 2635.705(b) and received a suspension for his actions. The employee's supervisor received a letter of admonishment for his actions.

Misuse of Personnel and Resources

The DoD IG found that a former high ranking military officer exhibited a disregard for the proper use of staff and conserving Government resources when he required his subordinates to perform personal services for him on many occasions during official duty hours. The offenses also included having his subordinates tow his personal boat after business hours, deliver family member income tax returns to a tax office, picking up medical prescriptions, laundry, and asking his secretary to research nursing homes for his family, and coordinate his weekend golf outings. These actions violated 5 CFR 2635.702 and 2635.705(b).

SIGNIFICANT HOTLINE INITIATIVES

Online Services

The Internet Hotline Poster Site gives customers the ability to efficiently request Hotline publicity materials and download Hotline posters. This reduces both staff hours and mailing expenses resulting in a significant cost savings for the Department. Defense Hotline responded to 792 requests from DoD contractors and the military services for IG DoD Hotline fraud, waste and mismanagement posters during FY 2007.

An electronic complaint form is available worldwide to DoD personnel and the public 24 hours daily, seven days a week via the Internet. Our online complaint form is completed online and submitted electronically to the Hotline for processing.

DOD IG WEBSITE

The DoD IG Web Team plays a vital role in informing the public, Congress and the military about the agency's mission, accomplishments and ongoing efforts in areas such as the Global War on Terror (GWOT). A special section devoted to GWOT was designed by the Web Team and includes information on completed, ongoing and planned audits, inspections and evaluations, as well as information about the efforts of the Defense Criminal Investigative Service (DCIS) targeting fraud, waste and abuse in Southwest Asia. Part of that web outreach effort included the development of an on-line DoD Hotline poster request form and download page, where in-theater military and civilian contractor personnel can download posters specifically designed for Southwest Asia operations. This not only cut down on delivery time, but also made high resolution posters available instantaneously.

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

STATISTICS

- During this six-month reporting period, 214,292 visitors logged onto DoD IG public website (1171 visitors per day). Visitors who visited once were 173,990 (81.2%) and visitors who visited more than once were 402,302 (18.8%).
- In addition to the United States, visits were made by viewers from 187 other countries.
- The most frequently visited pages were Defense Criminal Investigative Service, Careers, Audit Reports, and Defense Hotline.
- Fraud, Waste & Abuse Complaints On-Line Complaint Form was visited 8,100 times
- Freedom of Information Act request on-line form was visited 552 times.



GEORGETOWN UNIVERSITY MASTER'S PROGRAM



The DoD IG has sponsored a Masters Degree Program in Policy Management, in partnership with Georgetown University, for its employees since 2004.

The employees in the first and second programs have graduated. A third class will graduate in 2008 and the fourth will graduate in 2009.

It has been a highly successful educational program. Courses such as U.S. Public Policy Process; Leadership and Innovation in Public Management; Defense and Foreign Policy; Public Budgeting and Congressional Oversight; and Ethics

and Values in Public Management have been part of the program. Courses are conducted at Georgetown University with one course conducted on Capitol Hill.

When the first program proved to be so successful, other oversight community agencies were invited to participate. The present two program groups consist of members of the President's Council on Integrity and Efficiency (PCIE), Executive Council on Integrity and Efficiency (ECIE), and Defense Council on Integrity and Efficiency (DCIE). Each of the present programs has two sections to accommodate the number of participants.

At present, participating agencies are the U.S. Army Audit Agency, U.S. Air Force Audit Agency, Central Intelligence Agency, Department of Labor, Department of Homeland Security, Department of the Interior, Defense Contract Management Agency, Defense Intelligence Agency, Naval Criminal Investigative Services, National Reconnaissance Office, Pension Benefit Guaranty Corporation, U.S. Army Inspector General Agency, and the U.S. Army Criminal Investigation Command.

DoD IG has an Educational Support Agreement with Georgetown University that has resulted in discounted tuition rates and savings of over \$2.3 million to educate its employees, to date. The other oversight agencies have also received the same discounted tuition rates and corresponding tuition savings. Since the program's inception, a total of 157 employees from the DoD IG and the other 13 oversight agencies have participated.



PCIE AND ECIE ACTIVITIES



The President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) were established by Executive Order 12805 to address integrity, economy, and effectiveness issues that transcend individual Government agencies, and increase the professionalism and effectiveness of IG personnel throughout the Government. Presidentially appointed IG's are members of the PCIE and the DoD IG is an active participant in the PCIE, serving on the PCIE Audit Committee and PCIE Executive Council, and as chair of the PCIE IT Committee. Furthermore, the Deputy IG for Auditing is currently serving as the chair of the Federal Audit Executive Council (FAEC), a subgroup of the PCIE and ECIE, and chaired the 2007 FAEC Conference.



FAEC ANNUAL CONFERENCE

The Federal Audit Executives Council held this year's annual conference on August 8 to 10, 2007. The conference, attended by nearly 100 Federal Audit Executives from 38 different agencies, was held at the Founder's Inn Conference Center. The conference focused on Information Technology challenges and issues that face the Federal audit community. Presentations were made by 15 guest speakers from the Federal sector, the private sector, and various councils. In addition to IT topics, a panel of IGs discussed independence issues facing the oversight community, the GAO provided an update on the revised auditing standards,

the Department of Justice discussed current cybercrime initiatives, an expert in the field of Knowledge Management provided tips on ways to better share information within our Agencies, and participants completed an exercise which identified their conflict management style. The conference was chaired by the Deputy Inspector General for Auditing Ms. Mary L. Ugone.

PCIE INFORMATION TECHNOLOGY COMMITTEE

To address the many concerns shared by the IG community regarding information technology, the PCIE established the PCIE Information Technology Committee with the mission to facilitate effective information technology audits, evaluations, and investigations by Inspectors General, and to provide a vehicle for the expression of the IG community's perspective on Government-wide IT operations. The DoD IG was appointed to be the first chair of this new committee and on April 16, 2007, at the PCIE/ECIE Annual Conference, Principal Deputy Inspector General Thomas Gimble gave a speech titled, "Information Technology Issues and the Establishment of the PCIE IT Committee." Quarterly meetings of this newly formed committee were held in May and July, 2007, and two sub-committees have been established: Audit and Evaluation, and Investigations. The DoD IG has also established a new website for the committee at www.dodig.mil/pcie-it.

DCIE ACTIVITIES

The Defense Council on Integrity and Efficiency (DCIE) is patterned after the President's Council on Integrity and Efficiency. The DCIE is chaired by the DoD IG and meets on a quarterly basis to discuss issues of common interest and build closer working relationships among members of the oversight community within the Department. Key topics discussed during these meetings included the joint DoD IG and Department of Veterans Affairs IG evaluation of the transition of members of the military from DoD health care to VA health care; evaluation of the DoD Safety Program; and initiatives related to the Global War on Terror and corresponding operations in Southwest Asia. A number of guest speakers provided remarks and briefings in the interest of sharing knowledge and best practices, including remarks by the IG of the Afghan National Army, MG Jalander Shah; a mission briefing by the Deputy Director of the Defense Contract Audit Agency, April Stephenson; and a briefing on the Acquisition Integrity Team concept by the Auditor General of the Navy, Richard Leach.

DCIE INSPECTIONS AND EVALUATIONS ROUNDTABLE

The Defense Council on Integrity and Efficiency Inspections and Evaluations Roundtable provides a forum for communication, coordination and collaboration among Department of Defense Inspectors General Inspections and Evaluations organizations. The Roundtable is chaired by the Assistant IG for Inspections and Evaluations and attended by representatives of the DoD IG, Service IG's, National Guard Bureau IG, and Defense Agency IGs. Topics discussed during these sessions included briefings on IG activities and evaluations, such as, review of the Randolph-Sheppard Act / Javits-Wagner-O'Day Act as being applied to military dining facility contracting, the results of the CY2006 Federal Voting Assistance Program evaluation, updates on the on-going DoD Safety evaluation, and munitions accountability efforts in Southwest Asia.

SPEECHES AND CONFERENCES

EUCOM IG CONFERENCE

Inspector General Kicklighter gave a presentation at the EUCOM IG Conference held at the George C. Marshall European Center for Security Studies in Garmisch, Germany on September 5, 2007. The topic of the presentation was "Integrity, Transparency, and Oversight of the Inspector General system." Inspector General Kicklighter discussed the roles of the Government and Defense oversight communities, as well as highlighting work and significant accomplishments of the DoD IG Audit and Investigative components. Also in attendance at the conference were the Department of the Army Inspector General LTG Stanley E. Green, EUCOM Deputy Commander GEN William E. Ward, and the Director of the Marshall Center Dr. John Rose.



INFORMATION EXCHANGE WITH U.S. JOINT FORCES COMMAND

On August 7 and 22, 2007, a team of eight senior officials from Inspections and Evaluations visited the directors and staffs of the USJFCOM J-9 Futures Group and the Joint Center for Operational Analysis Directorate to discuss the implications of National Security Presidential Directive-44, “Management of Interagency Efforts Concerning Reconstruction and Stabilization,” and DoD Directive 3000.05, “Stabilization, Security, Transition, and Reconstruction (SSTR),” on Joint doctrine and operations. A key area of discussion centered on how the Department of Defense captures, evaluates, and disseminates lessons learned. Of particular interest was DoD IG’s lessons learned project that will chronicle Inspections and Evaluation experience with mentoring and training Iraqi ministerial inspectors general and assisting them build a viable, stable, and self-sustaining IG system. This example and others can be used as part of DoD’s portfolio for SSTR doctrine and operations.

DOD SENIOR PROFESSIONAL WOMEN’S ASSOCIATION

Inspector General Kicklighter addressed members of the DoD Senior Professional Women’s Association (SPWA) as the keynote speaker at their Excellence in Leadership Recognition Ceremony. The theme was “Leadership is Action, Not Just a Position.” Inspector General Kicklighter discussed leaders whose lives have been an inspiration to him and his own personal views that have sustained him during leadership challenges. Michael Peterson, a multiple Grammy award nominee who travels the world entertaining the troops, was also a speaker at the event. With the U.S. Army as his sponsor, Michael will begin a nation-wide “Answer the Call” tour in January 2008. Elaine Rogers, President of the USO-Metro, was the 2007 recipient of the DoD SPWA Excellence in Leadership Award. She has implemented many programs that have supported our troops during the past 33 years. The ceremony offered an opportunity for the women of the SPWA to network, recognize outstanding leaders, and listen to speakers.

MILITARY COMPTROLLERS CONFERENCE

Approximately 225 members of the American Society of Military Comptrollers (ASMC) recently had the opportunity to hear first-hand how the Department of Defense Office of Inspector General (DoD IG) detects fraud through audits and investigations.

The group was addressed by Ms. Mary L. Ugone, the Deputy Inspector General for Auditing, and Mr. Charles Beardall, Director of the Defense Criminal Investigative Service (DCIS), on May 31, 2007, at the ASMC annual Professional Development Institute (PDI) in Kansas City, MO. Ms. Ugone and Mr. Beardall spoke about case histories in fraud auditing and investigations. DCIS is the criminal investigative arm of the DoD IG. More than 3,400 participants from around the world attended the PDI, representing a wide variety of disciplines in the resource management community to include budgeting, accounting, cost analysis, and internal review.



ANTI-TERRORISM CONFERENCE

The Defense Criminal Investigative Service (DCIS), the criminal investigative arm of the DoD IG, helped sponsor a corporate anti-terrorism conference in St. Louis, MO, held May 29 to 30, 2007. Other sponsors included the U.S. Attorney's Office for the Eastern District of Missouri (EDMO); the EDMO Anti-Terrorism Advisory Council of St. Louis; the Federal Bureau of Investigation (FBI); the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF); and the U.S. Secret Service; as well as state and local law enforcement agencies and local corporations. Security officials from a number of Missouri companies, including Defense contractors, attended the two-day conference. Presentations focused on terrorism, but other topics were also discussed including computer security and fraud, security against bomb threats and other crimes affecting national security.

DoD/GAO COMMUNITY ROUNDTABLE



Department of Defense Acting Inspector General Thomas F. Gimble hosted the 2007 Government Accountability Office (GAO)/Inspectors General (IG) Community Roundtable in Arlington, VA, on April 23, 2007. The four-hour roundtable brought together 70 GAO and DoD executives including service auditors general, defense agency inspectors general, and combatant command inspectors general, as well as senior DoD IG officials. The Honorable David Walker, Comptroller General of the United States, delivered the keynote address entitled, "DoD Transformation, Challenges and Opportunities." Ms. Wanda Scott, DoD Assistant Inspector General for Readiness and Operations Support, delivered a presentation on "The Inspector General and the Global War on Terror," which focused on the full spectrum of

inspector general oversight on terrorism-related issues. The presentations were followed by a discussion focusing on DoD's designated high risk areas and the joint planning group coordination process.

DoD IG AWARDS

100 MOST INFLUENTIAL HISPANICS AWARD

Hispanic Business Magazine has named Defense Criminal Investigative Service Director Charles W. Beardall to its 2007 list of "100 Most Influential Hispanics." Director Beardall, a native of the Republic of Panama, is featured in the October 2007 edition of Hispanic Business in a special section titled "The Stars Align: Trail Blazers, Headline Makers on 2007 List Set Example for Others." With a total audience of more than one million readers, Hispanic Business reaches CEOs, business owners, corporate decision makers and professionals in all sectors, including business, law, accounting, healthcare, government and engineering.

2007 PRESIDENTIAL RANK AWARD

The President has publicly recognized Ms. Mary L. Ugone, Deputy Inspector General for Auditing, Department of Defense Office of the Inspector General, by selecting her to receive the prestigious 2007 Meritorious Executive Presidential Rank Award. Recipients of the award are “nominated by their agency heads, evaluated by boards of private citizens, and approved by the President.” Winners are recognized as “strong leaders, professionals...who achieve results and consistently demonstrate strength, integrity, industry, and a relentless commitment to excellence and service.” Ms. Ugone was selected into this elite group of career members of the Senior Executive Service (SES), Senior-Level (SL) and Scientific and Professional (ST) corps by the President for her exceptional leadership, accomplishments and service. This award is one of the highest civilian awards in Government service.

BLACKS IN GOVERNMENT AWARD

Ms. Wanda A. Scott, Assistant Inspector General for Readiness and Operations Support, has received the 2007 Blacks in Government Department of Defense Meritorious Service Award. The presentation was made at the Blacks in Government Annual Conference on August 17, 2007. Ms. Scott was one of 13 military and civilian awardees from the DoD recognized for distinguishing themselves in the GWOT and for outstanding accomplishments in human relations, equal opportunity, and civil rights. She played a major role in the development, resourcing, and staffing of forward deployed field sites in Qatar, Iraq, and Afghanistan that perform oversight of Operations Enduring Freedom and Iraqi Freedom. Through her commitment to improve the diversity posture of her organization, Ms. Scott increased diversity among her own staff. Her efforts resulted in over 15 percent minority growth within the Readiness and Operations Support Directorate.

PCIE/ECIE AWARDS



Department of Defense Office of Inspector General (DoD IG) investigators, auditors and evaluators were recognized for their efforts to fight fraud, waste and abuse at the 10th Annual Awards Ceremony of the President’s Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE). Mr. Richard B. Jolliffe, DoD Assistant Inspector General for Acquisition and Contract Management, was presented with the Glen/Roth Exemplary Service Award from the PCIE/ECIE. Mr. Jolliffe was recognized for his “outstanding service to Congress through his relentless pursuit of legislation to improve the effectiveness of Department of Defense acquisitions.”

The DoD IG also received the Sentner Award for Dedication and Courage in recognition of its forward deployed presence in Southwest Asia. The award is named in honor of Special Agent William “Buddy” Sentner, III, of the Department of Justice Office of the Inspector General who was killed in the line of duty in 2006. This is the first time the Sentner Award has been presented.

Other DoD IG awards recipients at the PCIE/ECIE Awards Ceremony included:

- Award for Excellence, Audit, presented to the Nuclear/National Command and Control Support to the President Team in recognition of exceptional performance while completing the Audit of Nuclear/National Command and Control Support to the President.
- Award for Excellence, Audit, presented to the Interagency Contracting Audit Teams in Recognition of Exceptional Performance for the Audits on DoD Use of Interagency Contracting.
- Award for Excellence, Audit, presented to the Financial Information Resource System Team in recognition of major audit contributions in minimizing the effects of acquisition decisions made by the former Principal Deputy for the Assistant Secretary of the Air Force for Acquisition and Management.
- Award for Excellence, Investigation, presented to Operation Top Gun in recognition of exceptional performance by Operation Top gun investigation team.
- Award for Excellence, Investigation, presented to the Boeing Procurement Fraud Task Force in recognition of exceptional performance during the investigation of the Boeing Corporation.
- Award for Excellence, Investigation, presented to Special Agent Michael P. Thompson, Defense Criminal Investigative Service, for outstanding investigative achievement in support of the Iraq/KBR Task Force.
- Award for Excellence, Evaluations, presented to the Pre-Iraqi War Activities Review Team in recognition of exceptional performance while completing the Review of Pre-Iraqi War Activities of the Office of the Under Secretary for Policy.
- Award for Excellence, Multiple Disciplines, presented to the Joint Audit / Investigation of TRICARE Overseas Program Fraud in recognition of the exceptional performance on a Department of Defense Inspector General Collaboration between the Defense Criminal Investigative Service and IG Audit of TRICARE Overseas Program Fraud in the Philippines.



DoD IG personnel also served on other IG teams that received awards. They include:

- Award for Excellence, Investigation, presented to the NASA, DCIS, TIGTA and DOE Investigative Team for M&M International Aerospace Metals Fraud in recognition of outstanding inter-agency teamwork in uncovering a complex scheme that could have directly impacted the safety and well-being of astronauts and citizens.
- Award for Excellence, Investigation, presented to the U.S. Department of Treasury Financial Crimes Team in recognition of exceptional interagency teamwork and outstanding performance in implementing the proactive Improper Payments Initiative (IPI), which is aimed at identifying and prosecuting those individuals who have fraudulently received federal benefit payments.
- Award for Excellence, Multiple Disciplines, presented to the Interagency Export Controls Working Group in recognition of exceptional performance during the Interagency OIG Review of U.S. Export Controls for China.
- Award for Excellence, Multiple Disciplines, presented to the Information Sharing Subgroup, Disaster Recovery Working Group in recognition contributions to lessons learned following Hurricane Katrina and for continuing efforts to pursue PCIE/ECIE-wide improvements to better prepare for future catastrophic events.
- Award for Excellence, Multiple Discipline, presented to the Department of State / Department of Defense Inspectors General in recognition of the Interagency Assessment of the Afghanistan Police Training and Readiness Program.

DOD IG COMPONENTS



AUDITING

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

DOD AUDIT COMMUNITY



Air Force Audit Agency personnel with Lt General North during a mobility bag audit at Al Dhafra Air Base.

As a whole, the organizations issued 259 reports, which identified the opportunity for almost \$2.44 billion in monetary benefits. The Defense Contract Audit Agency (DCAA) provided financial advice to contracting officers in 19,041 audits during the period. The contract audits resulted in over \$6.7 billion in questioned costs and funds that could be put to better use. Appendix D contains the details of the audits performed. Contracting officers disallowed \$363.0 million (69.2 percent) of the \$524.7 million questioned as a result of significant post-award contract audits during the period. The contracting officer disallowance rate of 69.2 percent represents a significant increase from the disallowance rate of 45.6 percent for the prior reporting period.


The number of overage audits increased by 1.5 percent to 1,057; however, the total questioned costs decreased by 9.4 percent to \$2.3 billion. Additional details of the amounts disallowed are found in Appendix E.

AUDIT SIGNIFICANT OPEN RECOMMENDATIONS

Managers accepted or proposed acceptable alternatives for 97 percent of the 456 DoD IG audit recommendations rendered in the last 6 months of FY 2007. Many recommendations require complex and time consuming actions, but managers are expected to make reasonable efforts to comply with agreed upon implementation schedules. Although most of the 1062 open actions on DoD IG audit reports being monitored in the follow-up system are on track for timely implementation, there were 210 reports more than 12 months old, dating back as far as 1994, for which management has not completed actions to implement the recommended improvements.

Significant open recommendations that have yet to be implemented include the following:

- Recommendations made in 1997 and subsequent years to make numerous revisions to the DoD Financial Management Regulations; clarify accounting policy and guidance; improve accounting processes, internal controls over financial reporting, and related financial systems compliance have resulted in initiatives that are underway to correct financial systems deficiencies and enable the Department to provide accurate, timely, and reliable financial



statements. In addition, a recent (March 2006) audit report states that implementation of Army accounting systems needed to eliminate more than \$72.2 billion in unsupported accounting adjustments and \$1.2 trillion in unresolved abnormal balances has been delayed for another year. Originally scheduled for implementation in September 2005, the Defense Departmental Reporting System – Budgetary (part of the Business Enterprise Information Services) now has a June 2008 estimated completion date for testing and validation to ensure that abnormal balances and year-end balances are correctly processed and reported.

- Recommendations from multiple reports in the high-risk area of personnel security. Some of the most significant of these include: development of a prioritization process for investigations; establishment of minimum training and experience requirements and a certification program for personnel granting security clearances; issuance of policy on the access by all contractors, including foreign nationals, to unclassified but sensitive DoD IT systems; establishment of policy on access reciprocity and a single, integrated database for Special Access Programs; implementation of steps to match the size of the investigative and adjudicative workforces to the clearance workload; development of DoD-wide backlog definitions and measures; monitoring the backlog using the DoD-wide measures; and improvement of the projections of clearance requirements for industrial personnel. Progress on the unprecedented transformation of the personnel security program is slow but steady. Implementation of multiple report recommendations pending the issuance of revised DoD Regulation 5200.2-R, “Information Security Program.”

- Recommendations made in 2004 to define network centric warfare and its associated concepts; formalize roles, responsibilities, and processes for the overall development, coordination, and oversight of DoD network centric warfare efforts; and develop a strategic plan to guide network centric warfare efforts and monitor progress. DoD guidance has been updated to reflect relevant definitions that have been developed. Limitations in funding have necessitated deferring revisions to the applicable DoD Directive and Instruction until FY 2008, and ongoing experiments have delayed development of the strategic plan.

- Recommendations made in 2004 to clarify guidance on the differences between force protection and antiterrorism in DoD policies and procedures. DoD revised its applicable guidance in October 2006. The Services are now in process of updating their corresponding guidance.

- Recommendations made in 2003, 2004, and 2005 to address issues regarding information systems security including completion of the information security certification and accreditation process for various DoD systems and development of an adequate Plan of Action and Milestones to resolve critical security weaknesses. These actions need to be completed to address requirements of the Federal Information Security Management Act and related OMB guidance. Although some actions have been initiated, they are not adequate to correct the identified deficiencies, nor have they been adequately incorporated in the revision to the applicable instruction.

- Recommendation made in 2004 in the Health Care issue area. This addresses improvement in the acquisition of direct care medical services including putting into place the structure and processes required to more effectively and efficiently employ contract medical personnel throughout the Military Health System. Implementation is ongoing.

- Recommendations made in 2004, 2005 and 2006 regarding the Performance-Based Logistics Program (PBL) that include: establishing requirements related to the PBL process for reporting and institutionalizing a common data collection and reporting system to include Life Cycle Sustainment Metrics and Special Interest Items; issuing policies and procedures for implementation of PBL to include preparation of a business case analysis; establishing policy on Performance Based Agreements (PBA); and improving the scope and objectivity of PBAs in order to continuously improve warfighter support in conjunction with overall weapon system performance. Progress is being made but the actions are not complete.

INVESTIGATIONS

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

DEFENSE CRIMINAL INVESTIGATIVE SERVICE



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

REPORTABLE JUDGMENTS

During this reporting period, investigations conducted by the DCIS returned over \$619 million to the U.S. Government through criminal, civil, and administrative judgments. Reportable judgments on health care investigations accounted for over \$106 million. These judgments resulted from a total of five investigations involving individual health care providers, hospitals and health care systems, and pharmaceutical companies. One single investigation accounted for \$101 million. Public corruption investigations accounted for over \$5.5 million of the returned monies. One single investigation accounted for \$1 million. Financial crime and procurement fraud, to include defective products, accounted for over \$3.6 million of the returned monies. One single investigation accounted for \$407,000.



INVESTIGATIONS OF SENIOR OFFICIALS

The DoD IG Directorate for Investigations of Senior Officials conducts investigations into allegations against senior military and civilian officials and performs oversight of senior official investigations conducted by the military departments. Figures 1 and 2 (page 97) show results of activity on senior official cases during the last 6 months of FY 2007. On September 30, 2007, there were 213 ongoing investigations into senior official misconduct throughout the Department, representing a slight increase from April 1, 2006, when 183 open investigations was reported. Over the past 6 months, the Department closed 177 senior official cases, of which 25 (14 percent) contained substantiated allegations.

FIGURE 1: NATURE OF SUBSTANTIATED ALLEGATIONS AGAINST SENIOR OFFICIALS DURING 2ND HALF FY 07

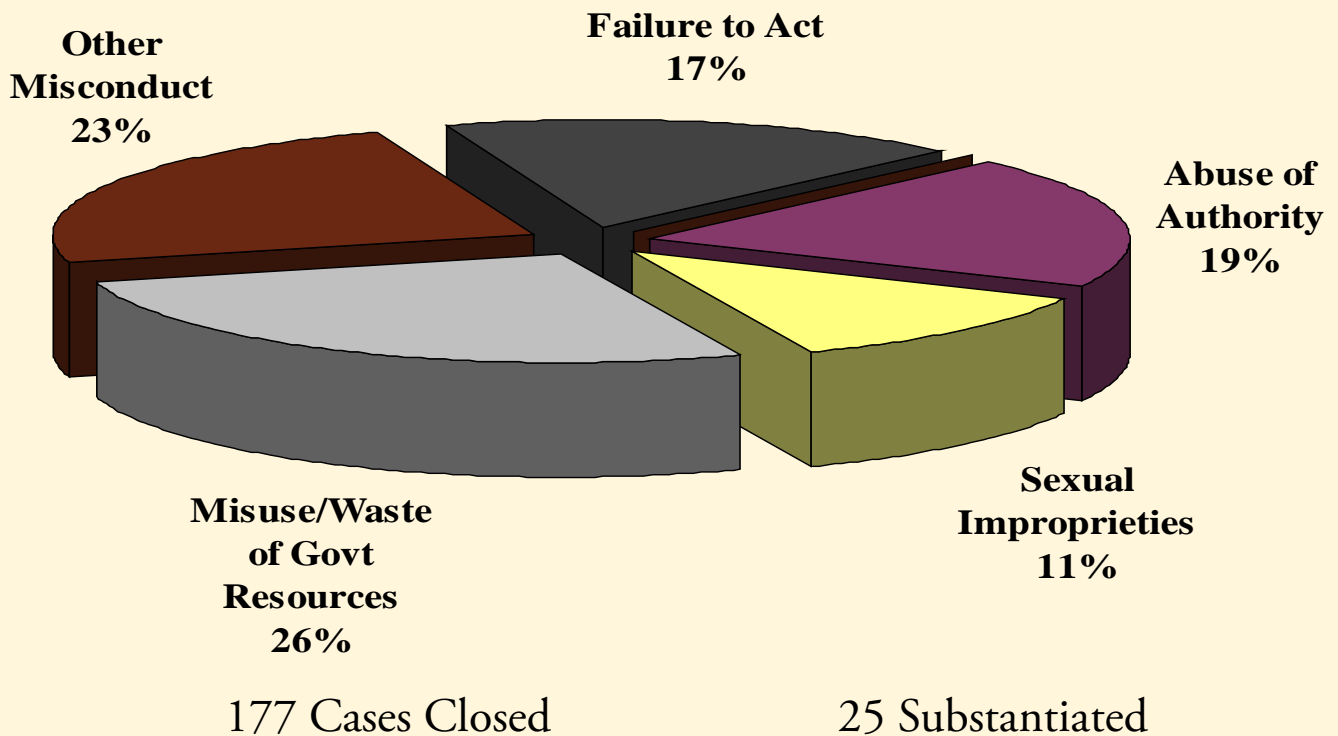
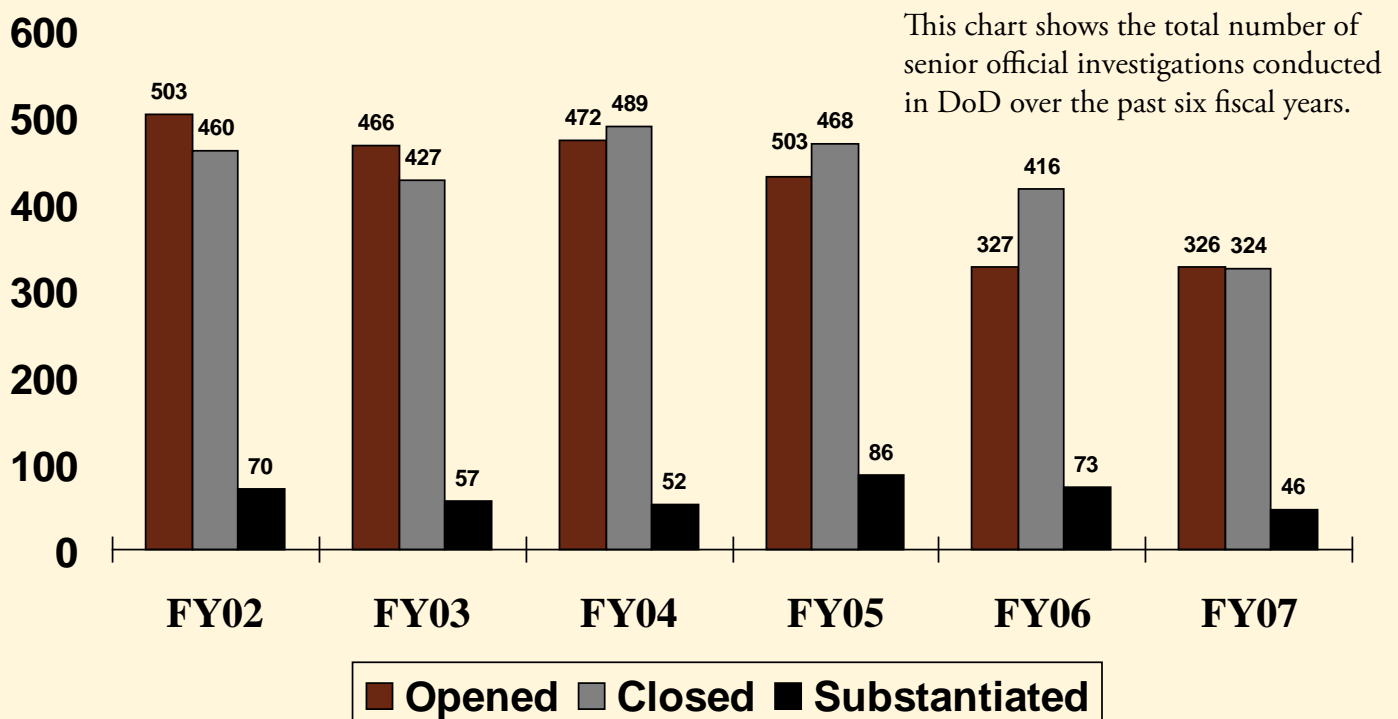


FIGURE 2: DOD TOTAL SENIOR OFFICIAL CASES FY 2002 - FY 2007





MILITARY REPRISAL INVESTIGATIONS

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

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

WHISTLEBLOWER REPRISAL ACTIVITY

During the reporting period, MRI and the military department inspectors general received 285 complaints of whistleblower reprisal and closed 252 reprisal cases during this period. Of the 252 cases, 168 were closed after preliminary analysis determined further investigation was not warranted and 84 were closed after investigation. Of the 84 cases investigated, 16 contained one or more substantiated allegations of whistleblower reprisal (19%).

MRI and the Military Departments currently have 325 open cases involving allegations of whistleblower reprisal.

EXAMPLES OF SUBSTANTIATED WHISTLEBLOWER REPRISAL CASES

A Navy lieutenant alleged he was issued unfavorable fitness reports in reprisal for reporting fitness program violations to an IG. An MRI investigation substantiated the allegation. The responsible official, a Navy commander, was counseled and received a Letter of Instruction.

An Army National Guard sergeant major alleged he was issued an unfavorable noncommissioned officer evaluation in reprisal for reporting violations of the UCMJ and fiscal laws to his chain of command. An MRI investigation substantiated the allegation. Corrective action is pending.

An Air Force staff sergeant alleged two master sergeants gave him a letter of reprimand because they believed he reported problems in the deployed unit to the wing commander. An Air Force investigation substantiated the reprisal allegation and also substantiated that the master sergeants restricted the staff sergeant from making protected communications by threatening to take punitive action against him. Corrective action is pending.

An Air Force master sergeant alleged he was issued an unfavorable enlisted performance report in reprisal for reporting security violations and program mismanagement to his chain of command. An Air Force investigation substantiated the allegation. No corrective action was taken due to the retirement of the responsible official.

REFERRALS FOR MENTAL HEALTH EVALUATIONS

32 cases involving allegations of improper referrals for mental health evaluation were closed during the reporting period. In 11 (34%) of those cases, substantiated that command officials and/or mental health care providers failed to follow the procedural requirements for referring Service members for mental health evaluations under DoD Directive 6490.1, “Mental Health Evaluations of Members of the Armed Forces.” The DoD IG did not substantiate that any of the mental health referrals were taken in reprisal for Service members’ protected communications.

CIVILIAN REPRISAL INVESTIGATIONS


The mission of the Civilian Reprisal Investigations (CRI) Directorate is to conduct and oversee allegations of whistleblower reprisal made by DoD civilian employees. CRI also provides support to DoD component Inspectors General regarding civilian reprisal cases, ensures DoD IG compliance with the Office of Special Counsel’s Section 2302(c) whistleblower certification program, and conducts outreach to stakeholders of the DoD whistleblower protection program. During FY 2007, CRI advised on 29 intakes which did not go to full investigation, closed 17 investigations, and was actively working 10 cases open at the end of the fiscal year.

POLICY AND OVERSIGHT

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

AUDIT POLICY AND OVERSIGHT

The Office of Assistant Inspector General for Audit Policy and Oversight (APO) provides policy direction and oversight for audits performed by over 6,500 DoD auditors in 24 DoD organizations, ensures appropriate use of non-federal auditors and their compliance with auditing standards and ensures that contracting officials comply with statutory and regulatory requirements when resolving contract audit reports. During the reporting period, APO issued DoD Instruction 7600.2, “Audit Policies” and completed 8 reviews. Three were hotline reviews with one having recommendations that were agreed with; a Congressional request on a Defense Contract Audit Agency (DCAA) office with one of three allegations being substantiated; a follow-up review that found the Certified Public Accounting firm APO referred to the American Institute of Certified Public Accounts for inadequate work had corrected a Single Audit Act compliance review; and three were oversight reviews with one on the contracting officer’s failure to apply penalties on contract audit reports, a quality control review of a Single Audit Act nonprofit organization and a review of the overall adequacy of the DCAA’s quality control system.



APO staff also participated on 6 DoD and Government-wide working groups that address significant issues impacting DoD audit and accountability professionals; provided DoD comments on draft revision to the GAO Financial Audit Manual and the PCIE/ECIE “Guide for Conducting External Peer Reviews of the Audit Operations of the Offices of the Inspector General”; coordinated the IG review of 30 revisions to the procurement regulations, commenting on three to ensure the revisions do not adversely impact DoD; provided training to internal auditors on “Ethical Principles and Independence;” approved a request by the Defense Contract Management Agency for contracted audit services; commented on proposed legislation; set up and started a peer review process for smaller internal DoD audit agencies and the intelligence audit agencies; and identified a finding impacting funds that had remained unresolved that resulted in the County of Sacramento providing the Department of the Air Force a check for \$314,772.

DATA MINING DIRECTORATE

The DoD IG Data Mining Directorate continues its primary mission of expanding and enhancing the use of Data Mining with computer assisted auditing techniques as analysis tools to combat fraud, waste and abuse in Department of Defense oversight programs. During this reporting period, the DoD IG Data Mining Directorate supported 30 ongoing investigations (two GWOT-related) and provided continuing support to 8 announced audits.


INSPECTIONS AND EVALUATIONS

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

INVESTIGATIVE POLICY AND OVERSIGHT

The Office of the Assistant Inspector General for Investigative Policy and Oversight (IPO) provides policy direction for, and evaluates the performance of, the DoD Criminal Investigative Organizations (DCIOs) (i.e., the Defense Criminal Investigative Service, the Army Criminal Investigation Command, the Naval Criminal Investigative Service, and the Air Force Office of Special Investigations) and non-criminal investigative offices of the DoD. In support of this mission, the Directorate manages both the IG DoD Subpoena Program, which issues administrative subpoenas primarily in support of criminal investigations, and the DoD Voluntary Disclosure Program, which provides contractors a means to self-report potential civil or criminal fraud matters.

The Office of the Assistant Inspector General for Investigative Policy and Oversight evaluates the performance of and develops/implements policy for the DoD law enforcement community and the non-criminal investigative offices of the DoD. The Directorate also manages the IG Subpoena Program for the DCIOs and administers the DoD Voluntary Disclosure Program, which allows contractors a means to report potential internal civil or criminal fraud matters involving their DoD contracts.



During this period, the Global War on Terror continued to dominate IPO's work. The matters Congress asks us to resolve are broad and complex requiring huge numbers of interviews and extensive independent analysis of previous investigative work. Examples of our recent or continuing work include the fratricide of an Army Ranger and former professional football player; the investigation and jailing of an Army Chaplain returning from Guantanamo Bay; the shooting death and injury of journalists by U.S. Forces during an insurgent ambush; and the U.S. Forces shooting death of an Afghan noncombatant.

During this period, Defense policy titled, "Implementation of the Law Enforcement Officers Safety Act of 2004," was signed by both the Inspector General of the DoD and the Under Secretary of Defense for Personnel and Readiness. As provided in title 18, United States Code (USC), the DoD policy exempts qualified active and retired DoD law enforcement officers (LEOs) from local and State prohibitions from carrying concealed firearms. However, this DoD policy does not allow for agency training of retirees, but rather requires a qualified retiree to meet the law enforcement firearms training standards in the State in which he/she resides. In the DoD, law enforcement officers in the DCIOs, the Pentagon Force Protection Agency, and the National Security Agency are affected.

Also during this period, and in direct support of investigations, 119 IG DoD subpoenas were issued to the DCIOs for service. The average turn-around time from request to delivery was 9.2 days, substantially shorter than the established program metric of 15 days. Of significance, for FY 2007, this low turn-around time was accomplished despite a 35 percent increase in subpoena requests over the previous year. As part of an outreach plan to equip new Defense criminal investigators, during this period subpoena training was provided to NCIS agents during their basic course at the Federal Law Enforcement Training Center. Finally, two new initiatives were launched: a DoD Instruction containing common subpoena request procedures for use by the DCIOs is in progress, as well as an initiative to automate approximately 95 percent of the subpoena process to even further reduce turn-around time for investigators in the field.

The second program managed by IPO, the OIG DoD Voluntary Disclosure Program (VDP), provides a formal mechanism by which DoD contractors can report potential civil or criminal fraud matters discovered within their own operations, taking advantage of incentives provided in the False Claims Act and Federal Sentencing Guidelines for disclosure and full cooperation with Government authorities. The DoD, in coordination with the Department of Justice and the Military Departments, share the responsibility of resolving fraud matters and determining which criminal, civil, and administrative remedies are appropriate.

Since its establishment in 1986, the DoD's VDP has recovered \$462 million. During this reporting period it received its 467th disclosure, and a case involving the falsification of test results for tubes used in night vision goggles was settled, resulting in an \$8 million recovery. In another case this period, a General Services Administration employee pled guilty to providing sensitive procurement information to a contractor on a U.S. Marine Corps project in exchange for the award of a sub contract to her personally owned business. In addition to the criminal conviction, the employee was fined, placed on probation, and assigned community service.

The VDP Manager is active in two National Procurement Fraud Task Force committees, the Private Sector Outreach Committee and the Training Committee. The Task Force is a Department of Justice initiative to improve the overall Federal government response to procurement fraud. The program manager is also working to improve its visibility throughout the DoD by integrating the VDP into DoD acquisition policy and training.



REPORT FOLLOWUP AND GAO LIAISON DIRECTORATE

The Report Followup and GAO Liaison Directorate monitors the progress of agreed-upon corrective actions being taken by DoD managers in response to DoD IG and GAO report recommendations. The Directorate obtains and evaluates documentation of progress and completion of corrective actions, and maintains a complete record of actions taken. During this 6-month period, final corrective action was completed on 88 reports and 539 recommendations, with \$252.3 million in savings documented on DoD IG recommended actions. Also, the Directorate oversees the mediation process to facilitate resolution of disputes relating to DoD IG recommendations to achieve agreement on those recommendations.

The Directorate serves as the DoD central liaison with GAO on matters concerning GAO reviews and reports regarding DoD programs and activities. This involves coordinating GAO reviews to facilitate appropriate DoD actions, including monitoring and facilitating the preparation of DoD responses to GAO reports to ensure the responses are appropriately coordinated before release. The Directorate distributes information regarding planned GAO activities to DoD auditing and other oversight organizations to facilitate the identification of unnecessary overlap or duplication. During this 6-month period, the Directorate coordinated 116 reviews and processed 204 draft and final reports.

QUANTITATIVE METHODS DIRECTORATE

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

TECHNICAL ASSESSMENT DIRECTORATE

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

INTELLIGENCE

The Office of the Deputy Inspector General for Intelligence (ODIG-INTEL) audits, evaluates, monitors, and reviews the programs, policies, procedures, and functions of Intelligence Community, Special Access Programs, and Nuclear Surety issues within the DoD. The ODIGINTEL oversees the intelligence-related activities within the DoD Components, primarily at the DoD, Service, and combatant command levels, ensuring that intelligence and intelligence-related resources are properly, effectively, and efficiently managed. The ODIG-INTEL also conducts oversight of Service and Defense agency reviews of security and counterintelligence within all DoD test and laboratory facilities. The Office of Deputy Inspector General for Intelligence is dedicated to enhancing the capabilities of the DoD intelligence activities through an informed and authoritative oversight program.

The DoD IG, the IGs of the Department of the Air Force, Defense Intelligence Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office, and National Security Agency/ Central Security Service; the Army Audit Agency; the Naval Audit Service; the Air Force Audit Agency; the Naval Criminal Investigative Service, and the Defense Contract Audit Agency completed 120 intelligence-related and other classified and sensitive reports. The reports are categorized into the Deputy Inspector General for Intelligence Department of Defense Inspector General 65 Inspector General components areas shown in Figure 3. A listing and highlights of the 120 reports can be found in the Classified Annex to this report and a summary of some of the reports are included in the Classified Annex. The Classified Annex also highlights GWOT initiatives, including three completed reports and several ongoing or planned projects dealing with GWOT. Within DoD, the Joint Intelligence Oversight Coordination Group comprises senior representatives from the Office of the Secretary of Defense, the inspectors general of the Defense intelligence agencies, and military department audit, evaluation, and inspection organizations. The objectives of the Group are to improve the effectiveness and efficiency of DoD oversight of intelligence activities by identifying areas needing more emphasis and deconflicting oversight programs. The group held two quarterly meetings on April 3, 2007 and July 24, 2007. See the Classified Annex to this report for information on the meetings.

FIGURE 3: INTELLIGENCE RELATED REPORTS

DoD Management Challenge Area	DoD IG	Defense Agencies	Military Departments	Total
Joint Warfighting and Readiness	0	18	2	20
Human Capital	0	13	1	14
Information Security and Privacy	2	6	2	10
Acquisition Processes and Contract Management	0	9	3	12
Financial Management	1	9	8	18
Other	5	32	9	46
Total	8	87	25	120

OFFICE OF COMMUNICATIONS AND CONGRESSIONAL LIAISON



The Office of Communications and Congressional Liaison (OCCL) supports the DOD IG by serving as the contact for communications to and from Congress, and by serving as the DoD IG public affairs office.

The OCCL also includes the Freedom of Information Act Requester Service Center/Privacy Act (FOIA/PA) office, the DoD IG web team and the Defense Hotline.

The OCCL opened 104 congressional cases during the reporting period and 211 for Fiscal Year 2007. Inquiries from Congress included issues such as the death of Corporal Patrick Tillman, the detention of Chaplain James Yee, procurement of body armor, the Threat and Local Observation Notice (TALON) program, and allegations of whistleblower reprisal.

The FOIA/PA Office reviews requests from the public for documents held by the DOD IG to ensure information is released consistent with the requirements of the Freedom of Information and Privacy Acts. The FOIA/PA Office received 303 requests for information and completed responses to 306 requests during the fiscal year.

The DoD IG also responded to over 158 media inquiries during this period and 347 for FY 2007.

In addition, the OCCL provides staff support and serves as the liaison for the DoD IG to the President's Council on Integrity and Efficiency (PCIE) and the Defense Council on Integrity and Efficiency (DCIE). Inspector General Kicklighter is the chairman of the PCIE Information Technology Committee. OCCL also support the DoD IG participation in the PCIE by publishing the Journal of Public Inquiry. OCCL organizes and supports meetings of the DCIE, which are chaired by the DoD IG. The DoD IG holds quarterly DCIE meetings. DCIE meetings are used as a forum to discuss issues related to oversight within DoD.

OCCL also acts as the lead agent for strategic planning for the DoD IG, managing the development and periodic review and update of the DoD IG Strategic plan to ensure that it addresses the current and emerging strategic landscape impacting the Department and the DoD IG. During the last reporting period this plan has been significantly updated to better align with key strategic initiatives, such as the President's Management Agenda, Government Accountability Office High Risk Areas, and Secretary of Defense priorities.



APPENDICES



Appendix A - Reports issued by Central DoD Internal Audit Organizations

Appendix B - DoD IG Audit Reports Issed Containing Quantifiable Potential Monetary Benefits

Appendix C - Followup Activities

Appendix D - Contract Audit Reports Issed

Appendix E - Status of Action on Significant Post-Award Contract Audits

Appendix F - Status of DoD IG Reports More Than 12 Months Old with Final Action Pending

Appendix G - Defense Criminal Investigative Organization Statistics

Appendix H - Acronyms

APPENDIX A

REPORTS ISSUED BY CENTRAL DOD INTERNAL AUDIT ORGANIZATIONS

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

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

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

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

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

SUMMARY OF NUMBER OF REPORTS BY MANAGEMENT CHALLENGE AREA APRIL 1, 2007 - SEPTEMBER 30, 2007

	DoD IG	Military Depts.	Total
Joint Warfighting and Readiness	5	56	61
Human Capital	-	18	18
Information Security and Privacy	7	18	25
Acquisition Processes/Contract Management	14	39	53
Financial Management	25	54	79
Health Care	1	12	13
Other	2	8	10
Total	54	205	259

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

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

JOINT WARFIGHTING AND READINESS

DoD IG

D-2007-090 Managing
Prepositioned Munitions in the U.S.
European Command (05/03/07)

D-2007-105 United States
Transportation Command
Compliance With DoD Policy
on the Use of Commercial Sealift
(06/21/07)

D-2007-111 Uniform Standards for
Customer Wait Time (07/09/07)

D-2007-116 Defense Logistics
Agency's Warstopper Program
(08/15/07)

D-2007-132 Army Use of and
Controls Over the DoD Aviation
Into-Plane Reimbursement Card
(09/28/07)

ARMY AUDIT AGENCY

A-2007-0097-ALM Rotor Blades,
U.S. Army Aviation and Missile
Life Cycle Management Command
(06/04/2007)

A-2007-0112-ALI Base Realignment
and Closure 2005 Construction
Requirements, Armed Forces
Reserve Center, Seagoville, Texas
(07/10/2007)

A-2007-0113-ALO Followup Audit
of Disposition Plans and Costs for
the Old U.S. Disciplinary Barracks,
Fort Leavenworth (04/11/2007)

A-2007-0118-FFP Force Protection-
Alaska, U.S. Army Garrison, Alaska
(FOR OFFICIAL USE ONLY)
(04/25/2007)

A-2007-0122-FFF Followup Audit
of Operational Facility Requirements
Rules (04/30/2007)

A-2007-0126-ALL Asset Visibility in
Support of Operation Iraqi Freedom
and Operation Enduring Freedom -
Army Reserve Equipment, 88th and
99th Regional Readiness Commands
(05/09/2007)

A-2007-0129-FFE Remediation of
Rocky Mountain Arsenal, Rocky
Mountain Arsenal (05/17/2007)

A-2007-0131-ALA Rapid Equipping
Force Initiative (05/18/2007)

A-2007-0134-ALE Followup Audit
of Contracts for Maintenance of
Tactical Equipment in the Field,
U.S. Army, Europe and Seventh
Army (05/22/2007)

A-2007-0136-ALO Base
Realignment and Closure 2005
Construction Requirements,
Armed Forces Reserve Center, Fort
Campbell (05/24/2007)

A-2007-0142-ALA Followup Audit
of the Movement Tracking System
(FOR OFFICIAL USE ONLY)
(06/01/2007)

A-2007-0146-FFE Followup
Audit of Contractor Aircrew Safety
(06/07/2007)

A-2007-0149-ALL Army's Theater
Linguist Program in Afghanistan,
Operation Enduring Freedom
(07/23/2007)

A-2007-0152-ALR Container
Detention Billing for Global War on
Terrorism (06/14/2007)

A-2007-0157-ALM Developing
Depot Workload Requirements
for Major End Items, U.S.
Army Aviation and Missile Life
Cycle Management Command
(06/28/2007)

A-2007-0158-ALE Followup Audit
of the Reserve Storage Activity,
21st Theater Support Command
(06/21/2007)

A-2007-0168-ALR Logistics
Management Systems - Depots,
Depot Workload Resource
Management System, U.S.
Army Aviation and Missile Life
Cycle Management Command
(07/11/2007)

A-2007-0169-ALR Logistics
Management Systems - Depots,
U.S. Army TACOM Life Cycle
Management Command, Watervliet
Arsenal (07/13/2007)

A-2007-0172-FFP Force Protection,
Japan (CLASSIFIED) (09/07/2007)

A-2007-0173-ALM Followup
Audit of Work Order Logistics File
(08/06/2007)

A-2007-0175-FFD Weapons of Mass Destruction--Elimination Operations, Deputy Chief of Staff, G-3/5/7 (FOR OFFICIAL USE ONLY) (08/30/2007)

A-2007-0177-FFD Roles and Responsibilities for Force Protection (FOR OFFICIAL USE ONLY) (07/30/2007)

A-2007-0184-FFM Civilian Pay in Support of Operation Enduring Freedom and Operation Iraqi Freedom (08/15/2007)

A-2007-0189-FFD Followup Audit of Security of Civil Works Water Resources Infrastructure, U.S. Army Engineer District, Little Rock (08/29/2007)

A-2007-0190-ALM Resource Requirements for Reset, Deputy Chief of Staff, G-4 (FOR OFFICIAL USE ONLY) (08/08/2007)

A-2007-0193-FFE Followup Audit of Management of Installation Environmental Programs, U.S. Army Garrison, Fort Hood (08/14/2007)

A-2007-0199-FFP Yama Sakura 51 Training Exercise, U.S. Army, Japan and I Corps (FOR OFFICIAL USE ONLY) (09/18/2007)

A-2007-0204-ALL Defense Base Act Insurance for the Logistics Civil Augmentation Program, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom (FOR OFFICIAL USE ONLY) (09/28/2007)

A-2007-0211-ALR Logistics Management Systems - Manufacturing Execution System (09/07/2007)

A-2007-0215-FFS Contractor Support at Mobilization Stations, Fort Bragg (09/18/2007)

A-2007-0218-ALI Base Realignment and Closure 2005 Construction Requirements, United States Military Academy Preparatory School (FOR OFFICIAL USE ONLY) (09/07/2007)

A-2007-0219-ALO Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Camp Dodge (09/14/2007)

A-2007-0220-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Moffett Field (09/18/2007)

A-2007-0221-ALI Base Realignment and Closure 2005 Construction Requirements, Southwest Regional Readiness Command Headquarters, Moffett Field (09/21/2007)

A-2007-0230-ALM Followup Audit of Army Oil Analysis Program- Restructure Plan, Redstone Arsenal (09/24/2007)

A-2007-0234-ALM Tactical Wheeled Vehicle Strategy, Deputy Chief of Staff, G-8 and Program Executive Office, Combat Support and Combat Service Support (09/26/2007)

A-2007-0235-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Fort Dix (09/26/2007)

A-2007-0237-FFS Housing for Mobilized Soldiers, Mississippi Army National Guard (09/27/2007)

A-2007-0240-ALI Base Realignment and Closure 2005 Construction Requirements, U.S. Army Training and Doctrine Command Headquarters, Fort Eustis (FOR OFFICIAL USE ONLY) (09/28/2007)

A-2007-0241-ALO Base Realignment and Closure 2005 Construction Requirements, Child Development Center, Fort Riley (09/28/2007)

A-2007-0242-ALO Base Realignment and Closure 2005 Construction Requirements, Battle Command Training Center, Fort Riley (09/28/2007)

A-2007-0243-ALE Environmental Planning for Army Rebasing and Restructuring in Europe (FOR OFFICIAL USE ONLY) (09/28/2007)

NAVAL AUDIT SERVICE

2007-0027 Marine Corps Tracking and Recording of Individual Augmentation Requirements (04/18/07)

2007-0028 The United States Marine Corps Antiterrorism Program (04/18/07)

2007-0029 The Navy's Small Arms and Weapons Program (05/01/07)

2007-0033 Navy Reserve Order-Writing System Database Accuracy (05/11/07)

AIR FORCE AUDIT AGENCY

F-2007-0009-FC2000 Comprehensive Engine Management System Data Accuracy (5/25/2007)

F-2007-0010-FC2000 Distribution of Depot Maintenance Workload, Fiscal Years 2006-2008 (6/22/2007)

F-2007-0003-FC3000 F-22A Logistics Support and Spares Modeling (6/8/2007)

F-2007-0005-FC4000 Assets at Contractor Facilities (7/27/2007)

F-2007-0006-FC4000 Special Project Additives (8/6/2007)

F-2007-0007-FC4000 Repairable Item Requirements - Deferred Disposal Items (8/22/2007)

F-2007-0007-FD2000 Military Working Dog Program (7/27/2007)

F-2007-0007-FD3000 Theater Battle Management Core System-Unit Level (6/8/2007)

F-2007-0009-FD3000 Management of Global Harvest (CLASSIFIED) (8/10/2007)

F-2007-0011-FD3000 Intelligence Contingency Funds - Fiscal Year 2006 (8/29/2007)

HUMAN CAPITAL

ARMY AUDIT AGENCY

A-2007-0109-FFF Recruiting for Lifecycle Management Units, Deputy Chief of Staff, G-1 (04/03/2007)

A-2007-0155-FFH Followup Audit of the Community Club Renovation Project, Fort Buchanan (06/19/2007)

A-2007-0176-FFF Accounting and Use of Derivative Unit Identification Codes (09/10/2007)

A-2007-0192-FFF Material Weakness Validation Reserve Component Mobilization Accountability (08/29/2007)

A-2007-0194-FFE Recreation Area Safety and Awareness, U.S. Army Corps of Engineers (08/21/2007)

A-2007-0200-FFF Management of U.S. Army Reserve Enlistment Bonuses (08/30/2007)

A-2007-0208-ALC Followup Audit of Realignment Phase 2 Field Operating Agencies, U.S. Army Contracting Agency (09/13/2007)

A-2007-0232-ALE Overseas Dependent Eligibility Processes for Third Country Nationals (FOR OFFICIAL USE ONLY) (09/25/2007)

A-2007-0238-FFF Followup Audit of Management of the Reserve Component's Non-Participants, U.S. Army Reserve Command (09/28/2007)

A-2007-0239-FFF Management of Army Well-Being, Office of the Deputy Chief of Staff, G-1 (09/27/2007)

NAVAL AUDIT SERVICE

2007-0052 Manpower for Meteorological and Oceanographic Services, Dental Services, and Religious Ministries Flagpole Studies (09/14/07)

2007-0055 Implementation of the Department of the Navy Ergonomics Program (09/21/07)

2007-0059 Reserve Volunteer Training Unit Cost Benefit Analysis (09/28/07)

2007-0062 Department of the Navy Medical Corps and Dental Corps Programs Recruiting Process (09/28/07)

AIR FORCE AUDIT AGENCY

F-2007-0009-FD1000 Explosive Site Planning Process (5/25/2007)

F-2007-0010-FD1000 Utilities Privatization Economic Analysis-Third Phase (5/25/2007)

F-2007-0011-FD1000 Halon 1301 Fixed Fire Suppression Systems (8/22/2007)

F-2007-0008-FD4000 Tuition Assistance (6/22/2007)

INFORMATION SECURITY & PRIVACY

DoD IG

D-2007-082 The Defense Information Systems Agency Controls over the Center for Computing Services (04/09/07)

D-2007-089 Selected Controls for Information Security of the U.S. Transportation Command's Integrated Computerized Deployment System (FOR OFFICIAL USE ONLY) (04/30/07)

D-2007-096 Information Assurance Controls for the Defense Civilian Pay System (FOR OFFICIAL USE ONLY) (05/14/07)

D-2007-099 DoD Privacy Program and Privacy Impact Assessments (06/13/07)

D-2007-101 DFAS Corporate Database/DFAS Corporate Warehouse Compliance with the Defense Business Transformation Certification Criteria (05/18/07)

D-2007-123 Summary of Information Assurance Weaknesses Found in Audit Reports Issued From August 1, 2006, Through July 31, 2007 (09/12/07)

D-2007-133 Defense Civilian Pay System Controls Placed in Operation and Tests of Operating Effectiveness for the Period July 1, 2006 through June 30, 2007 (09/28/07)

ARMY AUDIT AGENCY

A-2007-0106-FFI Information Technology Service Level Agreements, Chief Information Officer/G-6 and Assistant Chief of Staff for Information Management (06/27/2007)

A-2007-0206-FFI Army Web Sites, Army Chief Information Officer/G-6 (09/07/2007)

A-2007-0223-FFI Installation Campus Area Network Connectivity--Wireless Devices, Redstone Arsenal (FOR OFFICIAL USE ONLY) (09/28/2007)

A-2007-0225-FFI Installation Campus Area Network Connectivity--Wireless Devices, Fort Knox (FOR OFFICIAL USE ONLY) (09/28/2007)

A-2007-0246-FFI Implementation of Single DOIM (09/28/2007)

NAVAL AUDIT SERVICE

2007-0025 Interim Report-- Disposal of Protected Personal Information at Naval Medical Center Portsmouth, VA (04/12/07)

2007-0035 Interim Report-- Disposal of Protected Personal Information at Naval Station Norfolk and Naval Amphibious Base Little Creek, Norfolk, VA (05/25/07)

2007-0036 Interim Report-- Disposal of Protected Personal Information at Naval Support Activity Mid-South, Millington, TN (05/25/07)

2007-0037 Disposal of Protected Personal Information at Department of the Navy Facilities (05/25/07)

2007-0048 Marine Corps Legacy Applications and Databases (08/09/07)

AIR FORCE AUDIT AGENCY

F-2007-0005-FB2000 Standard Base Supply System Controls (7/13/2007)

F-2007-0005-FB4000 Integrated Engineering Management System (4/25/2007)

F-2007-0006-FB4000 Shared Network Storage Management (FOR OFFICIAL USE ONLY) (4/27/2007)

F-2007-0007-FB4000 Secret Internet Protocol Router Network (7/13/2007)

F-2007-0008-FB4000 Selected Aspects of the Tactical Data Network Systems (8/6/2007)

F-2007-0009-FB4000 Continuity of Operations Plans for Computer Networks (FOR OFFICIAL USE ONLY) (8/24/2007)

F-2007-0010-FB4000 Air Force Use of Common Access Card for Physical Access (08/24/2007)

F-2007-0011-FB4000 Network Centric Solutions Contract Implementation and Management (09/04/2007)

ACQUISITION PROCESS/ CONTRACT MANAGEMENT

DOD IG

D-2007-078 Award Practices for the Globemaster III Sustainment Partnership Contract (04/03/07)

D-2007-084 Acquisition of the Navy Rapid Airborne Mine Clearance System (04/11/07)

D-2007-103 Air Force KC-X Aerial Refueling Tanker Aircraft Program (05/30/07)

D-2007-104 Airbursting Fuze Technology Used for the Objective Individual Combat Weapon and the Advanced Crew Served Weapon (FOR OFFICIAL USE ONLY) (06/05/07)

D-2007-106 Air Force Network-Centric Solutions Contract (06/29/07)

D-2007-107 Procurement Policy for Armored Vehicles (06/27/07)

D-2007-112 World Wide Satellite Systems Program (07/23/07)

D-2007-115 Army Information Technology Enterprise Solutions-2 Services Contract (08/09/07)

D-2007-118 Contract Administration of the Ice Delivery Contract Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers During the Hurricane Katrina Recovery Effort (08/23/07)

D-2007-119 Procurement of Propeller Blade Heaters for the C-130 Aircraft (FOR OFFICIAL USE ONLY) (08/27/07)

D-2007-124 Purchases Made Using the U.S. Joint Forces Command Limited Acquisition Authority (09/17/07)

D-2007-127 Navy's Proposed Business Plan for Base Realignment and Closure 2005 Recommendation 184 (09/25/07)

D-2007-128 Hotline Allegations Concerning the Defense Threat Reduction Agency Advisory and Assistance Services Contract (09/26/07)

D-2007-130 Contracting Practices at Air Force Laboratory Facilities (09/28/07)

ARMY AUDIT AGENCY

A-2007-0102-FFM Army Contract Pricing Process for Commercial Travel Office Fees (04/04/2007)

A-2007-0108-ALO Installation Contract Guards (04/04/2007)

A-2007-0111-ALL Offline Purchases, Garrison Activities, Fort Bliss (04/19/2007)

A-2007-0114-ALC Proper Use of Non-DOD Contracts, Program Executive Office, Aviation (04/17/2007)

A-2007-0115-ALC Proper Use of Non-DOD Contracts, Program Executive Office, Command, Control and Communications Tactical (04/23/2007)

A-2007-0116-ALC Proper Use of Non-DOD Contracts, Program Executive Office, Intelligence, Electronic Warfare and Sensors (04/20/2007)

A-2007-0119-ALA Contracting Practices, National Automotive Center, U.S. Army Tank-automotive Research, Development and Engineering Center (04/18/2007)

A-2007-0121-ALC Use of Non-DOD Contracts, Program Executive Office, Missiles and Space (05/04/2007)

A-2007-0128-ALE Followup Audit of Contracts for Chemical Agent Resistant Coating, U.S. Army, Europe and Seventh Army (05/16/2007)

A-2007-0130-ALM Followup Audit on Process for Determining Source of Depot Level Maintenance (05/22/2007)

A-2007-0132-ALC Subcontracting Procedures, Office of the Chief of Public Affairs (05/18/2007)

A-2007-0133-ALO Attestation Examination of the Administrative Appeal Board's Assertions for the Keesler Air Force Base Operating Support A-76 Cost Comparison Study (PROCUREMENT SENSITIVE) (05/23/2007)

A-2007-0140-ALL Offline Purchases, Unconfirmed Shipments of Parkas, Office of the Deputy Chief of Staff, G-4 (06/25/2007)

A-2007-0143-ALE Manning Requirements for Contract Security Guards in Europe, U.S. Army, Europe and Seventh Army (FOR OFFICIAL USE ONLY) (06/06/2007)

A-2007-0159-ALC Army Purchase Card Program, Department of Emergency Services, Fort McCoy (07/03/2007)

A-2007-0162-FFD Contract Data Reporting for Hurricane Operations, U.S. Army Corps of Engineers (06/28/2007)

A-2007-0165-FFI Information Technology Contracts With U.S. General Services Administration, Selected Contract Reviews (07/31/2007)

A-2007-0167-FFP Followup Audit of Logistics Cost Sharing Program, U.S. Forces Korea and Eighth U.S. Army (07/23/2007)

A-2007-0197-ALO Followup Audit of Privatization of Family Housing, Fort George G. Meade (08/30/2007)

A-2007-0198-ALO Followup Audit of Privatization of Family Housing--Reinvestment Strategy, Fort Carson (08/30/2007)

A-2007-0202-ALA Management of Army Card Programs (09/05/2007)

A-2007-0207-FFH Contracts for Medical Goods and Services, North Atlantic Regional Medical Command (09/11/2007)

A-2007-0210-FFS Contractor Support at Mobilization Stations, Fort Carson (09/10/2007)

A-2007-0214-FFI Funding and Contract Management Practices, Defense Biometrics Program (FOR OFFICIAL USE ONLY) (09/28/2007)

A-2007-0216-FFD Contracts to Restore and Enhance the Southern Louisiana Hurricane Protection System, U.S. Army Corps of Engineers Mississippi Valley Division (09/11/2007)

A-2007-0224-FFP Followup Audit of Ammunition Pricing Practices, Office of the Program Executive Officer, Ammunition, Picatinny Arsenal (09/21/2007)

A-2007-0226-FFI Information Technology Hardware Purchasing Practices, Fort Hood (09/21/2007)

A-2007-0227-ALA System Development and Demonstration-Contract Restructuring, Future Combat Systems, Office of the Program Manager - Future Combat Systems, Brigade Combat Team (09/20/2007)

A-2007-0229-FFI Information Technology Hardware Purchasing Practices, Fort Lewis (09/24/2007)

A-2007-0231-FFP Followup Audit of Lessons Learned, Energy Savings Performance Contract, U.S. Army Installation Management Command (09/24/2007)
2007-0043 Vendor Legitimacy (06/27/07)

NAVAL AUDIT SERVICE

2007-0049 Intelligence Related Contracting at Selected Classified Activities (CLASSIFIED) (08/13/07)

2007-0060 Marine Corps Urgent Universal Need Statement Process (09/28/07)

F-2007-0003-FC1000 Adequacy of Performance Work Statements for Performance-Based Services Acquisitions (9/4/2007)

AIR FORCE AUDIT AGENCY

F-2007-0002-FC3000 Acquisition Planning for Flexible Acquisition Sustainment Tool Indefinite Delivery/Indefinite Quantity Contract Orders (5/9/2007)

F-2007-0004-FC3000 A-10 Precision Engagement Modification Program (8/22/2007)

F-2007-0005-FD3000 Central Command Air Forces Deployed Locations Services Contract Management (4/20/2007)

F-2007-0008-FD3000 Central Command Air Forces Deployed Locations Government-Wide Purchase Card Program (6/27/2007)

F-2007-0009-FD4000 Nonappropriated Fund Purchase Card Program (7/30/2007)

FINANCIAL MANAGEMENT

DOD IG

D-2007-081 Financial Management of Hurricane Katrina Relief Efforts at the U.S. Army Corps of Engineers (04/06/07)

D-2007-083 Transition Expenditures for DoD Personnel Security Investigations for FY 2005 (04/10/07)

D-2007-085 Reporting of Navy Sponsor Owned Material Stored at the Naval Air Systems Command Activities (04/23/07)

D-2007-086 Incoming Reimbursable Orders for the National Security Agency (CLASSIFIED) (04/24/07)

D-2007-087 Internal Controls over Army General Fund Transactions Processed by the Business Enterprise Information Services (04/25/07)

D-2007-088 Special Army Reports Prepared by Defense Finance and Accounting Service Indianapolis Operations (04/27/07)

D-2007-091 Memorandum Report on Assessment of Department of Defense Accounts Payable Compliance with Generally Accepted Accounting Principles (05/04/07)

D-2007-092 Government Purchase Card Controls at DoD Schools on Okinawa (05/08/07)

D-2007-093 DoD Compliance with the Federal Managers' Financial Integrity Act of 1982 (05/09/07)

D-2007-094 Consolidation of Lockheed Martin Pension Accounting Records for Selected Business Acquisitions (FOR OFFICIAL USE ONLY) (05/14/07)

D-2007-095 Consolidation of Raytheon Pension Accounting Records for Selected Business Acquisitions (FOR OFFICIAL USE ONLY) (05/14/07)

D-2007-097 Controls Over Military Personnel, Army Appropriation Permanent Change of Station Travel Advances and Suspense Accounts (05/16/07)

D-2007-098 Use and Control of Intragovernmental Purchases at the Defense Intelligence Agency (05/17/07)

D-2007-100 Contract for Logistics Support Services for Special Operations Forces (FOR OFFICIAL USE ONLY) (05/18/07)

D-2007-102 Air Force Host and Tenant Agreements Between the 50th Space Wing, the Joint National Integration Center, and Tenants (05/21/07)

D-2007-109 Special Operations Command Governmental Purchases (07/09/07)

D-2007-110 Identification and Reporting of Improper Payments through Recovery Auditing (07/09/07)

D-2007-113 Consolidation of Boeing Pension Accounting Records for Business Acquisitions (FOR OFFICIAL USE ONLY) (07/18/07)

D-2007-114 DoD Garnishment Program (07/19/07)

D-2007-117 Missile Defense Agency Purchases for and from Governmental Sources (08/20/07)

D-2007-120 U.S. Pacific Command Headquarters Government Purchase Card Controls (08/29/07)

D-2007-121 Emergency Supplemental Appropriations for DoD Needs Arising From Hurricane Katrina at Selected DoD Components (09/12/07)

D-2007-122 Marine Corps Internal Controls Over Military Equipment Funds (09/11/07)

D-2007-125 Independent Auditor's Report on the Department of Defense FY 2007 Third Quarter Application of Agreed-Upon Procedures for the Federal Intragovernmental Activity and Balances (09/13/07)

D-2007-129 Civilian Payroll and Withholding Data for FY 2007 Report (09/24/07)

ARMY AUDIT AGENCY

A-2007-0078-FFI Followup Audit of Potential Antideficiency Act Violations, Colorado Army National Guard (05/15/2007)

A-2007-0079-FFI Followup Audit of the Army Management Control Process (FY 02) (05/04/2007)

A-2007-0124-FFM Standard Procurement System Federal Financial Management Improvement Act of 1996 Compliance (05/11/2007)

A-2007-0135-FFD Army Fund Accountability for Hurricane Katrina Relief Efforts (06/12/2007)

A-2007-0139-FFP Funding for Army Modular Forces, Tripler Army Medical Center (FOR OFFICIAL USE ONLY) (05/31/2007)

A-2007-0145-ALR Followup Audit of Stock Funded Depot Level Repairable Credit Policy, Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (06/14/2007)

A-2007-0154-ALR Followup Audit of Aged Accounts, U.S. Army Communications-Electronics Life Cycle Management Command (07/02/2007)

A-2007-0160-ALE Followup Audit of Overhead and Layering in Morale, Welfare, and Recreation Activities, U.S. Army Installation Management Command, Europe Region (06/28/2007)

A-2007-0161-FFM Followup Audit of the Army Criminal and Civil Fraud Recovery Process (07/24/2007)

A-2007-0163-FFM FY 03 - FY05 Obligations Recorded in Logistics Modernization Program (07/27/2007)

A-2007-0171-ALR Followup Audit of Selected Financial Management Issues, Pine Bluff Arsenal (08/06/2007)

A-2007-0178-FFM Review of the Army Management Control Process FY 06, U.S. Army Reserve Command (08/02/2007)

A-2007-0183-ALO Attestation Examination of Financial Statements for Period Ended September 30, 2006 for Camp Pedricktown Trust Fund, Township of Oldmans, County of Salem No-Cost Economic Development Conveyance (08/02/2007)

A-2007-0186-ALR Funding Distribution Process Owner Initiatives, United States Transportation Command (08/10/2007)

A-2007-0187-FFM General Fund Enterprise Business System - Federal Financial Management Improvement Act Compliance, Examination of Release 1.1 Requirements (08/09/2007)

A-2007-0191-FFM Agreed-Upon Procedures Attestation of the Results of the 2007 National Defense Authorization Act Audit on Wounded in Action Soldier Pay Accounts (08/15/2007)

A-2007-0195-FFS Attestation of Army Business Transformation Financial Benefits (08/23/2007)

A-2007-0203-FFP Army Suggestion Program (Suggestion PAHI06007C-Saddle Road Project), U.S. Army Garrison, Hawaii (08/30/2007)

A-2007-0205-FFM Logistics Modernization Program System Federal Financial Management Improvement Act of 1996 Compliance - First Deployment Functionality (09/07/2007)

A-2007-0213-FFM Material Weakness Closure - Financial Reporting of Equipment In Transit (09/25/2007)

A-2007-0217-FFM General Fund Enterprise Business System - Federal Financial Management Improvement Act Compliance, Examination of Release 1.2 Requirements (09/13/2007)

A-2007-0233-ALM Potential Antideficiency Act Violation, Audit of Reset Metrics—Sustainment Maintenance (FOR OFFICIAL USE ONLY) (09/27/2007)

NAVAL AUDIT SERVICE

2007-0024 Flying Hour Program Budget Execution (04/04/07)

2007-0026 Validity of Reimbursable Unliquidated Obligations at the Naval Facilities Engineering Command (04/16/07)

2007-0031 Independent Attestation– Agreed-Upon Procedures Attestation Engagement of Marine Corps Real Property Financial Statement Information (05/07/07)

2007-0034 Contractor Support Services in Support of Hurricane Relief Efforts (05/22/07)

2007-0038 Unliquidated Obligations for Support Services Contracts at Space and Naval Warfare Systems Command (05/31/07)

2007-0041 Government Commercial Purchase Card Usage at Selected Department of the Navy Activities (06/12/07)

2007-0042 United States Marine Corps Transportation Management System Billing for Second Destination Transportation (06/25/07)

2007-0045 Independent Attestation– Agreed-Upon Procedures Attestation Engagement for the TRICARE Management Activity Financial Improvement Initiative (07/13/07)

2007-0047 Industrial Logistics Support Management Information System (07/31/07)

2007-0050 Navy Disbursing Officers' Accountability (08/29/07)

2007-0053 United States/United Kingdom Polaris/Trident Trust Fund (09/18/07)

2007-0054 Opinion Letter– Opinion on the United States/ United Kingdom Polaris/Trident Trust Fund Financial Reports (09/18/07)

2007-0056 Navy Manpower Program Budget System (09/25/07)

2007-0057 Reserve Personnel, Navy Unexpended Balances (09/25/07)

2007-0061 Department of the Navy Museum Costs and Revenues (09/28/07)

AIR FORCE AUDIT AGENCY

F-2007-0010-FB1000 Follow-up Audit, Miscellaneous Obligation Reimbursement Documents for Government Furnished Property Purchases (4/20/2007)

F-2007-0011-FB1000 Base-Level Support Agreements (6/27/2007)

F-2007-0012-FB1000 Air Force Office of Special Investigations Confidential Investigative Contingency Funds (7/30/2007)

F-2007-0013-FB1000 Follow-up Audit, Air Force Art Program (8/6/2007)

F-2007-0004-FB2000 Reliability, Availability, Maintainability Support System for Electronic Combat Pods System Controls (5/25/2007)

F-2007-0006-FB2000 Controls for the Security Assistance Management Information System (7/13/2007)

F-2007-0007-FB2000 Standard Materiel Accounting System Controls (8/22/2007)

F-2007-0007-FB3000 Depot Maintenance Activity Group Manual Adjustments (4/20/2007)

F-2007-0008-FB3000 Aerospace Maintenance and Regeneration Center Trial Balance Review (4/25/2007)

F-2007-0009-FB3000 Air Force Military Equipment Baseline Valuation (5/29/2007)

F-2007-0010-FB3000 Depot Maintenance Activity Group Manual Voucher Oversight (6/8/2007)

F-2007-0011-FB3000 Air Force Working Capital Fund, Supply Management Activity Group, Accounts Payable (7/27/2007)

F-2007-0012-FB3000 Aerospace Maintenance and Regeneration Center Job Order Management (7/31/2007)

F-2007-0013-FB3000 Travel Obligations (8/29/2007)

F-2007-0008-FD1000 Hurricane Katrina Supplemental Funds Management (4/23/2007)

F-2007-0006-FD3000 Central Command Air Forces Deployed Locations Ground Fuels Management (4/27/2007)

F-2007-0010-FD3000 Information Operations Funds Management (CLASSIFIED) (8/10/2007)

HEALTH CARE

DOD IG

D-2007-108 Outpatient Third Party Collection Program (07/18/07)

ARMY AUDIT AGENCY

A-2007-0138-FFH Contracts for Medical Goods and Services During FYs 02-06, U.S. Army Medical Command Health Care Acquisition Activity (05/24/2007)

A-2007-0147-FFP Followup Audit of Third Party Claims, Tripler Army Medical Center (06/08/2007)

A-2007-0148-FFP Electronic Medical Records System, Tripler Army Medical Center (06/12/2007)

A-2007-0179-FFH Third Party Collection Claims Single Interface System; U.S. Army Medical Command; Fort Sam Houston (07/31/2007)

A-2007-0180-FFH Third Party Collection Program--Other Health Insurance, U.S. Army Medical Command, Fort Sam Houston (08/02/2007)

A-2007-0181-FFH Implementation of AHLTA, U.S. Army Medical Command (08/08/2007)

A-2007-0236-FFH Funding Models for Army Modular Forces, U.S. Army Medical Command (09/27/2007)

A-2007-0245-FFE Civil Works Environmental Liabilities, U.S. Army Corps of Engineers (09/28/2007)

NAVAL AUDIT SERVICE

2007-0039 Controls and Accountability Over Medical Supplies and Equipment - Hurricane Relief Efforts (06/01/07)

AIR FORCE AUDIT AGENCY

F-2007-0006-FD2000 Active Duty Medical Profiles (6/8/2007)

F-2007-0008-FD2000 Privacy Protection of Medical Patients' Health Information (7/30/2007)

F-2007-0009-FD2000 Pathology Services (8/13/2007)

OTHER

DOD IG

D-2007-079 Performance-Based Service Contract for Environmental Services at the Navy Public Works Center, San Diego, California (FOR OFFICIAL USE ONLY) (04/02/07)

D-2007-131 Followup Audit on Recommendations for Controls Over Exporting Sensitive Technologies to Countries of Concern (09/28/07)

NAVAL AUDIT SERVICE

2007-0030 Navy Installation Support Agreements (05/01/07)

2007-0032 Selected Base Realignment and Closure Military Construction Projects Proposed for Fiscal Year 2008 (05/10/07)

2007-0040 Quality Control Review - Audit Supervision (06/11/07)

2007-0044 Base Realignment and Closure, Fiscal Years 1991, 1993, and 1995 Appropriations - Unliquidated Funds and Unliquidated Obligations (06/28/07)

2007-0046 Internal Controls Over Disbursing Office Operations in Bahrain (07/23/07)

2007-0051 Department of the Navy (DON) Installation Support Agreements with Non-DON Hosts (09/05/07)

2007-0058 Naval Audit Service Opinion on the Fiscal Year 2007 Annual Statement of Assurance (09/26/07)

2007-0063 Quality Control Training (09/28/07)

APPENDIX B

DOD IG AUDIT REPORTS ISSUED CONTAINING QUANTIFIABLE POTENTIAL MONETARY BENEFITS

Audit Reports Issued	Potential Monetary Benefits	
	Disallowed Costs ¹	Funds Put to Better Use
D-2007-079 Performance Based Service Contract for Environmental Services at the Navy Public Works Center, San Diego, California (4/03/2007)	\$1,400,000	\$6,600,000
D-2007-095 Consolidation of Raytheon Pension Accounting Records for Selected Business Acquisitions (5/14/2007)	\$100,900,000	N/A
D-2007-097 Controls Over Military Personnel, Army Appropriation Permanent Change of Station Travel Advances and Suspense Accounts (5/16/2007)	N/A	\$3,000,000
D-2007-100 Contract for Logistics Support Services for Special Operations Forces (5/18/2007)	\$836,655	N/A
D-2007-104 Airbursting Fuze Technology Used for the Objective Individual Combat Weapon and the Advanced Crew Served Weapon (U) (6/05/07)	N/A	\$82,797,000
D-2007-108 Outpatient Third Party Collection Program (7/18/2007)	N/A	\$56,500,000
D-2007-110 Identification and Reporting of Improper Payments through Recovery Auditing (7/09/2007)	N/A	\$837,000,000
D-2007-118 Contract Administration of the Ice Delivery Contract Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers During the Hurricane Katrina Recovery Effort (8/24/2007)	\$103,724	N/A
D-2007-119 Procurement of Propeller Blade Heaters for the C-130 Aircraft (8/27/2007)	N/A	\$2,048,306
D2007-121 Emergency Supplemental Appropriations for DoD Needs Arising From Hurricane Katrina at Selected DoD Components (9/12/2007)	\$935,680	\$6,202
Totals	\$104,176,059	\$987,951,508

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

APPENDIX C

DECISION STATUS OF DOD IG ISSUED AUDIT REPORTS AND DOLLAR VALUE OF RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE (\$ in thousands)

Status	Number	Funds Put To Better Use ¹
A. For which no management decision had been made by the beginning of the reporting period.	49	\$96,608
B. Which were issued during the reporting period.	54	\$1,092,128
Subtotals (A+B)	103	\$1,188,736
C. For which a management decision was made during the reporting period.	65	\$1,150,405
(i) dollar value of recommendations that were agreed to by management. - based on proposed management action - based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management.		\$1,150,405 ²
D. For which no management decision has been made by the end of the reporting period.	38	\$96,608
Reports for which no management decision was made within 6 months of issue (as of March 31, 2006).	17 ³	\$34,400

1 DoD IG audit reports issued during the period involved "questioned costs" of \$104.2 million.

2 On these audit reports management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed.

3 DoD IG Report Nos. D-2005-054, "DoD Information Technology Security Certification and Accreditation Process"; D-2005-062, "Recording and Accounting for DoD Contract Financing Payments"; D-2005-094, "Proposed DoD Information Assurance Certification and Accreditation Process"; D-2005-099, "Status of Selected DoD Policies on Information Technology Governance"; D-2006-039, "Internal Controls Over the Compilation of the Air Force, General Fund, Fund Balance With Treasury for FY 2004"; D-2006-041, "Operational Mobility: Gap-Crossing Resources for the Korean Theater"; D-2006-042, "Security Status for Systems Reported in DoD Information Technology Databases"; D-2006-055, "Audit of Spare Parts Procurements from Transdigm, Inc."; D-2006-072, "Internal Controls Related to Department of Defense Real Property"; D-2006-107, "Defense Departmental Reporting System and Related Financial Statement Compilation Process Controls Placed in Operation and Tests of Operating Effectiveness for the Period October 1, 2004, through March 31, 2005"; D-2006-112, "Selected Controls over the Military Personnel, Army Appropriation"; D-2007-003, "Internal Controls over the Army General Fund, Note 3, "Fund Balance With Treasury," Disclosures"; D-2007-049, "Equipment Status of Deployed Forces Within the U.S. Central Command"; D-2007-065, "Controls Over the Prevalidation of DoD Commercial Payments"; D-2007-067, "DoD Initiatives for Combating Weapons of Mass Destruction"; and, D-2007-070, "Force Structure Changes in the U.S. Pacific Command - Roles and Responsibilities of Headquarters and Support Functions," had no management decision as of September 30, 2007, but action to achieve a decision is in process. D-2006-044, "Controls Over the Export of Joint Strike Fighter Technology," had no management decision as of September 30, 2007, but was decided October 9, 2007.

* Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(a)(8)(9) & (10).

STATUS OF ACTION ON CENTRAL INTERNAL AUDITS
 Period ending September 30, 2007
 (\$ in thousands)

Status	Number	Funds Put to Better Use ¹
DoD IG		
Action in Progress - Beginning of Period	245	\$2,100
Action Initiated - During Period	65	1,150,405
Action Completed - During Period	52	107,403
Action in Progress - End of Period	258	2,100 ²
Military Departments		
Action in Progress - Beginning of Period	607	2,221,668
Action Initiated - During Period	222	475,653
Action Completed - During Period	236	483,397
Action in Progress - End of Period	593	2,135,253
<p>1 DoD IG audit reports opened for followup during the period involved “questioned costs” of \$102.3 million.</p> <p>2 On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$7,761 million, we agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.</p>		

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

APPENDIX D

CONTRACT AUDIT REPORTS ISSUED¹ (\$ IN MILLIONS) APRIL 1, 2007 THROUGH SEPTEMBER 30, 2007

TYPE OF AUDIT ²	REPORTS ISSUED	EXAMINED	QUESTIONED COSTS ³	FUNDS PUT TO BETTER USE
Incurring Costs, Ops Audits, Special Audits	13,053	\$75,916.9	\$922.5	\$135.7 ⁴
Forward Pricing Proposals	4,283	\$114,088.5	---	\$5,590.1 ⁵
Cost Accounting Standards	1,378	\$30.6	\$29.3	---
Defective Pricing	327	(Note 6)	\$34.0	---
Totals	19,041	\$190,036.0	\$985.8	\$5,725.8

NOTES

Note 1. This schedule represents Defense Contract Audit Agency (DCAA) contract audit reports issued during the 6 months ended September 30, 2007. This includes any audits that DCAA performed on a reimbursable basis for other government agencies and the associated statistics may also be reported in other OIGs' Semiannual Reports to Congress. Both "Questioned Costs" and "Funds Put to Better Use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication.

Note 2. This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as:

Incurring Costs – Audits of direct and indirect costs charged to Government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and provisions of the contract. Also included under incurring cost audits are Operations Audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy; and Special Audits, which include audits of terminations and claims.

Forward Pricing Proposals – Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts, and costs incurred but not yet covered by definitized contracts.

Cost Accounting Standards – A review of a contractor's cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice, or noncompliance with a CAS regulation.

Defective Pricing – A review to determine whether contracts are based on current, complete and accurate cost or pricing data (the Truth in Negotiations Act).

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.

APPENDIX E

STATUS OF ACTION ON SIGNIFICANT POST-AWARD CONTRACT AUDITS¹ PERIOD ENDING SEPTEMBER 30, 2007 (\$ IN MILLIONS)

	Number of Reports	Costs Questioned	Disallowed Costs ⁶
Open Reports:			
Within Guidelines²	429	\$915.9	N/A ⁷
Overage, greater than 6 months³	602	\$1,224.0	N/A
Overage, greater than 12 months⁴	455	\$1,090.0	N/A
In Litigation⁵	101	\$1,567.5	N/A
Total Open Reports	1,587	\$4,797.4	N/A
Closed Reports	376	\$524.7	\$363.0 (69.2%)
All Reports	1,963	\$5,322.1	N/A

1 This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by the Army, Navy, Air Force, Defense Contract Management Agency, and TRICARE. Contract audit follow-up is reported in accordance with DoD Directive 7640.2, "Policy for Follow-up on Contract Audit Reports." Because of limited time between availability of the data and reporting requirements, there is minimal opportunity to verify the accuracy of the reported data.

2 These reports are within the time frames established by OMB Circular A-50, "Audit Follow-up", and DoD Directive 7640.2 as described in footnotes 3 and 4 below.

3 OMB Circular A-50 requires that audit reports be resolved within 6 months after report issuance. Generally, an audit is resolved when the contracting officer determines a course of action which is documented and approved in accordance with agency policy.

4 DoD Directive 7640.2 states that audit reports are overage if not dispositioned within 12 months from date of issuance. Generally, disposition is achieved when the contractor implements audit recommendations, the contracting officer negotiates a settlement with the contractor, or the contracting officer issues a final decision pursuant to the Disputes Clause.

5 Of the 101 reports in litigation, 12 are under criminal investigation.

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

7 N/A (not applicable)

APPENDIX F

STATUS OF DOD IG REPORTS MORE THAN 12 MONTHS OLD WITH FINAL ACTION PENDING (AS OF SEPTEMBER 30, 2007)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
94-062, Financial Status of Air Force Expired Year Appropriations, 3/18/1994	Changes to policy guidance to include refunds receivable arising from matters in litigation.	Coordination issues within DoD continue to be addressed.	USD(C)
96-156, Implementation of the DoD Plan to Match Disbursement to Obligations Prior to Payment, 6/11/1996	Implement system changes to correct weaknesses in the automated prevalidation process.	Correction of this material weakness involves a long-term effort.	DFAS
97-112, Air Mobility Command (AMC) Financial Reporting of Property, Plant, and Equipment (PP&E), 3/19/1997	AMC is to develop a methodology for keeping PP&E current and providing accurate and useful information to DFAS for preparation of financial statements.	Competing management priorities.	TRANSCOM, DFAS
97-134, Disposal of Munitions List Items in the Possession of Defense Contractors, 4/22/1997	Change regulations to advance the identification of munitions list items to the early stages of the acquisition process.	Action had to be turned over to a support contractor for implementation.	USD(AT&L), DLA
98-049, DoD Sensitive Support Focal Point System (U), 1/20/1998	Report is classified.	Extensive time required to revise guidance.	USD(I)
98-052, Defense Logistics Agency Past Due Federal Accounts Receivable, 1/22/1998	Issue accounting and billing policy for requisitions under the Shelter for the Homeless Program. Chapter 5 of DoD FMR Volume 11B is being revised to implement the guidance.	Publication of the DoD FMR revision has been delayed pending the resolution of significant policy issues.	USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
98-063, Defense Logistics Agency Product Quality Deficiency Program, 2/5/1998	Revisions to DLA Instruction 4155.24, "Quality Assurance Program for DLA Inventory Control Points."	A decision was made to combine the draft directive and instruction back into a single regulation format.	DLA
98-067, Access Reciprocity Between DoD Special Access Programs, 2/10/1998	Standardize Special Access Program (SAP) eligibility implementing criteria and develop a centralized SAP database.	Competing management priorities and extensive time to revise DoD publications. Lack of management responsiveness.	USD(I), Army, Navy, AF
98-100, Fund Balance With Treasury Account in the FY 1996 Financial Statements of the Defense Business Operations Fund, 4/2/1998	Issue Standard Operating Procedures to the DFAS centers for reporting undistributed balances in the monthly Accounting Report 1307.	Implementation strategy changes and unique reporting issues caused delays. DFAS revised the format for the report, but the related DoD FMR guidance has not been finalized.	DFAS
98-116, Accounting for Defense Logistics Agency Supply Management Receivables, 4/20/1998	Revise procedures for handling accounts receivable. Implement standard general ledger in accounting systems.	Competing management priorities.	DFAS
98-124, Department of Defense Adjudication Program, 4/27/1998	Implement peer review program and establish continuing education standards and a program for the professional certification for adjudicators.	Competing management priorities, funding restraints and extended time needed to coordinate and issue DoD policy. Developing new testing procedures for certification program. Lack of management responsiveness.	USD(I)
99-159, Interservice Availability of Multiservice Used Items, 5/14/1999	Revise Joint Service Regulation to require consistent item management wherever economical and safe. Services provide training on disposal authority for multi-service used items and requirements related to excess assets quantities.	Delays have been experienced in coordinating and issuing policy.	Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
99-186, DoD Export Licensing Processes for Dual-Use Commodities and Munitions, 6/18/1999	Develop a process for identifying and establishing assessment priorities related to the cumulative effect of technology transfers.	Delays in coordinating and issuing policy.	USD(P)
D-2000-110, Export Licensing at DoD Research Facilities, 3/24/2000	Improve guidance regarding the determination of the need for "deemed" export licenses in the event of foreign national visits to, or assignments to, DoD research facilities.	Delays in coordinating and issuing policy.	USD(P)
D-2000-111, Security Clearance Investigative Priorities, 4/5/2000	Establish timeframes to expedite investigative priorities.	Corrective action delayed by the transfer of the personnel security investigative function from DSS to OPM. Awaiting funding for new electronic capability and issuance of policy guidance. Lack of management responsiveness.	USD(I), DSS
D-2000-134, Tracking Security Clearance Requests, 5/30/2000	The current database will be modified to retain all pertinent historical information (including dates/times for every occurrence -- e.g., deletions, case type, changes, cancellations, duplicates, conversions, reinstatements, etc.)	Extensive time/resources needed to modify an automated system. Impacted by transformation of the personnel security program. Lack of management responsiveness.	DSS
D-2000-139, Controls Over the Integrated Accounts Payable System, 6/5/2000	Awaiting revisions to the Financial Management Regulation, Volume 10, Chapters 7 and 12.	Delays in coordinating and issuing policy.	USD(C)
D-2000-177, Revaluation of Inventory for the FY 1999 Department of the Navy Working Capital Fund Financial Statements, 8/18/2000	USD(C) evaluating policy and systems changes to implement and support a latest acquisition cost valuation method and a direct cost historical valuation method. These would be long-term solutions for improving the financial presentation of net inventory.	Delays in coordinating and issuing policy.	USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2001-018, Management and Oversight of the DoD Weather Program, 12/14/2000	Army assumed responsibility to update Joint Instruction AR 115-10/ AFI 15-157, to require coordination of meteorological, oceanographic, and space weather requirements across all Military Departments to promote interoperability and avoid duplication.	Coordination and staffing issues continue.	Army
D-2001-037, Collection and Reporting of Patient Safety Data Within the Military Health System, 1/29/2001	Develop, test and deploy Patient Safety Reporting Program.	Testing demonstrated selected system was not ready for initial deployment. Additional time required to obtain operational capabilities.	ASD(HA)
D-2001-059, Armed Service Blood Program Readiness, 2/23/2001	Actions are underway to improve the Defense Blood Standard System (DBSS) to ensure that the system meets all user and mission needs, ensures asset accountability and inventory accuracy. Also actions are underway to ensure consistent deployment and use of DBSS throughout DoD.	Extensive time required to establish policy and implement other changes.	Army, AF
D-2001-065, DoD Adjudication of Contractor Security Clearances Granted by the Defense Security Service, 2/28/2001	Identify and process additional adjudicative resources for Defense Industrial Security Clearance Office (DISCO). Establishment of continuing education standards to facilitate the certification of professional adjudicators. Issue guidance on professional certification and continuous training program for all adjudicators.	Extensive time required to update DoD guidance. Lack of management responsiveness.	DSS, USD(I)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2001-081, Financial Reporting at the Washington Headquarters Services, 3/15/2001	Modify the Washington Headquarters Services Allotment Accounting System to correctly post prior period adjustments. Also, develop query interfaces for each general ledger account that can be used to research detailed transactions supporting account balances.	Extensive time required for system changes.	WHS
D-2001-099, Use of Contract Authority for Distribution Depots by the Defense Logistics Agency, 4/16/2001	Modify the Financial Management Regulation, Volume 11B, to include procedures that require that all use of contract authority is adequately posted and liquidated in the DoD working capital fund accounting records at the activity group level.	Extensive time required for changes to financial policies.	USD(C)
D-2001-124, U.S. Special Operations Command Use of Alternative or Compensatory Control Measures (U), 5/18/2001	Report is classified.	Extensive time required for coordination and publication of DoD document. Awaiting copy of finalized documents. Lack of management responsiveness.	JS
D-2001-135, Prevalidation of Intergovernmental Transactions, 6/6/2001	Develop cost-effective automated methods to expand prevalidation.	Correction of this material weakness involves a long-term effort.	USD(AT&L)
D-2001-141, Allegations to the Defense Hotline on the Defense Security Assistance Management System, 6/19/2001	Amend DoD 5200.2-R to address security investigation requirements for foreign national contractor employees.	Delays continue in preparation and coordination of DoD guidance.	USD(I)
D-2001-148, Automated Transportation Payments, 6/22/2001	Issue policy to address information assurance requirements for commercial automated processes.	Rewriting of the chapters for formal coordination and approval has delayed issuing and implementing policy.	ASD(NII), USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2001-153, Pentagon Reservation Maintenance Revolving Fund, 7/2/2001	Develop processes to identify the appropriate construction costs to be used in transferring completed projects from the construction in progress account to the real property accounts.	Implementation has been delayed by higher management priorities.	WHS
D-2001-158, Compilation of the FY 2000 Army General Fund Financial Statements at the Defense Finance and Accounting Service Indianapolis (Sustaining Forces), 7/13/2001	Management will establish an action plan to meet revised requirements for reconciling suspense accounts.	Implementation has been delayed by higher management priorities.	DFAS
D-2001-163, Accounting Entries Made in Compiling the FY 2000 Financial Statements of the Working Capital Funds of the Air Force and Other Defense Organizations, 7/26/2001	Revise FMR, Volume 11B, Chapter 5 to reflect changes to inventory valuation and reporting; and revise DoD FMR, Volume 4, Chapter 3 to require the recoding of accounts receivable for credits due when DoD working capital fund supply activities return inventory items that do not conform to the purchase agreement or contract.	Publication of the DoD FMR revisions has been delayed due to significant policy issues.	USD(C)
D-2001-170, U.S. Transportation Command's Reporting of Property, Plant, and Equipment Assets on the FY 2000 DoD Agency-wide Financial Statements, 8/3/2001	Develop system changes to differentiate among US-TRANSCOM, Air Mobility Command (AMC), and Defense Courier Service (DCS) assets. Create electronic interfaces between the logistics and the accounting systems for transferring data.	Implementation has been delayed by higher management priorities.	TRANSCOM

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2002-004, Import Processing of DoD Cargo Arriving in the Republic of Korea, 10/4/2001	Revise USFK Regulation 55-72 to update requirements and implement a cost-efficient system for the automated processing of customs forms using an electronic data interchange.	USTRANCOM awarded a single world-wide contract for a single customs process automation system. Awaiting system implementation.	USFK
D-2002-008, Controls Over the Computerized Accounts Payable System (CAPS) at Defense Finance and Accounting Service Kansas City (DFAS-KC), 10/19/2002	Improve guidance on criteria for proper and accurate receipt and invoice documentation; improve organizational structures to provide better internal controls.	Delays in coordinating and issuing policy.	USD(C)
D-2002-010, Armed Services Blood Program Defense Blood Standard System, 10/22/2001	Establish a plan, controls, assessment requirements and training related to the Defense Blood Standard System (DBSS) upgrade. Also, establish procedures to ensure effective deployment of those DBSS upgrades.	Long-term corrective action on schedule.	Army, AF, ASD(HA)
D-2002-024, Navy Fleet Hospital Requirements (U), 12/12/2001	Report is classified.	Corrective actions are delayed by changing requirements.	Navy, PACOM
D-2002-035, Protection of Strategic Systems Against Radio Frequency Threats (U), 1/4/2002	Report is classified.	Extensive time required for coordination of DoD publications.	ASD(NII)
D-2002-056, Controls Over Vendor Payments Made for the Army and Defense Agencies Using the Computerized Accounting Payable System (CAPS), 3/6/2002	Revise the Financial Management Regulation to incorporate the requirements of 5 CFR 1315.	Delays in coordinating and issuing policy.	USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2002-060, Management of Terminal Items at the Defense Logistics Agency, 3/13/2002	Revise procedures to review terminal items with no registered users in the Defense Inactive Item Program (DIIP), for obsolescence, and quantify the number of terminal National Stock Numbers (NSNs) that are determined to be obsolete after NATO and foreign governments review the NSNs.	Original action is no longer the optimum solution, alternative action is being taken.	DLA
D-2002-073, Financial Management Ending Balance Adjustments to General Ledger Data for the Army General Fund, 3/27/2002	Use transactional data from a centralized database to populate general ledger accounts in the Defense Departmental Reporting System (DDRS) Budgetary and continue efforts to analyze and correct causes for current adjustments; Use transactional data to generate a general ledger data file for DDRS Budgetary.	Slow system development process.	DFAS
D-2002-075, Controls Over the DoD Purchase Card Program, 3/29/2002	Strengthen controls to modify contract with banks to prevent accounts from being reopened after notification to close, and provide reports on oversight reviews.	Corrective action requires long-term development of risk-assessment tools.	USD(AT&L)
D-2002-076, Funding Invoices to Expedite the Closure of Contracts Before Transitioning to A New DoD Payment System, 3/29/2002	Revise Financial Management Regulation, Chapter 10, Appendix B, number 7, "Accounting Requirements for Expired and Closed Accounts," to require that the DoD activity to which a program has transferred be responsible for providing current-year funding.	Delays in coordinating and issuing policy.	USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2002-091, Accountability and Control of Materiel at the Corpus Christi Army Depot, 5/21/2002	Comply with guidance for storage of maintenance materiel and the preparation and submission of management reports for review; perform annual physical inventory and quarterly reviews of materiel.	Lack of management responsiveness.	Army
D-2002-103, Certification of the Reserve Component Automation System (RCAS), 6/14/2002	Through a contractor/government teaming effort, establish functional performance measures to better assess both the initial and future impact of RCAS on supported functionalities.	Service desk ticketing procedures had to be revamped resulting in rework of existing performance indicators.	Army
D-2002-108, Standard Procurement System Certification and Accreditation Process, 6/19/2002	Report is FOUO.	Draft DIACAP policy coordination continues.	ASD(NII)
D-2002-117, Review of FY 2001 Financial Statement for the Defense Intelligence Agency (U), 6/25/2002	Report is classified.	Competing management priorities.	DIA
D-2002-122, Environmental Community Involvement Program at Test and Training Ranges, 6/28/2002	Develop a more detailed DoD instruction on Sustainable Ranges Outreach. Continue work on implementation of the new Directive and development of the new instruction.	Extensive time required to develop and coordinate the new DoD Instruction.	USD(P&R)
D-2002-127, Audit Report on DoD Compliance with Internal Use Software Accounting Standards, 7/9/2002	Implement a system to capture material internal software costs; identify the appropriate actions needed to properly value and support all financial statement amounts and publish these actions in financial improvement plans; and develop a strategy and a Key Milestone Plan.	Long-term process to develop and implement guidance; and slow system development process.	DFAS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2002-131, Terminal Items Managed by the Defense Logistics Agency for the Navy, 7/22/2002	DLA will modify the existing stock retention policy to review terminal items that are excluded from the Defense Inactive Program (DIIP). In addition, plan to complete a new study to quantify the costs of inactive items.	Original action is no longer the optimum solution, alternative action is being taken.	DLA
D-2002-140, Measurement of Water Usage by DoD Components Serviced by the DC Water and Sewer Service, 8/20/2002	Establish and implement procedures to verify that the DCWASA routinely inspects and reports results of inspections for DoD-owned water meters; develop and implement effective controls and procedures to verify that the DCWASA accurately reads water meters; establish and implement a maintenance program.	Delays were caused by installation and program compatibility issues, other technical difficulties, and contract terminations.	Army, Navy, AF, WHS
D-2002-153, Reprocessed Medical Single-Use Devices in DoD, 9/30/2002	Services issue SUD guidance (based on recently reissued ASD (HA) guidance) on the reuse of single-use devices (SUD).	Significant time required to develop Service-level guidance.	Army
D-2003-001, DoD Integrated Natural Resource Management Plans, 10/1/2002	Develop integrated natural resource management plans for military installations and coordinate the plans with the other Federal and State agencies involved in the process.	The remaining Army plan is on hold pending the resolution of an internal disagreement within the U.S. Fish and Wildlife Service.	Army
D-2003-018, Validity of Registration in the Central Contractor Registration (CCR) Database, 10/30/2002	Establish procedures to withhold payments to contractors and vendors until they are properly registered with a valid Tax Identification Number in the CCR database.	Action is being taken by management to implement a manual, rather than an automated, solution.	DFAS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-021, Export Controls Over Biological Agents (U), 11/12/2002	Report is confidential.	Extensive time required to coordinate and issue policy guidance.	USD(P)
D-2003-030, Financial Reporting of Deferred Maintenance Information on Air Force Weapons Systems for FY 2002, 11/27/2002	Revise DoD FMR to allow the Air Force to present all material categories of deferred maintenance as major asset classes in accordance with Federal accounting requirements.	Publication of the DoD FMR revisions has been delayed due to significant policy changes resulting from OMB A-136 revisions.	USD(C)
D-2003-034, Adjustments to the Intergovernmental Payments Account, 12/10/2002	Revise the Financial Management Regulation to specify the documentation required to support adjustments from account F3885, 'Undistributed Intergovernmental Payments,' to closed appropriations.	Delays in coordinating and issuing policy.	USD(C)
D-2003-056, Public/Private Competition for the Defense Finance and Accounting Service Military Retired and Annuitant Pay Functions, 3/21/2003	AT&L is working with OMB to address any overhead ambiguities in OMB Circular A-76, proposing additional guidance to clarify costing policies, and providing definitions for direct and indirect costs as well as a revised definition for overhead.	Corrective actions are on schedule.	USD(AT&L)
D-2003-067, Recoveries of Prior Year Obligations, 3/21/2003	Revise the Financial Management Regulation to be consistent with recovery reporting guidance issued by the OMB and the Department of the Treasury. Program DFAS accounting systems to properly capture, record, and report recoveries of prior year obligations.	Extensive time required for changes to financial policies.	USD(C), DFAS
D-2003-071, Acquisition of Marine Corps Aircraft Simulators (U), 4/2/2003	Report is classified.	Guidance is in second staffing. ECD is Dec 31, 2007.	MC

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-072, DoD Compliance with the Uniformed and Overseas Citizens Absentee Voting Act, 3/31/2003	AF is updating guidance to be consistent with DoD level guidance.	Publication of AF Instruction was delayed to include pending revision of DoD guidance.	AF
D-2003-073, Reliability of the FY 2002 National Imagery and Mapping Agency Financial Statements and Adequacy of Related Procedures and Controls (U), 4/2/2003	Report is classified.	Corrective actions are on schedule.	NGA
D-2003-074, Reliability of the FY 2002 Defense Intelligence Agency Financial Statements and Adequacy of Related Procedures and Controls (U), 4/7/2003	Report is classified.	Competing management priorities.	DIA
D-2003-081, DoD Explosives Safety Program Oversight, 4/24/2003	Restructure the DoD Explosives Safety Board and revise DoD guidance to accurately reflect the Board's roles and responsibilities. Develop a safety management strategy that requires a comprehensive DoD explosives safety program.	Delays in coordinating and issuing policy.	USD(AT&L)
D-2003-095, Accounting for Reimbursable Work Orders at Defense Finance and Accounting Service Charleston, 6/4/2003	Develop business practices for Navy fund administrators to properly account for reimbursable work orders. Develop a methodology and provide guidance to prevent Navy fund administrators from over obligating at the segment level. Establish edit checks that align with the business practices of the Navy.	Long-term process to develop and implement improved business practices, methodologies, and guidance.	DFAS, Navy
D-2003-096, Protection of European Theater Systems Against Radio Frequency Threats (U), 6/4/2003	Report is classified.	Long-term corrective action on schedule.	Army, Navy, AF, ASD(NII)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-105, Management of Developmental and Operational Test Waivers for Defense System, 6/20/2003	Report is FOUO.	Lack of management responsiveness.	USD(AT&L)
D-2003-106, Administration of Performance-Based Payments Made to Defense Contractors, 6/25/2003	The Director, Defense Procurement and Acquisition Policy, will conduct an assessment of the benefits of expanded performance-based payments implementation. It will address contracting officer compliance with FAR Part 32.10, and whether any changes are needed to those policies, the Performance-Based Payments User's Guide, or training resources.	Corrective actions are on schedule. Normal time required to update the FAR and DFARS.	USD(AT&L)
D-2003-110, Information Technology Management: Defense Civilian Personnel Data System Functionality and User Satisfaction, 7/27/2003	System enhancements to correct deficiencies are in process.	Extended time needed to develop system enhancements.	USD(P&R)
D-2003-115, Allegations Concerning the Administration of Contracts for Electronic Flight Instruments, 6/30/2003	Air Force will prepare an acquisition strategy addressing logistics support for the 550-series Electronic Flight Instruments (EFI) that address sustainment and spare parts. DCMA (at Lockheed Martin, Fort Worth, TX) will perform a Contractor Purchasing System Review (CPSR).	Lack of management responsiveness.	AF, DCMA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-119, Controls Over DoD Medicare Eligible Retiree Health Care Fund Investments, 7/31/2003	Comply with DoD investment policy for the DoD Medicare Eligible Retiree Health Care Fund; issue oversight procedures to ensure that the DFAS complies with the investment policy for the DoD Medicare Eligible Retiree Health Care Fund.	Long-term corrective action on schedule.	USD(C)
D-2003-122, Financial Management: Closing the Army's 1985 M1a1 Tank Contract (Contract DAAE07-85-C-A043), 8/13/2003	Issue guidance for unreconcilable contracts; update the DoD FMR to specifically address the requirement to maintain vouchers and supporting documentation to facilitate complete contract reconciliations.	Guidance delayed due to re-writing and coordination issues, and competing priorities.	USD(C)
D-2003-128, The Chemical Demilitarization Program: Increased Costs for Stockpile and Non-Stockpile Chemical Disposal Programs, 9/4/2003	As directed by USD(AT&L), Army develop and prioritize a plan for the disposal of buried chemical warfare materiel. Upon receipt of the Army plan, USD(AT&L) determine which DoD component should be assigned to implement the plan.	Lack of management responsiveness.	USD(AT&L), Army
D-2003-133, Report on Controls Over DoD Closed Appropriations, 9/15/2003	Emphasize the importance of controls over the use of closed appropriations and monitor compliance with applicable laws and regulations. DFAS establish specific standard procedures to ensure that accounting personnel approve only legal and proper adjustments to closed appropriations, validate the canceled balances and report any potential Antideficiency Act violations.	Extensive time required for changes to financial policies.	USD(C), DFAS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-134, System Security of the Army Corps of Engineers Financial Management System, 9/15/2003	Report is FOUO.	Lack of management responsiveness.	Army
D-2004-002, Acquisition: Selected Purchase Card Transactions at Washington Headquarters Services and Civilian Personnel Management Service, 10/16/2003	Review conducted and new standard operating procedures developed and implemented. Administrative instructions are being rewritten.	Normal time to write, coordinate, approve, and implement guidance.	WHS
04-INTEL-02, DoD Security Clearance Adjudication and Appeals Process (U), 12/12/2003	Disparities between the contractor and military/civilian personnel adjudicative process will be eliminated with the pending revision to the DoD Regulation 5200.2-R.	Extensive time required to update DoD Regulations. Lack of management responsiveness.	USD(I)
D-2004-003, Decontamination Operation Preparedness of Continental U.S. Based Navy and Air Force Units (U), 10/8/2003	Report is classified.	Lack of management responsiveness.	Navy
D-2004-007, Force Protection in the Pacific Theater (U), 10/14/2003	Report is classified.	JS, AF, Navy, USMC, PACOM are in process of updating their guidance based on DoD guidance published on 10/30/06. Army delay attributed to lack of management responsiveness.	Army, AF, PACOM, MC
04-INTEL-07, Audit of the Physical Security of Nuclear Weapons (U), 5/3/2004	Report is classified.	Long term corrective actions on schedule. Estimated completion date of January 2008.	ATSD(NCB)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-008, Implementation of Interoperability and Information Assurance Policies for Acquisition of Army Systems, 10/15/2003	Update Army Regulations 70-1 and 71-9 to require combat developers to identify interoperability and supportability requirements in requirements documents and update the requirements throughout the life of the systems, as necessary, in accordance with DoD Directive 4630.5 and to require program managers to obtain the Joint Staff J6 certifications for interoperability in accordance with Chairman of the Joint Chiefs of Staff Instruction 6212.01B.	Coordination on issuance of numerous related guidance.	Army
D-2004-009, Allegations Concerning Controls Over DoD Transit Subsidies Within the National Capital Region, 10/14/2003	Develop policies and procedures requiring the reconciliation of all transit subsidy billings received from the Department of Transportation.	Continuous coordination of draft policy and procedures.	Army
D-2004-012, Sole-Source Spare Parts Procured From an Exclusive Distributor, 10/16/2003	Report is FOUO.	Corrective actions are on schedule; actions are complete on all but 1 of the report's 8 recommendations.	Army
D-2004-020, Allegations Concerning Improprieties in Awarding National Guard Contracts, 11/18/2003	Implement a formal acquisition policy that integrates the existing roles of various Army National Guard and Federal communication and IT groups. Develop a process with measurable IT standards and defined business processes. Coordinate the requirements for help desk support to eliminate duplicate contract costs.	Delay in obtaining legal approval.	NGB

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-034, Environment: Defense Hotline Allegations Regarding the Environmental Compliance Assessment Process at U.S. Army Corps of Engineers, Portland District, 12/4/2003	Clarify requirements for internal assessments.	The Corps of Engineers guidance update was on hold pending the revision of a higher level Army regulation that went into effect on 9/28/07.	Army
D-2004-039, Cooperative Threat Reduction Construction Projects, 12/18/2003	Negotiate a transparency agreement that will allow US verification of the quantity and quality of the material stored in the fissile material storage facility.	Significant time is required for negotiations with sovereign nations.	USD(P)
D-2004-041, The Security of the Army Corps of Engineers Enterprise Infrastructure Services Wide-Area Network, 12/26/2003	Report is FOUO.	Lack of management responsiveness.	Army
D-2004-047, Implementation of the DoD Management Control Program for Army Category II and III Programs, 1/23/2004	Program Managers will be able to store acquisition documents in Virtual Insight (VIS) so the Milestone Decision Authority can review document status from development to document approval. Army Regulations will be updated to reflect new reporting procedures.	Extensive time required to update DoD Instruction 5000.2.	Army
D-2004-050, Management Structure of the Cooperative Threat Reduction Program, 2/5/2004	Revise DoD guidance to clarify the roles of responsible offices for the Cooperative Threat Reduction Program.	Extensive time required to coordinate and issue guidance.	DAM
D-2004-053, Defense Threat Reduction Agency Relocation Costs, 2/19/2004	Develop detailed guidance on what should be considered when determining whether the relocation cost cap in section 8020 of the FY 2004 Appropriation Act has been, or will be, exceeded.	Extensive time required to coordinate and issue guidance.	WHS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-055, DoD Source Approval Process for Service & Sales, Inc., a Small Business Manufacturer, 2/25/2004	Develop guidance for the reevaluation of critical application item sources.	Lack of management responsiveness.	DLA
D-2004-057, Acquisition: Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington, 3/18/2004	Conduct a study on existing DoD post-war strategy and establish responsibilities, policies, and procedures for the rapid acquisition of necessary goods and services in support of any future post-war occupation or relief operations.	Management corrective actions on schedule.	USD(AT&L)
D-2004-059, Financial Management: Assets Depreciation Reported on the U.S. Army Corps of Engineers FY 2002 Financial Statements, 3/16/2004	Determine the appropriate useful life for all USACE-owned assets. Request a waiver from the DoD FMR based on USACE-unique mission requirements.	Long-term corrective action on schedule.	Army
D-2004-061, Export Controls: Export Controlled Technology at Contractor, University and Federally Funded Research and Development Center Facilities, 3/25/2004	Expand DoD guidance to encompass all export-controlled technology and enumerate the roles and duties of responsible personnel. Ensure incorporation of appropriate export compliance clauses into solicitations and contracts.	Extensive time required to coordinate and issue policy guidance.	USD(P), USD(AT&L)
D-2004-063, Financial Management: Controls Over U.S. Army Corps of Engineers (USACE) Buildings and Other Structures, 3/26/2004	Improve the financial accountability for buildings and other structures owned by USACE.	Implementation has been delayed by higher management priorities.	Army
D-2004-065, DoD Implementation of the Voting Assistance Program, 3/31/2004	Revise Voting Assistance Program guidance to reflect recent changes to DoD guidance. Improve monitoring of voting assistance program and training of service members and spouses.	Publication of AF Instruction was delayed to include pending revision of DoD guidance.	AF

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-068, Global Command and Control System-Korea (U), 4/6/2004	Report is classified.	Long-term corrective action on schedule pending document review.	USFK
D-2004-074, Reliability of the Automated Cost Estimating Integrated Tools Software Model, 4/23/2004	The Army and the Air Force agreed to jointly verify, validate, and accredit the next major release of software.	Long-term corrective action on schedule. The Test Plan continues to be refined as new features are introduced and existing features are improved.	Army, AF
D-2004-078, Summary Report on the Military Departments' Transition of Advanced Technology Programs to Military Applications, 4/29/2004	Report is FOUO.	Lack of management responsiveness.	USD(AT&L)
D-2004-079, Reliability of the Defense Intelligence Agency FY 2003 Financial Statements (U), 4/29/2004	Report is classified.	Competing management priorities.	DIA
D-2004-080, Environmental Liabilities Required to be Reported on Annual Financial Statements, 5/5/2004	Implement guidance to improve the development, recording, and reporting of environmental liabilities. Establish a quality control program to assess environmental liability processes and controls. Issue guidance requiring that future environmental liability electronic cost estimating system efforts comply with Defense Environmental Restoration Program Management Guidance.	The update to DoD guidance has been delayed due to several issues unrelated to Environmental Liabilities.	USD(AT&L)
D-2004-082, DoD Installation Disaster Preparedness and Consequence Management in the U.S. European Command (U), 5/24/2004	Report is classified.	Long-term corrective actions on schedule (EUCOM). Extended time needed to coordinate and issue guidance (Navy).	EUCOM, Navy

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-084, Antideficiency Act Investigation of the Research, Development, Test and Evaluation Defense-Wide, Appropriation Account 97 FY 1989/1990-0400, 5/28/2004	Allocate all undistributed disbursements to fund holders of DoD closed fixed-term appropriations at statutory time of closing or provide alternate procedures that will provide positive assurance against future potential violations.	Implementation has been delayed by higher management priorities.	DFAS
D-2004-087, Health Care: DoD Management of Pharmaceutical Inventory and Processing of Returned Pharmaceuticals, 6/17/2004	ASD (HA), in coordination with the Military Surgeons General, develop standard policies and procedures for pharmaceutical inventory management at the Military Treatment Facilities (MTFs) and also require MTFs to use a pharmaceutical returns company.	Extended time needed for update of publications and contract award.	Army, AF
D-2004-091, Management of Network Centric Warfare Within the Department of Defense, 6/22/2004	Report is FOUO.	Policy revisions to begin next fiscal year.	ASD(NII)
D-2004-093, Acquisition and Management of Specialized Shipping and Unit-Owned Containers and Related Accessories, 6/30/2004	The Army will improve controls over the acquisition and management of specialized shipping and unit-owned containers.	Normal time needed for implementation.	Army
D-2004-094, Acquisition: Direct Care Medical Services Contracts, 6/24/2004	Develop a process for future payments of FICA tax for individual set-aside contracts. Establish a pilot program for the acquisition of direct care medical services.	Normal time needed for implementation.	USD(C), ASD(HA)
D-2004-099, Reliability of National Security Agency FY 2003 Financial Statements (U), 7/15/2004	Report is classified.	Corrective actions are on schedule.	NSA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-104, Purchase Card Use and Contracting Actions at the U.S. Army Corps of Engineers, Louisville District, 7/27/2004	Recommended actions are designed to provide guidance and strengthen controls over use of the Government Purchase Card at the Louisville District and at USACE Headquarters levels.	Extensive time needed to revise guidance.	Army
D-2004-110, The Military Departments' Implementation of Performance-Based Logistics in Support of Weapon Systems, 8/23/2004	USD (AT&L) has undertaken several initiatives related to Performance Based Logistics (PBL). The Services will issue policies and procedures for implementation of PBL.	Normal time needed for implementation.	USD(AT&L), Navy
D-2004-118, Army General Fund Controls Over Abnormal Balances for Field Accounting Activities, 9/28/2004	Update the DoD FMR to require the disclosure of unresolved abnormal balances for all proprietary and budgetary general ledger accounts in the footnotes to the financial statements. Identify abnormal conditions impacting both budgetary and proprietary account balances; notify accounting activities of abnormal proprietary balances and require explanations of corrective actions; and resolve abnormal balances in the budgetary accounts.	Long-term corrective action on schedule.	USD(C), DFAS
D-2005-009, Pueblo Chemical-Agent-Destruction Pilot Plant Project, 11/1/2004	Report is FOUO.	Lack of management responsiveness.	USD(AT&L), Army
05-INTEL-13, Incident Reporting and Forensic Capabilities (U), 5/27/2005	Report is classified.	Normal time needed for implementation.	ASD(NII)
05-INTEL-19, Nuclear Command and Control (U), 6/30/2005	Report is Classified	Long-term corrective actions on schedule.	ATSD(NCB)



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2005-020, Defense Logistics Agency Processing of Special Program Requirements, 11/17/2004	DLA is identifying cost savings realized for the Special Program Requirements (SPR) Support Program.	Normal time needed to determine the full scope of realized monetary benefits.	DLA
D-2005-022, Financial Management: Contract Classified as Unreconcilable by the Defense Finance and Accounting Service, 12/2/2005	The contract has been logged and assigned to a contractor supporting the Commercial Pay Services Contract Reconciliation office for reconciliation. Based on the reconciliation, recovery actions will be initiated for any identified overpayments made to the contractor.	Closeout work continues.	DFAS
D-2005-023, Information Systems Security: Assessment of DoD Plan of Action and Milestones Process, 12/13/2004	Report is FOUO.	Held in abeyance. POA&M process is not correctly incorporated in the DIACAP. Related to mediation cases D-2005-054 and D-2005-094.	ASD(NII)
D-2005-024, Management of Navy Senior Enlisted Personnel Assignments in Support of Operation Iraqi Freedom, 12/15/2004	Update Navy manpower and personnel guidance to clearly define acceptable senior enlisted manning levels by establishing a minimum senior enlisted manning level as the baseline for identifying senior enlisted manning deficiencies that would require immediate action.	Deployment of Total Force Authorization and Requirements System (TFARS) delayed while awaiting acceptance from 15 of 52 receiving commands and implementation of revised and additional requirements.	Navy
D-2005-026, Financial Management: Reliability of U.S. Army Corps of Engineers, Civil Works, Fund Balance With Treasury and Unexpended Appropriations, 12/28/2004	USACE is implementing system changes to improve the reliability or recording and reporting Fund Balance With Treasury and Unexpended Appropriations accounts.	Implementation has been delayed by higher management priorities.	Army



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2005-028, DoD Workforce Employed to Conduct Public Private Competitions Under the DoD Competitive Sourcing Program, 2/1/2005	Establish minimum training standards for competition officials and DoD functional and technical experts assigned to work on public-private competitions, and advise the DoD component competitive sourcing officials concerning defining and documenting minimum education and/or experience requirements.	Corrective actions are on schedule.	USD(AT&L)
D-2005-033, Acquisition: Implementation of Interoperability and Information Assurance Policies for Acquisition of Navy Systems, 2/2/2005	Prepare and staff a DoD Directive that specifies the types of systems and system information capability requirements to be included in the inventory for Global Information Grid assets; and the responsibilities of DoD Components in populating and maintaining the inventory for Global Information Grid assets.	Held in abeyance, pending resolution of mediation on a subsequent report.	ASD(NII)
D-2005-035, Existence of U.S. Army Corps of Engineers Buildings and Other Structures, 2/15/2005	USACE-wide implementation of corrective actions regarding Buildings and Other Structures is being performed.	Implementation has been delayed by higher management priorities.	Army
D-2005-037, Implementation of Performance Based Logistics for the Javelin Weapon System, 3/7/2005	Army developing Performance Based Agreements (PBA) policy.	Normal time needed for implementation.	Army
D-2005-045, FY 2004 Emergency Supplemental Funding for the Defense Logistics Agency, 5/9/2005	DLA establish and distribute standard operating procedures for calculating and reporting incremental cost information.	Normal time needed for implementation.	DLA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2005-046, Financial Management: Independent Examination of the Rights to U.S. Army Corps of Engineers Buildings and Other Structures, 3/25/2005	Correct the identified errors and perform a review of other leased and transferred structures for similar types of rights errors; review and update policies and procedures to prevent future errors; and provide and document training to consistently implement the new policies and procedures.	Long-term corrective action on schedule.	Army
D-2005-051, Independent Examination of the Land Assets at the U.S. Army Corps of Engineers, Civil Works, 4/6/2005	USACE will establish an oversight process that provides periodic reviews by Civil Works headquarters of land asset transactions at the activity level.	Corrective actions are on schedule.	Army
D-2005-056, Reliability of the FY 2004 Financial Statements for the National Geospatial-Intelligence Agency (U), 4/29/2005	Report is classified.	Corrective actions are on schedule.	NGA
D-2005-069, Audit of the General and Application Controls of the Defense Civilian Pay System, 5/13/2005	Report is FOUO.	Corrective actions are on schedule.	DFAS
D-2005-074, Support for Reported Obligations for the National Security Agency (U), 6/28/2005	Report is classified.	Corrective actions are on schedule.	NSA
D-2005-078, Audit of the Extended Range Guided Munitions Program, 6/15/2005	Ensure that ERGM program provides for appropriate validation, testing, and funding of requirements.	Extended time needed to revise and coordinate major system acquisition documentation.	Navy
D-2005-093, Information Technology Management: Technical Report on the Standard Finance System, 8/17/2005	Report is FOUO.	Corrective actions are on schedule.	DFAS, DISA, Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2005-096, DoD Purchases Made Through the General Services Administration, 7/29/2005	DoD is establishing new policies and revising the DoD FMR to improve intergovernmental transactions, the use of Military Departmental Purchase Requests (MIPR), and assisted acquisitions.	Corrective actions are being implemented.	USD(AT&L), USD(C)
D-2005-097, Auditability Assessment of the Financial Statements for the Defense Intelligence Agency (U), 8/18/2005	Report is classified.	Competing management priorities.	DIA
D-2005-103, Development and Management of the Army Game Project, 8/24/2005	Develop new controls and fully implement existing controls to ensure that all resources are safeguarded; and revise Navy guidance on accountability over pilferable property to be consistent with the DoD guidance.	Corrective actions are on schedule.	Navy
D-2005-108, Review of the U.S. Army Corps of Engineers, Civil Works Balance Sheet Reporting and Financial Statement Compilation, 9/16/2005	The USACE is establishing a comprehensive correction action program to ensure that the instructions provided in the information papers are fully and consistently executed at all USACE activities.	Lack of management attention in fully implementing corrective action.	Army
D-2006-003, Security Controls Over Selected Military Health System Corporate Database, 10/7/2005	Action is being taken by the ASD (HA), USD (I), and the Military Departments to improve protection of sensitive information.	Normal time needed for implementation.	Army, Navy, AF, USD(I), ASD(HA)
D-2006-004, Acquisition of the Objective Individual Combat Weapon, 10/7/2005	Report is FOUO.	Extensive time needed to coordinate and issue policy.	USD(AT&L)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-007, Contracts Awarded to Assist the Global War on Terrorism by the U.S. Army Corps of Engineers, 10/14/2005	The DCAA will conduct an audit of costs of task orders awarded under Contract No. DACA78 03 D0002. Three of four recommendations in the report are complete.	Normal time for DCAA to plan and conduct an review.	Army
D-2006-009, Independent Examination of Valuation and Completeness of U.S. Army Corps of Engineers, Buildings and Other Structures, 9/28/2005	The U.S. Army Corps of Engineers is updating policy and procedures, assessing system changes to the Corps of Engineers Financial Management System, and working to correct data accuracy deficiencies through new regional assessment teams.	Corrective actions are on schedule.	Army
D-2006-010, Contract Surveillance for Service Contracts, 10/28/2005	The AT&L will issue guidance defining roles and responsibilities of contract administration personnel regarding the monitoring of contractor performance. The Army will develop management controls to ensure contract surveillance is adequately performed and documented. Eleven of fifteen recommendations in the report are complete.	Normal time to develop and implement new guidance and procedures.	USD(AT&L), Army
D-2006-011, Report on the Foreign Military Sales Trust Fund Cash Management, 11/7/2005	Improve internal controls of the FMS cash management program. Establish adequate audit trails to enable managers or auditors to verify disbursements.	Corrective actions are on schedule.	DFAS
D-2006-013, Report on Compiling and Recording Financial Adjustments Related to DoD Commercial Payments, 11/8/2005	Require periodic training of reconcilers and certifying officers on policies, procedures, and responsibilities in reviewing Standard Form 1081 financial adjustments.	Corrective actions are on schedule.	Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-026, Air Force Operational Mobility Resources in the Pacific Theater (U), 11/17/2005	Report is classified.	Corrective actions are on schedule.	AF
D-2006-027, Contract Award and Administration of Coupling Half Quick Disconnect, 11/23/2005	Increase production rates to expedite the replacement of older protective masks and identify a nontoxic sealant alternative to replace the hexavalent chromium sealant on the coupling half quick disconnect in future procurements.	Corrective actions are on schedule.	USD(AT&L)
D-2006-028, DoD Reporting System for the Competitive Sourcing Program, 11/22/2005	Revise DoD guidance to improve accounting of transition costs, tracking and reporting competition costs, validating and reviewing records, capturing contractors' past performance information, and tracking and monitoring the performance of MEOs.	Normal time to review, revise and implement new guidance.	USD(AT&L)
D-2006-029, Report on Potential Antideficiency Act Violations Identified During the Audit of the Acquisition of the Pacific Mobile Emergency Radio System, 11/23/2005	Conduct an investigation of the potential ADA violations identified by the DoD OIG and provide the results to the DoD OIG.	Extensive time needed to investigate potential FMR violations and to resolve related legal issues.	Army
D-2006-030, Report on Diagnostic Testing at the Defense Information Systems Agency, Center for Computing Services, 11/30/2005	Report is FOUO.	Corrective actions are on schedule.	DISA
D-2006-031, Report on Penetration Testing at the Defense Information Systems Agency, Center for Computing Services, 11/30/2005	Report is FOUO.	Corrective actions are on schedule.	DISA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-043, Financial Management: Report on Army Management of the Army Game Project Funding, 1/6/2006	Establish procedures to ensure the appropriate funding of the Army Game Project, determine if there have been any Antideficiency Act violations and report any such violations, as required.	Management corrective actions on schedule.	Army
D-2006-046, Technical Report on the Defense Property Accountability System, 1/27/2006	Report is FOUO.	Corrective actions are on schedule.	USD(AT&L)
D-2006-048, Report on Reliability of Financial Data Accumulated and Reported by the Space and Naval Warfare System Centers, 1/31/2006	Report is FOUO.	Corrective actions are on schedule.	Navy
D-2006-050, Report on Accuracy of Navy Contract Financing Amounts, 2/7/2006	Cross SYSCOM Lean Six Sigma black belt project is being completed that will include an end-to-end review of the disbursements process.	Corrective actions are on schedule.	Navy
D-2006-052, DoD Organization Information Assurance Management of Information Technology Goods and Services Acquired Through Interagency Agreements, 2/23/2006	Establish clear procedures that designate organization-specific roles & responsibilities for tracking training.	Policy update is under revision.	Navy
D-2006-053, Select Controls for the Information Security of the Ground-Based Midcourse Defense Communications Network, 2/24/2006	Prepare a contingency plan for GCN and an Incidence Response Plan for GCN to meet requirements of DoDI 8500.2 and NISTS Pub 800-34.	Corrective actions are on schedule.	MDA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-054, DoD Process for Reporting Contingent Legal Liabilities, 2/24/2006	The USD(C) is developing a forum to address development of solutions for providing meaningful assessments of contingent legal liabilities, and develop and implement a uniform methodology for estimating, aggregating, and reporting them. The Services are working to ensure that "Other Liabilities" and contingent liabilities are fully supported and appropriately disclosed.	Corrective actions are generally on schedule.	USD(C), Army, Navy, AF
D-2006-056, Financial Management: Report on Vendor Pay Disbursement Cycle, Air Force General Fund: Contract Formation and Funding, 3/6/2006	The Air Force will conduct reviews of potential ADA violations, review and revise existing policy guidance and training and emphasize the need for additional training in appropriations law and inherently governmental activities.	Normal time to revise and implement new guidance and training.	AF
D-2006-057, Corrective Actions for Previously Identified Deficiencies Related to the National Geospatial-Intelligence Agency Financial Statements (U), 2/28/2006	Report is classified.	Corrective actions are on schedule.	NGA
D-2006-059, Air Force Procurement of 60K Turner Cargo Loader Contractor Logistics Support, 3/3/2006	The Air Force will perform analyses to determine the best value approach and the feasibility of teaming with the Marine Corps.	Corrective actions are on schedule.	AF
D-2006-060, Systems Engineering Planning for the Ballistic Missile Defense System, 3/2/2006	Report is FOUO.	Extended time needed to complete and coordinate systems engineering planning documents.	MDA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-061, Source Selection Procedures for the Navy Construction Capabilities, 3/3/2006	Report is FOUO.	Corrective actions are on schedule.	USD(AT&L)
D-2006-062, Internal Controls Over Compiling and Reporting Environmental Liabilities Data, 3/15/2006	Improve internal controls over the compilation and reporting of cost-to-complete estimates for environmental liabilities.	Corrective actions are on schedule.	AF
D-2006-063, Financial Management: Report on Internal Controls Over Department Expenditure Operations at Defense Finance and Accounting Service Indianapolis, 3/10/2006	Perform reviews and reconciliations of uncleared transactions, ensure appropriate resolution, and enforce applicable DoD FMR policy.	Required coordination efforts for discontinued research are taking longer than expected.	DFAS
D-2006-067, Controls Over Exports to China, 3/30/2006	Improve the guidance and documentation for the export review process. Expand access to USX-PORTS within DoD.	Management corrective actions on schedule.	USD(P)
D-2006-068, Financial Management: Implementation of the Business Enterprise Information Services for the Army General Fund, 3/31/2006	Report the existence of abnormal balances and the failure to reconcile beginning account balances with prior year-end balances as material internal control weaknesses in the Annual Statements of Assurance until corrected.	Long-term corrective action on schedule.	DFAS
D-2006-069, Technical Report on the Defense Business Management System, 4/3/2006	Report is FOUO.	Corrective actions are on schedule.	DFAS
D-2006-071, Acquisition: Capabilities Definition Process at the Missile Defense Agency, 4/5/2006	Finalize and approve mutually supportive directives outlining each organizations roles and responsibilities with respect to capability-based requirements.	Finalizing focus group's input to the directive.	STRATCOM, MDA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-073, Human Capital: Report on the DoD Acquisition Workforce Count, 4/17/2006	Develop and implement written standard operating procedures and guidance for counting the acquisition workforce to include definitions of workforce count and methodologies and procedures used to perform periodic counts, and requirements to maintain and support related documentation. Revise DoD guidance to update information requirements for automated data files.	Corrective actions are on schedule.	USD(AT&L)
D-2006-074, Technical Report on the Defense Civilian Pay System General and Application Controls, 4/12/2006	Report is FOUO.	Corrective actions are on schedule.	DFAS
D-2006-075, Acquisition of the Joint Primary Aircraft Training System, 4/12/2006	Report is FOUO.	Corrective actions are on schedule.	AF
D-2006-076, Financial Management: Report on DoD Compliance With the Prompt Payment Act on Payments to Contractors., 4/19/2006	DFAS will process a System Change Request to have the Prompt Pay application (system) changed to ensure that invoices are paid in accordance with the Prompt Payment Act.	Personnel turnover and competing management priorities.	Army
D-2006-077, DoD Security Clearance Process at Requesting Activities, 4/19/2006	Updating policies for the DoD Personnel Security Clearance Program to include various information including program management and investigative responsibilities, security clearance systems, submission processes, types and levels of security clearances, and training requirements for security personnel.	Extensive time required to update DoD Regulation. Other issuances are dependent upon that updated version of that Regulation. Lack of management responsiveness from USD(I).	USD(I), DISA, AF

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-078, Information Systems Security: Defense Information Systems Agency Encore II Information Technology Solutions Contract, 4/21/2006	Report is FOUO.	Corrective actions ongoing. Estimated completion date is December 2007.	ASD(NII)
D-2006-079, Review of the Information Security Operational Controls of the Defense Logistics Agency's Business Systems Modernization-Energy, 4/24/2006	Update Business Systems Modernization Energy (Fuels Automated System) plan of action and milestones to include all security weaknesses based on the current system configuration.	Actions delayed pending Service/Agency internal accreditations.	DLA
D-2006-080, Use of Environmental Insurance by the Military Departments, 4/27/2006	Identify practices, processes, and strategies for effectively using environmental insurance; establish milestones for issuing overarching guidance on the Department's position on the use of environmental insurance; establish a process to evaluate whether DoD is achieving the anticipated benefits of risk reduction, cost savings, timely completion of cleanup projects, and increased used of performance-based contracting for environmental cleanup services, as it relates to environmental insurance.	Long-term corrective action on schedule.	USD(AT&L)
D-2006-081, Financial Management: Recording and Reporting of Transactions by Others for the National Security Agency, 4/26/2006	Report is FOUO.	Corrective actions are on schedule.	NSA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-083, Report on Information Operations in U.S. European Command (U), 5/12/2006	Report is Classified.	Corrective actions are on schedule.	JS, STRATCOM, USD (I)
D-2006-084, Information Technology Management: Information Assurance of Commercially Managed Collaboration Services for the Global Information Grid, 5/17/2006	Report is FOUO.	Concept of Operations (CONOPs) is being revised.	ASD(NII), USD(I)
D-2006-085, Vendor Pay Disbursement Cycle, Air Force General Fund: Funds Control, 5/15/2006	The Air Force will strengthen internal controls on the coordinated efforts of receiving officials, resource managers, and funds holders who oversee the status of funds.	Corrective actions are on schedule	AF
D-2006-086, Information Technology Management: Report on General and Applications Controls at the Defense Information Systems Agency, Center for Computing Services, 5/18/2006	Report is FOUO.	Corrective actions are on schedule.	DISA
D-2006-087, Acquisition: Acquisition of the Objective Individual Combat Weapon Increments II and III, 5/15/2006	Report is FOUO.	Lack of management responsiveness.	Army
D-2006-089, Acquisition of the Armed Forces Health Longitudinal Technology Application, 5/18/2006	Develop additional or more robust mitigation strategies that address the risks related to Commercial Off the Shelf (COTS) product integration.	Normal time needed for implementation.	ASD(HA)
D-2006-090, Allegation Concerning the Mobile Detection Assessment Response System Program, 5/18/2006	Ensure that lessons learned from the MDARS-Interior program have been applied to the MDARS-Exterior program.	Long-term corrective management action on schedule.	Army



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-092, Controls Over Abnormal Balances in Financial Data Supporting Financial Statements for Other Defense Organizations, 4/21/2006	Establish and implement a process to identify abnormal balances in the financial data supporting the Other Defense Organizations financial statements and disclose the financial statement disposition of these anomalies. (1) Develop an identification and disclosure metric for abnormal amounts in the entity code level supporting the financial statement account or line item. (2) Disclose in the notes to the financial statements the metric, to include amounts that are eliminated as a result of reclassifications. (3) Disclose in the notes to the financial statements the nature of individual amounts in an entity code or at the entity code that individually exceed the metric.	Long-term corrective action on schedule.	DFAS
D-2006-096, Information Technology Management: Select Controls for the Information Security of the Command and the Control Battle Management Communications System, 7/14/2006	Report is FOUO.	Site Assisted Visits (SAVs) are in progress.	MDA
D-2006-099, Purchase Card Program Controls at Selected Army Locations, 7/21/2006	Require contracting activities establish written policies and procedures for retaining purchase card transaction documents and establish controls to ensure all cardholders and approving officials receive required purchase card training.	Management corrective actions on schedule.	Army



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-100, Procurement Procedures Used for Next Generation Small Loader Contracts, 8/1/2006	The Air Force will develop a plan to improve the collection, analysis, and reporting of maintenance data for the Halvorsen fleet; and transition from a base level funded sustainment construct to ICS, and then to a CLS contract to improve readiness. Also, the Air Force agreed to review the basing plan for all loaders to ensure optimum usage, and ensure that future FAR Part 12 and Part 15 acquisitions adequately meet operational requirements.	Corrective actions are being implemented.	AF
D-2006-101, Acquisition: Procurement Procedures Used for C-17 Globemaster III Sustainment Partnership Total System Support, 7/21/2006	Complete a thorough BCA that evaluates multiple sustainment options for the C-17 Globemaster III aircraft. Also, develop policy that will require future Air Force public-private partnership contracts to identify the resources being procured with private investment.	Normal time needed for implementation.	AF
D-2006-102, Marine Corps Governmental Purchases, 7/31/2006	The USDC will revise the DoD FMR to clarify requirements concerning D&Fs for interagency support. The Marine Corps will update MCO P7300.21 to strengthen policies and procedures for the use of Military Interdepartmental Purchase Requests (MIPR) and will also update training in the use of MIPRs.	Corrective actions are being implemented.	USD(C), MC

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-105, Logistics: Implementation of Performance-Based Logistics for the Joint Surveillance Target Attack Radar System., 8/22/2006	System Program Manager for the Joint Surveillance Target Attack Radar System (STARS) develop performance based agreements.	Normal time needed for implementation.	AF
D-2006-106, Allegations Concerning Mismanagement of the Aerial Targets Program, 8/4/2006	Issue revised guidance to mitigate frequency interference risks and to emphasize Joint Tactical Radio System notification requirements.	Extensive time needed to coordinate and issue policy guidance.	AF
D-2006-108, Providing Interim Payments to Contractors in Accordance With the Prompt Payment Act, 9/1/2006	AT&L will establish a Defense Federal Acquisition Regulation Supplement case to evaluate the costs and benefits of revising the DoD policy of paying cost reimbursable service contracts on an accelerated basis(14 days). Also, the USD (C) will revise the DoD Financial Management Regulation, Volume 10, Chapter 7, entitled "Prompt Payment Act", to reflect the list of contract financing payments identified in the Federal Acquisition Regulations, Part 32.001.	Corrective actions are on schedule. Normal time required to update the DFARS.	USD(AT&L), USD(C), DFAS
D-2006-111, Expanded Micro-Purchase Authority for Purchase Card Transactions Related to Hurricane Katrina, 9/27/2006	Revise contingency-related purchase card guidance and improve efforts to disseminate and implement guidance. Also, establish a robust oversight presence and significantly strengthen internal controls to mitigate the risk of fraud, waste, and abuse.	Delays in coordinating and issuing policy.	USD(AT&L), AF, DISA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-114, Budget Execution Reporting at Defense Finance and Accounting Service Indianapolis, 9/25/2006	Develop and execute SOPs to: record and report obligations incurred against category codes that are consistent with the apportionment category codes; adjust the amounts submitted to the Treasury and reported on the Army Report on Budget Execution and Budgetary Resources; perform a quarterly reconciliation on those amounts; notify the Treasury when amounts on the OMB Report on Budget Execution and Budgetary Resources are not accurate; and disclose the existence of material unreconciled differences in budget execution data as part of the footnote disclosures to the Army financial statements.	Long-term corrective action on schedule.	DFAS
D-2006-115, Acquisition: Commercial Contracting for the Acquisition of Defense Systems, 9/29/2006	Propose a legislative change to amend Section 2306a (b), Title 10, U.S.C. to clarify the term Commercial Item in the Federal Acquisition Regulation.	Legislative proposal included in NDAA FY 2008 currently under U.S. Senate review.	USD(AT&L)
D-2006-117, American Forces Network Radio Programming Decisions, 9/27/2006	Update DoD Regulation 5120.20-R to provide written policies, controls, and procedures for the radio programming decision-making process.	Impacted by BRAC consolidation of AFIS and internal communications functions of the services.	ASD(PA)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-118, Financial Management: Financial Management of Hurricane Katrina Relief Efforts at Selected DoD Components, 9/27/2006	Issue policy guidance directing the closeout of Hurricane Katrina mission assignments and return of reimbursable funding authority to FEMA. Revise DoD FMR to reflect changes in financial management responsibilities.	USD (C) actions contingent on revision of ASD (HD) guidance; corrective actions predicated upon actions by outside agencies.	USD(C), NORTHCOM
D-2006-122, Commercial Contract for Noncompetitive Spare Parts With Hamilton Sundstrand Corporation, 9/29/2006	The OUSD(AT&L) will review and revise the acquisition regulations (DFAR/FAR) to strengthen policies and procedures to ensure price reasonableness in contracts for noncompetitive commercial items. The Air Force and Hamilton Sundstrand agreed to renegotiate Phase 1 prices of their strategic sourcing commercial contract for noncompetitive spare parts. The Air Force will revise and strengthen their commercial pricing strategy during the renegotiation process to ensure price reasonableness.	Corrections actions are on schedule	USD(AT&L), AF
D-2006-123, Program Management of the Objective Individual Combat Weapon Increment I, 9/29/2006	Report is FOUO.	Lack of management responsiveness.	Army
D-2006-124, Management of the Purchase Card Program at the North American Aerospace Defense Command and United States Northern Command, 9/29/2006	N-NC's Official Representation Fund (ORF) program will make changes in key areas of leadership and develop improvements in the ORF process. Of 16 recommendations, 14 recommendations have been completed.	Corrective actions are in process	NORTHCOM

APPENDIX G

The Defense Criminal Investigative Organizations (DCIOs), comprised of DCIS, the U.S. Army Criminal Investigation Command, the Naval Criminal Investigative Service, the Air Force Office of Special Investigations, and the Marine Corps Criminal Investigative Division, protect the military and civilian men and women of the Department by combating crimes, both domestic and overseas, with highly trained special agents, forensic experts, analysts, and support personnel. Examples of the DCIO's mission initiatives and investigative accomplishments are detailed in Chapter 5 under the nine management challenges.

Monetary recoveries of approximately \$634.8 million resulted from the investigations by the DCIOs, and are displayed by major categories in Figure 1 (below). Figure 2 (right) displays the total companies and individuals indicted and convicted is 566 and 648 respectively. Figure 3 (right) displays the number of companies and individuals suspended or debarred for this period were 51 and 113, respectively.

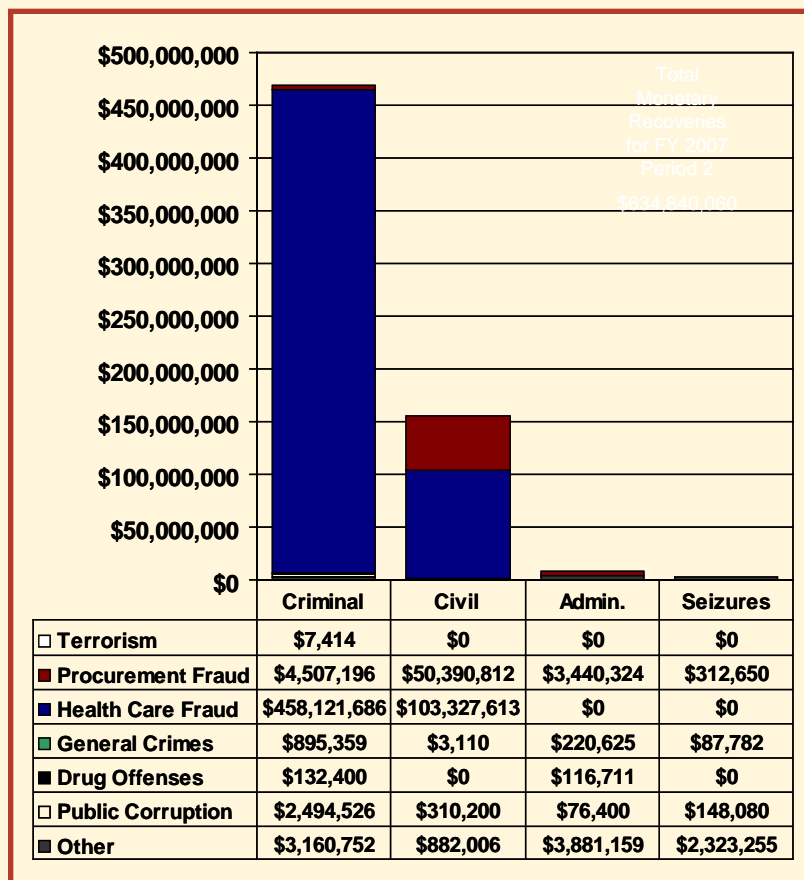


Figure 1

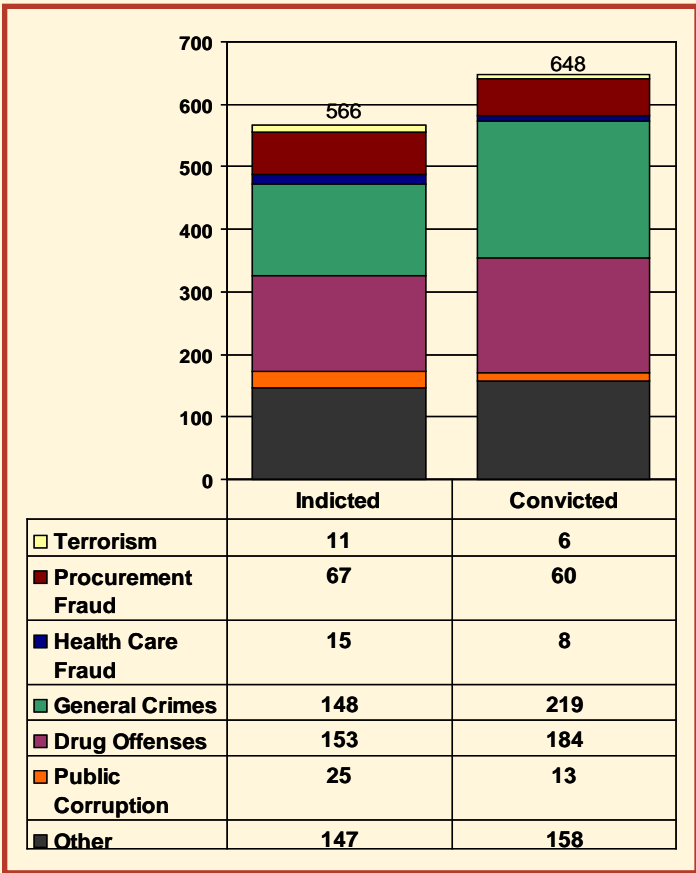


Figure 2

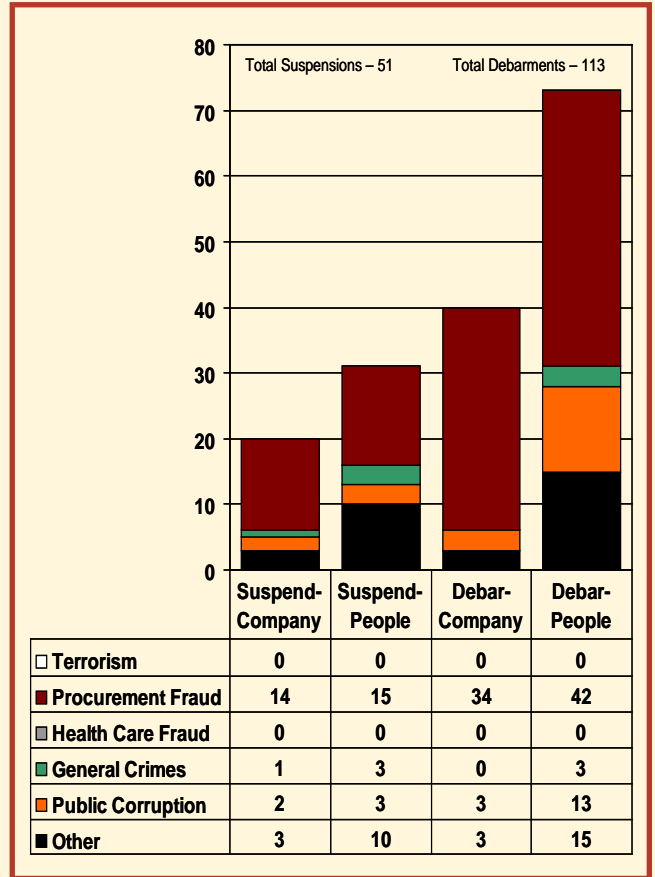


Figure 3

APPENDIX H

Active Guard and Reserves (AGRs)
Air Force Audit Agency (AFAA)
Air Force Office of Special Investigations (AFOSI)
Air Force Office of Special Investigations (AFOSI)
American President Lines (APL)
Area of Responsibility (AOR)
Army Audit Agency (AAA)
Audit Policy and Oversight (APO)
Ballistic Missile Defense System (BMDS)
Camp Fallujah, Iraq (LPL-CF)
Chemical, Biological, Radiological, Nuclear, or high yield Explosive (CBRNE) Enhanced Response Force Package (CERFP)
Civilian Reprisal Investigations Directorate (CRI)
Coalition Provisional Authority (CPA)
Combating Trafficking in Persons (CTIP)
Common levels of support (CLS)
Comprehensive Cancer Centers, Inc. (CCC)
Continental United States (CONUS)
Counterintelligence scope polygraph (CSP)
Criminal Investigation Task Force (CITF)
Defense Contract Audit Agency (DCAA)
Defense Contract Management Agency (DCMA)
Defense Council on Integrity and Efficiency (DCIE)
Defense Criminal Investigative Organizations (DCIOs)
Defense Criminal Investigative Service (DCIS)
Defense Finance and Accounting Service (DFAS)
Defense Finance and Accounting Service Indianapolis (DFAS-IN)
Defense Information Systems Agency's (DISA)
Defense Reutilization and Marketing Service (DRMS)
Department of Defense (DoD)
Department of Defense Inspector General (DoD IG)
Department of Interior (DoI)
Department of the Navy (DoN)
Desert Regional Medical Center (DRMC)
DoD Financial Manager Katrina (FM Katrina)
Earned Value Management (EVM)
Electrolyzing Corporation of Ohio (ECO)
Emergency-essential (E-E)
Evolved Expendable Launch Vehicle (EELV)
Federal Acquisition Regulation (FAR)
Federal Bureau of Investigation (FBI)
Federal Emergency Management Agency (FEMA)
Federal Information Security Management Act (FISMA)
Financial Improvement and Audit Readiness (FIAR)
Fiscal Year (FY)
Foreign Military Sales (FMS)
Fuel System Panel (FSP)
Future Years Defense Program (FYDP)
General Services Administration (GSA)
Global War on Terror (GWOT)
Government Accountability Office (GAO)
Government of Iraq (GoI)
Headquarters, Air Force (HAF)
Human Services Office of the Inspector General (HHS OIG)
Hurricane Katrina Fraud Task Force (HKFTF),
Immigration and Customs Enforcement (ICE)
Improper Payments Information Act (IPIA)
Improvised Explosive Device (IED)
Independent public accounting (IPA)
Information Technology (IT)
Inspector General (IG)
Integrated Accounts Payable System (IAPS)
Internal Revenue Service (IRS)
International Contract Corruption Task Force (ICCTF)
Investigative Policy and Oversight (IPO)
Iraqi Security Forces (ISF)
Joint Anti-Corruption Council (JACC)
Joint Headquarters (JHQ)
Joint Operations Center (JOC)
Joint Prosecution and Exploitation Centers (JPEC)
Kellogg, Brown & Root (KBR)
Law Enforcement Information Exchange (LInX)
Logistical security (LOGSEC)
Medical readiness review (MRR)
Military construction (MILCON)
Military Health System (MHS)
Military Interdepartmental Purchase Requests (MIPRs)
Military Reprisal Investigations (MRI)
Ministry of Defense (MoD)

Ministry of Interior (MoI)
Miscellaneous Obligation/Reimbursement Documents (MORDs)
Missile Defense Agency (MDA)
Multi-National Security Transition Command-Iraq (MNSTC-I)
National Institute of Standards and Technology (NIST)
National Joint Terrorism Task Force (NJTTF)
National Procurement Fraud Task Force (NPFTF)
Naval Audit Service (NAVAUDSVC)
Naval Criminal Investigative Service (NCIS)
Naval District Washington (NDW)
Office of Communications and Congressional Liaison (OCCL)
Office of Management and Budget (OMB)
Office of Special Plans (OSP)
Operation Enduring Freedom (OEF)
Operation Iraqi Freedom (OIF)
Outside Continental United States (OCONUS)
President's Council on Integrity and Efficiency (PCIE)
Protected personal information (PPI)
Reserve Travel System (RTS)
U.S. Army Corps of Engineers (USACE)
U.S. Army Criminal Investigation Command (USACIDC)
U.S. Army's Logistics Civil Augmentation Program
U.S. Marine Corps (USMC)
U.S. Navy Reserve (USNR)
U.S. Army Installation Management Command (IM-COM)
U.S. Pacific Command (PACOM)
Under Secretary of Defense for Acquisition, Technology, and Logistics (USD (AT&L))
United States Central Command (CENTCOM)
United States Central Command Air Forces (CENTAF)
United States Government (USG)
United States Marine Corps Criminal Investigation Division (USMC CID)
United States Special Operations Command (SOCOM)
Veterans Affairs (VA)
Weapons of mass destruction (WMD)



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Mr. John R. Crane 703-604-8324, DSN 664-8324