



# INSPECTOR GENERAL

*U.S. Department of Defense*

## Semiannual Report to the Congress

OCTOBER 1, 2013 TO MARCH 31, 2014



*Required by Public Law 95-452*

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

## Mission

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

## Vision

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



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



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



Inspector General  
Jon T. Rymer

I am pleased to present the Department of Defense Inspector General Semiannual Report to Congress for the reporting period October 1, 2013, through March 31, 2014, issued in accordance with the Inspector General Act of 1978, as amended.

Our oversight of the Department to identify fraud, waste, and abuse is crucial as the Department continues to balance operational needs within tight budgetary constraints. Our core values of integrity, efficiency, accountability, and excellence are reflected in our investigations, audits, assessments, evaluations, and inspections. During this reporting period, we found the following:

- U.S. Transportation Command and U.S. Central command officials did not establish adequate oversight of processes and procedures for the Afghanistan Rotary Wing Transport contracts. As a result, they had limited assurance that the contractors were meeting the contract performance standards and were unaware that a contractor incorrectly billed \$141,923 for maintenance flights.
- In accordance with DoD IG oversight provisions of Section 847 of Public Law 110-181, "The National Defense Authorization Act for Fiscal Year 2008," the After Government Employment Advice Repository database was not complete, required section 847 records were located in multiple and decentralized locations, and the records were not readily available for examination

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

- Three U.S. service members and one DoD contractor employee were sentenced to jail and ordered to pay restitution to the Government after accepting bribes and conspiring to facilitate the theft of more than \$1 million in fuel from a forward operating base in Afghanistan.
- A Defense contractor and its owner were ordered to pay restitution to the Government for supplying unauthorized substituted parts to the Defense Logistics Agency. Some of the substituted parts were critical application items for use on military vehicles and weapons systems, and the parts were labeled as if they conformed to the contract.

These examples provide a snapshot of our mission of serving our warfighters and taxpayers, and providing guidance and recommendations to the Department of Defense and Congress.

During this reporting period, we issued 52 reports identifying \$3.6 million in potential monetary benefits. Defense Criminal Investigative Service investigations were the basis for 48 arrests, 171 criminal charges, 147 criminal convictions, 82 suspensions, and 81 debarments, as well as \$1.5 billion in returns to the Government. The DoD Hotline fielded 5,596 contacts from the public and components of the DoD community. Administrative Investigations closed a total of 877 complaints involving whistleblower reprisal and senior official misconduct.

Many thanks to the Army Audit Agency, Naval Audit Service, Air Force Audit Agency, U.S. Army Criminal Investigation Command, Naval Criminal Investigative Service, Air Force Office of Special Investigations, and the Defense Contract Audit Agency, who all contributed to our report.

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

Jon T. Rymer  
Inspector General

## SUMMARY OF AUDIT ACTIVITIES

Reports Issued	40
Potential Monetary Benefits Identified	
Recommendations Made with Questioned Costs	\$3.6 million
Achieved Monetary Benefits	\$ 25.8 million

## SUMMARY OF DEFENSE CRIMINAL INVESTIGATIVE SERVICE ACTIVITIES

Total Investigative Receivables and Recoveries <sup>1</sup>	\$1.5 billion
Recovered Government Property	\$ 904,440
Civil Judgments/Settlements	\$1.1 billion
Criminal Fines, Penalties and Restitution Ordered (does not include Asset Forfeitures)	\$367.2 million
Administrative Recoveries <sup>2</sup>	\$31 million
Investigative Activities	
Arrests	48
Criminal Charges	171
Criminal Convictions	147
Suspensions	82
Debarments	81
Asset Forfeiture Results	
Seized	\$1.2 million
Final Orders of Forfeiture	\$1.5 million
Monetary Judgments	\$5.4 million

## SUMMARY OF ADMINISTRATIVE INVESTIGATIONS

Complaints Received	961
Complaints Closed	877
Senior Official	382
Whistleblower Reprisal	495

## SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES

Existing and Proposed Regulations Reviewed	168
Evaluation Reports Issued	2
Inspector General Subpoenas Issued	355
Contractor Disclosures Received	106

## SUMMARY OF INTELLIGENCE AND SPECIAL PROGRAM ASSESSMENTS ACTIVITIES

Reports Issued	4
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## SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES

Assessment Reports Issued	6
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## SUMMARY OF DoD HOTLINE ACTIVITIES

Contacts	5,596
Cases Opened	3,149
Cases Closed	4,368

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

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

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# REPORTING REQUIREMENTS

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

REFERENCES	REQUIREMENTS	PAGE
Section 4(a)(2)	“review existing and proposed legislation and regulations...make recommendations...”	N/A
Section 5(a)(1)	“description of significant problems, abuses, and deficiencies...”	9-42
Section 5(a)(2)	“description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies...”	9-42
Section 5(a)(3)	“identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed...”	N/A
Section 5(a)(4)	“a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted.”	9-42
Section 5(a)(5)	“a summary of each report made to the [Secretary of Defense] under section 6(b)(2)...” instances where information requested was refused or not provided”	N/A
Section 5(a)(6)	“a listing, subdivided according to subject matter, of each audit report, inspection report, and evaluation report issued” showing dollar value of questioned costs and recommendations that funds be put to better use.	86-92
Section 5(a)(7)	“a summary of each particularly significant report...”	9-42
Section 5(a)(8)	“statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the total dollar value of questioned costs...”	94
Section 5(a)(9)	“statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management...”	94
Section 5(a)(10)	“a summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period...”	94
Section 5(a)(11)	“a description and explanation of the reasons for any significant revised management decision...”	N/A
Section 5(a)(12)	“information concerning any significant management decision with which the Inspector General is in disagreement...”	N/A
Section 5(a)(13)	“information described under Section 05(b) of the Federal Financial Management Improvement Act of 1996...” (instances and reasons when an agency has not met target dates established in a remediation plan)	N/A
Section 5(a)(14)	“An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period...”	117
Section 5(a)(15)	“A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete...”	N/A
Section 5(a)(16)	“Any peer reviews conducted by DoD IG of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review...that remain outstanding or have not been fully implemented...”	117
Section 5(b)(2)	“statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of disallowed costs...”	95
Section 5(b)(3)	“statistical tables showing the total number of audit, inspection, and evaluation reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision...”	95
Section 5(b)(4)	“a statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year...”	109-116
Section 8(f)(1)	“information concerning the number and types of contract audits...”	96
Section 5 note	“an annex on final completed contract audit reports...containing significant audit findings.”	98-108

# OVERVIEW



## SERVING THE CONGRESS AND THE DEPARTMENT

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

## MISSION

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

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

## VISION

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

## CORE VALUES

- Integrity
- Efficiency
- Accountability
- Excellence

## GOAL 1

Promote economy, efficiency and effectiveness.

## GOAL 2

Identify, deter and investigate fraud, waste and abuse.

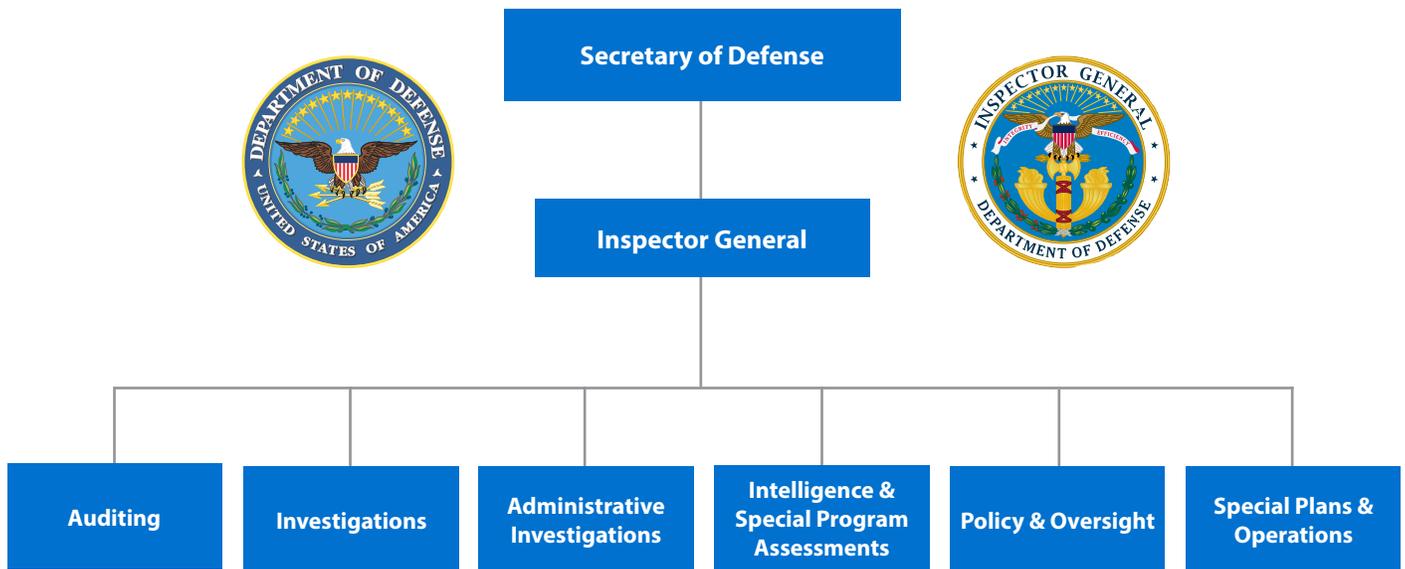
## GOAL 3

Engage, enable and empower our people.

## GOAL 4

Achieve excellence through unity.





## AUDITING

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

## INVESTIGATIONS

The Office of the Deputy Inspector General for Investigations leads the Defense Criminal Investigative Service, which conducts highly relevant, objective, professional investigations of matters critical to DoD property, programs, and operations that provide for our national security with emphasis on life, safety, and readiness.

## ADMINISTRATIVE INVESTIGATIONS

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

## INTELLIGENCE AND SPECIAL PROGRAM ASSESSMENTS

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

## POLICY AND OVERSIGHT

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

## SPECIAL PLANS AND OPERATIONS

The Office of the Deputy Inspector General for Special Plans and Operations provides assessment oversight of all facets of DoD programs and operations. Senior DoD leaders and Congress use these assessments to make informed decisions regarding priority national security objectives.

## OVERVIEW

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

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

During this reporting period, DoD IG continued directing its resources toward those areas of greatest risk to the Department of Defense. We are dedicated to serving the warfighter and the taxpayer by conducting audits, investigations, and inspections that result in improvements to the Department. DoD IG provides guidance and recommendations to the Department and information to Congress. We summarize below the work of each component as of March 31, 2014.

**Auditing** issued 40 reports with more than 135 recommendations identifying potential cost savings and funds that could be put to better use, ensuring the safety of service members; addressing improvements in DoD operations, financial reporting and accountability; ensuring the Department complied with statutory mandates; and improve existing or identifying new efficiencies. Of those reports, 30 percent addressed acquisition processes and contracting issues; 50 percent addressed financial management issues; 2.5 percent addressed cyber security issues; and 17.5 percent addressed joint warfighting and readiness issues.

**Investigations-Defense Criminal Investigative Service** opened 295 cases, closed 251 cases and has 1,720 ongoing investigations. Cases resolved in this reporting period primarily addressed criminal allegations of procurement fraud, public corruption, product substitution, illegal transfer of technology and health care fraud.

**Administrative Investigations** received a total of 384 senior official and 577 whistleblower reprisal/restriction complaints in the first half of FY 2014; and closed a total of 382 senior official and 495 whistleblower reprisal/restriction complaints.

**Intelligence and Special Program Assessments** issued four reports that addressed acquisition processes and contract management, financial management, and the nuclear enterprise.

**Policy and Oversight** issued two evaluation reports addressing its oversight of audit and investigative issues in DoD. In particular, we reviewed a Hotline allegation regarding a followup audit of a contractor's Material Management and Accounting System and deoxyribonucleic acid collection requirements for criminal investigations. Policy and Oversight also issued 3 Department-wide policies, coordinated 168 existing and proposed DoD policy issuances, issued 355 IG subpoenas, and received 106 contractor disclosures.

**Special Plans and Operations** issued 6 assessment reports with 58 recommendations that addressed a range of issues, including planning for the effective development and transition of critical Afghan National Security Forces enablers to post-2014, managing risks of multiple medications, and burials at Arlington and Soldiers' and Airmen's Home National Cemeteries.

## PRIORITIES

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

- Prevail in today's wars;
- Prevent and deter conflict;
- Prepare to defeat adversaries and succeed in a wide range of contingencies;
- Preserve and enhance the all-volunteer force; and
- Reform the business and support functions of the defense enterprise.

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

- Acquisition processes and contract management;
- Financial management;
- Joint warfighting and readiness;
- Information assurance, security and privacy;
- Health and safety;
- Equipping and training Afghan National Security Forces; and
- Nuclear enterprise.

Our investigations resulted in criminal, civil and administrative actions. We report on the following investigative priorities for crimes impacting the Department:

- Procurement fraud;
- Public corruption;
- Product substitution;
- Health care fraud; and
- Technology protection.

## CORE MISSION AREAS

DoD IG issued 52 reports identifying \$3.6 million in potential monetary benefits. We achieved an additional \$25.8 million in financial savings based on management-completed corrective actions to reports issued in previous reporting periods. In addition, Defense Criminal Investigative Service investigations were the basis for 48 arrests, 171 criminal charges, 147 criminal convictions, 82 suspensions and 81 debarments, as well as \$1.5 billion potentially returned to the Government.

### AUDITS

DoD IG examined the Department's financial schedule of North Atlantic Treaty Organization (NATO) contributions to the Afghan National Army Trust Fund to determine whether the receipts and expenditures were fairly stated (accurately reported). NATO countries have contributed more than \$600 million to the trust fund to date. DoD IG did not identify any instances where contributions were applied to contracts that conflicted with NATO donors' intent. However, the Department was not able to provide a financial schedule that was auditable because of material internal control weaknesses related to the financial reporting processes and noncompliance with laws and regulations. Therefore, DoD IG issued a disclaimer of opinion because DoD IG was not able to determine if the financial schedule was accurate. Without audited statements, future donations from contributing countries may be at risk. The lack of a timely completed audit may negatively affect the participation of NATO countries making donations to the trust fund.

#### **Report No. DODIG-2014-046**

The Air Force Aeronautical Systems Center awarded a \$215.8 million cost-plus-fee service contract to Pratt and Whitney to establish a sole-source, 10-year, performance-based logistics business arrangement for sustainment of fielded F119 engines. The Air Force awarded about \$1.6 billion for F119 engine sustainment, including engine spare parts for 2008

through 2012, but did not validate actual unit costs of engine spare parts purchased. This occurred because the contracting officers did not have a process to identify and track the actual unit costs paid for F119 engine spare parts. As a result, the contracting officers did not know whether they received fair and reasonable prices for sole-source F119 engine spare parts. Consequently, the Air Force Life Cycle Management Center contracting officers will not be able to transition the F119 engine spare parts contract structure to firm-fixed-price. DoD IG recommended the Commander, Air Force Life Cycle Management Center, develop a process to identify and document actual spare part costs for 2010 and each subsequent year on the contract for use in determining fair and reasonable prices, and develop an action plan with defined milestones to transition to a firm-fixed-price contract for F119 engine spare parts.

**Report No. DODIG-2014-038**

The Army did not have effective procedures for processing and safeguarding retail and wholesale equipment at the Redistribution Property Assistance Team yards in Afghanistan. Redistribution Property Assistance Team personnel did not accurately record 37.2 percent of equipment valued at \$157.4 million in the accountability systems or maintain sufficient documentation to support items that had been transferred from the Redistribution Property Assistance Team yards in Bagram and Kandahar. The Army did not properly oversee contractor performance to ensure adequate establishment and transference of property accountability; did not hold the contractor accountable for poor performance; and did not implement effective controls over equipment. The Army reported accumulated losses of \$586.8 million from May 2012 through May 2013 in retail and wholesale equipment at the nine Redistribution Property Assistance Team yards in Afghanistan. Included in these losses were weapons, weapons systems, and other sensitive equipment.

**Report No. DODIG-2014-043**

## INVESTIGATIONS

A joint investigation with U.S. Health and Human Services Office of Inspector General, Food and Drug Administration (FDA) Office of Criminal Investigation and the United States Postal Service Office of Inspector General, disclosed Johnson & Johnson and

its subsidiary Janssen Pharmaceutica, Inc., introduced the antipsychotic drug Risperdal into interstate commerce for non-FDA approved use and allegedly provided incentives for this off-label use to healthcare providers. On November 1, 2013, Janssen entered into a civil settlement agreement with the Department of Justice in which the company agreed to pay the Government a total of \$1.2 billion to settle allegations of off-label marketing. Of this amount, TRICARE received \$8.1 million. Additionally, on November 7, 2013, Janssen pleaded guilty to a criminal information charging it with introducing a misbranded drug, Risperdal, into interstate commerce. Janssen was sentenced to pay a criminal fine of \$334 million and was ordered to forfeit \$66 million, based on FDA forfeiture actions.

A DCIS investigation examined allegations that Sikorsky Aircraft Corporation submitted false claims for inflated costs for spare parts. The investigation found that in four contacts from 2008 to 2011 Sikorsky allegedly failed to disclose accurate, complete, and current cost and pricing data for U.S. Army Black Hawk helicopters. As a result of the inaccurate pricing data, Sikorsky allegedly submitted claims to the Government with inflated prices. On March 31, 2014, Sikorsky entered into a civil settlement with the Department of Justice and agreed to pay \$3.5 million to resolve allegations that it violated the False Claims Act.

A Defense Criminal Investigative Service investigation disclosed that Component Source Florida and its owner, Luis Cantos, supplied DoD with parts that did not meet the contract specifications. Cantos bought Chinese-made parts and unlawfully used them to fill DoD orders that required original equipment manufacturer parts. The contracts were for parts for high mobility multipurpose wheeled vehicles, forklifts, and aircraft. Cantos and co-conspirator Jeffrey Perez were later identified as employees of Metro Enginetech, Inc., and Cantos was also identified as the owner of LEC Technologies. Both companies provided parts that did not meet DoD specifications and also submitted false traceability documentation to the Defense Supply Center Columbus and the Defense Supply Center Richmond using email and facsimile. On December 16, 2013, Jeffrey Perez pleaded guilty to conspiracy to defraud the Government with respect

to claims. On February 6, 2014, Luis Cantos pleaded guilty to conspiracy to defraud the Government with respect to claims, false claims, and conspiracy to commit mail fraud. On March 4, 2014 Perez was sentenced to five months imprisonment, three years supervised release, and ordered to pay \$23,300 jointly and severally with Cantos. Sentencing for Cantos is scheduled for May 2014.

## INSPECTIONS

DoD IG conducted an assessment of the Arlington National Cemetery and the Soldiers' and Airmen's Home National Cemetery for oversight, operational issues, information systems, and grave accountability to determine whether their capabilities were sufficient for executing its mission.

**Report No. DODIG-2014-026**

DoD IG assessed Wounded Warrior programs to identify challenges pertaining to medication management practices. The assessment team reviewed DoD and Services policies and programs intended to manage risks associated with multiple medication prescriptions, examined policies related to reducing adverse drug events, and looked at procedures related to disposal of expired and excess medications.

**Report No. DODIG-2014-040**

DoD IG reviewed plans and activities that are in place to develop enabling capabilities (enablers) identified as being critical to the ability of the Afghan National Army to conduct and sustain independent operations. This report is classified.

**Report No. DODIG-2014-027**

DoD IG tracked Afghan National Police/Ministry of Defense development in the areas of sustainment, professionalization, and Afghan National Police/Ministry of Defense transition to Afghan security lead. Metrics were analyzed to determine progress toward the goal of developing a sustainable Afghan National Security Force for transition to Afghan control by 2014. This report is classified.

**Report No. DODIG-2012-034.7**

DoD IG conducted an assessment to address the central database and DoD IG oversight provisions of Section 847 of Public Law 110-181, "The National

Defense Authorization Act for Fiscal Year 2008," addressing subsequent direction from the House Armed Services Committee, and determining whether written legal opinions required by Section 847 were being provided and retained in accordance with the requirements of this section.

**Report No. DODIG-2014-050**

DoD IG conducted an annual review of the effectiveness and compliance of Services' voting assistance programs. Compliance areas focused on staffing, training, material distribution, communication and information, and commander- and installation-level involvement.

**Report No. DODIG-2014-051**

## POLICY AND OVERSIGHT

DoD IG reviewed a DoD Hotline complaint alleging that during a followup audit of a DoD contractor's Material Management and Accounting System (MMAS), a Defense Contract Audit Agency (DCAA) auditor concluded that numerous outstanding deficiencies were corrected without obtaining sufficient evidence, and the auditor reported the entire MMAS system adequate. DoD IG substantiated the allegation that DCAA reported several MMAS deficiencies as corrected without obtaining sufficient evidence to support the opinion, but did not substantiate the second allegation that DCAA reported the entire MMAS system as adequate.

**Report No. DODIG-2014-002**

DoD IG evaluated whether DoD and the U.S. Coast Guard authorities collected Deoxyribonucleic Acid (DNA) samples from service members convicted of certain offenses and submitted them to the U.S. Army Criminal Investigation Laboratory (USACIL) for analysis and subsequent inclusion in the Combined DNA Index System (CODIS) as Federal law and DoD Instruction mandate. DoD and Coast Guard authorities did not submit 282 of the 3,536 required DNA samples to USACIL for inclusion in CODIS during the evaluation sample period of June 1, 2010, through October 31, 2012. Because of this, evaluated agencies had an overall 92 percent compliance rate.

**Report No. DODIG-2014-029**

## ADMINISTRATIVE INVESTIGATIONS

The DoD IG recently completed a review of a report of investigation concerning the processing of a recommendation to award the Medal of Honor to a former Army captain. Specifically, the review was conducted to determine the circumstances surrounding the loss of the original award recommendation. DoD IG determined that the report of investigation was factually incomplete and conducted additional inquiry. As a result of the additional inquiry, DoD IG concluded by a preponderance of the evidence that the Commander, U.S. Forces-Afghanistan, properly endorsed the officer's original Medal of Honor recommendation, but the recommendation was not forwarded to Headquarters, U.S. Central Command, as required. There was insufficient evidence to conclude a senior official committed misconduct in this matter. Prior to the completion of our review, the officer was awarded the Medal of Honor.

## ENABLING MISSION AREAS

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### DoD HOTLINE

The DoD Hotline received 5,596 contacts from the public and members of the DoD community during this reporting period. Of those contacts, 1,211 (22 percent) were telephone calls. Based on these contacts, the Hotline opened 3,149 cases and closed 4,368 cases.

### CONGRESSIONAL AFFAIRS

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

The Office of Communications and Congressional Liaison (OCCL) supports the DoD IG by serving as the contact for communications to and from Congress. From October 1, 2013, through March 31, 2014, OCCL received 85 new congressional inquiries and closed 126.

### CONGRESSIONAL REQUESTS

DoD IG had six new legislative reporting requirements in the FY 2014 National Defense Authorization Act and Committee report language for the FY 2014 DoD Appropriations bill. These reporting requirements include periodic audits of contracting compliance with section 2533a of title 10, United States Code (the "Berry Amendment"), an assessment of planned testing of the Ground Based Interceptors program, a review of the Permanent Change of Station program efficiencies, and an assessment of the time it takes for Service treatment records to be transmitted from DoD to the Department Veterans Affairs. DoD IG also received requests for reviews directly from Members of Congress and congressional committees.

# CORE MISSION AREAS



## AUDITS

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

- Acquisition processes and contract management.
- Financial management.
- Joint warfighting and readiness.
- Cyber security.

## ACQUISITION PROCESSES & CONTRACT MANAGEMENT

The Department continues to focus efforts on improving its acquisition processes and management and oversight of the contracts it issues. The Department recognizes that it must do more with less considering the current fiscal constraints. The Department's efforts to be more disciplined with resources are evident by the number of major defense acquisition programs the Department terminated over the last several years. Additionally, achieving greater efficiencies is the central tenet of its Better Buying Power initiative, which includes a broad array of efficiency efforts with emphasis on innovation, technology, best value, and professionalism of the workforce. However, DoD IG continues to identify recurring deficiencies with the Department's efforts to provide effective administration and oversight of contracts and determine fair and reasonable prices.

*“Of the 88 contracts reviewed, valued at about \$1.66 billion, Missile Defense Agency and Defense Microelectronics Activity contracting personnel did not consistently implement the interim rule for 72 contracts, valued at about \$528 million.”*

### Missile Defense Agency and Defense Microelectronics Activity Use of Cost-Reimbursement Contracts

#### OVERVIEW:



DoD IG is required to perform this audit in accordance with the FY 2009 National Defense Authorization Act, section 864, “Regulations on

the Use of Cost Reimbursement Contracts.” DoD IG determined whether the Missile Defense Agency and the Defense Microelectronics Activity complied with interim Federal Acquisition Regulation revisions on the use of cost reimbursement contracts. This was the third in a planned series of audit reports on DoD compliance with the interim rule for the use of cost-reimbursement contracts.

#### FINDINGS:

Of the 88 contracts reviewed, valued at about \$1.66 billion, Missile Defense Agency and Defense Microelectronics Activity contracting personnel did not consistently implement the interim rule for 72 contracts, valued at about \$528 million. Contracting personnel issued contracts that did not follow the interim rule because of different interpretations of the interim rule requirements. As a result, Missile Defense Agency and Defense Microelectronics Activity contracting personnel continue to issue cost-reimbursement contracts that may inappropriately increase DoD's contracting risks because cost reimbursement contracts provide less incentive for contractors to control costs.

#### RESULT:

The Director, Missile Defense Agency, agreed and will emphasize the importance of the revisions to contracting personnel. Missile Defense Agency contracting personnel have updated their checklists to reflect the revisions. The Chief, Contracting Division, Defense Microelectronics Activity, agreed and immediately established procedures to ensure that a senior official is always available to approve all cost-reimbursement contracts one level above the contracting officer. According to the Chief's comments, Defense Microelectronics Activity has provided additional training to contracting personnel regarding the requirements of the interim rule.

**Report No. DODIG-2014-011**

### U.S. Army Corps of Engineers Transatlantic District- North Needs to Improve Oversight of Construction Contractors in Afghanistan

#### OVERVIEW:



DoD IG is performing a series of audits on military construction projects in Afghanistan. For this project, DoD IG determined whether U.S. Army Corps of Engineers (USACE) properly monitored



DoD IG determined whether USACE properly monitored contractor performance during construction in Afghanistan.

contractor performance during construction and adequately performed quality assurance oversight responsibilities pertaining to two special operations forces military construction projects at Bagram Airfield, Afghanistan.

### FINDINGS:

USACE Transatlantic District-North quality assurance and contracting officials' oversight of two special operations forces' military construction projects at Bagram Airfield, valued at \$37.6 million, was not conducted in accordance with the Federal Acquisition Regulation and USACE guidance. Since 2010, when the projects were initiated, area and resident engineers did not provide project engineers and construction representatives with a Statement of Understanding and Compliance; project engineers did not always follow contract oversight responsibilities, were working with incomplete contractors' quality controls plans, did not prepare quality assurance plans, and could not substantiate that contractors fully executed the three-phase inspection process; and USACE Transatlantic District-North technical inspections of contractors' construction efforts were limited. This occurred because current quality assurance officials did not always have critical quality assurance documents available before their arrival and could not explain why quality assurance requirements were not fully executed from the projects' start. However, the area engineer stated that documenting the quality

assurance process was secondary and that completing the special operations forces military construction projects was the top priority. As a result, there is an increased risk that, although the two special operations forces military construction projects will get completed, the projects may not meet contract requirements.

### RESULT:

Management comments partially addressed the recommendations. USACE agreed to complete Statements of Understanding and Compliance, approve contractors' quality control plans, and maintain complete records in response to the recommendations.

**Report No. DODIG-2014-010**

## U.S. Army Contracting Command Did Not Obtain Fair and Reasonable Prices for Communications Equipment

### OVERVIEW:

 DoD IG determined whether the U.S. Army Contracting Command (ACC) obtained fair and reasonable prices for communications equipment procured from Datron World Communications, Inc. (Datron). Specifically, DoD IG reviewed 37 contract actions, valued at approximately \$328 million for 127 items, and identified 75 items with associated commercial sales, valued at approximately \$219 million.

### FINDINGS:

Contracting officers did not obtain fair and reasonable prices for communications equipment procured from Datron to support the Afghan National Security Forces (ANSF). Specifically, contracting officers did not



DoD IG determined whether ACC obtained fair and reasonable prices for communications equipment.

conduct sufficient pre- or post-award price analysis. Additionally, contracting officers did not obtain the most favored customer price on 40 of 75 commercial sales items. This occurred because the contracting officers did not:

- verify that proposed prices were fair and reasonable in accordance with the Defense Federal Acquisition Regulation Supplement before awarding the contract;
- adequately review price changes as authorized by the contract; or
- enforce the most favored customer clause and obtain sales data in accordance with contract requirements.

As a result, ACC potentially overpaid up to \$3.3 million for communications equipment purchased for the ANSF.

## RESULT:

Comments from the Director of Contracting, ACC-Aberdeen Proving Ground, addressed all but one recommendation, which DoD IG revised based on actions taken since the draft report. DoD IG requested additional comments on the revised recommendation.

**Report No. DODIG-2014-020**

## Air Force Life-Cycle Management Center Could Not Identify Actual Cost of F119 Engine Spare Parts Purchased From Pratt and Whitney

### OVERVIEW:

 DoD IG determined whether the U.S. Air Force purchased sole-source F119 PW-100 Turbofan (F119) engine spare parts for the F-22 Raptor at fair and reasonable prices from Pratt and Whitney. The F-22 fleet consists of 187 aircraft, each powered by two F119 engines manufactured by Pratt and Whitney. This was the first in a series of audits addressing the F119 engine sustainment performance-based logistics contract.

### FINDINGS:

On February 19, 2008, the Air Force Aeronautical Systems Center at Wright-Patterson Air Force Base, Ohio, awarded a \$215.8 million cost-plus-fee service contract to Pratt and Whitney to establish a sole-source, 10-year, performance-based logistics business arrangement for sustainment of fielded F119 engines.



DoD IG evaluated if sole-source engine spare parts for the F-22 Raptor were purchased at fair and reasonable prices.

The Air Force awarded about \$1.6 billion for F119 engine sustainment, including engine spare parts for 2008 through 2012, but did not validate actual unit costs of engine spare parts purchased. The contracting officers did not have a process to identify and track the actual unit costs paid for F119 engine spare parts. As a result, the contracting officers did not know whether they received fair and reasonable prices for sole-source F119 engine spare parts. Consequently, the Air Force Life Cycle Management Center contracting officers will not be able to transition the F119 engine spare parts contract structure to firm-fixed-price.

## RESULT:

The Commander, Air Force Life Cycle Management Center, did not provide comments to the recommendations in the report.

**Report No. DODIG-2014-038**

## The Army Needs to Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards in Afghanistan

### OVERVIEW:

 DoD IG determined whether Redistribution Property Assistance Teams (RPATs) in Bagram and Kandahar, Afghanistan, have effective procedures in place to process equipment, to include preparation for shipment.

## FINDINGS:

The RPATs did not have effective procedures for processing and safeguarding retail and wholesale equipment at the RPAT yards in Bagram and Kandahar, Afghanistan. Specifically, RPAT personnel did not accurately record 6,703 of 18,036, or 37.2 percent, of equipment valued at \$157.4 million in the accountability systems or maintain sufficient documentation to support items that had been transferred from the RPAT yards in Bagram and Kandahar. This occurred because Army Sustainment Command, Army Contracting Command - Rock Island, and the 401st Army Field Support Brigade did not properly oversee contractor performance to ensure adequate establishing and transferring of property accountability at the RPAT yards; Army Sustainment Command did not provide sufficient resources to the RPATs; Army Contracting Command - Rock Island did not hold the contractor accountable for poor performance; and the 401st Army Field Support Brigade did not implement effective controls over equipment at the RPAT yards. As a result, the Army reported accumulated losses of \$586.8 million from May 2012 through May 2013 in retail and wholesale equipment at the nine RPAT yards in Afghanistan. Included in these losses were weapons, weapons systems, and other sensitive equipment. DoD IG also identified that equipment at the RPAT yards was not being safeguarded in accordance with applicable regulations. When notified of the problem, the Commander, 401st Army Field Support Brigade promptly acted to fix the identified deficiencies.



DoD IG reviewed Redistribution Property Assistance Teams in Afghanistan.

## RESULT:

Management comments from the Commander Army Sustainment Command were responsive to the recommendations. Comments from the Commander, Army Materiel Command, the Director, Army Contracting Command-Rock Island, and the Commander, 401st Army Field Support Brigade partially addressed the recommendations. DoD IG requested the Commander, Army Materiel Command, the Commander, Army Sustainment Command, the Director, Army Contracting Command-Rock Island, and the Commander, 401st Army Field Support Brigade provide additional comments.

**Report No. DODIG-2014-043**

## Improvements Are Needed in Contractor Oversight, Mission Security, and Personnel Safety for the Afghanistan Rotary Wing Program Contracts

### OVERVIEW:

 DoD IG determined whether U.S. Transportation Command (USTRANSCOM) and U.S. Central Command (USCENTCOM) officials had adequate oversight of processes and procedures for the Afghanistan Rotary Wing Transport contracts. This was the second in a series of audits of these contracts. Since FY 2009, USTRANSCOM contracting officials have awarded 10 indefinite-delivery, indefinite-quantity contracts in support of the Afghanistan Rotary Wing Transport program. As of June 2013, the contracting officer issued 30 task orders with an approximate obligated value of \$2 billion, and a total approximate value of \$3.3 billion, if all options are exercised.

### FINDINGS:

USTRANSCOM and USCENTCOM officials did not establish adequate oversight of processes and procedures for the Afghanistan Rotary Wing Transport contracts. As a result, USTRANSCOM and USCENTCOM had limited assurance that the contractors were meeting the contract performance standards and were unaware that a contractor incorrectly billed \$141,923 for maintenance flights. U.S. Forces-Afghanistan (USFOR-A) personnel did not correctly handle classified information related to the Afghanistan Rotary Wing Transport contracts. Specifically, military personnel posted classified information from classified flight schedules in



DoD IG determined whether USTRANSCOM and USCENTCOM officials had adequate oversight of the Afghanistan Rotary Wing Transport contracts.

public locations. This occurred because the military personnel needed to provide the flight schedules to passengers. As a result, the compromised classified information could have threatened personnel life and safety or caused serious damage to national security. In April 2013, the Chief of Staff, USFOR-A stated that a security review was conducted and corrective action was taken at Jalalabad Airbase. USCENTCOM allowed unprotected contractor aircraft to transport personnel and cargo under the Afghanistan Rotary Wing Transport contracts. Specifically, 13 aircraft were not equipped with ballistic protection matting. As a result, aircrews, passengers, and Government property are at an increased risk of injury and damage from enemy attacks. The USTRANSCOM contracting officer awarded the Afghanistan Rotary Wing Transport contract to a contractor that did not meet the security clearance requirements established by USCENTCOM. As a result, USCENTCOM personnel released classified information for nearly 3 years to contractor personnel who did not have the required security clearances.

## RESULT:

The USCENTCOM, Commander; USCENTCOM, Director of Operations; USFOR-A, Deputy Commander—Support; USTRANSCOM, Director of Acquisition and the USTRANSCOM, Contracting Officer only partially addressed the recommendations and DoD IG requested additional comments.

**Report No. DODIG-2014-044**

## DoD Considered Small Business Innovation Research Intellectual Property Protections in Phase III Contracts, but Program Improvements Are Needed

### OVERVIEW:

 In response to a requirement in House Armed Services Committee Report 112-479, to accompany the National Defense Authorization Act for FY 2013, DoD IG reviewed 22 Small Business Innovation Research (SBIR) Phase III contracts, with a combined base award value of about \$244.9 million, to determine whether the Services properly awarded SBIR Phase III contracts to other than small businesses. Specifically, DoD IG determined whether the Services considered small business intellectual property rights and properly notified the Small Business Administration (SBA) of contract awards.

### FINDINGS:

U.S. Army Medical Research Acquisition Activity, Naval Air Systems Command, Naval Sea Systems Command, and Air Force Research Laboratory contracting personnel:

- properly awarded all 11 SBIR Phase III contracts that were awarded to other than small businesses because the awardee owned the SBIR data rights; and
- considered SBIR intellectual property rights when awarding 21 of 22 contracts by including the required contract clause.

However, DoD contracting and U.S. Army Medical Research and Materiel Command personnel inconsistently followed policies that governed SBIR intellectual property protections because of unclear and inconsistent DoD and SBA requirements. Additionally, DoD organizations did not:

- have any documented instances of contractor intellectual property complaints within the SBIR Program because DoD personnel were not required to track complaints and believed that none existed; and
- know the complete universe of SBIR Phase III contract awards because no mechanism existed to fully track SBIR Phase III contracts.

DoD organizations' inconsistent interpretation of unclear requirements hinders program oversight and weakens protections over small business intellectual property. Without a clear interpretation of existing policy, DoD organizations could face obstacles in exercising their rights to SBIR data. DoD does not have reliable data to report the success of the DoD SBIR Program. As a result, DoD's program oversight and the protections over small business intellectual property within the SBIR Program is weakened, and information provided to Congress is not complete.

## RESULT:

The Deputy Director, Policy and Procurement, DoD Office of Small Business Programs, responding for the Administrator, DoD Office of Small Business Programs, SBIR Office, partially addressed the recommendations to develop training and issue guidance. The Deputy Director agreed with the recommendations and stated the DoD Office of Small Business Programs would address the following topics during the SBIR/ Small Business Technology Transfer annual training workshop planned for June 2014:

- standard intellectual property protections;
- use of the data assertions table;
- when the SBIR protection period begins and when it can be extended;
- timely SBA notification requirements; and
- accuracy and uniformity of SBIR database information.

However, the Deputy Director did not fully address the actions needed to allow for a uniform interpretation of intellectual property protections across DoD or those needed to increase the accuracy of SBIR information being entered into existing databases. The Director, Defense Procurement Acquisition Policy agreed to address inconsistencies in DoD regulations. The Director stated DoD would work with SBA to address the inconsistencies regarding intellectual property and noted DoD has taken steps to clarify guidance on the initiation and extension of the protection period of SBIR generated data.

**Report No. DODIG-2014-049**

## FINANCIAL MANAGEMENT

The Department is committed to achieving audit readiness on all its financial statements. This longstanding goal continues to be a strategic focus for the Department's efforts in improving financial management. DoD must improve its financial management as the budgetary uncertainties compound the Department's fiscal challenges. If the Department is going to make sound business and budgetary decisions, it must have timely, accurate, and reliable financial information.

During this reporting period, DoD IG issued opinion reports addressing appropriated funds obligated for the purpose of Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome prevention, DoD execution of North Atlantic Treaty Organization-contributing donations to Afghan National Army Trust Fund, and funds obligated for National Drug Control Program activities. Additionally, DoD IG issued opinion reports on the DoD Basic and Special Purposes financial statements; Army, Navy, and Air Force's General and Working Capital Fund financial statements; U.S. Marine Corps Budgetary Activity for FY 2012; DoD Medicare-Eligible Retiree Health Care fund; and an endorsement of the opinion on the DoD Military Retirement Fund financial statements.

*“U.S. Army Contracting Command-Warren...inappropriately permitted unusual contract financing when they modified two Ground Combat Vehicle development contracts with award values totaling \$889.7 million.”*

## Authorization of DoD Progress Payments For Ground Combat Vehicle Contracts Needs Improvement

### OVERVIEW:

 DoD IG determined whether DoD officials authorized and administered progress payments in DoD contracts in accordance with selected Federal Acquisition Regulation and DoD policies. Additionally, DoD IG examined progress payments for two contracts for the Ground Combat Vehicle Technology Development Phase.

## FINDINGS:

U.S. Army Contracting Command-Warren procurement contracting officers (PCOs) inappropriately permitted unusual contract financing when they modified two Ground Combat Vehicle development contracts with award values totaling \$889.7 million. The contract modifications authorized the contractors to receive additional financing payments, although the contracts already included customary progress payments. In addition, the PCOs did not follow Federal Acquisition Regulation and DoD guidance when negotiating consideration for the modifications. This occurred because the PCOs misunderstood the proper use and approval of contract financing payments. In one instance the PCO disregarded advice from the administrative contracting officer that the proposed contract actions did not comply with the Federal Acquisition Regulation. U.S. Army Contracting Command-Warren PCOs provided two DoD contractors the ability to obtain \$110 million more in financing payments than were allowable under the Federal Acquisition Regulations and thereby increased the effective progress payment rate above the 80 percent threshold without proper approval. Additionally, U.S. Army Contracting Command-Warren PCOs did not request or obtain adequate consideration for the additional financing. Using DoD guidance, the PCOs should have requested at least an additional \$1.3 million in consideration from the contractors.



DoD IG examined financing of two contracts for the Ground Combat Vehicle Technology Development Phase.

## RESULT:

Comments from the Director, Defense Procurement and Acquisition Policy addressed all of the specifics of the recommendation. As a result of the Director's comments, DoD IG referred one recommendation to the Director, Defense Pricing. Since the Director, Defense Procurement and Acquisition Policy coordinated with the Director, Defense Pricing to implement the recommendation DoD IG did not request additional comments. Comments from the Executive Director, U.S. Army Contracting Command - Warren, were generally responsive. However, comments on two recommendations did not adequately address the recommendations. Because the contract ends in less than six months, DoD IG does not request additional comments.

**Report No. DODIG-2014-039**

## Navy Needs to Improve Contract Oversight of Its Financial Improvement and Audit Readiness Program Contracts

### OVERVIEW:

 DoD IG determined whether the Navy was performing effective oversight of the contracts for its Financial Improvement and Audit Readiness Program.

### FINDINGS:

The Navy Office of Financial Operations and Naval Supply System Command, Fleet Logistics Center Norfolk, Philadelphia Office did not perform adequate contract oversight on all 13 nonstatistically-selected sampled task orders related to the Navy's Financial Improvement and Audit Readiness efforts as of September 30, 2012. This occurred because:

- The contracting officer believed the quality assurance surveillance plan for the SeaPort-e contract or the performance standards within each task order fulfilled the requirements.
- The Navy Office of Financial Operations reprioritized its audit-readiness focus and believed part of the deliverable was not required.
- The contracting officer representative had no mechanism to track deliverable submission dates.
- The contracting officer and the Deputy Director, Office of the Deputy Assistant Secretary Financial Operations, did not process appointment letters accurately.

As a result, Naval Supply System Command, Fleet Logistics Center Norfolk, Philadelphia Office had limited assurance on the quality of audit-readiness services totaling \$26.3 million in expended funds as of September 30, 2012.

## RESULT:

The Commander, Naval Supply Systems Command, agreed with all the recommendations and immediately began modifying existing orders and updating procedures. However, DoD IG requested additional comments on one recommendation. The Deputy, Financial Operations agreed with the recommendations and will increase contract oversight staff and update technical assistant letters. According to the Deputy's comments, the Navy has provided training to reiterate contracting officer representative duties.

**Report No. DODIG-2014-030**

*“Without audited statements, future donations from donor countries may be at risk. The lack of a timely completed audit may negatively affect the participation of NATO countries making donations to the trust fund.”*

## Independent Auditor's Report on the Examination of DoD Execution of North Atlantic Treaty Organization–Contributing Countries' Donations to Afghan National Army Trust Fund

### OVERVIEW:



DoD IG examined the Department's March 31, 2013, financial schedule of NATO contributions to the Afghan National Army Trust Fund to determine whether the receipts and expenditures were fairly stated (accurately reported). NATO countries have contributed more than \$600 million to the trust fund to date.

### FINDINGS:

The Department was not able to provide a financial schedule that was auditable (reconciled to supporting schedules and accounting data).

Therefore, DoD IG was unable to provide an audit opinion (issued a disclaimer of opinion) and was not able to determine if the financial schedule was accurate. Without audited statements, future donations from donor countries may be at risk. The lack of a timely completed audit may negatively affect the participation of NATO countries making donations to the trust fund. DoD IG identified internal control weaknesses related to the financial reporting processes and noncompliance with laws and regulations. However, DoD IG did not identify any instances where contributions were applied to contracts that conflicted with donors' intent. DoD IG made five recommendations to DoD senior leaders to improve future reporting.

## RESULT:

Comments from the Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD addressed all of the specifics of the five recommendations and discussed several initiatives planned or underway to improve the financial reporting process. The improvements identified should improve the internal controls and processes for recording obligations and disbursements of the NATO contributions. The effectiveness of the implementation will be determined when the next examination is conducted.

**Report No. DODIG-2014-046**

## JOINT WARFIGHTING AND READINESS

The Department will be challenged with maintaining U.S. global posture and presence over the next several years, as the Department rebalances the capacity, capabilities, and readiness of the joint force. Over the near term, the Department has indicated, due to fiscal constraints, it will continue to experience gaps in training and maintenance. Additionally, if the fiscal constraints that presently have a brief reprieve are not carried from FY 2016 and beyond, readiness will continue to be impacted and is a risk to the Department in meeting its strategic objectives. During this reporting period, DoD IG continued to focus on readiness issues, continuing operations in Afghanistan and the related drawdown efforts, and civil-military operations.

## MV-22 Squadrons Could Improve Reporting of Mission Capability Rates and Readiness

### OVERVIEW:



DoD IG evaluated the accuracy of the aircraft inventory reports and work orders used to compute the MV-22 mission capability rates from October 1, 2008, through September 30, 2011. In addition, DoD IG evaluated readiness reports to determine whether MV-22 squadrons reported accurate and complete equipment condition (R-level) and category (C-level) information for the MV-22.

### FINDINGS:

From FY 2009 through FY 2011, MV-22 squadron commanders computed the Naval Aviation Maintenance Program mission capability rates for five of the six squadrons using erroneous aircraft inventory reports and work orders. Squadron maintenance personnel:

- improperly recorded MV-22 aircraft status information 167 of 200 times on aircraft inventory reports for out-of-reporting periods; and
- did not adequately prepare 112 of 907 work orders that DoD IG reviewed.

In addition, MV-22 squadron commanders submitted incomplete or inaccurate readiness reports for the six squadrons. For example, squadron operations personnel provided incomplete or inaccurate R-level information for 199 of 265 readiness reports. Furthermore, 5 squadrons did not provide complete C-level information for 127 of 265 readiness reports.

This occurred because MV-22 squadron commanders did not:

- adequately train MV-22 maintenance personnel to prepare aircraft inventory reports and work orders
- adequately train MV-22 operations personnel on readiness reports;
- verify the accuracy of aircraft inventory reports, work orders, and readiness reports; or
- place a continued emphasis on the reliability of data critical to the mission capability rates.



DoD IG evaluated readiness reports to determine whether MV-22 squadrons reported accurate information.

As a result, the mission capability rates were unreliable, and senior DoD and Marine Corps officials could have deployed MV-22 squadrons that were not prepared for missions.

### RESULT:

Comments from the Commander, Naval Air Force, Pacific, responding for the Commander, Naval Air Forces were partially responsive. Comments from the Deputy Commandant for Aviation, responding for the Deputy Commandant for Plans, Policies, and Operations, the Commander, Marine Forces Command, and the Commander, Marine Forces Pacific were partially responsive.

**Report No. DODIG-2014-001**

## Combined Joint Task Force-Horn of Africa Needed Better Guidance and Systems to Adequately Manage Civil-Military Operations

### OVERVIEW:



DoD IG determined whether Combined Joint Task Force-Horn of Africa (CJTF-HOA) officials adequately planned and executed civil-military operations in accordance with U.S. Africa Command (USAFRICOM) objectives. DoD IG reviewed 49 of 137 humanitarian assistance and humanitarian and civic assistance projects that were planned, ongoing, or completed from FY 2010 through FY 2014 with an estimated value of \$8.70 million.

*“...officials could not provide supporting documentation to verify whether \$228,971 was properly accounted for, and documentation for other projects may not have been maintained.”*

## FINDINGS:

CJTF-HOA officials did not adequately plan or execute civil-military operations in accordance with USAFRICOM objectives. Although CJTF-HOA officials identified how projects supported USAFRICOM objectives for 40 of the 49 projects, officials did not accurately identify how projects supported

objectives for the remaining 9 projects. This occurred because civil-military operations officials did not effectively use the Overseas Humanitarian Assistance Shared Information System to identify how projects supported USAFRICOM objectives and were not required to receive training on strategic guidance. Additionally, CJTF-HOA officials did not report actual cost data or could not provide all expenditure documentation for four of six projects nonstatistically selected for funding review. This occurred because both USAFRICOM and CJTF-HOA officials did not develop adequate procedures to account for project costs.

Also, CJTF-HOA officials could not ensure the host nation would sustain one out of the four completed humanitarian assistance projects DoD IG observed in accordance with the sustainment plan. This occurred because USAFRICOM and CJTF-HOA officials did not develop implementation guidance on how to build host nation capacity with an emphasis on knowledge and skills transfer. Finally, CJTF-HOA officials are not required to conduct 1-year after action reports for completed humanitarian and civic assistance structure projects above \$10,000. This occurred because the Under Secretary of Defense for Policy did not include a requirement in guidance to determine whether structures were sustained by the host nation and used as intended.

As a result, officials could not provide supporting documentation to verify whether \$228,971 was properly accounted for, and documentation for other

projects may not have been maintained. In addition, DoD lacks assurance that project structures are sustained.

## RESULT:

Comments from the Under Secretary of Defense for Policy were responsive. DoD IG requested additional comments from the Acting Chief of Staff, U.S. Africa Command to the final report.

**Report No. DODIG-2014-005**

## Defense Logistics Agency Disposition Services Afghanistan Disposal Process Needed Improvement

### OVERVIEW:

 DoD IG determined whether Defense Logistics Agency (DLA) Disposition Services was properly disposing of equipment during the drawdown in Afghanistan. Additionally, DoD IG determined whether adequate controls existed over the receipt, inspection, coding, and disposal of equipment.

### FINDINGS:

DLA Disposition Services did not have adequate controls over disposal of excess equipment. DLA Disposition Services did not:

- have accountability over and correctly code excess equipment as DLA Disposition Services officials did not adequately train personnel;
- certify and verify demilitarization of excess equipment in accordance with guidance



DoD IG determined whether DLA Disposition Services was properly disposing of equipment in Afghanistan.

and accurately account for and bill scrapped equipment sold. This occurred because DLA Disposition Services Afghanistan officials did not adequately monitor the certification and scrap accounting processes;

- have adequate access and security controls because DLA Disposition Service officials did not develop local standard operating procedures;
- include the export-controlled items clause in the Afghanistan labor contract, which was an oversight on the part of DLA Disposition Service officials.

In addition, these conditions occurred because DLA Disposition Service officials did not assign an appropriate number of personnel responsible for oversight within Afghanistan. DLA Disposition Service had an increased risk of fraud, theft, improper release of sensitive excess equipment, and transfer of sensitive equipment technology. Additionally, DLA Disposition Services did not receive optimal monetary return for scrapped equipment sold.

## RESULT:

During the course of DoD IG's audit, management took corrective actions that addressed preliminary observations. DoD IG commends management for taking proactive actions and as a result, no further recommendations or management actions were required. DLA Disposition Services did the following:

- eliminated backlogs;
- identified and corrected system problems;
- provided additional system training;
- corrected coding errors;
- added personnel to key positions;
- addressed scale issues;
- submitted debit memorandums to bill scrap contractors;
- properly secured the facilities;
- increased visitor access controls;
- developed local standard operating procedures;
- modified the labor contract;
- increased trained personnel with oversight responsibilities; and
- added contracting officer representative training to the pre-deployment requirements.

**Report No. DODIG-2014-007**

## INVESTIGATIONS

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

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

### PROCUREMENT FRAUD

Procurement fraud investigations continue to comprise a major part of the DCIS case inventory. Of all forms of white-collar crime, procurement fraud is probably the least visible, yet the most costly. Procurement fraud includes, but is not limited to, cost or labor mischarging, defective pricing, price fixing, bid rigging, and defective and counterfeit parts. The potential damage resulting from procurement fraud extends well beyond financial losses. This crime poses a serious threat to the ability of the Department to achieve its operational objectives and can have a negative effect on the implementation of programs. DCIS places the highest priority on investigations impacting safety and operational readiness to protect the welfare of warfighters throughout the procurement process.

### DoD Contractors Sentenced for False Statements to Obtain Government Contracts

#### OVERVIEW:

 A joint investigation with the Department of Labor Office of Inspector General (OIG); Department of Veterans Affairs OIG; Department of Homeland Security OIG; and Department of Housing and Urban Development OIG disclosed that from approximately May 2007 through July 2009, John Blanchard and four of his former Liberating Solutions employees, Amy Johnson, Eric Behler, Joanne Blanchard, and James Blanchard, knowingly engaged in a scheme to defraud the U.S. Government, Service Disabled Veteran Owned Small Businesses, and certain U.S. military veterans to obtain funds, credit, and property belonging to these victims. The

investigation showed that John Blanchard used an employee of the National Association of System Administrators, Inc., who was an eligible Service-related disabled veteran, to found Liberating Solutions as a Service Disabled Veteran Owned Small Business. However, John Blanchard knew the disabled veteran would have no active involvement with the business. As such, John Blanchard falsely represented Liberating Solutions was owned and operated by a qualified disabled veteran and obtained contracts set aside by law for this group.

## RESULT:

Amy Johnson previously pleaded guilty to making and using a false document. On November 25, 2013, Johnson was sentenced to three years of probation, ordered to pay \$100 special assessment, \$1000 fine and ordered to pay restitution of \$12,177, jointly and severally with James Blanchard. James Blanchard previously pleaded guilty to wire fraud. On January 6, 2014, he was sentenced to three years of probation, 10 months of home confinement, ordered to pay \$100 special assessment and ordered to pay joint restitution of \$12,177, jointly and severally with Eric Behler, Joanne Blanchard, and Amy Johnson. On February 24, 2014, John Blanchard pleaded guilty to wire fraud. Sentencing is pending for John Blanchard, Eric Behler, and Joanne Blanchard.

## Defense Contractor President Sentenced to Jail After Defrauding U.S. Navy

### OVERVIEW:



A joint investigation with Naval Criminal Investigative Service (NCIS) and the Internal Revenue Service-Criminal Investigation Division disclosed that Thomas Robeson, president and owner of Nomad Aviation, Inc., submitted false claims to the Government for expenses not yet incurred. The investigation showed that Robeson, and someone acting on Robeson's behalf, provided the Defense Contract Audit Agency with four vendor invoices. One invoice was from South Peck Aviation, which was actually a bakery Roberson and his wife owned in Hawaii. Roberson provided the invoice as if South Peck Aviation was an unrelated, third-party vendor that had billed Nomad. South Peck Aviation or Nomad actually purchased parts from third-party vendors, marked up the costs of the purchases, and

*“...Thomas Robeson pleaded guilty to conspiracy to commit money laundering and was ordered to forfeit \$2.17 million.”*

submitted the inflated amounts to the Government for payment. Roberson, and others acting at his direction, submitted the fictitious invoices via wire, specifically email.

### RESULT:

Previously Thomas Robeson pleaded guilty to conspiracy to commit money laundering and was ordered to forfeit \$2.17 million. On November 14, 2013, he was sentenced to 18 months imprisonment, 3 years of supervised release and 50 hours of community service. Robeson was also ordered to pay \$2.17 million in restitution and a \$100 special assessment.

## FreshPoint, Inc. Pays \$4.2 Million to Settle Allegations of Overbilling

### OVERVIEW:



A Defense Criminal Investigative Service investigation disclosed that FreshPoint of Southern Georgia, a wholly owned subsidiary of Sysco Corporation, allegedly violated the False Claims Act by inflating the price of goods sold to DoD customers. FreshPoint allegedly added market earned income increases to certain fresh fruit and vegetables contracts which had been awarded to East Coast Fruit Company and subsequently serviced by FreshPoint. From 2007 through 2009, FreshPoint allegedly overcharged the Government on hundreds of sales of fresh produce by improperly inflating its prices to reflect FreshPoint's view of the prevailing market price of goods at the time of sale.

### RESULT:

On October 25, 2013, FreshPoint of Southern Georgia entered into a civil settlement agreement with the Department of Justice in which the company agreed to pay the U.S. Government a total of \$4.2 million to settle allegations of fraud. Of this amount, the U.S. Government received \$3.4 million and the relator will receive \$798,000.

## Former Sea Star Line President Sentenced to Five Years for Bid Rigging

### OVERVIEW:

 A joint investigation with the Antitrust Division's National Criminal Enforcement Section disclosed that Frank Peake, former president of Sea Star Line LLC, participated in a conspiracy from 2005 to 2008 to rig bids, and fix rates and surcharges for freight transportation by water between the continental United States and Puerto Rico. The investigation revealed the three largest water freight carriers serving these routes, including Sea Star, bid at certain established prices and agreed to not compete against each other for certain contracts in the U.S. to Puerto Rico trade lane.

### RESULT:

Previously, all three freight carriers pleaded guilty and were ordered to pay more than \$46 million in criminal fines for their roles in the conspiracy to unreasonably restrain interstate trade and commerce. In addition, former Sea Star President, Frank Peake, was found guilty of violating the Sherman Antitrust Act. On December 6, 2013, Peake was sentenced to serve 60 months of incarceration, three years of supervised release, 250 hours of community service, and 500 hours of alcohol abuse treatment. He was also ordered to pay a \$25,000 fine.

## Axway, Incorporated Agrees to pay \$6.2 Million to Settle Allegations of False Claims

### OVERVIEW:

 A joint investigation with the General Services Administration (GSA) Office of Inspector General (OIG) and Naval Criminal Investigative Service (NCIS) revealed that Axway, Inc., and its predecessors, including Tumbleweed Communications Corporation, allegedly provided GSA with defective pricing information. In September 2001, Valicert, Incorporated (Tumbleweed's predecessor), applied for placement on the GSA Multiple Awards Schedule. In the application, Valicert was required to disclose its commercial pricing history. This requirement was to ensure Government customers received the same prices as Valicert's commercial customers. Allegedly, Valicert knowingly provided GSA with commercial pricing information that was inaccurate. Tumbleweed

and Axway allegedly failed to comply with the price reduction clause of the GSA Multiple Awards Schedule contract, and as a result, it contained inflated prices allegedly causing numerous Federal agencies to overpay for software and other contract related services.

### RESULT:

On October 23, 2013, Axway entered into a civil settlement with the Department of Justice and agreed to pay the U.S. Government \$6.2 million to resolve allegations that the company violated the False Claims Act. Of this amount, the relator will receive \$1.17 million.

## Kuchera Brothers Sentenced to Pay More than \$2 Million For Fraud Against the Government and Conspiracy

### OVERVIEW:

 A joint investigation with the Naval Criminal Investigative Service, Federal Bureau of Investigation, and the Internal Revenue Services-Criminal Investigation Division disclosed that William Kuchera and Ronald Kuchera, owners and managers of Kuchera Defense Systems, Inc., conspired and committed major fraud against DoD. The investigation disclosed, from 2004 through 2009, the Kuchera brothers submitted cost certifications to DoD that contained unallowable expenses. The Kucheras also conspired with Defense contractor Coherent Systems International, Inc., to submit a fraudulent invoice and filed false tax returns. As a result, the costs for overhead and the general and administrative expenses were inflated. Kuchera was also a subcontractor to Coherent on a DoD contract for the Ground Mobile Gateway Systems' development of a prototype for unmanned vehicles designed to prevent friendly-fire incidents. Kuchera Defense Systems submitted a fraudulent invoice to Coherent, a prime contractor, for a component never manufactured or delivered to Coherent. The Kucheras' paid Richard Ianieri, owner of Coherent, approximately \$200,000 as a kickback. The Kuchera brothers' personal and corporate tax returns failed to disclose some business deductions as personal income, and they claimed the kickback to Ianieri as a business expenses on their Kuchera Defense System taxes. The inflated interim billing rates and fraudulent invoice resulted in false tax returns.

*“William Kuchera was sentenced to 5 years of probation, 18 months of home detention...and ordered to pay \$500,000 in criminal fines, \$1.08 million in restitution and a \$200 special assessment for major fraud against the Government and conspiracy.”*

## RESULT:

Previously, Richard Ianieri pleaded guilty to making false claims and soliciting and accepting kickbacks. Ianieri was sentenced to 5 years of probation and ordered to pay a \$200,000 criminal fine. On March 22, 2013, Currency, Inc., formerly known as Kuchera Defense Systems, entered into a civil settlement agreement with the Department of Justice and agreed to pay \$920,434 to the U.S. Government to resolve allegations of fraud. On November 18, 2013, a civil final order of forfeiture valued at \$900,000 was ordered. On December 17, 2013, William Kuchera was sentenced to 5 years of probation, 18 months of home detention, 1,000 hours of community service, and ordered to pay \$500,000 in criminal fines, \$1.08 million in restitution and a \$200 special assessment for major fraud against the Government and conspiracy. On the same date, Ronald Kuchera was sentenced to 5 years of probation, 18 months home detention, 1,000 hours of community service, and ordered to pay \$500,000 in criminal fines, \$1.07 million in restitution and a \$200 special assessment for major fraud against the Government and conspiracy.

## Glenn Defense Marine Asia Executives and U.S. Navy Officials Involved in International Bribery Scheme

### OVERVIEW:

A joint investigation with Naval Criminal Investigative Service (NCIS) disclosed that Glenn Defense Marine Asia, Ltd. (GDMA). Chief Executive Officer Leonard Glenn Francis bribed U.S. Navy Commander Michael Misiewicz and NCIS Supervisory Special Agent John Beliveau II to obtain confidential information and other assistance related to hundreds of millions of dollars in U.S. Navy contracts and sensitive information from an NCIS investigation into GDMA. The bribes included cash, paid travel, luxury hotel stays, and prostitutes. GDMA

was contracted to provide husbanding services to the U.S. Navy in Southeast Asia ports. Husbanding services include providing items and services required by ships and submarines when they arrive at a port. Later, U.S. Navy Commander Jose Sanchez was also determined to have accepted bribes from Francis in exchange for internal Navy information. Most recently, GDMA executive Alex Wisidagama was found to have participated in a related scheme to overbill the U.S. Navy for services provided in ports throughout Southeast Asia. The estimated loss to the Government as a result of this scheme is approximately \$20 million.

### RESULT:

On December 17, 2013, John Beliveau pleaded guilty to conspiracy and bribery. On March 18, 2014, Alex Wisidagama pleaded guilty to conspiracy to defraud the United States. This is an ongoing investigation.

## \$3.5 Million Settlement by Sikorsky Aircraft Corporation to Resolve Allegations of False Claims

### OVERVIEW:

A DCIS investigation examined allegations that Sikorsky Aircraft Corporation violated the False Claims Act by submitting inflated costs in the pricing of spare parts. The investigation found that in negotiating four contracts with the US. Army Aviation



A junction box cover for the U.S. Army Black Hawk Helicopter—one of several spare parts that were allegedly overpaid for by the U.S. Army.

and Missile Life Cycle Management Command, Sikorsky allegedly failed to disclose accurate, complete, and current cost and pricing data for U.S. Army Black Hawk helicopters. As a result of the inaccurate pricing data, Sikorsky allegedly submitted claims to the Government with inflated prices from February 7, 2008 to September 8, 2011.

## RESULT:

On March 31, 2014, Sikorsky entered into a civil settlement with the Department of Justice and agreed to pay \$3.5 million to resolve allegations that it violated the False Claims Act.

## PUBLIC CORRUPTION

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

### Four Sentenced on Bribery Charges for Facilitating Thefts of Fuel in Afghanistan

#### OVERVIEW:

 A joint investigation with U.S. Army Criminal Investigation Command, Federal Bureau of Investigation and Special Inspector General for Afghanistan Reconstruction determined that three U.S. service members and one DoD contractor employee accepted bribes and conspired to facilitate the theft of approximately \$1.25 million in fuel at a forward operating base (FOB) in Afghanistan. Between January 2010 and June 2010, former U.S. Army Sergeant Christopher Weaver and former soldier Stephanie Charboneau created fraudulent documents authorizing the transport of fuel from FOB Fenty to other military bases. Jonathan Hightower, a DoD contractor employee who worked at the base's fuel point, occasionally filled the trucks with fuel to be

stolen and took other steps to assist the conspiracy. At the direction of Weaver and Charboneau, fuel truck drivers used the fraudulent documents to justify the filled trucks' departures from FOB Fenty. After the filled fuel truck left the base, the fuel was simply stolen by the trucking company that supplied the fuel trucks. Weaver and Charboneau would receive cash from the trucking company representative, and the cash was split among the three conspirators. In addition, Hightower conspired with U.S. Army Staff Sergeant Bilal K. Abdullah in a related fuel theft scheme.

## RESULT:

Previously, Christopher Weaver, Stephanie Charboneau, Jonathan Hightower, and Bilal Abdullah each pleaded guilty to charges of conspiracy and bribery. On October 28, 2013, Weaver was sentenced to serve 37 months in prison and Hightower was sentenced to serve 27 months in prison for their roles in the conspiracy. Weaver and Hightower were also ordered to pay \$1.22 million in restitution, jointly with Charboneau. Hightower was also ordered to pay an additional \$466,250 in restitution for the related fuel theft scheme with Abdullah. On February 3, 2014, Charboneau was sentenced to 60 months imprisonment for conspiracy and up to 87 months imprisonment for bribery to be served concurrently. Charboneau was also ordered to pay \$1.22 million in restitution, jointly and severally with Weaver and Hightower. Weaver, Hightower, and Charboneau were



One DoD contractor employee and 3 U.S. service members conspired to steal \$1.25 million in fuel in Afghanistan.

each ordered to serve 36 months of supervised release and to pay a \$200 penalty assessment. On March 13, 2014, Abdullah was sentenced to 12 months and a day imprisonment and 24 months supervised release. Abdullah was also ordered to pay \$466,250 in restitution, jointly and severally with Hightower, and a special assessment fee of \$200.

## Former Defense Contractor and Wife Sentenced for Fraudulent Scheme Involving Vehicle Parts for Afghan National Army

### OVERVIEW:



A joint investigation with U.S. Army Criminal Investigation Command, Special Inspector General for Afghanistan Reconstruction, and the Federal Bureau of Investigation determined Keith Johnson and his wife, Angela Johnson, conspired to defraud the Government of millions of dollars related to contracts for vehicle parts for the Afghan National Army. From 2007 to 2008, Keith Johnson was involved in purchasing vehicle parts from vendors for vehicles used by the Afghan National Army. As part of the scheme, Keith and Angela Johnson formed a company, Military Logistics Support. When Military Logistics Support solicited quotes for different vehicle parts that were needed, Angela Johnson used her maiden name to conceal her relationship to Keith Johnson and responded with quotes based on parts that she was able to purchase from other vendors. Keith Johnson used his position as program manager to justify awards of purchase orders for parts to Military Logistics Support without seeking competitive quotes, and in instances in which there had been competitive quotes, approving recommendations that the awards be made to Military Logistics Support. The Johnsons also conspired with John Eisner and Jerry Kieffer, employees of RM Asia, the contractor who operated the Central Maintenance Facility in Kabul, Afghanistan, and used them as subcontractors to Johnson's company. Keith Johnson steered purchase orders for vehicle parts to Eisner's and Kieffer's company, Taurus Holdings. Eisner and Kieffer paid kickbacks to the Johnsons and, on occasion, engaged in collusive bidding with the Johnsons, so that Military Logistics Support could win competitions for certain purchase orders.

*“Eisner was sentenced to 12 months and one day of imprisonment, two years supervised release, and ordered to pay a \$100 special assessment and a money judgment in the amount of \$2.2 million.”*

### RESULT:

On October 8, 2013, John Eisner pleaded guilty to conspiracy to commit wire fraud. On October 11, 2013, Jerry Kieffer pleaded guilty to conspiracy to commit wire fraud. On November 12, 2013, Keith and Angela Johnson pleaded guilty to conspiracy to commit wire fraud. On December 18, 2013, Eisner was sentenced to 12 months and one day of imprisonment, two years of supervised release, and ordered to pay a \$100 special assessment and a money judgment in the amount of \$2.2 million. Additionally, three vehicles were seized from Eisner, valued at \$79,160, which went toward payment of the money judgment. On the same day, Kieffer was sentenced to six months of imprisonment with credit for time served, two years of supervised release, including six months of home confinement, and was ordered to pay a \$100 special assessment and a money judgment in the amount of \$30,964. On February 18, 2014, Keith Johnson was sentenced to 30 months of imprisonment, two years of supervised release, and ordered to pay a \$100 special assessment. Angela Johnson was sentenced to six months of imprisonment, two years of supervised release followed by six months of house confinement, and ordered to pay a \$100 special assessment. Collectively, Keith and Angela Johnson were ordered to forfeit more than \$2 million.

## Former U.S. Army Reserve Captain Sentenced in Bribery Scheme

### OVERVIEW:



A joint investigation with U.S. Army Criminal Investigation Command and Special Inspector General for Afghanistan Reconstruction disclosed that former U.S. Army Reserve Captain Edward Knotts III accepted more than \$90,000 in bribes from contractors while deployed to Iraq. From December 2005 through December 2007, Knotts entered into an agreement with a Kuwait-based corporation to receive a monthly fee from the corporation in return

for providing confidential bidding information about U.S. Army contracts. Knotts received approximately \$91,500 from a representative of the corporation in return for his promise to provide confidential bid information and in anticipation of the corporation hiring him.

## RESULT:

Previously, Captain Edward Knotts pleaded guilty to bribery. On November 14, 2013, Knotts was sentenced to 30 months of imprisonment, 24 months of supervised release, and was ordered to pay a \$100 special assessment. Additionally, a criminal forfeiture money judgment in the amount of \$91,500 was ordered against Knotts.

## DoD Contractor Sentenced for his Role in Wide Spread Bribery Scheme

### OVERVIEW:



A joint investigation with the Federal Bureau of Investigation (FBI), Internal Revenue Service, Small Business Administration, and U.S. Army Criminal Investigation Command disclosed that several DoD contractors paid approximately \$12 million in bribes, directly and indirectly, to U.S. Army Corps of Engineers (USACE) Program Manager Kerry Khan and approximately \$1.5 million in bribes to USACE Program Director Michael Alexander. The bribes were paid in exchange for technology-related contracts and subcontracts and the planned steering of a Government contract potentially worth \$1 billion to a particular contractor. Among those involved in paying bribes was Oh Sung “Thomas” Kwon, a former DoD contractor and Chief Executive Officer of Avenciatech, Inc.

## RESULT:

To date, more than a dozen defendants have pleaded guilty to various charges in support of this scheme to defraud the Government. Previously, Kerry Khan was sentenced to 235 months incarceration after pleading guilty to receipt of bribes and conspiracy to commit money laundering. Khan was ordered to pay \$32.5 million in restitution to USACE, to be paid jointly and severally with seven previously convicted codefendants. This amount included an FBI forfeiture

money judgment of \$11 million. Khan was also ordered to forfeit \$1.3 million in bank account funds; 13 properties in Virginia, Florida, and West Virginia; and a vehicle. Michael Alexander was previously sentenced to 72 months incarceration and 36 months supervised release for bribery and conspiracy to commit money laundering. Alexander was also ordered to pay \$1.25 million in restitution and agreed to a forfeiture money judgment of \$1.25 million. In 2013, Oh Sung Kwon pleaded guilty to bribery of a public official, conspiracy to commit bank fraud, and willful failure to file a tax return. On January 27, 2014, Kwon was sentenced to 46 months incarceration, 36 months of supervised release, and ordered to pay \$1.18 million in non-Government restitution, a \$225 penalty assessment, and \$1.18 million in a forfeiture money judgment.

## Tinker AFB Employee Jailed for Accepting Bribes

### OVERVIEW:



A joint investigation with Federal Bureau of Investigations, Air Force Office of Special Investigation, and the Department of Transportation Office of Inspector General disclosed that James Lee Loman, a former item manager, Tinker Air Force Base, OK, accepted large cash payments in exchange for favorable treatment in the Air Force’s purchasing of aircraft replacement parts. Loman drove to Florida on multiple occasions to pick up cash bribes in increments of approximately \$50,000 and sent facsimiles from his residence where he calculated the bribe payments based on a percentage of aircraft sales to the Air Force and the amount of bribes due and the amount already paid to Loman. The faxes showed total cash bribes in the amount of \$838,200.

## RESULT:

On January 29, 2014, Loman was sentenced to 30 months incarceration and ordered to pay restitution in the amount of \$843,200 to the DoD, a penalty assessment of \$300 and a money forfeiture in the amount of \$838,200 after being found guilty of conspiring to commit wire fraud, accepting bribes and conflict of interest. In addition, Loman was debarred from Government contracting until January 28, 2019.

## DoD Contractors Bribed Former Defense Logistics Agency Employees to Steal Military Equipment

### OVERVIEW:



A joint investigation with Naval Criminal Investigative Service disclosed that Christopher Whitman, co-owner of United Industrial of Georgia trucking company, and Kelli Durham, a former United Logistics Corp employee and freight transportation broker, conspired to overcharge the DoD for transportation services, resulting in the loss of millions of dollars to the U.S. Government. Whitman also conspired to steal and sell surplus equipment from Marine Corps Logistics Base (MCLB)-Albany, GA. From 2008 to 2012, at the direction of Whitman, Durham overbilled the U.S. Government for freight transportation services the company falsely claimed to have provided to Defense Logistics Agency (DLA) at MCLB-Albany. Whitman paid nearly \$1 million in bribes to Mitchell Potts, the former traffic office supervisor for DLA at MCLB-Albany; Jeff Philpot, the former lead transportation assistant in the traffic office; Shawn McCarty, another transportation assistant in the traffic office; and Bradford Newell, also a former employee of MCLB-Albany to obtain commercial trucking business from DLA. Shelby Janes, a former civilian control manager of the distribution center at MCLB-Albany assisted Whitman in stealing heavy equipment, such as cranes, bull dozers and front-end loaders from the base. Janes admitted to preparing false DoD forms authorizing Defense Logistics Agency to release the equipment to Whitman who would then arrange to sell the equipment to private purchasers. Carroll Wayne Smith, the owner of Smith Farms, in Moultrie, GA, admitted to assisting Whitman in selling military equipment stolen from MCLB-Albany.

### RESULT:

Previously, Shelby Janes pleaded guilty to bribing a public official. Both Mitchell Potts and Jeff Philpot previously pleaded guilty to receiving bribes. On October 10, 2013, Kelli Durham pleaded guilty to conspiracy to commit wire fraud. On January 22, 2014, Christopher Whitman was indicted for money, property and honest services wire fraud, bribery, and theft of Government property. On the same day, Shawn McCarty was charged with money, property

and honest services wire fraud and bribery, and Bradford Newell was charged with money, property and honest services wire fraud, bribery, and theft of Government property. Charged individuals are presumed innocent until proven guilty. On February 5, 2014, Carroll Wayne Smith pleaded guilty to theft of Government property. Sentencing is pending.

## PRODUCT SUBSTITUTION

DCIS supports DoD and its warfighting mission through timely, comprehensive investigations of counterfeit, defective or substandard products, and substituted products that do not conform with the requirements of the contract. Nonconforming products disrupt readiness and waste economic resources. They also threaten the safety of military and Government personnel and other end users. When substituted products are deliberately provided to DoD, mission critical processes and capabilities can be severely impacted until those products are removed from the DoD supply chain. DCIS works with Federal law enforcement partners, supply centers and the defense industrial base to ensure that DoD contractors provide the correct parts and components to meet DoD requirements. DCIS actively participates in the Defense Supply Center- Columbus Counterfeit Material/Unauthorized Product Substitution Team and partners at the national level with the Intellectual Property Rights Coordination Center, to focus on preventing the proliferation of counterfeit parts. Pooling the member agencies' resources allows for more effective detection and removal of inferior goods that threaten the safety of America's soldiers, sailors, airmen and Marines.

## Florida Contractor Illegally Provides Chinese-made Parts to DoD

### OVERVIEW:



A Defense Criminal Investigative Service investigation disclosed that Component Source Florida, owned and operated by Luis Cantos, supplied the DoD with parts that did not meet the contract specifications. The investigation showed Cantos was buying Chinese-made parts and unlawfully using them to fill the DoD orders requiring original equipment manufacturer parts. The contracts were for the purchase of electrical engine starters, alternator starter assemblies and generators associated with

High Mobility Multipurpose Wheeled Vehicles, forklifts and aircraft. Cantos and co-conspirator Jeffrey Perez were later identified as employees of Metro Enginotech, Inc., and Cantos was also identified as the owner of LEC Technologies. Both companies provided parts that did not meet DoD specifications and also submitted false traceability documentation to the Defense Supply Center Columbus and the Defense Supply Center Richmond using email and facsimile.

## RESULT:

On December 16, 2013, Jeffrey Perez pleaded guilty to conspiracy to defraud the Government with respect to claims. On February 6, 2014, Luis Cantos pleaded guilty to conspiracy to defraud the Government with respect to claims, false claims, and conspiracy to commit mail fraud. On March 4, 2014, Perez was sentenced to five months imprisonment, three years supervised release, ordered to pay \$23,300 jointly and severally with Cantos, and a \$100 special assessment. Sentencing for Cantos is scheduled for May 2014.

## Contractor Sentenced to Jail for Providing Substituted Parts to the DoD

### OVERVIEW:



A Defense Criminal Investigative Service investigation disclosed that Terrance Doody and his company, R&D Metals & Chemicals, Inc., provided substituted/nonconforming parts to the DoD through purchase orders issued by the Defense Logistics Agency Land & Maritime, Columbus, OH. The investigation showed for the orders requiring original equipment manufacturer parts, R&D Metals delivered the parts to DoD with labels on the outer packaging that identified the parts as the required original equipment manufacturer parts. Upon examination, the parts were determined to be unauthorized substituted parts. The parts supplied by R&D Metals include a variety of automotive type fittings of which some are considered to be critical application items used on a variety of military vehicles and weapons systems including the Nuclear Reactor Programs.

### RESULT:

Previously, Terrence Doody pleaded guilty to wire fraud. On November 5, 2013, Doody was sentenced to 18 months of imprisonment, 36 months supervised release, ordered to pay restitution of \$628,444 and a

\$200 assessment. R&D Metals & Chemicals, Inc., was sentenced to 36 months of probation, held jointly and severally liable for the restitution, and ordered to pay a special assessment fee of \$800.

## HEALTH CARE FRAUD

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

## Janssen Pharmaceutica Products Pays More Than a Billion Dollars to Settle Allegations of Off-Label Marketing and Kickbacks

### OVERVIEW:



A joint investigation with U.S. Health and Human Services Office of Inspector General, Food and Drug Administration (FDA) Office of Criminal Investigation and the United States Postal Service Office of Inspector General, disclosed Johnson & Johnson and its subsidiary Janssen Pharmaceutica, Inc., introduced the antipsychotic drug Risperdal into interstate commerce for non-FDA approved use and allegedly provided incentives for this off-label use to health care providers. Between 2002 and 2003, Janssen introduced Risperdal, approved by the FDA to treat schizophrenia, into interstate commerce to physicians and prescribers for non-FDA approved treatment of psychotic symptoms and associated behavioral disturbances exhibited by elderly, non-schizophrenic dementia patients. The investigation revealed that Janssen allegedly provided incentives to sales representatives through bonuses based on total sales of Risperdal in their sales areas for approved and off-label uses.

## RESULT:

On November 1, 2013, Janssen Pharmaceutica, Inc. entered into a civil settlement agreement with the Department of Justice in which the company agreed to pay the Government a total of \$1.2 billion to settle allegations of off-label marketing and also entered into a corporate integrity agreement. Of this amount, TRICARE received \$8.1 million. Additionally, on November 7, 2013, Janssen pleaded guilty to a criminal information charging it with introducing a misbranded drug, Risperdal, into interstate commerce. Janssen was sentenced to pay a criminal fine of \$334 million and pay a special assessment of \$125. In addition, the company was ordered to forfeit \$66 million where FDA was the forfeiture lead.

## CareFusion Agrees to Pay \$40.1 Million to Settle Allegations of False Claims

### OVERVIEW:



A joint investigation with the U.S. Health and Human Services Office of Inspector General and the Food and Drug Administration (FDA)-Office of Criminal Investigation disclosed that CareFusion Corporation and HealthPoint Incorporated, two wholly owned subsidiaries of Cardinal Health Incorporated, allegedly engaged in the unlawful marketing and selling of Surgiccept and Triseptin for use as antiseptic health care products without FDA approval, allegedly resulting in false claims paid by the Government. From 2008 to 2011, CareFusion allegedly submitted or caused to be submitted claims for payment for a product named ChloroPrep to Medicare, Medicaid, and TRICARE and that CareFusion caused the Department of Veterans Affairs to purchase ChloroPrep. CareFusion allegedly knowingly promoted the sale of ChloroPrep products for uses that were not approved by the FDA.

### RESULT:

On January 7, 2014, CareFusion entered into a civil settlement agreement with the Department of Justice in which the company agreed to pay the Government and the Medicaid participating states, collectively, \$40.1 million. Of this amount TRICARE will receive \$724,055, and the whistleblower will receive \$3.29 million.

“On November 7, 2013, Filyn Corporation...entered into a civil settlement agreement with the Department of Justice and agreed to pay \$3.05 million to the United States to resolve allegations of false claims.”

## Lynch Ambulance Pays More Than \$3 Million to Settle Allegations of Overbilling Federal Healthcare Programs

### OVERVIEW:



A joint investigation with Federal Bureau of Investigation, Department of Health and Human Services (HHS) Office of Inspector General (OIG), and Office of Personnel Management (OPM) disclosed that from 2001 through 2007, Filyn Corporation, doing business as Lynch Ambulance, allegedly billed Federal health care programs for transporting patients who were not “bed-confined” or whose transports otherwise were not medically necessary. Medicare, TRICARE, and other Federal employee Health Benefits Programs paid claims for medically unnecessary transports.

### RESULT:

On November 7, 2013, Filyn Corporation, doing business as Lynch Ambulance, Walter M. Lynch and Walter J. Lynch entered into a civil settlement agreement with the Department of Justice and agreed to pay \$3.05 million to the United States to resolve allegations of false claims. Lynch Ambulance also entered into a corporate integrity agreement with HHS as a result of the settlement.

## ILLEGAL TECHNOLOGY TRANSFER

DCIS serves a vital role in national security through investigations of theft and illegal export or diversion of strategic technologies and U.S. Munitions List items to banned nations, criminal enterprises and terrorist organizations. This includes the illegal transfer or theft of defense technology, weapon systems, and other sensitive components and programs. Consistent with its role in protecting America’s warfighters, DCIS is an integral participant in the President’s Export Control Reform Initiative. DCIS is a charter member of the Export Enforcement Coordination Center, a

multiagency center established to serve as a focal point for the coordination and enhancement of Government export enforcement efforts.

## Former DoD Contractor Arrested After Allegedly Attempting to Illegally Ship Sensitive Military Documents to Iran

### OVERVIEW:



A joint investigation with Immigration and Customs Enforcement-Homeland Security Investigations, Federal Bureau of Investigation, and Air Force Office of Special Investigations disclosed that Mozaffar Khazaei, a citizen of both the United States and Iran, allegedly attempted to ship numerous boxes of sensitive DoD technical manuals, specifications and other sensitive, proprietary, and export-controlled material to Iran. Formerly employed as an engineer with a DoD contractor, Khazaei allegedly attempted to ship the documents to Iran labeled as household goods. The investigation determined that much of the material related to the Air Force F-35 Joint Strike Fighter program.

### RESULT:

On January 9, 2014, Mozaffar Khazaei was arrested at Newark Liberty Airport, NJ, as he attempted to board a flight to Germany with a final destination of Iran. On January 21, 2014, Khazaei was indicted on two counts of interstate transportation of stolen property. Indicted individuals are presumed innocent until proven guilty.



Khazaei allegedly attempted to ship documents, related to the Air Force F-35 Joint Strike Fighter program, to Iran.



View through night vision goggles of a U.S. soldier manning an M240B machine gun in Afghanistan.

## Slovakian National Arrested for Violating Arms Export Control Laws

### OVERVIEW:



A joint investigation with Immigration and Customs Enforcement Homeland Security Investigations disclosed that Martin Gula, a Slovakian citizen, allegedly purchased and illegally exported over \$250,000 worth of military equipment to include night vision goggles, rifle optics, and thermal imagery devices. Allegedly the items were intended for international clients and prospective European buyers online. Many of the items Gula allegedly acquired were directly stolen from the U.S. military.

### RESULT:

On December 18, 2013, Martin Gula was arrested by the London Metropolitan Police Service based on a U.K. provisional arrest warrant obtained pursuant to a U.S. arrest warrant for smuggling goods from the United States, international money laundering and violations of the Arms Export Control Act. Gula was held in London pending his extradition hearings until January 16, 2014. On that date, Gula was granted bail by a U.K. magistrate under numerous conditions, to include electronic monitoring. Gula failed to appear in court on February 14, 2014, as ordered and is presumed to have fled the United Kingdom. An arrest warrant has been issued by the London Metropolitan Police Services. Indicted individuals are presumed innocent until proven guilty.

## INSPECTIONS

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

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

### HEALTH AND SAFETY

DoD IG has identified health care as one of the critical management and performance challenges facing the Department. The military health care system provides services to approximately 9.5 million beneficiaries, including active duty personnel and their families. Of special concern is the proper care and support to the thousands of soldiers, sailors, airmen, and marines wounded due to combat actions in Operations Iraqi and Enduring Freedom.

Medical care required by military personnel is expected to increase in the next several years, especially in the areas of rehabilitation and transition care. It is critical for DoD IG to maintain vigorous oversight of the health and safety challenges facing the Department, not only to ensure that wounded warriors receive high-quality health care but that DoD health care dollars are spent wisely and prudently.

DoD IG supports this priority by focusing its oversight efforts on preventing and detecting fraud, waste and abuse, and improving efficiency and effectiveness of the programs affecting the health and safety of service members and employees.

#### Assessment of Arlington and Soldiers' and Airmen's Home National Cemeteries

##### OVERVIEW:

 This assessment examined the Arlington National Cemetery (ANC) and the Soldiers' and Airmen's Home National Cemetery (SAHNC), which together, support more than 415,000 former service members and their family members. Today, SAHNC is used for burials of residents of the Armed Forces Retirement Home-Washington D.C. As the executive



DoD IG examined the Arlington National Cemetery and the Soldiers' and Airmen's Home National Cemetery.

agent, the Army has assumed full responsibility for providing oversight and addressing operational issues at both cemeteries.

##### RESULT:

This report notes several examples where ANC has made great progress in their overall operations since the June 10, 2010, directive publication. These include the ANC Explorer, Mapper and Geographic Information System, which comprise up-to-date data for the public to use for information and visiting gravesites. Another improvement is the ANC grave accountability system. Areas needing attention included the ANC structure and processes which were seen as being insufficiently mature, stable and funded to execute the complete Army National Military Cemeteries mission set.

**Report No. DODIG-2014-026**

#### Assessment of DoD Wounded Warrior Matters: Managing Risks of Multiple Medications

##### OVERVIEW:

 During the fieldwork for the assessment of Wounded Warrior programs, the DoD IG assessment team identified challenges pertaining to medication management practices. This follow-on assessment focused on DoD and service policies and programs intended to manage the risks associated with Wounded Warriors who were prescribed multiple medications during the course of their

treatment and recovery. Specifically, the DoD IG team examined the policies related to reducing adverse drug events such as unanticipated side effects, decreased drug effectiveness, accidental overdose, and death. The team also examined procedures related to disposing of medications that are expired or no longer needed for treatment. Misuse of unneeded medications can result in similar adverse drug events.

## RESULT:

The report made five recommendations: one to the Secretary of Defense, three to the Assistant Secretary of Defense for Health Affairs, and one to the Military Services' Surgeons General. All stakeholders concurred with the recommendations. The Acting Under Secretary of Defense for Personnel and Readiness sent a letter to the U.S. Attorney General requesting authority for military pharmacies to conduct routine take-backs of unneeded medications. The Office of the Assistant Secretary of Defense for Health Affairs has met with the Drug Enforcement Agency on the issue of medication take-back, initiated reviews of policy for medication management, and intends to issue comprehensive policy on improving healthcare provider education on medication disposal. The Army recently updated its medication management policy (May 2013), the Air Force is currently reviewing and updating its policy, and the Navy has concurred with the recommendation to review policy.

**Report No. DODIG-2014-040**

## JOINT WARFIGHTING AND READINESS

DoD IG has identified joint warfighting and readiness, and training and equipping the Iraq and Afghan National Security Forces (ANSF) as critical management and performance challenges facing the Department. While the Department is continuing to equip the Iraq Security Forces through the Office of Security Cooperation-Iraq, operating under Chief of Mission authority at the U.S. Mission-Iraq, it is also engaged in the mission to train, equip and mentor the ANSF.

Between now and the completion of the scheduled drawdown of combat forces at the end of 2014, the DoD will continue training, equipping, partnering and mentoring the ANSF to enable it to assume the leading security operations role.

## Planning for the Effective Development and Transition of Critical ANSF Enablers to Post-2014 Capabilities Part II – Cross-Cutting Issues of Afghan National Army Enabler Development

### OVERVIEW:

 Based on observations from the Coalition force, DoD IG was asked to review plans and activities that are in place to mature enabling capabilities (enablers) identified as being critical to the ability of the Afghan National Army to conduct and sustain independent operations. This is the second of two reports in a series of analyses and described seven enabler-related systemic challenges facing Coalition forces today. This report also provided recommendations for improving the continuing development of the Afghan National Army.

### RESULT:

This report is classified.

**Report No. DODIG-2014-027**

## Assessment of Ministry of Interior Police Force Metrics (April – September 2013)

### OVERVIEW:

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

### RESULT:

This assessment provided indications of Afghan National Police development over the 6-month period, April to September 2013. The selected metrics tracked ANP/Ministry of Defense (MoD) development in the areas of sustainment, professionalization and ANP/MoD transition to Afghan security lead. This report is classified.

**Report No. DODIG-2012-034.7**

## ADMINISTRATIVE READINESS

### Section 847 Ethics Requirements for Senior Defense Officials Seeking Employment with Defense Contractors

#### OVERVIEW:

 On January 28, 2008, Public Law 110-181, “The National Defense Authorization Act for Fiscal Year 2008,” was enacted. Section 847 of the law, “Requirements for Senior Department of Defense Officials Seeking Employment with Defense Contractors,” required all officials covered by the law to request an ethics opinion from a DoD ethics counselor before starting employment with a DoD contractor.

The objectives of this assessment were to:

(1) address the central database and DoD IG oversight provisions of Section 847 of this public law, (2) address subsequent direction from the House Armed Services Committee (HASC); and (3) accordingly determine:

- Whether written legal opinions required by section 847 were “being provided and retained in accordance with the requirements of this section.” (Public Law 110-181, section 847 [b][2]).
- “The Department of Defense’s record of compliance with section 847 of Public Law 110-181.” (HASC Report on the National Defense Authorization Act For Fiscal Year 2013).
- Quantitative data specified by the HASC, as follows:
  - “the total number of opinions issued;
  - the total number of opinions retained in accordance with section 847;
  - any instances in which a request for a written opinion pursuant to section 847 lacked a corresponding written opinion; or
  - in which the written opinion was not provided to the requesting official or former official of the Department of Defense by the appropriate ethics counselor within 30 days after the request for a written opinion.”

#### RESULT:

DoD did not retain all required section 847 records in its designated central repository, the After Government Employment Advice Repository (AGEAR). This occurred because the Department did not:

- implement the 2010 DoD Inspector General report recommendation to transfer historical records into AGEAR when the database became operational,
- centrally supervise section 847 activities by its decentralized Components, and
- comply with Deputy Secretary guidance making AGEAR use mandatory as of January 1, 2012.

As a result, the assessment team concluded that the AGEAR database was not complete, that required section 847 records were located in multiple and decentralized locations, and that the records were not readily available for examination.

**Report No. DODIG-2014-050**

## COMPLIANCE

### Assessment of Voting Assistance Programs for Calendar Year 2013

#### OVERVIEW:

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

## RESULT:

There are five compliance focus areas associated with the Federal Voting Assistance Program: staffing, training, material distribution, communication and information, and commander- and installation-level involvement. The Army, Navy, Air Force, and Marine Corps inspectors general reported that their Service voting assistance programs were compliant with relevant policy, regulation, and public law. The Service inspectors general also identified areas where Service voting assistance programs could be improved. In addition, the DoD Federal Voting Assistance Program Office was reviewed regarding its progress in enhancing its voting assistance program performance goals and indicators for annual assessment of voting assistance activities to enable measurement of program effectiveness.

**Report No. DODIG-2014-051**

## NUCLEAR ENTERPRISE

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

### Assessment of Continental United States Based Nuclear Response Task Force Programs

#### OVERVIEW:

 The assessment's overall objective was to examine the Department of Defense's ability to provide, train, organize, and equip response task forces (RTF) to support necessary responses to a U.S. nuclear weapon accident or incident in the continental United States. The U.S. Nuclear Command and Control System Support Staff recommended this assessment topic.

#### FINDINGS:

DoD officials have not completed actions required to fully carry out DoD guidance that it issued in 2002. Specifically, a mission analysis for the RTF was never conducted, and Joint Mission Task Lists were never created. Disparate planning efforts caused geographic

coverage gaps and a lack of sourced airlift plans to deploy an RTF. Moreover, some organizations are executing the RTF mission based on draft guidance. Finally, mechanisms do not exist to report RTF readiness to the Chairman of the Joint Chief of Staff, and Commander, U.S. Northern Command, as required. These critical pieces are still absent due to the lack of priority that tasked agencies give to the RTF mission. The lack of a mission analysis, Joint Mission Essential Task Lists, disparate planning efforts, and mission execution resulted in nonuniform standards, task conditions, and measures; no means exist to determine if the level of the RTF readiness is effective or timely.

## RESULT:

DoD IG recommended that:

- The Commander, U.S. Northern Command, coordinate developing RTF Mission Analysis, Joint Mission Essential Task Lists, Universal Joint Tasks change requests (new and modification to existing), associated measures and conditions, and performance standards. This effort should, at a minimum, include subject-matter experts from the Services, the Defense Threat Reduction Agency, and Joint Staff J3 and J7. A flag or general officer should coordinate and have this process tracked, until completion, by the Nuclear Command and Control System Committee of Principals Nuclear Weapon Accident/Incident Response Subcommittee. These standards should include criteria to indicate the expected performance of a given task.
- The Office of the Deputy Assistant Secretary of Defense for Nuclear Matters update guidance to reflect the Geographic Combatant Commander's responsibility in the mission analysis and Joint Mission Essential Task process and give priority to publishing DoD Manual 3150.08, Nuclear Weapon Accident Response Procedures, and providing an estimated publication date.
- The Headquarters Air Force and the Navy develop respective processes to certify RTF commanders and staffs as mission-ready to the Combatant Command, in accordance with Chairman Joint Chiefs of Staff policies.
- The Joint Staff and the U.S. Northern Command immediately identify a reporting methodology

and format for the RTF Commanders for Air Force Global Strike Command and Navy Regions Southeast and Northwest until such time as the Joint Mission Essential Task Lists can be used to report through the Defense Readiness Reporting System, as prescribed.

- The U.S. Northern Command, Air Force Global Strike Command, and the Joint Staff determine the appropriate method of supporting the logistical and operational requirements to deploy the Air Force Global Strike Command Response Task Force. Stakeholders should consider drafting an “Execute Order” addressing the necessary requirements, capabilities, resources, and procedures.
- The Commander, U.S. Northern Command, in conjunction with the Commander, U.S. Pacific Command, update the appropriate concept of operations plan and operations orders to identify clear authorities and a clear chain-of-command for nuclear weapon incidents or accidents occurring in U.S. Northern Command’s geographic area of responsibility, but currently outside U.S. Northern Command’s operational area of responsibility.

Management comments DoD IG received from the Commander, U.S. Pacific Command agreed with the recommendations.

As a result of management comments and additional assessment work:

- The Commander, U.S. Strategic Command, and the Commander, U.S. Transportation Command, provided comments on the final report which were responsive to the recommendations.
- DoD IG requested Commander, U.S. Northern Command, provide additional comments on the final report by January 10, 2014. Currently U.S. Northern Command is waiting for guidance to be updated by the Deputy Assistant Secretary of

Defense for Nuclear Matters before they proceed with the recommendation.

This report is classified.

**Report No. DODIG-2014-019**

## Review of DoD Requirements for Nuclear Gravity Weapon Delivery Parameters

### OVERVIEW:



DoD IG reviewed current DoD nuclear gravity weapon delivery requirements to determine whether these requirements are excessive given the current capability of delivery platforms. Specifically, DoD IG reviewed the extent of nuclear gravity weapon testing conducted and compared this to testing with current nuclear gravity weapon capabilities for both bomber and fighter aircraft to determine if required nuclear gravity weapon testing was producing sufficient and relevant data for weapons employment scenarios.

### RESULT:

This report is classified.

**Report No. DODIG-2014-031**

## ADMINISTRATIVE INVESTIGATIONS

The DoD IG Office of the Deputy Inspector General for Administrative Investigations consists of two directorates: Whistleblower Reprisal Investigations (WRI) and Investigations of Senior Officials (ISO). The graphic, below, depicts our progress toward achieving our vision of being the model administrative investigation organization in the Federal Government:

### ACCOMPLISHMENTS THIS REPORTING PERIOD:

- FY 2014 National Defense Authorization Act amended both Title 10, United States Code, sections 1034 and 1587 to enhance whistleblower protections for military and nonappropriated fund instrumentality employees. DoD IG is incorporating these enhancements in its revisions to DoD Directive 7050.06, "Military Whistleblower Protection," and DoD Directive 1401.03, "DoD Nonappropriated Fund Instrumentality (NAFI) Employee Whistleblower Protection."
- DoD IG is also preparing to staff a DoD directive implementing Presidential Policy Directive 19, "Protecting Whistleblowers with Access to Classified Information" within the Department.

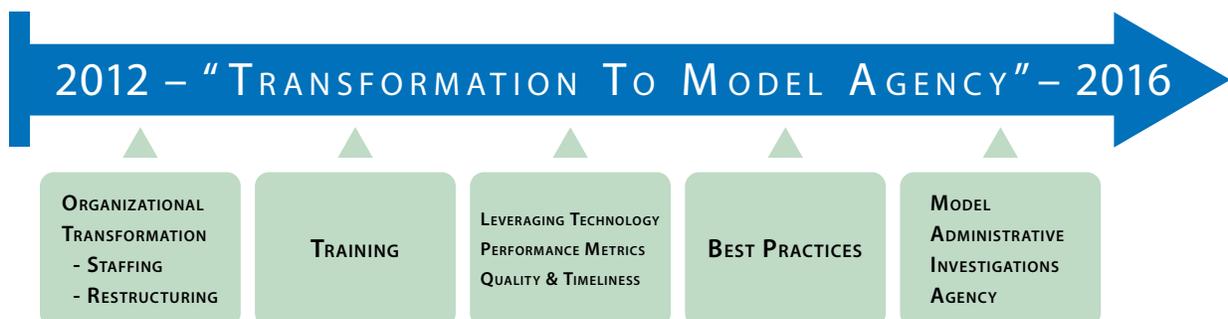
## WHISTLEBLOWER REPRISAL INVESTIGATIONS

The Whistleblower Reprisal Investigations Directorate investigates and conducts oversight reviews of investigations conducted by the Military Services and Defense agency inspectors general (IGs) into allegations of whistleblower reprisal made by DoD military service members, nonappropriated fund instrumentality employees, and DoD contractor employees under Title 10 of the United States Code. WRI investigates allegations that military members were restricted from communicating with a member of Congress or an IG. WRI also investigates, under the authority of the IG Act and on a discretionary basis, allegations of reprisal filed by DoD appropriated fund civilian employees. Finally, WRI investigates, under the authority of Presidential Policy Directive 19, "Protecting Whistleblowers with Access to Classified Information," complaints of reprisal or retaliation by employees serving in Intelligence Community elements and other employees who allege an action was taken in reprisal affecting their eligibility for access to classified information.

DoD IG is committed to maintaining the Department's whistleblower protection program as a model for the Federal Government by improving the timeliness and quality of reprisal investigations. Significant accomplishments during the reporting period include:

- In late March 2014, the Government Accountability Office (GAO) announced a follow-up review (code 351918) of the DoD IG whistleblower protection program scheduled to begin in late April 2014. DoD IG provided updates to GAO regarding recommendations made in the previous review (GAO Report No. GA0-12-362, "WHISTLEBLOWER PROTECTION: Actions Needed to Improve DoD's Military Whistleblower Reprisal Program," February 22, 2012, GAO Code 351599).

Figure 2.1 Transformation to Model Agency

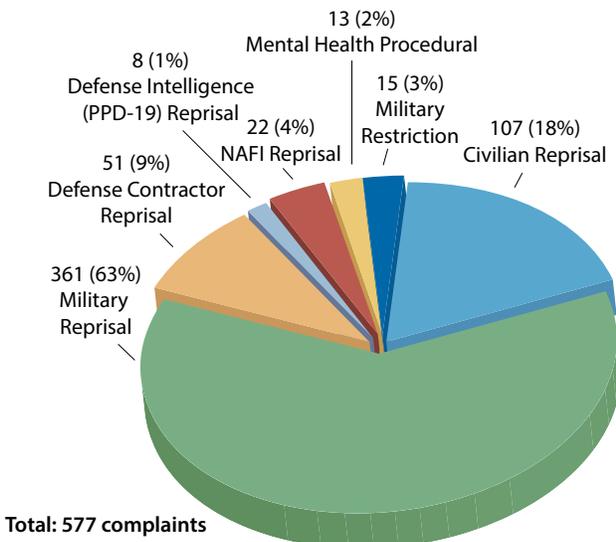


- Completed a Lean Six Sigma review of internal processes and began implementation of recommendations.
- Maintained the DoD IG whistleblower outreach program and provided robust whistleblower protection and reprisal training to DoD IG and Component IG staff.
- Collaborated and shared best practices with other members of DoD IG and Federal whistleblower protection community.
- Implemented process improvements for oversight reviews and increased staffing on the oversight team.
- Sponsored its second Basic Whistleblower Reprisal Investigator Training Course. WRI offered the course to reprisal investigators from the Service Components, Combatant Command IGs, and other Defense agencies. Training topics included Whistleblower statutes, intake processes, interviewing, investigative planning, report writing, report quality assurance processes, DoD IG oversight, and case closure procedures. Supervisory investigators received management training in personnel practices, the Merit Systems Protection Board, performance appraisals, and discipline programs.

## REPRISAL INVESTIGATIONS

During the reporting period, the Department received a total of 577 complaints involving reprisal, restriction from communicating with a member of Congress/inspector general and procedurally improper mental health evaluation referrals.

Figure 2.2 Total Complaints Received During FY 2014 (1st Half)



The Department closed a total of 495 complaints. Table 2.1 shows the number and type of complaints closed by DoD IG and the Service/Defense agency IGs during first half of FY 2014.

Of the 495 complaints closed this period, 334 were dismissed due to insufficient evidence to warrant an investigation, 20 were withdrawn, and 141 were closed following full investigations. Of the 141 investigations closed, 20 involved procedurally improper mental health evaluation referrals (11 substantiated [55 percent]); 4 involved restriction from communicating with a member of Congress/inspector general (3 substantiated [75 percent]); and 117 involved whistleblower reprisal (11 substantiated [9 percent]).

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

- A Military Criminal Investigative Office (MCIO) civilian employee threatened to administer a letter of caution to another MCIO employee in reprisal for that employee's protected disclosures to agency officials. DoD IG recommended management officials take appropriate corrective action against the employee who threatened to administer the letter of caution. Management officials relieved the employee of leadership duties and reassigned him to a nonmanagerial position.
- An active duty Air Force lieutenant colonel locally suspended a Federal civilian employee's access to classified information in reprisal for that employee's protected disclosures to agency officials. DoD IG recommended agency officials restore complainant's access to classified information, and take appropriate corrective action against the colonel. Corrective action is pending.
- A supervisor issued an Air Force sergeant a letter of reprimand in reprisal for reporting that her flight commander engaged in unprofessional conduct. Corrective action is pending.
- A commander took several personnel actions against a Navy chief petty officer (change in duties; suspension of access to classified information; adverse evaluation; and initiation of detachment for cause proceedings) in reprisal

Table 2.1 Complaints Closed During FY 2014 (1st Half)

Reprisal, Restriction, and Mental Health Procedural Complaints  
Closed in FY2014 (1st Half)

	Total Closed	Dismissed	Withdrawn	Investigated	Substantiated Cases	Substantiation Rate
<b>Type of Complaint</b>	<b>Closed by DoD IG</b>					
Civilian Reprisal	105	100	1	4	2	50%
Defense Intelligence (PPD-19) Reprisal	4	4	0	0	0	0%
Military Reprisal	112	104	1	7	0	0%
Defense Contractor Reprisal	53	45	4	4	0	0%
NAFI Reprisal	16	11	1	4	0	0%
<b>Subtotal FY 14 (1st Half)</b>	<b>290</b>	<b>264</b>	<b>7</b>	<b>19</b>	<b>2</b>	<b>11%</b>
Military Restriction	1	1	0	0	0	0%
Mental Health Procedural	2	2	0	0	0	0%
<b>Total FY 14 (1st Half)</b>	<b>293</b>	<b>267</b>	<b>7</b>	<b>19</b>	<b>2</b>	<b>11%</b>
<b>Type Complaint</b>	<b>Closed by Component IG with Oversight Review by DoD IG</b>					
Civilian Reprisal	3	2	0	1	0	0%
Military Reprisal	168	59	12	97	9	9%
<b>Subtotal FY 14 (1st Half)</b>	<b>171</b>	<b>61</b>	<b>12</b>	<b>98</b>	<b>9</b>	<b>9%</b>
Military Restriction	6	1	1	4	3	75%
Mental Health Procedural	25	5	0	20	11	55%
<b>Total FY 14 (1st Half)</b>	<b>202</b>	<b>67</b>	<b>13</b>	<b>122</b>	<b>23</b>	<b>19%</b>
<b>Grand Total FY14 (1st Half)</b>	<b>495</b>	<b>334</b>	<b>20</b>	<b>141</b>	<b>25</b>	<b>18%</b>

Note: Two of the nine military reprisal investigations WRI conducted involved senior officials.

for providing testimony in two IG investigations. The commander received refresher training on prohibitions against reprisal.

- An Army senior rater nonconcurred with a favorable performance evaluation of a sergeant in reprisal for an earlier complaint the sergeant made that resulted in a commander being relieved of duty. The senior rater retired before corrective action could be taken.
- Army officials referred an Army major for a mental health evaluation and removed him from the unit battle roster in reprisal for reporting that soldiers had been consuming alcohol in violation of combatant command orders. Corrective action is pending.

### Corrective Actions Taken during First Half of FY2014 on Whistleblower Cases Closed in Previous Reporting Periods

- An Air Force major general received verbal counseling for threatening to identify and fire four civilian employees who reported potential wrongdoing by another civilian employee to a defense agency inspector general.
- The Army Board for Corrections of Military Records (ABCMR) granted relief to a National Guard noncommissioned officer (NCO). ABCMR concurred with DoD IG that the NCO received a derogatory evaluation report in reprisal for his protected communications. ABCMR declared the rating period as “nonrated” and placed a nonprejudicial statement in the NCO’s official records explaining the nonrated period of service.
- An Army Lieutenant General received a Memorandum of Concern for restricting two subordinate officers from communicating with a DoD IG team.
- An Army Major General received a Memorandum of Concern for restricting a subordinate officer from communicating with a DoD IG team by forwarding an email from his Commander and directing the subordinate officer to comply with the restrictive order contained therein.

### INVESTIGATIONS OF SENIOR OFFICIALS

To promote public confidence in the integrity of DoD leadership, Investigations of Senior Officials investigates and conducts oversight reviews of investigations conducted by the military service and Defense agency IGs into alleged misconduct by senior DoD officials (brigadier general/rear admiral and above, members of the senior executive service (SES) and senior political appointees). The WRI Directorate investigates allegations of reprisal involving senior officials and oversees component investigations of same.

Misconduct allegations are noncriminal in nature and typically involve ethics or regulatory violations. Specialized units within each military department office of inspector general conduct the majority of senior official investigations. ISO investigates allegations against the most senior DoD officials (three-star and above general/flag officers and equivalents), senior officials in the joint or Defense

intelligence community and allegations not suitable for assignment to service IGs. ISO conducts oversight reviews of all Service/Defense agency IG investigations of misconduct involving senior officials.

During the period, the Department received 384 complaints of senior official misconduct and closed 382. Of the 382 complaints closed, 243 were dismissed due to lack of a credible allegation of misconduct and 139 were closed following investigation. Of the 139 investigations closed, 12 were closed by DoD IG and 127 were closed by service IGs with oversight by DoD IG. Of the 139 investigations closed, 41 (29 percent) contained substantiated allegations of misconduct. DoD IG processed 334 requests for records checks, totaling 3,402 names for senior official pending nomination, promotion, retirement and reassignment.

DoD IG conducted several investigations with significant congressional and media interest.

### Examples of Significant Senior Official Cases

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

- Conducted a review of the facts and circumstances surrounding the loss of a Medal of Honor award recommendation packet and determined there was no evidence of senior official misconduct.
- A Defense agency SES misused Government resources by improperly detailing contractors in violation of the Federal Acquisition Regulation; improperly accounted for his time and attendance; created the appearance of a conflict of interest with a subcontractor and attempted to influence the contract for the benefit of the subcontractor; did not provide an honest response to his supervisor; and misused official time, misused a rental vehicle, improperly scheduled travel, improperly accounted for his time and attendance, and failed to use his Government Travel Charge Card for all travel-related expenses while in a temporary duty status. Corrective action is pending.
- A major general misused a Government-owned vehicle. The major general was given a letter of counseling.

# CORE MISSION AREAS

- A Defense agency SES improperly directed a contractor to hire up to 14 individuals as subcontractors, approved a plan for a university and a federally funded research and development center (FFRDC) to hire individuals he selected expressly for the purpose of detailing them to work for him, approved the use of contracts with the university and FFRDC to pay their salaries while they waited to become eligible to be detailed, improperly self-procured airline tickets, and failed to use a Government Travel Charge Card while on official travel. The senior official left Government service prior to the completion of the investigation.

Figure 2.3 Types of Substantiated Misconduct

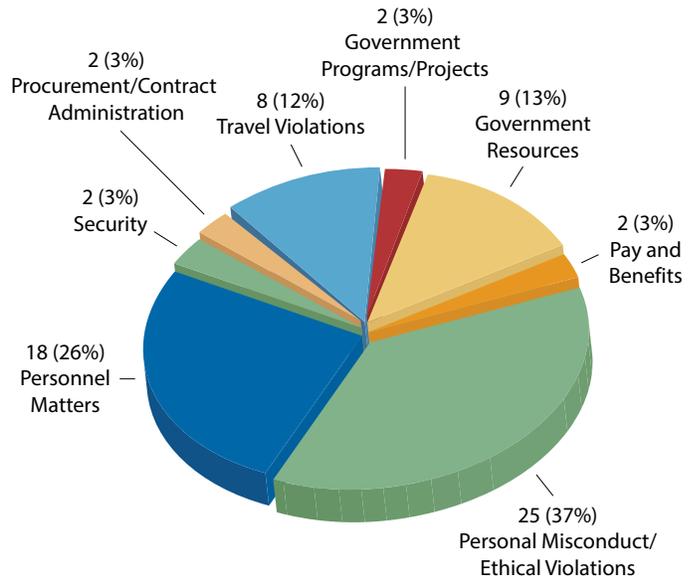


Table 2.1 Senior Official Complaints Closed During FY 2014 (1st Half)

### Senior Official Complaints Closed in FY2014 (1st Half)

	Total Closed	Dismissed	Investigated	Substantiated Cases	Substantiation Rate
<b>Service/Agency</b>	<b>Closed by DoD IG</b>				
Army	69	68	1	0	0%
Navy	31	29	2	0	0%
Air Force	41	41	0	0	0%
Marine Corps	14	13	1	0	0%
COCOM / Defense Agency	93	86	7	3	43%
Other	7	6	1	1	100%
<b>Subtotal FY2014 (1st Half) Closed by DoD IG</b>	<b>255</b>	<b>243</b>	<b>12</b>	<b>4</b>	<b>33%</b>
<b>Service/Agency</b>	<b>Closed by Component IG with Oversight Review by DoD IG</b>				
Army	62		62	12	19%
Navy	11		11	4	36%
Air Force	45		45	15	33%
Marine Corps	0		0	0	0%
COCOM / DA	9		9	6	67%
<b>Subtotal FY2014 (1st Half) Oversight Review by DoD IG</b>	<b>127</b>		<b>127</b>	<b>37</b>	<b>29%</b>
<b>Total FY2014 (1st Half)</b>	<b>382</b>	<b>243</b>	<b>139</b>	<b>41</b>	<b>29%</b>

Note: These figures do not include the two military reprisal cases WRI conducted involving senior officials.

## POLICY AND OVERSIGHT

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

### AUDIT POLICY AND OVERSIGHT

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

#### Hotline Allegation Regarding the Follow-up Audit of a Contractor's Material Management and Accounting System

##### OVERVIEW:

 DoD IG reviewed a DoD Hotline complaint alleging that during a followup audit of a DoD contractor's Material Management and Accounting System (MMAS), a Defense Contract Audit Agency (DCAA) auditor:

- concluded that numerous outstanding deficiencies were corrected without obtaining sufficient evidence; and
- reported the entire MMAS system adequate.

##### FINDINGS:

DoD IG substantiated the allegation that DCAA reported several MMAS deficiencies as corrected without obtaining sufficient evidence to support the opinion. The Gathering Sufficient, Appropriate Evidence section of generally accepted Government auditing standards requires that auditors obtain sufficient evidence in support of their conclusions. Of the 28 deficiencies, DCAA reported as corrected,

the auditor did not obtain sufficient evidence to conclude that 10 of them were corrected. As a result, the contractor might not have corrected the deficiencies and the Government could be incurring unnecessary material costs. In addition, DoD IG found that the DCAA field audit office did not conduct a second followup of the remaining deficiencies in a timely manner. DoD IG did not substantiate a second allegation that DCAA reported the entire MMAS system as adequate. DCAA reported the MMAS as "inadequate in part" based on two deficiencies which the contractor had not adequately corrected.

##### RECOMMENDATIONS:

DCAA should rescind the MMAS followup audit report because the auditor did not obtain sufficient evidence in support of the reported opinion. In accordance with DCAA policy, DCAA needs to initiate a full audit of the MMAS rather than a limited audit of the remaining MMAS deficiencies. Further, DCAA should assess whether auditors agency-wide are conducting followup audits of business system deficiencies in a timely manner.

##### RESULT:

The Director of the Defense Contract Audit Agency agreed with the findings and adequately responded to one of two recommendations. The Director did not agree to conduct an agency-wide assessment on the timeliness of followup audits.

**Report No. DODIG-2014-002**

### INVESTIGATIVE POLICY AND OVERSIGHT

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

#### Review of Deoxyribonucleic Acid (DNA) Collection Requirements for Criminal Investigations

##### OVERVIEW:

 DoD IG evaluated whether DoD and the U.S. Coast Guard authorities collected DNA samples from service members convicted of certain offenses and submitted them to the U.S. Army Criminal



DoD IG evaluated whether properly collected DNA samples were submitted to USACIL for analysis and inclusion in CODIS.

Investigation Laboratory (USACIL) for analysis and subsequent inclusion in the Combined DNA Index System (CODIS) as Federal law and DoD Instruction mandate.

## FINDINGS:

DoD and Coast Guard authorities did not submit 282 of the 3,536 required DNA samples to USACIL for inclusion in CODIS during the evaluation sample period of June 1, 2010, through October 31, 2012. The evaluated agencies had an overall 92 percent compliance rate.

## RECOMMENDATIONS:

DoD IG recommended the Secretaries of the Military Departments and Commandant of the Coast Guard take prompt action to submit the missing 282 DNA samples required to be in CODIS. DoD IG also recommended the Secretaries of the Military Departments and Commandant of the Coast Guard take prompt action to ensure DNA sample collections for future arrestees conform to DoD Instruction 5505.14.

## RESULT:

Secretaries of the Military Departments and the Commandant of the Coast Guard concurred with the report and recommendations. They agreed with the recommendations to promptly submit any missing DNA samples to CODIS but expressed concern

regarding their jurisdictional and legal authority to collect samples from individuals no longer subject to the Uniform Code of Military Justice.

**Report No. DODIG-2014-029**

## CRIMINAL INVESTIGATIVE POLICY

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

- 1. DoD Instruction O-5505.09, "Interception of Wire, Electronic, and Oral Communications for Law Enforcement," November 27, 2013.** The Instruction establishes policy, assigns responsibilities, and establishes procedures governing the interception of wire, electronic, and oral communications for law enforcement. It incorporates and cancels DoD Directive 5505.09 and DoD Manual O-5505.09.
- 2. DoD Instruction 5525.12, "Implementation of the Law Enforcement Officers Safety Act of 2004 (LEOSA)" February 13, 2014.** The Instruction updates established policy and assigns responsibilities for military and civilian law enforcement personnel within the DoD. It implements the amended LEOSA of 2004 and section 1089 of Public Law 112-239.
- 3. Directive-type Memorandum (DTM) 14-002, "The Establishment of Special Victim Capability (SVC) Within the Military Criminal Investigative Organizations" February 11, 2014.** The DTM directs the military criminal investigative organizations (MCIOs) to establish the investigative portion of an SVC by providing a distinct, recognizable group of appropriately trained investigators to investigate allegations of all designated SVC covered offenses. It establishes policy and assigns responsibilities for the MCIOs to investigate the following designated SVC covered offenses: allegations of adult sexual assault offenses, domestic violence involving sexual assault and/or aggravated assault with grievous bodily harm, and child abuse involving sexual assault and/or grievous bodily harm.

4

# SERVICES



# ARMY

## U.S. ARMY AUDIT AGENCY

To accomplish its mission, U.S. Army Audit Agency (USAAA) relies on a work force of highly trained professional auditors, many with advanced degrees and professional certifications. USAAA’s staff consists of approximately 580 employees and is organized into 19 functional audit teams that provide audit support to all aspects of Army operations.

USAAA also maintains a presence in the U.S. Central Command area of responsibility assisting Army commanders. At the end of March 2014, it had five deployed auditors in Afghanistan. Overall, USAAA has deployed over 215 auditors since 2002 and issued more than 209 reports on Operation Enduring Freedom/Operation Iraqi Freedom.

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

During the first half of FY 2014, USAAA published 53 reports, made more than 190 recommendations, and identified about \$342 million of potential monetary benefits. A few of USAAA’s significant reports are described in the following paragraphs.

### Audit of Aviation Requirements—Shadow Platoon Instructor Operators

#### OVERVIEW:

U.S. Army Audit Agency (USAAA) conducted this audit to verify that Shadow Unmanned Aircraft System (UAS) platoons had a sufficient number of instructor operators (IOs) to maintain readiness. IOs are necessary within a Shadow platoon because they progress operators from readiness level 3 to readiness level 1. Shadow operators are at readiness level 3 upon completing entry-level UAS training and must progress to readiness level 1 (mission ready) and retain readiness level 1 before flying Shadow systems without an IO present. An operator can become



USAAA reviewed whether Shadow Unmanned Aircraft System platoons had a sufficient number of instructor operators.

IO-certified in two ways. The Directorate of Evaluation and Standardization can certify operators or operators must attend the UAS IO course at the 2-13th Aviation Regiment in Fort Huachuca, AZ. At the course, candidates must pass a proficiency flight evaluation to demonstrate readiness level 1 for enrollment in the course. The course has two consecutive phases. Each phase is 2 weeks long and can accommodate 144 students per year. Phase 1 provides base-level IO training for Shadow, Hunter, and Gray Eagle. Phase 2 provides platform-specific IO training.

#### FINDINGS:

USAAA concluded that the Army had only 56 percent of the IOs required for the 74 of 82 platoons reviewed. This occurred because there was:

- High Shadow platoon IO attrition because of IOs being promoted, separating or retiring from Army, or serving in non-IO positions. The Army certified about 493 IOs between February 2005 and November 2012. However, there were only about 124 (or 25 percent) soldiers serving as IOs in the 74 Shadow platoons reviewed, as of November 2012;
- a low number of operators graduating from the IO course. For example, in FY 2012, only 39 of 96 Shadow IO candidates graduated.

Additionally, IOs weren’t evenly distributed between platoons. Of the 74 platoons reviewed, 50 percent

had only 1 or no IOs, and 80 percent had fewer than the draft requirement of 3 IOs per platoon. This occurred because the Army didn't have a specialty code or Additional Skill Identifier to identify which operators were IO certified.

The IO shortage and imbalances of IOs among platoons affected mission readiness. Unit readiness is measured against the Modified Table of Organization and Equipment requirements; and since the Army had no requirement for IOs, it didn't have visibility to ensure IOs were prioritized to units deployed or preparing to deploy. Of the active component Shadow platoons USAAA reviewed that were in the pre-deployment or deployment status, 50 percent had only 1 or no IOs, and 38 percent had only two.

Further, the UAS Unit Command and Staff Leader Course didn't reach key positions in charge of the Shadow UAS because it wasn't mandatory. The leader course was designed to provide unit leaders an overview of important UAS operations and to include safety and flight instructor and mission coordinator responsibilities. In FY 2012, about 63 percent of students who attended the resident course at Fort Huachuca, AZ, were local G-2 Intelligence students.

*“By implementing these recommendations, the Army could improve Shadow platoon mission readiness and potentially save about \$4.9 million between FY 2014 and FY 2019.”*

**RESULT:**

USAAA recommended U.S. Army Forces Command:

- ensure Shadow IO candidates are prepared for the UAS IO course by conducting a comprehensive review of IO candidates' flight records and ensuring IO candidates receive and pass the proficiency flight evaluation and knowledge test within 60 days of attending the course; and
- require that Shadow platoons request an extension of time on station for currently assigned IOs when the platoon has a shortage of IOs and is nearing pre-deployment status.

USAAA recommended U. S. Army Training and Doctrine Command expedite the process for establishing an Additional Skill Identifier for IO's and convert the UAS IO Common Core Course and the UAS Unit Command and Staff Leader Course to distributive learning by third quarter of FY 2014. By implementing these recommendations, the Army could improve Shadow platoon mission readiness and potentially save about \$4.9 million between FY 2014 and FY 2019.

**Report No. A-2014-0008-ALA**

**FY 14 Mine Resistant Ambush Protected (MRAP) Vehicle Reset Funding Request**

**OVERVIEW:**

U.S. Army Audit Agency (USAAA) reviewed the processes used by the MRAP Project Office, in coordination with the TACOM Life Cycle Management Command's Integrated Logistics Support Center, to develop the funding request and the cost estimates for the reset of MRAP vehicles. USAAA recalculated an updated funding request based on the current quantities of vehicles identified in the MRAP reset production schedule using the Red River Army Depot and Leghorn Army Depot cost estimates.

**FINDINGS:**

USAAA found the MRAP Project Office had sufficient processes and procedures to develop a reasonable FY 2014 MRAP reset funding request. The funding request, of about \$390 million, was properly documented and based on reasonable planning



USAAA reviewed the processes to develop the funding request and cost estimates for the reset of MRAP vehicles.

assumptions. However, USAAA found the funding request was developed before the Army’s approval of the MRAP Strategy, which identified a lower quantity of vehicles the Army planned to retain. The strategy directed changes to scheduled quantities in the MRAP reset program.

Further, the Army planned to reset MRAP vehicles at both Red River Army Depot and Leghorn Army Depot when the FY 2014 funding request was submitted. However, the Red River Army Depot cost estimate was used for all FY 2014 reset quantities in the submission because the Leghorn Army Depot cost estimate was still being developed. Therefore, the request needed to be updated to reflect the lower Leghorn Army Depot cost estimate when it became available. The Project Office needed to apply the cost estimate to recalculate the funding request and reflect a more accurate cost.

“... the Army could save about \$244 million including a \$70 million reduction of the FY 2014 reset request...”

## RESULT:

USAAA recalculated the amount of funding the Army needed, to reset MRAP vehicles in FY 2014. The calculation was based on the current number of vehicles the Army planned to reset at both Red River Army Depot and Leghorn Army Depot, and allowed for a cost increase at Leghorn Army Depot for battle damage. The recalculated funding requirement for FY 2014 reset was about \$146 million. Therefore, the Army could save about \$244 million including a \$70 million reduction of the FY 2014 reset request already taken by the Army during the audit.

**Report No. A-2014-0052-ALA**

## Demilitarization Efficiencies—Conventional Ammunition

### OVERVIEW:

The Secretary of the Army serves as the Single Manager for Conventional Ammunition. As a result, the Army is responsible for funding and executing DoD’s conventional ammunition demilitarization mission. Despite having a goal to reduce the stockpile

to 100,000 tons and an increase in the Army’s funding for conventional ammunition demilitarization over the last 10 years, the conventional ammunition demilitarization stockpile grew from approximately 382,000 tons in FY 2004 to approximately 556,000 tons in FY 2013, representing a \$1 billion liability. U.S. Army Audit Agency (USAAA) conducted this audit to verify that the Army was maximizing opportunities to achieve efficiencies for conventional ammunition and missile demilitarization.

### FINDINGS:

USAAA reported that the Product Manager Demilitarization (PM Demil), acting under delegated authority, proactively initiated various efficiency studies and projects for the Conventional Ammunition Demilitarization Program. However, efforts to implement recommended actions from these studies were slow to nonexistent. PM Demil appropriately planned the Army’s research, development, test, and evaluation efforts to focus on execution priorities. The Army also had established policy to implement Design for Demilitarization requirements to consider demilitarization in designing or modifying conventional ammunition. However, Army personnel didn’t track or report the Army’s efforts and couldn’t provide the status of implementation efforts. Further, the Army needed to improve how it executed conventional ammunition demilitarization operations to maximize identified opportunities to achieve efficiencies. Specifically, the Army:

- didn’t have documented long-term plans or a standard methodology for distributing demilitarization workload among organic facilities or via contract vehicles to support stockpile-reduction goals;
- had an insufficient focus on demilitarizing top stockpile munitions;
- didn’t use open detonation efficiently; and
- had reduced competition which resulted in de facto sole sourcing and limited flexibility for some contracted demilitarization work.

### RESULT:

The audit, which contained two recommendations addressed to the Assistant Secretary of the Army

(Acquisition, Logistics and Technology) and five recommendations to the Program Executive Officer Ammunition, provided the Army with assurance of consistency and continuity for the Army conventional ammunition demilitarization operations and that the Army could effectively accomplish its mission to reduce the growing stockpile. Though with comment, the Assistant Secretary and the Program Executive Officer agreed with audit findings and recommendations.

**Report No. A-2014-0007-IEE**

### Followup Audit of Planning for Disposal of Chemical Demilitarization and Storage Facilities

#### OVERVIEW:

In FY 2011, U.S. Army Audit Agency (USAAA) issued Report A-2011-0177-IEE, Planning for Disposal of Chemical Demilitarization and Storage Facilities, which addressed property accountability of real property and equipment at Chemical Agent Disposal Facilities. Specifically, USAAA concluded that:

- The systems contractor at the Newport Chemical Agent Disposal Facility couldn't account for contractor-acquired property purchased with research and development funds during the construction of the Newport facility.
- Anniston Army Depot, Pine Bluff Arsenal, and Umatilla Chemical Depot didn't properly account for procurement-funded equipment and Government-furnished equipment, valued at about \$996.1 million, acquired to construct demilitarization facilities in their installation property books.

USAAA conducted this followup audit at the request of the Deputy Chief of Staff, G-4 to verify that applicable commands implemented four recommendations and the corrective actions fixed the conditions previously reported.

#### FINDINGS:

USAAA reported that Army Contracting Command-Rock Island provided reasonable assurance that it could account for contractor-acquired property purchased with research and development funds during construction of the Newport Chemical Agent Disposal Facility. Army Contracting Command-Rock

Island personnel coordinated with the Newport systems contractor to reconcile DD Forms 1662 (DoD Property in the Custody of Contractors) to the systems contractor's property records from the Document Control Management System for FY 2004 through FY 2009. In addition, personnel at Anniston Army Depot, Pine Bluff Arsenal, and Umatilla Chemical Depot properly accounted for procurement-funded equipment and Government-furnished equipment.

#### RESULT:

The actions taken by command for the four recommendations corrected the conditions previously reported. The report contained no recommendations, and the Deputy Chief of Staff, G-4 agreed with the report and the conclusion.

**Report No. A-2014-0013-IEE**

### Followup Audit of Funding Requirements for the Conventional Ammunition Demilitarization Program

#### OVERVIEW:

U.S. Army Audit Agency (USAAA) followed up on Report A-2010-0134-FFE, Funding Requirements for the Conventional Ammunition Demilitarization Program. The prior audit focused on determining whether the Army reasonably estimated the funding required to dispose of the conventional ammunition demilitarization stockpile and kept pace with annual additions. In this report, USAAA reported that due to growth rates and funding processes, the stockpile had grown to more than 557,000 tons as of March 2009 and could exceed 1.1 million tons by FY 2025, representing a \$2.8-billion demilitarization liability. USAAA also:

- concluded that the Army could save about \$749 million if it received funding to reduce the conventional ammunition demilitarization stockpile to 100,000 tons by FY 2025;
- recommended that Deputy Chief of Staff, G-4 coordinate with the Sustaining Program Executive Group Executive to define the conventional ammunition demilitarization program's critical level of requirements for their program objective memorandum submission at a level that would reduce the program's stockpile to 100,000 tons by FY 2025; and

*“USAAA estimated the alternative actions should result in the Army avoiding about \$461 million of the \$749 million in demilitarization and storage costs over a 15-year period.”*

- accepted Deputy Chief of Staff, G-4’s proposed alternative actions of coordinating with the Program Executive Group to reinstate the critical funding requirement of a 3-percent stockpile reduction for the FY 2012 through FY 2017 program objective memorandum submission. USAAA estimated the alternative actions should result in the Army avoiding about \$461 million of the \$749 million in demilitarization and storage costs over a 15-year period.

## FINDINGS:

USAAA reported that Deputy Chief of Staff, G-4 implemented the agreed-to actions by defining the critical level of requirements at approximately \$185 million for conventional ammunition demilitarization, which would allow the Army to keep pace with annual additions and achieve a 3-percent stockpile reduction. Although the Army only funded conventional ammunition demilitarization at 58-percent of the defined critical funding requirements, it kept pace with the 64,461 tons in annual additions and achieved a 3.1-percent (17,490 tons) reduction to the stockpile in FY 2012. As a result of the reduction in FY 2012, the Army should realize savings of about \$32.8 million in FY 2012 through 2017. However, because the Army funded only about half of the defined critical requirements, there’s no assurance of similar stockpile reductions or related cost avoidances for the future.

## RESULT:

The report contained no recommendations but did suggest two actions for the Product Manager for Demilitarization to capitalize on identified efficiencies and follow updated forecasting guidance to address funding shortages and identified forecasting inaccuracies. The Director of Supply for the Deputy Chief of Staff, G-4 agreed with the report’s conclusion, suggested actions, and monetary benefits.

**Report No. A-2014-0023-IEE**

## Army Hearing Program—Hearing Conservation

### OVERVIEW:

U.S. Army Audit Agency (USAAA) conducted the audit to verify that the Army identified corporate-level hearing conservation initiatives and took sufficient actions to implement these initiatives at the installation and unit level. Generally, USAAA found that the Army identified these initiatives related to noise-hazard identification, health education, and enforcement. However, USAAA’s review at five sites showed that the Army could improve its strategy for these implementing initiatives at installations and units.

### FINDINGS:

Installation personnel generally conducted surveys to identify noise-hazardous areas. However, one of five sites used a higher exchange rate of 5 decibels to calculate its average noise exposure instead of the Army-required 3-decibel rate. The installation received a waiver in 2002 (which expired in 2004) that allowed it to use standards from the Occupational Safety and Health Administration instead of the more stringent Army requirements. As a result, personnel at this site were potentially exposed to hazardous noise for longer periods than prescribed by Army policy. In addition, two sites didn’t identify all noise-hazardous areas in the Defense Occupational and Environmental Health Readiness System—Industrial Hygiene primarily because guidance was unclear as to whether military-unique noise-hazardous areas (such as live fire ranges) should be included. As a result, some soldiers and civilians working in these areas may not have been included in the Army’s Hearing Conservation Program.

Additionally, four of five sites effectively conducted hearing conservation training for civilian employees and basic trainees. However, some installations didn’t have processes to ensure active duty soldiers received mandatory training or documented the completion of training. This occurred because Army guidance didn’t require these things. Consequently, the Army may not have met its statutory requirements to provide this training to all noise-exposed personnel. In addition, most installations didn’t have processes to enforce hearing protection or inspection requirements. By not implementing proper enforcement mechanisms, soldiers and civilians weren’t held accountable for noncompliance with hearing conservation requirements.

**RESULT:**

If the Army’s implementation of the initiatives at the installation and unit level don’t improve, costs the Army reimburses the U.S. Department of Labor for hearing claims could continue to increase (thereby further reducing scarce resources for Army use), and disability compensation claims for hearing loss at the U.S. Department of Veterans Affairs could continue to rise. The Deputy Assistant Secretary of the Army, Military Personnel and Quality of Life agreed with our conclusion and recommendations.

**Report No. A-2014-0038-IEE**

**Audit of Reserve Components Drill Pay**

**OVERVIEW:**

U.S. Army Audit Agency (USAAA) conducted this audit to verify that the Army Reserve and Army National Guard had appropriate controls in place to mitigate potential fraudulent inactive duty training pay. The review included micro and macro fraud risk assessment tests. The micro tests compared selected units’ hardcopy attendance records to the Component’s electronic attendance data. The electronic attendance data was then compared to Defense Finance and Accounting Service pay data. USAAA’s macro tests analyzed all Army Reserve and Army National Guard inactive duty training pay transactions from October to December 2012.

**FINDINGS:**

USAAA analyzed nearly 12,000 unit-training assemblies from four units in the Reserves and four units in the Guard. In addition, USAAA completed tests on 22 million pay records from October to December 2012. These tests identified no indicators of potential fraudulent activity, but did find a few immaterial administrative errors. USAAA concluded that internal controls and separation of duties worked well in minimizing opportunities for fraudulent pay associated with inactive duty training attendance.

**RESULT:**

Because the audit findings were positive, the report didn’t have any recommendations but identified best practices in each Component. Specifically:

- The Guard required unit commanders to review attendance data after the unit administrator electronically entered the data for payment.
- The Reserve required soldiers’ signatures for each unit training assembly attended.
- The Reserve’s regulatory guidance clearly defined the requirement to maintain all attendance documentation for 6 years and 3 months.

While current regulatory guidance is sufficient, adoption of these best practices within the Components would mitigate the opportunity for attendance manipulation, place accountability on the soldier for attendance, and provide a stronger audit trail.

**Report No. A-2014-0053-IEF**

**Army Emergency Relief Operations**

**OVERVIEW:**

U.S. Army Audit Agency (USAAA) audited whether Army Emergency Relief (AER) had appropriate internal controls in place and operating to ensure that personnel processed only legitimate grants.

“Based on USAAA’s review of information in paper case files and Samaritan, ... 160 grants totaling about \$223,000 didn’t have sufficient documentation to support the financial assistance requested and provided.”

**FINDINGS:**

AER needed to improve its internal controls to ensure that personnel processed only legitimate grants. Army Community Service directors (or their equivalents), at the four section offices reviewed during the audit, generally needed to strengthen their oversight of AER operations. Based on USAAA’s review of information in paper case files and Samaritan, the software used to process grants, 160 grants totaling about \$223,000 didn’t have sufficient documentation to support the financial assistance requested and provided. As a result, the Army and Headquarters AER had little assurance that personnel safeguarded and protected AER funds.

## RESULT:

By implementing USAAA's recommendations, the Army and Headquarters AER strengthened their internal controls over AER operations. Headquarters AER improved its Section Audit Checklist so that it was a more effective tool for evaluating internal controls and assessing AER operations. Headquarters AER incorporated additional functionality into their new software (netForum) to better document and monitor financial assistance requested by and provided to soldier and their families. These changes will ensure AER can continue its mission of providing emergency financial assistance to soldiers and family members.

**Report No. A-2014-0042-IEI**

## Pharmaceutical Purchases, U.S. Army Medical Command

### OVERVIEW:

The Defense Logistics Agency (DLA) reports about \$895 million annually in prescription drug purchases for Soldiers and family members, filling both Army physician and civilian-provider prescriptions. Therefore, it is in the Army's best interest to obtain the best value for its purchases. Army pharmacies also participated in DLA's Pharmaceutical Reverse Distribution Program, which helps pharmacies return drugs that are at or near expiration for a possible credit. During FY 2012, drug manufacturers issued about \$19.1 million of credits to the Army. U.S. Army Audit Agency (USAAA) conducted this audit to verify that medical treatment facilities made use of available contracts for purchases and that those purchases were the most cost-effective. Additionally, USAAA verified that the facilities made use of vendor credits for returned and expired drugs.

### FINDINGS:

Army pharmacies generally made purchases at the lowest contracted price available. Pharmacy staff routinely researched the ordering system for updated prices on cost-effective drug alternatives when ordering name-brand and generic drugs from prime vendor contracts. As a result, the savings from their purchasing efforts was more than \$12.9 million in FYs 2011 and 2012. Pharmacies made cost-effective purchases despite limitations in administrative tools used to evaluate best value. Specifically, some DLA reports used for performance management had outdated information and weren't useful to

pharmacy managers. Additionally, the Office of the Surgeon General staff improved the utilization of funds credited for the turn-in of outdated medication. Specifically, they contacted individual medical activities to ensure these funds were expended before expiration, which resulted in a dramatic drop in reverted funds ranging from a high of more than \$500,000 in June 2011 to less than \$8,000 in April 2012 and \$0 in June 2012.

## RESULT:

USAAA made three recommendations to improve the processes to identify the most economical purchases and improve transparency over turn-in credits in prime vendor accounts. USAAA recommended U.S. Army Medical Command (MEDCOM) appoint a single, command-wide action officer to ensure that price change information is distributed to ordering personnel at Army pharmacies, as well as to revise procedures to conduct monthly credit reconciliations and properly authorize payments from the prime vendor to reverse distributors. USAAA also recommended that DLA Troop Support take action to improve the accuracy of information reported in the Best Pharmacy Report. At a minimum, they needed to revalidate software programming in the automated drug pricing comparison tool to address erroneous pricing and amounts.

MEDCOM agreed to appoint an Army pharmacy supply officer to work at DLA Troop Support and



USAAA reviewed available contracts for cost-effective prescriptions purchases.

revised Army Regulation 40-3, Medical, Dental, and Veterinary Care, to support the procedural changes to managing turn-in credits. The Assistant Secretary of the Army, Manpower and Reserve Affairs, agreed with the recommendations and felt that MEDCOM's planned actions to appoint a pharmacy officer to work with DLA will improve communication and coordination between the two organizations. They also agreed with MEDCOM's effort to revise the governing regulation.

**Report No. A-2014-0019-IEM**

### **Audit of the Implementation of Comprehensive Soldier and Family Fitness Program Training Centers**

#### **OVERVIEW:**

The Army Surgeon General asked U.S. Army Audit Agency (USAAA) to review several of the programs included in the Ready and Resilient Campaign, which was signed by the Secretary of the Army in March 2013. Therefore, USAAA audited selected aspects of the Comprehensive Soldier and Family Fitness (CSF2) Program which focuses on helping build resilience and enhance performance of the total force. USAAA focused on CSF2 training centers and verified that the program established guidance, funding, and standardized staffing levels before establishing additional centers. Also, the CSF2 program director asked USAAA to review whether the U.S. Army Aviation and Missile Command's Expedited Professional and Engineering Support-Blanket Purchase Agreement (BPA) was the appropriate acquisition vehicle to staff the training centers.

#### **FINDINGS:**

USAAA concluded that for the CSF2 program training centers, command was in the process of solidifying guidance, developing a concept plan to support requesting funding for the training centers, and validating a staffing model to right-size existing and future training centers. During the course of the audit, command was proactive and completed the draft CSF2 Program regulation in July 2013, and it was staffing the regulation through Headquarters Department of the Army functional proponents. In addition, command initiated a concept plan to request approval of the program's organizational restructure. This included a change in staffing requirements

and a cost-benefit analysis to determine staffing authorizations for the FY 2015 through 2019 Program Objective Memorandum.

Also, USAAA concluded that the current expedited professional and engineering support services-BPA wasn't the most appropriate acquisition vehicle to staff the training centers. Under the BPA, which was in place prior to fully developing the CSF2 training center concept, contractors were required to provide systems engineering and support services, whereas the CSF2 training center's mission is to provide performance enhancement and resilience training. U.S. Army Material Command legal personnel agreed that using the BPA to staff the training centers was outside the BPA's scope. Based on prior legal review in 2006, the use of the BPA had been considered the appropriate acquisition vehicle. The Army Center for Enhanced Performance requested services to acquire systems engineering support to develop biometric diagnostics equipment to measure the way the mind and body work together to help soldiers with life skills. However, the CSF2 program no longer required the systems engineering support services. Instead, the training centers were now staffed with sports psychologists. As a result, the BPA was no longer the appropriate acquisition vehicle.

Additionally, USAAA concluded the contracting officer's representative didn't designate the responsibilities of the technical monitor for providing contract surveillance in writing. Although the technical monitor established controls to monitor the contractors, the technical monitor didn't maintain documentation to support surveillance activities. As a result, the Army didn't have full assurance the Army received the services it paid for.

#### **RESULT:**

USAAA recommended that CSF2 not establish six planned training centers using the BPA. Because of this, the Army was able to reallocate \$1.4 million of the \$4.9 million it received in FY 2013 for funding the expansion. USAAA also recommended that command enhance contract oversight to ensure the Army receives the services it pays for, with which the Army agreed.

**Report No. A-2014-0022-IEM**

## Audit of Management of the e-Profile Process

### OVERVIEW:

U.S. Army Audit Agency (USAAA) audited U.S. Army Medical Command's (MEDCOM's) Electronic Profiling System (e-Profile) to determine whether personnel used e-Profile to document medical limitations for soldiers and manage the overall physical profile process.

### FINDINGS:

USAAA concluded that medical personnel used e-Profile to manage the physical profile process. The proactive approach that MEDCOM took to implement e-Profile increased the ease with which medical and unit personnel tracked physical profiles. Medical personnel used e-Profile to write profiles and document soldiers' medical limitations. In addition, medical personnel responsible for managing the medically-not-ready population used e-Profile as their primary source to get profile history information to determine how long a soldier had been on a specific profile. This provided medical personnel more visibility over soldiers with medical conditions that could bar them from deploying, enabling medical personnel to recommend appropriate medical care. The e-Profile system also facilitated communication between medical providers and unit commanders about the health and well-being of soldiers. The emphasis MEDCOM placed on converting paper profiles into the electronic format helped it more readily identify the medically-not-ready population.

However, USAAA identified system improvements that can enhance medical personnel's performance and overall system administration. Specifically, medical management center and unit personnel used spreadsheets to calculate the total number of days a soldier was on profile, because system-generated reports didn't accurately reflect this number. As a result, personnel expended a significant amount of time calculating this metric for each soldier. Secondly, unit commanders didn't always register to be e-Profile users because MEDCOM guidance didn't specifically require them to register. Consequently, MEDCOM wasn't able to fully ensure that all unit commanders were fully aware of the health and welfare of their soldiers. Lastly, e-Profile system administrators didn't have an effective way to identify when a user

no longer needed access to the system because responsibility for this function was decentralized and no procedures were in place to address this issue. Without this control, users could have unauthorized access to soldiers' personal and medical information once the users left the unit.

### RESULT:

USAAA made recommendations to both MEDCOM and U.S. Army Forces Command. USAAA recommended that MEDCOM submit a system change request to determine the feasibility of e-Profile automatically calculating the total elapsed days for a specific profile, request funding for the change, and ensure the change is implemented. USAAA also recommended that both MEDCOM and U.S. Army Forces Command issue guidance that directs unit commanders to register in e-Profile. Lastly, USAAA recommended that U.S. Army Forces Command develop procedures to update access to the units' e-Profile system when user roles or positions change. Commands concurred with the recommendations and began implementation.

**Report No. A-2014-0047-IEM**

## Sexual Assault-Related Phone Numbers—First Three Tests

### OVERVIEW:

U.S. Army Audit Agency (USAAA) verified that sexual assault victims can successfully contact a sexual assault response coordinator or sexual assault victim advocate using sexual assault-related phone numbers posted on Army websites. DoD Directive 6495.01, Sexual Assault Prevention and Response Program, requires Military Services to have available an immediate, trained sexual assault response capability for each report of sexual assault in all locations. Though the response time may be affected by operational necessities, sexual assault victims are to be treated as emergency cases.

“The first cold call test resulted in 67 of 105 numbers called were mostly not answered, forwarded to other unanswered numbers, didn't result in a return call when auditors left messages, or were to disconnected number.”

**FINDINGS:**

USAAA tested sexual assault-related phone numbers posted on Army websites to verify that sexual assault victims could successfully contact a sexual assault response coordinator or sexual assault victim advocate. The first cold calls to these numbers had a very low rate of success (36 percent); two succeeding rounds had higher success rates at 84 percent and 80 percent, respectively.

The first cold call test resulted in 67 of 105 numbers called were mostly not answered, forwarded to other unanswered numbers, didn't result in a return call when auditors left messages, or were to disconnected numbers. Other unsuccessful calls went to offices or persons not associated with a sexual assault response coordinator or sexual assault victim advocate.

USAAA quickly notified the Offices of the Assistant Secretary of the Army, Manpower and Reserve Affairs; Deputy Chief of Staff, G-1; and the Army's Sexual Harassment/Assault Response and Prevention (SHARP) Program of the results. The Vice Chief of Staff, Army, and Deputy Chief of Staff, G-1 promptly issued directives, instructions and policy guidance to commands, Service Component commands, and direct reporting units to begin correcting for the unsuccessful calls and the problems found with sexual assault-related phone numbers posted on websites. Of the unsuccessful calls, 58 of the 82 numbers taken from the Department of the Army SHARP website were unsuccessful. When USAAA informed personnel at the SHARP Program Office, they said they hadn't updated numbers for several months. The office immediately established a process and checklist for updating these numbers.

Due to Headquarters' Department of the Army actions after the first test of calls, the next two tests had better results. On April 6, 2013, USAAA called 55 24/7 sexual assault hotline numbers, and 46 calls (84 percent) were successful. On May 10, 2013, USAAA called 88 24/7 hotline numbers, and 70 calls (80 percent) were successful. The reasons for the unsuccessful calls in these two tests were similar to the first test. Responsible installation and command sexual assault response coordinator personnel informed USAAA of actions taken or planned to correct for these unsuccessful calls.

**RESULT:**

During the audit, the SHARP Program Office established an aggressive oversight role to help ensure that it and Army subordinate commands perform monthly testing and reporting on the success of testing of 24/7 phone numbers. A summary of overall Army test results are reported to the Deputy Chief of Staff, G-1 and to the Secretary of the Army.

The capability for sexual assault victims to contact a sexual assault response coordinator or sexual assault victim advocate using phone numbers posted on Army Websites has improved. However, consistent and persistent actions are still required at all Army levels to ensure phone numbers posted on Websites are correct and that a sexual assault victim can successfully reach a sexual assault response coordinator or sexual assault victim advocate for needed support.

**Report No. A-2014-0046-MTH**

**Army National Guard Operating Tempo Funds Use**

**OVERVIEW:**

U.S. Army Audit Agency (USAAA) reviewed the use of Army National Guard (ARNG) operating tempo (OPTEMPO) funds in the Army due to concern about the amount of OPTEMPO funds that were being migrated for non-OPTEMPO requirements, particularly for base operations and information technology equipment and services. The purpose of OPTEMPO funds is to support home station training. USAAA reviewed FYs 2011 and 2012 ARNG OPTEMPO funds use at the ARNG Directorate level, California ARNG, and Pennsylvania ARNG to verify whether these activities used OPTEMPO funds for OPTEMPO requirements.

“ In addition, ARNG didn't ensure that activities obtained the appropriate waivers before migrating OPTEMPO funds for non-OPTEMPO requirements.”

**FINDINGS:**

USAAA determined that ARNG generally used OPTEMPO funds for OPTEMPO requirements during FY 2011 and FY 2012. However, USAAA identified

that various ARNG activities migrated \$25.7 million (about 16.5 percent) of \$155.3 million of OPTEMPO funds for non-OPTEMPO requirements, primarily for base operations support and information technology requirements. This occurred because Headquarters Department of the Army guidance was unclear regarding OPTEMPO migrations and ARNG's responsibilities related to the approval process for OPTEMPO migration waivers. In addition, ARNG didn't ensure that activities obtained the appropriate waivers before migrating OPTEMPO funds for non-OPTEMPO requirements. This happened because it issued unclear guidance, issued guidance that contradicted Headquarters Department of the Army guidance, or didn't issue guidance annually to its states and territories.

## RESULT:

As a result, the Army and ARNG didn't have full oversight of OPTEMPO funds used for non-OPTEMPO requirements for planning and decision making purposes. This potentially exposed ARNG activities to increased risk that commanders would be unable to accomplish their training mission in the event of budget constraints. Therefore, USAAA recommended that the Army update the OPTEMPO management instructions and ARNG develop a migration waiver-approval process for the directorate, states, and territories that requires an approved waiver before migrating OPTEMPO funds for non-OPTEMPO requirements. These actions should strengthen oversight of OPTEMPO migrations and provide a more accurate reflection of ARNG OPTEMPO fund use for budgetary decisions.

**Report No. A-2014-0048-MTT**

## Training Support System-Contracting

### OVERVIEW:

U.S. Army Audit Agency (USAAA) audited the Training Support System-Enterprise Mission Support Services contract to verify that the contract was an effective tool for obtaining high quality training support in a cost-efficient manner at continental United States (CONUS) installations. Historically, the Army executed redundant training support contracts, which had limited potential for use across the Training Support System spectrum. This resulted in many separate contracts, managed by many separate agencies, which made it very difficult to adhere to Army Training

Support System standards. In 2011, the Army awarded an enterprise-level contract to four prime vendors to provide an integrated support solution for acquiring training support contracted services. The contract, valued at an estimated \$290 million over a 5-year period, was expected to minimize redundancies and leverage Army requirements and economies of scale by consolidating common requirements.

“Since 2011, the Army had reported about \$9.5 million of cost savings and improved management controls.”

### FINDINGS:

USAAA determined that the Training Support System-Enterprise contract was an effective tool for obtaining high quality training support in a cost-efficient manner. Since 2011, the Army had reported about \$9.5 million of cost savings and improved management controls because of the Training Support System-Enterprise contract. However, the Army continued to use other contract mechanisms to acquire Training Support System services because it didn't require that all activities use the enterprise-level contract to satisfy their training support requirements. Additionally, USAAA determined that the Army generally awarded and administered the Training Support System-Enterprise contract in a manner consistent with sound business practices and regulatory guidance. However, USAAA identified a few areas needing improvement. Specifically, although contracting personnel completed independent Government cost estimates, the estimates didn't fully comply with prescribed guidance. Also, two task orders managed at higher command levels didn't have contracting officer's representatives appointed at the installation level to provide daily contract surveillance; and Government personnel didn't verify the accuracy of labor hours contractors entered in the Contractor Manpower Reporting Application system.

### RESULT:

As a result, the Army may not have maximized the benefits associated with using the Training Support System-Enterprise contract to obtain training support services. Also, the Army's assurance that award amounts were fair and reasonable, goods and services were received in full accordance with performance

work statements, and labor hours were accurately reported by vendors was hindered. USAAA made recommendations that will provide more assurance that the Army acquires Training Support System services in the most cost efficient manner at CONUS installations and will allow the Army to maintain better control and visibility over Training Support System contract operations.

**Report No. A-2014-0025-MTT**

## U.S. ARMY CRIMINAL INVESTIGATION COMMAND

### Significant Activities

#### Rape of a Child

##### OVERVIEW:

Criminal Investigation Division at Schofield Barracks, HI, was notified that a 17-year-old girl was being treated for injuries she sustained when she was raped by her stepfather, identified as Sergeant 1st Class Charles Bonilla. Investigation determined Bonilla had performed unlawful sexual acts with his stepdaughter on multiple occasions since she was eight years old.

##### RESULT:

On December 19, 2013, during a general court martial, at Schofield Barracks, Bonilla was convicted of rape of a child, carnal knowledge with a child, and sodomy with a child. He was sentenced to 35 years confinement, reduction in rank to E-1, sex offender registration, and a dishonorable discharge.

#### Indecent Assault Involving Children

##### OVERVIEW:

Criminal Investigation Division at Fort Hood, TX, received information that Master Sergeant Alan S. Guardado had sexually assaulted his daughter. During the course of the investigation, three additional victims were discovered at various military bases where Guardado had served as a youth soccer coach dating back to 1994. The investigation determined that Guardado sexually assaulted his daughter; forced a juvenile female to expose herself to him; touched

a juvenile female in a sexual manner; and spoke in a sexually explicit manner to another juvenile female.

##### RESULT:

On January 10, 2014, during a general court-martial, at Fort Hood, Guardado was convicted of aggravated sexual contact with a child, sexual assault of a child, indecent liberty with a child, indecent acts upon a child, and indecent assault. Guardado was sentenced to eight years confinement, reduction in rank to E-1, forfeiture of all pay and allowances and sex offender registration.

#### Production and Distribution of Child Pornography and Rape and Sodomy of a Child

##### OVERVIEW:

Criminal Investigation Division at Fort Leavenworth, KS, was notified by a soldier, who had purchased a laptop computer from Sergeant Jacky D. Freeman's wife, that the computer contained suspected child pornography. Freeman was interviewed and admitted to possessing and distributing child pornography as well as indecent pictures of a four-year-old girl whom he babysat. Coordination with the Federal Bureau of Investigations (FBI), Kansas City, MO, was made as the investigation determined Freeman distributed child pornography to individuals believed to be civilians. Forensic examination of Freeman's digital media devices by the FBI revealed indecent behavior involving Freeman's one-year-old daughter in images, which he distributed via the internet. Other images were also found depicting sexually explicit conduct with a four-year-old girl Freeman babysat.

##### RESULT:

On November 12, 2013, during a general court-martial, at Fort Leavenworth, Freeman pleaded guilty and was convicted of possession, production, and distribution of child pornography; rape and sodomy of a child; and sexual assault of a child. Freeman was sentenced to life in prison without the possibility of parole (restricted to 45 years under a pretrial agreement), reduction in rank to E-1, forfeiture of all pay and allowances, sex offender registration, and a dishonorable discharge.

“Bennett concealed the stolen items in a military shipping container...In total, Bennett stole nearly \$1.3 million worth of U.S. Government property.”

## Conspiracy and Theft of Government Property

### OVERVIEW:

While deployed and assigned to Contingency Operating Base Speicher, Iraq, between October 2008 and October 2009, Chief Warrant Officer 3 Kurt A. Bennett was alleged to have conspired and stolen Government property. Criminal Investigation Division at Fort Bragg, NC, in a joint investigation with Defense Criminal Investigation Service, the Federal Bureau of Investigation, and the Defense Logistics Agency, revealed Bennett, along with other members of his unit, conspired and stole Government property. Bennett concealed the stolen items in a military shipping container and then shipped them back to Fort Drum, NY. After Bennett returned to the United States from Iraq, he traveled to Fort Drum and transported the shipping container of stolen items to Georgia. In total, Bennett stole nearly \$1.3 million worth of U.S. Government property.

### RESULT:

Bennett pleaded guilty to and on November 14, 2103, was convicted in the Federal District Court for the Eastern District of North Carolina of conspiracy to steal and convert U.S. Government property and theft and conversion of Government property. He was sentenced to 3 years imprisonment followed by 3 years of supervised release.

## Rape of Multiple Children and Possession of Child Pornography

### OVERVIEW:

Sergeant Christopher M. Halpine’s wife discovered one of her daughters viewing pornographic images on a cell phone. While questioning her daughter about the images, the daughter informed her mother that she had been sexually assaulted by Halpine, her stepfather, since 2007. Halpine’s wife then questioned her other daughter who confirmed Halpine had also been sexually assaulting her since 2011. Criminal Investigation Division (CID) at Fort Campbell, KY, was notified and investigated the allegations jointly with

the Federal Bureau of Investigation. Both of Halpine’s stepdaughters were forensically interviewed and both revealed they had been sexually assaulted for approximately six years. During the interviews of the stepdaughters, two additional juvenile females (one age 8 to 9 and one age 2 to 3 at the time) were identified as friends who regularly visited the family’s residences in Arkansas and Maryland. Interviews of these juvenile females revealed Halpine sexually assaulted them on various separate occasions. Additionally, a CID digital forensic examiner conducted a forensic analysis of 44 items of digital evidence collected during the investigation. The analysis revealed 31 images and 3 videos depicting child pornography, and 1,069 file fragments depicting suspected child pornographic images and videos. One of the videos and 18 of the images depicted Halpine’s stepdaughters.

### RESULT:

On February 11, 2014, Halpine pleaded guilty during a judge-only general court-martial at Fort Campbell and was convicted of several counts of rape of a child, forcible sodomy of a child, aggravated sexual contact of a child, sexual assault of a child, sexual abuse of a child, indecent liberty with a child, and production, distribution, and possession of child pornography. Halpine was sentenced to 100 years of confinement (restricted to 40 years under a pretrial agreement), reduction in rank to E-1, sex offender registration and a dishonorable discharge.

## Rape of Current and Former Spouse

### OVERVIEW:

Criminal Investigation Division at Fort Hood, TX, was notified that Sergeant 1st Class Michael J. Rosado-DeJesus raped his wife. The investigation not only disclosed that Rosado-DeJesus sexually assaulted his current wife, but it also established that while his ex-wife never reported to law enforcement, he raped and forcibly sodomized her numerous times.

### RESULT:

On January 27, 2014, during a judge-only general court-martial, at Fort Hood, Rosado-DeJesus was convicted of multiple counts of rape, multiple counts of assault, assault consummated by battery, and child endangerment. He was sentenced to

25 years confinement, total forfeiture of all pay and allowances, reduction in rank to E-1, sex offender registration, and a dishonorable discharge.

### Lieutenant Colonel Sexually Assaults his Stepdaughter

#### OVERVIEW:

The Maryland State Police (MSP) notified Criminal Investigation Division (CID) at Fort Meade, MD, that Lieutenant Colonel Sean M. Ahern had allegedly sexually abused his stepdaughter multiple times when she was between the ages of 11 and 17. The investigation began as a joint investigation with MSP until they terminated their investigation after the state attorney's office declined to pursue prosecution due to weak evidence. However, CID continued the investigation. The investigation concluded Ahern sexually assaulted his stepdaughter over the span of seven years.

#### RESULT:

On September 20, 2013, during a general court-martial at Fort Myer, VA, Ahern was convicted of sexual assault of a child, indecent assault of a child, and committing an indecent act upon a child. Ahern was sentenced to 17 years and 6 months confinement, sex offender registration, and dismissal from the U.S. Army.

### Murder and Aggravated Assault

#### OVERVIEW:

Criminal Investigation Division (CID), Fort Knox, KY, responded to the murder of a civilian. The subsequent investigation disclosed Sergeant Marquinta E. Jacobs approached Lloyd R. Gibert, Human Resources Command (HRC), Fort Knox, in the parking lot of the HRC building, where Gibert worked. Jacobs used a pistol to shoot Gibert multiple times. Gibert subsequently died as a result of his wounds. A witness was in close proximity to Gibert, and Jacobs pointed the weapon at him; afterward Jacobs fled the scene. Due to expeditious coordination by CID with the Federal Bureau of Investigation and various local law enforcement agencies, Jacobs was located and apprehended in Portland, TN.

#### RESULT:

On January 9, 2014, during a judge-only general court-martial at Fort Knox, Jacobs pleaded guilty and was convicted of premeditated murder and aggravated assault. Jacobs was sentenced to confinement for life with the eligibility of parole (restricted to 30 years under a pretrial agreement), reduction in rank to E-1; total forfeiture of all pay and allowances, and a dishonorable discharge.

## NAVY

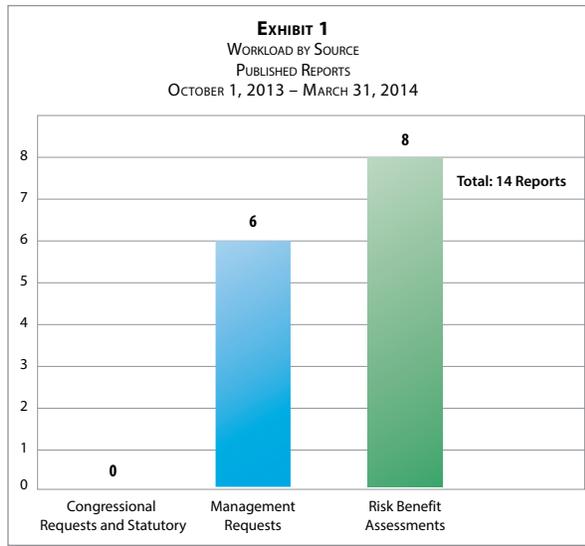
### NAVAL AUDIT SERVICE

The Naval Audit Service (NAVAUDSVC) mission is to provide independent and objective audit services to assist Department of the Navy (DON) leadership in assessing risk to improve efficiency, accountability, and program effectiveness. The NAVAUDSVC works with DON leadership to develop an annual risk-based audit plan addressing critical areas and also responds to requests from senior DON officials to provide audit work on emergent issues. In the past 6 months, NAVAUDSVC audits have addressed such important issues as acquisition, administration of service contracts—"Contract Management – Service Contracts" was included as a material weakness in the DON's FY 2013 Statement of Assurance—and more. The NAVAUDSVC's audit of military construction projects identified \$13.16 million in funds that could be put to other use through reducing over-scopings in projects. Further, our assist reports for the Naval Criminal Investigative Service identified approximately \$5.2 million in potential fraud. The NAVAUDSVC will continue to work with senior DON officials to provide them with an expert and impartial assessment of critical issues, and, if necessary, make recommendations that strengthen and improve the Department's operations.

During this period, NAVAUDSVC issued 14 final reports, which identified over \$13 million of potential funds to be put to other use. To date, management has agreed to over \$13 million.

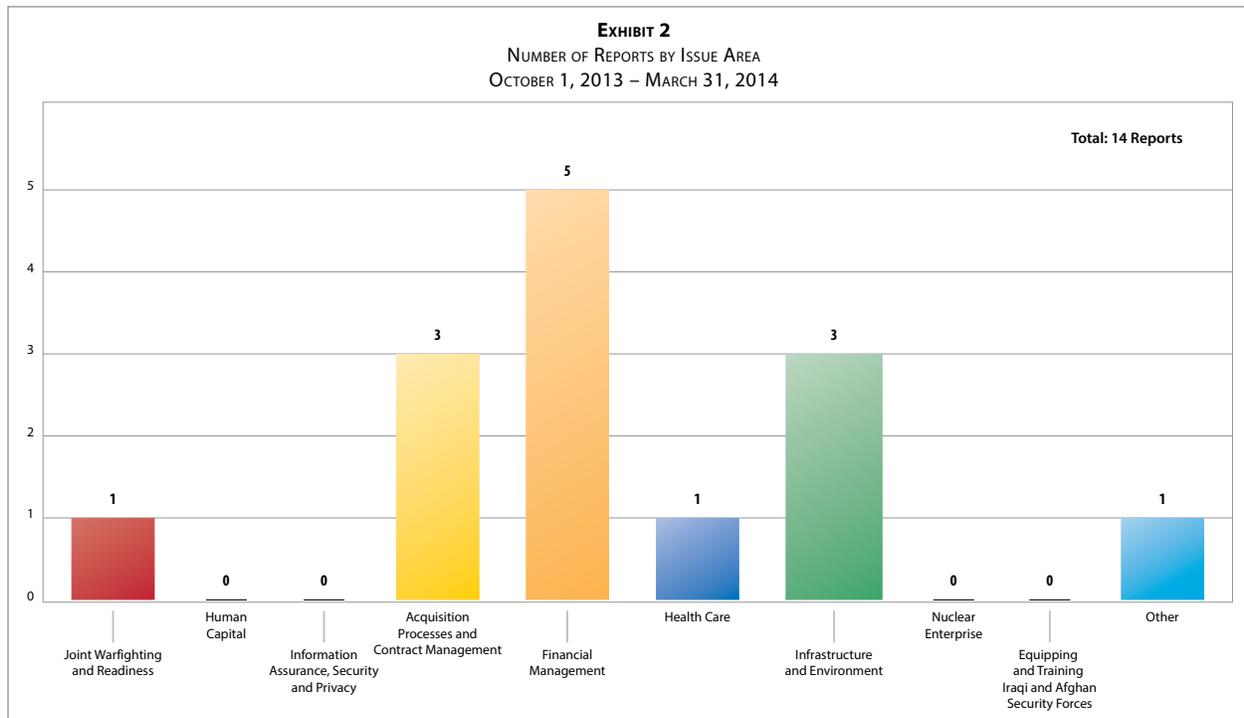
**Major Sources of Coverage Requirements.** NAVAUDSVC provided performance and financial audit coverage in areas with significant impact. The sources of work for reports published in this period are shown in Exhibit 1.

Exhibit 1. Workload by Source Published Reports October 1, 2013 – March 31, 2014



**Issue Area Coverage.** Exhibit 2 shows the number of final reports published by issue area.

Exhibit 2. Number of Reports by Issue Area October 1, 2013 – March 31, 2014



**Substantial Audit Benefits Obtained.** Exhibit 3 shows the funds identified for potential other use through audit reports issued by NAVAUDSVC over the past 3 years.

Exhibit 3. Funds Identified For Potential Other Use (\$ in thousands)

Program	Past 3 Years	Past 6 Months
Acquisition Programs	\$0	\$0
Construction Programs	621,300	13,158
Logistics Programs	0	0
Other Programs	7,075	0
<b>Total</b>	<b>\$628,375</b>	<b>\$13,158</b>

**Civilian Staff Strength.** Exhibit 4 shows the authorized and actual civilian year-end strengths for FYs 2011 through 2014.

Exhibit 4. Civilian Year-End Strength (Includes audit, other professional, administrative and support personnel)

Fiscal Year	Authorized	Actual
2011	398	370
2012	398	373
2013	383	366
2014	358	353

*“Four of the 13 programs reviewed did not input program information into Dashboard, while 4 of the 9 programs that had information in Dashboard did not update program information quarterly as required.”*

## Acquisition Processes and Contract Management

### Naval Sea Systems Command and Affiliated Program Executive Offices' Management Oversight for Select Acquisition Category III and IV Programs

#### OVERVIEW:

Naval Audit Service analyzed whether Naval Sea Systems Command (NAVSEA) and its affiliated Program Executive Offices (PEOs) were providing oversight of Acquisition Category (ACAT) III and ACAT IV programs in accordance with Secretary of the Navy and DoD acquisition policy.

#### FINDINGS:

NAVSEA and its affiliated PEOs were not providing adequate oversight of ACAT III and ACAT IV programs in accordance with Secretary of the Navy and DoD acquisition policy. This occurred because the Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition) (ASN (RD&A)) had not issued any formal policy or procedures for the Deputy Secretaries' of the Navy oversight and management responsibilities for ACAT III and IV programs; ASN (RD&A) has not developed formal policy or procedures for the use of Dashboard as a program management tool to manage all ACAT programs; and NAVSEA Instruction for program reviews and reporting did not reflect the current operating environment for ACAT III and IV programs. As a result, NAVSEA and its affiliated PEOs were not properly executing their delegated responsibilities for ACAT III and IV programs in full compliance with acquisition regulations. Naval Sea Systems Command and its affiliated PEOs approved 8 of 13 programs reviewed before either obtaining all required documentation or before acquisition documentation was properly approved. Four of the 13 programs reviewed did not input program information into Dashboard, while 4 of the 9

programs that had information in Dashboard did not update program information quarterly as required. One program out of the 13 reviewed exceeded the ACAT III program cost thresholds.

#### RESULT:

Recommendations were made to improve oversight by ASN (RD&A) for Milestone Decision Authority responsibilities delegated to Naval Sea Systems Command and its affiliated PEOs for ACAT III and IV programs. In addition, a recommendation was made to update Naval Sea Systems Command Instruction to reflect the current acquisition environment to include organizational roles and responsibilities, and current DoD and DON acquisition policies and procedures.

**Report No: N2014-0005**

### Service Contracts and Military Interdepartmental Purchase Requests at Norfolk Ship Support Activity

#### OVERVIEW:

Naval Audit Service (NAVAUDSVC) determined whether Norfolk Ship Support Activity (NSSA) policies, procedures, and internal controls for issuing and administering service contracts and Military Interdepartmental Purchase Requests were sufficient. The audit reviewed two interagency task orders, valued at a combined total of approximately \$78 million, one Seaport-e task order, valued at approximately \$67.3 million, and 20 task orders procured on 4 Fleet Logistic Center contracts, valued at approximately \$29.4 million. The audit was conducted at the request of the Commanding Officer and Executive Director.

#### FINDINGS:

NSSA did not establish sufficient policies, procedures, or internal controls for issuing and administering Military Interdepartmental Purchase Requests and service contracts. Also, NSSA did not maintain sufficient documentation to create a clear audit trail. The NSSA comptroller directed interagency contracts without proper authorization or adequate separation of duties. Additionally, NAVAUDSVC found subcontracted employees performing duties closely related to inherently governmental functions. These issues resulted in a potential Anti-Deficiency Act violation by inappropriately charging and collecting approximately \$3.4 million in fees.

*“The excessive use of subcontractors resulted in NSSA paying approximately \$19.5 million, or 33 percent more than using the prime contractor at the negotiated rates.”*

Responsible contracting officer’s representatives were not sufficiently involved in the administration of task orders and did not provide adequate surveillance of contractor performance or invoice review. NAVAUDSVC found that approximately 90 percent of the work under the Seaport-e task order was subcontracted and then further subcontracted to 26 second-tier contractors. The excessive use of subcontractors resulted in NSSA paying approximately \$19.5 million, or 33 percent more than using the prime contractor at the negotiated rates. As a result, leadership did not have reasonable assurance that the use and administration of contracts were in the best interest of the command or that services billed for were valid. The weaknesses identified increased the risk of fraud, waste, and abuse.

#### RESULT:

NAVAUDSVC recommended that NSSA management establish and implement controls and guidelines, and provide oversight to improve: documentation; separation of duties; contract administration; and contracting officer’s representative functions. In addition, U.S. Fleet Forces Command should determine the need for an Anti-Deficiency Act investigation related to fees collected that may have violated the Miscellaneous Receipts Statute.

**Report No. N2014-0011**

## Financial Management

### Invoice Management on Selected Ships of Commander, U.S. Fleet Forces Command

#### OVERVIEW:

Naval Audit Service (NAVAUDSVC) determined whether internal controls and procedures were in place for the invoice approval process to ensure that selected U.S. Fleet Forces Command ships were paying for goods and services ordered and received. Specifically, 225 (\$2.0M) statistically selected Government commercial purchase card transactions and 80 (\$11.2M) judgmentally selected

other purchase transactions (such as husbanding and medical expenses) were selected for FYs 2010 and 2011 from three selected ships for review.

#### FINDINGS:

The audit found that the U.S. Fleet Forces Command did not have sufficient management oversight and monitoring over the invoice management process. Specifically, the U.S. Fleet Forces Command did not:

- Record purchase card transactions on the purchase logs;
- Maintain supporting documentation;
- Have legible signatures on invoice documentation;
- Show evidence of receipt and acceptance;
- Ensure that approving officials’ signatures were on invoice documentation;
- Establish segregation of duties;
- Record document numbers on purchase requests; and
- Ensure DD Forms 577 were prepared and retained on file for the agency program coordinators, approving officials, and cardholders.

#### RESULT:

NAVAUDSVC made eight recommendations to the U.S. Fleet Forces Command to establish controls and implement oversight and monitoring in the areas reviewed. Not having sufficient management oversight and monitoring over the invoice process increases the risk of overpayments and potential fraudulent activity, and lessens the Navy’s assurance that it is paying only for goods and services ordered and received.

**Report No. N2014-0004**

## Infrastructure and Environment

### Reporting of Environmental Liabilities

#### OVERVIEW:

Naval Audit Service (NAVAUDSVC) determined whether the Navy had accurately identified and recorded the Environmental Restoration Liabilities and Other Accrued Environmental Liabilities (OEL) related to Navy fuel storage tank units and that cost estimates were documented.

**FINDINGS:**

NAVAUDSVC identified areas for improvement in the processes the Navy uses to develop and support OEL cost estimates. DoD and DON guidance requires that a future liability cost estimate be recorded in the accounting system for Navy fuel storage tanks. NAVAUDSVC reviewed 235 fuel storage tanks (out of 1,821) at 11 selected Navy installations and projected that 1,544 of the 1,821 tanks were required to have an OEL cost estimate recorded in the accounting system and reflected in the FY 2012 financial report. Of the 1,544 tanks, NAVAUDSVC projected that 79 percent had an OEL cost estimate recorded, as required, while 21 percent did not. When OEL costs are not recorded in a timely manner, the Navy's estimated future environmental cleanup costs could be misstated, possibly hindering the achievement of audit readiness by 2017 as directed by the Secretary of Defense.

**RESULT:**

NAVAUDSVC recommended that Naval Facilities Engineering Command: (1) perform a periodic reconciliation of the environmental tank listings with the OEL universe; (2) establish communication and coordination among facility tank managers and OEL program managers; (3) update OEL Enterprise System reports and manuals to include additional detail; (4) record the OEL cost estimates for the 46 unrecorded tanks for inclusion in the current annual OEL reporting period; and (5) include the Environmental Liabilities Program as an assessable unit in the Managers' Internal Control Program. Navy management concurred with all five of the report recommendations.

**Report No. N2014-0007**

### Department of the Navy's Military Construction Projects Proposed for Fiscal Year 2015

**OVERVIEW:**

Navy Audit Service (NAVAUDSVC) determined whether the project scope requirements were sufficiently supported for selected military construction (MILCON) projects contained in the Department of the Navy's proposed FY 2015 MILCON Program.

*“The audit found 11 of the 13 proposed MILCON projects were over-scoped by \$13.158 million and 9 of the 13 proposed projects were under-scoped by \$4.809 million.”*

**FINDINGS:**

The audit reviewed 16 (7 U.S. Navy and 9 U.S. Marine Corps) proposed MILCON projects valued at \$656.490 million. All 16 MILCON projects audited were needed; however, during the audit, one of the projects, valued at \$7.310 million, was removed from the Future Years Defense Program and was not included in the FY 2015 funding. Two of the proposed projects (1 Navy and 1 Marine Corps), valued at \$78.440 million, were found to be properly scoped. The remaining 13 projects were not sized in accordance with appropriate criteria and/or included items that were not required or authorized. The audit found 11 of the 13 proposed MILCON projects were over-scoped by \$13.158 million and 9 of the 13 proposed projects were under-scoped by \$4.809 million.

**RESULT:**

NAVAUDSVC recommended that Navy and Marine Corps management direct reductions in scope for the over-scoped and unsupported line items in military construction projects and review the under-scoped line items and make appropriate adjustments as supporting documentation dictates. Management took appropriate corrective actions on all 4 of the reported recommendations, and concurred with the audit-identified \$13.158 million in funds potentially available for other use.

**Report No. N2014-0008**

## NAVAL CRIMINAL INVESTIGATIVE SERVICE

### Significant Investigative Cases

#### Qui Tam Suit Leads to \$17 Million Restitution

##### OVERVIEW:

This joint investigation with the Naval Criminal Investigative Service, Defense Criminal Investigative Service, U.S. Army Criminal Investigation Division, Small Business Administration Office of the Inspector General, and the Federal Bureau of Investigation was initiated in May 2006 as a result of a qui tam suit filed in the Northern District of Georgia. The suit detailed five allegations of fraud and bid rigging that:

- Anjan Duttgupta, owner of Advanced Solutions for Tomorrow was paying bribes to U.S. Navy Program Officer Ralph Mariano;
- Ralph Mariano was accepting bribes for U.S. Navy contracts from other companies providing services to Naval Sea Systems Command (NAVSEA);
- Paramount Solutions was submitting false claims under a U.S. Navy contract for work that was not performed;
- Paramount Solutions was engaging in a bid-rigging scheme; and
- Paramount Solutions was a fraudulently created business.

At the time, Advanced Solutions provided engineering and technical services for submarine combat systems and command and control systems support to Naval Undersea Warfare Center Newport Division and held more than \$100 million in Navy contracts. The investigation revealed that Mariano controlled an annual budget of \$6 million to \$7 million with little oversight. Money was being placed on the Advanced Solutions contracts at Mariano’s direction without any technical instruction describing what work was to be completed. Mariano first solicited Duttgupta for a bribe of \$6,000 per week in 1987. Duttgupta admitted his involvement in the bribery scheme and stated Mariano threatened to end U.S. Navy funding to Advanced Solutions if the bribes were not paid. Russell Spencer, owner and president of C&S Technology, an Advanced Solutions subcontractor, admitted complicity in a bribery scheme wherein

C&S received inflated subcontracts from Advanced Solutions and Paramount Solutions and then paid bribes or kickbacks to himself, Duttgupta, Mariano, Mary O’Rourke (an employee of Advanced Solutions whose position was funded through the bribery scheme). Spencer billed the Navy about \$200,000 a month for work that was never performed. Patrick Nagle, chief financial officer of Advanced Solutions, processed the fraudulent invoices for payment. Mariano also directed that payments were provided to his father, Ralph Mariano Jr.

“Additionally, Mariano, Duttgupta, Spencer, Nagle, and O’Rourke were each sentenced to joint restitution of \$17,957,000 (the amount of Government money falsely obtained and paid to Spencer as part of the scheme).”

##### RESULT:

All defendants pleaded guilty. On November 1, 2013, Mariano was convicted and sentenced to 10 years confinement for theft of Government property and 5 years (concurrently) for conspiracy and tax evasion, and was fined \$10,000. On December 4, 2013, Duttgupta was convicted and sentenced to 3 years confinement and 3 years supervised release for bribery of a public official. On August 13, 2013, Ralph Mariano Jr. was convicted and sentenced to 4 years of probation with 2 years of home confinement for three counts of tax evasion. On October 4, 2011, he forfeited \$337, 950. On December 5, 2013, Spencer was convicted and sentenced to 3 years confinement and 3 years of probation for making false statements. On November 19, 2013, Nagle was convicted and sentenced to 30 months of probation, 300 hours of community service, and a \$25,000 fine for conspiracy to commit bribery. On December 11, 2013, O’Rourke was convicted and sentenced to 9 months of home confinement, 5 years of probation, 1,000 hours of community service, a \$4,000 fine, and immediate restitution of \$478,800 to NAVSEA for theft of Government property.

Additionally, Mariano, Duttgupta, Spencer, Nagle, and O’Rourke were each sentenced to joint restitution of \$17,957,000 (the amount of Government money falsely obtained and paid to Spencer as part of the scheme).

## Fraudulent Workers Compensation Claim

### OVERVIEW:

On June 24, 2013, at Marine Depot Maintenance, Albany, GA, a U.S. Navy civilian employee submitted a suspected fraudulent claim for Office of Workers Compensation Program benefits. Abel F. Martin asserted that on May 13, 2013, he was injured on the job while turning over a 100-pound piece of armor; on May 28, 2013, Martin filed a claim for the injury, which did not have any witnesses. Naval Criminal Investigative Service conducted surveillances on numerous occasions and on both June 27 and 28, 2013, Martin was observed involved in activities that contradicted his claimed medical condition and in violation of physician's order.

“...investigative efforts saved the program and the U.S. Government \$1,628,158 in lifetime cost avoidance for medical and salary compensation costs...”

### RESULT:

On July 18, 2013, Martin's Workers' Compensation claim was denied. Martin appealed the decision and on December 13, 2013, after an additional review, the Office of Workers Compensation Program again denied the injury claim. As a result, investigative efforts saved the program and the U.S. Government \$1,628,158 in lifetime cost avoidance for medical and salary compensation costs according to calculations provided by the implementation guidance for worker's compensation under the Federal Employee Compensation Act.

## Cost Mischarging

### OVERVIEW:

In June 2011, a joint investigation with Defense Criminal Investigative Service and Defense Contract Audit Agency (DCAA) was initiated based on an allegation that Vihn Vo, Chief Executive Officer (CEO) of Vector Planning and Services had been mischarging U.S. Navy contracts since 2005. Vo allegedly misdirected and deceived DCAA auditors by altering transaction records and creating false supporting documentation. A search warrant was executed on the business and on Vo's home in September 2012.

Vector Planning and Vo were temporarily suspended from Federal Government contracting, as well as prohibited from receiving the benefits of Federal assistance. Vo relinquished all management and oversight responsibilities at Vector Planning. He died in a car accident in May 2013.

### RESULT:

On January 14, 2014, the United States and Vector Planning entered into a deferred prosecution agreement in the U.S. District Court, Southern District of California. As part of the agreement, attorneys representing Vector Planning admitted that its former CEO and majority owner submitted five years' worth of false cost claims to the Defense Department, resulting in losses of more than \$3.6 million. Vector Planning agreed to pay \$6,500,000 to the U.S. Government and to maintain a compliance and ethics program. In exchange, the U.S. Attorney's Office agreed to postpone a prosecution for felony false claims for three years.

## Child Sexual Abuse

### OVERVIEW:

In July 2013, Petty Officer 2nd Class Jeremy Dale McMurry's wife contacted Naval Criminal Investigative Service (NCIS) and reported that McMurry had been having a sexual relationship with her 15-year-old daughter for more than a year. McMurry had just been sentenced in a court-martial to confinement and a dishonorable discharge for possession of child pornography. McMurry's wife said he threatened that she would lose access to her children if she reported the relationship. During an investigation conducted unilaterally by NCIS, McMurry's stepdaughter initially denied any sexual contact, but after a second forensic interview, she admitted that McMurry had been forcing her to have sex with him since she was 13 years old; her younger brother was forced to watch her have sex with McMurry; and that she had been forced to perform sexual acts on her brother. The stepdaughter also said the sexual abuse led to a pregnancy, and McMurry forced her to have an abortion in February 2012. The brother corroborated this information and claimed McMurry had also sexually abused him. The conclusions of this investigation were presented to the Kings County, CA, Superior Court for prosecution.

## RESULT:

On February 3, 2014, McMurry pleaded guilty in Kings County, CA, Superior Court to two counts of lewd or lascivious acts with a child under the age of 14, and three counts of aggravated sexual assault of a child under the age of 14 years and seven years younger than the defendant. On February 28, 2014, McMurry was sentenced to serve 105 years to life in prison and fined \$10,000.

## Sexual Assault of Multiple Minors

### OVERVIEW:

This joint investigation with the Groton, CT, Town Police Department (GPD) was initiated in January 2013 upon notification by a registered source that Petty Officer 1st Class Tristan James Thomas, Naval Submarine Base, New London, CT, was allegedly engaging in sexual intercourse with girls ages 13 to 15. A victim was forensically interviewed by the GPD and confirmed the allegation. Items of evidentiary value were seized during a search of Thomas' off-base home. The investigation ultimately determined that Thomas was having electronic communications through a social media website with eleven underage girls across several states.

### RESULT:

On October 22, 2013, during a judge-alone general court-martial at Naval Submarine Base New London, CT, Thomas pleaded guilty and was convicted of attempted production of child pornography, false official statement, rape, sexual assault, indecent conduct, multiple counts of a sexual act upon a child between 12 and 16 years of age, indecent exposure, sodomy, providing alcohol to minors, creating child pornography, and multiple counts of possessing child pornography. Thomas was sentenced to 70 years confinement, forfeiture of all pay and allowances, reduction to E-1, sex offender registration, and a dishonorable discharge.

## Sexual Exploitation of Multiple Minors

### OVERVIEW:

This joint Federal Bureau of Investigation and U.S. Postal Inspection Service investigation was initiated in July 2012, upon notification that Petty Officer 2nd Class Anthony Kenneth Mastrogiovanni, an activated U.S. Navy Reserve petty officer, was

actively producing and trading child pornography and sexually molesting male juveniles. Mastrogiovanni was arrested pursuant to a Federal warrant in Las Vegas, NV, where he was temporarily assigned with Electronic Attack Squadron 209. Mastrogiovanni admitted to possession, distribution, and production of child pornography. A search warrant was executed at his Crofton, MD residence, which yielded hidden video and transmitter equipment and digital media. Examination of the media revealed 34 male juvenile victims and more than 30,000 digital images and video of child pornography. During interviews, numerous victims identified themselves in sanitized versions of seized video footage taken from hidden cameras in bathrooms in Mastrogiovanni's on- and off-base homes. Several victims additionally reported Mastrogiovanni sexually assaulted them.

### RESULT:

On May 29, 2013, Mastrogiovanni pleaded guilty in U.S. District Court for the District of Maryland and was convicted to one count of sexual exploitation of minors for the purpose of producing a visual depiction of a minor engaged in sexually explicit conduct. On September 13, 2013, Mastrogiovanni was sentenced to serve 25 years in prison, sex offender registration, and supervised release for life.

## Child Abuse

### OVERVIEW:

This investigation was initiated in August 2012, upon notification from the Federal Healthcare Center in Great Lakes, IL, that the 19-month-old daughter of Seaman Apprentice Kody James Madson was treated in the emergency room for a fractured skull and facial bruising. Madson and his wife were unable to explain the cause of the injuries. A child abuse specialist assessed that the victim was incapable of causing the head injuries to herself, as well as identified additional, previously healed, injuries of a suspicious nature. During subsequent interrogation by Naval Criminal Investigative Service, Madson admitted to forcefully throwing his daughter to the ground because she would not stop screaming.

### RESULT:

On September 26, 2013, during a judge-alone special court-martial in Great Lakes, Madson pleaded guilty

and was convicted of assault upon a child under the age of 16 years with a force likely to produce grievous bodily harm. He was subsequently sentenced to one year confinement, forfeiture of two-thirds pay while confined, reduction to E-1, and a bad conduct discharge.

### Child Pornography

#### OVERVIEW:

This investigation was initiated pursuant to information from the National Center for Missing and Exploited Children (NCMEC). On September 24, 2009, suspected child pornography images were uploaded to a website by the user information attributed to Petty Officer 3rd Class Jeremiah D. Neidert, who was interviewed and admitted using a particular email address to download nude images of young boys. Neidert consented to Naval Criminal Investigative Service’s examination of the Web address associated with his email account, which yielded numerous images of suspected child pornography in the “Sent” folder. During a search of Neidert’s residence, multiple electronic storage devices and media were seized. Forensic examination of the items yielded numerous pictures and videos suspected to be child pornography. Analysis by NCMEC determined several of the files contained child pornography.

#### RESULT:

On October 2, 2013, during a judge-alone general court-martial at Naval Submarine Base, New London, CT, Neidert pleaded guilty and was convicted of attempt to create child pornography, and multiple counts of possession and distribution of child pornography. He was subsequently sentenced to 15 years confinement, forfeiture of all pay and allowances, reduction to E-1, sex offender registration, and a dishonorable discharge.

## AIR FORCE

### AIR FORCE AUDIT AGENCY

The Air Force Audit Agency (AFAA) mission is to provide to all levels of Air Force management timely, relevant, and quality audit services by reviewing and promoting the economy, effectiveness, and efficiency of operations; assessing and improving Air Force fiduciary stewardship and the accuracy of financial reporting; and evaluating programs and activities and assisting management in achieving intended results. The AFAA is committed to reaching out to Air Force customers at all levels. To support Air Force decision makers, the AFAA has approximately 615 personnel at more than 50 worldwide locations. The AFAA conducts centrally directed, Air Force-wide audits in numerous functional areas to support Air Force senior leaders. Installation-level audit teams provide additional audit services to installation commanders.

To provide Air Force officials timely, responsive, balanced, and value-added audit services, AFAA audit planning methods include frequent contact with Air Force senior leaders and Joint Audit Planning Groups. The FY 2014 Audit Plan was prepared in partnership with Air Force decision-makers to address the most significant areas of management concern. As such, AFAA ongoing and planned audits address many of the Air Force’s most critical programs and initiatives, including topics such as personnel, training, cyber systems, environmental management, systems acquisition, health initiatives, and Afghanistan base closure planning.

“Overall, during the first half of FY 2014, AFAA published 32 centrally directed audit reports, provided more than 54 recommendations to Air Force senior officials, and identified \$1.38 billion in potential monetary benefits.”

In 2013, the Secretary of Defense called for the Department to achieve audit readiness of the Statement of Budgetary Resources by the end of calendar year 2014 and of all Department

financial statements by 2017. The Secretary also called for personnel to increase emphasis on asset accountability and execute a full review over financial controls. Consequently, during the first half of FY 2014, AFAA issued 13 reports directly supporting Air Force Financial Improvement and Audit Readiness efforts.

Overall, during the first half of FY 2014, AFAA published 32 centrally directed audit reports, provided more than 54 recommendations to Air Force senior officials, and identified \$1.38 billion in potential monetary benefits. The following paragraphs provide and synopsise a few examples of AFAA audit coverage related to specific DoD Management Challenge areas.

## Joint Warfighting and Readiness

### KC-10 Coke Cleaning Initiative

#### OVERVIEW:

Air Force Audit Agency (AFAA) determined whether Air Force personnel effectively managed the KC-10 Coke Cleaning Initiative.

#### FINDINGS:

Air Force personnel properly estimated coke cleaning fuel savings and implemented coke cleaning. As a result, Air Mobility Command should achieve the anticipated \$24.6 million savings. While Air Mobility



AFAA reviewed the Air Force's coke cleaning process for KC-10 engines.

Command personnel identified nonfuel savings in the Business Case Analysis and considered opportunities to apply coke cleaning to engines within the command, Air Force personnel did not implement identified nonfuel savings related to the coke cleaning process or properly evaluate opportunities to apply coke cleaning to other Air Force engines.

#### RESULT:

Implementing nonfuel savings will allow the Air Force to reduce engine overhauls for FY 2014 through FY 2019 making approximately \$62 million available for other Air Force requirements. Disseminating opportunities to apply coke cleaning to other Air Force engines may reduce fuel consumption by 31 million gallons valued at approximately \$78 million for FY 2014 through FY 2019. AFAA made three recommendations to improve KC-10 Coke Cleaning Initiative management.

**Report No. F-2014-0001-L20000**

### Automated Budget Compilation System Directed Program Additives

#### OVERVIEW:

Air Force Audit Agency (AFAA) determined whether logistics personnel effectively managed Automated Budget Compilation System directed program additives.

#### FINDINGS:

Logistics budget personnel did not accurately compute or adequately support the internally generated readiness spares packages directed program additives. As a result, buy and repair budgets were overstated \$386 million. In addition, personnel changed system-computed requirements by file maintaining inaccurate and unsupported externally generated directed program additives. Consequently, the repair budget was overstated approximately \$64 million.

#### RESULT:

Reducing the overstatements and correcting the two conditions would allow the Air Force to put \$933 million to better use over the next 6 years. AFAA made two recommendations to improve directed program additives management.

**Report No. F-2014-0001-L40000**

## Remotely Piloted Aircraft Maintenance and Support Equipment Accountability

### OVERVIEW:

Air Force Audit Agency (AFAA) determined whether Air Force officials effectively managed the remotely piloted aircraft program.

### FINDINGS:

Personnel timely accomplished maintenance actions, but they did not accurately determine more than \$16 million of RQ-4 Global Hawk support equipment requirements and correctly establish associated authorizations. In addition, personnel misstated MQ-1 and MQ-9 authorizations by more than 3,700 assets valued at more than \$65.2 million. Finally, personnel did not properly account for remotely piloted aircraft support equipment and information technology assets.

### RESULT:

Establishing accurate remotely piloted aircraft authorizations would allow the Air Force to reduce buy requirements and put \$7.4 million to better use over the next 6 years (execution year and the Future Years Defense Program). Effective asset accountability provides contingency planners readiness status visibility helping assure required quantities of mission critical assets are available when needed. AFAA made two recommendations to improve remotely piloted aircraft management.

**Report No. F-2014-0001-O30000**



AFAA reviewed the Air Force's management of the remotely piloted aircraft program.



AFAA reviewed the Air Force's projection of initial skills technical training requirements.

## Technical Training Requirements

### OVERVIEW:

Air Force Audit Agency (AFAA) determined whether Air Force officials accurately projected initial skills technical training requirements.

### FINDINGS:

Air Force officials can more accurately project initial skills technical training requirements. Specifically, officials underutilized officer and enlisted training requirements by more than 18 and 11 percent, respectively.

### RESULT:

Accurately determining requirements will allow the Air Force to provide required training and reduce initial skills training funding by \$13.1 million. AFAA made one recommendation to improve technical training requirements management.

**Report No. F-2014-0005-O40000**

## Acquisition Processes and Contract Management

### MQ-1 Predator and MQ-9 Reaper Ground Control Stations

#### OVERVIEW:

Air Force Audit Agency determined if Air Force officials effectively managed the acquisition of ground control stations.



AFAA reviewed the management of the acquisition of MQ-1 Predator and MQ-9 Reaper ground control stations.

## FINDINGS:

Air Force officials developed an effective acquisition strategy for upgrading ground control stations but did not adequately manage Block 30 ground control stations technical system requirements or establish accurate Block 50 ground control stations budget requirements.

## RESULT:

As a result, Block 30 program officials significantly reduced contract requirements because software and technical performance problems contributed to schedule delays and cost growth. In addition, Block 50 program officials included quantities in the FY 2013 budget that exceeded user requirements. Corrective actions taken during the audit to reduce ground control stations quantities in the FY 2014 budget allowed program officials to put \$322 million to better use. Management completed five corrective actions during the audit, and the report contained no recommendations requiring further action.

**Report No. F-2014-0001-L30000**

## Diminishing Manufacturing Sources and Material Shortages Tool Acquisition

### OVERVIEW:

Air Force Audit Agency (AFAA) determined if Air Force personnel adequately managed diminishing manufacturing sources and material shortages tool acquisitions.

## FINDINGS:

Air Force personnel did not adequately accomplish acquisition planning, pre-award contract management, or quality assurance evaluations.

## RESULT:

Accomplishing adequate acquisition planning and establishing achievable contract requirements improves opportunities to identify and avoid part shortages across weapon systems. Adequate pre-award contract management and source selection evaluation criteria are essential to maintain a level playing field and accomplish a meaningful comparison between proposals. Finally, quality assurance evaluations help ensure contractors meet performance requirements. AFAA made three recommendations to improve future diminishing manufacturing sources and material shortages tool contract competition.

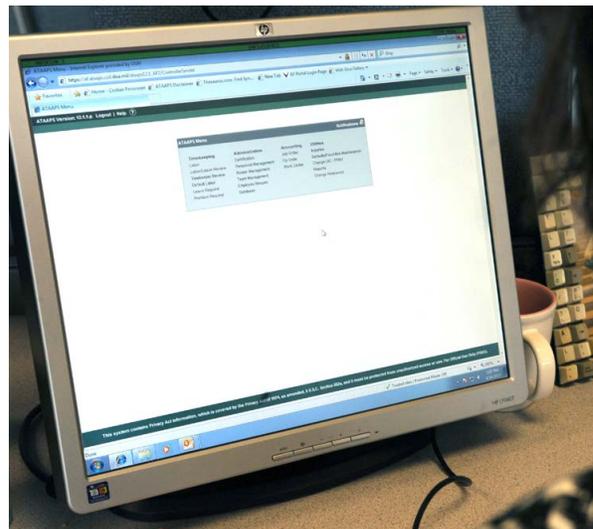
**Report No. F-2014-0002-L30000**

## Financial Management

### Civilian Pay – Automated Time, Attendance, and Production System

#### OVERVIEW:

Air Force Audit Agency (AFAA) determined if Air Force personnel implemented effective time and attendance procedures using the Automated Time, Attendance, and Production System (ATAAPS).



AFAA determined if Air Force personnel implemented effective time and attendance procedures using ATAAPS.

**FINDINGS:**

Personnel correctly recorded civilian time and attendance information but did not properly certify and timely correct ATAAPS time and attendance records. In addition, ATAAPS did not have the capability to record all Type Hour Codes used by Air Force organizations.

**RESULT:**

Proper certification and timely correction of ATAAPS time and attendance records are key controls to prevent improper payments and provide assurance civilian payroll data reported in Air Force records are complete, accurate, and supported. Further, including all relevant Type Hour codes in ATAAPS will create a more efficient process, avoid manual reporting, and facilitate the Air Force efforts to automate the civilian time and attendance process. In turn, the system will produce adequate support for all payroll information recorded in the accounting records and financial statements. AFAA made two recommendations to improve ATAAPS time and attendance procedures.

**Report No. F-2014-0003-L10000**

**Standard Procurement System General and Selected Application Controls**

**OVERVIEW:**

Air Force Audit Agency (AFAA) determined if Standard Procurement System Program Management Office and operations personnel effectively implemented general and selected application controls in accordance with National Institute of Standards and Technology standards.

**FINDINGS:**

Standard Procurement System Program Management Office and operations personnel did not effectively implement general and application-level general controls in accordance with National Institute of Standards and Technology standards. Specifically, security management, access, and contingency planning require improvement at general and application control levels. In addition, segregation of duties was not effectively implemented at the application level.

**RESULT:**

Effectively implementing system controls enhances data integrity safeguards, application program protection, and continued computer operations in case of unexpected interruptions. AFAA made two recommendations to strengthen system general and selected application controls.

**Report No. F-2014-0005-O10000**

**Energy Project Management**

**OVERVIEW:**

Air Force Audit Agency determined whether Air Force personnel adequately supported energy project estimates and developed feasible measurement and verification plans and conducted cost-effective energy audits.

**FINDINGS:**

Personnel did not adequately support any of the 25 FY 2013 energy project estimates reviewed or develop feasible measurement and verification plans for 22 projects to validate savings. In addition, personnel conducted unnecessary audits on 42 percent and 47 percent of low-consuming installations and buildings, respectively.

“Canceling unneeded contracted audits scheduled for FY 2013 and FY 2014 at low-consuming installations will allow the Air Force to use \$2.1 million to audit high-consuming installations or fund additional energy projects.”

**RESULT:**

Canceling funding for 25 FY 2013 energy projects will allow the Air Force to use the \$21 million investment cost for other projects shown to reduce energy and costs. Canceling unneeded contracted audits scheduled for FY 2013 and FY 2014 at low-consuming installations will allow the Air Force to use \$2.1 million to audit high-consuming installations or fund additional energy projects. The Air Force can save an additional \$1.5 million by not exercising the current contract’s FY 2015 option at low-consuming installations.

**Report No. F-2014-0003-O20000**

“Eliminating unjustified retention incentives and recouping incentives for unfulfilled service requirements will provide \$1.2 million for other requirements over 6 years...”

## Civilian Hiring Incentives

### OVERVIEW:

Air Force Audit Agency (AFAA) determined whether Air Force officials properly justify, validate, and support superior qualification appointments and civilian recruitment, relocation, and retention incentives.

### FINDINGS:

Air Force personnel did not properly justify, validate, and support superior qualification appointments and associated salary amounts awarded for 43 percent of employees reviewed. In addition, they did not justify, validate, and support recruitment, relocation, and retention incentives valued at \$7.5 million for 75 percent of employees reviewed.

### RESULT:

Eliminating unjustified superior qualification appointments will provide \$33.7 million for other requirements over 6 years (execution year and the Future Years Defense Program). Eliminating unjustified retention incentives and recouping incentives for unfulfilled service requirements will provide \$1.2 million for other requirements over 6 years (execution year and the Future Years Defense Program). AFAA made two recommendations to improve management of civilian hiring incentives.

**Report No. F-2014-0002-O40000**

## AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

### Significant Activities

#### Fraudulent Claims

##### OVERVIEW:

This investigation was initiated after the 647th Contracting Squadron, Joint Base Pearl Harbor Hickam, HI, reported a possible violation of the False Claims Act after J.M. Waller Associates, Inc. submitted false or fraudulent claims for payment. A Defense Contract Audit Agency investigative audit determined that during the time period of October 1, 2008 through November 30, 2010, J.M. Waller Associates, Inc. used inappropriate labor categories and billing rates for certain tasks; billed for inspection services on days when no construction had been performed; and billed for time charged to tasks outside the scope of the contract.

##### RESULT:

On December 6, 2013, J.M. Waller Associates entered into an agreement with the U.S. Attorney’s Office for the District of Hawaii to pay \$229,060 to resolve these allegations.

#### Air Force Senior Airman Kills Son

##### OVERVIEW:

This investigation was initiated on March 12, 2013, after Senior Airman Matthew Allen Theurer’s leadership at Seymour Johnson Air Force Base (AFB), NC, reported the death of Theurer’s 14-month-old son. During subsequent interviews, Theurer confessed that on February 13, 2013, he left his son alone at home while running errands. After returning home, Theurer found the child unresponsive and unsuccessfully attempted cardio pulmonary resuscitation. After concluding the child would not respond, Theurer placed the child in a trash bag and departed his residence driving towards Myrtle Beach, SC. While traveling, Theurer stopped and discarded the body along the road. Theurer later admitted the child’s death was not accidental but the result of malnutrition and neglect.

**RESULT:**

On January 28, 2014, during a judge-alone general court-martial at Langley AFB, VA, Theurer pleaded guilty and was convicted of false official statement, murder, and obstruction of justice. He was sentenced to life in prison (restricted to 40 years under a pre-trial agreement), forfeiture of all pay and allowances, reduction to E-1, and a dishonorable discharge.

**Rape of Dependent Spouse**

**OVERVIEW:**

This investigation was initiated in August 2013, when a dependent spouse reported an unknown male, later identified as Senior Airman Jory D. Hodge, broke into her installation residence through a window, struck her in the face, threatened to kill her, and raped her. During the assault, the assailant told the victim that assaulting her was the last item on his “bucket list” before committing suicide. The victim reported she could potentially identify the subject if she heard his voice again. Interviews conducted in base housing led to the identification of potential suspects. Agents administered an audio lineup for the victim by having five males say a particular phrase the assailant used the night of the assault. After the victim listened to the recordings, she identified Hodge as the assailant. The U.S Army Criminal Investigation Laboratory analyzed DNA obtained from potential subjects and matched Hodge’s DNA to DNA collected from the victim. The decisive actions by agents conducting neighborhood interviews, audio line ups, and collecting DNA proved pivotal in identifying Hodge and restoring safety to the base populace.

“Hodge pleaded guilty and was... sentenced to 34 years,... forfeiture of all pay and allowances, reduction to E-1, sex offender registration, and a dishonorable discharge.”

**RESULT:**

On January 13, 2014, during a judge-alone general court-martial at Grand Forks Air Force Base, ND, Hodge pleaded guilty and was convicted of rape, sodomy, assault, burglary, and communicating a

threat. He was sentenced to 34 years (restricted to 20 years under a pretrial agreement), forfeiture of all pay and allowances, reduction to E-1, sex offender registration, and a dishonorable discharge.

**Air Force Airman Involved with Sexual Exploitation of Children and Child Pornography**

**OVERVIEW:**

This investigation was initiated on July 6, 2012, based upon information received from the Fayetteville Police Department, Fayetteville, NC, that Staff Sergeant Aleksey N. Starovoytov sexually assaulted a non-DoD affiliated minor at his off-installation residence. The Cumberland County Department of Social Services reported to the Fayetteville Police Department that a juvenile had disclosed that Starovoytov, while serving as a youth mentor in a local youth mentoring program, had sodomized him on numerous occasions prior to March 2011. The victim also reported that on numerous occasions they viewed child pornography together on Starovoytov’s laptop computer. Interviews conducted with other juveniles associated with the mentoring program revealed that between March 2007 and October 2010, Starovoytov sexually assaulted two other youths. The seizure and subsequent analysis of Starovoytov’s electronic media revealed Starovoytov was in possession of 9,261 confirmed child pornographic images and 117 confirmed child pornographic videos. The strong relationship between the Fayetteville Police Department and Air Force Office of Special Investigation allowed for a seamless transfer of information and the removal of a child predator from the local community.

**RESULT:**

On January 22, 2014, during a judge-alone general court-martial at Pope Air Force Base, NC, Starovoytov pleaded guilty and was convicted of lewd acts with a child, sodomy, and possession of child pornography. He was subsequently sentenced to 50 years confinement in a military prison, forfeiture of all pay and allowances, reduction to E-1, sex offender registration, and a dishonorable discharge.

## Rape, Possession and Distribution of Child Pornography

### OVERVIEW:

In January 2013 Senior Airman Czachery T. Rike's spouse reported to Air Force Office of Special Investigation (AFOSI) she had found more than 100 images of child pornography on his cell phone. After AFOSI seized and executed a search of Rike's digital media, AFOSI, in a joint investigation with Colorado Springs Police Department, transferred the electronic media to the Internet Crimes against Children (ICAC) Task Force, Colorado Springs, CO. Analysis conducted by the ICAC's computer forensics laboratory identified approximately 425 child pornographic images on Rike's cell phone. ICAC detectives interviewed Rike, during which he confessed to owning child pornography and provided them his login information for the websites and email he used. While reviewing Rike's email, detectives found evidence that Rike distributed child pornography. Additionally, during an examination of Rike's cellular phone, AFOSI identified a 14-year-old female that Rike had been communicating with. Examination of the text messages revealed he sent and received numerous sexually explicit photographs during his conversations with the 14-year-old female victim.

### RESULT:

On January 21, 2014, during a judge-alone general court-martial at Peterson Air Force Base, CO, Rike pleaded guilty and was convicted of lewd acts with a child, assault, and possession and distribution of child pornography. He was subsequently sentenced to 12 years confinement, reduction to E-1, sex offender registration, and a dishonorable discharge.

# ENABLING MISSION AREAS



## CONGRESSIONAL TESTIMONY AND BRIEFINGS

Section 4(a) of the Inspector General Act requires the Inspector General “to review existing and proposed legislation and regulations relating to the programs and operations of [the Department of Defense]” and to make recommendations “concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by [the Department] or the prevention and detection of fraud and abuse in such programs and operations.” DoD IG is given the opportunity to provide information to Congress by participating in congressional hearings and briefings. During the reporting period, the Office of the Inspector General did not testify at any congressional hearings.

The Office of Communications and Congressional Liaison (OCCL) supports DoD IG by serving as the contact for communications to and from Congress, and by serving as the DoD IG public affairs office. From October 1, 2013, through March 31, 2014, OCCL received 85 new congressional inquiries and closed 126.

## LEGISLATIVE AND CONGRESSIONAL REQUESTS

DoD IG had six new legislative reporting requirements in the FY 2014 National Defense Authorization Act and Committee report language for the FY 2014 DoD Appropriations bill. These reporting requirements include periodic audits of contracting compliance with (the Berry Amendment )(section 2533a of title 10, United States Code), an assessment of planned testing of the Ground Based Interceptors program, a review of the Permanent Change of Station program efficiencies, and an assessment of the time it takes for Service treatment records to be transmitted from DoD to the Department Veterans Affairs. DoD IG also received requests for reviews directly from members of Congress and congressional committees.

## DOD HOTLINE

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

The Hotline aims to become the recognized leader within the Federal Government on Hotline programs. The Hotline established a number of ambitious steps to achieve this goal to include operating within established metrics.

- Established metrics - Priority 1, 2 and 3 complaint metrics processes for more effective and efficient triage:
  - Priority 1 complaints involve significant and imminent threats to national and public safety, homeland defense, intelligence community, DoD nuclear enterprise, terrorism
    - ◊ Metric: processed same workday (1) as received
  - Priority 2 complaints involve Whistleblower reprisal complaints, misconduct of DoD senior officials, DoD law enforcement and Offices of Inspector General personnel, audit misconduct and complaints, criminal allegations, fraud and GAO Fraudnet complaints.
    - ◊ Metric: processed within 3 days of receipt
  - Priority 3 complaints involve routine allegations/complaints

DoD IG is committed to maintaining the Department’s whistleblower protection program as a model for the federal government. DoD Hotline is the primary means for whistleblowers to report wrongdoing within the Department and directly supports this commitment by continuously analyzing and improving its processes for handling whistleblower complaints.

## HOTLINE CONTACTS AND CASE INITIATION

During this reporting period the DoD Hotline received 5,596 contacts. The contacts were received in the following methods in Figure 3.1.

### Open Cases

The DoD Hotline initiated and referred 3,149 cases to the following activities:

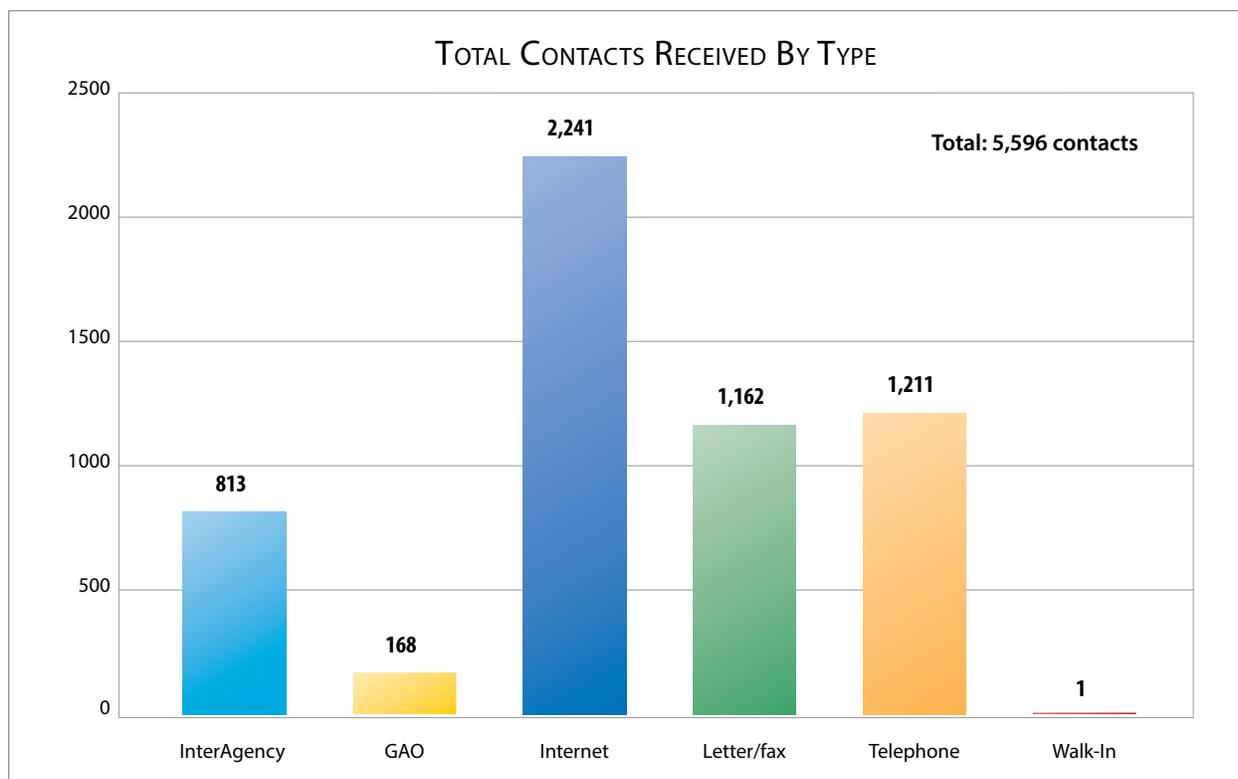
Military Services	
Air Force	326
Army	778
U.S. Army Criminal Investigation Command	114
Navy	329
Marine Corps	102
Joint Staff	80

DoD IG	
Investigation of Senior Officials (ISO)	257
Whistleblower Reprisal Investigations (WRI)	342
Hotline	12
Audits	25

DoD IG (cont.)	
Investigations	154
Administration and Management (A&M)	3
Intelligence & Special Program Assessments (ISPA)	43
Office of Professional Responsibility (OPR)	12
Special Plans & Operations (SPO)	1
Audit Policy and Oversight (APO)	71
Investigative Policy and Oversight (IPO)	21
Office of General Counsel (OGC)	8

Defense Agencies/DoD Field Activities	
Defense Advanced Research Projects Agency (DARPA)	3
Defense Contract Management Agency (DCMA)	59
Department of Defense Education Activity (DODEA)	40
Defense Contract Audit Agency (DCAA)	33
Defense Commissary Agency (DECA)	23
Defense Finance and Accounting Services (DFAS)	34
Defense Intelligence Agency (DIA)	12
Defense Information Systems Agency (DISA)	10

Figure 3.1 Total Contacts Received by Type of Method



# ENABLING MISSION AREAS

Defense Agencies/DoD Field Activities (cont.)	
Defense Logistics Agency (DLA)	38
Defense Media Activity (DMA)	3
Defense Security Service (DSS)	15
Defense Threat Reduction Agency (DTRA)	1
Missile Defense Agency (MDA)	6
National Geospatial Intelligence Agency (NGA)	5
National Security Agency (NSA)	8
Pentagon Force Protection Agency (PFPA)	11
Defense Health Agency (DHA)	35
Washington Headquarters Services (WHS)	15

Office of the Secretary of Defense	
AAFES	6
Administration and Management	1
Acquisition, Technology, and Logistics	10
Comptroller	4
Health Affairs	3
Intelligence	1
Military Entrance Processing Command	15
Non-DoD	24
Office of General Counsel	4
Personnel and Readiness	43
Policy	8
Public Affairs	1

## Closed Cases

The DoD Hotline closed 4,368 cases previously referred to the following activities:

Military Services	
Air Force	271
Army	1,011
Army CID	145
Navy	383
Marine Corps	108
Joint Staff	132

DoD IG	
ISO	421
WRI	876
Hotline	215
Audits	35

DoD IG (cont.)	
Investigations	105
ISPA	50
OPR	3
SPO	2
P&O	3
APO	72
IPO	26
A&M	3
OGC	9

Defense Agencies/DoD Field Activities	
DARPA	2
DCAA	32
DCMA	38
DODEA	24
DECA	30
DFAS	60
DIA	14
DISA	10
DLA	42
DMA	3
DSS	16
DTRA	1
MDA	7
NGA	9
NSA	3
PFPA	10
DHA	32
WHS	12

Office of the Secretary of Defense	
AAFES	14
Administration	1
AT&L	4
Comptroller	2
Health Affairs	2
Intelligence	2
Military Entrance	14

Processing Command	
OGC	5
P&R	34
Policy	7
Special Inspector General for Iraq Reconstruction	2
Non-DoD	64

## Closed Cases with significant results

An anonymous complaint alleged a DoD contractor stored unclassified and classified telecommunications room combinations on his cell phone and digital notebook and passed them to personnel who did not have authorization or access. The violations were reported immediately and corrective action was immediately implemented to change all suspected compromised combinations, which affected 400 classified facilities. The individual responsible for the breach was terminated.

An anonymous complaint to the DoD Hotline alleged a subcontractor submitted fraudulent invoices claiming to have worked more hours than he actually worked. An investigation determined there was probable cause to believe the subcontractor defrauded the Government of \$167,000. The individual was debarred from Government contracting until July 2017. The Department of Army is in the process of recouping monies lost.

A complaint to the Hotline resulted in a service member found guilty of fraud when he claimed to be married and received unauthorized basic allowance for housing, dislocation allowance, and travel pay after his divorce was finalized. The approximate loss to the Government was \$59,000. He was sentenced to eight months confinement, reduced in grade from E4 to E1, and received a bad conduct discharge.

An anonymous complaint to the Hotline alleged the U.S. Marine Corps received motors, in the Multi-Terrain Loader, that were exposed to saltwater and other environmental elements during transit from a plant in Japan from contractor Caterpillar. The complaint claimed the contractor took steps to hide the extent of the damage, which compromised the integrity of the engines, and failed to notify the U.S. Marine Corps.

## WHISTLEBLOWER PROTECTION OMBUDSMAN

In accordance with the Whistleblower Protection Enhancement Act of 2012, the DoD inspector general designated a DoD Whistleblower Protection Ombudsman (WPO), currently the DoD Hotline director. The WPO's role is to educate agency employees about the prohibitions, rights and remedies related to retaliation against protected disclosures.

To ensure the widest dissemination of whistleblower protection information and to facilitate easy access to the WPO, a Whistleblower Protection Ombudsman page is maintained on the DoD IG website providing:

- Training slides for appropriated fund and military personnel.
  - The WPO continues to develop training slides for the remaining categories of DoD employees: non- appropriated fund, intelligence community, and contractors.
- Hyperlinks to the U.S. Office of Special Counsel.
- Direct email contact to the WPO.

The DoD WPO is an active member of the Federal Whistleblower Protection Ombudsman Working Group, established following the enactment of the Whistleblower Protection Enhancement Act of 2012. The group helps ombudsmen implement the Act's requirements to educate Federal employees on prohibitions against retaliation for protected disclosures of fraud, waste, and abuse, and their rights and remedies if retaliation does occur. In this forum, participants share knowledge by addressing common issues and discussing best practices within our community of practice.

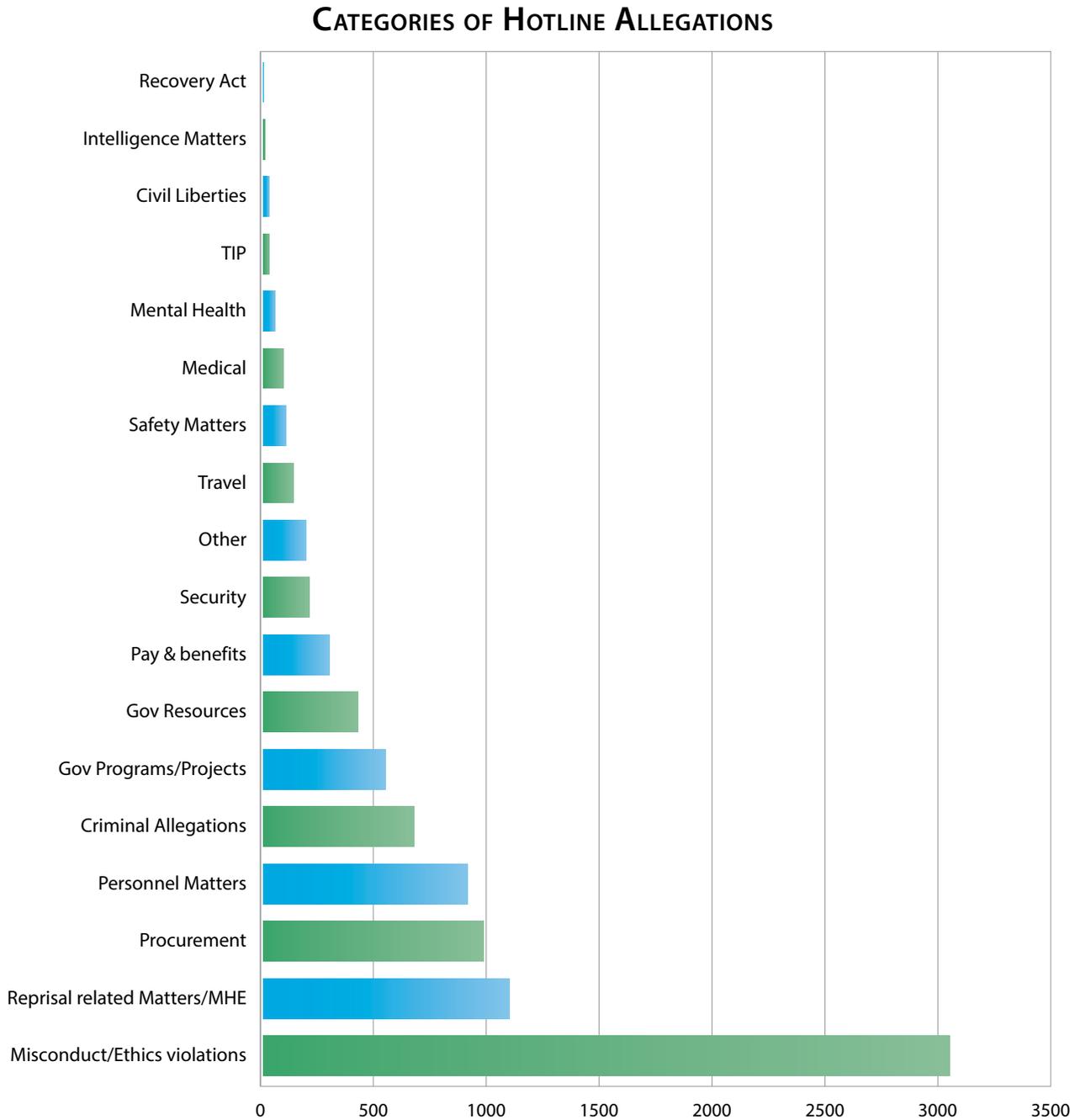
The dual-hatted DoD WPO/Hotline Director takes advantage of an active speaking engagement schedule to address his role as WPO during conferences of Government, contractor, and military personnel. This personal approach in an informative setting proves to be of special benefit to those in attendance.

# ENABLING MISSION AREAS

The WPO is able to quickly address questions posed by potential or actual whistleblowers, via personal contact or email, and provide needed information. The DoD WPO is a popular point of contact for those seeking guidance related to whistleblowing within the DoD. There has been a marked increase of

communications, primarily emails, to the DoD WPO over the last six months. It is anticipated those numbers will continue to increase as the DoD WPO/Hotline Director continues to inform and educate.

Figure 3.2 Categories of Hotline Allegations

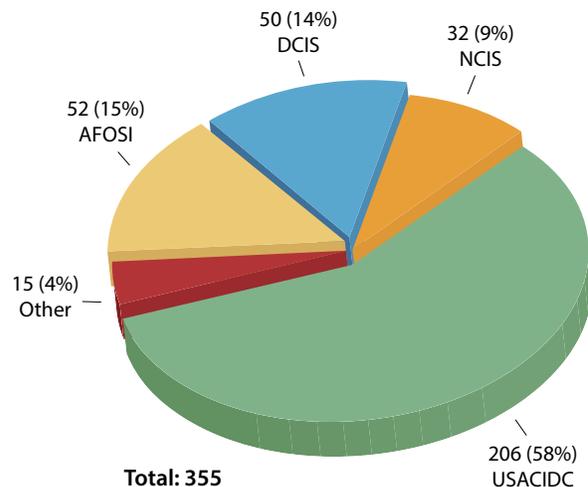


## PROGRAMS

### SUBPOENA PROGRAM

The DoD IG authority to issue subpoenas is based on the Inspector General Act of 1978, as amended. The Act authorizes the IG to issue subpoenas in the performance of his duties under the Act relative to the Department programs and operations. Historically, most DoD IG subpoenas were issued on fraud-related matters. During 2005, DoD IG began issuing subpoenas in support of nonfraud related “general crime” investigations such as various violent crimes against persons, arson, bomb threats, and sexual assaults, on a trial basis. During 2008, DoD IG made the issuance of subpoenas for certain specifically enumerated general crimes a permanent part of the DoD IG Subpoena Program. A DoD IG subpoena must meet three criteria (1) the subpoena can only be issued for investigations, audits, inspections, or evaluations within the statutory authority of the IG, (2) the information sought must be reasonably relevant to the IG investigation, audit, inspection, or evaluation, and (3) the subpoena cannot be unreasonably broad or burdensome. Using DoD IG subpoenas is a useful procedure for legally obtaining

Figure 3.4 DoD IG Subpoenas Issued - FY 2014  
October 1, 2013 – March 31, 2014



business, personnel, financial, and state and local Government records. Records obtained by DoD IG subpoenas may also be used to locate witnesses, confirm statements made by witnesses or subjects, and provide other relevant information. DoD IG issued more than 500 subpoenas each year during the past three years in support of DoD criminal investigations, audits, and evaluations. During this reporting period, 355 subpoenas were issued.

Figure 3.3 Subpoenas Requests by Type of Investigation - FY 2014  
October 1, 2013 – March 31, 2014

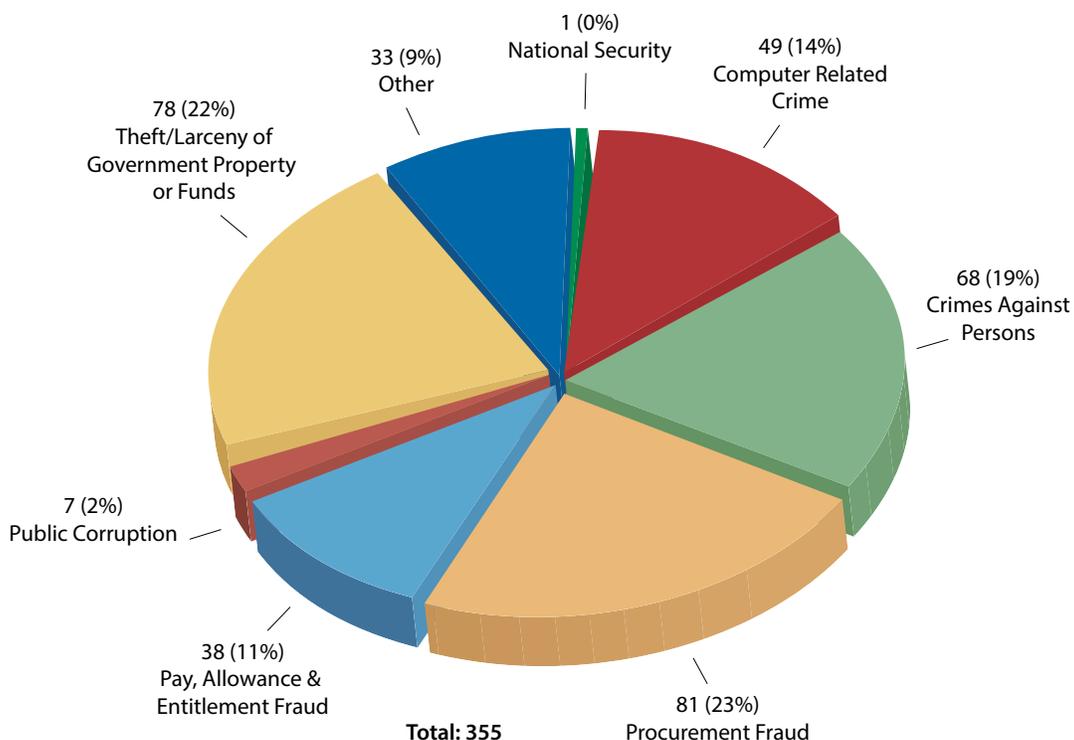
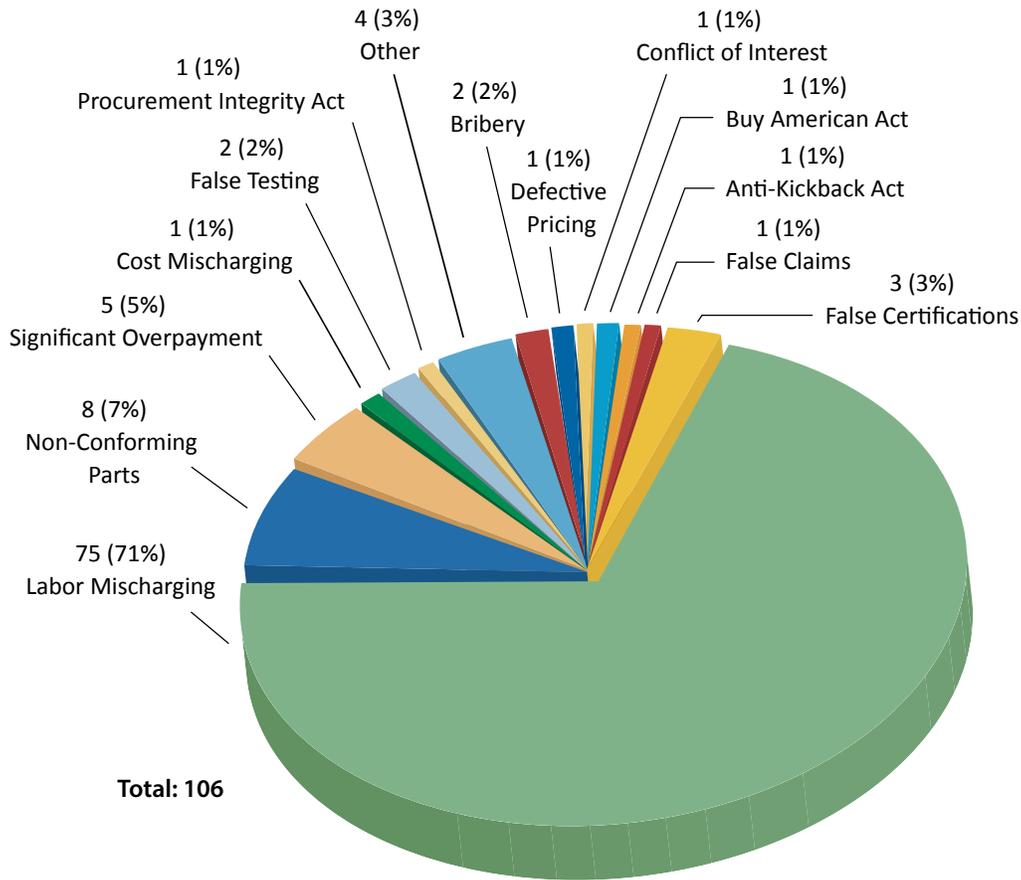


Figure 3.5 Contractor Disclosure Received By Type



## CONTRACTOR DISCLOSURE PROGRAM

All contractor disclosures affecting the Department of Defense, made pursuant to the Federal Acquisition Regulation, shall be reported to DoD IG in accordance with the Defense Federal Acquisition Regulation. A contractor disclosure is a written disclosure by a DoD contractor or subcontractor to the DoD IG that addresses credible evidence that the contractor or subcontractor has committed a violation of Title 18, or Section 3729 of Title 31, United States Code, in connection with the award, performance or closeout of a contract or any subcontract. During this reporting period, 106 contractor disclosures were received.

## ASSET FORFEITURE PROGRAM

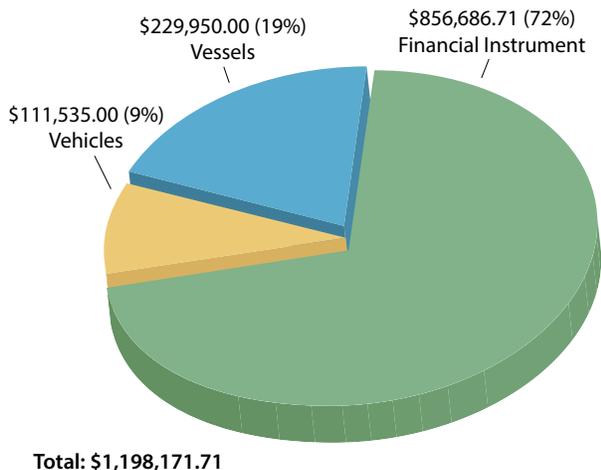
The Defense Criminal Investigative Service (DCIS) asset forfeiture program continues to effectively provide forfeiture support to DCIS investigations involving fraud, waste and abuse by including forfeiture counts in all indictments, criminal informations and consent

agreements when warranted by the evidence. The program has successfully met its goal to deter criminal activity by depriving criminals of property used or acquired through illegal activity both in the United States and in Southwest Asia. Since 2007, DCIS has seized \$57.87 million, had final orders of forfeiture totaling \$34.77 million and money judgments in the amount of \$102.95 million. During this six-month reporting period, DCIS seized assets totaling \$1.2 million, had final orders of forfeiture totaling \$1.5 million, and money judgments in the amount of \$5.48 million. Assets that have been seized or forfeited include financial instruments, a watercraft, a vehicle, and firearms.

### Investigative Examples:

During the reporting period, two consent orders of forfeiture were signed in the Eastern District of Virginia totaling \$2.27 million—a \$2.24 million money judgment against a defendant who pleaded guilty to a single-count criminal information charging him

Figure 3.6 Seized Assets By Type



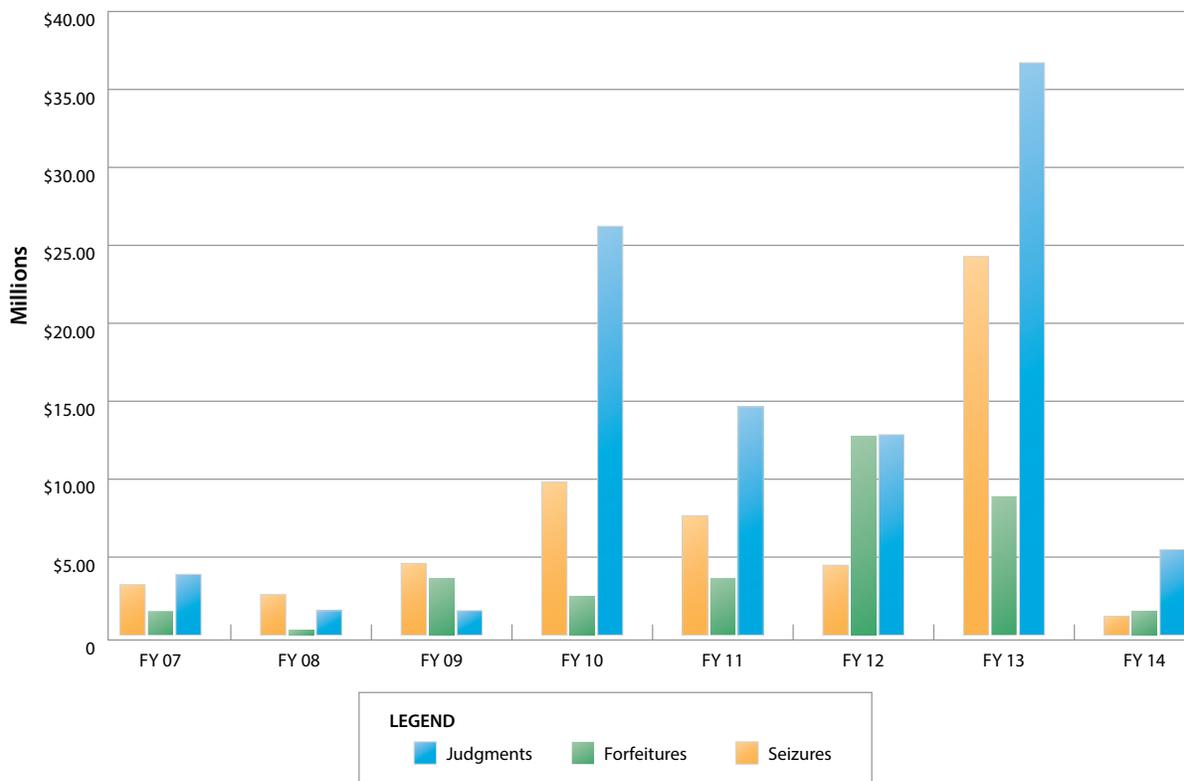
with conspiracy to commit wire fraud and a \$30,964 money judgment against a second defendant. Three vehicles were seized from one of the defendants at a value of \$79,160 used for partial payment of the judgment. Additionally, two other defendants were jointly liable for a \$2.03 million money judgment. The investigation involved Government contracts in Afghanistan.

Also during this reporting period a consent order of forfeiture was signed in the Western District of Arkansas valued at \$600,000. The forfeited amount was in lieu of a real property—the residence of the defendant who is a physician. The defendant was an authorized TRICARE provider who subjected patients unnecessarily to thorax, abdomen and pelvis scan procedures and billed TRICARE for such.

Finally in this reporting period, a 2005 Lagoon 440 Sailing Catamaran was seized via a civil forfeiture action in Christiansted Harbor, St. Croix, U.S. Virgin Islands, from a defendant who had fled the United States to avoid prosecution. The seizure warrant issued in the Central District of California was based on tracing the source of funds, which were used to purchase the \$400,000 vessel, to proceeds from the sale of alleged counterfeit parts to DoD. The defendant was indicted on charges he allegedly provided counterfeit/unauthorized substitute parts in lieu of original equipment manufacturer parts under a DoD contract. The items in question were batteries used in critical applications aboard U.S. Navy vessels. Indicted individuals are presumed innocent until proven guilty.

Figure 3.7 Contractor Disclosure Received By Type

## ASSET FORFEITURE PROGRAM



## OUTREACH

### INTERAGENCY INITIATIVES

#### Southwest Asia Joint Planning Group

The Southwest Asia Joint Planning Group is the coordinating body for U.S. Government organizations conducting oversight of U.S. military and civilian activities in Southwest Asia. The group meets quarterly to coordinate and de-conflict oversight activities. The group last met in January 2014, with participants located in the continental United States and Kabul, Afghanistan. DoD Inspector General Jon Rymer provided opening remarks from Kabul, followed by the introduction of the distinguished guest speaker by DoD IG Deputy Inspector General for Southwest Asia and the Chairman of the Southwest Asia Joint Planning Group, Michael Child. Lieutenant General Mark Milley, Commander, International Security Assistance Force Joint Command/Deputy Commander, U.S. Forces-Afghanistan, provided a timely situational awareness briefing of ongoing and planned military activities in Afghanistan. The distinguished guest speaker at the November 2013 meeting was Major General Michael E. Williamson, Deputy Commanding General, Combined Security Transition Command-Afghanistan, who addressed budgetary controls related to the Government of the Islamic Republic of Afghanistan.



Southwest Asia Joint Planning Group met in November 2013 with participants located in the U.S and Afghanistan.

#### Council of the Inspectors General for Integrity and Efficiency

The Council of Inspectors General for Integrity and Efficiency (CIGIE) was statutorily established as an independent entity within the Executive branch by the The Inspector General Reform Act of 2008. Its purpose is to address integrity, economy, and effectiveness issues that transcend individual Government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the inspectors general. DoD IG is an active participant in CIGIE, serving on the Executive Council and as Chair of the Audit Committee. Areas of focus during the reporting period included an exchange of information with the Inspectors General of Iraq during a two-week study tour; establishing the Audit Peer Review Schedule for 2014 to 2016; and updating the Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. DoD IG also serves as a member of the Comptroller General's Advisory Council on Government Auditing Standards and as the Chair of the Green Book Advisory Council.

#### Defense Council on Integrity and Efficiency

The Defense Council on Integrity and Efficiency is chaired by DoD IG and meets on a quarterly basis to discuss issues of common interest, share information and best practices, and build closer working relationships among members of the oversight community within the Department of Defense. Key areas of focus during the reporting period included Combatting Trafficking in Persons, DoD Hotline Operations, and the Defense Case Activity Tracking System.

#### Recovery, Accountability and Transparency Board

The Recovery Accountability and Transparency Board is a nonpartisan, nonpolitical agency created by the American Recovery and Reinvestment Act of 2009 with the goal of providing transparency, detecting and preventing fraud, waste, and mismanagement of Recovery-related funds. DoD IG is an active participant in the Recovery, Accountability and Transparency Board. Key area of focus during the reporting period included Hurricane Sandy relief spending transparency.

## Intelligence Community Inspectors General Forum

DoD IG participates in the Intelligence Community Inspector General Forum, which promotes and furthers collaboration, cooperation, and coordination among the inspectors general of the intelligence community. The forum meets quarterly to discuss issues of common concern and to plan how to address them collaboratively. The Intelligence Community Inspectors General Conference was March 19, 2014. DoD Inspector General Jon Rymer participated in the inspector general (IG) roundtable panel, and DoD Hotline Director Patrick Gookin participated as a panel member of the IG hotline management breakout session.

## Joint Intelligence Oversight Coordination Group

The Deputy Inspector General for Intelligence and Special Program Assessments chairs the Joint Intelligence Oversight Coordination Group, which meets quarterly. The group promotes and furthers collaboration, cooperation, coordination, and information sharing among the inspectors general and auditors general of the Department of Defense. The group's objectives are to support the DoD inspectors general and auditors general in the performance of audits, inspections, and evaluations within their respective departments and agencies as well as strengthen their collective role and effectiveness to enhance their support of the National Intelligence Strategy. Finally, the group seeks to optimize the use of resources, increase efficiency, and avoid duplication of effort among DoD inspectors and auditors general. The group can also explore opportunities for joint and interagency training and education, as well as examine defense programs and operations and identify those requiring coverage from more than one member of the group.

## ADMINISTRATIVE INVESTIGATIONS OUTREACH INITIATIVES

During the reporting period, Administrative Investigations personnel conducted more than 62 hours of instruction, training, and orientation for 455 people during 20 events. These sessions included training on whistleblower reprisal and senior official investigations for new inspectors general (IG) assigned to Joint, Army, Navy, Air Force and Marine Corps IG billets. Services and Defense agency IG roundtables

were held to share best practices and to ensure the Services and Agencies were aware of recent changes to policies and laws. Additionally, coordination with the Defense Media Activity led to the creation of two new public service announcements being aired on the Armed Forces Network overseas and the Pentagon Channel stateside. The first of the public service announcements is designed to raise awareness among members of the Armed Forces that they can seek whistleblower protections from the IG if they are reprisal against for reporting a rape or sexual assault. The second video focuses on whistleblower protections for individuals who report fraud, waste, and abuse.

## HOTLINE OUTREACH INITIATIVES

### DoD Hotline Establishes Federal Hotline Working Group

The DoD Hotline hosted a "Federal Working Group" meeting for sharing processes and best practices across Government agencies. Hotline Director Patrick Gookin highlighted the improvements made within the DoD Hotline during the past year. He emphasized the improvements which resulted in the most "found" time by:

- eliminating acceptance of emailed complaints;
- using a telephone tree to enhance customer service and reduce the number of misdirected complaints; and



DoD Hotline hosted a 'Federal Working Group' meeting for sharing processes and best practices.

- implementing the Hotline’s new case management system that populates information from the online complaint form.

These improvements resulted in a 66 percent reduction in contacts and shifted the focus from sifting through irrelevant information to processing appropriate and relevant complaints. Many of the attendees were interested in the Hotline case management system and establishing their own interactive online complaint forms.

## Department-wide Hotline Working Group

The Hotline hosted the DoD-wide Hotline Working Group in November and March of this reporting period. The Working Group was established to create a forum for cooperation and participation among Hotline offices within the department, establish a common vision for the DoD Hotline community, and to develop and implement a strategic plan to achieve the vision. The DoD-wide Hotline Working Group is continuing their focus on updating DoD Instruction 7050.01—Defense Hotline Program. In addition, the group is refining the requirements of Hotline completion reports and defining the role of Hotline coordinators. The March meeting included a briefing and demonstration of the DoD IG’s Defense Case Activity Tracking System case management system and the possibility of making it a DoD enterprise application.



The DoD Hotline Director briefed reporters at the Pentagon in November 2013 on the DoD Hotline Program.

## Pentagon Media Briefing

The DoD Hotline Director briefed reporters and Office of the Secretary of Defense Public Affairs representatives in November 2013 about the DoD Hotline Program. Topics included the challenges and improvements made within the Hotline during the past year. The briefing was positively received with followup questions focusing on alternate avenues for reporting classified information. Articles covering the press briefing were published by both the Washington Times and Armed Forces Press Service.

## Federal News Radio Interview

The DoD Hotline Director was interviewed by WTOP, a news radio station, in February about the DoD Hotline program. Topics included the challenges and improvements made within the Hotline during the past year.

## Red Dart Conference

This conference was a collaborative effort to provide full spectrum of counterintelligence, counterespionage, and law enforcement services to cleared industry. The Hotline Director briefed attendees of a February 2014 conference on the Hotline Program and Whistleblower Ombudsmen role to educate employees about prohibitions, rights, and remedies for retaliation for protected disclosures.

# APPENDIXES



# AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED

	DoD IG	Military Departments	Total
Acquisition Processes and Contract Management	14	11	25
Administrative Readiness	2	0	2
Cyber Security	1	10	11
Equipping and Training Afghan National Security Forces	2	0	2
Financial Management	21	34	55
Health Care	1	7	8
Infrastructure and Environment	0	3	3
Investigative Oversight	1	0	1
Joint Warfighting and Readiness	7	33	40
Nuclear Enterprise	2	0	2
Other	1	1	2
<b>Total</b>	<b>52</b>	<b>99</b>	<b>151</b>

## ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-002	Hotline Allegation Regarding the Follow-up Audit of a Contractor's Material Management and Accounting System	10/17/2013
DoD IG	DODIG-2014-006	Program Management Office Provided Adequate Oversight of Two Contracts Supporting the Defense Enterprise Accounting and Management System	10/25/2013
DoD IG	DODIG-2014-010	U.S. Army Corps of Engineers Transatlantic District-North Needs to Improve Oversight of Construction Contractors in Afghanistan	11/22/2013
DoD IG	DODIG-2014-011	Missile Defense Agency and Defense Microelectronics Activity Use of Cost-Reimbursement Contracts	11/22/2013
DoD IG	DODIG-2014-020	U.S. Army Contracting Command Did Not Obtain Fair and Reasonable Prices for Communications Equipment (For Official Use Only)	12/05/2013
DoD IG	DODIG-2014-034	Followup Audit: Army Discontinued the Concept Next Generation Expanded Capacity Vehicle as Agreed	01/31/2014
DoD IG	DODIG-2014-038	Air Force Life Cycle Management Center Could Not Identify Actual Cost of F119 Engine Spare Parts Purchased from Pratt and Whitney (For Official Use Only)	02/10/2014
DoD IG	DODIG-2014-041	Audit of the Defense Advanced Research Projects Agency Contracts (Classified)	02/18/2014
DoD IG	DODIG-2014-042	Naval Facilities Engineering Command Washington Properly Awarded Task Orders for Services	02/28/2014
DoD IG	DODIG-2014-043	The Army Needs to Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards In Afghanistan	03/04/2014
DoD IG	DODIG-2014-044	Improvements Are Needed in Contractor Oversight, Mission Security, and Personnel Safety for the Afghanistan Rotary Wing Program Contracts (For Official Use Only)	03/11/2014
DoD IG	DODIG-2014-045	Shindand Pilot Training Contracts (For Official Use Only)	03/10/2014
DoD IG	DODIG-2014-048	XM25 Program Management for the Initial Production Decision Needs Improvement (For Official Use Only)	03/21/2014
DoD IG	DODIG-2014-049	DoD Considered Small Business Innovation Research Intellectual Property Protections in Phase III Contracts, but Program Improvements Are Needed	03/27/2014

Agency	Report Number	Report Title	Date
USAAA	A-2014-0028-ALC	Administration of the Rivanna Station Base Operations Contract, National Ground Intelligence Center	12/23/2013
USAAA	A-2014-0033-ALA	Audit of Anti-Armor Munitions Requirements (For Official Use Only)	01/14/2014
USAAA	A-2014-0052-ALA	FY 14 Mine Resistant Ambush Protected Reset Funding Request (For Official Use Only)	03/12/2014
USAAA	A-2014-0056-ALE	Property Accountability in the Warfighter Field Operations Customer Support Contract	03/27/2014
NAVAUDSVC	N2014-0005	Naval Sea Systems Command and Affiliated Program Executive Offices' Management Oversight for Select Acquisition Category III and IV Programs	12/19/2013
NAVAUDSVC	N2014-0011	Service Contracts and Military Interdepartmental Purchase Requests at Norfolk Ship Support Activity	02/28/2014
NAVAUDSVC	N2014-0014	Internal Controls over the Tire Purchasing Processes at the San Diego Area Navy Exchange Car Care Centers	03/20/2014
AFAA	F-2014-0001-L30000	MQ-1 Predator and MQ-9 Reaper Ground Control Stations	11/08/2013
AFAA	F-2014-0002-L20000	Contractor Logistics Support Contract Cost Tracking and Reporting	01/10/2014
AFAA	F-2014-0002-L30000	Diminishing Manufacturing Sources and Material Shortages Tool Acquisition	01/21/2014
AFAA	F-2014-0003-L30000	Quick Reaction Capability Process	03/04/2014

## ADMINISTRATIVE READINESS

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-026	Assessment of Arlington and Soldiers' and Airmen's Home National Cemeteries	12/20/2013
DoD IG	DODIG-2014-050	Section 847 Ethics Requirements for Senior Defense Officials Seeking Employment with Defense Contractors	03/31/2014

## CYBER SECURITY

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-037	Systemic Physical and Cyber Security Weaknesses Within the U.S. Army Corps of Engineers (For Official Use Only)	02/10/2014
USAAA	A-2014-0005-MTP	Followup Audit of Force Protection Requirements for New Construction (For Official Use Only)	10/29/2013
USAAA	A-2014-0006-FMT	Followup Audit of Energy Management for Information Technology	10/30/2013
USAAA	A-2014-0010-MTP	Command Development, Prioritization, and Execution of Protection-Funding Requirements (For Official Use Only)	11/05/2013
USAAA	A-2014-0014-FMT	Current Telephony Capabilities	11/14/2013
USAAA	A-2014-0020-MTP	Followup Audit of Physical Security of Privatized Base Operations Infrastructure, Assistant Chief of Staff for Installation Management (For Official Use Only)	12/04/2013
USAAA	A-2014-0027-FMT	Network Enterprise Center Reimbursable Services	12/20/2013
USAAA	A-2014-0034-FMT	Data Spillage (For Official Use Only)	01/07/2014
USAAA	A-2014-0035-FMI	Foreign Language Proficiency Bonus, Military Intelligence Civilian Excepted Career Program	01/09/2014
USAAA	A-2014-0044-MTP	Followup Audit of Contracts for Intrusion Detection Systems-Monitoring and Maintenance (For Official Use Only)	02/11/2014
AFAA	F-2014-0002-O30000	Distributed Common Ground System (Classified)	12/13/2013

## EQUIPPING AND TRAINING AFGHAN NATIONAL SECURITY FORCES

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-027	Planning for the Effective Development and Transition of Critical ANSF Enablers to Post-2014 Capabilities Part II – Cross Cutting Issues of Afghan National Army Enabler Development (Classified)	12/23/2013
DoD IG	DODIG-2012-034.7	Ministry of Interior Police Force Metrics (April – September 2013) (Classified)	03/05/2014

## FINANCIAL MANAGEMENT

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-003	Independent Auditor's Report of Department of State Global Health and Child Survival Funds Transferred to DoD for Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome Prevention	10/22/2013
DoD IG	DODIG-2014-004	Audit of the Intelligence Community Centers of Academic Excellence Program's Use of Grant Funds	10/22/2013
DoD IG	DODIG-2014-012	Independent Auditor's Report on the Army General Fund FY 2013 and FY 2012 Basic Financial Statements	12/09/2013
DoD IG	DODIG-2014-013	Independent Auditor's Report on the Department of the Navy Working Capital Fund FY 2013 and FY 2012 Basic Financial Statements	12/09/2013
DoD IG	DODIG-2014-014	Independent Auditor's Report on the Department of the Navy General Fund FY 2013 and FY 2012 Basic Financial Statements	12/09/2013
DoD IG	DODIG-2014-015	Independent Auditor's Report on the Army Working Capital Fund FY 2013 and FY 2012 Basic Financial Statements	12/09/2013
DoD IG	DODIG-2014-016	Independent Auditor's Report on the Air Force General Fund FY 2013 and FY 2012 Basic Financial Statements	12/09/2013
DoD IG	DODIG-2014-017	Independent Auditor's Report on the Air Force Working Capital Fund FY 2013 and FY 2012 Basic Financial Statements	12/09/2013
DoD IG	DODIG-2014-018	Endorsement of the Unmodified Opinion on the DoD Military Retirement Fund FY 2013 Basic Financial Statements	12/09/2013
DoD IG	DODIG-2014-021	Independent Auditor's Report on the DoD Medicare-Eligible Retiree Health Care Fund FY 2013 Basic Financial Statements	12/09/2013
DoD IG	DODIG-2014-022	Independent Auditor's Report on the DoD Contract Resource Management FY 2013 Basic Financial Statements	12/09/2013
DoD IG	DODIG-2014-023	Independent Auditor's Report on the U.S. Army Corps of Engineers, Civil Works, FY 2013 and FY 2012 Basic Financial Statements	12/13/2013
DoD IG	DODIG-2014-024	Independent Auditor's Report on the Department of Defense FY 2013 and FY 2012 Basic Financial Statements	12/16/2013
DoD IG	DODIG-2014-025	Independent Auditor's Report on the Department of Defense FY 2013 and FY 2012 Closing Package Financial Statements	12/16/2013
DoD IG	DODIG-2014-028	Independent Auditor's Report on the United States Marine Corps Schedule of Current Year Budgetary Activity for FY 2012	12/20/2013
DoD IG	DODIG-2014-030	Navy Needs to Improve Contract Oversight of Its Financial Improvement and Audit Readiness Program Contracts	01/13/2014
DoD IG	DODIG-2014-035	Independent Auditor's Report on the FY 2013 DoD Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities	01/31/2014
DoD IG	DODIG-2014-036	Independent Auditor's Report on the FY 2013 DoD Performance Summary Report of the Funds Obligated for National Drug Control Program Activities	01/31/2014
DoD IG	DODIG-2014-039	Authorization of DoD Progress Payments for Ground Combat Vehicle Contracts Needs Improvement	02/12/2014
DoD IG	DODIG-2014-046	Independent Auditor's Report on the Examination of DoD Execution of North Atlantic Treaty Organization-Contributing Countries' Donations to Afghan National Army Trust Fund	03/24/2014

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-047	Independent Auditor's Report on the Attestation of the Existence, Completeness, Rights and Obligations, and Presentation and Disclosure of the Department of the Navy's Ordnance	03/25/2014
USAAA	A-2014-0004-FMF	Memorandum Report, Audit of Government-Provided Meals for Soldiers Attending Institutional Training	10/24/2013
USAAA	A-2014-0011-FMF	Audit of Special Pay—Aviation Pay	11/04/2013
USAAA	A-2014-0015-FMF	U.S. Army Audit Agency Review of the Independent Auditor's Report	11/26/2013
USAAA	A-2014-0017-FMF	Nontemporary Storage Costs	12/02/2013
USAAA	A-2014-0018-FMF	Review of Incentives in the Missouri Army National Guard, Followup Audit of Controls of the Incentive Program in the Army National Guard	12/06/2013
USAAA	A-2014-0024-FMF	Followup Audit of Controls Over the Incentive Program in the Army National Guard	12/10/2013
USAAA	A-2014-0036-FMF	Government-Provided Meals for Soldiers Attending Institutional Training	01/13/2014
USAAA	A-2014-0040-FMF	Followup Audit of Controls Over the Unemployment Compensation Program for Ex-Servicemembers	01/27/2014
USAAA	A-2014-0042-IEI	Army Emergency Relief Operations	02/11/2014
USAAA	A-2014-0055-FMR	Review of Accounting Procedures for In-Kind Consideration From Leases	03/18/2014
NAVAUDSVC	N2014-0001	Government Commercial Purchase Card Transactions at Marine Aviation Logistics Squadron 11	10/30/2013
NAVAUDSVC	N2014-0003	Independent Attestation—Agreed-Upon Procedures Attestation Engagement of Department of the Navy Audit Readiness Sustainment—Transportation of People	12/02/2013
NAVAUDSVC	N2014-0004	Invoice Management on Selected Ships of Commander, U.S. Fleet Forces Command	12/06/2013
NAVAUDSVC	N2014-0010	Independent Attestation—Agreed-Upon Procedures Attestation Engagement of Assessing Internal Controls over Financial Reporting in the Department of the Navy, Phase 5	02/19/2014
NAVAUDSVC	N2014-0013	Fiscal Year 2012 Implementation of the Federal Managers' Financial Integrity Act at Selected Commander, Navy Installations Command Activities	03/14/2014
AFAA	F-2014-0001-L10000	Military Pay Supporting Documentation Phase II	02/06/2014
AFAA	F-2014-0002-L10000	Follow-up Audit, Defense Travel System Segregation of Duties	02/18/2014
AFAA	F-2014-0003-L10000	Civilian Pay - Automated Time, Attendance, and Production System	03/03/2014
AFAA	F-2014-0003-L20000	Memorandum Report of Audit, Automated Business Services System General Controls	01/10/2014
AFAA	F-2014-0004-L20000	Memorandum Report of Audit, Job Order Cost Accounting System II General Controls	02/06/2014
AFAA	F-2014-0002-L40000	Secondary Item Inventory Cost Data	02/24/2014
AFAA	F-2014-0001-O10000	Memorandum Report of Audit, Air National Guard Reserve Order Writing System Application Controls	10/18/2013
AFAA	F-2014-0002-O10000	Memorandum Report of Audit, Defense Enterprise Accounting and Management System—Accounting Conformance Test Documentation	10/18/2013
AFAA	F-2014-0003-O10000	Memorandum Report of Audit, Integrated Logistics System-Supply Application Controls	11/01/2013
AFAA	F-2014-0004-O10000	Memorandum Report of Audit, Automated Contract Preparation System General and Application-Level General Controls	11/01/2013
AFAA	F-2014-0005-O10000	Standard Procurement System General and Selected Application Controls	12/03/2013
AFAA	F-2014-0006-O10000	Contract Writing System General Controls	12/13/2013
AFAA	F-2014-0002-O20000	Utility Services Management	01/10/2014
AFAA	F-2014-0003-O20000	Energy Project Management	01/13/2014
AFAA	F-2014-0003-O30000	Intelligence Contingency Funds Fiscal Year 2012	03/05/2014

Agency	Report Number	Report Title	Date
AFAA	F-2014-0002-O40000	Civilian Hiring Incentives	12/16/2013
AFAA	F-2014-0003-O40000	Death Gratuity Payments	01/13/2014
AFAA	F-2014-0004-O40000	Reserve Travel System—Phase 2 Application Controls	01/24/2014
AFAA	F-2014-0006-O40000	Air Reserve Order Writing System-Reserve General Controls	03/17/2014

## HEALTH CARE

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-040	Assessment of DoD Wounded Warrior Matters: Managing Risks of Multiple Medications	02/21/2014
USAAA	A-2014-0012-IEM	Audit of the Implementation of Pain Management Initiatives—Interdisciplinary Pain Management Centers	11/13/2013
USAAA	A-2014-0019-IEM	Pharmaceutical Purchases, U.S. Army Medical Command	12/11/2013
USAAA	A-2014-0022-IEM	Audit of the Implementation of Comprehensive Soldier and Family Fitness Program Training Centers	12/09/2013
USAAA	A-2014-0038-IEE	Army Hearing Program: Hearing Conservation	02/12/2014
USAAA	A-2014-0047-IEM	Management of the e-Profile Process, U.S. Army Medical Command	03/03/2014
NAVAUDSVC	N2014-0009	Navy Urinalysis Program for Military Personnel	02/18/2014
AFAA	F-2014-0004-O20000	Environmental Compliance	02/06/2014

## INFRASTRUCTURE AND ENVIRONMENT

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2014-0007	Reporting of Environmental Liabilities	02/05/2014
NAVAUDSVC	N2014-0008	Department of the Navy’s Military Construction Projects Proposed for Fiscal Year 2015	02/11/2014
NAVAUDSVC	N2014-0012	Energy Research at the Office of Naval Research and Naval Research Laboratory	03/13/2014

## INVESTIGATIVE OVERSIGHT

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-029	Review of Deoxyribonucleic Acid (DNA) Collection Requirements for Criminal Investigations	02/27/2014

## JOINT WARFIGHTING AND READINESS

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-001	MV-22 Squadrons Could Improve Reporting of Mission Capability Rates and Readiness (Classified)	10/23/2013
DoD IG	DODIG-2014-005	Combined Joint Task Force-Horn of Africa Needed Better Guidance and Systems to Adequately Manage Civil-Military Operations (For Official Use Only)	10/30/2013
DoD IG	DODIG-2014-007	Defense Logistics Agency Disposition Services Afghanistan Disposal Process Needed Improvement	11/08/2013
DoD IG	DODIG-2014-008	Contract and Controls Over Information Operations Assessments in Afghanistan Should Be Strengthened (Classified)	11/07/2013
DoD IG	DODIG-2014-009	Missile Defense Agency Can Improve Adherence to Target Process and Transparency of Target Costs (Classified)	11/12/2013

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-032	Defense Logistics Agency Effectively Managed Continental U.S. Mission-Critical Batteries	01/27/2014
DoD IG	DODIG-2014-033	Followup Audit: Body Armor First Article Testing Standardized DoD-Wide	01/28/2014
USAAA	A-2014-0001-IEF	Agreed-Upon Procedures Attestation of U.S. Army Corps of Engineers Mobile District's Readiness Support Center (For Official Use Only)	10/21/2013
USAAA	A-2014-0002-MTS	Followup Audit of Readiness of Modular Units—Army National Guard	10/22/2013
USAAA	A-2014-0003-MTE	Audit of Force Protection—Contractor Accountability (For Official Use Only)	10/31/2013
USAAA	A-2014-0007-IEE	Demilitarization Efficiencies—Conventional Ammunition (For Official Use Only)	11/15/2013
USAAA	A-2014-0008-ALA	Audit of Aviation Requirements—Shadow Platoon Instructor Operators	11/01/2013
USAAA	A-2014-0013-IEE	Followup Audit: Planning for Disposal of Chemical Demilitarization and Storage Facilities	11/22/2013
USAAA	A-2014-0023-IEE	Followup Audit of Funding Requirements for the Conventional Ammunition Demilitarization Program	12/16/2013
USAAA	A-2014-0025-MTT	Training Support System—Contracting, Office of the Deputy Chief of Staff, G-3/5/7	12/18/2013
USAAA	A-2014-0026-MTE	Logistics Civil Augmentation Program IV Contract Drawdown, Afghanistan (For Official Use Only)	12/24/2013
USAAA	A-2014-0029-MTE	Audit of Material Handling Equipment—Afghanistan (For Official Use Only)	12/24/2013
USAAA	A-2014-0030-ALE	Central African Region Operations, U.S. Africa Command	01/10/2014
USAAA	A-2014-0032-ALM	Depot-Level Maintenance Workload Reporting—FY 12	01/16/2014
USAAA	A-2014-0037-FMP	Army Prepositioned Stock-4, Korea (For Official Use Only)	01/15/2014
USAAA	A-2014-0039-ALS	Small Arms Loan Program (For Official Use Only)	01/31/2014
USAAA	A-2014-0041-ALS	Management of Lateral Transfers, Program Executive Office, Aviation	01/30/2014
USAAA	A-2014-0043-ALM	Unit Maintained Equipment (For Official Use Only)	02/12/2014
USAAA	A-2014-0045-MTP	Followup Audit of the Military Working Dog Program	02/11/2014
USAAA	A-2014-0046-MTH	Sexual Assault-Related Phone Numbers, Office of the Deputy Chief of Staff, G-1	02/13/2014
USAAA	A-2014-0048-MTT	Army National Guard Operating Tempo Funds Use, Army National Guard	02/25/2014
USAAA	A-2014-0049-MTE	Surface Tender U.S. Central Command Region Program, Camp Arifjan, Kuwait (For Official Use Only)	03/07/2014
USAAA	A-2014-0050-ALE	Army Prepositioned Stocks, Leghorn Army Depot, Livorno, Italy (For Official Use Only)	03/05/2014
USAAA	A-2014-0051-MTE	Audit of Repatriating Loaned Equipment (For Official Use Only)	03/11/2014
USAAA	A-2014-0053-IEF	Reserve Components Drill Pay, U.S. Army Reserve Command and Army National Guard	03/18/2014
USAAA	A-2014-0054-IEI	Audit of the Army National Guard Director's Strength Maintenance Award Ceremony and Strength Maintenance Core Functions Training	03/24/2014
USAAA	A-2014-0057-ALM	Followup Audit of Time-Sensitive Issue-M113 Family of Vehicles FY 11 Reset Maintenance Requirements	03/27/2014
NAVAUDSVC	N2014-0006	Navy Reserve Individual Augmentee Reintegration Process	01/07/2014
AFAA	F-2014-0001-L20000	KC-10 Coke Cleaning Initiative	12/13/2013
AFAA	F-2014-0001-L40000	Automated Budget Compilation System Directed Program Additives	10/23/2013
AFAA	F-2014-0001-O20000	Air Mobility Command Mission Index Flying	12/16/2013
AFAA	F-2014-0005-O20000	Air Mobility Command Fuel Efficiencies	02/24/2014
AFAA	F-2014-0001-O30000	Remotely Piloted Aircraft Maintenance and Support Equipment Accountability	11/15/2013
AFAA	F-2014-0001-O40000	Civilian Workforce Diversity	11/21/2013
AFAA	F-2014-0005-O40000	Technical Training Requirements	03/03/2014

## NUCLEAR ENTERPRISE

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-019	Assessment of Continental United States Based Nuclear Response Task Force Programs (Classified)	12/03/2013
DoD IG	DODIG-2014-031	Review of DoD Requirements for Nuclear Gravity Weapon Delivery Parameters (Classified)	01/14/2014

## OTHER

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2014-051	Assessment of Voting Assistance Programs for Calendar Year 2013	03/31/2014
NAVAUDSVC	N2014-0002	Naval Facilities Engineering Command Senior Officials' Travel Costs	11/08/2013

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

## REPORTS CONTAINING POTENTIAL MONETARY BENEFITS

Reports Issued	Date	Potential Monetary Benefits	
		Questioned Costs	Funds Put to Better Use
<b>DODIG-2014-005</b> Combined Joint Task Force-Horn of Africa Needed Better Guidance and Systems to Adequately Manage Civil-Military Operations (For Official Use Only)	10/30/2013	\$228,971	N/A
<b>DODIG-2014-020</b> U.S. Army Contracting Command Did Not Obtain Fair and Reasonable Prices for Communications Equipment (For Official Use Only)	12/05/2013	\$3,300,000	N/A
<b>DODIG-2014-044</b> Improvements Are Needed in Contractor Oversight, Mission Security, and Personnel Safety for the Afghanistan Rotary Wing Program Contracts (For Official Use Only)	03/11/2014	\$141,923	N/A
<b>Total</b>		<b>\$3,670,894</b>	

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

## FOLLOWUP ACTIVITIES

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

Status	Number	Funds Put to Better Use <sup>1</sup> (\$ in thousands)
A. For which no management decision had been made by the beginning of the reporting period.	33	\$179,345
B. Which were issued during the reporting period.	52	\$3,671 <sup>1</sup>
Subtotals (A+B)	85	\$183,016
C. For which a management decision was made during the reporting period.	61	
(i) dollar value of recommendations that were agreed to by management.		0
- based on proposed management action		
- based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management.		\$36,900 <sup>2,3</sup>
D. For which no management decision has been made by the end of the reporting period.	24	\$146,116 <sup>4</sup>
Reports for which no management decision was made within 6 months of issue (as of March 31, 2014).	5 <sup>5</sup>	\$ 145,745

1. DoD IG issued audit reports during the period involving \$3.7 million in "questioned costs."
2. On these audit reports management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed.
3. Includes \$3.3 million in "questioned costs."
4. Includes \$371 thousand in "questioned costs."
5. DoD IG Report Nos. DODIG-2013-095, "Award and Administration of Radio Contracts for the Afghan National Security Forces Need Improvement," DODIG-2013-116, "National Geospatial-Intelligence Agency Did Not Comply With Base Realignment and Closure Legislation," DODIG-2013-123, "Army Needs To Improve Mi-17 Overhaul Management and Contract Administration," DODIG-2013-136, "Assessment of the Office of Security Cooperation—Iraq Mission Capabilities," and, DODIG-2013-137, "DoD Is Not Properly Monitoring the Initiation of Maintenance for Facilities at Kandahar Airfield, Afghanistan," had no decision as of March 31, 2014, but action to achieve a decision is in process.

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

## Status of action on central internal audits period ending March 31, 2014

Status	Number	Funds Put to Better Use <sup>1</sup> (\$ in thousands)
<b>DoD IG</b>		
Action in Progress - Beginning of Period	166	\$0
Action Initiated - During Period	61	\$36,900 <sup>1</sup>
Action Completed - During Period	67	\$25,876 <sup>2</sup>
Action in Progress - End of Period	160	\$0 <sup>3</sup>
<b>Military Departments</b>		
Action in Progress - Beginning of Period	525	7,543,305
Action Initiated - During Period	103	2,159,116
Action Completed - During Period	113	1,483,734
Action in Progress - End of Period	515	6,913,341

1. DoD IG opened audit reports during the period involving \$3.3 million in “questioned costs.”
2. Included are recouped “questioned costs” of \$13.4 million.
3. On certain reports with audit estimated monetary benefits of \$23.5 billion, we agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.

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

# CONTRACT AUDIT REPORTS ISSUED<sup>1</sup>

Type of Audit <sup>2</sup>	Reports Issued	Dollars Examined (\$ in millions)	Questioned Costs <sup>3</sup> (\$ in millions)	Funds Put to Better Use (\$ in millions)
Incurring Costs, Ops Audits, Special Audits	1,419	\$27,553.8	\$1,305.6	\$3.8 <sup>4</sup>
Forward Pricing Proposals	511	\$22,358.2	---	\$1,822.5 <sup>5</sup>
Cost Accounting Standards	331	\$9.1	\$22.2	---
Defective Pricing	6	(Note 6)	\$62.8	---
<b>Totals</b>	<b>2,267</b>	<b>\$49,921.1</b>	<b>\$1,390.6</b>	<b>\$ 1,826.3</b>

**Note 1.** This schedule represents Defense Contract Audit Agency (DCAA) contract audit reports issued during the six months ended March 31, 2014. This schedule includes any audits that DCAA performed on a reimbursable basis for other Government agencies and the associated statistics may also be reported in other office of inspectors' general (OIGs)' Semiannual Reports to Congress. Both "Questioned Costs" and "Funds Put to Better Use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication. In prior semiannual reporting periods, DCAA reported the total number of assignments completed. The total number of assignments completed during the six months ended March 31, 2014 was 5,782. Some completed assignments do not result in a report issued because they are part of a larger audit or because the scope of the work performed does not constitute an audit or attestation engagement under generally accepted Government auditing standards, so the number of audit reports issued is less than the total number of assignments completed.

**Note 2.** This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as:

- Incurred Costs – Audits of direct and indirect costs charged to Government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and provisions of the contract. Also included under incurred cost audits are Operations Audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy; and Special Audits, which include audits of terminations and claims.
- Forward Pricing Proposals – Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts, and costs incurred but not yet covered by definitized contracts.
- Cost Accounting Standards (CAS) – 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.

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

# STATUS OF ACTION ON POST-AWARD CONTRACTS<sup>1</sup>

	Number of Reports	Costs Questioned <sup>6</sup> (\$ in millions)	Costs Sustained <sup>7</sup> (\$ in millions)
Open Reports			
Within Guidelines <sup>2</sup>	526	\$2,382.1	N/A <sup>8</sup>
Overage, greater than 6 months <sup>3</sup>	688	\$4,652.8	N/A
Overage, greater than 12 months <sup>4</sup>	533	\$2,492.5	N/A
In Litigation <sup>5</sup>	144	\$1,719.2	N/A
Total Open Reports	1,891	\$11,246.6	N/A
Closed Reports	515	\$1,022.7	463.0 (45.3%) <sup>9</sup>
All Reports	2,406	\$12,269.3	

1. This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by DoD Components. The status of action on significant post-award contract audits is reported in accordance with DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports". 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 Office of Management Budget (OMB) Circular A-50, "Audit Follow-up", and DoD Instruction 7640.02 as described in footnotes 3 and 4 below.
3. OMB Circular A-50 requires that audit reports be resolved within 6 months after report issuance. Generally, an audit is resolved when the contracting officer determines a course of action which is documented and approved in accordance with agency policy.
4. DoD Instruction 7640.02 states that audit reports are overage if not dispositioned within 12 months from date of issuance. Generally, disposition is achieved when the contractor implements audit recommendations, the contracting officer negotiates a settlement with the contractor, or the contracting officer issues a final decision pursuant to the Disputes Clause.
5. Of the 144 reports in litigation, 35 are under criminal investigation.
6. Cost Questioned represents the amount of audit exception, potential cost avoidance, or recommended price adjustment in the audit report.
7. Cost Sustained represent the questioned costs, potential cost avoidance, or recommended price adjustment sustained by the contracting officer.
8. N/A (not applicable). Cost Sustained occurs when an audit report has been dispositioned (closed) during the reporting period and as a result would not be applicable when reporting data on open reports.
9. Contracting officers sustained \$463 million (45.3 percent) of the \$1,022.7 million questioned as a result of significant post-award contract audits during the period. The contracting officer sustention rate of 45.3 percent represents an increase from the sustention rate of 42.5 percent for the prior reporting period.

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

## STATUS OF REPORTS WITH ACTION PENDING<sup>1</sup>

**Report:** D-2006-077, DoD Personnel Security Clearance Process at Requesting Activities, 04/19/2006

**Description of Action:** Updating DoD Personnel Security Clearance Program policies to include information on investigative responsibilities, security clearance systems, submission processes, levels of security clearances, and training requirements.

**Reason Action Not Completed:** Office of Management and Budget (OMB) delayed publication of DoD Instruction 5200.2 as a final rule three times following DoD's submission to OMB in September 2012. Finally cleared February 24, 2014 and published March 21, 2014. Submission to OMB on Volumes I and II of related DoD Manual is targeted for June 2014 and January 2015, respectively. Promulgation will also be contingent on OMB clearance. Air Force guidance delayed due to increased workload supporting new personnel security efforts. Estimated completion date is November 2014. Army Regulation 380-67 on hold by Army Judge Advocate General pending publication of revised DoD guidance.

**Principal Action Office:** Under Secretary of Defense for Intelligence, Army, Air Force

**Report:** D-2008-089, Planning Armor Requirements for the Family of Medium Tactical Vehicles (FMTV), 05/09/2008

**Description of Action:** Update the capabilities documents for the Family of Medium Tactical Vehicles to include armor kit requirements.

**Reason Action Not Completed:** Although action was initiated in late 2008, the Army has yet to establish validated armor kit requirements for the Family of Medium Tactical Vehicles.

**Principal Action Office:** Army

**Report:** D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, 05/13/2008

**Description of Action:** The Army is working to update system capabilities for annual and end-of-day inventory reconciliations.

**Reason Action Not Completed:** Requested systems changes to the Logistics Modernization Program are expected to be released this Spring.

**Principal Action Office:** Army

**Report:** D-2009-028, Organizational Structure and Managers' Internal Control Program for the Assistant Secretary of Defense (Public Affairs) and American Forces Information Service, 12/10/2008

**Description of Action:** Investigate potential misuse of funds, improper contracting, and statutory violations.

**Reason Action Not Completed:** The formal Antideficiency Act Violation Investigation is ongoing.

**Principal Action Office:** Assistant Secretary of Defense (Public Affairs)

**Report:** D-2009-030, Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistant Ambush Protected Vehicles, 12/08/2008

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** The Marine Corps action was on hold pending Joint Staff issuing revised guidance. Joint Staff issued revised guidance in January 2012. The Marine Corps has not yet updated their guidance.

**Principal Action Office:** Marine Corps

**Report:** D-2009-062, Internal Controls Over DoD Cash and Other Monetary Assets, 03/25/2009

**Description of Action:** Improve internal controls over cash and other monetary assets by establishing a special control account, developing policies and procedures, and monitoring cash usage. Develop non-cash methods of payment for contingency operations.

**Reason Action Not Completed:** Corrective actions cannot be implemented until coordination with the Office of Management and Budget and/or the Department of the Treasury is complete. Extensive coordination needed between DoD and its Components, and with the Treasury and Office of Management and Budget.

**Principal Action Office:** Under Secretary of Defense (Comptroller), Defense Finance and Accounting Service

**Report:** D-2009-064, FY 2007 DoD Purchases Made Through the National Institutes of Health, 03/24/2009

**Description of Action:** Develop mandatory training to address how the rules and regulations governing multiple-award contracts differ from those governing the General Services Administration's Federal Supply

1. For this reporting period, there were disallowed costs of \$28.4 million on reports over 12 months old with final action pending.

Schedules, including the award and administration of task and delivery orders.

**Reason Action Not Completed:** Updating policy and in-processing Federal Acquisition Regulation changes takes time. Developing training materials to be consistent with the Federal Acquisition Regulation changes also takes time.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** D-2009-098, Status of the Defense Emergency Response Fund in Support of the Global War on Terror, 07/30/2009

**Description of Action:** Review the Fund for Global War on Terrorism obligations and deobligate all unliquidated obligations, withdraw all excess funds provided to the DoD Components, and transfer the funds to the U.S. Treasury. Revise DoD Financial Management Regulation guidance to eliminate confusion between the two appropriations, Defense Emergency Response Fund and Emergency Response Fund, Defense.

**Reason Action Not Completed:** Extensive time needed to coordinate deobligation of unliquidated obligations, withdrawal of excess funds, and transference of funds to U.S. Treasury; and update DoD Financial Management Regulation guidance.

**Principal Action Office:** Under Secretary of Defense (Comptroller)

**Report:** D-2010-015, DoD Civil Support During the 2007 and 2008 California Wildland Fires, 11/13/2009

**Description of Action:** Update DoD guidance to add clarity to the process of staffing Federal Emergency Management Agency mission assignments, on the legal employment of surveillance by DoD assets providing assistance to civil authorities, and on specific events for command and control handoff guidance.

**Reason Action Not Completed:** Extensive time required to develop, coordinate and implement the guidance.

**Principal Action Office:** Under Secretary of Defense (Comptroller)

**Report:** D-2010-024, Contracted Advisory and Assistance Services for the U.S. Army Future Combat Systems, 11/24/2009

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Extensive time required to coordinate and issue guidance.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** D-2010-026, Joint Civilian Orientation Conference (JCOC) Program, 12/09/2009

**Description of Action:** Update DoD Instruction 5410.19 to clarify how to administer and manage the Joint Civilian Orientation Conference program.

**Reason Action Not Completed:** A rewrite of DoD Instruction 5410.19 is underway.

**Principal Action Office:** Assistant Secretary of Defense (Public Affairs)

**Report:** D-2010-028, Rapid Acquisition and Fielding of Materiel Solutions by the Navy, 12/15/2009

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** D-2010-043, Deferred Maintenance and Carryover on the Army Abrams Tank, 3/2/2010

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** The proposed change has been incorporated into the revised Financial Management Regulation, issuance of which is now expected in September 2014.

**Principal Action Office:** Under Secretary of Defense (Comptroller)

**Report:** D-2010-051, Defense Contract Management Agency Acquisition Workforce for Southwest Asia, 04/08/2010

**Description of Action:** Revise DoD Instruction 5000.66 to require military departments and defense agencies to develop guidance to identify acquisition, technology and logistics workforce requirements in accordance with other DoD instructions and the Financial Management Regulation.

**Reason Action Not Completed:** Extensive time required to revise and coordinate instructions/guidance.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** D-2010-065, Validity and Security of Selected DoD Civilian Employee Accounts, 05/25/2010

**Description of Action:** Report is Classified

**Reason Action Not Completed:** Extensive time required to establish policies and procedures to conduct periodic assurance reviews for identifying potentially invalid accounts and applying corrections.

**Principal Action Office:** Defense Finance and Accounting Service

**Report:** D-2010-078, Air Force Use of Time-and-Materials Contracts in Southwest Asia, 08/16/2010

**Description of Action:** The Air Force Center for Engineering and the Environment requested Defense Contract Audit Agency audit assistance and will obtain reimbursements for incorrect charges with attention to \$24.3 million for labor charges invoiced by the contractors but not authorized by the task orders.

**Reason Action Not Completed:** The Defense Contract Audit Agency work is ongoing and the contracting officer was to review \$3.3 million in Defense Contract Audit Agency identified questioned costs.

**Principal Action Office:** Air Force

**Report:** D-2010-081, Army Use of Time-and-Materials Contracts in Southwest Asia, 08/27/2010

**Description of Action:** The Army Contracting Command (ACC) will establish a plan for reviewing invoices for 18 contracts, and will request Defense Contract Audit Agency (DCAA) assistance. ACC-Aberdeen Proving Ground and White Sands Missile Range will review contracts and task orders. DCAA will conduct incurred cost audits on the contractor for FY 2006 and FY 2007. ACC will pursue a refund from the contractor, if appropriate.

**Reason Action Not Completed:** The ACC and DCAA have not completed reviews of task orders and audits of incurred costs.

**Principal Action Office:** Army

**Report:** D-2011-028, Contract Oversight for the Broad Area Maritime Surveillance Contract Needs Improvement, 12/23/2010

**Description of Action:** Develop an agency improvement policy that will require all letters of delegation be modified to include necessary surveillance and inspection requirements.

**Reason Action Not Completed:** Extensive time required to develop and coordinate guidance.

**Principal Action Office:** Defense Contract Management Agency

**Report:** D-2011-037, Marine Corps Response to Nonlethal Laser Dazzler Urgent Request, 02/09/2011

**Description of Action:** Perform a review of the circumstances that led to the purchase of the 28 Compact High Power Laser Dazzlers and initiate administrative action, if appropriate.

**Reason Action Not Completed:** Competing management priorities.

**Principal Action Office:** Navy

**Report:** D-2011-060, Marine Corps Inventory of Small Arms Was Generally Accurate but Improvements Are Needed for Related Guidance and Training, 04/22/2011

**Description of Action:** Update Marine Corps Order 8300.1C to include additional guidance for small arms accountability.

**Reason Action Not Completed:** Competing management priorities.

**Principal Action Office:** Navy

**Report:** D-2011-061, Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract with Boeing to Support the Corpus Christi Army Depot, 05/03/2011

**Description of Action:** Establish a formal memorandum of agreement between the Corpus Christi Army Depot, Aviation and Missile Command Integrated Material Management Center, Defense Logistics Agency and Boeing for dealing with excess DoD inventory.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Army

**Report:** D-2011-077, Improved Management Can Reduce Costs of the Maintenance, Repair, and Operations Prime Vendor Contract for the Republic of Korea, 06/24/2011

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** The final award decision documents are now in review and an award will be made by April 30, 2014.

**Principal Action Office:** Defense Logistics Agency

**Report:** D-2011-080, DoD and DoS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program, 07/07/2011

**Description of Action:** The Defense Contract Audit Agency will conduct audit work to verify that DynCorp did not double-bill claimed costs under DoD and Department of State contracts from December 30, 2010, through July 15, 2011.

**Reason Action Not Completed:** Corrective actions are on-going and on schedule.

**Principal Action Office:** Defense Contract Audit Agency

**Report:** D-2011-083, Additional Actions Can Further Improve the DoD Suspension and Debarment Process, 07/14/2011

**Description of Action:** Develop a training program to inform contracting personnel of the suspension and

debarment program and the process for referring poorly performing contractors.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** D-2011-089, Reducing Vulnerabilities at the Defense Information Systems Agency Defense Enterprise Computing Centers, 07/22/2011

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Extensive time required to coordinate and implement corrective actions.

**Principal Action Office:** Defense Information Systems Agency

**Report:** D-2011-090, Cost of War Data for Marine Corps Contingency Operations Were Not Reliable, 07/22/2011

**Description of Action:** Update Marine Corps Order 7300.21A “Marine Corps Financial Management Standard Operating Procedure Manual,” October 2, 2008.

**Reason Action Not Completed:** The publication of updated Marine Corps Order 7300.21B was delayed to allow for the publication of the Consumer-Level Supply Policy (Marine Corps Order 4400.150), which was finally published on January 14, 2014.

**Principal Action Office:** Navy

**Report:** D-2011-096, Improvements Are Needed to the DoD Information Assurance Vulnerability Management Program, 08/12/2011

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Extensive time required to revise and coordinate policy guidance.

**Principal Action Office:** DoD Chief Information Officer, U.S. Strategic Command

**Report:** D-2011-104, Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract With Sikorsky to Support the Corpus Christi Army Depot, 09/08/2011

**Description of Action:** The Defense Contract Management Agency will identify the Sikorsky purchasing system as high risk and perform a review to determine improvements that can be made. Army will improve contracting procedures for pricing and procurement, and obtain refunds from Sikorsky for pricing and excessive escalation.

**Reason Action Not Completed:** A Department of Justice investigation is on-going.

**Principal Action Office:** Defense Contract Management Agency, Army

**Report:** D-2011-106, The Department of the Navy Spent Recovery Act Funds on Photovoltaic Projects That Were Not Cost-Effective, 09/22/2011

**Description of Action:** Develop comprehensive policy for planning, prioritizing, selecting, and executing cost-effective shore energy projects in accordance with DoD and Federal requirements.

**Reason Action Not Completed:** The Navy and the Marine Corps are developing planning and implementation guidance.

**Principal Action Office:** Navy, Marine Corps

**Report:** D-2011-111, Guidance for Petroleum War Reserve Stock Needs Clarification, 09/27/2011

**Description of Action:** The Report is Classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** D-2011-115, DoD Cannot Ensure Contractors Protected Controlled Unclassified Information for Weapon Systems Contracts, 09/30/2011

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Significant public comments required additional time to adjudicate.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-004, Changes Are Needed to the Army Contract With Sikorsky to Use Existing DoD Inventory and Control Costs at the Corpus Christi Army Depot, 11/03/2011

**Description of Action:** Army will develop a plan to improve use of existing inventory and source of supply; will obtain refunds from Sikorsky for a materiel cost reduction incentive and for excessive profits on purchases from Defense Logistics Agency; and contracting personnel will improve contracts related to materiel cost reduction incentives and purchases from Defense Logistics Agency to prevent Sikorsky from making excessive profits.

**Reason Action Not Completed:** Long-term corrective actions are on-going.

**Principal Action Office:** Army

**Report:** DODIG-2012-006, Counter Narcoterrorism Technology Program Office (CNTPO) Task Orders Had Excess Fees, and the Army Was Incorrectly Billed, 11/01/2011

**Description of Action:** The U.S. Army Space and Missile Command contracting office will complete their final review of excess fixed fees in the amount of \$20,000 and will negotiate a return of the funds, if appropriate.

**Reason Action Not Completed:** Ten correction modifications have been made and two remain to be executed.

**Principal Action Office:** Army

**Report:** DODIG-2012-007, Acquisition of the Multi-Platform Radar Technology Insertion Program Needs Transparency and Accountability, 11/02/2011

**Description of Action:** Direct the Air Force to update the Acquisition Strategy before Milestone C, submit a Capability Production Document in the Acquisition Decision Memorandum, and update the Multi-Platform Radar Technology Insertion Program/Global Hawk Block 40 Test and Evaluation Master Plan.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-017, U.S. Naval Academy (USNA) Officials Did Not Adhere to Contracting and Gift Policies, 11/07/2011

**Description of Action:** The U.S. Naval Academy will revise guidance, improve controls, and implement computer software systems covering in-kind gifts and sponsorship funds.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2012-036, DoD Needs to Improve Accountability and Identify Costs and Requirements for Non-Standard Rotary Wing Aircraft, 01/05/2012

**Description of Action:** Develop a departmental directive that establishes and implements policy for Service and Component airworthiness programs.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-039, Summary Report on DoD's Management of Unfinalized Contractual Actions, 01/13/2012

**Description of Action:** Develop a transparent means to document incurred costs and reduced cost risk related to substantial incurred costs during undefinitized periods.

**Reason Action Not Completed:** The original Defense Federal Acquisition Regulation Supplement case has been subsumed under a new Defense Federal Acquisition Regulation Supplement case to address a

broader effort to review and modify the Department's profit guidelines.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-050, Improvements Needed With Host-Based Intrusion Detection Systems, 02/03/2012

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Multiple systems and configuration processes that are needed are ongoing.

**Principal Action Office:** U.S. Strategic Command, Defense Information Systems Agency

**Report:** DODIG-2012-064, Vulnerability and Risk Assessments Needed to Protect Defense Industrial Base Critical Assets, 03/13/2012

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense for Policy

**Report:** DODIG-2012-066, General Fund Enterprise Business System Did Not Provide Required Financial Information, 03/26/2012

**Description of Action:** Implement corrective actions to address the Standard Financial Information Structure gaps as reported in the General Fund Enterprise Business System.

**Reason Action Not Completed:** Extensive time required to coordinate and implement corrective actions.

**Principal Action Office:** Army

**Report:** DODIG-2012-072, FY 2010 DoD Purchases Made Through the Department of the Interior (DoI), 04/13/2012

**Description of Action:** The Under Secretary of Defense for Acquisition, Technology and Logistics will issue contracting guidance to DoD that establishes procedures for approving contracting actions when using other Federal agencies contracts to make purchases for DoD.

**Reason Action Not Completed:** The DoD has not yet completed the policy memorandum for contracting guidance.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-081, Defense Contract Management Agency Contract Support to the Navy Organic Airborne and Surface Influence Sweep Program, 04/27/2012

**Description of Action:** Navy will review the other programs of Littoral Combat Ship portfolio to determine whether program managers are maximizing the use of Defense Contract Management Agency services.

**Reason Action Not Completed:** Corrective actions are in process.

**Principal Action Office:** Navy

**Report:** DODIG-2012-082, DoD Can Improve Its Accounting for Residual Value From the Sale of U.S. Facilities in Europe, 05/04/2012

**Description of Action:** The Comptroller has obligated \$5.1 million of a \$6.8 million unobligated balance in the DoD Overseas Military Facilities Investment Recovery Account. The Under Secretary of Defense for Acquisition, Technology and Logistics will revise guidance to accommodate new legislation and require that future residual value settlement negotiations analyze and document how the settlement was determined.

**Reason Action Not Completed:** The corrective actions are being implemented on schedule.

**Principal Action Office:** Under Secretary of Defense (Comptroller), Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-083, Additional Guidance and Training Needed to Improve Afghan National Army Pharmaceutical Distribution, 05/07/2012

**Description of Action:** Develop a new course that will provide pharmacy technicians with the logistics training needed to perform their jobs and help improve the pharmaceutical distribution process.

**Reason Action Not Completed:** Time needed to develop new a training module for the Pharmacy Technician Training Course and update policy changes.

**Principal Action Office:** U.S. Central Command

**Report:** DODIG-2012-087, Logistics Modernization Program System Procure-to-Pay Process Did Not Correct Material Weaknesses, 05/29/2012

**Description of Action:** Develop a plan of action and milestones to bring the Logistics Modernization Program system into compliance with the DoD Business Enterprise Architecture Procure-to-Pay business rules.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2012-090, Information Security Controls Over the Defense Enrollment Eligibility Reporting System, 05/22/2012

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

**Report:** DODIG-2012-098, Defense Logistics Agency's Procurement Automated Contract Evaluation (PACE) System, 06/05/2012

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** One recommendation under mediation.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2012-099, Adequate Contract Support and Oversight Needed for the Tactical Wheeled Vehicle Maintenance Mission in Kuwait, 06/01/2012

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2012-102, Cost-Control Measures Are Needed on the Army's Cost-Reimbursable Services Contract for Logistics Support of Stryker Vehicles, 06/18/2012

**Description of Action:** Revise Army Regulation 700-127 to require the use of all necessary DoD overarching total life-cycle systems management metrics in performance-based logistics contracts to effectively ensure desired outcomes.

**Reason Action Not Completed:** Extensive time required to coordinate and issue guidance.

**Principal Action Office:** Army

**Report:** DODIG-2012-104, DoD Needs to Improve Vocational Training Efforts to Develop the Afghan National Security Forces Infrastructure Maintenance Capabilities, 06/18/2012

**Description of Action:** The Combined Security Transition Command-Afghanistan will execute existing transition strategy initiatives and develop new initiatives to accelerate development of Afghan National Security Forces infrastructure maintenance capabilities.

**Reason Action Not Completed:** Time needed to revise and staff the Infrastructure Training Advisory Team Campaign Plan.

**Principal Action Office:** U.S. Central Command

**Report:** DODIG-2012-107, Data and Processes supporting the Fund Balance with Treasury Reconciliation for Other Defense Organizations, 07/09/2012

**Description of Action:** Develop a systems infrastructure that will allow: retrieval of detailed transactions that support open appropriations; reconciliations between transactions supporting the amounts on the Cash Management Report and Other Defense Organizations' accounting systems; and monthly transaction level reconciliations for the Other Defense Organizations. Also, develop an agreement that designates responsibility for remediating transactions that have remained unmatched since 2007.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Defense Finance and Accounting Service

**Report:** DODIG-2012-110, Better Oversight Needed for the National Guard's Weapons of Mass Destruction Civil Support Teams, 07/02/2012

**Description of Action:** The Director, National Guard Bureau-J3, will develop a written oversight plan that verifies compliance with mission reporting requirements and provides feedback to Weapons of Mass Destruction Civil Support Teams on omissions and errors.

**Reason Action Not Completed:** Time required to convert all National Guard Bureau issued instructions to Chief, National Guard Bureau issued policy and manuals.

**Principal Action Office:** National Guard Bureau

**Report:** DODIG-2012-112, Reporting the Daily Location of Deployed Service Members Generally Adequate; However, the Navy Needed Improvement, 07/18/2012

**Description of Action:** Task the appropriate commands to establish roles and responsibilities for implementing daily location reporting for deployed Service members required by DoD Instruction 6490.03, "Deployment Health."

**Reason Action Not Completed:** The Chief of Naval Operations is developing a plan of action and milestones outlining the way to achieve compliance with the location reporting requirements.

**Principal Action Office:** Navy

**Report:** DODIG-2012-115, Improved Oversight, but No Invoice Reviews and Potential Antideficiency Act Violation May Have Occurred on the Kuwait Observer Controller Team Task Orders, 08/02/2012

**Description of Action:** The Defense Contract Audit Agency will coordinate with the Army contracting officer to implement procedures for reviewing vouchers and verifying that the contractor does not receive reimbursement for potentially unallowable costs.

**Reason Action Not Completed:** Defense Contract Audit Agency action is on-going and on schedule.

**Principal Action Office:** Defense Contract Audit Agency

**Report:** DODIG-2012-117, General Fund Enterprise Business System Project Office Contract Modifications, 08/14/2012

**Description of Action:** DoD Acquisition and Logistics officials established a working group to review acquisition policy related to Economy Act and non-Economy Act interagency acquisitions. The group will address the recommendation regarding the use of either a reimbursement process or a direct cite when establishing Economy Act orders with non-DoD agencies; and the recommendation to include procedures for properly monitoring interagency acquisitions. U.S. Forces-Afghanistan is updating procedures and establishing controls over the development and monitoring of Economic Act orders.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics, U.S. Central Command

**Report:** DODIG-2012-119, Combatant Command Disaster Relief Operations, 08/14/2012

**Description of Action:** Implement best practices for disaster relief in key areas, such as command procedures, information sharing, phase-zero activities, and dissemination of lessons learned.

**Reason Action Not Completed:** U.S. European Command will review Disaster Relief Plans from other Combatant Commands and utilize concepts, ideas and best practices from those plans that are compatible and effective into European Command plans.

**Principal Action Office:** U.S. European Command

**Report:** DODIG-2012-122, DoD Should Procure Compliant Physical Access Control Systems to Reduce the Risk of Unauthorized Access, 08/29/2012

**Description of Action:** Require each office implementing Homeland Security Presidential Directive-12 to provide full oversight and accountability. Require Services and DoD agencies to report to the Under Secretary of Defense for Personnel and Readiness on the status of their efforts.

Report on facilities' physical access control systems compliance with Federal Information Processing Standard 201. Require the completion of site surveys that address all mission requirements and infrastructure limitations.

**Reason Action Not Completed:** The Under Secretary of Defense for Personnel and Readiness will hold meetings to address the responsibilities of each Homeland Security Presidential Directive-12 Office of the Secretary of Defense Principal Staff Assistant. The Under Secretary of Defense for Personnel and Readiness will work with each Principal Staff Assistant to ensure compliance with requirements and request an annual update regarding their efforts. All DoD Components will be directed to use the Defense Property Accountability System to inventory and manage physical access control systems and physical access control equipment. A directive paragraph will be included in the Navy Physical Security and Law Enforcement Policy to include the requirement for installation officials to be included in the site survey. Headquarter Marine Corps coordination of working groups is ongoing to address required support to the integrated assessment team and to identify specific information, requirements, and standards that will be compiled during the site visits.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness, Under Secretary of Defense for Intelligence, Navy, Marine Corps

**Report:** DODIG-2012-125, General Fund Enterprise Business System Project Office Contract Modifications, 09/11/2012

**Description of Action:** Army will evaluate the recovery options advised by the Army Office of General Counsel, to include a waiver under the equitable theories of Quantum Merit (the value of services provided) and Quantum Valebant (the value of goods).

**Reason Action Not Completed:** Corrective actions are on-going and on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2012-129, General Purpose Forces Enablers Support to Special Operations Forces Works Effectively, but Opportunities Exist for Improvement, 09/13/2012

**Description of Action:** The Report is Classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Joint Chiefs of Staff

**Report:** DODIG-2012-131, Improvements Needed in How the Defense Finance and Accounting Service Adjusts and Supports Billing Rates, 09/19/2012

**Description of Action:** The Under Secretary of Defense Comptroller/Chief Financial Officer is updating the DoD Financial Management Regulation to clarify and strengthen the guidance on management-directed Accumulated Operating Results reductions.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** Under Secretary of Defense (Comptroller)

**Report:** DODIG-2012-132, Audit of Justification and Planning for Project Repair Fire Station Building 106, Naval Station Great Lakes, 09/14/2012

**Description of Action:** Identify existing deficiencies, such as those identified in this report related to the unified facilities criteria and quality of life, and implement appropriate actions to correct the deficiencies.

**Reason Action Not Completed:** Of the 26 items noted, 19 now have been closed, 5 are in progress and two are listed for future funding.

**Principal Action Office:** Navy

**Report:** DODIG-2012-135, Counter Narcoterrorism Technology Program Office's Mi-17 Overhaul Contracts, 09/27/2012

**Description of Action:** Army will consider suspension or debarment of a contractor; review analyses of costs to ensure correctness; withhold payments to contractor until costs have been verified as correct; and establish controls for contracting officers on cost and price analysis, modifications, and documentation of fair and reasonable price determinations.

**Reason Action Not Completed:** Corrective actions are on schedule

**Principal Action Office:** Army

**Report:** DODIG-2012-136, Audit of the Department of Defense Education Activity Requirements Development Process for Military Construction Contracts in Europe, 09/24/2012

**Description of Action:** DoD Education Activity will conduct a Business Case Analysis and cost estimate on the 21st Century Education Facilities Specifications Initiative that meets applicable standards and guidance.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

**Report:** DODIG-2012-137, U.S. Pacific Command's Petroleum War Reserve Requirements and Stocks, 09/26/2012

**Description of Action:** Revise DoD Manual 4140-25-M, "DoD Management of Bulk Petroleum Products, Natural Gas, and Coal," to include a requirement for updating the days of supply planning factors at least biannually.

**Reason Action Not Completed:** DoD Directive 4140-25 and DoD Manual 4140-25-M are expected to be issued in the 4th Quarter 2014 and 1st Quarter 2015, respectively.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2012-138, Wholesale Accountability Procedures Need Improvement for the Redistribution Property Assistance Team Operations, 09/26/2012

**Description of Action:** Update performance work statement to include performance measures for Redistribution Property Assistance Team operations, incorporate updated performance work statement into contract.

**Reason Action Not Completed:** Updated performance work statement was not incorporated in existing contract because mission was complete. Change in acquisition strategy delayed contract re-competition. Contract award is expected in June 2014.

**Principal Action Office:** Army

**Report:** DODIG-2013-002, Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts, 10/04/2012

**Description of Action:** Conduct a review to identify single-bid competitive knowledge-based services contracts and develop procedures to monitor the input of single-bid competitive contract data into the Federal Procurement Data System - Next Generation.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-005, Performance Framework and Better Management of Resources Needed for the Ministry of Defense Advisors Program, 10/23/2012

**Description of Action:** Developing a performance management framework to cover Ministry of Defense Advisors' program office responsibilities, including advisor recruiting, training, and deployment

performance indicators; and coordinating to connect the performance management framework with the broader ministerial development assessment framework.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Assistant Secretary of Defense for Special Operations and Low-Intensity Conflict

**Report:** DODIG-2013-006, Defense Logistics Agency Could Improve Its Oversight of the Maintenance, Repair, and Operations Prime Vendor Contract for Korea, 10/19/2012

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** The review of potential overcharges is expected to be completed by this summer.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2013-007, Award and Administration of Multiple Award Contracts at Naval Facilities Engineering Command Specialty Centers Need Improvement, 10/26/2012

**Description of Action:** Require contracting officers to appoint a Navy Technical Representative in writing, including responsibilities and oversight duties, and require contracting officer to initiate action to recover unsupported other direct costs, unless detailed cost support documentation is provided.

**Reason Action Not Completed:** Managers have been briefed on the report findings and actions are ongoing. The subject vouchers are under review for supportability and allowability.

**Principal Action Office:** Navy

**Report:** DODIG-2013-019, Defense Institution Reform Initiative Program Elements Need to Be Defined, 11/09/2012

**Description of Action:** Issue guidance that defines the Defense Institution Reform Initiative Program's mission and goals, program strategy, and performance measures; defines defense institution building roles and responsibilities; and implements procedures that require the coordination of the defense institution building program's mission and goals, program strategy, and performance measures with other security cooperation activities.

**Reason Action Not Completed:** Progress is ongoing toward development of the recommended guidance.

**Principal Action Office:** Under Secretary of Defense for Policy

**Report:** DODIG-2013-025, Accountability Was Missing for Government Property Procured on the Army's Services Contract for Logistics Support of Stryker Vehicles, 11/30/2012

**Description of Action:** Properly account for, value, and report all contractor-acquired and Government-owned Stryker inventory.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-027, DoD Generally Effective at Correcting Causes of Antideficiency Act Violations in Military Personnel Accounts, But Vulnerabilities Remain, 11/30/2012

**Description of Action:** Establish procedures to maintain records documenting corrective actions taken for each Antideficiency Act violation for at least 6-years and 3-months.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army, Navy

**Report:** DODIG-2013-035, Better Reporting and Certification Processes Can Improve Red Teams' Effectiveness, 12/21/2012

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Air Force, National Security Agency, U.S. Strategic Command

**Report:** DODIG-2013-036, Improvements Are Needed to Strengthen the Security Posture of U.S. Army Corps of Engineers, Civil Works, Critical Infrastructure and Industrial Control Systems in the Northwestern Division, 01/14/2013

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-040, Critical Information Needed to Determine the Cost and Availability of G222 Spare Parts, 01/31/2013

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Air Force needs to develop a plan for the disposition of the G222 aircraft and determine whether any spare parts are needed to support the disposal plan.

**Principal Action Office:** Air Force

**Report:** DODIG-2013-045, Army Business Systems Information Technology Strategy Needs Improvement, 02/01/2013

**Description of Action:** Develop a comprehensive Army Business Management Strategy and Implementation Plan.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2013-046, DoD Does Not Have Visibility Over the Use of Funds Provided to the Department of Energy, 02/15/2013

**Description of Action:** Develop an interim data gathering solution using the Electronic Document Access system as a single data repository.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics, Under Secretary of Defense (Comptroller)

**Report:** DODIG-2013-050, Recovering Organizational Clothing and Individual Equipment From Civilians and Contractor Employees Remains a Challenge, 02/22/2013

**Description of Action:** Implement procedures to recover organizational clothing and individual equipment from civilians and contractor employees.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** DODIG-2013-051, Improvements to Controls Over Cash Are Needed at the Army Disbursing Office at Soto Cano Air Base, Honduras, 03/04/2013

**Description of Action:** Provide an appropriate security container at the Army disbursing office on Soto Cano Air Base, Honduras.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** U.S. Southern Command

**Report:** DODIG-2013-052, Inadequate Contract Oversight of Military Construction Projects in Afghanistan Resulted in Increased Hazards to Life and Safety of Coalition Forces, 03/08/2013

**Description of Action:** Develop quality assurance surveillance plans for contract task orders and develop procedures to verify that contracting officer's representatives conduct and document appropriate surveillance of contractors.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Air Force

**Report:** DODIG-2013-055, Controls Over Wireless Intrusion Detection Systems at the Defense Logistics Agency, 03/13/2013

**Description of Action:** Report is For Official Use Only.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2013-057, Enterprise Business System Was Not Configured to Implement the U.S. Government Standard General Ledger at the Transaction Level, 03/20/2013

**Description of Action:** The Deputy Chief Management Officer and Deputy Chief Financial Officer will establish procedures to validate that pre-certification authorities certify the DoD Standard Chart of Accounts and all applicable updates. The Deputy Chief Financial Officer will also initiate a working group to determine the best way forward for validating the posting logic within the DoD United States Standard General Ledger Transaction Library. The Defense Logistics Agency will develop appropriate documentation for verifying DoD Standard Chart of Accounts criteria to be submitted to DoD annually for Investment Review Board certification.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Defense Logistics Agency, Under Secretary of Defense (Comptroller)

**Report:** DODIG-2013-059, Air Force Needs Better Processes to Appropriately Justify and Manage Cost-Reimbursable Contracts, 03/21/2013

**Description of Action:** Revise current guidance to eliminate the potential contradictions and clarify the instructions for the use of cost-reimbursable contracts.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics, Air Force

**Report:** DODIG-2013-060, Improvements Needed With Tracking and Configuring Army Commercial Mobile Devices, 03/26/2013

**Description of Action:** Before the end of FY 2014, the Army stated a mobile device management application would be used to manage mobile devices and would be fully operational.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

◆ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(b)(4).

## SECTION 845 ANNEX AUDIT REPORTS WITH SIGNIFICANT FINDINGS

### DCAA

<b>Audit Report No. 06211-2007C10100004-R1</b>	<b>Date:</b> November 14, 2013
<b>Subject:</b> Independent Audit of Final Incurred Cost Proposal for Contractor Fiscal Year 2007	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$75.5 Million Questioned Cost	
The audit of the incurred cost proposal resulted in \$75.5 million of questioned costs, including the following significant items: \$5.7 million of indirect costs primarily consisting of unallowable conference, meeting, employee relations, membership expenses, and claimed allocations from other segments in excess of the audit accepted amounts; \$7.4 million of subcontractor labor billed at the time and material hourly rates in the prime contract instead of at the cost to the prime contractor; and \$62.4 million of claimed labor for employees who did not possess the contract required education or experience.	
<b>Audit Report No. 06821-2006F10100001</b>	<b>Date:</b> October 24, 2013
<b>Subject:</b> Independent Audit of Certified Final Indirect Cost Proposal for Fiscal Year 2006	
<b>Prepared For:</b> Defense Contract Management Agency, Corporate Administrative Contracting Officer	
<b>Report:</b> \$38 Million Questioned Cost	
The audit of the indirect cost proposal resulted in \$38 million of questioned costs. Significant items of questioned cost include: \$14.2 million of environmental remediation costs in excess of allowable amounts from advance agreements or that were unreasonable; \$9 million of post-retirement benefit expenses in excess of allowable amounts from advance agreements or that had not been funded in prior periods; \$5.4 million of unreasonable executive compensation; and \$4.3 million of unallowable lobbying expenses.	
<b>Audit Report No. 02671-2007A10100001</b>	<b>Date:</b> October 25, 2013
<b>Subject:</b> Independent Audit of Calendar Year 2007 Incurred Costs	
<b>Prepared For:</b> Defense Contract Management Agency, Corporate Administrative Contracting Officer	
<b>Report:</b> \$62.2 Million Questioned Cost	
The audit of the incurred cost proposal resulted in \$62.2 million of questioned costs. Significant items of questioned cost include: \$17.8 million of state income tax not allocable to Government contracts; \$12.4 million of health insurance costs for ineligible dependents; \$7.5 million of unallowable legal costs primarily related to alleged wrongdoing or contract disputes; \$4.4 million in travel and meals primarily due to unallowable premium air fares or inadequate supporting documentation; and \$3.3 million of unreasonable executive compensation.	
<b>Audit Report No. 03421-2010J17100802</b>	<b>Date:</b> October 30, 2013
<b>Subject:</b> Independent Audit of Partial Termination Settlement Proposal	
<b>Prepared For:</b> Defense Contract Management Agency, Terminations Division	
<b>Report:</b> \$12.1 Million Questioned Cost	
The audit of the termination settlement proposal resulted in \$12.1 million of questioned cost. Significant questioned items include \$2.6 million of unallowable fee because the contractor incorrectly included settlements with subcontractors in the fee base, and \$7.9 million of settlements with subcontractors due primarily to assist audits of the subcontractor proposals.	

<b>Audit Report No. 03171-2007S10100001</b>	<b>Date:</b> October 31, 2013
<b>Subject:</b> Independent Audit of Fiscal Year 2007 Incurred Cost Submission	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$11.9 Million Questioned Cost	
<p>The audit of the incurred cost proposal resulted in \$11.9 million of questioned costs, including \$8.3 million of subcontractor and professional services costs which were not supported by (i) evidence of the actual services rendered, (ii) original records – such as subcontractor timesheets, or (iii) evidence of required prime contractor approval per the terms of the subcontracts. Another \$1.9 million of claimed labor costs were questioned because support was not provided for the labor category billed or the employees did not have the type or length of work experience required by the contract.</p>	

<b>Audit Report No. 09771-2013D17100001</b>	<b>Date:</b> November 8, 2013
<b>Subject:</b> Independent Audit of Termination for Convenience Proposal	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$13 Million Questioned Costs	
<p>The audit of the termination proposal resulted in \$13 million of questioned costs. Significant items of questioned costs were as follows: (i) \$11.9 million per Federal Acquisition Regulation 52.232-22, Limitation of Funds Clause, for costs claimed over the contract’s funding limitations; (ii) \$0.8 million of other costs because the contractor could not provide supporting documentation to demonstrate that the cost was allowable; and (iii) \$0.2 million of direct labor costs because the contractor fiscal years 2004 and 2005 proposed costs in the termination proposal exceeded the amounts in the Defense Contract Audit Agency audited incurred cost submissions, and because the contractor could not account for over 2,400 hours incurred in contractor fiscal years 2006.</p>	

<b>Audit Report No. 03221-2007T10100001</b>	<b>Date:</b> November 22, 2013
<b>Subject:</b> Independent Audit of CFY 2007 Administrative, Centrally Administered, and Cost of Money Certified Final Indirect Cost Proposals	
<b>Prepared For:</b> Defense Contract Management Agency, Corporate Administrative Contracting Officer	
<b>Report:</b> \$162.3 Million Questioned Cost	
<p>The audit of multiple corporate office incurred cost proposals resulted in \$162.3 million of questioned costs. Significant items questioned include: \$61.2 million of legal costs primarily related to various cases for alleged breach of contract or for which sufficient supporting evidence was not provided to allow evaluation of the costs; \$29.2 million of expenses incurred at international offices which were not supported by evidence of the nature of the activities performed at the offices; \$15.9 million of professional services costs primarily due to duplicate invoices or lack of adequate supporting documentation; a \$15.8 million self-insurance premium because the contractor did not demonstrate that actual loss history was used to determine the premium; \$9.6 million of unallowable labor and related fringe benefits primarily for lobbying effort or other unallowable activities; \$3.7 million of executive compensation in excess of the Federal Acquisition Regulation ceiling; and \$2.5 million of insurance costs for ineligible dependents.</p>	

<b>Audit Report No. 03231-2012L42098001</b>	<b>Date:</b> November 26, 2013
<b>Subject:</b> Independent Audit of Cost or Pricing Data Resulting in the Duplication of Proratable Costs	
<b>Prepared For:</b> Defense Contract Management Agency, Divisional Administrative Contracting Officer Group	
<b>Report:</b> \$13.7 Million Recommended Price Adjustment	
The audit of the contractor's compliance with 10 U.S.C. 2306a (Truth in Negotiations Act) related to pricing low value material costs such as solvents, adhesives, lubricants, and insulation resulted in a recommended price adjustment of \$13.7 million for overstated material costs and related burdens on negotiated contracts because the costs were proposed twice, both as a direct cost and an indirect cost.	

<b>Audit Report No. 06831-2006B10100003</b>	<b>Date:</b> November 27, 2013
<b>Subject:</b> Independent Audit of FY 2006 Incurred Cost Proposal	
<b>Prepared For:</b> Defense Contract Management Agency, Virginia	
<b>Report:</b> \$93.7 Million Noncompliant Costs	
The audit disclosed that the contractor was unable to provide adequate explanation of the development of its incurred cost proposal, or sufficient documentation to support a majority of the transactions sampled from its proposal, resulting in a disclaimer of opinion. The procedures performed disclosed \$93.7 million of costs inadequately supported, representing material noncompliances with Federal Acquisition Regulation Part 31. Significant noncompliant costs include: \$55.5 million of direct labor for which the contractor was unable to provide support for the labor rates, hours charged, or evidence of actual payment to employees; \$12.6 million of claimed allocations from other segments that the contractor was unable to adequately support; and \$8.2 of subcontract costs not adequately supported with agreements, purchase orders, invoices, or documentation of actual payment.	

<b>Audit Report No. 06281-2007H10100001</b>	<b>Date:</b> December 9, 2013
<b>Subject:</b> Independent Audit of Contractor FY 2007 Incurred Cost Submission	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$107.8 Million Questioned Costs	
The audit of the corporate office final incurred cost proposal resulted in \$107.8 million of questioned cost, including the following significant items: \$80.3 million of segment level pension costs that were incorrectly included in the home office submission, \$8.4 million of health and welfare costs for ineligible dependents, \$5.3 million of unreasonable/unallowable executive compensation, \$3.5 million of corporate initiatives cost lacking adequate support for allocation bases, and \$1.8 million of fringe costs based on incorporation of the questioned labor, health and welfare, and pension costs.	

<b>Audit Report No. 01101-2011L42098001</b>	<b>Date:</b> December 11, 2013
<b>Subject:</b> Independent Audit of Cost or Pricing Data	
<b>Prepared For:</b> Procuring Contracting Officer, United States Air Force/AFMC, C130 Systems Group	
<b>Report:</b> \$24 Million Recommended Price Adjustment	
The audit of the contractor's compliance with 10 U.S.C. 2306a (Truth in Negotiations Act) resulted in a recommended price adjustment of \$24 million for overstated material and related labor, burdens, and profit on the negotiated contract because the contractor (i) did not disclose the existence of an agreement with another company segment for materials or that significant costs had already been incurred by the other segment; (ii) did not disclose the most current, accurate, and complete data for several specific parts; and (iii) included costs in its proposal for several parts not applicable to the contract.	

<b>Audit Report No. 01751-2006D10100001</b>	<b>Date:</b> December 20, 2013
<b>Subject:</b> Independent Audit of Post Year End Incurred Cost Audit Report for Fiscal Year (FY) 2006	
<b>Prepared For:</b> Department of the Navy, Supervisor of Shipbuilding	
<b>Report:</b> \$13.8 Million Questioned Costs	
<p>The audit of the final indirect cost rate proposal resulted in \$13.8 million of questioned cost, including \$10 million of claimed direct costs for material written-off as damaged by Hurricane Katrina but not supported with a damage assessment documenting that the material was unusable; \$1.3M of executive compensation in excess of Federal Acquisition Regulation limitations or the amount considered unreasonable; \$0.5 million of automobile allowances paid to company executives that were not supported as related to business use; \$0.3 million of executive compensation related to lobbying activities; and \$0.2 million of unallowable entertainment and related expenses.</p>	

<b>Audit Report No. 03531-2006B10100003</b>	<b>Date:</b> December 18, 2013
<b>Subject:</b> Independent Audit of FY2006 Incurred Cost	
<b>Prepared For:</b> Department of Health and Human Services, Centers for Medicare and Medicaid Services	
<b>Report:</b> \$17.6 Million Questioned Cost	
<p>The audit of the incurred cost submission resulted in \$17.6 million of questioned cost, including \$12.6 million of shared service allocations from other segments not supported by details of the costs being allocated or the basis for allocation; and \$5.0 million of subcontract costs not supported with proof of payment or by the subcontractor's incurred cost submission.</p>	

<b>Audit Report No. 06811-2005U10100001</b>	<b>Date:</b> December 19, 2013
<b>Subject:</b> Independent Audit of Fiscal Year (FY) 2005 Incurred Costs and Proposed Indirect Rates	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$108.9 Million Questioned Costs	
<p>The audit of the final indirect rate proposal resulted in \$108.9 million of questioned costs, including \$24.6 million of indirect costs and \$84.3 million of direct costs. Significant questioned indirect costs relate to bonuses not supported by the basis for award; payouts for a profit sharing plan that are unreasonable to charge to Government contracts; costs for stock distributions that were not adequately supported; and Independent research and development/bid and proposal costs that were unallowable per Federal Acquisition Regulation Part 31 or were for effort that related to a specific subcontract. The majority of questioned direct costs are the result of (i) lack of adequate supporting documentation; (ii) claimed costs that were not allocable to the contract or cost objective on which they were claimed or the contractor's inability to demonstrate that the costs were allocable to the contracts on which claimed; (iii) costs related to a prior fiscal year; (iv) costs claimed that represented a significant deviation from the contractor's policies; and (v) claimed costs that were unallowable per Federal Acquisition Regulation Part 31 and contract terms.</p>	

<b>Audit Report No. 03151-2007U10100001</b>	<b>Date:</b> December 20, 2013
<b>Subject:</b> Independent Audit of Fiscal Year 2007 Incurred Costs	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$73.7 Million Questioned Cost	
<p>The audit of the incurred cost submission resulted in \$73.7 million of questioned costs, including the following significant items: \$61.7 million of claimed subcontract costs, \$29.4 million of professional services costs, and \$9.9 million of material costs. The costs were questioned for reasons including: expenses incurred prior to the company formation, missing documentation such as purchase orders or detailed invoices, without adequate price analysis, purchase discounts not taken, or unallowable advertising/public relations costs. The questioned costs were off-set by a \$27 million upward adjustment for a credit erroneously included in the submission.</p>	

<b>Audit Report No. 06161-2013U17900001</b>	<b>Date:</b> December 23, 2013
<b>Subject:</b> Independent Report on the Application of Agreed-Upon Procedures to Final Draft Invoice	
<b>Prepared For:</b> Transportation Security Administration	
<b>Report:</b> \$16.9 Million Differences	
The application of the agreed-upon procedures to the draft invoice for labor costs resulted in identifying \$16.9 million of labor which lacked supporting employee timecards or other documentation, duplicated costs for hours previously billed, was related to a delay in processing the hours, or was the result of differences between the proposed billing and supporting documentation.	

<b>Audit Report No. 06271-2003A10100103</b>	<b>Date:</b> December 24, 2013
<b>Subject:</b> Independent Audit of Incurred Cost Proposal for Fiscal Year 2003	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$104.4 Million Noncompliant Costs	
Because of scope restrictions, Defense Contract Audit Agency was not able to perform all appropriate audit procedures to obtain sufficient evidential matter on which to base a definitive opinion on the reasonableness, allowability, and allocability of the claimed costs resulting in a disclaimer of opinion. The procedures performed disclosed \$104.4 million of costs noncompliant with Federal Acquisition Regulation, including the following significant items: \$91.3 million of material costs for which adequate supporting documentation such as purchase orders, inter-company agreements, invoices, and proof of payment was not provided; and \$5.5 million of subcontract costs from assist audits.	

<b>Audit Report No. 09881-2006C10100036</b>	<b>Date:</b> December 30, 2013
<b>Subject:</b> Independent Audit of Contractor FY 2006 Incurred Cost Submissions	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$35.7 Million Questioned Costs	
The audit of the incurred cost submission resulted in \$35.7 million questioned cost including \$35.2 million of questioned direct costs and \$0.5 million of questioned indirect expenses applicable to Government contracts. The significant items of questioned direct costs related to unsupported direct labor costs and other direct costs. Significant questioned indirect expenses related to general and administrative labor, consulting/subcontractor, and insurance costs that were unsupported.	

<b>Audit Report No. 09881-2007C10100007</b>	<b>Date:</b> December 30, 2013
<b>Subject:</b> Independent Audit of Contractor FY 2006A Incurred Cost Submissions	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$19.1 Million Questioned Costs	
The audit of the incurred cost submission resulted in \$19.1 million questioned cost including \$19 million of questioned direct costs and \$0.1 million of questioned indirect expenses applicable to Government contracts. The significant items of questioned direct costs related to unsupported direct labor costs and other direct costs.	

<b>Audit Report No. 03421-2013C17200101</b>	<b>Date:</b> December 31, 2013
<b>Subject:</b> Independent Audit of Claim	
<b>Prepared For:</b> Department of the Navy, Naval Supply Systems Command Weapon Systems Support	
<b>Report:</b> \$11.9 Million Questioned Cost	
The audit of the certified claim resulted in questioning the entire claim amount of \$11.9 million because the claim lacked adequate supporting documentation and the contractor refused to support the audit since the claim was appealed to the Armed Services Board of Contract Appeals.	

<b>Audit Report No. 04611-2007Y10100001</b>	<b>Date:</b> January 15, 2014
<b>Subject:</b> Independent Audit of Incurred Costs and Facilities Capital Cost of Money for Year Ended December 31, 2007	
<b>Prepared For:</b> Defense Contract Management Agency, Cost and Pricing Center	
<b>Report:</b> \$37.3 Million Noncompliant Costs	
<p>Because of scope restrictions, Defense Contract Audit Agency was not able to perform all appropriate audit procedures to obtain sufficient evidential matter on which to base a definitive opinion on the reasonableness, allowability, and allocability of the claimed costs resulting in a disclaimer of opinion. The procedures performed disclosed \$37.3 million of costs noncompliant with Federal Acquisition Regulation, including the following significant items: \$25.7 million of corporate aircraft costs because the contractor did not maintain the required flight manifests/logs; \$3.2 million of commercial airfare in excess of the lowest priced airfare available; and \$3.7 million of lease costs in excess of the cost of ownership for a building leased from a related company.</p>	

<b>Audit Report No. 02131-2014F17200001</b>	<b>Date:</b> January 24, 2014
<b>Subject:</b> Independent Audit of Price Adjustment Claim	
<b>Prepared For:</b> Defense Logistics Agency, Troop Support - Subsistence	
<b>Report:</b> \$11 Million Questioned Cost	
<p>The audit of the price adjustment claim resulted in questioning the entire claimed amount of \$11 million because the contractor did not provide evidence that the claimed costs were the result of the Government's failure to provide reliable information on the anticipated demand for food based on the size of the population to be fed.</p>	

<b>Audit Report No. 06221-2005U10100009 &amp; 06221-2005U10100011</b>	<b>Date:</b> January 24, 2014
<b>Subject:</b> Independent Audit of Contractor FY 2005 Incurred Cost Claim	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$28.2 Million Noncompliant Costs	
<p>Because of scope restrictions, Defense Contract Audit Agency was not able to obtain sufficient evidential matter on which to base an opinion on the reasonableness, allowability, and allocability of the claimed costs resulting in a disclaimer of opinion. The procedures performed disclosed \$28.2 million of noncompliant costs including \$27.2 million of noncompliant direct labor on Time &amp; Material contracts, (\$23.1 million for noncompliant rates and \$4.1 million related to noncompliant hours), and \$1 million of direct material, other direct costs, and indirect costs based on assist audits and reconciling differences.</p>	

<b>Audit Report No. 06281-2007G10100002</b>	<b>Date:</b> January 24, 2014
<b>Subject:</b> Independent Audit of Contractor FY 2007 Final Indirect Cost Rate Proposal	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$14.6 Million Questioned Costs	
<p>The audit of the indirect cost rate proposal resulted in \$14.6 million questioned cost including \$12.7 million of indirect costs and \$1.9 million of direct costs. Significant questioned direct costs include \$1.7 million of materials and other direct costs for which inadequate or no support was provided. The significant items of questioned indirect cost are \$6.7 million of fringe costs questioned because the contractor has not provided evidence necessary to support the allocability of the costs, and \$5.2 million of various pool allocations including results of fringe rates and related segment, home office and corporate office assist audit reports.</p>	

<b>Audit Report No. 06281-2007G10100001</b>	<b>Date:</b> January 27, 2014
<b>Subject:</b> Independent Audit of Contractor FY 2007 Final Indirect Cost Rate Proposal	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$100.2 Million Questioned Costs	
<p>The audit of the indirect cost rate proposal resulted in \$100.2 million of questioned cost including \$70.7 million of indirect costs and \$29.5 million of direct costs. Significant items of questioned direct cost include \$13.7 million for which inadequate or no support was provided, \$13.2 million of costs noncompliant with contract terms, and \$2.2 million of unallowable travel and consultant cost. Questioned indirect costs include the following significant items: \$42.2 million of various pool allocations including results of fringe rates and related segment, home office and corporate office assist audit reports, \$10.2 million of various claimed costs for which inadequate or no support was provided, \$10.0 million of fringe costs questioned because the contractor has not provided evidence necessary to support the allocability of the costs, and \$4.0 million of unallowable compensation and consultant costs.</p>	
<b>Audit Report No. 06281-2007G10100003</b>	<b>Date:</b> January 31, 2014
<b>Subject:</b> Independent Audit of Home Office – FY 2007 Final Indirect Cost Rate Proposal	
<b>Prepared For:</b> Defense Contract Management Agency, Maryland	
<b>Report:</b> \$141.9 Million Questioned Cost	
<p>The audit of the home office incurred cost proposal resulted in \$141.9 million of questioned costs, including the following significant items: \$81.7 million of costs because the contractor did not provide sufficient and appropriate evidence to support the allocation method used; \$20.4 million due to questioned allocation bases; \$11.5 million of costs for which adequate support was not provided; and \$9.4 million of costs from other segments due to reconciliation differences.</p>	
<b>Audit Report No. 06311-2007M10100003</b>	<b>Date:</b> February 21, 2014
<b>Subject:</b> Independent Audit of Fiscal Year 2007 Incurred Costs	
<b>Prepared For:</b> Defense Contract Management Agency East, DCMA Naval Sea Systems Division	
<b>Report:</b> \$32.2 Million Questioned Cost	
<p>The audit of the incurred cost proposal resulted in \$32.2 million of questioned costs, including the following significant items: \$21.1 million of depreciation due to destroyed records or insufficient documentation; and \$5 million of subcontract, equipment and other direct costs due to lack of adequate supporting documentation.</p>	
<b>Audit Report No. 04281-2006I10100046</b>	<b>Date:</b> February 28, 2014
<b>Subject:</b> Independent Audit of Fiscal Year 2006 Incurred Cost	
<b>Prepared For:</b> Defense Contract Management Agency, Northern California	
<b>Report:</b> \$44.0 Million Questioned Cost	
<p>The audit of the incurred cost proposal resulted in \$44 million of questioned costs, including the following significant items: \$33 million of subcontract costs because the contractor did not have the required Contracting Officer consent to subcontract and/or lacked adequate support such as subcontractor proposals, subcontract agreements, purchase orders, or sole source justification; \$3.3 million of labor costs because employee timesheets lacked supervisory approval; \$1.1 million of consultant costs not adequately supported by detailed agreements, invoices, or evidence of work performed; and \$1 million of unreasonable compensation.</p>	

<b>Audit Report No. 06811-2008U42000003</b>	<b>Date:</b> March 11, 2004
<b>Subject:</b> Independent Post Award Audit	
<b>Prepared For:</b> Army Contracting Command - Warren	
<b>Report:</b> \$18 Million Recommended Price Adjustment	
The audit of the contractor's compliance with 10 U.S.C. 2306a (Truth in Negotiations Act) resulted in a recommended price adjustment of \$18 million due to overstated material costs and related burdens because the contractor certified to quantities in excess of what was required and did not submit the most current purchase orders/invoices for several proposed material items.	

<b>Audit Report No. 03701-2007B10100001</b>	<b>Date:</b> March 28, 2014
<b>Subject:</b> Independent Audit of Contractor Fiscal Year (FY) 2007 Contracting Officer Determined Final Indirect Cost Rates for the Period of December 31, 2006 to December 29, 2007	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$89.4 Million Questioned Cost	
The audit of the final indirect cost rate proposal resulted in \$89.4 million of questioned cost including the following significant items: \$60.3 million of direct materials and other direct costs not adequately supported; \$18.3 million of consultant costs not adequately supported with statements of work, invoices, and proof of payment; and \$3.1 million of airfare costs claimed twice, associated with attendance at trade shows, or first class tickets.	

<b>Audit Report No. 03701-2011B17200001</b>	<b>Date:</b> Sept. 20, 2013
<b>Subject:</b> Independent Audit of Parts of Contractor's Certified Claim for Payment for Low Rate Initial Production Items for FYs 2006-2011	
<b>Prepared For:</b> U.S. Department of Justice	
<b>Report:</b> \$21.9 Million Questioned Costs	
The audit of parts of the certified claim resulted in \$21.9 million in questioned costs, including \$20.8 million for settlements with subcontractors, and \$1.1 million for inventory common to other work, differences between raw material standard cost and purchase order cost, and unallowable profit on settlement expenses. The \$20.8 million questioned subcontractor settlements included: \$10.6 million questioned based on more current available information (revision to the prime contractor's claim, updates to subcontractor claims, and negotiated settlement with a subcontractor); \$6.5 million questioned because the proposed settlement is not supported by accounting data and other information sufficient for adequate review by the Government; and \$3.7 million for items common to other work of the contractor or subcontractor.	

◆ Fulfills requirements of the National Defense Authorization Act for FY 2008 Section 845.

## RESULTS OF PEER REVIEWS

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### Peer Review of DCIS Operations by the U.S. Department of Health and Human Services Office of Inspector General

The U.S. Department of Health and Human Services (HHS) Office of Inspector General (OIG) conducted an external peer review of Defense Criminal Investigative Service's (DCIS's) system of internal safeguards and management procedures in effect through July 2011, and HHS OIG also conducted an evaluation to determine DCIS' compliance with applicable internal policies and procedures from April 2009 to July 2011. Since DCIS does not derive its statutory law enforcement authority from the Attorney General or the Inspector General Act, it is not subject to the Council of the Inspectors General on Integrity and Efficiency (CIGIE); thus, DCIS's participation in this peer review was voluntary. After completing its review of DCIS, the HHS OIG issued a final report dated August 19, 2011, and concluded that the system of internal safeguards and management procedures for DCIS was in full compliance with the quality standards established by CIGIE and the Attorney General guidelines. These safeguards and procedures provide reasonable assurance that DCIS is conforming to the professional standards for investigations established by CIGIE.

### Peer Review of Department of Defense IG by U.S. Department of Housing and Urban Development Office of the Inspector General

The Department of Housing and Urban Development Office of the Inspector General, conducted an external peer review of DoD IG Office of Audit and issued a final report November 13, 2012. DoD IG received a peer review rating of pass (with a scope limitation). There are no outstanding recommendations. A copy of the external quality control review report can be viewed at [www.dodig.mil/pubs/reviews.html](http://www.dodig.mil/pubs/reviews.html).

### Peer Review of Department of Transportation Office of Inspector General by U.S. Department of Defense OIG

DoD IG conducted an external quality control review of Department of Transportation Office of Inspector General (OIG), audit organization, and issued a final report August 8, 2013. Department of Transportation, OIG, received a peer review rating of pass. There are no outstanding recommendations. A copy of the external quality control review report can be viewed on the Department of Transportation OIG website at [www.oig.dot.gov/peer-review](http://www.oig.dot.gov/peer-review).

### DODIG-2013-065, Quality Control Review of the Defense Contract Management Agency Internal Review Audit Function

DoD IG reviewed the adequacy of the Defense Contract Management Agency Internal Review Team compliance with quality policies, procedures and standards. In performing the review, DoD IG considered the requirements of quality control standards contained in the July 2007 revision of generally accepted government auditing standards issued by the Comptroller General of the United States. DoD IG judgmentally selected two reports to review for compliance with Generally Accepted Government Auditing Standards in nine areas: quality control, independence, professional judgment, competence, audit planning, supervision, evidence, audit documentation and reporting. In addition, DoD IG selected one audit in which DCMA performed monitoring of an independent public accounting firm for compliance with the Council of the Inspectors General on Integrity and Efficiency Guide. DoD IG issued a pass opinion because DCMA's system of quality control for the DCMA IRT was adequately designed and functioning as prescribed. The findings DoD IG identified during its review of the selected audit reports were not cumulatively significant enough to rise to the level of a deficiency or significant deficiency, based on DoD IG's opinion and as defined by the CIGIE Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. DoD IG did identify five areas with findings relating to the quality control system, independence, planning, audit documentation and quality control of audits. In addition, DoD IG made recommendations in relation to the monitoring of independent public accountants. The review of the monitoring of the independent public accountants did not affect the opinion of the DCMA initial response team quality control review. Management agreed with all report recommendations.

- ◆ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a)(14),(15),(16) and Section 8(c)(10).

## ACRONYMS

ABCMR	Army Board for Corrections of Military Records
ACAT	Acquisition Category
ACC	Army Contracting Command
AER	Army Emergency Relief
AFAA	Air Force Audit Agency
AFB	Air Force Base
AFOSI	Air Force Office of Special Investigation
AGEAR	After Government Employees Advice Repository
ANC	Arlington National Cemetery
ANP	Afghan National Police
ANSF	Afghan National Security Forces
ARNG	Army National Guard
ASN (RD&A)	Assistant Secretary of the Navy (Research, Development, and Acquisition)
ATAAPS	Automated Time, Attendance, and Production System
BPA	Blanket Purchase Agreement
CAS	Cost Accounting Standards
CEO	Chief Executive Officer
CID	Criminal Investigation Division
CJTF-HOA	Combined Joint Task Force-Horn of Africa
CODIS	Combined DNA Index System
CONUS	continental United States
CSF2	Comprehensive Soldier and Family Fitness
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DCIS	Defense Criminal Investigative Service
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DNA	deoxyribonucleic acid
DoD	Department of Defense
DON	Department of the Navy
e-Profile	Electronic Profiling System
FBI	Federal Bureau of Investigation
FDA	Food and Drug Administration
FFRDC	federally funded research and development center
FOB	forward operating base
GAO	Government Accountability Office
GDMA	Glenn Defense Marine Asia, Ltd.
GPD	Groton Town Police Department (CT)
GSA	General Services Administration
HASC	House Armed Services Committee
HHS	Department of Health and Human Services
ICAC	Internet Crimes against Children
IG	inspector general
IO	instructor operator
ISO	Investigations of Senior Officials
MCIO	Military Criminal Investigative Office
MCLB	Marine Corps Logistics Base
MEDCOM	U.S. Army Medical Command
MILCON	military construction
MMAS	Material Management and Accounting System
MoD	Ministry of Defense
MRAP	Mine Resistant Ambush Protected
MSP	Maryland State Police
NAFI	Nonappropriated Funds Instrumentality
NATO	North Atlantic Treaty Organization
NAVAUDSVC	Naval Audit Service
NAVSEA	Naval Sea Systems Command
NCCS	U.S. Nuclear Command and Control System
NCIS	Naval Criminal Investigative Service
NCMEC	National Center for Missing and Exploited Children
NCO	noncommissioned officer
NSSA	Norfolk Ship Support Activity
OCCL	Office of Communications and Congressional Liaison
OEL	Other Accrued Environmental Liabilities
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPTEMPO	operating tempo
OWF	Operation Warfighter
PCO	procurement contracting officer
PEO	Program Executive Office
PM Demil	Product Manager Demilitarization
RPAT	Redistribution Property Assistance Team
RTF	response task force
SAHNC	Soldiers' and Airmen's Home National Cemetery
SBA	Small Business Administration
SBIR	Small Business Innovation Research
SES	senior executive service
SHARP	Sexual Harassment/Assault Response and Prevention
UAS	unmanned aircraft system
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USACIL	U.S. Army Criminal Investigation Laboratory
USAFRICOM	U.S. Africa Command
USCENTCOM	U.S. Central Command
USD (C)	Under Secretary of Defense (Comptroller)
USFOR-A	U.S. Forces-Afghanistan
USTRANSCOM	U.S. Transportation Command
WRI	Whistleblower Reprisal Investigations

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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