Inspector General

United States Department of Defense

Semiannual Report to the Congress

April 1, 2012 - September 30, 2012

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Principal Deputy Inspector General Lynne M. Halbrooks.

I am pleased to present the Department of Defense Inspector General Semiannual Report to Congress for the reporting period April 1 through September 30, 2012. We are dedicated to detecting and preventing fraud, waste, and abuse while improving the effectiveness of DoD programs and operations.

Our statutory authority places us in a unique position to directly impact DoD programs and operations to sustain mission-essential activities. To this end, we conduct oversight to help ensure that the warfighter and DoD personnel are best equipped to fullfil the critical mission of defending our country. This report highlights our work related to operations in Afghanistan and warrior care, along with some of our most significant audits, investigations, and inspections.

To accomplish our important mission, we work jointly with our counterpart agencies within the Defense oversight community, including the Army Audit Agency, Naval Audit Service, Air Force Audit Agency, Army Criminal Investigation Command, Naval Criminal Investigative Service, Air Force Office of Special Investigations, and the Defense Contract Audit Agency. We thank them for their contributions to this report.

We issued 79 reports that identified $2.8 billion in potential monetary benefits during this reporting period. The Defense Criminal Investigative Service, working closely with our counterpart law enforcement agencies, conducted investigations that resulted in 72 arrests, 167 criminal convictions, 37 suspensions, and 136 debarments, generating a return of $3.3 billion to the U.S. government. The Defense Hotline handled 12,201 contacts. Of special concern are some of the continuing challenges we have identified, including:

- Contract oversight and training and equipping the Afghan National Security Forces. The ANSF is a critical pillar for establishing security and stability in Afghanistan.
- The Military Health System, which provides services to approximately 9.5 million beneficiaries, including active duty personnel and their families. Medical care required by military personnel is expected to increase in the next several years, especially in the areas of rehabilitation and transition care.

I want to express my appreciation for the dedication and achievements of DoD IG employees. Additionally, I commend the military services, the Defense agencies, and members of the oversight community for their professionalism and devotion to the mission. We thank the soldiers, Marines, sailors, and airmen whose service and sacrifice inspire our goal to achieve excellence through unity.

In closing, we look forward to the continued support of Congress and the Department as we strive to use our extensive oversight functions to promote accountability, integrity, and efficiency; improve DoD programs and operations; and ensure the most efficient use of taxpayer dollars.

Lynne M. Halbrooks

Lynne M. Halbrooks
Principal Deputy

STATISTICAL HIGHLIGHTS

SUMMARY OF AUDIT ACTIVITIES

Reports Issued	59
Monetary Benefits	
Recommendations Made on Funds Put to Better Use	$2.8 billion
Achieved Monetary Benefits (Funds Put to Better Use)	$59.7 million

SUMMARY OF DEFENSE CRIMINAL INVESTIGATIVE SERVICE ACTIVITIES

Total Returned to the U.S. Government[1]	$3.3 billion
Recovered Government Property	$1.5 million
Civil Judgments/Settlements	$2 billion
Criminal Fines, Penalties, Restitution and Forfeitures	$1.3 billion
Administrative Recoveries[2]	$39.9 million
Investigative Cases	
Arrests	72
Charges	179
Convictions	167
Suspensions	37
Debarments	136

SUMMARY OF ADMINISTRATIVE INVESTIGATIONS

Complaints Received	1,173
Complaints Closed	551
Senior Official	323
Whistleblower Reprisal	228

SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES

Existing and Proposed Regulations Reviewed	165
Evaluation Reports Issued	4
Inspector General Subpoenas Issued	273
Contractor Disclosures Received	92

SUMMARY OF INTELLIGENCE ACTIVITIES

Intelligence and Special Program Assessment Reports Issued	9

SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES

Assessment Reports Issued	7

SUMMARY OF DEFENSE HOTLINE ACTIVITIES

Contacts	12,201
Cases Opened	1,930
Cases Closed	1,269

1 Includes investigations conducted jointly with other law enforcement organizations.

2 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..."	11-58
Section 5(a)(2)	"description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies..."	11-58
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."	11-58
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.	106-116
Section 5(a)(7)	"a summary of each particularly significant report..."	11-58
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..."	118
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..."	118
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..."	118
Section 5(a)(11)	"a description and explanation of the reasons for any significant revised management decision..."	N/A
Section 5(a)(12)	"information concerning any significant management decision with which the Inspector General is in disagreement..."	N/A
Section 5(a)(13)	"information described under Section 05(b) of the Federal Financial Management Improvement Act of 1996..." (instances and reasons when an agency has not met target dates established in a remediation plan)	N/A
Section 5(a)(14)	"An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period..."	133
Section 5(a)(15)	"A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete..."	N/A
Section 5(a)(16)	"Any peer reviews conducted by DoD IG of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review...that remain outstanding or have not been fully implemented..."	133
Section 5(b)(2)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of disallowed costs..."	119
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..."	119
Section 5(b)(4)	"a statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year..."	128-132
Section 8(f)(1)	"information concerning the number and types of contract audits..."	120
Section 5 note	"an annex on final completed contract audit reports...containing significant audit findings."	122-127

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Overview

Mission

Serving the Congress and the Department

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

Mission

Provide independent, relevant and timely oversight of the Department of Defense that:

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

Vision

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

Core Values

- Integrity
- Efficiency
- Accountability
- Excellence

Goal 1

Promote economy, efficiency and effectiveness.

Goal 2

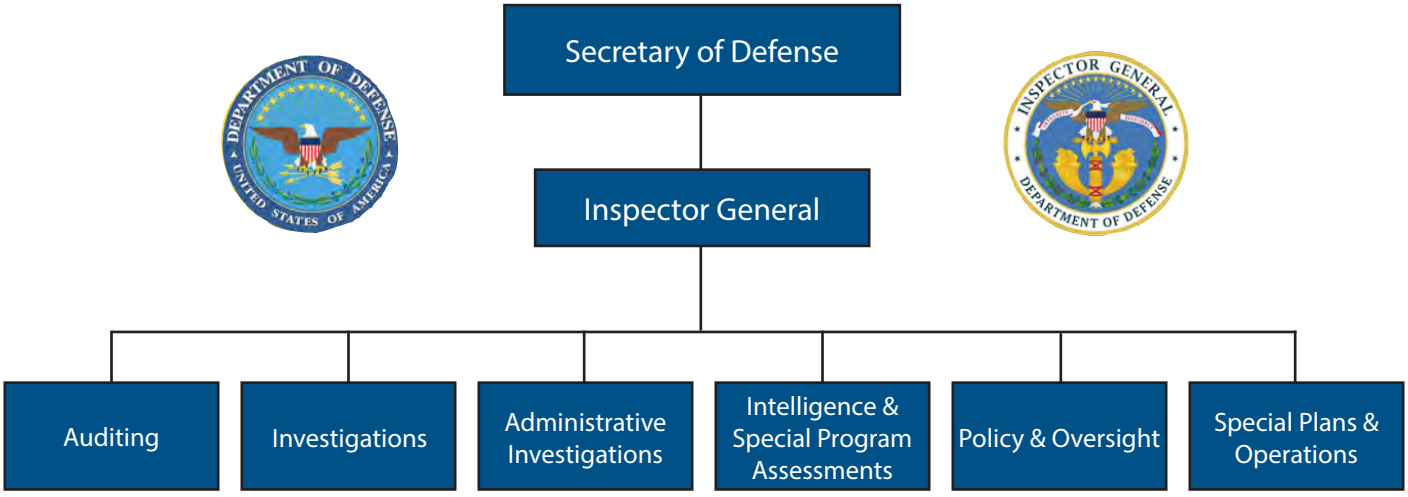
Identify, deter and investigate fraud, waste and abuse.

Goal 3

Engage, enable and empower our people.

Goal 4

Achieve excellence through unity.



Auditing

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

Investigations

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

Administrative Investigations

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

Intelligence and Special Program Assessments

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

Policy and Oversight

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

Special Plans and Operations

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

Executive Summary

Overview

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

"DCIS opened 271 cases, closed 274 cases and has 1,779 ongoing investigations."

During this reporting period, DoD IG continued directing its resources toward those areas of greatest risk to the Department of Defense. DoD IG is dedicated to serving the warfighter and the taxpayer by conducting audits, investigations and inspections that result in improvements to the Department. DoD IG provides guidance and recommendations to the Department and Congress. The work of each component as of Sept. 30, 2012, is summarized below.

Auditing issued 59 reports with 386 recommendations identifying potential cost savings and funds that could be put to better use; ensuring the safety of service members; addressing improvements in DoD operations, financial reporting and accountability; ensuring the Department complied with statutory mandates; and identifying new efficiencies. Of those reports, 37 percent addressed acquisition processes and contracting issues; 24 percent addressed financial management issues; 12 percent addressed joint warfighting and readiness issues; 7 percent addressed information assurance, security and privacy issues; 5 percent addressed health and safety issues; and 15 percent addressed equipping and training Iraq and Afghan National Security Forces.

INV-Defense Criminal Investigative Service opened 271 cases, closed 274 cases and has 1,779 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 in fiscal year 2012, closed a total of 80 investigations and conducted oversight reviews of 411 investigations conducted by ther service and defense agency IGs involving whistleblower reprisal, restriction of service members from contacting an IG or member of Congress, procedurally improper mental health referrals and senior official misconduct.

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

Policy and Oversight issued four evaluation reports primarily addressing its oversight of audit quality control programs in DoD agencies and the military departments. Policy and Oversight also issued three Department-wide policies, reviewed 165 existing and proposed directives and instructions, issued 273 IG subpoenas and processed 92 contractor disclosures.

Special Plans and Operations issued seven assessment reports with 91 recommendations that addressed a wide range of issues, including U.S. and coalition efforts to develop the Afghan local police and the Afghan Air Force, the DoD Combating Trafficking in Persons program in Afghanistan and the Wounded Warrior Battalion at Camp Pendleton, Calif.

As of Sept. 30, 2012, the DoD IG workforce totaled 1,571 employees, not including military personnel and contractors.

Priorities

As a Department-wide priority, the secretary of defense identified the need to improve effectiveness and efficiencies in business operations to sustain mission-essential activities.

In support of this focus, DoD IG uses its extensive oversight capabilities to promote economy, efficiency and effectiveness throughout the Department. DoD IG performs audits, investigations and inspections to support the Department's goals to:

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

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

- Acquisition processes and contract management.
- Financial management.
- Joint warfighting and readiness.
- Information assurance, security and privacy.
- Health care.
- Equipping and training Iraqi and Afghan Security Forces.
- 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.
- Technology protection.

Core Mission Areas

We issued 79 reports identifying $2.8 billion in potential monetary benefits. We achieved $59.7 million in financial savings based on management completed corrective actions to reports issued this year and in previous reporting periods.

In addition, DCIS investigations were the basis for 72 arrests, 179 criminal charges, 167 criminal convictions, 37 suspensions and 136 debarments, as well as $3.3 billion returned to the government.

Audits

- We identified that DoD plans to spend more than $15 billion to develop and implement Enterprise Resource Planning systems. Schedule delays and cost increases for the systems resulted in DoD continuing to use outdated legacy systems and diminishing the estimated savings associated with transforming business operation through business system modernization efforts. In addition, the impact of schedule delays increases the risk that DoD will not achieve an auditable Statement of Budgetary Resources by FY 2014 or accomplish its goal of full financial statement audit readiness by FY 2017. ***Report No. DODIG-2012-111***
- We identified that the Army's cost-reimbursable services contract for logistics support of Stryker vehicles lacked adequate cost-control metrics and a tangible deliverable. The contractor was authorized to spend about $1.4 billion, but DoD IG calculated the operational support costs for Stryker vehicles at about $1.1 billion for five years, resulting in about $335.9 million that the contractor used to accumulate inventory that could have been put to better use. As a result of the audit, the project manager for Stryker Brigade Combat Team identified $152.4 million in excess inventory that will be used to reduce program year 2011 and 2012 contract requirements. ***Report No. DODIG-2012-102***
- We identified improvements in the pharmaceutical distribution process for procurement, delivery and inventory control for pharmaceuticals at Afghan National Army medical facilities and depots; however, additional improvements were needed. We noted that not all facilities reviewed maintain pharmaceutical accountability controls and did not properly use or complete all required forms. We determined that ANA officials in coordination with Combined Security Transition Command-Afghanistan did not effectively communicate or train all ANA personnel, nor develop procedures instructing personnel how to implement logistics guidance and how to collect and accurately report on pharmaceutical us-

"We identified that the Army's cost-reimbursable services contract for logistics support of Stryker vehicles lacked adequate cost-control metrics and a tangible deliverable."

DoD IG reviewed the Army's contract for logistics support of Stryker vehicles.

age data. Additionally, contractors were not delivering all of the pharmaceuticals in accordance with contract requirements. ANA was at an increased risk because usage data cannot be relied upon to develop requirements and mismanagement, theft and waste of U.S. funded pharmaceuticals. ***Report No. DODIG-2012-083***

Investigations

- We investigated allegations that computer consulting firm Accenture LLP accepted improper payments amounting to kickbacks from hardware and software vendors and other alliance partners in exchange for Accenture's recommendation of these vendors' products to government end users. Five other computer-consulting firms previously settled similar allegations with the government and on June 12, 2012, Accenture was ordered to pay the two relators $14 million of the total $63 million Accenture payment to settle the fraud allegations.
- We investigated GlaxoSmithKline, Inc. and determined that the pharmaceutical company unlawfully promoted certain prescription drugs, failed to report certain safety data and reported false prices. GSK illegally sold pharmaceuticals for the treatment of diseases and ailments not indicated or approved by the Food and Drug Administration. In addition, GSK employees persuaded certain physicians, by payments and/or gifts, to encourage other physicians to prescribe the GSK pharmaceuticals for both on-label and off-label use. On July 2, 2012, the Department of Justice entered into a civil settlement with GSK for approximately $2 billion. On July 5, 2012, GSK pleaded guilty to two counts of introducing a misbranded drug into interstate commerce and one count of failure to report safety data. The resulting criminal plea agreement totaled an additional $1 billion.
- We investigated Academi, LLC, formerly known as Blackwater Worldwide, for allegations of violating export laws and the International Emergency Economic Powers Act. The alleged violations were of requirements involving the manufacture and shipment of short-barreled rifles, fully automatic weapons, armored helicopters and armored personnel carriers. Academi also faced allegations of violations of the Foreign Corrupt Practices Act for activity in both Iraq and Sudan, to include unlicensed training of foreign nationals and firearms violations. Seventeen criminal charges were brought against the company. On Aug. 7, 2012, a bill of information and a deferred prosecution agreement were unsealed. In the DPA, the company admitted to certain facts set forth in the bill of information and agreed to a $7.5 million fine. The agreement also acknowledged and referenced a $42 million settlement between the company and the Department of State to settle allegations of violations of the Arms Export Control Act and the International Trafficking in Arms Regulations.

"...pharmaceutical company unlawfully promoted certain prescription drugs, failed to report certain safety data and reported false prices."

Inspections

- We inspected U.S.-controlled and occupied facilities in Afghanistan for compliance with electrical and fire protection standards. To date, more than 1,000 findings concerning electrical and fire protection issues have been identified; those posing significant or life threatening issues have been designated for immediate corrective action.
- We assessed U.S. and coalition efforts to train, equip and field the Afghan Air Force. In 2005, U.S. and coalition forces began fielding air advisors and rebuilding the AAF, which was virtually destroyed by the end of the Soviet and civil wars. As of February 2012, the AAF was comprised of more than 5,300 personnel and 88 aircraft, including the G-222 fixed-wing aircraft and the Mi-17 helicopter. By 2016, the AAF is expected to grow to more than 8,000 personnel and 145 aircraft. Currently, coalition military personnel, predominantly from the Air Force, but also including air advisors from 16 partner nations, are training and mentoring the AAF.
- In February 2012, DoD IG initiated the F-35 AS9100 Quality Management System assessment to review conformity to specified quality management system(s), con-

tractual quality clauses, and internal quality processes and procedures for the F-35 Joint Strike Fighter. As of September 2012, more than 190 findings were identified and four notices of concern sent to the F-35 Program Office. All findings were accepted and will be addressed and implemented to the maximum practicable extent.

Administrative Investigations

- In FY 2012, DoD IG focused on transforming itself into a model administrative investigative agency by expeditiously responding to the Government Accountability Office recommendations made in February 2012 regarding the Whistleblower Protection Program and the conduct of reprisal investigations; implementing initiatives to reduce investigative cycle time; and incorporating performance metrics into a new, state-of-the-art complaint database management system.
- The Department substantiated 22 of 137 (16 percent) investigations of whistleblower reprisal; and 20 of 33 (61 percent) investigations of improper mental health referrals/restriction. There was one investigation involving improper restriction from contacting an IG or member of Congress, and it was not substantiated.
- The Department substantiated 83 of 321 (26 percent) investigations of senior official misconduct.

Enabling Mission Areas

DoD Hotline

The DoD Hotline received 12,201 contacts from the public and members of the DoD community: 7 percent by mail, 12 percent from the Internet, 29 percent by email and 52 percent by telephone. Based on these contacts, the hotline opened 1,930 cases. The hotline also closed 1,169 cases this reporting period.

Congressional Testimony & Briefings

During the reporting period, DoD IG leaders testified seven times before Congress on subjects including comprehensive contingency contracting; oversight of the transition from a military-led to a civilian-led mission in Iraq; and oversight regarding the Federal Voting Assistance Program. DoD IG received 150 new congressional inquiries and closed 140 cases. New inquiries involved requests related to reprisal investigations; concerns with testing standards for Army combat helmets; and concerns with the TRICARE mail order pharmacy program.

DoD IG reviewed the F-35 quality management system.

IG Highlights

IG Highlights

Afghanistan

Background

DoD continues to face many challenges in executing its overseas contingency operations. DoD IG provides effective oversight based on those challenges and high-risks. Operations in Afghanistan are the primary emphasis area and accordingly, the majority of DoD IG focus in Southwest Asia supports operations in Afghanistan.

The Afghan National Security Forces are a critical pillar for establishing security and stability in Afghanistan. Following the removal of the Taliban from power in 2002, DoD and coalition members have focused on establishing an effective and capable ANSF. The long-term goal was to build and develop ANSF that were nationally respected; professional; ethnically balanced; democratically accountable; organized, trained and equipped to meet the security needs of the country; and increasingly funded from government of Afghanistan revenue.

In 2003, DoD IG commenced oversight of Afghanistan related efforts starting with coalition support funds. Since 2005, DoD IG continuously emphasized effective oversight on equipping and training the Afghan National Security Forces; first focusing on tools to conduct periodic as-

DoD IG found cost overruns and schedule delays for ANSF Mi-17s.

sessments of the capability and readiness of the Afghanistan Ministry of Defense and the Afghan National Army. In 2006 and subsequent years, DoD IG issued several joint reports on training and equipping the Afghanistan National Police and deployed investigators on a rotational basis to Afghanistan focusing on procurement fraud and cases of corruption of U.S. and Afghan contractors, service members and other public officials. DoD IG also reviewed efforts to build the ANSF logistics and medical capabilities; medical care provided at Afghan hospitals; contracting processes; developing equipment requirements; management of the goods and materiel; as well as the use of funds designated to support training and equipping the ANSF. Oversight on materiel designated for the ANSF have included the administration and oversight of contracts for items such as rotary wing aircraft, airplanes, ammunition, radios and night vision devices.

Other DoD IG oversight related to Afghanistan includes quality and safety of military construction projects; accountability of property, such as contractor managed government owned property and Army high demand items; care transition process of service members wounded in Afghanistan; and safety equipment for military members and personnel including body armor and armored vehicles. In addition, Afghanistan related oversight also included controls over cash; controls and accountability for arms, ammunition and explosives; controls over use of obligation and disbursement of Afghanistan Security Forces Funds; accounting for real property; Logistics Civil Augmentation Program transition; medical billings for contractors; depot and spare parts supporting operations. Among the areas of the investigative emphasis, DCIS primarily focuses on bribery, procurement fraud, bid rigging and theft of resources.

Recent Activities

During this period, Afghanistan related oversight remains focused on ANSF matters as well as investigating alleged fraud and corruption. ANSF related reports issued this period address the following challenges:

- Significant cost overruns and schedule delays for Mi-17.
- Need for improved cost accounting for fees and surcharges assessed on ASF fund orders.
- Need for improved vocational training efforts to develop maintenance capabilities.
- Need for better accountability for night vision devices.
- Lack of clearly defined police training contract requirements not clearly defined.
- Electrical and fire protection standards in U.S.-occupied facilities.
- Lack of DoD Combating Trafficking in Persons program.
- Development of the Afghan Air Force.
- Development of the Afghan local police.
- Need for improved contract administration of small arms procured.
- Need for improved development of individual equipment requirements.
- Contract oversight that could have prevented deficiencies in critical construction project.
- Need for improved training and guidance for pharmaceutical distribution.
- Planning and execution challenges in developing and training afghan local police.

Additional Afghanistan-related reports issued this period addressed needs to improve controls of Commander's Emergency Response Program funds provided to U.S. Agency for International Development and deficiencies in contract oversight for a construction project.

DCIS continues its predominantly procurement fraud and corruption related investigative efforts in support of operations in Southwest Asia and Afghanistan. DCIS work has resulted in incarceration and fines, forfeitures and restitution, as well as suspensions and debarments from doing business with the U.S. government. As of Sept. 30, 2012, DCIS had 121 open investigations related to operations in Afghanistan and had 134 closed investigations. One recent case, run jointly with the Army Criminal Investigation Command, Air Force Office of Special Investigations and the Special Inspector General for Afghanistan Reconstruction addressed military personnel receiving bribes from DoD contractors in exchange for fraudulently verifying the receipt of concrete bunkers and barriers. This case has resulted in nine of 18 defendants being

sentenced so far, with total time of incarceration of 155 months and more than $1.5 million in fines, forfeitures and restitution.

Other notable Afghanistan related activities during this reporting period include the issuance of the FY 2013 Comprehensive Oversight Plan for Southwest Asia DoD IG and the Joint Strategic Oversight Plan for Afghanistan Reconstruction.

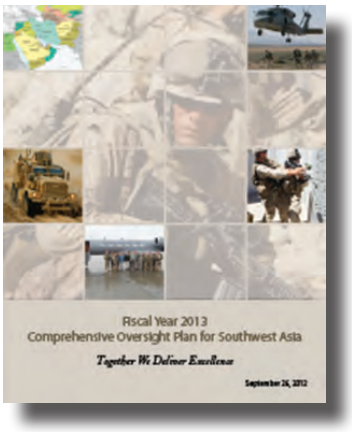
In September 2012, the Southwest Asia Joint Planning Group, led by DoD IG, issued the FY 2013 Comprehensive Oversight Plan for Southwest Asia. The FY 2013 COPSWA incorporates the planned and ongoing oversight by the inspectors general of DoD, Department of State and USAID; the Special Inspectors General for Iraq and Afghanistan Reconstruction; the Army Audit Agency; Navy Audit Service; and Air Force Audit Agency. Additionally, the FY 2013 update describes GAO's ongoing oversight efforts related to Southwest Asia.

With Afghanistan as the primary area of emphasis, the FY 2013 COPSWA is divided into two sections. The first section pertains to oversight projects that focus on operations in Afghanistan. The second section of the COPSWA pertains to oversight projects that focus on operations in other areas of Southwest Asia. To better show the strategic areas of concentration by the collective oversight agencies, DoD IG categorized the ongoing and planned projects in the COPSWA by the identified strategic issues listed in the Joint Strategic Oversight Plan for Afghanistan Reconstruction.

In July 2012, the Joint Strategic Planning Subgroup for Oversight of Afghanistan Reconstruction, a subgroup of the Southwest Asia Joint Planning Group, issued the Joint Strategic Oversight Plan for Afghanistan Reconstruction, the first comprehensive Afghanistan-related oversight plan issued. Overall, the Joint Strategic Oversight Plan for Afghanistan identifies 22 strategic issues, of which 13 address reconstruction issues. Since 2002, Offices of Inspectors General, GAO and DoD service audit agencies have issued 202 reports on audits, inspections and evaluations of Afghanistan reconstruction efforts. This oversight plan builds on these past efforts and takes into consideration:

- U.S. and Afghan government's strategic goals, objectives, initiatives and priorities related to reconstruction.
- The amount of funding requested, appropriated, obligated, and spent in various reconstruction sectors and programs.
- Congressional and other stakeholder concerns about reconstruction efforts.
- The risks DoD IG foresees in the next FY related to Afghanistan's reconstruction.

The plan identifies 13 strategic issues and describes focus areas within each of these issues to guide the development of audits, inspections, and evaluations that will provide oversight for the major reconstruction programs in the coming fiscal year.



Through this plan, the oversight community will be able to conduct comprehensive oversight of the reconstruction effort. This plan enables the oversight community to better leverage its collective resources and capabilities to cover issues most critical to Afghanistan reconstruction and to provide Congress, U.S. implementing agencies and the American people with more focused assessments to improve the efficiency and effectiveness of critical reconstruction programs and to mitigate fraud, waste and abuse.

Way Forward

In FY 2013, DoD IG focus in Afghanistan will continue to be the management and execution of safety of personnel, the Afghanistan Security Forces Fund, military construction and the administration and oversight of contracts supporting coalition forces. In addition, DoD IG oversight in Afghanistan will also address matters pertaining to the drawdown of forces in Afghanistan and shifting of operations. The eventual drawdown of forces in Afghanistan will present unique challenges for conducting effective investigations into fraud and theft. To address those challenges, in the coming months, DoD IG is meeting with military officials in Afghanistan, Kuwait and Qatar to discuss the military's exit strategy and remaining footprint in theater to ensure that effective critical oversight remains in place as the mission evolves.

DoD IG is focused on oversight in Afghanistan.

DoD IG assessed medical care for wounded warriors.

Warrior Care

Background

Taking care of military personnel is a priority of the 2010 Quadrennial Defense Review and is a priority for DoD IG. Of special concern is the proper care and support to the tens of thousands of soldiers, sailors, airmen and Marines, wounded during combat actions in Operations Iraqi and Enduring Freedom. In addition to providing health care for active duty personnel, managing the overall health of 9.7 million eligible beneficiaries is a continuing challenge for the Military Health System. The DoD budget for health care costs in FY 2012 was approximately $53 billion, an increase of about 74 percent from FY 2005, and up from $19 billion in FY 2001. Accomplishing this health care priority during a time of contingency operations and looming fiscal austerity will be a challenge. In this environment, it is critical for DoD IG to maintain vigorous oversight of the health care challenges facing the Department by focusing on fraud, waste and abuse; containing costs; and improving programs affecting the health and safety of service members and employees.

Recent Activities

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 oversight to ensure that wounded warriors receive the high-quality health care they deserve. To this end, DoD IG conducted an assessment at the Wounded Warrior Marine Battalions at Camp Pendleton, Calif. The report highlighted a number of significant challenges, including lengthy transition times (average: 24 months); lack of dedicated primary medical care management for warriors; lack of sufficient support for warriors, family members and support persons; lack of adequate computer system interfaces used to track warrior recovery and transition progress; travel challenges for warriors at Twentynine Palms; and ineligibility to transfer unused post 9/11 G.I. Bill benefits. In the second of a series of reports relating to the realignment of service members and their families to Guam, DoD IG audited the methodology and plan used to determine the number and type of medical staff needed in Guam to ensure that the increased number of beneficiaries have adequate access to health care. The audit revealed that Navy Medicine West did not adequately identify and assess the risks associated with not expanding specialty care in Guam, for example neurology, neonatal intensive care unit and gastroenterology, although the beneficiary population was projected to increase from 14,195 in FY 2005 to 37,467 by FY 2020. Further, Navy Medicine West assumed the aeromedical evacuation system that moved 374 patients out of Guam in FY 2010 could handle the increased requirements resulting from the Guam realignment without coordinating with the Air Force. DCIS investigations have resulted in jail time for health care providers who do not provide adequate care, and in one case, diverted funds designated for programs related to wounded warrior care. In 2012, Abigail John plead guilty to federal program fraud and embezzlement. John was a bookkeeper for the Louisiana Veterans Research and Education Corporation, a non-profit corporation operating in New Orleans, which had a contract with the Army to study the neuropsychological effects of military deployment in military troops. Louisiana Veterans Research and Education Corporation received more than $2 million from the Army for research. John admitted that, in a four year period, she stole more than $1 million of federal funds programmed for long term psychological studies of deployed veterans.

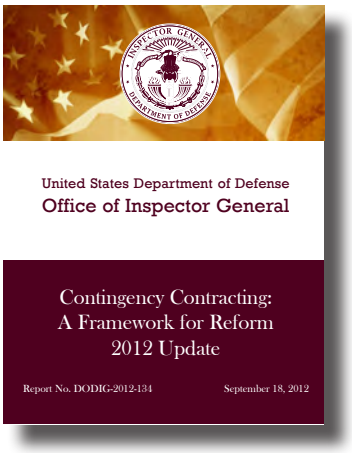
Way Forward

DoD IG will continue to focus oversight and investigative resources on the critical area of providing health care for service members and their families. The challenge will remain significant for service members return from deployments with physical and psychological health issues, to include traumatic brain injuries. The Department will also continue to address the psychological effects of deployment on family. Another DoD IG concern is contractor medical personnel being properly licensed and credentialed as it is the key to ensuring appropriate care for wounded warriors. This includes contracts for the actual care of military personnel, as well as contracts for research in the general field of military medicine.

2

Core Mission Areas

Audits



"The Department has emphasized its commitment to improving efficiency through the Better Buying Power initiative ..."

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

- Acquisition processes and contract management.
- Financial management.
- Joint warfighting and readiness.
- Information assurance, security and privacy.
- Health care.
- Equipping and training Iraqi and Afghan security forces.
- Nuclear enterprise.

Acquisition Processes & Contract Management

The Department continues its reform agenda with more emphasis being placed on enhancing how DoD does business, reducing the "cost of doing business" and implementing changes in practices that result in improved business practices. The Department is alert to these efficiencies at a time of greater fiscal uncertainty while striving to preserve the force structure and meet modernization needs. The Department has emphasized its commitment to improving efficiency through the Better Buying Power initiative, which it continues to refine and build upon to reduce costs and provide the highest possible value to the warfighter and the taxpayer.

The Department continues to experience inefficiencies and wasteful use of funds in its acquisition and contracting efforts. The continuing contracting challenges for the Department include obtaining adequate competition in contracting, defining contract requirements, overseeing contract performance, obtaining fair and reasonable prices and maintaining contract documentation for contract payments.

The Department faces several challenges when it comes to contract oversight and administration. DoD IG audits continue to identify that without proper oversight, the Department cannot be certain that contractors are performing in accordance with contract requirements, cannot support payments of award or incentive fees, cannot support the certification of invoices for services performed and cannot ensure that services are performed, thus leaving the Department vulnerable to increased fraud, waste, abuse and misuse of taxpayer monies. During this reporting period, DoD IG issued reports addressing contracting weaknesses, to include:

- Contingency contracting.
- Inadequate review of contractor invoices for accuracy and appropriateness.
- Inappropriate use of funds on contracts.
- Insufficient oversight of contractor performance to ensure contractors met contract requirements.
- Inadequate requirements definition development jeopardizing whether the end product would meet user needs.

DoD IG oversight of DoD performance-based logistics contracting efforts continued to identify issues concerning the reasonableness of spare parts pricing and management of inventory.

Contingency Contracting: A Framework for Reform – 2012 Update

Overview: DoD IG issued an update to DODIG Report No. D-2010-059, "Contingency Contracting: A Framework for Reform," May 14, 2010. The 2012 update provided DoD field commanders and contract managers with information on contracting problems related to contingency operations that DoD IG identified and reported from April 2, 2010, through March 31, 2012. In this report, DoD IG discussed current contingency contracting problems and re-emphasized the ongoing problems identified in the 2010 contingency contracting report. Since issuing that report, DoD IG personnel issued 38 reports and were involved with 20 fraud investigations pertaining to overseas contingency operations. These reports and investigations identified a variety of problems relating to DoD officials not properly awarding, administering or managing contingency contracts in accordance with federal and DoD policies.

Findings: DoD IG identified nine systemic contracting problem areas relating to contingency operations. The five most prevalent problem areas reported were:

- Oversight and surveillance.
- Financial management.
- Contract pricing.
- Requirements.

- Property accountability.

Additionally, the 20 fraud investigations focused on three contracting areas: source selection, oversight and surveillance, and financial management.

Result: The DoD IG reports contained 311 recommendations addressing nine systemic contracting problem areas. As of Aug. 21, 2012, 263 audit report recommendations were closed while the remaining 48 recommendations are still open. For the five most prevalent problem areas, DoD IG personnel recommended DoD:

- Develop quality assurance surveillance plans and properly designate contracting officer's representatives.
- Review all invoices and reconcile the services and products received.
- Properly determine fair and reasonable prices.
- Properly define and compete all requirements.
- Establish records and maintain accountability for government property.

Report No. DODIG-2012-134

DoD Education Activity Needed Better Planning for Military Construction Projects

Overview: In FY 2010, DoD Education Activity began a major facilities renovation and construction initiative, valued at $3.7 billion. DoD IG reviewed the DoDEA requirements process for military construction projects in Europe, specifically whether military construction requirements for DoD Dependents' Schools-Europe projects were accurate and reliable, and whether they met DoDEA standards. The DoD IG review included the FY 2012 planned projects in Europe, which included six schools and a programmed budget of $248.5 million.

Findings: DoDEA officials could not support the accuracy and reliability of the costs of the requirements for the six FY 2012 projects in Europe. Specifically, DoDEA officials did not consistently use the costs provided by the U.S. Army Corps of Engineers, as required by DoD guidance. This occurred because DoDEA officials disagreed with the methodology USACE used to develop the unit costs. However, the methodology DoDEA used did not result in the unit costs submitted to Congress. Additionally, they altered USACE supporting facilities' costs due to changes in initial assumptions and failed to use the USACE costs when DoDEA officials received the costs after the DoDEA deadline. As a result, DoDEA officials reduced the USACE project costs on the DoD form 1391 for the FY 2012 military construction projects in Europe by $15.3 million. DoDEA was at risk for not having enough funding to complete the projects to DoDEA facility standards. Further, the director, DoDEA, changed school requirements but did not complete a business case analysis or prepare a cost estimate as required for new initiatives by secretary of defense guidance. This occurred because the director, DoDEA, incorrectly determined that the process to develop the 21st century specifications was sufficient to fulfill the business case analysis requirement and incorrectly decided that cost estimates prepared for individual military construction projects met the secretary of defense guidance. As a result, DoDEA officials did not know the full impact on a school building's size or cost for incorporating 21st century education facilities into the FY 2012 military construction projects.

Result: Among other recommendations, DoD IG recommended:

- The principal deputy undersecretary of defense for personnel and readiness require responsible DoDEA officials to use the construction agents' costs for developing construction requirements or provide documented and approved rationales and methodologies for deviating from policy.
- The director, DoDEA, complete a business case analysis, to include developing cost estimates to build a 21st Century Education Facility Specifications school.

Report No. DODIG-2012-136

DoD IG reviewed DoDEA military construction requirements in Europe.

Improved Oversight, Lack of Invoice Reviews and Potential Antideficiency Act Violation May Have Occurred on the Kuwait Observer Controller Team Task Orders

Overview: This is the third in a series of audits on the Warfighter Field Operations and Customer Support contract. DoD IG determined whether the Army Program Executive Office for Simulation, Training and Instrumentation obtained fair and reasonable prices and appropriately developed surveillance and oversight processes and procedures for the Kuwait Observer Controller

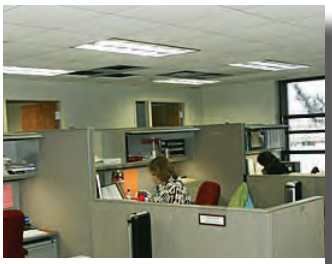
"...personnel circumvented congressional and DoD oversight processes for leased office space, resulting in the authorization of $23.6 million in improper payments."

Team task orders, valued at $195.2 million.

Findings: Army PEO for Simulation, Training and Instrumentation officials did not review contractor interim invoices, totaling $192.7 million, for the task orders, because the contracting officer used a quality assurance surveillance plan that did not include procedures for reviewing contractor invoices. Additionally, Defense Contract Audit Agency auditors did not audit the costs claimed on the invoices as DCAA had not audited the contractor since 2005. Army PEO for Simulation, Training and Instrumentation personnel reimbursed the contractor for approximately $70,000 in questioned direct travel costs. Additionally, the contracting officer potentially violated the Antideficiency Act by obligating Iraq Security Forces funds on the Kuwait Observer Controller Team task order because the contracting officer did not verify the purpose of the funding before obligating those funds to the task order.

Result: DoD IG recommended the principal assistant responsible for contracting, Army PEO for Simulation, Training and Instrumentation, have the contracting officer review claimed airfare costs to determine whether the costs are allowable and update the Kuwait Observer Controller Team quality assurance surveillance plan to require program and in-country oversight personnel to review prime and subcontractor interim invoices to verify that costs claimed are necessary and reasonable. Additionally, the resident auditor, Raytheon Network Centric System Resident Office, DCAA, should develop and implement procedures to verify that the Army does not reimburse the contractor for potentially unallowable costs.

Report No. DODIG-2012-115



DoD IG reviewed the GFEBS contract to include funding for leased office space.

Inappropriate Leasing for the General Fund Enterprise Business System Office Space

Overview: DoD IG performed this audit to determine whether the Army properly modified the General Fund Enterprise Business System contract to include funding for leased space for the GFEBS project office and appropriately funded the modifications.

Finding: The Army inappropriately modified the GFEBS contract to obtain and modify leased space for an office. Specifically, the GFEBS contracting officer improperly entered into an agreement with the contractor to lease office space for GFEBS program personnel. The GFEBS contracting officer approved the addition of the leased space to the GFEBS contract without first making sure that PEO Enterprise Information Systems personnel met all legal requirements. As a result, PEO Enterprise Information Systems personnel circumvented congressional and DoD oversight processes for leased office space, resulting in $23.6 million in improper payments. In addition, the government potentially lost approximately $0.5 million in interest when the GFEBS contracting officer's representative authorized payments of the lease in advance. In addition, GFEBS personnel inappropriately authorized $5.5 million in annual operation and maintenance funds for lease payments for the office. Further, PEO Enterprise Information Systems personnel violated Section 2353 "Contracts: Acquisition, Construction, or Furnishing of Test Facilities and Equipment," Title 10, United States Code, when they used at least $4.7 million in research, development, test and evaluation funds for building modifications to the office space. As a result of inappropriately authorizing operation and maintenance funds and using funding for purposes other than those authorized, GFEBS and PEO Enterprise Information Systems personnel may have violated the Antideficiency Act.

Result: DoD IG recommended the Army Acquisition and Logistics officials coordinate with their general counsel and DoD general counsel to determine the legal effects of the inappropriate lease and whether any additional potential ADA violations have occurred. PEO Enterprise Information Systems officials should obtain ratification of the contract by the General Services Administration. If not ratified, the secretary of the Army should take appropriate action to resolve the improper payments. Army contracting executives should require that contracting officers maintain documentation authorizing the lease before awarding DoD contracts for the leasing of office space. Army comptroller officials should report and initiate a review of the potential ADA violations. Army management agreed with the recommendations.

Report No. DODIG-2012-125

Project Planning Resulted in Outstanding Building Deficiencies and Decreased Functionality of the Main Fire Station at Naval Station Great Lakes

Overview: DoD IG initiated this audit in response to allegations to the DoD Hotline and determined whether Project RM-005-07, "Repair Fire Station Building 106," at Naval Station Great Lakes was adequately justified and properly planned. DoD IG also examined whether the fire station renovation design incorporated the appropriate criteria; whether replacing the fire station would have been more economical than the renovation project; and whether the Navy would incur additional costs for basic items not included in the renovation.

Findings: Facility improvements to the main fire station at Naval Station Great Lakes were justified; however, after the renovation, fire station personnel were still subject to potential health and safety risks, and emergency response times were worse because of the reduced functionality of the fire station. The Navy incorrectly estimated that a renovation project was the most economical method to address building deficiencies. Personnel from the Navy Facilities Engineering Command Midwest and Public Works Department, Naval Station Great Lakes, did not properly plan efforts to rebuild or renovate the fire station. Officials included inaccurate information to justify the renovation project, excluded several design requirements for fire stations and performed ineffective reviews of planning documentation. Additionally, Great Lakes Public Works Department officials overstated the costs for building a new fire station, while DoD IG analysis showed that building a new fire station would have saved approximately $6.2 million over the life of the project. In addition, the renovation resulted in changes to the fire station layout, which caused firefighters' average emergency response time to increase by approximately 17 to 18 percent.

Result: Naval Facilities Engineering Command Midwest officials initiated action to address deficiencies covered under the contractor's warranty for the repair project; however, building deficiencies remain. DoD IG recommended that the regional fire chief, Navy Region Midwest, and the Public Works Officer, Public Works Department Great Lakes, identify existing building deficiencies and initiate appropriate actions to correct the deficiencies. Additionally, DoD IG recommended that the commander, Navy Region Midwest, and commanding officer, Naval Facilities Engineering Command Midwest, review the actions of personnel involved in preparing and reviewing project documentation, determine who did not exercise due diligence in planning a project to correct existing fire station problems and take appropriate administrative actions. Management was responsive to DoD IG-recommended corrective actions.

Report No. DODIG-2012-132

DoD IG reviewed the fire station at Naval Station Great Lakes.

Better Cost-Control Measures Needed on the Army's Cost-Reimbursable Services Contract for Logistics Support of Stryker Vehicles

Overview: DoD IG evaluated the effectiveness of the contractor logistics support strategy for the Stryker family of vehicles. The Project Management Office for Stryker Brigade Combat Team entered into the contract with a singular focus to achieve an operational readiness rate goal of 90 percent and actually achieved an operational readiness rate in excess of 96 percent.

Findings: PMO Stryker and the Army Contracting Command-Warren contracting officer did not implement adequate cost-control procedures on the cost-reimbursable services contract valued at about $1.5 billion from March 2007 to February 2012 because they did not:

- Adequately define performance-based contract requirements in clear, specific and objective terms with measurable outcomes. The contract included a metric for availability (90 percent operational readiness rate), but did not include essential metrics relating to cost-per-unit usage (for example, miles driven) and logistics footprint (that is, dollars in inventory).
- Establish the cost-reimbursable contract as one of the basic contract forms: either the completion-form contract in which the contractor is required to deliver a specified, definitive end product or the term-form contract in which the contractor is required to provide a specified level of effort for a stated period of time.
- Establish an effective means to measure operational costs and ensure that the level of operational funding was tied to the actual

DoD IG evaluated the contract for logistics support of Stryker vehicles.

workload required to sustain the Stryker vehicle, but instead, used estimates made years earlier.

Consequently, the Stryker contractor logistics support contract had no tangible deliverable; neither complied with nor met the intent of DoD performance-based logistics guidance; and did not meet Federal Acquisition Regulation requirements for a cost-reimbursable contract. In addition, the Army had no means to measure the efficiency of the contractor's cost performance or actual cost overruns or underruns in relation to the fixed fee. Also, the sole focus on operational readiness created an incentive for the contractor to spend all available funds on Army inventory, valued by the contractor at about $676.2 million, resulting in little if any, cost risk for the contractor or incentive to control cost. The contractor was authorized to spend about $1.4 billion on the contract, but DoD IG calculated the operational support costs for Stryker vehicles at about $1.1 billion for the first five years, resulting in about $335.9 million used to accumulate inventory that could have been put to better use. As a result of the audit, PMO Stryker Brigade Combat Team identified $152.4 million in excess inventory that will be used to reduce program year 2011 (October 2011 to February 2012) and program year 2012 (March 2012 to February 2013) contract requirements.

Result: Management comments were responsive to the recommendations, and management is taking action to address cost-control measures, contract-type and operational support funding issues. PMO Stryker Brigade Combat Team is performing a business case analysis to determine whether performance-based logistics is the appropriate strategy and cost-reimbursable is the appropriate contract type to execute logistics support of Stryker vehicles. Additionally, PMO Stryker Brigade Combat Team will continue to monitor operational support costs and consider currently available inventory to satisfy future requirements.

Report No. DODIG-2012-102

DoD IG reviewed contract oversight for tactical wheeled vehicle maintenance.

Adequate Contract Support and Oversight Needed for the Tactical Wheeled Vehicle Maintenance Mission in Kuwait

Overview: DoD IG determined whether DoD provided appropriate contract oversight to ensure that tactical wheeled vehicles received the necessary repairs and maintenance. DoD IG reviewed Army Field Support Battalion-Kuwait's oversight of the $848.91 million contract, task order with ITT Corporation.

Findings: The contractor did not effectively execute maintenance for tactical wheeled vehicles in Kuwait. In response, DoD contracting personnel issued 149 corrective action and contract discrepancy reports, show cause and cure notices, and a partial termination for default. However, the contractor's performance still did not meet contract requirements. Army Contracting Command-Rock Island used a contract type and method that did not incentivize the contractor to perform quality work. As a result, warfighters in Southwest Asia and their missions were at risk. Further, the Army Prepositioned Stock-5 set may not be ready for timely issuance to the United States and its allies in response to contingency operations. Direct theater support equipment was not always ready to meet deadlines in support of contingency operations. In addition, contractor personnel left Army Prepositioned Stock-5 and direct theater support equipment exposed to theft and damage, which jeopardized Army Field Support Battalion-Kuwait personnel's ability to issue that equipment as required. DoD IG informed ACC-Rock Island of these problems in October 2011, and in November 2011, the executive deputy to the commanding general, Army Materiel Command, responded and stated that ACC-Rock Island planned to award a new contract by June 1, 2012. However, in February 2012, the procuring contracting officer issued a modification exercising option year two at $302 million. Additionally, Army Field Support Battalion-Kuwait personnel did not provide appropriate contract oversight to validate that repairs were needed and labor hours billed were accurate. Army Sustainment Command did not sufficiently staff Army Field Support Battalion-Kuwait with experienced personnel to oversee the contract. In addition, the quality assurance maintenance work plan did not require Army Field Support Battalion-Kuwait personnel to approve repairs before the contractor could begin work or review contract labor hours billed. As a result, contractor personnel ordered and installed almost four million repair parts and billed $160.8 million for maintenance labor

hours worked and the Army did not have assurance that those costs were justified.

Result: DoD IG recommend that the commander, Army Sustainment Command, in coordination with the executive director, ACC-Rock Island, amend the current contract to include provisions that incentivize the contractor for efficient and economical performance and award a new contract before option year two ends. DoD IG also recommended that the commander, Army Sustainment Command, sufficiently staff Army Field Support Battalion-Kuwait to carry out their oversight mission, that the director, Defense Contract Management Agency-Kuwait establish procedures that require oversight personnel to approve maintenance before the contractor begins work, and the executive director, ACC-Rock Island, ensure that contract labor hours billed are reviewed.

Report No. DODIG-2012-099

Controls Governing the Procurement Automated Contract Evaluation System Need Improvement

Overview: DoD IG analyzed 333,304 Procurement Automated Contract Evaluation automated awards, totaling more than $1.5 billion from FY 2008 through FY 2010, to determine whether Defense Logistics Agency Supply Centers uniformly applied the controls and rules governing Procurement Automated Contract Evaluation awards, whether DLA had a process to validate that prices were fair and reasonable and whether DLA made PACE awards for best value.

Findings: Although DLA personnel generally applied the controls and rules governing PACE awards in a uniform manner, DLA did not ensure that PACE complied with public law or develop an effective and consistent process to validate fair and reasonable prices, and it might not have used pricing that determined the best value.

- DLA allowed the PACE system, rather than contracting officers, to award fully automated contracts by affixing contracting officers' signatures, violating public laws and the Federal Acquisition Regulation. DLA did not ensure that PACE properly formed 333,304 contracts, totaling more than $1.5 billion from FY 2008 through 2010, resulting in invalid obligations.
- DLA did not have an effective and consistent oversight process to validate that prices paid for PACE awards at DLA Supply Centers were fair and reasonable and, as a result, might not have obtained fair and reasonable prices.
- DLA programmed PACE to use a pricing criterion, which was generally excessive, for fully automated awards more than $3,000. DLA did not ensure that the 91,413 procurements, totaling more than $1.3 billion, were the best value in terms of cost to the government.
- In addition, DLA excluded priority 01 and selected priority 02 and 03 purchase requests for non-stocked items from PACE due to urgency of need, but processed the remaining priority 02 and 03 items through PACE. DLA awarded 15,462 priority 02 and 03 requisitions an average of 23 days and delivered them an average of 75 days after the requisition date, which could have impacted mission capability.

Result: DoD IG recommended the DLA director:

- Implement a PACE process that complies with public law regarding electronic signatures.
- Standardize supply center oversight.
- Establish variable increments for price ranges in determining best value.
- Identify the impact of processing all priority 02 and 03 non-stocked requests similarly to those already excluded.

Report No. DODIG-2012-098

"DLA did not have an effective and consistent oversight process to validate that prices paid for PACE awards at DLA Supply Centers were fair and reasonable ..."

The Army Needs to Recoup Funds Expended on Property Damaged in an Accident at a Development Subcontractor's Facility

This report is FOUO.

Report No. DODIG-2012-091

Audit of the Joint Land Attack Cruise Missile Defense Elevated Netted Sensor

This report is FOUO.

Report No. DODIG-2012-121

Acquisition of the Navy Organic Airborne and Surface Influence Sweep Needs Improvement

Overview: As part of an audit of the Navy's preparation of the Organic Airborne and Surface

DoD IG reviewed requirements for procuring OASIS.

Influence Sweep program for the low-rate initial production decision, DoD IG reviewed the Navy's efforts to define system requirements and to develop a testing plan to support procuring the OASIS. The overall expected cost for developing and procuring the OASIS was $290.5 million.

Findings: The Navy did not update requirements in the draft capability production document after a contractor's analysis showed the OASIS would not work after sustaining a shock wave of 65 percent of the shock-capability requirement. The Navy delayed providing funds for completing studies to determine the lowest shock requirement needed for OASIS mission effectiveness. Without fully defined capability requirements, the Navy cannot determine whether OASIS is effective, suitable and affordable to produce and deploy. The program manager, mine warfare, planned the low-rate initial production decision review to occur before the system completed shock testing and iterative (periodically repeated) production readiness reviews. The program manager, mine warfare, stated that shock testing would delay other testing efforts and considered a single production reliability review with earlier design reviews as negating the need for the iterative production readiness reviews. The program manager canceled and did not reschedule an operational assessment because of delays in completing predecessor testing. The program manager and staff did not review the draft test and evaluation master plan to verify that testing schedules were synchronized with test planning for the MH-60S helicopter and that the Test and Evaluation Master Plan addressed reliability growth. The Navy could commit to acquiring four low-rate initial production units, costing $15 million, which may not meet testing needs to support the full-rate production decision in FY 2015. The Navy plans to acquire 38 more units at a cost of $140.6 million.

Result: DoD IG recommended the Navy:

- Revise the draft OASIS capability production document to establish a realistic shock-capability requirement, with cost and mission impacts, and add required manufacturing, joint capabilities and threat information to determine whether the program should continue to completion.
- Revise OASIS exit criteria for the low-rate initial production review to include that OASIS demonstrates that it meets revised and realistic shock-capability requirements.
- Update test planning to schedule the operational assessment of the OASIS integrated with the MH-60S helicopter, to include shock testing, to synchronize with test planning for the MH-60S helicopter and to include a reliability-growth plan to support the low-rate initial production decision review.

Report No. DODIG-2012-101

Navy Organic Airborne and Surface Influence Sweep Program Needs Defense Contract Management Agency Support

Overview: DoD IG determined whether the Defense Contract Management Agency support of the Organic Airborne and Surface Influence Sweep development contract was effective.

Findings: DoD IG identified internal control weaknesses in the Navy's management of the OASIS contract. DCMA officials and the program manager, mine warfare, did not effectively transition the program integrator and program support team requirements for the OASIS contract. DCMA did not have policies and procedures for the transition of program support requirements when the contractor changed geographic locations and there was a breakdown in communication within DCMA. As a result, the program manager did not benefit from assessments of cost, schedule and technical performance that DCMA could provide to help meet program goals during the engineering and manufacturing phase. Nor did the program manager request DCMA program management support after the memorandum of agreement expired. He considered the expired agreement valid and was not aware of the requirement to annually update it. Additionally, the program manager did not identify program data analyses DCMA could have provided before tasking a support contractor. He believed the OASIS program primarily needed technical oversight during the engineering and manufacturing development phase. As a result, the program manager expended funds during a 38-month period for services from a support contractor and did not obtain earned value management analysis, monthly progress reports or monthly program assessments from either DCMA or the support contractor.

Result: As a result of the audit, the director, DCMA Orlando, took action to assign a program integrator and program support team to the OASIS program. Further, the acting executive director for DCMA engineering and analysis modified DCMA policy to provide mandatory direction for transitioning program support requirements between contract management offices. Additionally, the director and the program manager established a memorandum of agreement for supporting the OASIS program. Additionally, DoD IG recommended that the director, DCMA, validate contractor's earned value management system and update the Major Program Support Instruction to include guidance on transitioning program support between DCMA offices. In addition, DoD IG recommended the program executive officer, Littoral Combat Ships, perform a review of the other programs in the Littoral Combat Ship portfolio to determine whether program managers are maximizing the use of DCMA services. The DCMA, executive director of Engineering and Analysis Directorate and the Navy program executive officer of Littoral Combat Ships, agreed with the recommendations.

Report No. DODIG-2012-081

DoD FY 2010 Purchases Made Through the Department of the Interior

Overview: The National Defense Authorization Act for FY 2008 requires DoD IG and the Department of the Interior IG to review DoD procedures for interagency purchases made through DOI. DoD IG and DOI IG reviewed 56 contract actions, valued at $133.4 million, which officials from two DOI contracting offices, the Acquisition Services Directorate-Herndon and Acquisition Services Directorate-Sierra Vista, awarded for DoD requesting activities, to determine whether the purchases were made in accordance with laws, policies and procedures.

Findings: Generally, DOI contracting and resource management officials complied with laws, policies and procedures. Prior significant problems with DOI billing DoD in advance and DOI using DoD expired funds have been fixed. Improvements can still be realized in other contracting areas. Specifically:

- AQD-Herndon and AQD-Sierra Vista contracting officials did not support that the prices DoD paid were fair and reasonable for 24 contract actions, valued at $72 million.
- AQD-Herndon contracting officials did not adequately compete two contract actions, valued at $1.3 million, and did not support the use of sole-source contracts for three contract actions, valued at $1.3 million.
- DoD requesting activity officials performed inadequate reviews of contractor cost proposals for 31 contract actions, valued at $77.1 million.
- DoD requesting activity officials prepared inadequate independent government cost estimates for 38 contract actions, valued at $84.1 million.
- AQD-Herndon and AQD-Sierra Vista used other federal agencies' and existing DoD contracts to make purchases for DoD for 44 contract actions, valued at $95.3 million.

The reasonable pricing problems occurred because AQD-Herndon and AQD-Sierra Vista contracting officials relied on incomplete DoD requesting activities' reviews of contractor cost proposals and inadequate DoD requesting activities independent government cost estimates as their primary basis for determining that the prices DoD paid were fair and reasonable. The competition problems occurred because AQD-Herndon contracting officials did not attempt to obtain more offers after receiving only one offer. DoD IG and DOI IG also identified five potential bona fide needs rule violations, valued at $6.9 million. The problems occurred because the policy for Economy Act orders and non-Economy Act orders is not consistent. In addition, the "reasonable time" standard for Economy Act orders is unclear. As a result, AQD-Sierra Vista accepted DoD purchases up to the end of the fiscal year, sometimes on Sept. 30, 2010. This made it difficult, if not impossible, for contract performance to begin during the funds' period of availability, as required by the DoD Regulation 7000.14-R, "DoD Financial Management Regulation." Thirty-eight of 81 DoD military interdepartmental purchase requests, related to 27 of the 56 contract actions, were not specific, because DoD requesting activities did not follow existing guidance related to the need to be specific when defining requirements.

Result: The secretary of the interior should di-

"DoD IG and DOI IG reviewed 56 contract actions, valued at $133.4 million..."

"Naval Facilities Engineering Command Southwest officials did not have effective controls in place..."

rect the DOI National Business Center to instruct AQD-Herndon and AQD-Sierra Vista to inform DoD requesting agencies of their intent to use DoD and other federal agency contracts for DoD purchases as well as better support reasonable pricing determinations for DoD purchases. Likewise, the undersecretary of defense for acquisition, technology and logistics should instruct DoD requesting activities to obtain prior approval from their respective heads of contracting when DOI uses contracts from other federal agencies for DoD purchases. The undersecretary should also initiate a change to the Defense Federal Acquisition Regulation Supplement to include information contained in the USD (AT&L) Nov. 24, 2010, and April 27, 2011, memoranda. The undersecretary of defense (comptroller)/chief financial officer should change the DoD Financial Management Regulation so that policy for Economy Act orders matches that for non-Economy Act orders, requiring severable services to begin during the funds' period of availability. The comptroller should also instruct DoD components to comply with existing guidance on the need to be specific when defining requirements, including a clear description of the services or goods being purchased and a period of performance, when they prepare military interdepartmental purchase requests. The assistant secretary of the Army (financial management and comptroller) should instruct activities with potential bona fide needs rule violations to initiate action and oversee the process to adjudicate the potential violations. The secretary of the interior; undersecretary of defense for acquisition, technology and logistics; undersecretary of defense (comptroller)/chief financial officer; and the assistant secretary of the Army (financial management and comptroller) generally agreed with the recommendations.

Report No. DODIG-2012-072

American Recovery and Reinvestment Act–Implementation of the Advanced Metering Infrastructure Requirements for Planning, Contractor's Performance and Reporting Was Ineffective

Overview: DoD IG determined whether DoD ensured the appropriate use of Recovery Act funds by conducting adequate planning, assessing contractor's performance and reporting the Advanced Metering Infrastructure project, valued at $24.8 million. The AMI is a system that records customers' energy consumption, collects metering data (electric, gas, water and steam) and transmits the data to a centralized data repository.

Findings: Naval Facilities Engineering Command Southwest officials did not have effective controls in place to ensure adequate planning, contractor performance and accurate reporting of the project. NAVFAC Southwest officials expedited the planning process to secure Recovery Act funds and Engineering Service Center officials were unclear about their roles and responsibilities for meeting the requirements of Public Law 109-58, "Energy Policy Act of 2005." Therefore, the Navy lacked reasonable assurance that $24.8 million of Recovery Act funds were appropriately justified and the installation of the meters was properly planned. Additionally, NAVFAC Southwest officials did not properly oversee the installation of the advanced meters as the officials did not develop quality assurance plans because they were waiting for the contractor's final design packages. As a result, there was no reasonable assurance that the meters installed conform to the contract's requirements. In addition, NAVFAC Southwest officials did not ensure the contractor completed the nine task orders for the AMI project within agreed upon milestones because they did not have an effective project manager to oversee the contractor's performance. As a result, seven of the nine task orders were at risk of missing the AMI timeline mandated in the Energy Policy Act of 2005. NAVFAC officials did not insert Federal Acquisition Regulations clause 52.211-12, Liquidated Damages, in eight of the nine task orders. The absence of the liquidated damages clause may have contributed to the delays in the AMI project. Lastly, NAVFAC Southwest officials did not adequately review data the contractor submitted to FederalReporting.gov, the central governmentwide data collection system for Recovery Act projects.

Result: DoD IG recommended the commanding officer, Naval Facilities Engineering Command, issue guidance clearly defining the roles and responsibilities to comply with the requirements of the Energy Policy Act 2005; appoint a

project and design manager to oversee the design and installation of advanced meters; and review the performance of the officials responsible for not including the liquidated damages clause.
Report No. DODIG-2012-127

American Recovery and Reinvestment Act–Ineffective Controls Over the Contractor's Performance and Reporting for Modernization of the Navy Operational Support Center in Charlotte, N.C.

Overview: DoD IG reviewed the Navy Operational Support Center modernization project in Charlotte, N.C., valued at $2.3 million by evaluating the effectiveness of government controls over the contractor's performance and reporting on selected Recovery Act projects, including contracts awarded to qualified small businesses.
Findings: Although Naval Facilities Engineering Command Mid-Atlantic officials effectively validated the contractor's self-certification as a small business status, they did not have effective controls over the contractor's performance and reporting for the NOSC modernization project. NAVFAC Mid-Atlantic officials did not prepare a quality assurance plan because they considered the contractor's quality control plan as sufficient. Without a plan, NAVFAC Mid-Atlantic officials did not have procedures in place to provide adequate oversight of the contractor's performance of the newly modernized NOSC building, which showed deterioration in the recently renovated areas, such as roof leaks, deteriorating asphalt and renovated walls that could not support the newly installed doors. NAVFAC Mid-Atlantic officials did not conduct market research analysis because they considered the market research unnecessary, and instead, used previous market research conducted. Without conducting market research, NAVFAC officials could not ensure that they selected the best contractor to conduct quality assurance surveillance. NAVFAC officials did not ensure the contractor accurately reported the number of jobs funded for the project because they considered the contractor-reported data valid. As a result, the contractor underreported the jobs for the NOSC modernization project. By underreporting the number of full-time equivalents, NAVFAC Mid-Atlantic officials adversely affected the quality of data reported to the public in Recovery.gov and the Recovery Act's goal—to preserve and create jobs.
Result: DoD IG recommended the commanding officer, NAVFAC Mid-Atlantic:

- Repair all deteriorations and deficiencies in the recently renovated NOSC using contract warranties and oversee the repairs being performed.
- Prepare a quality assurance plan for future construction projects.
- Validate contractor-reported data to detect and correct significant reporting errors.
- Determine whether the contracting officer acted within the scope of duties and take administrative actions where necessary.

Report No. DODIG-2012-095

DoD IG reviewed funds for Advanced Metering Infrastructure project.

Financial Management

The Department's financial management challenges adversely affect its ability to provide reliable, timely and useful financial and managerial data needed to support operating, budgeting and policy decisions. Gaps in the financial framework impact the accuracy, reliability and timeliness of budgetary and accounting data, and financial reporting, thereby reducing the effectiveness of decision-making by leaders at all levels. A key effort in addressing the Department's financial management challenges is its ability to produce auditable financial statements and achieve an unqualified opinion on those financial statements.

In an attempt to standardize and develop an effective financial management process throughout the Department, DoD embarked on various efforts to implement new financial management systems and associated business processes. Properly planned and integrated systems, with strong internal controls, are critical in providing useful, timely and complete financial management data and in achieving auditability.

However, timely and effective implementation of the Enterprise Resource Planning systems is also critical for the Department to achieve its financial improvement and audit readiness goals. The Department's progress in implementing ERPs, especially in FY 2013, is a critical challenge and any implementation delays or systems that do not meet the intended objectives could jeopardize the Department's ability to meet its audit-

"A key effort in addressing the Department's financial management challenges is its ability to produce auditable financial statements..."

"DoD senior leaders have demonstrated a commitment to improving financial management..."

ability goals. DoD senior leaders have demonstrated a commitment to improving financial management and have recognized some of the impediments and actions necessary to improving the Department's financial management data, processes, internal controls and related financial systems.

The secretary of defense has elevated audit readiness to an "all hands" DoD-wide effort. DoD IG is providing oversight to the Department to assist in its efforts to reach audit readiness.

During this reporting period, DoD IG issued reports addressing improvements needed in developing and implementing the ERP systems, data quality, adequacy of internal controls and Fund Balance with Treasury reconciliations.

Enterprise Resource Planning Systems Schedule Delays and Reengineering Weaknesses Increase Risks to DoD's Auditability Goals

Overview: DoD IG initiated this review in response to a congressional request related to the reported cost increases and schedule delays of some of the DoD Enterprise Resource Planning systems. Specifically, Congress wanted DoD IG to determine whether the investment in ERP systems would result in reliable information and auditable financial statements and records. DoD IG evaluated the ERP systems identified as necessary for DoD to produce auditable financial statements to determine the changes in costs of the ERP systems during development and implementation, the impact of schedule changes on the DoD goal to be auditable by 2017, and whether the Department and services have provided sufficient oversight of the ERP systems during their development and implementation.

Findings: The six ERP systems reviewed experienced cost increases of $8 billion and schedule delays ranging from 1.5 to 12.5 years during system development and implementation. As a result of the schedule delays, DoD continues to use legacy systems, which diminishes the estimated savings associated with transforming business operations through business system modernization. In addition, the impact of schedule delays increases the risk that DoD will not achieve an auditable Statement of Budgetary Resources by FY 2014 or accomplish its goal of full financial statement audit readiness by FY 2017. The DoD deputy chief management officer and the chief management officers of the military departments did not verify that business processes were streamlined and efficient as required by Public Law 111-84, "National Defense Authorization Act For FY 2010," Section 1072, "Business Process Reengineering," Oct. 28, 2009. DoD officials relied on the Program Management Offices' self-compliance assertions when they certified and approved funding of $302.7 million, instead of reviewing the business processes and verifying the accuracy, completeness and reliability of the PMO submissions. As a result, there is an increased risk the ERP systems will incur additional delays and cost increases to ensure the systems are as streamlined and efficient as possible.

Result: DoD IG recommended that the DoD Deputy Chief Management Office and the chief management officers of the Army, Navy and Air Force develop procedures to review business processes and limit funding to programs that are not demonstrating adequate business process reengineering. In addition, DoD IG recommended that the undersecretary of defense (comptroller)/chief financial officer update the Financial Improvement and Audit Readiness Plan to link material weaknesses' resolutions to DoD ERP systems and track the effect of DoD ERP systems on DoD's goals of obtaining auditable financial statements.

Report No. DODIG-2012-111

DoD IG reviewed controls within the Logistics Modernization Program system.

Logistics Modernization Program System Procure-to-Pay Process Did Not Correct Material Weaknesses

Overview: DoD IG determined whether appropriate internal controls were in place within the Logistics Modernization Program system to ensure proper recording of accounting transactions related to the purchase of goods and services.

Findings: Army financial and system managers did not reengineer LMP to perform procure-to-pay functions correctly or correct known material weaknesses. The LMP developers did not identify the system requirements needed to correct the root causes of material weaknesses, and Army managers did not review control activities to assess internal control effectiveness.

As a result, Army managers continued the use of costly business processes, and LMP failed to provide reliable financial data. As of Aug. 31, 2011, LMP activities reported more than $10.6 billion in abnormal balances within the procure-to-pay general ledger accounts. LMP system access controls did not establish data integrity for the procure-to-pay process because Army managers did not provide effective oversight over the development and implementation of system access templates. Therefore, LMP data were at risk of unauthorized and fraudulent use. In addition, the Army Enterprise Systems Integration Program Management Office did not determine the Standard Financial Information Structure data attributes needed to establish the vendor master database and populate the correct domain values for Army systems to process procure-to-pay transactions correctly. Army managers did not create the single source of vendor master data needed to develop, manage and maintain trading partner information. As a result, the Army allotted about $1.3 million to develop vendor information for two systems but did not resolve material weaknesses related to accounts payable and intragovernmental eliminations.

Result: The deputy chief management officer should review legacy registration processes to determine whether DoD can incorporate registry databases into the system for award management. Other recommendations included:

- Develop a plan of action and milestones to bring the LMP into compliance with the DoD requirements.
- Modify LMP to cease the automatic obligation of unmatched disbursements.
- Review unobligated balances.
- Develop a system edit check to identify activity exceeding allotted amounts.

The Army should also create and manage vendor master data based on the system for award management and establish a vendor master data manager. Further, the Army should improve LMP system access controls and assess the LMP procure-to-pay business process. The deputy chief management officer and Department of the Army agreed with the recommendations.

Report No. DODIG-2012-087

An Unreliable Chart of Accounts Affected Auditability of Defense Enterprise Accounting and Management System Financial Data

Overview: The Air Force's auditability is dependent on successfully deploying the Defense Enterprise Accounting and Management System. The current DEAMS life-cycle cost estimate is $2.1 billion. As of March 31, 2012, DEAMS expenditures totaled approximately $322.2 million. DoD IG determined whether the DEAMS fulfilled selected functional capabilities needed to generate accurate and reliable financial management information.

Findings: DEAMS lacked critical functional capabilities needed to generate accurate and reliable financial management information. DEAMS managers did not maintain an adequate Chart of Accounts. In addition, DEAMS did not report Standard Financial Information Structure financial data directly to the Defense Departmental Reporting System. Functional Management Office personnel did not monitor changes to the COA and document policies and procedures for modifying the COA, and DoD and Air Force management initially decided not to report financial data directly to DDRS until fourth quarter FY 2016. DEAMS data lacks validity and reliability. Unless the unauthorized changes and inconsistencies in the DEAMS COA are corrected, DoD and Air Force management cannot rely on DEAMS information to make sound business decisions. Further, DEAMS management cannot ensure updates to the DEAMS COA are performed correctly and consistently. In addition, the approved plan for reporting directly to DDRS may challenge the Air Force's ability to obtain audit readiness for the Statement of Budgetary Resources before the end of FY 2014. Further, unforeseen delays with reporting Standard Financial Information Structure financial data directly to DDRS may impede the ability of the Air Force to achieve audit readiness on the remaining financial statements by FY 2017.

Result: DoD IG recommended that the assistant secretary of the Air Force for financial management and comptroller perform validations of the corrective actions for the unauthorized changes and inconsistencies in the DEAMS COA before further deployment to ensure the corrective actions are operating as intended. The functional manager, DEAMS Functional Management Office, should implement monitoring controls to identify inconsistencies in the DEAMS COA

"DEAMS lacked critical functional capabilities needed to generate accurate and reliable financial management information."

data, determine whether inconsistencies in the account data affected any other areas of the system and document policies and procedures for modifying the DEAMS COA.
Report No. DODIG-2012-140


DoD IG reviewed data for the Army General Fund.

Defense Departmental Reporting System-Budgetary Not Effectively Implemented for the Army General Fund

Overview: DoD IG determined whether the Defense Departmental Reporting System-Budgetary was effectively implemented for the Army General Fund and whether the March 2010 Army General Fund data was reliable.
Findings: Defense Finance and Accounting Service-Indianapolis management did not effectively implement DDRS-B for processing accounting data used in preparing Army General Fund budget execution reports and financial statements. Specifically, DFAS-Indianapolis personnel did not:

- Document DDRS-B financial reporting processes and controls.
- Retain 157 of the 241 feeder files and provide files in a timely manner for audit.
- Maintain supporting documentation for and adequately report $713.9 billion in Electronic Error Correction and Transaction Analysis adjustments.
- Maintain adequate supporting documentation for $26.2 billion, coordinate $44.7 billion and report to DoD management $90 billion in journal voucher adjustments prepared for March 2010.

This occurred because DFAS-Indianapolis management did not have adequate controls over DDRS-B processing of Army General Fund financial data to ensure compliance with DoD financial management requirements. These control deficiencies created uncertainty about the validity of the $2.1 trillion reported in the March 2010 export file and amounts reported on the Army General Fund financial statements and budget execution reports. Unless the control deficiencies are corrected, the Army may not be able to meet the mandated FY 2014 Statement of Budgetary Resources and FY 2017 DoD financial statement audit readiness deadlines.
Result: DoD IG recommended that the assistant secretary of the Army (financial management and comptroller) coordinate with the director, DFAS-Indianapolis, to update the Army's Office of Management and Budget Circular A-123 documentation for DDRS-B financial reporting system processes. The director, DFAS-Indianapolis, should retain DDRS-B feeder files, maintain support for and report all Electronic Error Correction and Transaction Analysis adjustments, and add procedures on DDRS-B journal voucher preparation and approval. Management agreed with the recommended corrective actions.
Report No. DODIG-2012-096

"DFAS did not comply with DoD Financial Management Regulation requirements when returning $35.5 million to DoD customers in FY 2011..."

Improvements Needed in How the Defense Finance and Accounting Service Adjusts and Supports Billing Rates

Overview: DoD IG determined whether the methodology the Defense Finance and Accounting Service used to estimate the workcounts and direct costs for retired military pay accounts and accounting services for the FY 2011 stabilized billing rates complied with applicable laws and regulations. Additionally, DoD IG determined whether DFAS had taken action to reduce rates through greater efficiencies.
Findings: DFAS did not comply with DoD Financial Management Regulation requirements when returning $35.5 million to DoD customers in FY 2011. The DFAS resource management representative misinterpreted guidance from the Revolving Funds Directorate, undersecretary of defense (comptroller)/chief financial officer and DoD. As a result, DFAS did not properly align costs with outputs, potentially causing the accumulated operating result to increase. Additionally, DFAS also did not adjust the FY 2012 billing rates for all services in returning $128.7 million to DoD customers. DFAS had not developed procedures to routinely compare costs and revenues at the output levels. As a result, DFAS distorted the FY 2012 billing rates. Finally, DFAS personnel did not maintain sufficient documentation to demonstrate full compliance with DoD guidance for rate development. This occurred because DFAS did not establish a policy to maintain budgetary documentation. As a result, DFAS could not demonstrate that FY 2011 workcounts or $52.9 million of direct cost for retired military pay accounts and $254.1 million of direct cost for accounting services were based on historical results. Additionally, DoD

IG determined that DFAS took action to reduce rates through efficiencies, but was unable to determine any effect on customer billing rates.

Result: DoD IG recommended the undersecretary of defense comptroller/chief financial officer enforce policies for returning accumulated operating result through rate adjustments unless the undersecretary of defense comptroller/chief financial officer can support using billing credits. The DFAS director of resource management should:

- Establish procedures to routinely identify the outputs responsible for significant changes in net operating result and reconciling accounting services workload.
- Provide customers with additional information on accounting services and a monthly comparative analysis of actual and anticipated workcounts.
- Develop policy to identify and maintain budgetary documentation.

Management mostly agreed with the recommendations.

Report No. DODIG-2012-131

DFAS Controls Over Duplicate Payments in One Pay were Generally Effective, but Opportunities for Improvement Existed

Overview: From Oct. 1, 2009, through March 31, 2011, DFAS made more than one million payments, valued at approximately $53 billion, through One Pay. DoD IG statistically selected a sample of 331 unique payment records, valued at approximately $9 million, from a population that had characteristics of duplicate payments. DoD IG determined whether the DFAS processes were effective at detecting and preventing improper payments processed through the One Pay system, focusing on processes for detecting and preventing duplicate payments.

Findings: Although DFAS processes for detecting and preventing improper duplicate payments in One Pay were generally effective, there were opportunities for improvement. DFAS processes allowed duplicate payments because:

- DFAS Cleveland Accounts Payable Directorate did not have procedures to review invoices after technicians' input and evaluate possible duplicates (one duplicate payment valued at $585).
- One Pay edit controls were not configured to detect duplicates unless all five critical data fields matched (10 duplicate payments valued at $161,962).
- Business Activity Monitoring, the automated detection tool, did not identify duplicates when data in specific fields were different, input was more than 25 days apart or the amount was $250 or less (nine duplicate payments valued at $113,096).

DFAS made 11 duplicate payments valued at $162,547. DFAS took prompt action to initiate collection on the duplicate payments identified. In addition, DFAS Cleveland accounts payable did not report seven improper payments, valued at $682,839, because DFAS Enterprise Standards and Solutions Directorate did not provide specific guidance on improper payment reporting. This resulted in an understatement on Navy and DoD improper payment reports.

Result: DoD IG recommended that DFAS develop and implement a review of manually-inputted invoices to detect payments that are identified as possible duplicates by edit checks; revise One Pay edit controls to detect possible duplicates when less than five critical fields match; and expand logic for the automated detection tool. In addition, DFAS should issue specific guidance for reporting improper payments.

Report No. DODIG-2012-130

Questionable Data Cast Doubt on the Need for Continuing the Defense Transportation Coordination Initiative

Overview: DoD IG determined whether the Defense Transportation Coordination Initiative Program Management Office oversight of the third-party logistics contractor was effective and whether the contract reduced costs. The contract, valued at $1.76 billion, was awarded in August 2007 for three base years, two option years and two award-term option years.

Findings: The DTCI PMO personnel did not provide sufficient oversight of the contract, and the contractor reported unverified cost reductions of $167.4 million for 699,157 freight shipments from March 2008 through September 2010. The reductions were not verifiable because of questionable data. In addition, DTCI PMO officials did not develop and include in the contract an effective methodology to establish baseline transportation costs and calculate

"DoD IG recommended that DFAS develop and implement a review of manually-inputted invoices to detect payments that are identified as possible duplicates by edit checks."

DoD IG reviewed the Defense Transportation Coordination Initiative.

cost reductions from shipments and did not effectively implement the Quality Assurance Surveillance Plan. As a result, DTCI PMO officials did not identify that $118 million of reported cost reductions were based on flawed baseline transportation costs or that it is questionable whether these reductions were achieved; and PMO officials did not deduct $56.9 million in program costs from reported cost reductions. If the $167.4 million in cost reductions were offset by the $118 million in questionable cost reductions and $56.9 million in program costs, then costs were about $7.5 million greater than cost reductions. The exercise of future contract options will require implementing corrective actions to verify that program benefits occur and offset the contract costs.

Result: : Among the recommendations, DoD IG recommended that the commander, Transportation Command, not exercise future options on the DTCI contract until he can certify that there are cost reductions. In addition, the commander should revise oversight guidance.

Report No. DODIG-2012-108

"DoD IG evaluated whether DoD personnel properly accounted for residual value transactions for facilities returned to host nations in Europe."

DoD Can Improve Its Accounting for Residual Value from the Sale of U.S. Facilities in Europe

Overview: Public Law 101-510, "The National Defense Authorization Act for FY 1991," Section 2921, "Closure of Foreign Military Installations," as amended, specifies that the secretary of defense should ensure that the United States receives consideration equal to the fair market value of the improvements it made to facilities that will be returned to host countries. DoD IG evaluated whether DoD personnel properly accounted for residual value transactions for facilities returned to host nations in Europe.

Findings: Although DoD organizations used residual value settlement proceeds appropriately, they did not maintain adequate controls on more than $8 million of unused monetary and nonmonetary proceeds. DoD personnel did not provide adequate oversight and monitor and review $7.6 million of unused monetary proceeds. DoD organizations should use the monetary proceeds to offset facility expenses. During the audit, the undersecretary of defense (comptroller)/chief financial officer personnel began researching the unused monetary proceeds and planned to complete the actions and clean up the remaining balances. The Army also corrected a $0.4 million overstatement of its nonmonetary proceed balance. Army and Air Force personnel did not always perform and document analyses to support the negotiated settlement amounts for seven installation closures. As a result, they were unable to show that the resulting $19.4 million in compensation represented an adequate return on DoD investment in those installations. This occurred because of inadequate DoD policy. DoD and host nation governments had already finalized the residual value settlements this audit reviewed and thus cannot change them. DoD needs to improve its processes for the benefit of future residual value negotiations.

Result: DoD IG recommended that the undersecretary of defense (comptroller)/chief financial officer should provide results of the review of unused monetary proceeds. In addition, the deputy undersecretary of defense for installations and environment and the commander, U.S. European Command, should revise DoD policy to require greater analysis and documentation to support residual value settlements. Finally, the commander, U.S. European Command, should assign responsibility for pursuing residual value for the West Ruislip housing units and require greater coordination between the military departments for future residual value agreements with host nations.

Report No. DODIG-2012-082

Action Needed to Improve the Completeness and Accuracy of DEERS Beneficiary Data

Overview: DoD IG assessed the completeness and accuracy of beneficiary data contained in the Defense Enrollment Eligibility Reporting System. DoD IG selected a statistical sample of DEERS beneficiaries and compared the sample data to available supporting documentation.

Findings: DEERS beneficiary supporting documentation was not complete, and DEERS data was not always accurate. Specifically, of the 9.4 million uniformed service beneficiary records, DEERS supporting documentation did not adequately (based on statistical sampling):

- Substantiate the identity of 2.1 million beneficiaries.
- Demonstrate the eligibility of 2.8 million beneficiaries.

- Support between one and five critical data fields, such as name and date of birth, associated with 5.7 million beneficiaries.
- Contain date of birth, gender, name or relationship records of 199,680 beneficiaries.

This occurred because the Defense Manpower Data Center lacked procedures to identify when Real-time Automated Personnel Identification System personnel did not scan and store DEERS beneficiary identity documentation, and DoD policy was vague on requiring Real-time Automated Personnel Identification System personnel to scan and store sufficient documentation to verify DEERS beneficiary eligibility. Further, the Defense Manpower Data Center lacked procedures to verify that supporting documentation existed and to validate that DEERS beneficiary data were accurate. As a result, DoD lacked certainty that only eligible beneficiaries were enrolled in DEERS and received military identification cards. Specifically, RAPIDS personnel inappropriately issued military identification cards without obtaining or maintaining documentation that supported DEERS records. Additionally, the extent of the unsupported and inaccurate data adversely affected the integrity of the DoD process for issuing military identification cards. Action to improve DEERS data is needed, as evidenced by the 2,495 instances, which were identified by the TRICARE Management Activity, of ineligible beneficiaries who obtained unauthorized health care benefits.

Result: The director, Defense Human Resources Activity, should issue policy requiring RAPIDS personnel to scan and store eligibility documentation. In addition, the director, Defense Manpower Data Center, should implement additional procedures to validate that DEERS supporting documentation exists and that the DEERS data is accurate. The director, Defense Human Resources Activity and Defense Manpower Data Center, agreed with DoD IG's recommendations.

Report No. DODIG-2012-069

DoD Needs to Improve Controls Over Economy Act Orders with U.S. Agency for International Development

Overview: DoD IG determined whether U.S. Central Command and U.S. Forces-Afghanistan controls over the interagency transfer of Commander's Emergency Response Program funds to the U.S. Agency for International Development were adequate to ensure compliance with Economy Act order requirements. DoD IG reviewed three CERP funded EA orders totaling $40.1 million that DoD placed with USAID in the fourth quarter of FY 2009.

Findings: CENTCOM-Joint Theater Support Contracting Command and USFOR-A officials did not establish adequate controls over interagency acquisitions when transferring $40.1 million in CERP funds to USAID. C-JTSCC and USFOR-A officials did not advance funds to USAID appropriately; monitor EA order execution adequately; or prevent USAID from using cost-plus-fixed-fee contracts that provided no incentives. DoD had conflicting guidance on advancing funds under EA orders, and the EA orders did not clearly define roles and responsibilities or procedures for monitoring the execution of interagency agreements. C-JTSCC also did not properly review USAID contracts to determine if they would sufficiently meet DoD needs. As a result, CENTCOM and USFOR-A will not receive the goods and services as ordered in the EA orders. In addition, USAID spent funds on projects not authorized in the EA orders. Unless controls are improved, DoD is at increased risk of unmet performance when transferring to Department of State or USAID, a significant portion of the $400 million of Afghanistan infrastructure funds appropriated for FY 2011 and the $400 million authorized for FY 2012. C-JTSCC potentially violated the Purpose Statute by inappropriately authorizing the transfer of $27.6 million of CERP funds to USAID because the construction projects primarily benefitted U.S. forces. In addition, USAID officials inappropriately obligated $9.6 million of CERP funds that were not a DoD bona fide need in FY 2009 and inappropriately obligated $17.6 million of CERP funds on out-of scope projects that were not properly approved by DoD. As a result, C-JTSCC and USAID may have committed Antideficiency Act violations and USAID may have improperly used DoD funds.

Result: DoD IG recommended DoD acquisition and logistics officials and DoD comptroller officials should update guidance to clarify that advance payments are not allowed for EA

"DoD IG reviewed three CERP funded EA orders totaling $40.1 million..."

orders and to include procedures for properly monitoring interagency acquisitions. C-JTSCC and USFOR-A needed to update procedures and establish controls over the development and monitoring of EA orders. Army comptroller officials should coordinate with DoD comptroller officials to review potential ADA violations and request that USAID return the $17.6 million it used on out-of-scope projects.
Report No. DODIG-2012-117

Defense Finance and Accounting Service Needs to Improve the Process for Reconciling the Other Defense Organizations' Fund Balance with Treasury

Overview: This is one in a series of reports relating to the reconciliation of the other defense organizations fund balance with Treasury accounts. DoD IG evaluated the adequacy of audit trails and assessed the Other Defense Organizations' Fund Balance with Treasury reconciliation processes.
Finding: DFAS-Indianapolis did not perform adequate, transaction level reconciliations of the Other Defense Organizations Fund Balance with Treasury general ledger accounts. Specifically, DFAS-Indianapolis did not develop processes for retrieving the detailed transactions supporting the cash management report in a timely manner, match the transactions supporting the cash management report to the detailed transactions recorded in the accounting systems or research, and if necessary, resolve the variances between the two sets of data. This occurred because DFAS-Indianapolis did not develop the systems infrastructure, implement systemic processes or fully dedicate the necessary resources for performing transaction level reconciliations of the other defense organizations fund balance with Treasury accounts. DFAS-Indianapolis reported that it was responsible for reconciling 723 other defense organizations appropriations with disbursements and collections, totaling approximately $141 billion. Without adequate fund balance with Treasury reconciliations, DFAS-Indianapolis could not support the adjustments it was making to the other defense organizations fund balance with Treasury accounts, which caused amounts reported on the other defense organizations financial statements to be unreliable. Unreliable financial statements will impede the ability of DoD to achieve audit readiness for the Statements of Budgetary Resources by the end of FY 2014. Unlike DFAS-Indianapolis, DFAS-Columbus was performing complete, transaction-level reconciliations. Also, other than allowing $16.1 million in Defense Information Systems Agency disbursements and collections to remain unmatched for more than four years, DFAS-Columbus provided evidence it had adequate procedures for researching and resolving variances.
Result: DoD IG recommended the director, DFAS-Indianapolis, develop systems infrastructure, implement systemic processes and dedicate resources for reconciling Other Defense Organizations Fund Balance with Treasury accounts. The director, DFAS Columbus, should coordinate with the director, DISA, and resolve the $16.1 million in transactions that have remained unmatched since May 2007. Management was fully responsive to the recommendations.
Report No. DODIG-2012-107

"The Department will face many challenges in the near future in joint warfighting and readiness."

Joint Warfighting and Readiness

The Department will face many challenges in the near future in joint warfighting and readiness. Among them are a decreasing budget; planned drawdown of forces from Afghanistan; the need to reset equipment and personnel across the services; a return to full-spectrum training; and an enhanced focus on the Pacific theater. The desired end-state remains the same: provide the right force, the right personnel and the right equipment and supplies in the right place, at the right time and in the right quantity, across the full range of military operations. DoD IG reported on the DoD preparation efforts to respond to natural or man-made disasters and the accountability and disposition of equipment from military units drawing down from Iraq.

Better Oversight Needed for the National Guard's Weapons of Mass Destruction Civil Support Teams

Overview: DoD IG evaluated the planning and reporting of the National Guard's Weapons of Mass Destruction Civil Support Teams in response to intentional or unintentional release

of chemical, biological, radiological, nuclear or high-yield explosives, and natural or man-made disasters.

Findings: The four WMD CSTs reviewed had plans for each phase of operation (pre-operational, operational and post-operational) identified in the Army Field Manual 3-11.22, "Weapons of Mass Destruction-Civil Support Team Operations," December 2007. Those plans should improve the WMD CSTs' ability to prepare for, prevent, protect against and respond to incidents involving chemical, biological, radiological, nuclear or high-yield explosives and natural or man-made disasters. However, the four WMD CSTs reviewed did not fully meet the reporting requirements to keep the National Guard Bureau aware of their movements and operations. Specifically, the WMD CSTs did not provide required termination, situation and after action reports, and complete information for after action reports. In addition, the National Guard Bureau records showed that the WMD CSTs conducted 409 response, stand-by and assist missions from FY 2008 to FY 2011, while the teams' records showed a total of 640 missions for the same time period. This occurred because National Guard Bureau-J3, Domestic Operations Directorate personnel did not clarify reporting expectations or adequately oversee how the WMD CSTs implemented the reporting requirements identified in the National Guard Regulation 500-3/Air National Guard Instruction 10-2503, "Weapons of Mass Destruction Civil Support Team Management." Therefore, the National Guard Bureau did not have situational awareness of WMD CSTs' ability to immediately respond to the spectrum of WMD-related disasters.

Result: DoD IG recommended that the director, National Guard Bureau-J3, Domestic Operations and Force Development Directorate, develop a written oversight plan in coordination with personnel from each Joint Force Headquarters-State that verifies compliance with mission reporting requirements and provides feedback to WMD CST on omissions and errors.

Report No. DODIG-2012-110

Most Geographic Combatant Commands Effectively Planned and Executed Disaster Relief Operations, but Improvements Needed

Overview: DoD IG evaluated the ability of the combatant commands to plan and execute foreign disaster relief operations to prevent instability in their areas of responsibility. Additionally, DoD IG assessed the support provided by DoD organizations to enable the COCOMs to effectively conduct foreign disaster relief operations.

Findings: The U.S. European, Central, Southern and Pacific Commands have effectively planned and executed several foreign disaster relief operations. Additionally, DoD organizations provided satisfactory support to COCOM foreign disaster relief operations. However, improvements in foreign disaster relief operations are needed, such as formalizing response procedures, promoting information sharing, increasing phase-zero activities, promoting the sharing of lessons learned and updating DoD Directive 5100.46, "Foreign Disaster Relief," Dec. 4, 1975. Improvements are needed because COCOMs may not have known about or been required to implement best practices for foreign disaster relief. In addition, the undersecretary of defense for policy did not update the 37-year-old directive on foreign disaster relief in a timely manner. As a result, the most efficient practices for foreign disaster relief are not available to all COCOMs. This is especially important to COCOMs that have not executed a large foreign disaster relief operation, such as U.S. Africa Command, to prevent similar obstacles already faced and overcome at other commands. Additionally, a lack of updated guidance can lead to inconsistent interpretations of authorities and responsibilities to provide foreign disaster relief assistance. Without best practices and up-to-date guidance, DoD is less likely to achieve efficiencies when handling potential and actual disasters.

Result: The commanders, U.S. European, Central, Southern, Pacific and Africa Commands, should implement best practices for foreign disaster relief in key areas, such as command procedures, information sharing, phase-zero activities and dissemination of lessons learned. In addition, the undersecretary of defense for policy, in coordination with the geographic combatant commanders, should identify steps to improve information sharing with non-DoD partners during foreign disaster relief operations. U.S. European, Central, Southern, Pacific

DoD IG evaluated planning of the WMD Civil Support Teams.

DoD IG determined if DoD effectively managed RPAT operations in Kuwait.

and Africa Commands' comments were responsive to the recommendation. Comments from the undersecretary of defense for policy were partially responsive but met the intent of the recommendations.
Report No. DODIG-2012-119

Wholesale Accountability Procedures Need Improvement for Redistribution Property Assistance Team Operations

Overview: From Oct. 18 through Dec. 18, 2011, Camp Virginia Redistribution Property Assistance Team officials relieved units of accountability for approximately 2,300 vehicles and 24,600 items. DoD IG determined whether the Army had accountability over major end items of equipment (Class VII) turned-in at Camp Virginia, Kuwait.
Findings: The Army did not have adequate controls over the accountability of items turned-in at the Camp Virginia RPAT yard. Specifically, Camp Virginia RPAT contractors did not use automated procedures to obtain wholesale accountability, properly upload items into the visibility system or account for all Army Communications-Electronics Command items at Camp Virginia. This occurred because Army Sustainment Command and ACC-Rock Island officials did not update the performance work statement, and ACC-Rock Island and DCMA-Kuwait officials did not appoint a contracting officer's representative until five months after the contractor began operations. In addition, the quality assurance representative and contracting officer representative's audits of the contractor did not provide assurance that the contractor met contract requirements. As a result, of the 297 reviewed items turned-in at the Camp Virginia RPAT yard, 84 items, valued at approximately $6 million, were not accounted for; 149 items, valued at approximately $33 million, were not accounted for timely; and 14 vehicles, valued at approximately $5.5 million, had multiple records in the inventory systems. Inaccurate or delayed accountability of items in the inventory systems does not accurately represent the Army's assets and increases the vulnerability for loss or theft.
Result: Among other recommendations, DoD IG recommended that the commander, Army Sustainment Command, conduct a reconciliation of all items turned-in at Camp Virginia and that the executive director, ACC-Rock Island, determine whether any remedial actions are appropriate for not meeting contract requirements. In addition, the executive director, ACC-Rock Island, and the commander, DCMA-Kuwait, determine whether any administrative actions against contract oversight officials are appropriate, and that the executive director, ACC-Rock Island, update the performance work statement to include specific RPAT requirements.
Report No. DODIG-2012-138

DoD's Management of the Redistribution Property Assistance Team Operations in Kuwait

Overview: This was the first in a series of reports on RPAT operations in Kuwait. DoD IG determined whether DoD effectively managed RPAT operations in Kuwait to ensure DoD was prepared to handle the anticipated amount of materiel (equipment) related to the drawdown from Iraq. For this report, DoD IG reviewed the process for turning in equipment at the Camp Virginia, Kuwait RPAT yard, along with verifying selected documentation related to the turn-in process.
Findings: Camp Virginia RPAT officials effectively managed operations in Kuwait to accomplish their primary mission of supporting the drawdown of U.S. forces from Iraq. Specifically, Camp Virginia RPAT officials relieved units of accountability for their theater provided equipment before redeploying to their home stations.
Result: During the review, DoD IG provided RPAT officials with observations based on concerns with the four-corners process, "frustrated" equipment and security controls. Camp Virginia RPAT officials implemented corrective actions throughout the audit to address DoD IG concerns.
Report No. DODIG-2012-071

Information Assurance, Security and Privacy

The Department views information as a strategic asset. With the increase of both state-sponsored and independent cyber threats, the Department is recognizing the growing importance of leading a strong and secure presence in cyberspace. As identified in the Department's strategy for operating in cyberspace, the continuing growth

of networked systems, devices and platforms means that cyberspace is an integral part of the capabilities the Department relies upon to complete its mission. The DoD networks are under constant attack from cyber security threats launched from the Internet or from malicious software embedded in email attachments, removable media or embedded in the hardware that DoD procures. The Department must address challenges in potential adversarial activity to include theft or exploitation of data; disruption or denial of access or service that affects the availability of networks, information or network-enabled resources; and destructive action including corruption, manipulation or direct activity that threatens to destroy or degrade networks or connected systems. DoD IG recognizes the challenge the Department has ensuring the security and privacy of DoD information, and DoD IG issued reports this period addressing physical access controls, system controls and the DFAS information assurance vulnerability management program.

Summary of Information Assurance Weaknesses as Reported by Audit Reports Issued from Aug. 1, 2011, Through July 31, 2012

Overview: DoD IG summarized audit reports, issued between Aug. 1, 2011, and July 31, 2012, that contained findings on information assurance weaknesses in DoD. This summary report is to provide a reference document that identifies audit reports containing findings about information assurance weaknesses in DoD and supports DoD IG response to the requirements of Public Law 107-347, Title III, "Federal Information Security Management Act," section 3545, Dec. 17, 2002. This report is the 14th information assurance summary report issued by DoD IG since January 1999. To remain consistent with the Department of Homeland Security FY 2012 FISMA reporting metrics, the IA weakness categories used in this year's report have been updated from the previous summary reports. The updated IA weakness categories support a more efficient and effective DoD IG response to the FISMA reporting metrics. The information assurance categories include reporting metrics identified by the Department of Homeland Security for agency inspectors general, chief information officers and senior agency officials for privacy.

Findings: Between Aug. 1, 2011, and July 31, 2012, the DoD audit community and Government Accountability Office issued 32 reports and two testimonies addressing a wide range of IA weaknesses that persist throughout DoD systems and networks. Reports issued during the reporting period most frequently cited weaknesses in the IA categories of risk management, configuration management, identity and access management, and asset management. The information security weaknesses in DoD networks continued to provide unauthorized personnel the opportunity to modify, steal, inappropriately disclose and destroy sensitive DoD data. Persistent weaknesses in information security policies and practices continued to threaten the availability, integrity, authentication, confidentiality and non-repudiation of critical information and information systems used to support operations, assets and personnel.

Result: In this summary report, DoD IG identified recommendations from previous reports. Therefore, this report contained no new recommendations and was provided for information purposes only.

Report No. DoDIG-2012-145

DoD Should Procure Compliant Physical Access Control Systems to Reduce the Risk of Unauthorized Access

Overview: DoD IG determined whether the services developed, procured and maintained physical access control systems that were compliant with Homeland Security Presidential Directive-12, "Policy for a Common Identification Standard for Federal Employees and Contractors," Aug. 27, 2004, and Federal Information Processing Standard 201, "Personal Identity Verification of Federal Employees and Contractors," Incorporating Change 1, March 2006.

Findings: DoD did not realize potential cost efficiencies associated with standardization when procuring physical access control systems and physical access control equipment. Further, the services procured and fielded physical access control systems that did not comply with Federal Information Processing Standard 201 authentication and interoperability requirements. The secretary of defense principal staff assistants did not provide oversight to ensure the procurement

"With the increase of both state-sponsored and independent cyber threats, the Department is recognizing the growing importance of leading a strong and secure presence in cyberspace."

and fielding of compliant physical access control systems. The services spent approximately $35 million to procure and field noncompliant physical access control equipment that need replacing or upgrades. Until DoD components procure and field compliant physical access control systems and physical access control equipment, DoD will continue to delay its ability to increase government efficiency, enhance security and increase protection against terrorist exploitation. Additionally, the services procured and fielded, or planned to field, physical access control systems at 18 installations that did not meet operational and mission requirements. This occurred because the services did not always perform adequate installation evaluations to ensure infrastructure limitations and mission requirements were properly considered. As a result, the services spent resources on physical access control equipment that may not be used at some installations and will not realize the full security benefits associated with Homeland Security Presidential Directive-12.

Result: In December 2011, DoD IG issued quick reaction memoranda to the services, identified purchases of noncompliant physical access control equipment and made suggestions for corrective actions. Suggestions for corrective actions included ensuring physical access control systems complied with federal authentication requirements and purchasing physical access control equipment that is listed on the General Services Administration approved product list. As a result, the Army and Navy responded with their respective plan of action. Additionally, DoD IG recommended the undersecretary of defense for personnel and readiness establish milestones for the Department's full implementation of Homeland Security Presidential Directive-12, require DoD components to report semiannually on implementation efforts and ensure DoD components are held accountable for missed milestones. Additionally, DoD IG recommended the services require all contracts for physical access control systems mandate compliance with Federal Information Processing Standard 201, ensure physical access control equipment is procured from the GSA Approved Products List and require site surveys that address all installation operational requirements.
Report No. DODIG-2012-122

DoD IG conducts reviews related to military health care.

Improvements Needed to Strengthen the Defense Enrollment Eligibility Reporting System Security Posture

Overview: DoD IG determined whether controls were designed and effectively implemented over the Defense Enrollment Eligibility Reporting System to deter and protect sensitive data from compromise by internal and external cyber threats.
Findings and Result: This report is FOUO.
Report No. DODIG-2012-090

Improvements Needed to the Defense Finance and Accounting Service Information Assurance Vulnerability Management Program

Overview: DoD IG determined whether the Defense Finance and Accounting Service implemented effective processes for managing and mitigating system vulnerabilities.
Findings and Result: This report is FOUO.
Report No. DODIG-2012-080

Health Care

The Department seeks to better manage DoD health benefits in a way that improves quality and satisfaction, while more responsibly managing costs by building a shared commitment to health care. The Department of Defense must continue to provide the highest quality care and service, while ensuring fiscally responsible management. The DoD strategy is to continue to ensure the military force is medically ready to deploy, reduce the generators of ill health while encouraging healthy behaviors, provide the highest quality that is patient- and family-centered and responsibly manage the total cost of health care.

During this reporting period, DoD IG issued reports addressing DoD efforts in reporting the location of deployed service members; planning for the availability of specialty care associated with the Guam realignment efforts; and efforts to obtain proper cost reimbursements from contractors receiving medical treatment at DoD medical treatment facilities in Southwest Asia.

Reporting the Daily Location of Deployed Service Members Generally Adequate; However, the Navy Needs Improvement

Overview: DoD IG performed this audit as a result of a request from the Office of the Assistant Secretary of Defense (Health Affairs). DoD IG assessed DoD's effectiveness in reporting the daily location of deployed service members for use in health surveillance. Specifically, DoD IG evaluated the status of the military departments' implementation of daily service member location reporting to the Defense Manpower Data Center.

Findings: The Army, Air Force and Marine Corps reported the daily location of deployed service members; however, the Navy did not report the required deployment information. The Office of the Assistant Secretary of the Navy (Manpower and Reserve Affairs) did not task the appropriate Navy commands to establish clear roles and responsibilities for implementing the daily location reporting requirements. Therefore, the Defense Manpower Data Center did not have comprehensive DoD daily service member deployment records available for users to monitor, assess and control or reduce health risks from service member exposures to occupational and environmental hazards.

Result: DoD IG recommended that the assistant secretary of the Navy (manpower and reserve affairs) task the appropriate commands to establish roles and responsibilities for implementing daily location reporting for deployed service members. Management was responsive to the recommended corrective action.

Report No. DODIG-2012-112

DoD Needs to Improve the Billing System for Health Care Provided to Contractors at Medical Treatment Facilities in Southwest Asia

Overview: The previous commander, U.S. Central Command, requested this audit. DoD IG followed up on the actions taken by management in relation to previously recommended corrective actions in DoD IG Report No. D-2009-078, "Health Care Provided by Military Treatment Facilities to Contractors in Southwest Asia," May 4, 2009.

Findings: In April 2011, DoD began billing contractors for health care provided in Southwest Asia; however, improvements to the billing system are needed. DoD officials took more than five years from the issuance of DoD guidance that required contractor reimbursement for health care to develop and implement a billing system. The working group designated DFAS to perform billing, but the group did not assign a functional proponent to oversee the billing system. DoD IG estimated that DoD did not bill contractors for at least $8.1 million in health care expenses for FY 2010. This estimate does not include missed opportunities to bill contractors for health care between FY 2006 to 2009, when DoD issued guidance. In addition, DoD components experienced data reliability problems that affected the accuracy of the bills, totaling $84,116, for contractor health care provided in February 2011. This occurred because the DoD working group decided to use two nonfinancial databases that were not intended for billing and staff at medical treatment facilities in Southwest Asia and contractor personnel made data input errors. As a result, DoD under-billed contractors for health care provided in February 2011 by at least $128,850. Without improvements to the billing process, it is likely that DFAS will continue to under-bill.

Result: DoD IG recommended that the undersecretary of defense (comptroller)/chief financial officer chair a meeting with the undersecretary of defense for acquisition, technology and logistics and the undersecretary of defense for personnel and readiness to assign a DoD functional proponent for billing contractors for health care. Additionally, DoD IG recommended that the undersecretary of defense (comptroller)/chief financial officer, DoD, in coordination with the DoD working group and the proponent, establish controls to correct the problems that were identified; review the current billing system for accuracy; and bill for health care provided to contractor personnel before February 2011 and amounts under-billed in 2011.

Report No. DODIG-2012-106

Guam Medical Staffing Plan Needs Improvement to Ensure Eligible Beneficiaries Will Have Adequate Access to Health Care

Overview: This is the second in a series of reports regarding the adequacy of medical plans related to the realignment of service members and their families to Guam. DoD IG determined whether the methodology and plan used to determine the number and type of medical staff needed for eligible beneficiaries in Guam ensure

DoD IG reviewed location reporting of deployed service members.

that beneficiaries have adequate access to care, given the expected population increases resulting from the realignment to Guam.

Findings: The Navy Medicine West methodology for determining medical staffing requirements was reasonable. However, the resulting plan did not adequately identify and assess the risks associated with not expanding specialty care in Guam although the beneficiary population was projected to increase from 14,195 in FY 2005 to 37,467 by FY 2020. For example, Navy Medicine West personnel did not adequately plan for nine specialties that are available to beneficiaries in Okinawa, Japan, such as neurology, neonatal intensive care unit and gastroenterology. Navy Medicine West personnel did not apply their methodology for determining medical staffing requirements to the specialties that the U.S. Naval Hospital Guam did not provide; and assumed the aeromedical evacuation system that moved 374 patients (including 64 urgent and priority patients) out of Guam in FY 2010 could handle the increased requirements resulting from the Guam realignment without coordinating with the Air Force. Consequently, the Navy Medicine West plan did not sufficiently mitigate the risks associated with not providing additional specialty care in such a remote location and ensure the beneficiaries in Guam will have adequate access to health care.

Result: DoD IG recommended that the chief, Navy Medicine West apply the staffing methodology for specialties that U.S. Naval Hospital Guam does not provide; coordinate with the Air Force to determine if the aeromedical evacuation system can handle future demands; and identify and assess the risks of not providing certain specialty care and develop plans for mitigating unacceptable risks.

Report No. DODIG-2012-088

DoD IG reviewed task orders for the overhaul of Mi-17 helicopters.

Equipping and Training Iraqi and Afghan Security Forces

The Afghan National Security Forces are a critical pillar for establishing security and stability in Afghanistan. Following the removal from power of the Taliban in 2002, DoD and coalition members have focused on establishing an effective and capable ANSF. The long-term goal has been to build and develop ANSF that were nationally respected; professional; ethnically balanced; democratically accountable; organized, trained and equipped to meet the security needs of the country; and increasingly funded from government of Afghanistan revenue.

Since 2005, a DoD IG core emphasis area is to provide effective oversight on equipping and training ANSF. DoD IG's initial effort in 2005 focused on a management decision model that can be used to conduct periodic assessments of the capability and readiness of the Afghanistan Ministry of Defense and the Afghan National Army. In 2006, DoD IG in conjunction with the Department of State OIG, issued a joint report on training and equipping the Afghanistan National Police.

DoD IG and DoS OIG, have issued several additional joint reports on training the ANP. DoD IG has also reviewed efforts to build the ANSF logistics and medical capabilities as well as contracting processes; developing equipment requirements; manage goods and materiel provided; and use funds designated to support training and equipping the ANSF.

DoD IG issued reports addressing challenges in providing effective training, adequate contracting for services and materiel and development of equipment requirements.

Mi-17 Overhauls Had Significant Cost Overruns and Schedule Delays

Overview: DoD IG determined whether DoD personnel performed proper oversight, management and pricing of two Counter Narcoterrorism Technology Program Office task orders for the overhaul of Mi-17 helicopters.

Findings: Army contracting and program management officials did not perform adequate oversight and management of Counter Narcoterrorism Technology Program Office contracts for the overhaul of Mi-17 aircraft. Specifically, the contracting officers and program management officials did not adequately support the contractor's oversight of its subcontractor. The subcontractor denied the DoD and contractor quality assurance personnel access to its over-

haul facility. The subcontractor's aircraft overhaul took 12 to 20 months longer than planned, failed to identify unsanctioned parts that must be replaced and cost the government $16.4 million in unnecessary costs. The Army Space and Missile Defense Command, Contracting and Acquisition Management Office contracting officers did not adequately determine pricing and negotiation for contract modifications on two task orders. The contracting officer did not adequately justify $90.4 million in task order modifications as fair and reasonable.

Result: DoD IG recommended that (1) the Army debarment official consider whether suspension or debarment is warranted for the subcontractor and its affiliates; (2) the deputy assistant secretary of the Army for procurement review the contracting officers' performance; (3) the program executive officer, Aviation, conduct training for contracting officer's representatives; and (4) the assistant secretary of the Army for acquisition, logistics and technology conduct a review of project management personnel actions. DoD IG recommended that the executive director, Aviation and Missile Life Cycle Management Command/Space and Missile Defense Command Contracting Center, implement a process to use cost and price analysts to assist contracting officers in making fair and reasonable price determinations and establish controls to verify that they use cost or price analyses, obtain cost and pricing data, and document fair and reasonable price determinations.

Report No. DODIG-2012-135

Fees and Surcharges Assessed on Afghanistan Security Forces Fund Orders Need Improved Cost Accounting

Overview: DoD IG reviewed the fees and surcharges assessed by DoD components when they fulfilled orders funded by the Afghanistan Security Forces Fund and how they identified their actual costs to support the fees and surcharges assessed.

Findings: The U.S. Army Corps of Engineers and the Air Force Center for Engineering and the Environment generally had appropriate cost accounting procedures; however, the Defense Security Cooperation Agency did not maintain adequate cost accounting records that showed whether three surcharge rates represented reasonable estimates of actual costs on foreign military sales cases funded by ASFF appropriations. Specifically, DSCA collected the following surcharges:

- Administrative: more than $848 million from cases funded by FY 2005 through FY 2011 ASFF appropriations, but its cost records did not support the surcharge rate.
- Contract administration services: an unknown amount and it could not compare actual expenses to surcharges collected.
- Transportation expense: an unknown amount and it could not identify the expenses for each ASFF case.

DSCA did not have adequate policies and procedures that required preparation of detailed cost accounting records to support surcharge rates with actual cost data or to use available cost data when reviewing the contract administration services and transportation expense surcharge rates. In addition, DSCA did not have policies to determine whether it properly used ASFF appropriations when it made transfers between the administrative and transportation expense surcharge accounts. As a result, it was unclear whether DSCA assessed appropriate surcharges to pay for the actual expenses for ASFF cases or how much of the $2.8 billion balance in the three surcharge accounts resulted from high rates for ASFF cases. Further, a DSCA transfer of $130 million from the administrative account to clear deficits in the transportation account may have subsidized sales of military equipment and services to foreign governments with ASFF appropriations. Improved cost accounting and a DoD working group would facilitate cost-saving measures, such as those advocated by the secretary of defense. Such measures could reduce future estimated administrative surcharges DSCA expects to collect on ASFF cases, which would help free up funds for operations in Afghanistan.

Result: DoD IG recommended the undersecretary of defense (policy) establish a working group to review surcharge policies, rates and accounting requirements related to ASFF orders. The director, DSCA, should implement policy to require detailed cost accounting procedures. The policy should ensure that the DSCA rates reasonably reflect actual costs for ASFF cases, identify actual contract administration services and transportation expenses, and establish

"DSCA did not have adequate policies and procedures that required preparation of detailed cost accounting records to support surcharge rates..."

DoD IG reviewed accountability for night vision devices.

controls to segregate appropriated and foreign country funds in the surcharge accounts.
Report No. DODIG-2012-128

DoD needs to Improve Vocational Training Efforts to Develop the Afghan National Security Forces Infrastructure Maintenance Capabilities

Overview: DoD IG determined whether vocational training provided under the contracts to conduct operations and maintenance services for the Afghan National Security Forces was effective in developing ANSF infrastructure maintenance capabilities.

Findings: Vocational training provided under the operations and maintenance contracts did not effectively develop ANSF infrastructure maintenance capabilities. Specifically, U.S. Army Corps of Engineers and Combined Security Transition Command-Afghanistan officials did not require the contractor to implement vocational training at nine of the 18 ANSF sites required by the contracts. This occurred because CSTC-A Infrastructure Training Advisory Group officials were still developing their transition strategy and assessing the feasibility of implementing training at additional sites. In addition, USACE officials did not incorporate measurable performance standards in the contracts or conduct sufficient quality assurance activities because officials considered the vocational training portion of the contracts to be negligible in relation to the value of operations and maintenance services to be performed. CSTC-A will continue to be at an increased risk for not meeting its goal to transition facility operations and maintenance responsibilities to the ANSF by the end of 2014. In addition, the approximately $10.3 billion planned U.S investment in facilities may be diminished if ANSF are unable to maintain their infrastructure.

Result: Among other recommendations, DoD IG recommended that CSTC-A execute existing transition strategy initiatives and develop new initiatives to accelerate development of ANSF infrastructure maintenance capabilities. In addition, CSTC-A, in coordination with USACE officials, should accelerate training implementation at ANSF sites with an Infrastructure Training Advisory Group presence. DoD IG also recommended that USACE, in coordination with CSTC-A officials, update the contracts and monthly contracting officer's representatives' report templates to properly monitor the contractor's performance of vocational training.
Report No. DODIG-2012-104

Accountability of Night Vision Devices Procured for the Afghan National Security Forces Needs Improvement

Overview: DoD IG reviewed DoD, ANSF and contractor accountability for 7,157 night vision devices and associated spare tubes procured for the ANSF.

Findings: DSCA officials, NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan officials, ANSF officials and DoD contractors did not maintain complete accountability for NVDs and associated spare tubes procured for the ANSF. Specifically, DoD IG identified:

- 342 NVD serial numbers were missing from the Security Cooperation Information Portal and 88 NVD serial numbers were missing from the Operational Verification of Reliable Logistics Oversight Database during DoD IG's shipping document reconciliations.
- 113 NVD serial numbers were missing from Security Cooperation Information Portal and 40 NVD serial numbers were missing from the Operational Verification of Reliable Logistics Oversight Database in DoD IG's Security Cooperation Information Portal and the Operational Verification of Reliable Logistics Oversight Database comparisons.
- 75 NVDs were unaccounted for during DoD IG's physical inventory.
- 397 discrepancies existed in the contractor's database and 518 discrepancies across four units' property books during DoD IG's accountable record reconciliations.

This occurred because:

- DSCA officials did not provide adequate oversight to verify that U.S. Army Communications-Electronics Command and NTM-A/CSTC-A officials properly implemented procedures.
- NTM-A/CSTC-A officials did not always reconcile the NVDs received to the shipping documents, use Security Cooperation Information Portal for NVD accountability,

perform complete physical inventories and provide adequate oversight of DoD contractors and ANSF officials.
- U.S. Army Communications-Electronics Command officials did not provide adequate oversight of DoD contractors.

As a result, NVDs and associated spare tubes are more vulnerable to theft or loss, officials cannot rely on the data as a tool to determine NVD requirements, and officials cannot perform effective end-use monitoring.

Result: DoD IG recommended the director, DSCA, should provide adequate oversight of U.S. Army Communications-Electronics Command and NTM-A/CSTC-A. The commanding general, NTM-A/CSTC-A, should reconcile all NVDs; use the Security Cooperation Information Portal; perform complete physical inventories; retain documentation; and verify adequate oversight and proper implementation of NVD accountability guidance. The commanding general, U.S. Army Communications-Electronics Command, should verify adequate oversight of DoD contractors. Management was responsive to DoD IG recommendations.

Report No. DODIG-2012-103

Afghan National Police Contract Requirements Were Not Clearly Defined but Contract Administration Improved

Overview: DoD IG, in ongoing series of reviews of the Afghan National Police contract, issued a report on whether the Army appropriately administered the ANP contract, valued at approximately $1.2 billion as of Jan. 31, 2012, in accordance with federal and DoD guidance.

Findings: Army contracting officials at Army Contracting Command-Aberdeen Proving Ground did not appropriately award and administer the ANP contract in accordance with federal and DoD guidance. CSTC-A personnel made substantial changes to the statement of work immediately after contract award and the contractor more than doubled the size and cost of its program management office. CSTC-A, International Security Assistance Force Joint Command, and Army contracting officials did not adequately define contract requirements or identify that the contractor omitted key program office positions from its proposal during the source selection process. The ANP contract increased by $145.3 million in the first four months of the contractor's performance and contractor officials still had not reached the staffing levels required in the contract at the time of the DoD IG review. The DCMA-Afghanistan administrative contracting officer inappropriately authorized the prime contractor to award a subcontract for a power plant upgrade that was outside the scope of the work of the prime contract. As a result, the Army did not receive potential cost savings by competing the contract.

Result: DoD IG recommended that the executive director, ACC-Rock Island, direct the ACC-Rock Island procuring contracting officer to verify that the contractor does not request funding for unnecessary positions and perform thorough cost analysis for contract changes. Additionally, DoD IG recommended that the procuring contract officer, ACC-Rock Island, document a formal determination on whether an out-of-scope contract action occurred. DoD IG recommended that the deputy commanding general for support, CSTC-A, monitor deficiencies related to infrastructure for planned training efforts and that the commander, DCMA-Afghanistan, review the actions of the administrative contracting officer and determine whether any administrative actions are appropriate. Management comments were responsive to the recommendations.

Report No. DODIG-2012-094

Improving Army Contract Award and Management for Small Arms Acquired Using Afghanistan Security Forces Funds

Overview: DoD IG evaluated contract award, pricing and quality assurance provisions for 45 contract actions, valued at approximately $103.2 million. Army Contracting Command used these contract actions to procure small arms, including accessories and spare parts, with Afghanistan Security Forces Funds.

Findings: ACC officials did not properly award or manage 19 contract actions in accordance with regulations and did not include specific quality requirements in the contract for 13 contract actions because they did not perform all necessary contracting procedures when accelerating procurements. Specifically, ACC contracting officials did not:
- Properly compete or adequately justify

"As a result, the Army did not receive potential cost savings by competing the contract."

"DoD IG determined whether the process for developing the individual equipment requirements for sustainment of the Afghan National Army was adequate."

sole-source awards for six actions.
- Adequately determine foreign subcontractor qualifications for 13 actions.
- Adequately address contractor nonperformance for two actions.
- Require anything other than a visual inspection to verify the quantity and weapon type before acceptance for 13 actions.

As a result, ACC contracting centers may have overpaid on six contract actions and foreign-manufactured small arms may be of lower quality, delivered late or not at all. In addition, ACC contracting officials did not document the requirement for 25 contract actions and the use of commercial acquisition procedures for 10 contract actions. Contracting officials did not maintain a letter of offer and acceptance and documentation to support the commercialization of the small arms in the contract file. Therefore, the ACC contracting officials may procure the incorrect item or quantity and may be using acquisition procedures that limit the government's ability to monitor and inspect the small arms.

Result: DoD IG recommended the executive director, ACC, require contracting officials to:
- Develop standard operating procedures for assessing foreign subcontractor capability.
- Promptly resolve contractor nonperformance.
- Review the contracting officials' actions for the task order.
- Include specific contract dates for obtaining the end-user certificate and delivering the small arms.
- Include specific quality requirements and inspection and acceptance provisions in the contract.
- Maintain approved letters of offer and acceptance and market research used to support the commercial item determination in the contract file.

DoD IG recommended that the commanding general, U.S. Army Security Assistance Command, develop guidance that requires approved letters of offer and acceptance be provided to contracting officers. The executive director, ACC, and the deputy to the commanding general, Army Security Assistance Command, agreed with the recommendations.

Report No. DODIG-2012-093

Development of Individual Equipment Requirements for the Afghan National Army Needs Improvement

Overview: DoD IG determined whether the process for developing the individual equipment requirements for sustainment of the Afghan National Army was adequate. Specifically, DoD IG reviewed the planning and processes for determining sustainment requirements for 15 types of ANA individual equipment items in three commodity areas with a total cost of approximately $667.6 million.

Findings: NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan officials did not develop adequate sustainment requirements for the 15 types of ANA individual equipment items. Specifically, officials did not develop supportable recapitalization and maintenance requirements. This occurred because NTM-A/CSTC-A:
- Relied on anecdotal evidence, experience and professional judgment to develop the recapitalization rates.
- Could not determine the items identified for recapitalization or the process used to develop the requirements in FY 2007 through FY 2011.
- Did not request all necessary maintenance data from contractors.
- Did not request subject-matter expertise from the Life Cycle Management Commands in developing sustainment requirements.

As a result, NTM-A/CSTC-A:
- Had no assurance that 2,613 individual equipment items, costing $5.6 million, planned for recapitalization in FY 2012 were sufficient to replace irreparably damaged or lost items.
- Had no assurance that items would be available to replace a potential 29,569 irreparably damaged or lost ANA individual equipment items, valued at approximately $49 million, acquired before FY 2012.
- Did not have information to make informed decisions on ANA individual equipment sustainment requirements.

Result: The commanding general, NTM-A/CSTC-A should develop and implement a plan to:
- Identify and obtain data necessary to sup-

port ANA individual equipment recapitalization and maintenance requirements.
- Determine the condition of individual equipment items acquired before FY 2012 and identify recapitalization requirements.
- Obtain information from subject-matter experts to assist with the development of sustainment requirements.

Report No. DODIG-2012-092

Better Contract Oversight Could Have Prevented Deficiencies in the Detention Facility in Parwan, Afghanistan

Overview: DoD IG initiated this audit in response to a concern from the commander, Task Force Protector. In May 2010, the commander identified deficiencies that existed within the detention facility in Parwan, Afghanistan, including major infrastructure systems (for example, sewage and fire suppression systems).

Findings: The U.S. Army Corps of Engineers Afghanistan Engineer District-North officials accepted the detention facility from the contractor in September 2009, although major deficiencies existed. Specifically, the contractor used materials in major infrastructure systems that did not conform to the contract specifications. USACE Afghanistan Engineer District-North officials did not provide adequate oversight over the construction of the detention facility and did not comply with their internal policies regarding oversight of the contractor's warranty. As a result, major infrastructure systems had recurring deficiencies requiring replacement or repair. These deficiencies increased safety and security risks to DoD personnel and detainees.

Result: Among other recommendations, DoD IG recommend that the commander, USACE Afghanistan Engineer District-North, identify and perform a review of personnel responsible for the inadequate oversight of the construction and initiate administrative action if deemed appropriate; direct the contracting officer to maintain copies of all acceptance-testing results in the official contract file and train personnel on the need to adhere to formal warranty procedures.

Report No. DODIG-2012-089

Additional Guidance and Training Needed to Improve Afghan National Army Pharmaceutical Distribution

Overview: DoD IG conducted this audit in response to a February 2011 assessment that DoD IG performed at the Afghan National Army National Military Hospital, Kabul, Afghanistan, on health care and sanitation. DoD IG determined whether the pharmaceutical distribution process within the ANA health care system was effective.

Findings: Although the ANA pharmaceutical distribution process improved since February 2011, the procurement, delivery and inventory control processes for pharmaceuticals at medical facilities and depots could be improved. Specifically, Afghan Logistics Command officials effectively received, accounted for and prepared pharmaceuticals for issuance to the forward supply depots and National Military Hospital. However, of the six supply depots and medical facilities reviewed, four did not have or maintain pharmaceutical accountability controls and none properly used or completed all Ministry of Defense forms. The new distribution process was still early in its implementation. Specifically, ANA officials, in coordination with Combined Security Transition Command-Afghanistan, did not effectively communicate with or train all ANA personnel. In addition, Afghan Medical Command officials, in coordination with CSTC-A, did not develop procedures instructing medical facility personnel how to implement logistics guidance and how to collect and accurately report on pharmaceutical usage data. In addition, none of the 11 vendors, which Afghan Acquisition, Technology and Logistics officials selected for a $4.7 million contract to procure pharmaceuticals and medical supplies, delivered all of the pharmaceuticals in accordance with contract requirements. Officials did not fully document vendor evaluations during source selection. As a result, ANA is at an increased risk that the usage data cannot be relied upon to develop pharmaceutical requirements and there is an increased risk of mismanagement, theft and waste of U.S.-funded pharmaceuticals. In addition, CSTC-A is at risk of not being able to transition the distribution process to complete ANA control.

Result: DoD IG commended CSTC-A and ANA officials for corrective actions taken or planned in response to preliminary concerns

DoD IG reviewed contract oversight at a detention facility in Afghanistan.

"... the Air Force has reduced manning at 20th Air Force and 8th Air Force headquarters while increasing their relevance."

identified during the audit, such as improving access controls, providing training and issuing guidance. DoD IG recommended that the commander, CSTC-A, direct mentors to assist ANA personnel to develop a communication strategy and training program, provide training and issue guidance for medical facilities, and ensure acquisition, technology and logistics officials maintain and include sufficient documentation on vendor evaluation and selection process.
Report No. DODIG-2012-083

Nuclear Enterprise

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

Review of United States Air Force Nuclear Weapon Security Program

Overview: This report examined the policies, practices, plans and capabilities for physical security and control of nuclear weapons in Air Force custody. It examined the vulnerabilities determined by the Air Force; the physical improvements accomplished; and how tactics, training and procedures were changed to mitigate these vulnerabilities. The progress was compared with the 2008 DoD nuclear weapon physical security roadmap and what has yet to be done was identified.
Findings: The report provided actionable recommendations that will strengthen the security of nuclear weapons in the custody of the Air Force. Air Force comments were responsive for 10 of the 16 recommendations.
Result: The majority of the remaining recommendations will be addressed by the upcoming revision to Air Force Manual 31-108. The report is classified.
Report No. DoDIG-2012-079

Assessment of Air Force Global Strike Command Organizational Structures, Roles and Responsibilities

Overview: DoD IG reviewed the command relationships of Air Force Global Strike Command and its subordinate organizations. The objective was to assess the effectiveness and efficiency of current command relationships. DoD IG also examined potential efficiencies and security advantages derived from alternative organizational structures at Minot Air Force Base, N.D.
Findings: DoD IG determined that Air Force Global Strike Command took a proactive role with regard to enhancing the Air Force's nuclear enterprise focus prior to initiation of the DoD IG assessment. As a result, the Air Force has reduced manning at 20th Air Force and 8th Air Force headquarters while increasing their relevance. DoD IG identified manpower and command and control improvements that could potentially be utilized at Minot Air Force Base to further enhance efficiency and effectiveness.
Result: Comparable efficiencies will likely be realized via initiatives undertaken by Air Force Global Strike Command prior to commencement of the DoD IG review and as a result, there were no recommendations.
Report No. DoDIG-2012-113

The following cases are highlights of investigations conducted by 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.
- Technology protection

Procurement Fraud

Procurement fraud investigations continue to comprise a major part of the DCIS inventory of cases. Procurement fraud includes but is not limited to cost and labor mischarging, defective parts, defective pricing, price fixing, bid rigging and counterfeit parts.

The potential damage relating to procurement fraud extends well beyond financial losses. It poses serious threats to the ability of the Department to achieve its operational objectives and can negatively impact the implementation of programs.

Ex-Army Master Sergeant and Wife Guilty in Theft Scheme

Overview: A joint investigation with the Army Criminal Investigations Command, Defense Logistics Agency OIG and the Air Force Office of Special Investigations disclosed that Francisco Javier De La Maza and Gabriela De La Maza were involved in a scheme of illegally obtaining and selling large quantities of excess government property from the Defense Reutilization and Marketing Service. During a six-year period Francisco De La Maza illegally obtained computers, computer-related equipment and uniforms, which he sold for financial gain. The scheme included forging the signature of the commander of his military unit at Fort Sam Houston, Texas, to gain access to the DRMS depots.

Result: On Sept. 4, 2012, Francisco De La Maza was sentenced to 40 months confinement and 36 months supervised release. He had previously pleaded guilty to theft of government property and aggravated identity theft. Gabriela De La Maza was sentenced to 60-months probation. She had previously pleaded guilty to conspiracy to money launder. The De La Mazas were ordered to jointly pay restitution of $860,863 and satisfy an Aug. 31, 2012, money judgment of an additional $860,863, which collectively totaled $1.7 million. On the same day, a forfeiture of $672,000 of real estate property was ordered to help satisfy the restitution order.

$63.7 Million Settlement by Accenture LLP for Alleged False Claims

Overview: A multi-agency joint investigation with DCIS disclosed that several computer-consulting firms, including Accenture LLP, were involved in giving or accepting kickbacks. Accenture accepted improper payments amounting to kickbacks from hardware and software vendors and other alliance partners in exchange for Accenture's recommendation of vendors' products to government end users. Thus far, the following computer-consulting firms have settled similar allegations: EMC-$87.5 million; CSC-$1.4 million; IBM-close to $3 million; and Pricewaterhouse Coopers-$2.3 million.

Result: On Sept. 9, 2011, the Department of Justice entered into a civil settlement agreement with Accenture, in which Accenture agreed to pay $63.7 million to settle the fraud allegations. On June 12, 2012, the Eastern District of Arkansas issued a court order granting two whistleblowers 22 percent of the $63.7 million Accenture settlement, or $14 million.

$225,000 Settlement by Medico Industries for Alleged False Claims

Overview: A joint investigation with Naval Criminal Investigative Service and Army Criminal Investigation Command determined that Medico Industries Inc. submitted erroneous certificates of compliance to the government that stated that all deliveries were in conformance with specifications required under the contract. Medico improperly provided nonconforming tail cone assemblies for mortar illumination rounds (M767) and smoke rounds (M819) under a Joint Munitions Command contract.

Result: On May 30, 2012, the Department of Justice entered into a settlement agreement and release with Medico, in which Medico agreed to pay $225,000 to settle the fraud allegations.

DCIS investigated Crowley Liner Services for price fixing.

DLA Supplier Aerofab and Affiliates Debarred

Overview: A joint investigation with NCIS disclosed that Aerofab Inc. and affiliated companies Alpha Aerospace, Century Metals and owners Jamie and Dona Tindall supplied nonconforming/substitute products to DoD. Under DLA's quality suppliers list for distributors, Aerofab supplied nonconforming solenoid valves, a critical application item, for use on towing tractors for the F-18 aircraft. The Tindalls created a new affiliate after disqualification of a previous affiliate to continue the scheme of providing nonconforming materials by obtaining awards under the quality suppliers list of distributors program.
Result: On May 21, 2012, the Navy debarred Aerofab, Inc., Alpha Aerospace, Century Metals, Jamie Tindall and Dona Tindall from government contracting for ten years.

Language Contract Fraud Result in Three Years in Jail for Owners

Overview: A joint investigation with Small Business Administration OIG disclosed that Eduardo Blanchet and Daniel Guillan misrepresented MiLanguages Corporation as a small business. In 2002, B.I.B. Consultants, owned by Blanchet and operated by Guillan, received a $50 million small business set-aside contract to teach foreign languages to special forces. As a result of the award, B.I.B. grew into a large business and neither B.I.B. nor any of its affiliates were eligible to bid on any subsequent small business contracts. Knowing this, Blanchet and Guillan formed MiLanguages and misrepresented its ownership to bid on small business set-aside contracts. MiLanguages fraudulently bid on and was subsequently awarded a $100 million small business set-aside contract to teach foreign languages to the military.
Result: MiLanguages, B.I.B Consultants, Blanchet and Guillan were previously suspended from doing business with the government. On Feb. 28, 2012, Blanchet and Guillan were each found guilty of five counts of wire fraud and one count of conspiracy. On May 31, 2012, Blanchet and Guillan were each sentenced to 36 months imprisonment, followed by three years of supervised release. In addition, an order of forfeiture was entered for $10.9 million.

Public Corruption

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

Crowley Liner Services Ordered to Pay $17 Million Criminal Fine for Price Fixing Scheme on Freight Services between the United States and Puerto Rico

Overview: A joint investigation with DCIS, FBI and the Department of Transportation OIG disclosed that Crowley Liner Services, Inc. engaged in a conspiracy to fix rates and surcharges for shipping freight between the United States and Puerto Rico from as early as May 2002 until at least April 2008. In 2005, the Army Surface Deployment and Distribution Command, Regional Domestic Contract Division, contracted with Crowley and other companies for shipping a variety of cargo for DoD, such as heavy equipment, perishable food items, medicines and consumer goods to Puerto Rico. Crowley conspired with others to fix rates, divide customers, rig bids and add surcharges to shipping between the United States and Puerto Rico for DoD and commercial customers.
Result: On July 31, 2012, Crowley Liner Services Inc. pleaded guilty to one count of violating the Sherman Antitrust Act and agreed to pay a $17 million fine for its role in a conspiracy to fix prices in the coastal water freight transportation industry.

Former Army Corps of Engineers Employee Pleads Guilty to Multimillion-Dollar Bribery Scheme

Overview: A joint investigation conducted by DCIS, Internal Revenue Service-Criminal Investigation, Immigration and Customs Enforce-

ment-Homeland Security Investigations and Army CID determined that John Alfy Salama Markus, a former U.S. Army Corps of Engineers employee accepted bribes while deployed to Tikrit, Iraq. This scheme was in connection with more than $50 million in USACE contracts awarded to foreign companies in Iraq. From July 2007 to June 2008, Markus accepted at least $3.7 million in bribe payments for USACE contracts awarded to multiple companies associated with two foreign contractors. Markus and a coworker were involved in the review and award process for contractors seeking USACE contracts in Iraq, as well as the administration, oversight and modification of such contracts, post-award. Markus admitted that he and his coworker participated in a scheme to provide favorable official action and assistance to co-conspirators for the benefit of their associated companies, including obtaining and disseminating confidential bid and internal USACE pricing information and approving payments to these companies. Markus opened and established control over, multiple foreign bank accounts in Jordan and Egypt to receive illegal bribe payments from the foreign contractors. Markus used these accounts to transfer bribes from foreign contractors to at least 11 bank accounts established by Markus in New Jersey and Pennsylvania. Markus also admitted that, with the proceeds of his wire fraud scheme and bribery offenses, he paid for the construction of a custom-built home worth approximately $1.11 million.

Result: On Sept. 7, 2012, Markus pleaded guilty to three counts of a 54-count indictment charging him with wire fraud, conspiracy to commit bribery and conspiracy to defraud the U.S. government, money laundering and tax offenses. Two other USACE employees and two foreign contractors were also charged in the July 2011 indictment. Sentencing is scheduled for January 2013.

Trucking Company Owners and Former Employees Sentenced for Involvement in Motor Fuels Tax Evasion Scheme

Overview: A joint investigation with DOT OIG, Internal Revenue Service and Army CID disclosed that Richard J. Baca, Fernando J. Baca, Luis C. Campos and Thomas H. Quintero conspired to steal DoD aviation fuel and avoid paying motor fuel taxes. The subjects stole aviation fuel from Briggs Army Airfield, El Paso, Texas, for commercial use in Richard Baca's company trucks. Campos and Quintero were employees of Trajen Flight Support, which operated the refueling station at Briggs AAF. Trajen Flight Support was reimbursed for all paid motor fuels excise taxes at the airbase. Quintero would notify Richard Baca when to fuel his trucks at the airfield. Quintero and Campos would then produce false inventory records to conceal the stolen fuel from the Army. Finally, Baca would pay $1.50 to $1.75 a gallon to Quintero or Campos for the fuel, and on occasion, resell the fuel for up to $2.90 a gallon.

Result: Previously, all four suspects and both RJ Baca Trucking and Rolling Rock Trucking were debarred from doing business with the government. Following a guilty plea to a criminal indictment, on May 22, 2012, Richard Baca was found guilty of one count of conspiracy to commit theft and later ordered to 60 months probation. Following a guilty plea to a criminal indictment, on May 24, 2012, Luis Campos found guilty of one count of conspiracy to commit theft and was later sentenced to four months confinement and three years supervised release. Following a guilty plea to a criminal information, on May 25, 2012, Fernando Baca was adjudged guilty of two counts of false statements and one count of conspiracy to commit theft and was later sentenced to 15 months confinement and three years supervised release. Following a guilty plea to a criminal information, on May 31, 2012, Tomas Quintero was adjudged guilty on two counts of tax evasion and one count of conspiracy to commit theft and later sentenced to 30 months confinement and three years supervised release. All four co-defendants were ordered to jointly-and-severally pay restitution of $291,817 to the Defense Energy Support Center and $26,511 to DOT. In addition, Quintero and Fernando Baca were ordered to pay $43,806 and $25,504 to the IRS, respectively.

Seven Guilty Pleas in Wide-Ranging Bribery Scheme at Naval Air Station North Island, Calif.

Overview: A joint investigation with the FBI, NCIS, IRS-Criminal Investigation and the General Services Administration OIG identified a scheme in which prime contractors conspired

> "This scheme was in connection with more than $50 million in USACE contracts awarded to foreign companies in Iraq."

to provide bribes to certain Naval Air Station North Island, Calif., employees in exchange for millions in fictitious work orders under DoD contracts for various goods and services. The NAS North Island employees, Donald Vangundy, Kiet Luc, David Lindsay and Brian Delany, accepted more than $1 million in checks, retail gift cards, flat screen televisions, home furnishings, appliances, high-end bicycles, model airplanes and home remodeling services in return for millions of dollars in fraudulent contract orders. Michael Grave, John Newman and Paul Grubiss were the owners and/or officers of three companies that were allowed to circumvent the bidding process to exclude competition. In addition, the NAS North Island employees ignored nondelivery of ordered items and signed off as accepting delivery of items that were not delivered. An additional conspirator, Jesse Denome, president of J.D. Machine Technical, Inc., and Kaiser Defense, LLC., previously pleaded guilty to conspiracy to commit bribery and filing a fraudulent tax return for work directed to Denome's businesses by the same NAS North Island employees.

Result: On April 24, 2012, a federal court judge accepted guilty pleas from the four former Navy contracting employees and three prime contractors to federal charges including conspiracy to commit bribery and wire fraud.

"Nonconforming products not only disrupt readiness and waste economic resources, but also threaten the safety of military and government personnel..."

Product Substitution

DCIS supports DoD and its warfighting mission through timely, comprehensive investigations of products that are counterfeit, defective or substandard, or do not conform with the requirements of the contract. Nonconforming products not only disrupt readiness and waste economic resources, but also threaten the safety of military and government personnel and other end-users. When substituted products are provided to DoD deliberately, mission-critical processes and capabilities can be severely impacted until they are removed from the DoD supply chain. DCIS works with federal law enforcement partners, supply centers and the defense industrial base to ensure that DoD contractors provide the correct part or component to meet DoD requirements. DCIS actively participates in the Defense Supply Center-Columbus Counterfeit Material/Unauthorized Product Substitution Team and partners with the Intellectual Property Rights Center, focusing on thwarting the proliferation of counterfeit parts.

$36 Million Qui Tam Settlement by ATK-Thiokol for Alleged Sale of Defective Parts

Overview: A joint investigation with AFOSI disclosed that ATK-Thiokol allegedly sold defective illumination flares to the Army and Air Force that could prematurely ignite if dropped from lower heights than specified in the contract, creating a significant safety hazard. The flares burn in excess of 3,000 degrees Fahrenheit for more than five minutes and are used for night combat and search and rescue operations. U.S. forces in Iraq and Afghanistan have used the flares extensively. The U.S. government alleged ATK knowingly delivered flares incapable of withstanding a 10-foot drop test without exploding or igniting, as required by the contract specifications. The investigation showed that the flares could ignite if dropped from a height less than three feet.

Result: On April 23, 2012, the Department of Justice entered into a civil settlement agreement with ATK, in which ATK agreed to pay the U.S. government $21 million to resolve allegations of fraud in this qui tam lawsuit. ATK also agreed to a separate payment of $4.5 million to the relator. Finally, ATK agreed to provide $15.9 million of in-kind services to retrofit existing flares to meet contract specifications.

Air Force and Boeing Reach $1 Million Settlement

Overview: A joint investigation with AFOSI disclosed that the Boeing Company provided defective or non-conforming parts to the Air Force for the F-15C Eagle. On Nov. 2, 2007, during a basic fighter training exercise the non-conforming part, a longeron, caused an in-flight break-up of an F-15C Eagle. A longeron is a thin strip of material to which the skin of an aircraft is fastened. The pilot was able to eject and sustained non-life threatening injuries. But the aircraft was completely destroyed. The cause of the accident was determined to be the failure of the upper right longeron. The contract specifications required the longeron to be .10 inches thick. The investigation revealed the Boeing-supplied longerons varied in thickness from 0.039 to 0.073 inch.

Result: On Sept. 7, 2012, the Air Force reached an administrative settlement agreement with the Boeing Company for $1 million. The settlement agreement requires Boeing to provide the Air Force with $1 million worth of longerons delivered under a no-cost purchase order.

DK Enterprises Pays $325,000 to Settle Allegations of False Claims

Overview: A joint investigation with the Small Business Administration OIG and GSA OIG disclosed that DK Enterprises Inc. allegedly submitted false claims to the government seeking payment for items manufactured or originating in non-designated countries. DKE entered into a GSA contract to sell goods to government agencies over GSA's advantage website. The contract required that the goods were made in America. From May 1, 2001, to Dec. 30, 2007, DKE allegedly violated the Trade Agreements Act by providing goods that were made in China.

Result: On May 1, 2012, the Department of Justice entered into a civil settlement agreement with DKE, in which DKE agreed to pay $325,000 to settle the allegations of fraud.

Calnet, Inc. Pays $18.1 million to Settle False Claims Allegations for Language Translation and Linguistic Services at Guantanamo Bay, Cuba and Other Locations.

Overview: DCIS investigated Calnet Inc. based on allegations that the company allegedly inflated the subcontractor invoices billed to the Army Intelligence and Security Command for translation and linguistics services that mission essential personnel performed. The settlement related to three contracts, in which Calnet allegedly withheld payment to mission essential personnel and did not fully reimburse mission essential personnel for their costs. Calnet overstated provisional indirect rates and general overhead rates on each contract.

Result: On May 21, 2012, the Department of Justice entered into a civil settlement agreement with Calnet, in which Calnet agreed to pay $18.1 million to resolve allegations that the company submitted false claims to DoD. Pursuant to a separate agreement with the relators, the U.S. government paid them $2.6 million out of the funds, and Calnet paid the relator's counsel an additional $75,000.

Health Care Fraud

The rising cost associated with health care is a national concern and DCIS has experienced a corresponding increase in health care investigations. Of particular concern to DCIS are the allegations of potential harm to DoD military members and their dependents. In addition to patient harm, typical investigations scrutinize health care providers involved in corruption or kickback schemes, overcharging for medical goods and services, marketing of drugs for off-label uses and unauthorized people receiving TRICARE health care benefits. DCIS continues to proactively target health care fraud through participation in federal task forces and undercover operations.

Oncologist Pays $1 Million Settlement for Use of Unapproved Cancer Treatment Drugs

Overview: A joint investigation with the Food and Drug Administration and Health and Human Services OIG disclosed that Dr. Abid Nisar, purchased and administered FDA nonapproved prescription medications to beneficiaries of Medicare, TRICARE and state Medicaid programs. From Feb. 9, 2010 through Dec. 15, 2010, Nisar, owner of Hematology and Oncology, purchased medications from foreign drug distributors and unlicensed wholesale drug distributors in the United States. After administering the unapproved drugs to cancer patients, Nisar submitted claims for payment to state and federal health care programs. Nisar purchased these drugs from businesses associated with James Newcomb and Sandra Behe.

Result: Previously, Newcomb pleaded guilty to one count of conspiracy to cause the introduction of adulterated prescription drugs into interstate commerce and on Aug. 23, 2012 was sentenced to two years of imprisonment and three years of supervised release. Behe pleaded guilty to one felony count of introducing adulterated prescription drugs into interstate commerce and on June 22, 2012 was sentenced to five years' probation and ordered to serve 200 hours of community service. Nisar previously pleaded guilty to three counts of receipt of misbranded prescription drugs from interstate commerce. On May 25, 2012, Nisar was fined $25,000, sentenced to two years probation and ordered to

DCIS investigated the purchase of FDA nonapproved prescriptions.

perform 200 hours of community service. On May 21, 2012, Department of Justice entered into a civil settlement agreement with Nisar, in which Nisar agreed to pay $1 million to resolve allegations that he submitted false claims for payment to the Medicare, TRICARE, Illinois Medicaid and Missouri HealthNet programs. The settlement agreement also stipulated that Nisar would be excluded from federal health care programs for a period of seven years.

" ...unlawfully promoted certain prescription drugs, failed to report certain safety data and reported false prices."

$3 Billion Settlement and Plea by GlaxoSmith-Kline for the Sale of "Off-Label" Pharmaceuticals

Overview: A joint investigation with FBI, HHS OIG and FDA-Office of Criminal Investigations disclosed that from 1997 to 2003, GlaxoSmith-Kline, Inc. unlawfully promoted certain prescription drugs, failed to report certain safety data and reported false prices. GSK created a sales culture that illegally sold pharmaceuticals for the treatment of diseases and ailments not indicated or approved by the FDA. In addition, the GSK sales force persuaded certain physicians by payments and/or gifts to encourage other physicians to prescribe both the off-label and on-label GSK pharmaceuticals.

Result: On July 2, 2012, the Department of Justice entered into a civil settlement with GSK for approximately $2 billion, including $89.4 million to TRICARE. On July 5, 2012, GSK pleaded guilty to two counts of introducing a misbranded drug into interstate commerce and one count of failure to report safety data. GSK entered into a criminal plea agreement that totaled $1 billion, including a criminal fine of $956.8 million and forfeited assets of $43.2 million.

$16.5 Million Settlement by HCA Inc. to Settle False Claims

Overview: A joint investigation with HHS OIG and the Tennessee Bureau of Investigation disclosed that HCA, Inc. allegedly submitted false claims to the federal health care programs and the state of Tennessee Medicaid program seeking payment for patient services performed. The investigation showed that HCA, through its subsidiaries Parkridge Medical Center and HCA Physician Services, entered into a series of financial transactions with Diagnostic Associates of Chattanooga and paid remuneration and other financial benefits intended to induce the physician members of Diagnostic Associates to refer patients to HCA facilities. On July 31, 2007, HCAPS purchased the Diagnostic Associates practice and hired the existing physicians. Concurrent with the purchase, HCA and its subsidiaries entered into allegedly unlawful lease agreements with Diagnostic Associates, which included inflated lease payments and the unlawful termination or release of lease agreement(s). From Aug. 1, 2007, through July 31, 2011, HCA through Parkridge submitted claims to federal health care programs and the State of Tennessee Medicaid program for patient services that were influenced by physicians who allegedly benefitted from the prohibited financial arrangements between HCA and Diagnostic Associates.

Result: On June 14, 2010, the Department of Justice entered into a civil settlement agreement with HCA, in which HCA agreed to pay a total of $16.5 million to settle the allegations of fraud. According to the agreement, HCA will pay the government $15.6 million and will pay the state of Tennessee $807,000. The TRICARE portion of the claims from that settlement is $1.3 million.

Nextcare Urgent Care Enters Into $10 Million Settlement after Alleged False Claims

Overview: A joint investigation with the FBI and Office of Personnel Management OIG revealed that Nextcare Urgent Care submitted allegedly false claims to Medicare, TRICARE, the Federal Employees Health Benefits Program and some state Medicaid programs. From Jan. 1, 1996, through July 31, 2010, Nextcare allegedly engaged in charging for medically unnecessary allergy tests, charging for medically unnecessary respiratory tests and improperly charging for services not rendered.

Result: On July 2, 2012, the Department of Justice entered into a civil settlement agreement with Nextcare, in which Nextcare agreed to pay $10 million, including $991,000 to TRICARE, to settle the allegations of fraud.

Technology Protection

DCIS continues to play a vital role in the protection of military technology. DCIS accomplishes its mission by investigating individuals and organizations attempting to steal or illegally export technology critical to the furtherance of the

DoD national security mission. DCIS also actively represents the interests of the Department at multiple interagency task forces charged with the enforcement and reform of export policy. Through these collaborative efforts and information sharing, DoD is better able to focus its efforts and maintain technological supremacy.

Naturalized U.S. Citizen Pleads Guilty to Illegally Attempting to Export Missile System Components

Overview: A joint investigation with the Department of Homeland Security, Department of Commerce, IRS and Chicago Police Department revealed that Andro Telemi, a naturalized U.S. citizen born in Iran, attempted to procure components manufactured for use in the tube-launched optically-tracked wire-guided missile system. The components are listed on the U.S. Munitions List as components designed for "launch vehicles, guided missiles, ballistic missiles, rockets, torpedoes, bombs and mines." Telemi was attempting to illegally export the subcomponents to a procurement agent for the security and law enforcement forces of the Islamic Republic of Iran.

Result: On July 26, 2012, Telemi pleaded guilty to one count of attempting to illegally export missile system components from the United States to Iran in violation of the Arms Export Control Act. Sentencing is pending.

California Man Convicted of Stealing Sensitive Military Equipment

Overview: A joint investigation with ICE-Homeland Security Investigations and the Department of Commerce determined that James Barclay stole sensitive and restricted Air Force equipment, including night vision goggles and military life support radios, from March Air Reserve Base, Riverside, Calif. These items are restricted from export by the International Traffic in Arms Regulation and Department of Commerce regulations.

Result: On June 4, 2012, Barclay pleaded guilty to one count of theft of government property. On Aug. 28, 2012, Barclay was sentenced to 108 months incarceration with supervised release for three years and ordered to pay restitution in the amount of $311,105.

United Technologies Subsidiary Pleads Guilty to Criminal Charges For Helping China Develop New Attack Helicopter

Overview: A joint investigation with ICE-HSI, the Department of Commerce and the FBI determined that Pratt & Whitney Canada Corporation, a Canadian subsidiary of the Connecticut-based defense contractor United Technologies Corporation, violated the Arms Export Control Act and made false statements in connection with illegal exports to China of U.S. origin military software used in the development of China's first modern military attack helicopter, the Z-10.

Result: On June 28, 2012, UTC, its U.S.-based subsidiary Hamilton Sundstrand Corporation and Pratt & Whitney Canada Corporation agreed to pay more than $55 million as part of a global settlement with the Departments of Justice and State in connection with the arms export violations involving China and for making false statements to the U.S. government concerning these illegal exports. The agreement stipulated that all three UTC entities pay a $35 million civil penalty and $13.8 million as a deferred prosecution penalty. PWC pleaded guilty to a criminal information for willfully violating the Arms Export Control Act and making false statements in its voluntary disclosure statement to the Department of State. PWC was sentenced to pay a $4.6 million criminal fine and agreed to forfeit $2.3 million, which is the estimated total gross profit arising from willfully causing the export of defense articles without a license.

Academi/Blackwater to Pay $7.5 Million Fine and a $42 Million Settlement

Overview: A joint investigation conducted with the FBI, the IRS, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and ICE-HSI examined allegations that Academi, LLC violated export laws and the International Emergency Economic Powers Act. The alleged violations involved the manufacture and shipment of short-barreled rifles, fully automatic weapons, armored helicopters and armored personnel carriers. Academi, formerly known as Blackwater Worldwide and Xe Services, LLC, also faced allegations of violations of the Foreign Corrupt Practices Act for activity in both Iraq and Sudan, to include unlicensed training of foreign nation-

"Pratt & Whitney Canada Corporation pleaded guilty to a criminal information for willfully violating the Arms Export Control Act..."

" ...DCIS received information from the Joint Task Force-Global Network Operations regarding a compromise of computers..."

als and firearms violations. Seventeen criminal charges were brought against the company.

Result: On Aug. 7, 2012, a bill of information and a deferred prosecution agreement were unsealed involving Academi/Blackwater. In the deferred prosecution agreement, the company admitted to certain facts set forth in the bill of information and agreed to a $7.5 million fine. The agreement also acknowledged and referenced a $42 million settlement between the company and the Department of State to settle allegations of violations of the Arms Export Control Act and the International Trafficking in Arms Regulations. Through the deferred prosecution agreement, the U.S. government acknowledged the company's efforts to reform its conduct and to mitigate the damage caused by that conduct.

Contractor Pays $531,000 for Violation of DoD IA Requirements[1]

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

Result: In September 2011, the DoD contractor paid the U.S. government $531,654 after the contracting officer found the contactor failed to comply with required information technology security standards.

1 This entry corrects the information provided on page 39 of October 1, 2011 - March 31, 2012 Semiannual Report.

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

- Health and safety.
- Joint warfighting and readiness.
- Information assurance, security and privacy.

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.

Evaluation of DoD Contracts Regarding Combating Trafficking in Persons: Afghanistan

Overview: Over the past decade, Congress passed legislation to address its concern regarding allegations of contractor and U.S. forces involvement in sexual slavery, human trafficking and debt bondage. Prior to 2000, allegations of sexual slavery, sex with minors and human trafficking involving U.S. contractors in Bosnia and Herzegovina led to criminal investigations by the U.S. government. In 2002, a report alleging that women trafficked from the Philippines, Russia and Eastern Europe were forced into prostitution in bars in South Korea frequented by U.S. military personnel resulted in an investigation and changes to DoD policy. In 2004, official reports chronicled allegations of forced labor and debt bondage against U.S. contractors in Iraq. These incidents were contrary to U.S. government policy regarding official conduct and reflected poorly on DoD. The "William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008" requires DoD IG to investigate a sample of contracts for which there is a heightened risk that a contractor may engage in acts related to trafficking in persons. DoD IG reviewed a sample of 240 DoD contracts that had a place of performance Afghanistan for compliance with the law. DoD IG visited nine U.S. military installations and conducted more than 110 interviews, including meeting with 78 personnel from contracting offices, and 145 local and third-country national contractor employees. In addition, DoD IG reviewed DoD criminal investigative case data related to combating trafficking in persons that occurred in Afghanistan.

Findings: DoD IG found that the mandatory CTIP clause was included in 93 percent of the 240 contracts reviewed, a significant improvement from previous assessments. Further, a local supplemental CTIP clause concerning living conditions and retention of passports was included in 89 percent of contracts reviewed. A second local clause concerning contractor demobilization was included in 91 percent of reviewed contracts written after the requirement was established in November 2010. However, U.S. Central Command subordinate commands in Afghanistan had not developed localized policies, procedures or training regarding combating trafficking in persons.

Result: DoD IG recommended that the assistant secretaries for acquisition of the military departments ensure that the applicable CTIP Federal Acquisition Regulation clause is included in all contracts identified as deficient in the DoD IG review. Further, the commander, CENTCOM, should ensure that all commands operating in their area of responsibility, including Afghanistan, develop CTIP policies, procedures and localized training supplements and make sure that CTIP is incorporated into the Command Inspection Program.

Report No. DODIG-2012-086

"DoD IG reviewed DoD criminal investigative case data related to combating trafficking in persons that occurred in Afghanistan."

"The report highlighted a number of significant challenges in the Wounded Warrior Battalion-West."

Assessment of DoD Wounded Warrior Matters-Wounded Warrior Battalion–West Headquarters and Southern California Units

Overview: In 2007 and 2008, the Army and Marine Corps established warrior care and transition programs to manage the care and transition either back to military units or into civilian life for the wounded, ill and injured from Operation Iraqi Freedom and Operation Enduring Freedom. There are 29 Warrior Transition Units in the Army with approximately 10,000 soldiers and two Marine Wounded Warrior Battalions in the Marine Corps with approximately 1,000 Marines. Marine Corps Base Camp Pendleton, Calif., is the home of the 1st Marine Expeditionary Force, which comprises the 1st Marine Division, 1st Marine Logistics Group and elements of the 3rd Marine Air Wing. The Wounded Warrior Battalion-West is located at Camp Pendleton and includes detachments located at Military Treatment Facilities and at Department of Veterans Affairs Polytrauma Rehabilitation Centers. Among the Camp Pendleton warriors were severely burned patients, amputees, traumatic brain injury and post-traumatic stress disorder patients, and other wounded, ill or injured.

Findings: The report highlighted a number of significant challenges in the Wounded Warrior Battalion-West. These include: lengthy transition times (average: 24 months); a lack of dedicated primary medical care management for warriors; lack of sufficient support for warriors family members and support persons; lack of adequate computer system interfaces used to track warrior recovery and transition progress; travel challenges for warriors at Twentynine Palms; and ineligibility to transfer unused post-9/11 G.I. Bill benefits.

Result: DoD IG recommend that Camp Pendleton management implement processes to reduce lengthy warrior transition times, policies that appropriately accommodate warriors' transition location preferences and programs that enable support persons to effectively contribute to warrior healing and transition. DoD IG recommended Camp Pendleton management ensure that computer systems used to facilitate warriors' healing and transition interface appropriately and develop policies for determining effective medical case manager patient loads.

Report No. DODIG-2012-120

Assessment of the Federal Voting Assistance Program Implementation of the Military and Overseas Voter Empowerment Act

Overview: The Uniformed and Overseas Citizens Absentee Voting Act of 1986, amended by the Military and Overseas Voter Empowerment Act of 2009, specified that the right to vote was fundamental. The law explained that many logistical, geographical, operational and environmental barriers restricted the ability to vote for military and other eligible overseas citizens. Accordingly, the law established various programs and requirements intended to help military and eligible overseas citizens register, vote and have their votes counted, including requiring the military services to have an installation voting assistance office on every installation worldwide, with the exception of those in a war zone.

Findings: DoD IG found that the conclusions on military voter participation cited in the Federal Voting Assistance Project's 2010 Post Election Survey Report to Congress would have been more effective if more people had responded to the survey and, most importantly, that many of the 229 Installation Voting Assistance Offices that were required by the 2009 Military and Overseas Voter Empowerment Act to be established were not reasonably accessible since, in about 50 percent of the cases, DoD IG was unable to contact Installation Voting Assistance Offices using the FVAP website contact list.

Result: DoD IG recommended that Federal Voting Assistance Program design a survey that will increase the 2012 post-election survey response rate. Further, due to the fact that younger military personnel were the biggest DoD military population segment and that Voting Assistance Offices were likely not the most cost effective way to reach out to them given their familiarity and general preference for communicating via social media and obtaining information from Internet websites, DoD IG recommended Federal Voting Assistance Program develop a legislative proposal requesting relief from the Military and Overseas Voter Empowerment Act's mandated requirement for the military services to maintain voting assistance offices on all installations worldwide so the services may focus on other methods to optimize their voter assistance efforts.

Report No. DODIG-2012-123

Joint Warfighting and Readiness

DoD IG has identified joint warfighting and readiness, and training and equipping the Iraq and Afghan Security Forces 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 Afghan Security Forces. Between now and the completion of the scheduled drawdown of combat forces at the end of 2014, DoD will continue training, equipping, partnering and mentoring the ANSF to enable it to assume the leading security operations role.

Assessment of U.S. Government and Coalition Efforts to Develop the Afghan Local Police

Overview: To a great extent, the success of the counterinsurgency campaign being conducted against the Taliban and extremist anti-government elements depends on how well the Afghan National Security Forces provides protection for the Afghan people and gains their trust. The responsibility to protect the Afghan people falls most directly on the Afghan National Police, which operates as the direct interface with the population in provinces and districts around the country. Of note in this area is the success of the Afghan Local Police initiative, supported by both International Security Assistance Forces and the Afghan Ministry of Interior, to develop, train and equip part-time policemen at the village level to provide security in largely rural areas where the presence of the ANSF is insufficiently strong to prevent armed insurgent infiltration and activities. As of April 2012, the ALP strength was approximately 12,900 and on track to reach the goal of 30,000 at 99 MOI-approved sites across Afghanistan by the end of 2014.

Findings: The assessment identified weaknesses in the areas of planning and execution. DoD IG found there was no approved ISAF plan for making the Afghan Local Police initiative an enduring program; the Ministry of Interior-approved expansion of the ALP program over the next year could quickly outpace current and proposed coalition forces available to support the program; and the MOI logistics system did not provide timely equipment, fuel and ammunition support to the ALP program.

Result: The ALP report resulted in the ISAF commander publishing a fragmentary order, used to send timely changes of existing orders on his vision for the future of the ALP and the House Committee on Armed Services wrote to the secretary of defense for an update on progress in addressing the areas of concern identified in the report.

Report No. DODIG-2012-109

DoD IG assessed efforts to develop the Afghan Local Police.

Assessment of U.S. Government and Coalition Efforts to Train, Equip and Field the Afghan Air Force

Overview: Afghan military air capabilities were virtually destroyed by the end of the Soviet and civil wars. In 2005, U.S. and coalition forces began fielding air advisors and rebuilding the Afghan Air Force. As of February 2012, the AAF was comprised of more than 5,300 personnel and 88 aircraft, including the G-222 (C-27A variant) fixed-wing aircraft, the Mi-17 helicopter and the first three dedicated training aircraft (Cessna 182). By 2016, the AAF is expected to grow to more than 8,000 personnel and 145 aircraft. Currently, coalition military personnel, predominantly from the U.S. Air Force, but also including air advisors from 16 partner nations, are training and mentoring the AAF.

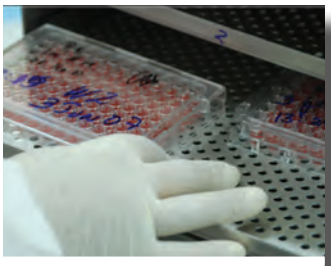
Findings: The assessment identified a number of areas of concern including: senior Afghan officials responsible for the Afghan Air Force did not have a common vision for the roles, missions and capabilities of the AAF; the training, guidance and oversight of air advisors assigned to train the AAF needed reinforcement to enable the effective conduct of air advisor flying duties; and different air worthiness standards among the U.S. military services excluded the use of U.S. Army aviators as advisors on the Afghan-owned Mi-17 helicopters.

Result: As part of the report, DoD IG issued a management memorandum to the command highlighting major challenges at an air base in Afghanistan. The memorandum resulted in command attention, additional resources and improved command relationships at the air base. According to the commander of the co-

alition training mission, the quick oversight of DoD IG "may have saved (Air Force) lives."
Report No. DODIG-2012-141

Assessment of Afghan National Security Forces Metrics--Quarterly

Overview: : DoD IG selected, summarized and concisely presented six months of quantitative and qualitative metrics deemed indicative of progress toward the goal of developing a sustainable Afghan National Security Force for transition to Afghan control by 2014. Reports will be produced separately for the Afghan National Police and the Afghan National Army.
Findings: This report, providing an overview of the development of the Afghan National Army, was released on May 15, 2012.
Result: This report is confidential.
Report No. DODIG-2012-034.2



DoD IG assessed inspections at research, development, test & evaluation facilities.

Assessment of Afghan National Security Forces Metrics--Quarterly

Overview: DoD IG selected, summarized and concisely presented six months of quantitative and qualitative metrics deemed indicative of progress toward the goal of developing a sustainable Afghan National Security Force for transition to Afghan control by 2014. Reports will be produced separately for the Afghan National Police and the Afghan National Army.
Findings: This report, providing an overview of the development of the Afghan National Police, was released on Sept. 28, 2012.
Result: This report is confidential.
Report No. DODIG-2012-034.3

Review of Stability Operations Information Centers in Afghanistan

Overview: The report was an evaluation of the Stability Operations Information Centers in Afghanistan to determine if they improved the ability of intelligence to provide critical information regarding the population, economy and government of Afghanistan to senior leaders and commanders in the field.
Findings: DoD IG made five recommendations that were designed to improve DoD capabilities in Afghanistan, but will also ensure that the lessons learned are meaningfully captured and can thereby be leveraged during future joint operations.
Result: This report is FOUO.
Report No. DoDIG-2012-105

Information Assurance, Security and Privacy

One of the challenges that DoD faces is defending its information and information systems against cyber threats. On a daily basis, DoD information technology infrastructures are attacked by those wanting to not only steal DoD information but also do harm to DoD programs, operations and personnel. As stated in the Quadrennial Defense Review, "in the 21st century, modern armed forces simply cannot conduct effective high-tempo operations without resilient, reliable information and communication networks and assured access to cyberspace. DoD must actively defend its networks."

Summary of FY 2011 Inspections on Security, Intelligence, Counterintelligence and Technology Protection Practices at DoD Research, Development, Test and Evaluation Facilities

Overview: This report summarizes the inspection results from the DoD and service OIGs and, where available, noted the best practices of each. DoD IG assessed an acquisition category ID program; the service IGs selected 34 of 118 research, development, test and evaluation facilities under their purview for inspection. The inspections ensure a uniform system of periodic reviews for compliance with directives concerning security, intelligence, counterintelligence and technology protection practices. DoD and service IGs used the recently published biennial version of inspection guidelines that focused on eight key issue areas related to program protection for reference.
Findings: There were no recommendations.
Result: This report is FOUO.
Report No. DODIG-2012-142

DoD Efforts to Protect Critical Program Information: The Navy's EA-18G "Growler"

Overview: This was the third and final report in a series of assessments to determine how DoD protects critical program information. The report used the Navy's EA-18G category ID program of record as a case study to establish how

the Department protects critical program information. The assessment was done in coordination with DoD research, development, and acquisition, counterintelligence and security subject matter experts and focused on eight key issue areas related to program protection.
Findings: DoD IG made six recommendations in support of the protection of critical program information. The Office of the Under Secretary of Defense for Intelligence, the Office of the Under Secretary of Defense for Policy and Navy officials concurred with the recommendations and have taken steps to address identified issues.
Result: This report is classified.
Report No. DODIG-2012-124

Assessment of Security within the Department of Defense - Security Policy

Overview: The report was the third in a series of assessments designed to provide an overall review of security policies and procedures within the Department. The assessment was responsive to a request from the undersecretary of defense for intelligence and focused on the effectiveness of DoD security policies.
Findings: The report included a finding identifying a need for an overarching security policy to provide a platform for functional integration, governance and strategic resource management.
Result: There were no recommendations; however, the deputy undersecretary of defense for intelligence and security commented and detailed progress made in support of a comprehensive security policy, citing the forthcoming publication of a new security issuance.
Report No. DODIG-2012-114

Administrative Investigations

DoD IG investigates and conducts oversight reviews of investigations of allegations involving the misconduct of senior DoD officials, both civilian and military; whistleblower reprisal against service members, defense contractor employees and DoD civilian employees (appropriated and nonappropriated fund); and improper command referrals of service members for mental health evaluations. The following sections highlight implementation of GAO recommendations, whistleblower reprisal and senior official investigations conducted by the directorates for whistleblower reprisal investigations and investigations of senior officials, and oversight reviews of investigations conducted by the service/defense agency IGs.

Whistleblower Reprisal Investigations

WRI is responsible for investigating and conducting oversight reviews of investigations conducted by the military service and defense agency 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 U.S.C. and American Reinvestment and Recovery Act. WRI additionally investigates allegations that military members were restricted from communicating with a member of Congress or an IG. WRI also investigates, on a discretionary basis, allegations of reprisal filed by DoD appropriated fund civilian employees. Finally, WRI is responsible for investigating and reviewing investigations of alleged procedural violations of DoD Directive 6490.1, "Mental Health Evaluations of Members of the Armed Forces."

DoD IG is committed to maintaining the Department's whistleblower protection program as a model for the federal government by improving the timeliness and quality of reprisal investigations. During the reporting period, DoD IG implemented numerous enhancements to WRI's investigative and oversight functions:

- Streamlined the complaint intake, review and report writing processes.
- Established several new positions focused on administration, policy, training and out-

reach and filled key investigative vacancies to address the ever increasing number of whistleblower reprisal complaints filed with DoD IG and the military services.
- Provided robust training and outreach to DoD IG and component IG staff.
- Revised written policies and procedures.
- Strengthened whistleblower reprisal oversight functions.

"...DoD IG has procured a new, state-of-the-art case management system with far greater capabilities, which is projected to be deployed first quarter of FY 2013."

Progress Toward Implementing GAO Recommendations

In February 2012, the GAO issued its report, "Actions Needed to Improve DoD's Military Whistleblower Reprisal Program," GAO-12-362, and made several recommendations. DoD IG continues making significant strides toward implementing GAO recommendations:

- Developed an extensive template library for investigation-related correspondence.
- Instituted a new report of investigation template, which incorporates policy changes related to the elements of proof in reprisal cases.
- Drafted revisions to DoD Directive 7050.06, "Military Whistleblower Protection."
- Issued Part I of the Administrative Investigations Manual, which provides detailed guidance to investigators, incorporating the Council of the Inspectors General on Integrity and Efficiency, "Quality Standards for Investigations."

The manual also includes procedures by which the newly established oversight teams will directly monitor the progress of service and defense agency IG investigations and track command actions taken in response to substantiated reprisal complaints.

To reduce cycle time, DoD IG instituted a standard time frame (10 days) in which complainants must provide additional required information. Failure to do so will result in case closure. As required by 10 U.S.C. § 1034, DoD IG consistently notifies the Office of the Under Secretary of Defense, Personnel and Readiness, when the time to complete investigations exceeds the statutory 180-day time frame. The service and defense agency IGs make notifications to OUSD P&R for investigations they conduct. WRI meets regularly with the service IGs and has met with representatives of the Boards for Correction of Military Records. All service Boards for Correction of Military Records have instituted changes to better facilitate identification and resolution of petitions filed under the Military Whistleblower Protection Act.

Finally, DoD IG redesigned its legacy case management database, which enables tracking of remedies for complainants and corrective action for responsible management officials in cases of substantiated allegations of reprisal. More importantly, DoD IG has procured a new, state-of-the-art case management system with far greater capabilities, which is projected to be deployed first quarter of FY 2013.

The new system has built-in prompts for follow up with the services on remedial and corrective actions. It will also produce detailed reports on timeliness, types of retaliatory actions taken by responsible management officials, and compliance with statutory reporting and notification requirements.

Reprisal Investigations

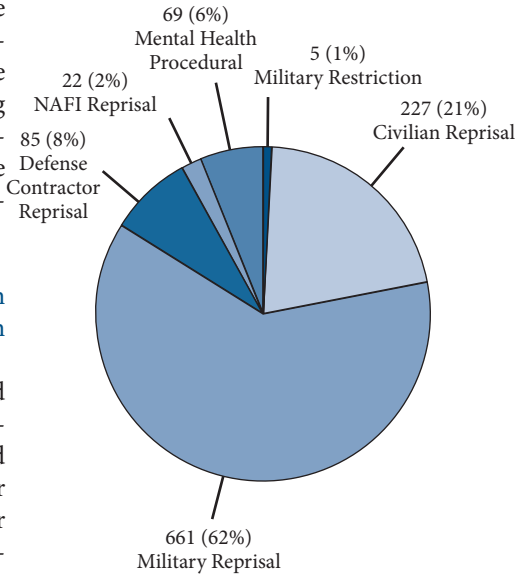
During FY 2012, the Department received a total of 1,069 complaints involving reprisal, restriction from communicating with a member of Congress or IG and procedurally improper mental health evaluation referrals and closed a total of 513 complaints. The chart on page 55 depicts types of complaints received.

The chart on page 56 shows the number and type of complaints closed by DoD IG and the service/defense agency IGs during FY 2012. Of the 513 complaints closed, 340 were dismissed due to insufficient evidence to warrant an investigation; three were withdrawn; and 170 were closed following full investigation. Of the 170 investigations closed, 32 involved procedurally improper mental health evaluation referrals (20 substantiated [63 percent]); one involved restriction from communicating with a member of Congress or IG (not substantiated); and 138 involved whistleblower reprisal (22 substantiated [17 percent]).

Substantiated Whistleblower Reprisal/ Restriction

- Two Marine Corps civilian officials influenced an initial below-average performance report of a subordinate in reprisal after the subordinate reported safety deficiencies and improper training of Marines to his commanding officer and the Headquarters Marine Corps Sports Division.
- An Air Force colonel and a master sergeant denied an Air Force Reserve member a promotion in reprisal for the member's protected communication. The member had alleged to an equal opportunity officer that another unit member made inappropriate racial comments during an annual training tour. Corrective action is pending.
- An Army company commander threatened a soldier with involuntary separation from the Army and disapproval of the soldier's active duty extension in reprisal for the soldier's protected communication. The soldier had complained to an IG about the commander's abuse of authority. Additionally, the commander made comments to the soldier during a counseling session restricting the soldier from communicating with an IG. Corrective action is pending.
- A Navy lieutenant commander submitted a supplemental letter to lower a subordinate's performance report in reprisal for the subordinate having alleged to the chain of command maltreatment toward staff members by the lieutenant commander. Corrective action is pending.
- An Air Force senior master sergeant delayed acting on a subordinate's recruiting package, causing the subordinate to miss the submission deadline, in reprisal for the subordinate's protected communication. The subordinate had alleged that the squadron commander committed fraud by allowing a pilot to work one week per month and not requiring the pilot to document his remaining time. The senior master sergeant retired before corrective action could be taken.
- A nonappropriated fund instrumentality director gave a subordinate a downgraded performance appraisal in reprisal for the subordinate's protected communication to the Equal Opportunity Office alleging gender discrimination and harassment by the director. The adjudicating official directed that the subject performance appraisal be rescinded and replaced with a new performance appraisal accurately reflecting the complainant's job performance and that the responsible management official receive appropriate disciplinary action.

Figure 2.1
1,069 Complaints Received FY 2012



Corrective Action Taken on Whistleblower Cases Closed in Previous Reporting Periods

- An Army colonel was removed from command, received an unfavorable evaluation report and a general officer reprimand for denying a subordinate soldier an in-place consecutive overseas tour and issuing the subordinate a referred evaluation report for filing an IG complaint.
- An Army major received a general officer reprimand for downgrading a subordinate officer's promotion recommendation in reprisal for filing an IG complaint. In the same case, an Army lieutenant colonel received a downgraded evaluation report for attempting to restrict a subordinate officer from filing an IG complaint.
- An Army captain received verbal counseling and training for not following the procedural requirements in referring a service member for an emergency mental health evaluation.
- An Air Force Reserve colonel received a general officer reprimand for denying a subordinate a retraining request for filing an equal opportunity complaint against the colonel. In the same case, an Air Force Reserve master sergeant received a letter of admonishment for not recommending an airman for promotion because the airman filed an equal opportunity complaint against the master sergeant.
- The Air Force Board for Correction of Military Records recently granted relief to a retired lieutenant colonel after they reviewed a July 2011 substantiated reprisal investigation involving unfavorable actions taken

against the officer by a management official. The Air Force Board for Correction of Military Records directed that the officer's officer selection brief be amended; a performance report and promotion recommendation form be declared void and removed from his record; and that the officer meet a special selection board with the above corrections to his record.

Figure 2.2
Complaints Closed During FY 2012

Reprisal, Restriction and Mental Health Procedural Complaints Closed During FY 2012

	Total Closed	Dismissed	Withdrawn	Investigated	Substantiated	Substantiation Rate
Type Complaint	Closed by DoD IG					
Civilian Reprisal	113	104	2	7	0	0%
Military Reprisal	81	68	0	13	2	15%
Defense Contractor Reprisal	64	59	0	5	0	0%
ARRA Reprisal	1	0	0	1	1	100%
NAFI Reprisal	19	7	1	11	1	9%
Reprisal Subtotal	278	238	0	37	4	11%
Mental Health Procedural	1	0	0	1	1	100%
DoD IG Total	279	238	3	38	5	13%

Type Complaint	Closed by Component IG with Oversight Review by DoD IG					
Civilian Reprisal	1	0	0	1	0	0%
Military Reprisal	198	99	0	99	18	18%
Reprisal Subtotal	199	99	0	100	18	18%
Military Restriction	2	1	0	1	0	0%
Mental Health Procedural	33	2	0	31	19	61%
Component Total	234	102	0	132	37	28%
Grand Totals	513	340	3	170	42	25%

Investigations of Senior Officials

To promote public confidence in the integrity of DoD leadership, DoD IG conducts or provides oversight on all investigations into alleged misconduct by senior DoD officials (brigadier general/rear admiral and above, members of the senior executive service and senior political appointees). Misconduct allegations are 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. DoD IG 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. DoD IG conducts oversight reviews of service/defense agency investigations of misconduct involving one- and two-star general/flag officers and equivalents. WRI assumed responsibility for investigating allegations of reprisal involving senior officials. DoD IG completely revised and reissued the portion of the Administrative Investigations Manual that specifically applies to senior official investigations. ISO also created templates for notifications to subjects, information memos, reports of investigation and closure correspondence. These templates improve timeliness and ensure consistent case processing. The oversight branch represents DoD IG's commitment to oversight of military department and agency IG investigations involving senior DoD officials.

During FY 2012, DoD IG conducted several sensitive investigations that received significant media coverage and directly affected the Department. In one instance, DoD IG substantiated allegations against the director of a defense agency whose leadership style was inconsistent with expected standards and contributed to a significant number of senior officials leaving the agency. In another case, DoD IG substantiated allegations of using official travel for primarily personal reasons and incurring additional costs to the government. As a result of a third substantiated case, DoD IG recommended that travel standards relating to reimbursement for dependent travel on military aircraft be modified to clarify the definition of "full coach fare." In every instance, DoD IG investigated the facts and circumstances of the case and presented a timely and independent report of investigation to management officials for appropriate action. In FY 2012, the Department received 815 com-

plaints of senior official misconduct and closed 639. Of the 639 complaints closed, 318 were dismissed due to lack of a credible allegation of misconduct and 321 were closed following investigation. Of those 321, 42 investigations were closed by DoD IG and 279 investigations were closed by service IGs with oversight by DoD IG. It was determined that 83 of the closed investigations, (26 percent) contained substantiated allegations.

Examples of Substantiated Senior Official Cases

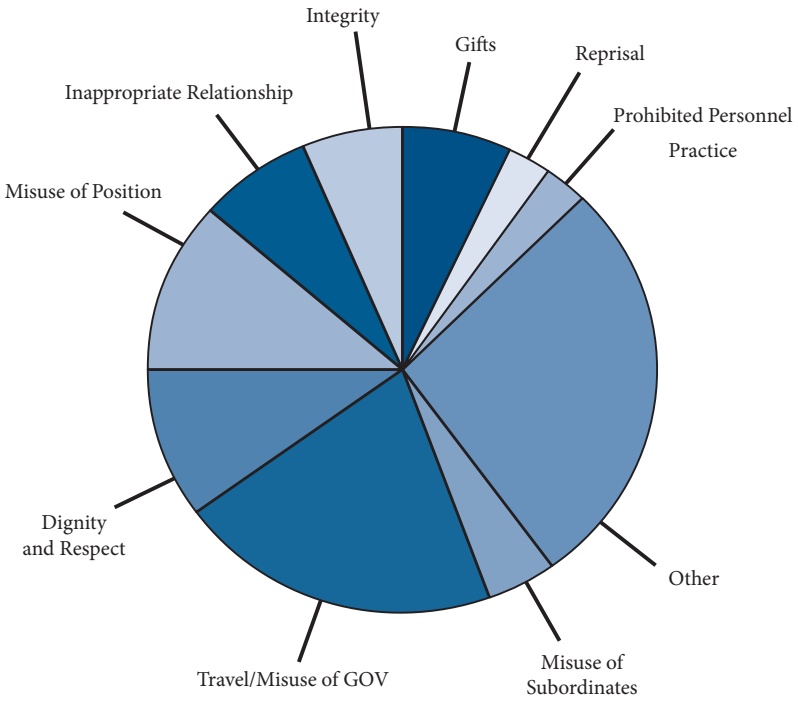
The following is a list of substantiated cases:

- A general officer improperly accepted gifts given to him because of his official position and failed to report them in violation of the Joint Ethics Regulation.
- A flag officer failed to properly secure and protect classified information.
- A general officer improperly supported a non-federal entity in violation of the Joint Ethics Regulation.
- A senior official failed to treat subordinates with dignity and respect and engaged in behavior that was inconsistent with the standards expected of a member of the senior executive service.
- A senior official violated merit principles by directing a subordinate employee not to apply for another government position.
- A general officer used his public office for private gain by receiving both federal and state pay and benefits. The general officer failed to terminate the dual-status military position and received almost $200,000 in pay he was not entitled to receive.
- A general officer utilized military aircraft for personal reasons and mismanaged morale and welfare funds.
- A general officer engaged in misconduct relating to official and unofficial travel, his spouse's travel on military aircraft, use of government resources and personnel, and acceptance of gifts from a prohibited source.

Figure 2.3
Senior Official Complaints Closed During FY 2012

Senior Official Complaints Closed During FY 2012					
	Total Closed	Dismissed	Investigated	Substantiated	Substantiation Rate
Senior Official's Affiliation	Closed by DoD IG				
Army	102	99	3	1	33%
Navy	48	42	6	2	33%
Air Force	45	39	6	2	33%
Marine Corps	4	4	0	0	0%
COCOM/ Defense Agency	161	134	27	5	19%
Subtotal	360	318	42	10	24%
Senior Official's Affiliation	Closed by Component IG with Oversight Review by DoD IG				
Army	142	0	142	29	20%
Navy	32		32	10	31%
Air Force	78		78	24	31%
Marine Corps	8		8	2	25%
COCOM/ Defense Agency	19		19	8	42%
Subtotal	279		279	73	26%
TOTALS	639	318	321	83	26%

Figure 2.4
Types of Senior Official Misconduct Investigations



Summary of Performance

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

Audit reports focused on:

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

Investigations focused on:

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

Inspections focused on:

- Health and safety.
- Joint warfighting and readiness.
- Information assurance, security and privacy.

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

DoD IG Profile

Staffing and Budget

As of Sept. 30, 2012, DoD IG workforce totaled 1,571 employees. The FY 2012 budget is $346.9 million.

Office Locations

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

About DoD IG Employees

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

3

Enabling Mission Areas

Congressional Testimony and Briefings

Deputy IG Kenneth Moorefield testifies on the Afghan Security Forces.

DoD IG witnesses testified at seven congressional hearings during the reporting period.

On April 17, 2012, the Acting Inspector General Lynne Halbrooks, testified before the Subcommittee on Contracting Oversight, Senate Committee on "Homeland Security and Governmental Affairs Holds Hearing on The Comprehensive Contingency Contracting Reform Act of 2012." Halbrooks discussed the agency views on S. 2139, the Comprehensive Contingency Contracting Reform Act of 2012, and the impact this proposed legislation would have for DoD IG, specifically the provision creating of a lead IG for contingency operations.

On June 28, 2012, Special Deputy Inspector General for Southwest Asia J.T. Mickey McDermott testified before the Subcommittee on National Security, Homeland Defense and Foreign Operations, House Committee on Oversight and Government Reform on "The Transition from a Military to a Civilian-Led Mission in Iraq." McDermott discussed past and ongoing DoD IG oversight regarding the transition from a military to a civilian-led mission in Iraq, specifically reviews regarding the Office of Security Cooperation-Iraq.

On July 10, 2012, Deputy Inspector General for Special Plans and Operations retired Ambassador Kenneth Moorefield testified before the Subcommittee on Oversight and Investigations, House Armed Services Committee on "Accountability and Reform Efforts at the Afghan National Military Hospital." Moorefield discussed DoD IG oversight regarding U.S. military and coalition efforts to develop the management, medical care services, and logistical capability and accountability of the Dawood National Military Hospital in Kabul, Afghanistan.

On July 24, 2012, Deputy Inspector General for Auditing Daniel Blair, testified before the Subcommittee on National Security, Homeland Defense, and Foreign Operations on "Improvements and Challenges in the Afghan National Army Pharmaceutical Distribution Process." Blair discussed the audit of the Afghan National Army pharmaceutical distribution process, Report No. DODIG-2012-083, "Additional Guidance and Training Needed to Improve Afghan National Army Pharmaceutical Distribution," issued on May 7, 2012.

On July 24, 2012 Deputy Inspector General for Special Plans and Operations retired Ambassador Kenneth Moorefield testified before the Subcommittee on Oversight and Investigations, House Armed Services Committee on "Afghan National Security Forces and Security Lead Transition: The Assessment Process, Metrics and Efforts to Build Capability." Moorefield discussed DoD IG oversight efforts regarding the ANSF and provided a summary of the conclusions, observations and recommendations from selected reports initiated over the past year.

On Sept. 12, 2012, Deputy Inspector General for Special Plans and Operations retired Ambassador Kenneth Moorefield testified before the Subcommittee on National Security, Homeland Defense, and Foreign Operations House Oversight and Government Reform on "The Facts and Circumstances Surrounding Alleged Corruption and Mismanagement at the U.S. Taxpayer-funded Dawood National Military Hospital." Moorefield discussed DoD IG oversight regarding U.S. military and coalition efforts to develop the ANSF health care system, including at the Dawood National Military Hospital in Kabul, Afghanistan.

On Sept. 13, 2012, Deputy Inspector General for Special Plans and Operations retired Ambassador Kenneth Moorefield testified before the Subcommittee on "Military Personnel, House Armed Services Committee on the Federal Voting Assistance Program." Moorefield discussed oversight regarding the Federal Voting Assistance Program, specifically Report No. DoDIG-2012-123, "Assessment of the Federal Voting Assistance Program Implementation of the Military and Overseas Voter Empowerment Act," released on Aug. 30, 2012.

During the reporting period, DoD IG had 59 meetings with members of Congress and their staffs and received 150 new congressional inquiries and closed 140 cases, including inquiries related to allegations of fraud, waste and abuse; financial management, and senior official investigations.

DoD Hotline

DoD Hotline is a confidential and reliable vehicle for military service members, DoD civilians, contractor employees and the public to report fraud, waste, mismanagement, abuse of authority, threats to homeland security and leaks of classified information.

DoD Hotline received 12,201 contacts from the general public and members of the DoD community: 7 percent via mail, 29 percent via email, 12 percent via the Internet and 52 percent via telephone. Based on these contacts the hotline initiated 1,930 cases. Of those cases, 1 percent were referrals from the Government Accountability Office, and 7.5 percent were congressional complaints.

Open Cases

The 1,930 cases opened this reporting period relate to the following categories:

- Internal misconduct (709).
- Reprisal related (335).
- Finance (199).
- Contract administration (194).
- Government property (92).
- Personnel matters (104).
- Programs (107).
- Military support services (13).
- Medical (25).
- Mental health evaluation (1).
- Non-appropriated fund (2).
- Recovery Act (5).
- Security (50).
- Procurement (54).
- Other (22).
- Safety (7).
- Trafficking in persons (11).

Closed Cases

During this reporting period the DoD Hotline closed 1,169 cases.

- 526 cases referred within DoD IG were closed.
- 545 cases referred to the military services were closed.
- 94 cases referred to other defense agencies were closed.
- Four cases referred to non-DoD agencies were closed.

An additional 1,004 cases were not referred and dismissed without action.

Through the DoD Joint Inspectors General course, the DoD Hotline routinely provides IGs from the combatant commands, military departments and defense agencies with insight into the complaint referral and oversight process managed by the hotline.

This training opportunity seeks to familiarize IGs with the process by which the DoD Hotline program serves a diverse Department and its multiple IG programs with a macro focus on issues negatively impacting the Department.

DoD Hotline staff met with secretary level representatives from the military departments to discuss efforts to improve the processing of DoD Hotline complaints and to leverage ways to minimize the impact of DoD Hotline inquiries on military missions and resources.

Topics of discussion included processing procedures; confidentiality; types of complaints referred for inquiry; lines of communication; and suggested improvements. The data obtained will be used to evaluate and further refine hotline procedures and training materials.

Hotline Case Referrals

The DoD Hotline initiated 1,930 cases to the following activities:

Military Departments		
	AF	168
	Army	477
	Navy	145
	USMC	28
	JS	92
DoD IG		
	ISO	121
	WRI	246
	Hotline	291
	Audits	23
	OGC	2
	Investigations	92
	ISPA	8
	OPR	4
	SPO	1
	APO	8
	Investigative P&O	2
	P&O	3
Defense Agencies/DoD Field Activities		
	Civilian Personnel Mgmt. Office	2
	DCMA	12
	DODEA	21
	DCAA	17
	DECA	14
	DFAS	36
	DIA	3
	DISA	3
	DLA	27
	DSS	7
	DTRA	2
	MDA	2
	NGA	4
	NSA	2
	PFPA	3
	TRICARE Mgmt. Activity	7
	WHS	3
Office of the Secretary of Defense		
	AAFES	6
	ADMIN & MGMT	1
	Policy	1
	AT&L	5
	OSD	18
	P&R	8
	Reserve Affairs	1
	MEPCOM	1
	OGC	2
	Health Affairs	2
	Public Affairs	1
	Intelligence	1
	Non DoD	7

Figure 3.1
Distribution of Method of Hotline Contacts Received

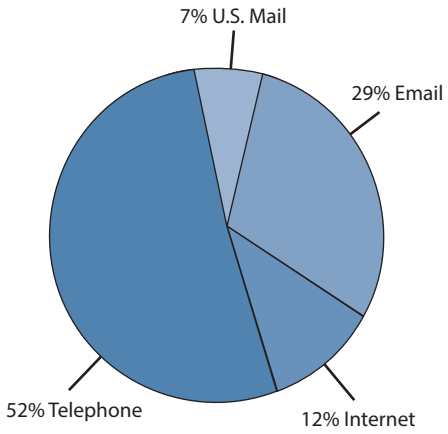
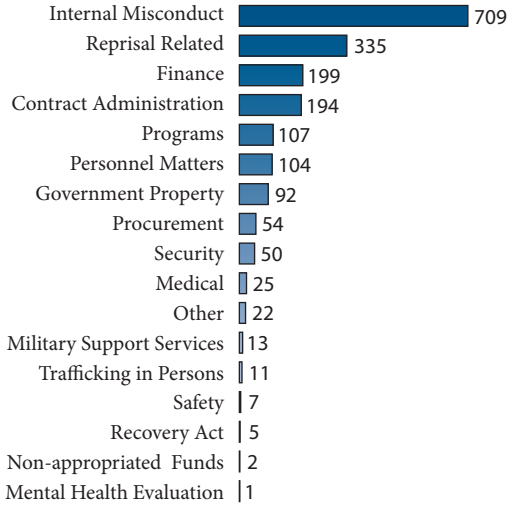


Figure 3.2
Distribution of Cases Initiated by Category



Whistleblowing & Transparency

Of the 12,201 contacts received by the DoD Hotline, 335 of those cases related to reprisal allegations. Of these reprisal contacts, 25 related to warrior care. As it has since 2005, DoD IG continued to provide protection for defense intelligence and counterintelligence employees and military members under the authority of the Inspector General Act of 1978, as amended.

Qui tam whistleblowers continue to provide DCIS with actionable information leading to the prosecution of fraud cases. Prominent on the DCIS docket during this reporting period were the following qui tam cases:

- An investigation of Accenture, LLC for allegedly accepting improper payments amounting to kickbacks from hardware and software vendors and other alliance partners in exchange for Accenture's recommendation of the vendors' products to government end users. The two relators who brought the case to the attention of the Department received a combined $14 million of Accenture's $63 million settlement with the U.S. government.
- An investigation of ATK-Thiokol for the alleged sale of defective illumination flares to the Army and Air Force. The defect could cause the flares to prematurely ignite creating a significant safety hazard to U.S. forces in Iraq and Afghanistan. ATK agreed to pay the U.S. government $21 million to resolve allegations of fraud in this qui tam lawsuit. The relator will receive a separate payment of $4.5 million from ATK, and the company also agreed to provide $15,967,160 of in-kind services to retrofit existing flares to meet contract specifications.

DoD IG requires command and management officials to provide a response regarding corrective action taken within 60 days of issuing a report. At the 90-day point, the report is transferred to the director, whistleblowing and transparency for tracking. Commands responded to DW&T during this reporting period in two significant cases:

- On Aug. 12, 2008, a DoD IG investigation found that the complainant was subjected to a constructive termination after disclosing irregularities with the awarding of contracts and violations of the Federal Acquisition Regulation. DoD IG referred the report of investigation to the Army for appropriate remedies. Complainant and the Department of the Army entered into a remedial settlement agreement to resolve the claim of reprisal. Disciplinary action was not taken as the responsible management official moved to another federal agency. This case fell within a series of cases accepted due to the importance of disclosures regarding operations in Southwest Asia.
- On Oct. 26, 2010, a DoD IG investigation found that the complainant's access to classified information was suspended for disclosing information to congressional staff, government officials and the news media regarding the quality of medical treatment provided for a civilian intelligence employee injured by an improvised explosive device during Operation Iraqi Freedom. DoD IG referred the report of investigation to the commander, Army Intelligence and Security Command, for appropriate remedies. A list of completed corrective actions included improved training implemented based on the DoD IG report, the addition of an attorney advisor position at the employee's higher headquarters level and the creation of a follow-up system for report to the Army Central Clearance Facility handling security clearance matters. The complainant and the Department of the Army also entered into a settlement agreement before the Merit System Protection Board. This case focused on security clearance decision-making reviewed as a pretext for reprisal and the other importance of disclosures regarding operations in Southwest Asia.

Programs

Subpoena Program

The DoD IG's authority to issue subpoenas is derived from the Inspector General Act of 1978, as amended. The IG Act authorizes IGs to issue subpoenas in matters that involve fraud and abuse in Department programs and operations. Historically, most DoD IG subpoenas were issued on fraud related matters. During 2005, DoD IG recognized the need to expand the Subpoena Program into non-fraud related crimes (i.e. violent crime, cybercrime, child pornography, theft of government property, etc.). During 2008, after a successful trial period, DoD IG made the issuance of subpoena for certain specifically enumerated general crimes permanent.

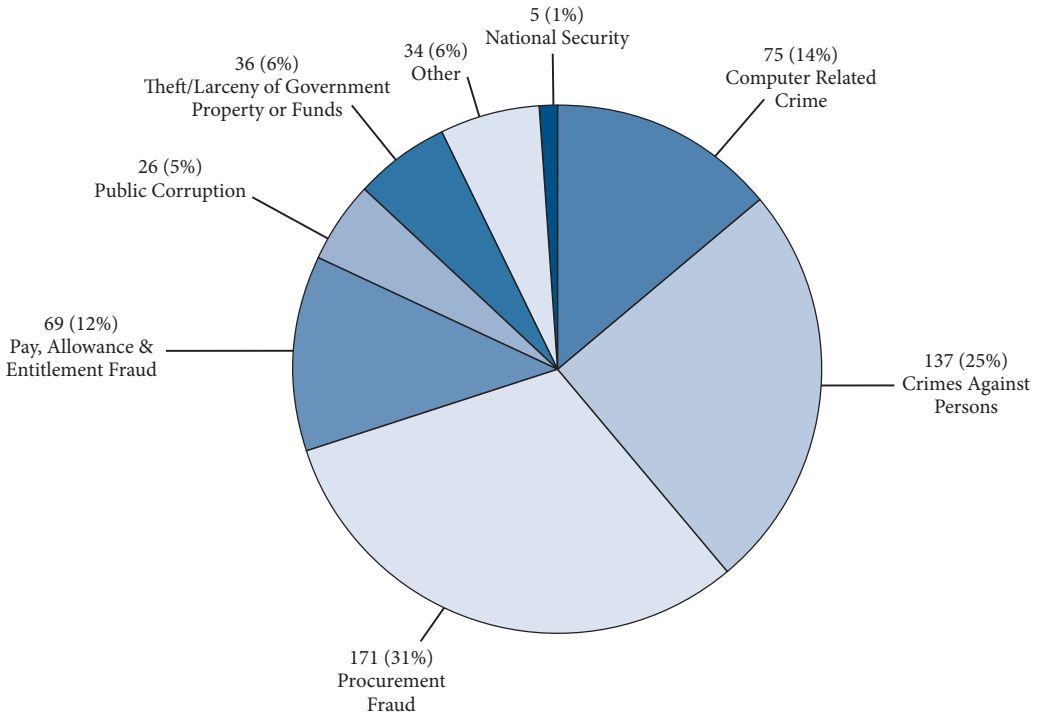
A DoD IG subpoena request must meet three criteria: the subpoena can only be issued for investigations within the statutory authority of the IG; the information sought must be reasonably relevant to the IG investigation, audit, investigation or evaluation; and, the subpoena cannot be unreasonably broad or burdensome.

The DoD IG subpoena is a useful tool for legally obtaining business, personnel, financial, and state and local government records. Records obtained by DoD IG subpoenas may be used to locate witnesses, confirm statements made by witnesses or subjects, and provide other relevant information. DoD IG has issued more than 500 subpoenas during each of the past three years in support of DoD criminal investigations, audits and evaluations. The below chart shows the number of DoD IG subpoenas issued during FY 2012 with an overall description of the case-type.

Information gathered from DoD IG subpoenas played a significant role in the resolution of the following investigations:

- A defense contractor was investigated for providing forged warranties for installing construction parts on several buildings located on a military installation. The cost billed to the government included the cost of those warranties. A DoD IG subpoena was used to obtain documents from the contractor which corroborated the allega-

Figure 3.3
553 Subpoenas Issued by Type of Investigation FY 2012



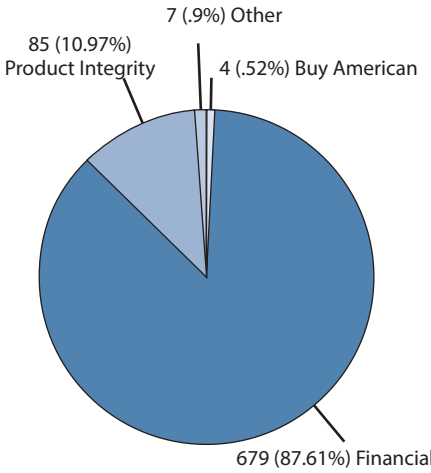
tion. The contractor received a fine in excess of $100,000 and was debarred from government contracting.

- A military member was investigated for conspiring with a woman to kill her husband. After the woman induced her husband to meet at a pre-designated location, the military member hit the husband on the head with a blunt force instrument and stabbed him in the back causing serious bodily harm. Basic subscriber information from email accounts identified with the military member and the woman were obtained as a result of a DoD IG subpoena and that information was used to corroborate the conspiracy. The military member was sentenced to 12 years confinement and a dishonorable discharge for aggravated assault and conspiracy to commit murder. The spouse was convicted of joint attempted murder and aggravated assault and sentenced to six and one half years confinement.
- A military officer was investigated for directing contracts to a contractor with whom he had a personal relationship, allowing that contractor to perform work prior to the contract's award, and misuse of a government telephone by allowing that contractor to make long distance telephone calls that were charged to the government. DoD IG subpoenas were issued to obtain the officer's financial records, fund transfer records and email accounts. Information obtained from the subpoenas corroborated the allegations, and the officer was fined $300,000 or serve five years confinement.
- A defense contractor was investigated for failing to conduct required testing and inspections of landing gear on military aircraft. Information obtained from the contractor as a result of a DoD IG subpoena corroborated allegations that the contractor did not possess the necessary equipment to perform the tests and failed to perform the required testing. A civil action resulted in a $400,000 recovery.

Contractor Disclosure Program

The Contractor Disclosure Program facilitates defense contractors' compliance with Federal Acquisition Regulation Rule 2007-006, which implements Public Law 110-252. This program encourages contractors to demonstrate their commitment to a code of business ethics and self-governance by reporting potential fraud. The Contractor Disclosure Program requires federal contractors to notify the inspector general when violations of criminal law and the False Claims Act occur in the performance of a federal contract or subcontract valued above $5 million. During this reporting period, 92 contractor disclosures were received.

Figure 3.4
755 Total Contractor Disclosures FY 2012



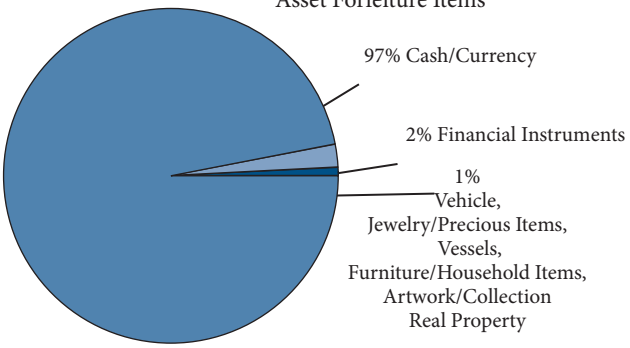
Asset Forfeiture Program

The DCIS asset forfeiture program continues to provide effective forfeiture support to DCIS investigations involving fraud, waste and abuse by including forfeiture counts in all indictments, criminal information and consent agreements when warranted by the evidence.

The program's goal is 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 the start of the program, in May 2007, DCIS has participated in the seizure of assets totaling $803 million.

Figure 3.5
Asset Forfeiture Items

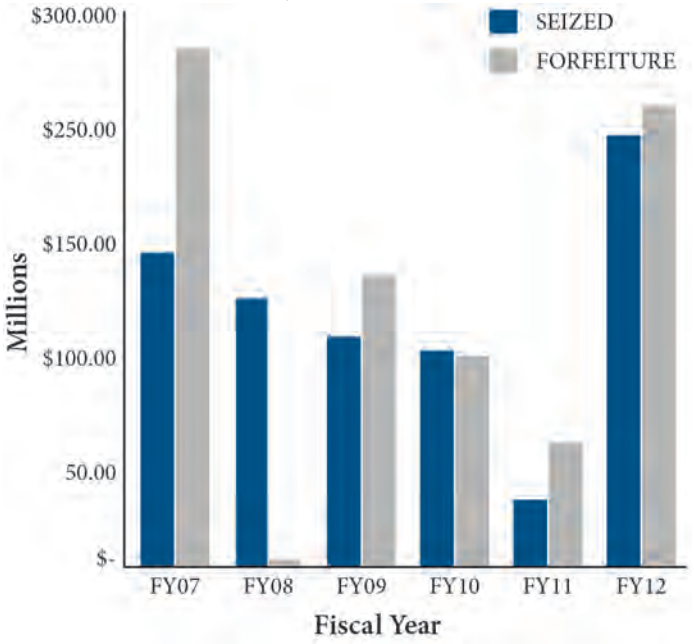


and Final Orders of Forfeiture in the amount of $870 million,

During FY 2012 DCIS participated in investigations which led to court orders of final forfeiture in the amount of $262 million and seizures in the amount of $250 million.

Assets that have been seized or forfeited include bank accounts, real property, jewelry, computer equipment, vehicles, watercraft, a life insurance policy and commemorative coins.

Figure 3.6
Results - Asset Forfeiture Program



Outreach Activities

Interagency Initiatives

Southwest Asia Joint Planning Group

The Southwest Asia Joint Planning Group is a coordinating body for U.S. government organizations conducting oversight over U.S. military and civilian activities in Southwest Asia. The group meets quarterly to coordinate and deconflict oversight activities. The group last met in February 2012. In July 2012, the Joint Strategic Planning Subgroup for Oversight of Afghanistan Reconstruction, a subgroup of the Southwest Asia Joint Planning Group, issued the Joint Strategic Oversight Plan for Afghanistan Reconstruction. The Joint Strategic Oversight Plan for Afghanistan identifies 22 strategic issues, of which 13 address reconstruction issues and nine address other than reconstruction issues.

Council of Inspectors General for Integrity and Efficiency

The Council of the Inspectors General for Integrity and Efficiency was statutorily established as an independent entity within the executive branch by 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 the CIGIE and serves as editor-in-chief of the *Journal of Public Inquiry*.

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 the Federal Voting Assistance Program, procurement fraud investigations, contractor compliance programs, suspension and debarment and the Reducing Over-Classification Act.

Intelligence Community Inspectors General Forum

DoD IG participates in the Intelligence Community IG Forum, which promotes and furthers collaboration, cooperation, and coordination among the inspectors general of the intelligence community. The IC IG Forum meets quarterly to discuss issues of common concern, and to plan how to address them collaboratively. In Au-

DoD IG received eight awards at CIGIE's annual awards ceremony.

gust 2012, and at the request of the Senate Select Committee on Intelligence, DoD IG and IC IG initiated an accountability review of disciplinary actions taken within the intelligence community as a result of substantiated IG investigations of misconduct. DoD IG and IC IG anticipate issuing the report during the first quarter of FY 2013.

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 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 utilization of resources, increase efficiency and avoid duplication of effort among DoD inspectors and auditors general.

Small Business Innovative Research/Small Business Technology Transfer Program

The National Defense Authorization Act of 2012 [Sec. 5143(c)] requires inspectors general of federal agencies involved in the Small Business Innovation Research/Small Business Technology Transfer Program submit an annual report to the House and Senate Small Business Committees and the House Science Committee regarding SBIR/STTR investigations. DCIS has participated in the SBIR/STTR Fraud Working Group across the country since 2009. National Science Foundation OIG has led the group since its inception, and the member IGs work together to combat fraud, waste and abuse in SBIR/STTR programs. National Science Foundation provided Congress with a comprehensive set of comments from working group members designed to strengthen anti-fraud provisions in the reauthorization bill. Many of the recommendations of the group were incorporated into final legislation. DoD IG coordinates with the various DoD SBIR/STTR program offices to ensure all matters of suspected fraud impacting these programs is reported to DCIS and the appropriate MCIO in a timely manner.

National Cyber Investigative Joint Task Force

DCIS, along with 18 other federal law enforcement and intelligence agencies, is an active member of the National Cyber Investigative Joint Task Force. The task force is mandated by presidential order as the focal point for all government agencies to coordinate, integrate, and share information related to domestic cyber threat investigations. The FBI is the administrative head of the task force, and each member agency retains its own autonomy and authorities. Task force members work together to not only respond to current cyber crimes, but also to identify key players and schemes with an eye towards predicting, and thus stopping, cyber-attacks in their earliest stages. The task force also maintains extensive partnerships with industry and the private sector to raise threat awareness and identify emerging cyber threats. DCIS field agents also participate in various cyber task forces across the country, working hand in hand with other agencies to combat cyber crime that impacts DoD programs and operations.

Conferences/Briefings/Training

AI Training Symposiums

Administrative Investigations hosted two training symposiums during FY 2012 open to DoD and service/defense agency IG personnel. The training included topics such as ethics, travel, interview techniques, oversight and report writing.

Administrative Investigations hosted training symposiums in FY 2012.

DoD APEX Senior Executive Orientation

Principal Deputy Inspector General Lynne Halbrooks recently spoke at the APEX Senior Executive Orientation Program Sept. 12, 2012. Through the APEX program, DoD civilians new to the senior executive service spent one week in Washington, DC, and another at various combatant commands and military installations gaining exposure to the totality of the Department's operations and first-hand knowledge of its challenges and opportunities. Halbrooks spoke to attendees about how DoD IG fulfills its

PDIG Halbrooks speaks at the Marine Corps IG Symposium.

statutory mission and its role within the defense oversight community to include senior official and whistleblower reprisal investigations.

Marine Corps IG Symposium

On Aug. 8, 2012, Principal Deputy Inspector General Lynne Halbrooks spoke to more than 70 military and civilian attendees at the Inspector General of the Marine Corps Symposium, hosted by the Maj. Gen. Juan Ayala, the inspector general of the Marine Corps. Halbrooks spoke about the organization's mission and provided examples of recent work.

Navy IG Symposium

On July, 18, 2012, Principal Deputy Inspector General Lynne Halbrooks spoke to more than 120 military and civilian attendees at the Naval Inspector General Symposium hosted by Vice Adm. James Wisecup, the Naval inspector general. She spoke about DoD IG's mission and provided an overview of the organization's work.

National Governmental Accounting and Auditing Update Conference East

On Aug. 20, 2012, Principal Deputy Inspector General Lynne Halbrooks spoke to the American Institute of Certified Public Accountants in Washington DC at their National Governmental Accounting and Auditing Update Conference East. Halbrooks participated in a panel examining emerging issues in the inspectors general community. Inspector General Phyllis Fong, Department of Agriculture and Inspector General Daniel Levinson, Department of Health and Human Services also presented. Additionally, on Aug. 21, 2012, Deputy Inspector General Daniel Blair and Mark Easton, deputy chief financial officer, Office of the Under Secretary of Defense (Comptroller), and Asif Kahn, director, Financial Management and Assurance, GAO, delivered a joint presentation on "DoD's Progress in Achieving Auditability."

Policy and Oversight Training

During FY 2012, DoD IG conducted 19 subpoena courses and trained 456 Military Criminal Investigative Organization agents in both their basic and advanced criminal investigative training courses.

4

Services

Army

"USAAA's goal is to be a highly sought-after and integral part of the Army ..."

ARMY AUDIT AGENCY

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

USAAA also maintains a significant presence in the U.S. Central Command area of responsibility assisting Army commanders. At the end of September 2012, it had 31 deployed auditors in Kuwait and Afghanistan. Overall, USAAA has deployed more than 200 auditors since 2002 and issued more than 200 reports on Operations Enduring and Iraqi Freedom.

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

During the second half of FY 2012, USAAA published 115 reports, made more than 300 recommendations and identified about $900 million of potential monetary benefits. The following are highlights of significant USAAA reports.

USAAA reported Army's process for assigning repair work could improve.

National Source of Repair Selection Process – Phase II

Overview: At the request of the Office of the Deputy Chief of Staff, G-4, USAAA audited Life Cycle Management Command processes for assigning secondary item repair work to organic (in-house) and contracted sources of repair. USAAA evaluated whether repair decisions resulted in the best value for the Army. USAAA performed its review at TACOM Life Cycle Management Command and the Aviation and Missile Life Cycle Management Command. USAAA concluded that the Army process for assigning repair work could be improved. The process in place emphasized maximizing the use of organic repair sources, rather than using the source of repair that provided the best value.

Findings: USAAA found that although the Army established an integrated process team to identify core quantities for secondary item repair at depots, it did not have a process to provide this information to item managers. Because item managers did not know how many secondary item repairs were necessary to meet core capability requirements, they maximized the use of organic sources of repair. Item managers should have identified the quantity of repairs that exceeded core requirements to determine the best value source for those repairs. Further, when Aviation and Missile Life Cycle Management Command contracted for repairs, the contracts it used had ceilings specifying maximum repair quantities. Thus, even if the contractor was able to repair items more economically, the contract limited the number of repairs item managers could leverage to the contractor.

Result: USAAA reported that the Army could improve this process by ensuring item managers are aware of the quantity of secondary item repairs necessary to meet core capability requirements, and it should reemphasize the need to use the best value source of repair for requirements above core. Additionally, USAAA reported that the Aviation and Missile Life Cycle Management Command could modify contracts to ease ceilings, which would allow greater flexibility in leveraging additional repairs to contractors when prudent. Increasing the number of repairs done by a contractor for the two sample repair programs reviewed by USAAA could save the Army up to $12 million in FY 2013 and about $54.7 million through the FYs 2013–2017 Program Objective Memorandum.

Report No. A-2012-0151-ALM

Predeployment Training Equipment

Overview: At the request of the Office of the Deputy Chief of Staff, G-4, USAAA evaluated the processes used to identify predeployment training equipment requirements and its associated sustainment cost. PDTE is a pool of theater-unique equipment that augments unit modified tables of organization and equipment shortages.

Findings: USAAA reported the PDTE program supported unit training needs; however, the type and amount of equipment exceeded require-

ments. A USAAA analysis showed the program had 8,230 pieces of excess equipment valued at more than $600 million and that approximately $103 million of that equipment could be used to reduce or eliminate Army-wide equipment shortages. USAAA also found that the Army had a sufficient process to estimate PDTE requirements. However, Army activities did not provide sufficient support for requirements, maintain equipment usage data or periodically adjust requirements. Further, the Army's PDTE included equipment that did not meet the intent of the program and on hand quantities often exceeded authorizations and were underutilized. The Army had a sufficient process to identify sustainment requirements and that PDTE accountability, maintenance management and utilization of the low-usage program were sufficient. However, moving towards only funding authorized PDTE and establishing a more transparent budgeting process would improve fiscal management. The added costs of maintaining excess equipment and equipment that did not meet the intent of the program reduced the assurance the Army gained the intended benefits from its PDTE investment.

Result: Based on the current table of distribution and allowances, the Army could reduce equipment sustainment costs by approximately $33.4 million if it transferred the excess equipment to other Army commands such as Army Forces Command.

Report No. A-2012-0165-ALM

Disposal of Excess Information Technology Equipment

Overview: USAAA reviewed how the Army was sanitizing and disposing of excess information technology equipment. These processes are vital to protecting the Army's information from unintended release as the Army goes through normal lifecycle replacement of its IT equipment.

Findings: USAAA reported that the Army generally sanitized and disposed of excess IT equipment in accordance with Army policy, but some policies and guidelines needed to be improved to better protect Army information from unintended release. Specifically, the Army had not established:

- A mechanism for identifying which devices process sensitive data (such as personally identifiable information) versus unclassified data.
- Guidance on sanitizing BlackBerry devices.
- A requirement to track hard-drive components after they were removed from a device.
- Guidance on leased information technology equipment other than computers.

In addition, USAAA reviewed contracts for leased equipment and found that they did not clearly and completely address sanitizing hard drives.

Result: By helping the Army improve its guidance on the sanitizing and disposal process, and by addressing the requirements in contracts for leased equipment, USAAA reduced the risk that sensitive Army information could be released outside the Army.

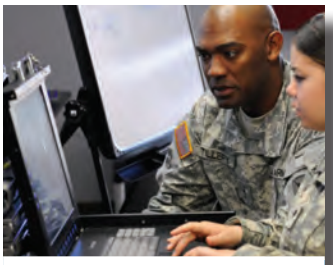
Report No. A-2012-0107-FMT

Printer Management, Chief Information Officer/G-6

Overview: At the request of the Office of Chief Information Officer/G-6, USAAA audited printer management within the Army.

Findings: USAAA reported that the three installations it visited had more than three times as many printers on hand than necessary and did not have a clear picture of the costs they incurred on printing. This was because the Army had not published guidance or metrics for printer management and it had not actively managed its printer fleet. As a result, the Army is expending unnecessary resources to support its current printer fleet. USAAA recommended that the Army (1) issue a printer moratorium and instruct Army activities not to purchase new printers or enter into leased agreements until the activities perform an organizational analysis of printer needs, taking into account the need to eliminate unused or underused equipment and to reduce printing, and (2) develop guidance on managing printers.

Result: USAAA estimated that, by reducing the number of printers needed at the three installations alone, the Army could avoid future lifecycle replacement costs of about $2.9 million over the next six years. The Army could achieve additional savings if it made better use of printer functions, such as duplexing and draft quality printing, which use less paper and toner.



USAAA reviewed Army management of information technology equipment.

Report No. A-2012-0113-FMT

Bandwidth Requirements for Connecting Army Installations to the Global Information Grid, Chief Information Officer/G-6

Overview: USAAA audited the processes the Army used to identify and plan for future bandwidth needs and how they manage and allocate current bandwidth used to connect Army installations to the global information grid.

Findings: USAAA reported that the Army did not have a process to identify and plan for future bandwidth requirements; instead bandwidth was allocated on a reactionary basis that did not take into account emerging requirements. This is because personnel responsible for reviewing bandwidth requests did not have access to information or tools that would allow them to perform a comprehensive review. Additionally, the Army's available bandwidth was unmanaged. The Army's processes were not typically flexible enough to adapt quickly to changing requirements. This includes an unwillingness to prioritize Internet traffic to meet mission needs on a day-to-day basis. The Army also used a large portion of available bandwidth to access nonmission information. As a result, at certain installations the Army was struggling to have enough available bandwidth to satisfy mission needs. This problem is likely to get worse as the Army moves to provision of information technology services at the enterprise level.

Result: USAAA recommended a series of actions to ensure that bandwidth managers are better informed about future bandwidth requirements. USAAA also developed and recommended a process by which local network enterprise centers can manage bandwidth effectively to ensure bandwidth is more readily available to meet mission needs.

Report No. A-2012-0127-FMT

"The Army has spent nearly $2 billion in the last 11 years to provide wage replacement and medical benefits to federal civilian employees..."

Army Workers' Compensation Program: Use of Return-to-Work Programs and Initiatives

Overview: The Army has spent nearly $2 billion in the last 11 years to provide wage replacement and medical benefits to federal civilian employees for on-the-job injuries and illnesses. USAAA conducted an audit to verify that program administrators effectively used return-to-work programs and initiatives.

Findings: At the five sites USAAA visited, officials:

- Returned 57 of 63 medically cleared claimants back to work from July 1, 2007, through Dec. 31, 2010.
- Used the DoD Pipeline Reemployment Program to return 25 of the 63 claimants back to work from July 1, 2007, through Dec. 31, 2010, at four of the five sites visited, saving the Army about $26 million in future lifetime costs.

Although the Army returned medically cleared claimants back to work and used DoD's Pipeline Program to offset costs, the Army did not capture information related to medically cleared claimants who returned to work because it did not have a formal process in place to capture this information on a frequent and consistent basis. Consequently, the Army could not provide sufficient oversight to effectively maximize the return-to-work programs' potential, minimize costs and measure the success of the return–to-work initiatives. In addition, DoD officials reported that only 16 of 76 Army activities used the Pipeline Program during FY 2011, and five of 60 activities had not used the program at all since its inception. Both the program administrators who were unfamiliar with the program's requirements and qualifications and a lack of clear guidance might have contributed to why Pipeline Program funding sometimes was not used. Since 2008, the Army has contributed about $14.8 million to the program but has used only about $8.5 million in funding to return medically cleared claimants back to work. Future fiscal constraints may also affect the Army's ability to use the Pipeline Program in the upcoming years. As a result, the Army might not fully realize the programs' benefits of offsetting future first-year salary costs when it returns previously injured claimants back to work.

Result: If the Army carries out the recommendations in this report, USAAA estimate about $9.6 million could be saved over the next six years.

Report No. A-2012-0114-IEE

Second Destination Transportation Funding Requirements

Overview: At the request of the deputy chief of staff, G-4, USAAA performed this audit to verify that the Army had appropriate information to

identify funding requirements for Second Destination Transportation when building a program objective memorandum.

Findings: USAAA found that the Army needed improvements in its methods for calculating and keeping supporting documents that justified the second destination transportation funding requirements. Of the $709 million in FY 2013 second destination transportation requirements shown in the FYs 2013 to 2017 POM, USAAA reviewed about $392 million and found the Army did not:

- Use prescribed budgetary procedures for about $355 million (91 percent);
- Maintain sufficient supporting documentation for about $93 million (24 percent); and
- Use an appropriate method to apply inflation factors.

These issues occurred because the Army did not have guidance for determining second destination transportation requirements and maintaining supporting documentation. Additionally, personnel who were responsible for developing and submitting second destination transportation requirements did not have sufficient budgetary expertise.

Result: The Army lacked assurance that it budgeted for the correct amount of Second Destination Transportation requirements. The $3.6 billion in requirements in FYs 2013 to 2017 POM may have been understated by about $228 million.

Report No. A-2012-0163-ALS

Basic Allowance for Subsistence Pay for Soldiers Participating in Field Training

Overview: USAAA performed an audit of basic allowance for subsistence pay for soldiers participating in field training to verify that soldiers receiving basic allowance for subsistence were properly charged for meals while conducting training in the field in accordance with DoD and Army directives.

Findings: USAAA reported that the Army does not routinely charge soldiers receiving basic allowance for subsistence for government meals provided to them during field duty. USAAA found the Army commands they reviewed had an overall lack of command emphasis for collecting basic allowance for subsistence from their soldiers. Specifically:

- Command leadership at the Army installations was not enforcing the requirement for unit commanders to collect the basic allowance for subsistence from their soldiers during field training.
- Command G-1s were not providing necessary oversight to ensure their S-1s were processing and submitting the collection actions for the unit's soldiers after the unit returned from field training.
- S-1s were generally unaware that they were responsible for initiating the personnel action to collect basic allowance for subsistence from their unit's soldiers.

Result: The Army could potentially achieve about $24 million in savings during FYs 2012 to 2017 by increased command emphasis to unit commanders on their responsibility to collect basic allowance for subsistence from their soldiers during periods of field training.

Report No. A-2012-0170-FMF

Family Readiness Support Assistants, Staffing and Utilization

Overview: USAAA audited whether family readiness support assistants were assigned, used and trained in accordance with established guidance.

Findings: USAAA reported that family readiness support assistants generally provided the support the Family Readiness Support Assistants Program intended. Specifically, most family readiness support assistants performed specific administrative duties as required by Department of the Army headquarters and command guidance and by contracts. The Army had the appropriate position description and contract requirements to ensure that personnel had the necessary skills and qualifications to perform their actual duties. Component commands also had effective procedures to ensure family readiness support assistants were trained properly to avoid prohibited duties such as fundraising and duplicating family support. However, USAAA determined that family readiness support assistants staffing requirements needed to be reallocated with operational requirements throughout the Army. Current staffing assignments were standardized across the Army based on a concept plan and adjusted to align personnel at various organizational levels within a unit's struc-

USAAA reviewed how the Army uses family readiness support assistants.

USAAA reviewed 85 projects related to Recovery Act plans.

ture. USAAA's comparative analysis of the total number of family readiness groups that the family readiness support assistants in their review showed that potential misalignments or imbalances existed. Additionally, the Army needed to adjust budgetary rates schedules to correspond with family readiness support assistants' salaries.
Result: The Army could save as much as $46.8 million annually by adjusting staffing requirements and budgetary rates to reallocate personnel resources properly.
Report No. A-2012-0143-IEM

Audit of Overseas Contingency Operations Resource Reporting

Overview: At the request of the assistant chief of staff for installation management, USAAA performed a review of the overseas contingency operations funding execution for representative Army Force Generation installations for FYs 2008 to 2010.
Findings: USAAA reported that OCO funding sometimes was not used in accordance with policy and guidance. For example:

- Controls over OCO fund requests and subsequent fund use sometimes were not in place to ensure funds were used only for their intended purposes. This resulted in executing about 9 percent more than approved requirements.
- Two active component sites that USAAA visited used almost 40 percent of their OCO funds ($218 million of $575 million) to supplement their base budget and to fund base operations support. Thus, overall, the four garrisons used about one-fourth of the $948 million in OCO funds they received for noncontingency-related base operations support for FYs 2008 through 2010. This happened because guidance was interpreted incorrectly and oversight was incomplete.

The "Cost of War" report was overstated and enduring base operations support requirements were understated. This could potentially lead to future base budget funding shortages.
Result: USAAA identified potential savings of more than a half million dollars annually at one Reserve Component installation if they used more economical business practices.
Report No. A-2012-0161-IEO

Summary Report: Audit of American Recovery and Reinvestment Act of 2009 Phase III – Project Outcomes and Recipient Reporting

Overview: USAAA completed its second and final phase of audits in support of DoD IG oversight requirement for Recovery Act plans and implementation. For this final phase, USAAA audited the Army's implementation of the Recovery Act for 85 projects valued at $194 million at 10 installations/activities. USAAA verified that installation/activity personnel:

- Achieved planned outcomes for Recovery Act projects.
- Took sufficient actions to ensure recipient reporting met transparency requirements.

Findings: USAAA reported that the Army sufficiently managed the 85 Recovery Act projects they reviewed at 10 Army installations and activities to achieve planned outcomes. The Army generally took sufficient actions to ensure recipient reporting met transparency requirements. Specifically, the Army generally:

- Achieved Recovery Act goals and objectives by competitively awarding firm, fixed-price contracts, posting contract award information as required, and preparing detailed statements of work and providing contract oversight.
- Met established project objectives and enabled the Army to contribute to Recovery Act goals.
- Provided sufficient contract oversight by maintaining quality assurance plans.
- Ensured contractors met reporting requirements. Most sites had a process in place to ensure recipients reported project data according to the Federal Acquisition Regulation and Recovery Act requirements for timeliness, accuracy and completeness.
- Prevented significant inaccuracies in recipient-reported data and ensured the timely reporting of the data.

However, USAAA found a systemic issue with the review process of recipient reports for projects managed by the U.S. Army Corps of Engineers. USAAA determined that the process was not sufficient for ensuring recipient reports met the transparency requirements of the Recovery Act.
Result: USAAA made a recommendation in a site report to the director, National Contracting

Organization, USACE to correct the systemic issue. In addition, USAAA identified several isolated instances that affected or could have affected an installation's or activity's ability to achieve their project outcomes and instances where quality assurance inspections were not properly documented. USAAA made recommendations to correct the issues identified for each installation or activity in separate site reports. These audits facilitated accountability and provided assurance that the Army's Recovery Act spending was transparent and met the other goals of the Act.
Report No. A-2012-0188-IEE

ARMY CRIMINAL INVESTIGATION COMMAND

Significant Activities

The Army Criminal Investigation Command is a combat ready organization dedicated to providing the Army with critical investigative support, actionable criminal intelligence, logistics security and protective services for senior DoD personnel around the globe. During the reporting period the Army CID had 473 agents and other personnel forward-deployed in support of ongoing contingency operations in Kuwait, Iraq and Afghanistan. This support extended beyond normal criminal investigations and included logistics security operations; training host nation law enforcement personnel; detainee investigations; and the use of forensic sciences and criminal investigative techniques to aid combatant commanders in identifying, targeting, capturing, deterring and prosecuting insurgents and criminal elements that pose a threat to U.S. forces.

For FY 2012, Army CID generated more than 4,329 new reports of investigation and more than 3,750 non-report of interest investigative sequence actions. In spite of the demanding case load, Army CID maintained a solve rate of 99 percent for drug crimes, 93 percent for violent persons crimes, 94 percent for economic fraud crimes and 98 percent for miscellaneous crimes, with an overall solve rate of 95 percent. The solve rate for general crimes was 62 percent in comparison with the national average of 18 percent. More than $260 million in recoveries and cost avoidance was generated by Army CID during the reporting period.

Significant emphasis was placed on the conduct of sexual assault and death investigations to help meet the intent of DoD and Department of the Army leadership in reducing the number of sexual assaults and suicides that affect the Army community. Army CID continued to hire additional dedicated sexual assault investigators and formed special victims units to improve the quality of sexual assault investigations and increased efforts to hold offenders accountable for their actions. The forensic experiential trauma interview technique developed by Army Military Police School is a ground-breaking procedure that has resulted in vastly improved victim interviews and in the collection of additional testimonial evidence in sexual assault cases. More than 200 criminal investigators and attorneys from all the services, as well as the Coast Guard, have attended and completed the course in FY 2012. Increased competency and improved investigative products have been produced by the course graduates who are providing prosecutors the information and evidence necessary to successfully prosecute and secure convictions of sexual assault offenders.

Specialized Unit Operations

Protective Services

The Protective Services Battalion conducted continuous worldwide executive protection from assassination, kidnapping and injury for designated senior high-risk personnel of the DoD, the Joint Chiefs of Staff and the Department of the Army, to include their respective foreign counterparts during official visits to the United States. The PSB also provided oversight of training and operational effectiveness of combatant commander protective services in U.S. Southern Command and U.S. Forces Korea. Since April 2012, PSB conducted five Operation Enduring Freedom and three Operation New Dawn travel missions, 52 travel missions to outside the continental United States, 182

An Army CID special agent provides security to Gen. Raymond Odierno.

"More than 1,075 insurgents were uniquely identified using latent prints and DNA processed from captured enemy materiel..."

continental United States missions (excluding the daily protection of principals within the national capital region), and three visiting foreign counterpart missions for ministers, chiefs of defense and Army chief of staff equivalents within the national capital region and throughout the continental United States. Additionally, the PSB provided staff for 69 foreign counterpart missions for ministers, chiefs of defense and Army chief of staff equivalents attending the NATO conference held in Chicago, Ill, between May 19-21, 2012. The PSB continues to provide temporary protective support to the former secretary of defense, the Honorable Robert M. Gates and for former chairman of the joint chiefs of staff, Admiral Michael Mullen. The Battalion's protective intelligence section conducted full spectrum threat assessments for every low-, medium- and high-risk travel mission and for each Personal Security Vulnerability Assessment, which incorporated terrorist and criminal threat data into a comprehensive risk analysis program. The PSB continued to deploy special agents to Afghanistan to lead protective service details for senior U.S. combat commanders, including the commander, Combined Security Transition Command Afghanistan/NATO Training Mission Afghanistan; the commander, Combined Joint Task Force 1st Cavalry Division/ Regional Command East–Afghanistan; and the commander, Combined Joint Task Force 82nd Airborne Division/Regional Command South Afghanistan.

Major Procurement Fraud

The Major Procurement Fraud Unit continues to focus its efforts on countering fraud and corruption related to contingency operations. Its global mission is to conduct criminal investigations into allegations of fraud associated with major Army system acquisition programs, to recover Army funds, insure the integrity of the Army procurement process, and deter future crimes to preserve soldier safety and Army readiness. The Major Procurement Fraud Unit investigates allegations of fraud affecting contracting operations in contingency environments throughout the world. Currently there are five forward operating investigative offices in Afghanistan and Kuwait, focused on contingency fund contractual fraud involving overseas contingency operations in support of the various military operations under Operation Enduring Freedom and Operation New Dawn. Since April 2012, 98 reports of investigations were initiated with approximately $244 million in total recoveries and $2.5 million returned to the U.S. Army; outside the continental United States, 13 reports of investigation were initiated and more than $571 million in fines and restitution were realized.

U.S. Army Criminal Investigation Laboratory

The Army Criminal Investigative Laboratory's Expeditionary Forensic Laboratory-2 deployed to Afghanistan April 20, 2012, and continued the mission of providing forensic support throughout the theater of operations. The EFL-2, along with Combined Joint Task Force Paladin, Texas, has technical oversight and support of four smaller satellite labs located at Camp Stone Herat, Camp Marmal Mazar-e-Sharif, the multi-national lab at Camp Warehouse Kabul and the Australian lab in Tarin Kowt Uruzgan that provide support on a regional basis. The EFL-2 has a robust capability to conduct forensic examinations for: explosive triage, latent prints, DNA, chemistry, electronic engineering, firearms and tool marks and forensic/biometric enabled intelligence analysis. With this capability, the EFL-2 is able to provide timely intelligence used for linking known insurgents forensically to captured enemy materiel, such as IEDs, weapons, documents and other materials that are used for targeting and prosecution in Afghan courts. The Afghanistan Captured Materiel Exploitation Laboratories are under the operational control of Combined Joint Task Force Paladin.

Forensic examinations were conducted on more than 297,000 exhibits, completing more than 6,300 cases. More than 1,075 insurgents were uniquely identified using latent prints and DNA processed from captured enemy materiel and matching it to known reference samples in DoD databases. Of those identifications, 680 came from latent prints submitted to the Biometrics Identity Management Agency and searched in the Automated Biometric Identification System database and 395 identifications came from DNA submitted to the Armed Forces DNA identification laboratory. Once they were

identified, 257 "be on the lookout" notices were issued, 113 insurgents were detained, and 101 insurgents were convicted and sentenced in Afghan court. Afghan court statistics show that when evidence is matched forensically to the insurgent there is a 94 percent conviction rate on cases using DNA and 92 percent conviction rate on cases using latent prints.

Two examples of how EFL-2 forensic analyses were used to get insurgents off the battlefield follow:

- On April 7, 2010, a coalition forces vehicle struck an improvised explosive device. The initial explosion injured five coalition soldiers. After a recovery team reported to the scene, a second IED detonated. The second explosion injured two additional coalition soldiers. The IED components were collected from the incident scene and transferred to the Afghanistan Captured Materiel Exploitation Laboratory. A search of the Advanced Battlespace Information System biometrically matched Khalid Naim's record fingerprints to those found on the seized material. Naim was captured and detained by coalition forces June 8, 2011. When the court date was established, Combined Joint Task Force Paladin published the prosecution support packet, which consolidated the forensic evidence and biometrics data. Included was a court chart, developed by the Afghanistan Captured Material Exploitation laboratory, of the latent print from the IED and record print for Naim, presented side-by-side, showing the minutia points. The Afghan prosecutor used the translated packet as part of his presentation in court. On July 15, 2012, the Afghan court sentenced Khalid Naim to 12 years in an Afghan prison.
- On Sept. 16, 2010, a coalition forces route-clearance patrol responded to an IED on a route in Regional Command East. The coalition forces recovered a command wire IED in the immediate area of the search. While clearance patrol exploited the site, another escort patrol passed through the area and a second command wire IED detonated on that patrol. The detonation resulted in one coalition forces vehicle disabled and three personnel wounded in action. The clearance patrol collected and packaged the IED remnants and transferred them to the Afghanistan Captured Material Exploitation laboratory where Rahmin Gul's DNA was found on the IED. As a result of this match, he was captured by coalition forces on March 21, 2011. On Aug. 6, 2012, the Afghan court sentenced Rahmin Gul to eight years in an Afghan prison.

The EFL-2 spearheaded initiatives to improve forensic support to the Afghanistan Theater of Operations through assisting with court charting cases containing multiple latent prints for each record print to link those prints to the evidence to be used by Afghan prosecutors in court. Using its reach-back facilities in the continental United States allows examiners in theater to concentrate on their heavy case load. Since April 22, 2012, EFL-2 completed 111 cases that involved developing court charts for Afghan Court trials.

The EFL-2 supported future Afghan forensic training by sending its forensic science officer to work with the NATO rule of law field support mission, which is responsible for leading the planning effort. The planning team identified three objectives:

- Enhance the Afghan Criminal Techniques Academy in Parwan province to ensure it is capable of teaching its technicians the forensic techniques so they can sustain the capability after the departure of coalition forces. The next techniques class will include students from Herat who will be taught by the Afghan instructors, with U.S. contracted instructors as mentors.
- Improve the capabilities of the Ministry of the Interior Central Laboratory in Kabul. Currently, the lab has aging equipment that was gifted from a variety of international donors. The NATO support mission is developing courses of action to move them into a new facility.
- Establish a regional forensic lab in Herat that has the support of MOI leadership; a location has been identified and planning continues between the NATO Rule of Law Field Support Mission and DoD IG's MOI partners.

The Reach Back Operations Center provides premier forensic support.

The Expeditionary Forensic Division's Reach Back Operations Center, continues to provide premier forensic support to six geographically dispersed Afghanistan Captured Materiel Exploitation Laboratories, as well as to other contingency operations outside the continental United States. The Reach Back Operations Center added chemistry capability during this period. This new laboratory is equipped with the same equipment utilized in theater as well as some more technologically advanced equipment. This equipment allows for future analysis and quantification of post-blast materials and other evidence associated with suspected IEDs. The expansion of analysis of trace-level materials such as hair, glass, paint and adhesives is also being considered. This additional capability will assist with chemistry cases being returned from theater as well as for training.

"... CITF began providing analytical support and investigative information it developed about detainees to the DoD Periodic Review Secretariat ..."

DoD Criminal Investigation Task Force

The Army CID continued to serve as the executive agency for the DoD Criminal Investigation Task Force, which conducts criminal investigations of suspected terrorists in Guantanamo Bay, Cuba, and suspected terrorists and insurgents in Afghanistan, and ultimately helps remove terrorists and insurgents from the battlefield. To carry out its mission, the Criminal Investigative Task Force had teams of Army CID special agents, attorneys and analysts in the continental United States, Guantanamo and Afghanistan.

The CITF teams continued working with the DoD Office of Military Commissions of the chief prosecutor with pretrial hearings for detainees Khalid Sheikh Mohammed, suspected of masterminding the 9/11 attack; the four men charged with murder in violation of the law of war and seven other charges in connection with the planning and execution of the 9/11 attack; and Abd al-Rahim Hussayn Muhammad Abdu al-Nashiri, who allegedly was in charge of planning and preparing for the Oct. 12, 2000, attack on the USS Cole in the Port of Aden, Yemen, in which 17 U.S. sailors were killed.

In a new initiative related to Guantanamo detainees, CITF began providing analytical support and investigative information it developed about detainees to the DoD Periodic Review Secretariat that was conducting periodic reviews of Guantanamo detainees.

The CITF attorneys and analysts in Guantanamo reviewed, redacted and declassified nearly 30,000 pages of records and processed about 1,500 documents for release to military commissions and the federal court as part of the DoD Security Classification/Declassification Review Team for use in future proceedings. In support of overseas contingency operations in Afghanistan, CITF:

- Deployed agents to two new initiatives and emerging missions: supporting Shafafiyat's Major Crimes Task Force, established by the Afghan National Directorate of Security with the support of the United States to battle graft and corruption, and the U.S. Special Operations Command Criminal Prosecution Sensitive Site Exploitation Refinement Team.
- Continued to support Task Force 2010 and Combined Joint Interagency Task Force 435.
- Provided intelligence reach-back capabilities in support of those task forces.
- Developed information and evidence that led to convictions of terrorists and insurgents involved in attacks using IEDs.
- Developed information about individuals and networks involved in capturing property from the United States and its coalition partners that led to the recovery of stolen U.S. government property.
- Trained Afghan law enforcement and judiciary personnel.

At the Shafafiyat's Major Crimes Task Force, CITF agents mentored Afghan law enforcement officers working on high-profile corruption cases of Afghan officials and networks, and provided training on investigating organized crime, weapons trafficking and other crimes. At the Criminal Prosecution Sensitive Site Exploitation Refinement Team, agents collected and preserved evidence as close to the point of capture as possible for use in potential prosecution or continued detention of detainees. Agents conducted more than 300 interviews of detainees in Afghanistan at the detention facility in Parwan in support of Combined Joint Interagency Task Force 435. A CITF attorney served as the officer in charge of the Justice Center in the Parwan Investigations

Unit, and agents, analysts and attorneys working at the Justice Center prepared more than 300 investigative reports on detainees, most of whom allegedly possessed or planted IEDs. The conviction rate of Afghans prosecuting the cases worked on by CITF at the Justice Center in Afghanistan's antiterrorism court has consistently been about 80 percent. The CITF agents assigned to Task Force 2010 developed investigative leads identifying individuals, companies and locations used to house and store stolen property. The operations resulted in recovering 14 U.S. shipping containers valued at more than $188,000 and 124 High Mobility Multipurpose Wheeled Vehicles valued at $8.6 million from the Afghan National Directorate of Security.

The CITF attorneys and analysts worked with attorneys from the Office of Special Inspector General for Afghanistan Reconstruction and shared information to augment operational knowledge of criminal networks in and around Afghanistan.

Law Enforcement and Professionals Program

The Law Enforcement Professionals Program is an ongoing, Army CID managed, program that supports both the Army and the Marine Corps during contingency operations. The LEP Program embeds experienced former law enforcement personnel at all echelons from corps to battalion and some select companies.

The LEP mission is to advise, assist, mentor and train U.S., host nation and coalition forces in various criminal enterprise investigative and analytical law enforcement skill sets used in counter-IED operations, counter-narcotics and counter insurgency operations. The LEPs are an integral component of a comprehensive civil-military counter-insurgency campaign.

The LEP personnel assist commanders with enhanced expertise and methodology to understand, identify, penetrate, interdict and suppress international insurgent and criminal-like network enterprises. The LEP Program, through advising, assisting, training and mentoring, has been a great success enabling significant amounts of evidence collected, profiling and the identification of individuals for questioning and prosecution in Afghanistan in support of the rule-of-law.

The LEP Program in Afghanistan accomplished the following in the past six months:

- On April 7, 2012, an Afghan National Army patrol detained four suspects involved in an IED incident. On April 8, 2012, TF Bulldog LEPs mentored the ANA on detainee processing. The LEPs met with an Afghan noncommissioned officer who was trained along with 22 other ANA soldiers in biometric collection in December 2011. The LEPs used the situation as an opportunity to have the previously trained NCO train the ANA students on the procedures of biometric collection. The four detainees were photographed then fingerprinted by the ANA NCO. The NCO then collected a known saliva sample from each detainee via buccal swab instructing the other soldiers. Soldiers present indicated they understood the procedures as they were demonstrated and seemed enthusiastic about the lessons learned. All fingerprint cards and collection swabs were retained by the LEP to be turned into the Afghanistan Captured Materiel Exploitation Laboratories for analysis and comparison.
- On April 8, 2012, Task Force Spartan LEPs arranged a demonstration of homemade explosives test kits conducted by the Task Force Shahkine commander and members at Forward Operating Base Salerno for the Chief National Directorate of Security prosecutor for Khost province and the investigative prosecutor. The demonstration was to educate the prosecutors on the value of the test kits as evidence and portray the capability of properly trained Afghan National Security Forces to employ the kits operationally. Its members advised the prosecutors how the testing would be documented by photography and written notes as to time, date, location and suspect information (name, date of birth, etc.) and informed them that the entire testing of the samples was conducted by Afghans. Taken together, the prosecutors were convinced

Task Force Spartan LEPs demonstrated homemade explosives test kits.

The Afghan police learned how to use the test kits.

that the test kit results would be strong evidence in the courts and were in agreement that the homemade explosives test kits were valid evidentiary material. The prosecutors stated that evidence obtained and documented by Afghans carries greater weight in an Afghan court and the probability of conviction is much improved since Afghan judges are less inclined to dismiss scientific evidence developed by Afghans. The prosecutors requested Task Force Shahkine start training other ANSF in Khost province. The LEP is working with ANSF and appropriate U.S. forces to have the test kits and resupply available through the ANSF supply chain.

- On May 2, 2012, Task Force Spartan LEPs coordinated with Naval Surface Warfare personnel, Khost ANP CID chief and the TF Shahkine commander on the training of Khost Afghan National Police CID officers and TF Shahkine officers with homemade explosives precursor test kits. In addition to the ANP CID/Shahkine officers, the LEPs invited Khost prosecutors and Khost primary court judges to attend and observe the training. The desired outcome was that, at the conclusion of the training, the judges would take "judicial notice" of the homemade explosives test kits as viable evidence when testing was performed by ANP, properly preserved and documented for prosecutors. At the conclusion of the instruction, the LEPs engaged the judges and prosecutors in a discussion on the training observed. In particular, the judges were in agreement that positive test results obtained using the homemade explosives test kits would be valuable evidence in determining the guilt of a suspect. The judges approved of the ANP conducting any testing of suspected materials and were pleased to observe the training.
- On May 7, 2012, Provincial Response Company, Ghazni, with Investigative Surveillance Unit LEPs, Investigative Surveillance Unit Ghazni and Task Force 50, conducted a cordon and search of a compound belonging to the leader of an IED network operating west of Forward Opertaing Base Ghazni. The search yielded five insurgents hiding in two separate "spider holes." The detainees were related to the IED network and possessed evidence of insurgent activity. Upon completion of the cordon and search, the detained insurgents and evidence were returned to Forward Operating Base Ghazni for further investigation. The IED network operating west of Forward Operating Base Ghazni was responsible for at least four IED events since early April 2012, which targeted coalition forces and local national construction workers. The operation effectively disrupted the IED network operating in the vicinity of Qalati and demonstrated the ability of ANSF, partnered with the Investigative Surveillance Unit, to conduct evidence-based operations.

Command Intelligence Operations Center

The Command Intelligence Operations Center continued to expand its analytical support to investigative elements worldwide by collecting, assessing and forwarding criminal intelligence to Army CID field elements in support of criminal investigations. The CIOC continues to expand the Army's e-Guardian Program, which allowed Army law enforcement to share and disseminate terrorist threat information with the FBI, other DoD law enforcement agencies and local civilian law enforcement authorities. It also acts as a liaison to the FBI's National Joint Terrorism Task Force. Personnel attached to the National JTTF and Regional JTTFs have assisted the FBI in several investigations concerning former Iraqi insurgents who entered the United States under various immigration programs. Additionally, CIOC members have been leading an initiative at the National JTTF to identify potential insider threats posed by DoD contractors working in support of U.S. military operations in the United States and overseas.

Significant Investigative Cases

AJ Hughes Executive Sentenced for Fraudulent Certifications

Overview: Gentex self-reported to the contracting officer that the steel screw provided by AJ Hughes Screw Products Company since the summer of 2006 did not meet contract

specifications, and Gentex unknowingly submitted false claims when they requested payment for the Advanced Combat Helmet. AJ Hughes falsified the certificates of compliance claiming the steel and finish met contract specifications. These false statements resulted in Gentex unknowingly submitting false claims when they requested payment for the Advanced Combat Helmet. A joint investigation by Army CID, NCIS and DCIS revealed that Gregory Tremaine, vice president of AJ Hughes, changed both the type of steel and type of finish used to make the screws it was subcontracted to provide Gentex, the primary contractor, without the approval or knowledge of Gentex, and did so with full knowledge of the government requirements. He then falsified certificates of compliance on each shipping invoice to Gentex for screws he knew were destined for use on the Advanced Combat Helmet under contracts with the Army. Further, Tremaine admitted he had personally altered AJ Hughes' internal production drawings surrounding the Advanced Combat Helmet so if asked for a drawing he could provide the fictitious one that would conceal the fact that AJ Hughes was not using the required steel screws. He also admitted to intentionally failing to notify Gentex that the screw finish was obtained from an unapproved vendor, and that he instructed all AJ Hughes employees to not advise Gentex of either change. In March 2009, the Defense Supply Center Philadelphia issued a Safety Message through the Army Central Management Office and ordered the recall of more than 44,000 Advanced Combat Helmet identified as potentially containing nonconforming screws. Between May 2009 and April 2011, the Fort Drum, N.Y., Fraud Branch Office secured in excess of 1.8 million screws which, with the cooperation of Project Manager Soldier Survivability, the Army Central Management Office and the Defense Logistics Agency, were removed from the effected Advanced Combat Helmets to insure no nonconforming screws could accidentally be returned to the logistical/supply pipeline. The collection of more than 1.8 million screws represents the 100-percent collection of nonconforming screws for all Gentex manufactured Advanced Combat Helmets fielded to the Army.

Result: Per pretrial agreement, Tremaine pleaded guilty in Federal District Court, Buffalo, N.Y., to violating 18 U.S.C. § 287, False, Fictitious, or Fraudulent Claims, and § 1001(a)(3), False Document. He was sentenced to two 12-month terms of confinement to run concurrently, ordered to make restitution of $134,271 directly to the Army, and was fined $10,000.

In September 2011, Tremaine and AJ Hughes were debarred from government contracting until January 2014. Additionally, although there was insufficient credible information to establish that Debbie Tremaine, president, AJ Hughes Screw Products Company, was complicit in the fraudulent criminal activity, the investigative efforts were sufficient to support a fact-based debarment of Debbie Tremaine.

Soldier Sentenced to Two Life Sentences for Plotting to Inflict Mass Casualties

Overview: A joint investigation by the Army CID, FBI and Killeen Police Department established that a private first class left Fort Campbell, Ky., without authorization and traveled to Killeen, Texas. He purchased six pounds of smokeless gun powder, three boxes of shotgun shells and an ammunition magazine for a pistol, intending to construct two explosive devices. The soldier planned to place the explosive devices inside a Killeen, Texas, restaurant frequented by military members with the intent to inflict mass casualties and to shoot anyone fleeing the building after he detonated the explosive devices. Based on information provided by a concerned citizen who witnessed his suspicious behavior while purchasing the supplies, the Killeen Police Department and FBI arrested the soldier before he completed the act.

Result: In May 2012, the soldier was found guilty by jury in Federal District Court and sentenced to two consecutive life terms and an additional fifty five years to be served consecutively. He was found guilty of violating 18 U.S.C. § 2332a(a)(2)(D), Attempted Use of a Weapon of Mass Destruction; § 1114(3) and 1113, Attempted Murder of Officers or Employees of the United States; § 924(c)(1)(A)(i), Possession of a Weapon in Furtherance of a Federal Crime of Violence (Firearm); § 924(c)(1)(A) and (B)(ii), Possession of a Weapon in Furtherance of a Federal Crime of Violence (Destructive Device).

"The soldier planned to place the explosive devices inside a Killeen, Texas, restaurant frequented by military members with the intent to inflict mass casualties..."

Soldiers Convicted of Stealing Rifles Sold to a Gang

Overview: A joint investigation with the FBI and the Bureau of Alcohol, Tobacco and Explosives established that three soldiers broke into the temporary arms room within the central receiving point warehouse of Fort Irwin, Calif., and stole 26 AK-74 assault rifles and a Dragunov sniper rifle. Two of the soldiers traveled to Fresno, Calif., where they sold rifles to contacts within a criminal street gang with which one soldier was affiliated. Thirteen weapons were recovered.
Result: The soldiers pleaded guilty in general courts-martial and were sentenced to a total of 38 years confinement, reduction in ranks and bad conduct discharges. The UCMJ articles that one or more of the soldiers were guilty of violating included: Articles 80-An Attempt to Commit an Offense; 81-Conspiracy; 108-Damaging and Wrongful Disposition of Military Property; 109-Destruction of Property other than United States Military Property; 112a-Wrongful Possession of Controlled Substances with the Intent to Distribute; 121-Larceny of Military Firearms; and 134-Prejudicial to the Good Order and Discipline of the Armed Forces.

Navy

Soldier Sentenced to Life for Murder

Overview: A military police sergeant stationed at Fort Campbell, Ky., was arrested by the Kentucky State Police in 2007 and charged with murdering his wife and stepmother. The State of Kentucky prosecuted this joint investigation twice, each time with a hung jury the result. After coordinating with Kentucky State Police, Army CID was the lead investigative agency, with the Fort Campbell Office of the Staff Judge Advocate assuming prosecutorial jurisdiction. Evidence collected by Kentucky State Police during the crime scene examination and the soldier's arrest was submitted to the Army Criminal Investigation Laboratory for additional forensic examination. In January 2012, USACIL discovered pieces of glass on the soldier's clothing which matched the glass collected from the crime scene. This evidence directly linked the soldier to the scene and the victims' deaths.
Result: In a general court-martial conducted in May 2012, the sergeant was found guilty on all charges and specifications. He was sentenced to life in prison without the possibility of parole, a reduction in rank, forfeiture all pay and allowances, and was dishonorably discharged from the service.

Sergeant Admits to Stealing $137,000 in Private and Government Property

Overview: The Fort Bliss Housing Management Office reported thefts of appliances and furniture (e.g., washing machines, dryers, beds and dressers) from barracks and government storage buildings. A joint investigation conducted with the FBI established that several stolen items were being sold at a local thrift store. Additional investigation identified a sergeant first class assigned to the Fort Bliss Housing Management Office who admitted to breaking into buildings and stealing both government and personal property totaling more than $137,000. Approximately $46,000 of the property was recovered.
Result: At a general court-martial, the sergeant pleaded guilty to violating UCMJ Articles 92 – Failure to Obey a Regulation; 108 – Wrongful Disposition of Military Property; and 121 – Larceny and Wrongful Appropriation. He was sentenced to 19 months confinement, reduced in rank and received a bad conduct discharge.

Naval Audit Service

The mission of the Naval Audit Service is to provide independent and objective audit services to assist Department of the Navy leadership in assessing risk to improve efficiency, accountability and program effectiveness. NAVAUDSVC works closely with senior Navy and Marine Corps officials to develop a risk-based annual audit plan addressing critical areas officials feel merit additional oversight.

In the past six months, NAVAUDSVC audits have addressed such significant DoN issues as the maintenance and protection of bulk fuel facilities (fuel farms), the safeguarding of the personally identifiable information of service members and civilians, the implementation of (the Defense Department's primary tool for measuring contractors' progress) on the Virginia Class Submarine program and more. At the request of the undersecretary of the Navy, NAVAUDSVC continues to test the responsiveness of DoN sexual assault hotlines. Also in the past six

months, NAVAUDSVC's assist reports for the NCIS identified approximately $1.3 million in potential fraud (for a total of approximately $2.7 million in FY 2012).

In FY 2013, NAVAUDSVC will continue working with senior DoN officials and providing them with an expert and impartial assessment of critical DoN issues, making recommendations as needed to address identified conditions and help prevent their recurrence.

Joint Warfighting and Readiness

Reporting of Navy Aviation Fuel Consumption

Overview: The audit objective was to verify that the Navy was accurately reporting aviation fuel consumption.

Findings: NAVAUDSVC found that the Navy, in response to the Oct. 2010 secretary of the Navy energy directives that tasked reporting quantities of consumption for each category of energy usage, underreported aviation fuel consumption by about 12 percent. The Navy Energy Coordination Office (Chief of Naval Operations N45E) underreported fuel consumption due to using data sources that did not include fuel consumption from all Navy aviation units. Understating Navy aviation fuel consumption impairs Navy management from setting appropriate metrics and milestones to reach the secretary of the Navy energy goals.

Result: NAVAUDSVC recommended that the deputy chief of naval operations for fleet readiness and logistics, whose Navy Energy Coordination Office responded to the secretary of the Navy energy directive, establish a process for reporting Navy aviation fuel consumption and use data sources that include all Navy aircraft, including Navy Reserve aviation units and any additional units currently excluded from the Aviation Cost Evaluation System and Chief of Naval Air Training consumption reporting. To improve the accuracy of aviation unit fuel reporting through the process of reconciling fuel provider transactions to unit records, NAVAUDSVC recommended that the commanders, Naval Air Forces, Pacific and Atlantic, which are responsible for most Navy aviation units, revise Navy aviation fuel transaction processing policy to require: (1) unit personnel participating in each type of aircraft fueling transaction to communicate the fuel quantity issued to each aircraft to the aviation unit personnel responsible for processing fuel transactions from the Fuels Automated System Enterprise Server; and (2) aviation unit personnel responsible for processing fuel transactions verify the aircraft bureau numbers cited within aviation fuel transaction documentation are for aircraft that are assigned to the aviation unit prior to recording the obligation. Management concurred with all recommendations.

Report No. N2012-0036

Department of the Navy Bulk Fuel Facilities and Farms–Southwest Region, Defense Fuel Support Point San Pedro, California

Overview: The audit objective was to verify that Defense Fuel Support Point San Pedro fuel facilities and Pier 12: (1) are in compliance with federal and state standards for underground and aboveground bulk fuel storage tanks; (2) are operating within federal environmental standards and have appropriate contingency plans in place to protect the environment and groundwater sources; and (3) have effective physical security controls and antiterrorism measures in place to ensure the protection of the Navy's fuel farms.

Findings: NAVAUDSVC found that DFSP San Pedro and Pier 12 are in compliance with federal and state environmental standards and have appropriate contingency plans in place. However, fuel storage facilities are not in compliance with federal and state standards for bulk fuel tanks. Specifically, NAVAUDSVC identified areas of noncompliance with maintenance requirements and with adherence to regulatory agencies' guidelines. This occurred due to Defense Logistics Agency Energy's insufficient accountability to regulatory agencies, industry's best business practices and subject matter experts' recommendations, and also to DoN's lack of oversight of the bulk fuel storages tanks owned by DoN. If noncompliance with federal and state standards continues to occur, there is a risk of corrosion and deterioration to the fuel tanks, possibly resulting in groundwater contamination and the community's drinking water supply. A complete physical security plan is not in place

NAVAUDSVC reviewed Defense Fuel Support Point San Pedro fuel facilities.

NAVAUDSVC reviewed Craney Island bulk fuel storage facilities.

at DFSP San Pedro. Roles and responsibilities between DLA and Naval Weapons Station Seal Beach have not been clearly delineated. Without a complete physical security program in place, there is a potential for inadequate protection and safeguarding of the key assets at DFSP San Pedro. In addition, DLA did not establish an antiterrorism program or implement the minimal antiterrorism standards. DLA was not accountable for complying with DoD standards because of insufficient oversight. If corrective actions are not taken there is a potential for inadequate protection and safeguarding of the key assets.

Result: NAVAUDSVC recommended that the commander, Navy Region Southwest, establish an agreement with DLA Energy to ensure tanks are not returned to service unless the mandatory repairs are completed and the tank has passed an integrity test; take actions to ensure that DLA Energy Americas West complies with all federal, state and local requirements for operation, maintenance and repair of underground and aboveground fuel storage tanks; develop and implement roles and responsibilities between DLA, Naval Weapons Station Seal Beach and DFSP San Pedro to ensure a complete physical security program is established; and provide oversight to ensure the antiterrorism roles and responsibilities are established and effectively implemented. NAVAUDSVC also recommended that the commander, Naval Weapons Station Seal Beach, integrate the DFSP San Pedro tenant command into the installation physical security program and develop a memorandum of understanding with local law enforcement agencies. Management concurred with all 16 recommendations.

Report No. N2012-0046

Reporting of Navy Maritime Fuel Consumption

Overview: The audit objective was to verify that Navy ship fuel consumption was accurately reported.

Findings: Although fuel consumption data recorded by 25 selected ships in the Navy Energy Usage Reporting System was 97 percent accurate, NAVAUDSVC found deviations in the monthly data for 61 and 44 months of F76 and JP5 fuel reports, respectively. These deviations were attributed to: (1) inconsistent processes for recording and reporting fuel consumption;(2) manual data entry errors; (3) formula errors; and (4) missing fuel and water reports. In addition to the recording deviations, oversight was limited, and personnel were not trained on recording and reporting fuel usage. As a result, the Navy Energy Usage Reporting System was not properly maintained;, and ships may not accurately record and report fuel usage and transactions, which could potentially affect the accuracy of data stored in the system and impact burn rates and budgeting decisions. While the fuel consumption data in the Navy Energy Usage Reporting System may be sufficient for higher-level decision-making, reliability is reduced when used for decisions requiring more precise information, such as fuel consumption for a specific class of ships or a single ship.

Result: NAVAUDSVC recommended standardizing fuel and water reports, automating the process and updating policies for recording and reporting fuel consumption data. In addition, a recommendation was made to conduct an evaluation on the accuracy of ships' fuel gauge systems. To eliminate inconsistencies, recommendations were also made to increase oversight of the process and to establish effective training programs for ship personnel in regard to recording and reporting ship fuel consumption. Management concurred with all 18 recommendations.

Report No. N2012-0048

Department of the Navy Bulk Fuel Storage Facilities and Farms–Mid Atlantic Region, Craney Island

Overview: The audit objective was to verify that Craney Island was operating within federal standards, had appropriate contingency plans and had effective controls for antiterrorism/force protection in place.

Findings: NAVAUDSVC found that Craney Island is not operating the fuel storage facility and the oily wastewater treatment plant within federal environmental standards. The oily wastewater pipeline which runs from the Craney Island terminal, under the Elizabeth River, to Naval Station Norfolk has leaked twice since January 2011. The pipeline released approximately 300 gallons of oily wastewater and was temporarily repaired awaiting a permanent solution. In addition, regular tank and pipeline inspections and maintenance were not in compliance with

requirements. For example, the oily wastewater internal tank inspections were overdue and external tank inspections were never conducted since construction in 1999. In addition, annual cathodic protection inspections have only been conducted once since 1999 on the oily wastewater tanks and never since 1998 on the pipeline. Finally, the Navy accepted into service (while still under warranty) one above-ground fuel-storage tank even though the cathodic protection failed. However the Navy allowed the warranty to expire and will now incur an expense of approximately $300,000 to repair the cathodic protection. As for the contingency and the antiterrorism plans, NAVAUDSVC could not determine if the contingency plans were properly submitted because there was a lack of maintained documentation. The antiterrorism plan was not fully implemented and approved as required. In addition, there was a discrepancy with the Restricted Level Designation.

Result: NAVAUDSVC recommended that DoN leadership establish an inspection and maintenance schedule and develop controls to ensure warranty items are tracked and repaired prior to acceptance. In addition, establish and implement controls for submission and retention of contingency plans and ensure that the antiterrorism plan is properly implemented and approved. Also, determine the correct Restricted Level Designation for the Craney Island fuel facility. Management concurred with all 16 recommendations.

Report No. N2012-0053

Military Sealift Command Ships' Energy Consumption

Overview: The audit objective was to verify that the Military Sealift Command ships' fuel consumption was accurately reported.

Findings: NAVAUDSVC found that MSC ships' fuel consumption data was not accurately reported for FY 2010. Supporting documentation was available for an estimated 81 percent of FY 2010 Navy Energy Usage Reporting System reports. However, Military Sealift Command did not have supporting ship-generated documentation available to verify the accuracy of fuel consumption as required for an estimated 19 percent of the Navy Energy Usage Reporting System reports. For an estimated 36 percent of fuel reports, the supporting documentation that was available did not match the total fuel consumed reported in Navy Energy Usage Reporting System. Additionally, there were inconsistencies in the types of fuel consumption supporting documentation maintained by the ships. In addition, 20 time-chartered ships within the Sealift Program did not report their fuel consumption data, totaling 11.6 million gallons. As a result, while fuel consumption data in Navy Energy Usage Reporting System may be sufficient for higher level decision-making, the reliability is reduced when used for decisions requiring more precise information, such as fuel consumption for a specific class of ships or a single ship.

Result: NAVAUDSVC recommended that Military Sealift Command develop policy guidance on fuel consumption reporting requirements, detailing specific types of fuel consumption data that are required to be maintained to ensure standardization among the project management offices. In addition, MSC should establish controls and provide oversight to ensure all ships follow the DoN record retention policy for fuel consumption data. In addition, project managers, or their appointed representatives, should obtain fuel consumption supporting documentation from the ships and reconcile it to the fuel consumption data reported in the Navy Energy Usage Reporting System to ensure data accuracy. In addition, time-chartered ships within the Military Sealift Command should be required to report fuel consumed on a monthly basis. Management concurred with all four recommendations.

Report No. N2012-0054

Aviation Fuel Accounting at Marine Corps Air Station Yuma

Overview: The audit objective was to verify that Marine Corps Air Station Yuma was accurately accounting for and reporting aviation fuel during August to November 2011 at the time a fuel pipeline leak was discovered.

Findings: Overall, NAVAUDSVC found that MCAS Yuma personnel accurately accounted for and reported JP-8 fuel on the audited end-of-month Department of Defense Form 1348-8 fuel reports for August through November 2011. The audit team reconciled these four end-of-month fuel reports, which reported total operational

NAVAUDSVC reviewed fuel consumption reporting.

fuel loss of 70,403 gallons during September through November 2011, to source documentation (e.g., fuel truck logs). NAVAUDSVC identified an accounting discrepancy for three of the four months, with the largest in the amount of 5,240 gallons.

Result: MCAS Yuma personnel revised the November 2011 closing physical inventory by 5,240 gallons to correct the manually-recorded, month-end fuel quantity for two fuel storage tanks. The MCAS Yuma commanding officer gained assurance that no further accounting errors were involved with the revised fuel loss of 75,643 gallons reported for September to November 2011. NAVAUDSVC did not make any recommendations to management.

Report No. N2012-0055

NAVAUDSVC reviewed DoN fuel consumption.

Accounting and Reporting of Marine Corps and Navy Fuel Consumption for Tactical Ground Units

Overview: The audit object was to determine whether a process was in place to accurately record and report Navy and Marine Corps expeditionary fuel consumption for tactical ground components (units).

Findings: NAVAUDSVC found that DoN lacked an effective process to accurately record and report fuel consumption data for tactical ground units, as tasked in the October 2010 Secretary of the Navy Energy Directives. The directives required reporting of current fuel consumption quantities and documentation of past, current and projected future tactical energy use. According to Marine Corps and Navy representatives, at the time of the October 2010 SECNAV directives, DoN recognized that it lacked a reliable fuel consumption collection process for recording and reporting tactical energy use. As an alternative, fuel-purchase data was used to report fuel "consumption" data in response to the SECNAV reporting requirement. However, NAVAUDSVC's review found that portions of the Marine Corps' and Navy's fuel-purchase data reported to SECNAV (as fuel consumption) for tactical ground units were over- and under-reported. This occurred partly because the Fuel enterprise server, a fuel purchase database used by both services to collect and report fuel consumption to the SECNAV, could not identify transactions associated with tactical ground activity. NAVAUDSVC also found that Marine Corps and Navy ground units were not consistently maintaining required receipts of fuel purchases and were not consistently reconciling their fuel purchases. This occurred partly because the ground units did not have established internal operating procedures explaining required fuel management practices. In addition, DoN lacked corporate guidance outlining required fuel management practices of bulk fuel transactions (e.g., document retention and reconciliation procedures). The fuel management weaknesses identified foster an environment in which inaccurate and improper fuel transactions can go undetected within the Fuel enterprise server. Also, without working to address the reporting limitations of fuel purchase data for tactical ground units, DoN's ability to understand fuel data for ground units is limited (e.g., whether it supports tactical activity). Additionally, not having an accurately established and validated baseline of fuel consumption and purchase data may limit DoN ability to accurately measure progress toward achievement of certain energy goals.

Result: NAVAUDSVC recommended that Navy and Marine Corps management develop a plan of action with milestones to ensure appropriate data is captured related to tactical (e.g., operational energy) ground activities; the establishment of separate detailed methodologies for collecting and reporting their services' ground fuel data related to tactical activities; and all relevant ground units/commands that purchase or consume fuel, develop and implement standardized internal operating procedures that explain required fuel management practices. Management concurred with all six recommendations.

Report No. N2012-0058

Acquisition Processes and Contract Management

Navy's Management of Unmanned Systems

Overview: The audit objective was to verify whether the DoN has developed a comprehensive and integrated master plan for unmanned systems, and established an oversight framework

for the development, testing, acquisition and fielding of unmanned systems.

Findings: NAVAUDSVC found that DoN has taken positive steps to improve unmanned systems program management, but its approach does not provide reasonable assurance that its investments in unmanned systems will facilitate their integration into the force structure efficiently in accordance with guidance. In addition, DoN has not established a governance process, involving senior DoN leadership, to ensure discipline for the program decision-making process within the Department by adjudicating and resolving issues to ensure achievement of SECNAV's objectives and goals for unmanned systems.

Result: NAVAUDSVC recommended that the deputy to the undersecretary of the Navy for plans, policy, oversight and integration coordinate with chief of naval operations, the commandant of the Marine Corps and the assistant secretary of the Navy (research, development and acquisition) to: (1) designate an existing organization within DoN to be the Office of Primary Responsibility that has comprehensive oversight to (a) maintain awareness of the unmanned systems programs through continuous coordination; (b) conduct routine assessments of individual and community unmanned systems program direction, status, performance, and goals to evaluate progress toward SECNAV's objectives and goals for unmanned systems; and (c) look across DoN Unmanned Systems programs for opportunities for efficiencies or process improvements for recommendation to Department leadership; and (2) establish a governance process, involving senior DoN leadership to ensure discipline for the program decision-making process within the Department by adjudicating and resolving issues to ensure achievement of SECNAV's objectives and goals for unmanned systems.

Report No. N2012-0051

Implementation of Earned Value Management for the Virginia Class Submarine Program

Overview: The audit objective was to verify that earned value management was implemented in accordance with DoD requirements and used to monitor acquisition program costs, schedules and performance for the Virginia Class Submarine program.

Findings: NAVAUDSVC found that earned value management, the DoD primary tool for measuring contractors' progress, was not fully implemented and used to monitor acquisition program cost, schedule and performance for the Virginia Class Submarine program, an acquisition category I program, at Huntington Ingalls Incorporated-Newport News and General Dynamics Electric Boat in accordance with DoD requirements. Specifically, the Virginia Class Submarine contractors' earned value management systems did not fully comply with all of the 32 DoD-established earned value management systems guidelines and the supervisor of shipbuilding, Newport News and the supervisor of shipbuilding, Groton, did not provide formal surveillance over their respective contractors' earned value management implementation.

Result: NAVAUDSVC did not make recommendations in this report because the actions being taken by the Department of Navy Center for Earned Value Management and Naval Sea Systems Command in response to previous Naval Audit earned value management reports and other agency reviews should address the internal control weaknesses identified in this audit report. However, the Virginia Class Submarine Program Office, both supervisors of shipbuilding and the contractors acknowledged the weaknesses identified and each party has made efforts to mitigate or resolve the identified earned value management system deficiencies.

Report No. N2012-0031

Information Assurance, Security and Privacy

Managing Personally Identifiable Information at Navy Operational Support Centers

Overview: The audit objective was to determine whether internal controls over personally identifiable information within Navy Operational Support Centers were in place and operating effectively to protect the information from unauthorized disclosure.

Findings: NAVAUDSVC found that NOSCs established a Privacy Act program that had some internal controls in place and was operating effectively. However, the NOSCs did not have suf-

NAVAUDSVC reviewed the Navy's master plan for unmanned systems.

NAVAUDSVC reviewed Navy reengineering efforts.

ficient internal controls to mitigate the risk of unauthorized disclosure of PII and protect the confidentiality of records containing this information. NAVAUDSVC observed several internal control weaknesses in the administration of the Privacy Act program. Specifically, NAVAUDSVC found that: (1) disposal methods at eight of the nine NOSCs visited did not render records containing PII unrecognizable; (2) all NOSCs visited had weak physical and electronic safeguards; (3) semiannual PII spot checks were not conducted and properly documented at five of the nine NOSCs visited; (4) a Privacy Act Statement was not included on 32 of 47 locally generated forms used to collect PII at eight of the nine NOSCs visited; and (5) mandated 2011 PII training was incomplete at one NOSC visited. Additionally, NAVAUDSVC noted that PII was not included as an assessable unit under the FY 2011 Managers' Internal Control Program at seven of the nine NOSCs visited. These conditions generally occurred because there was insufficient monitoring and oversight of the Privacy Act program and DoN guidance was not being followed. When internal controls are not properly implemented and executed, the risk of compromising PII increases. Furthermore, the lack of internal controls limits the ability to plan for and respond to potential unintended releases, breaches or unauthorized disclosures. This could result in identity theft or fraud, which would have a negative impact on the NOSCs, DoN and the individuals whose PII is compromised.

Result: NAVAUDSVC recommended that the commander, Navy Reserve Forces Command, establish controls and perform periodic reviews to ensure that (1) the disposal process at NOSCs is adequate to render PII records unrecognizable or beyond reconstruction; (2) PII is properly secured at all times; (3) NOSCs are conducting semiannual spot checks and that proper documentation of the inspections is maintained; (4) a Privacy Act statement is included on all locally generated NOSC forms used to collect PII; and (5) PII training is completed and documented by all NOSC personnel, as required by pertinent guidance. Additionally, commander, Navy Reserve Forces Command, should include PII as an assessable unit in the Managers' Internal Control Program.

Report No. N2012-0063

Financial Management

Business Process Reengineering Efforts for Selected Department of the Navy Business System Modernizations: Shipyard Management Information System Investment for Corporate Software

Overview: This audit is one in a series to verify that supporting documentation was accurate and met the business process reengineering requirements defined in DoD policy and guidance, which implements the FY 2010 National Defense Authorization Act's requirements that defense business systems undergoing modernization meet specific business process reengineering requirements.

Findings: NAVAUDSVC found that Naval Sea Systems Command personnel could not provide sufficient documentation for the business process reengineering of the Shipyard Management Information System Investment for Corporate Software to show that they met the FY 2010 National Defense Authorization Act's requirements.

Result: Naval Sea Systems Command was recommended to establish management internal controls to ensure that all documentation that supports Business Process Reengineering Assessment Form responses is maintained and readily accessible, to which they concurred.

Report No. N2012-0030

Business Process Reengineering Efforts for Selected Department of the Navy Business System Modernizations: Naval Air Systems Command Depot Maintenance System

Overview: This audit is one in a series of audits to verify that supporting documentation was accurate and met the business process reengineering requirements defined in DoD policy and guidance. This policy and guidance implements the FY 2010 National Defense Authorization Act's requirements that defense business systems undergoing modernization meet specific Business Process Reengineering requirements.

Findings: NAVAUDSVC found that the Naval Air Systems Command Depot Maintenance System documentation explicitly addressed the DoD enterprise architecture requirements. It also showed their intent to streamline operations and make processes more efficient by updating

operations and reducing legacy systems. However, a study of various systems solutions that included commercial-off-the-shelf options has not been performed since 1995.
Result: This resulted in a recommendation that Naval Air Systems Command perform a current commercial-off-the-shelf cost versus benefits review to verify whether the 1995 analysis remains valid, to which they concurred.
Report No. N2012-0034

Business Process Reengineering Efforts for Selected Department of the Navy Business System Modernizations: Maintenance Figure of Merit/Mission Readiness Assessment System

Overview: This audit is one in a series of audits to verify that supporting documentation was accurate and met the business process reengineering requirements defined in DoD policy and guidance. This policy and guidance implements the FY 2010 National Defense Authorization Act's requirements that defense business systems undergoing modernization meet specific Business Process Reengineering requirements.
Findings: NAVAUDSVC found that Fleet Forces Command's Maintenance Figure of Merit/Mission Readiness Assessment System reasonably meets the FY 2010 National Defense Authorization Act.
Result: There are no audit recommendations in this review.
Report No. N2012-0037

Other

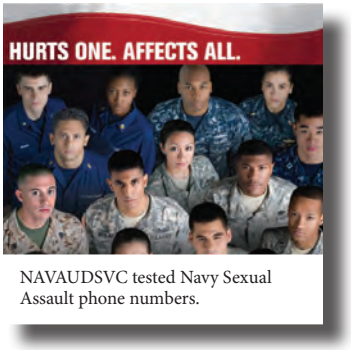
Hiring Select Retired Department of the Navy Military Officers into Civilian Positions

Overview: The audit objective was to determine whether the hiring practice of selected retired DoN military officers into civilian positions DoN civilian was in compliance of laws and regulations.
Findings: NAVAUDSVC's limited-scope review of hiring selected eight Navy commanders and captains, and Marine Corps lieutenant colonels and colonels, respectively into civilian general schedule-14/15 or equivalent positions, identified instances of potential prohibited personnel practices, apparent violations of law and administrative errors. Due to the limited scope of the audit, NAVAUDSVC did not make a DoN-wide conclusion. Not adhering to merit system principles when hiring employees can negatively impact the DoN missions, reputation and finances.
Result: NAVAUDSVC recommended the director, Office of Civilian Human Resources Headquarters, resolve outstanding issues associated with three cases and refer cases to the Office of General Counsel as appropriate, develop and implement a strategy to ensure prohibited personnel practices and administrative errors are identified and corrected; clarify internal Office of Civilian Human Resources headquarters policy; and develop and implement mandatory training and assign civilian hiring as an assessable unit. In addition, NAVAUDSVC recommended the deputy assistant secretary, Civilian Human Resources, issue a DoN–wide memorandum emphasizing adherance to the merit system principles, avoiding prohibited personnel practices and clarifying internal guidance. Management took or planned appropriate corrective action on all recommendations.
Report No. N2012-0042

Impact of Physical Readiness Training on Personnel Safety

Overview: The audit objective was to verify that Navy commands: (1) implemented controls to mitigate the risk of mishaps associated with physical readiness training; and (2) effectively and efficiently implemented the Physical Readiness Program to ensure the Navy maximized readiness and operational effectiveness.
Findings: NAVAUDSVC found that Navy commands reviewed, often did not implement controls to mitigate the risk of mishaps associated with physical readiness training by ensuring personnel were properly screened prior to participating in the physical fitness assessment. Specifically, NAVAUDSVC found that sailors were allowed to participate in physical fitness assessments because of control breakdowns that: (1) allowed sailors without a current periodic health assessment to participate; and (2) allowed at-risk sailors identified through the physical activity risk factor questionnaire to participate without being cleared by an authorized medical department representative. While NAVAUDSVC found that the Navy Physical Readiness Program was being implemented at commands

"... NAVAUDSVC found the Navy's fitness culture did not maximize sustained individual physical readiness."



NAVAUDSVC tested Navy Sexual Assault phone numbers.

reviewed, it was implemented inconsistently in a way that could affect readiness and operational effectiveness. In addition, NAVAUDSVC found the Navy's fitness culture did not maximize sustained individual physical readiness. As a result, the Navy runs the risk of additional physical training-related mishaps, such as the five deaths that were identified in FY 2010 as physical training-related.

Result: NAVAUDSVC recommended that the Physical Readiness Program Office develop a process that excludes sailors from participating in the physical fitness assessments without a current periodic health assessment and development of a set of performance measures, and provide continuous oversight to ensure personnel are properly screened by an authorized medical department representative prior to participating in the physical fitness assessment. Additionally, to further cultivate the Navy's fitness culture, NAVAUDSVC recommended that the Physical Readiness Program Office also require Navy commands to conduct random physical fitness assessments, or parts thereof, to determine if personnel are consistently maintaining fitness standards. Management concurred with seven recommendations and did not concur with two.
Report No. N2012-0057

Department of the Navy Proposed FY 2013 Military Construction Projects Related to the Marine Corps' Guam Relocation Effort

Overview: The audit objective was to determine whether the project scope requirements for selected military construction projects related to the Marine Corps relocation were valid, properly scoped and sufficiently supported.

Findings: NAVAUDSVC found that all four proposed FY 2013 military construction projects related to the relocation of Marine Corps forces from Okinawa, Japan to Guam represented valid needs. These proposed projects were initially valued at approximately $343.30 million. Although guidance existed for the preparation of the military construction projects, NAVAUDSVC found that all four projects contained over-scoped and unsupported line items, totaling approximately $70.28 million. NAVAUDSVC also identified under-scoped line items that totaled approximately $4.30 million. These scoping issues existed due to inaccurate and insufficient supporting documentation, misinterpretation of requirements, information being unavailable to the planners, errors in the mathematical computations, recurrence of line items previously found to be in error and noncompliance with existing guidance. As a result, NAVAUDSVC identified a total of approximately $65.79 million in scoping issues.

Result: NAVAUDSVC recommended that Marine Corps management direct reductions in scope for the over-scoped and unsupported line items in military construction projects; review the under-scoped line items and make appropriate adjustments as supporting documentation dictates; and establish controls to ensure that the methodology used to develop project cost estimates is accurate, sufficiently documented and maintained on file in accordance with existing guidance. Marine Corps management concurred with all four of the recommendations.
Report No. N2012-0047

FY 2012 Second Quarter Test of Department of the Navy Sexual Assault-Related Phone Numbers

Overview: The audit objective was to determine whether DoN sexual assault-related phone numbers were advertised on DoN installation websites, and that initial responses to phone calls made to those numbers were timely and appropriate. This audit was requested by the undersecretary of the Navy.

Findings: NAVAUDSVC's fifth test of sexual assault-related phone numbers found overall improvement in the responses to auditor-placed phone calls to sexual assault-related phone numbers. On Feb. 15, 2012, NAVAUDSVC placed 230 phone calls covering 238 installations to DoN sexual assault-related phone numbers. NAVAUDSVC found 11 percent (26 of 230) of the auditor-placed phone calls were improperly handled. NAVAUDSVC searched 246 DoN component websites to determine whether activities had posted a phone number that reached a victim advocate or sexual assault response coordinator 24 hours per day. NAVAUDSVC found that 100 percent of Navy Reserve standalone NOSCs and Marine Corps activities posted numbers; however, the Navy (98 percent) and the Marine Corps Reserves (88 percent) have room for improvement.

Result: NAVAUDSC briefed the results to the undersecretary of the Navy; the assistant secretary of the Navy, Manpower and Reserve Affairs; and Navy representatives, Navy Reserves and Marine Forces Reserve. The undersecretary; the assistant secretary of the Navy, Manpower and Reserve Affairs; and representatives from each component agreed that improvements were still necessary and would be made. The undersecretary requested that NAVAUDSVC conduct additional quarterly tests until two consecutive quarterly tests showed all four components advertised a 24/7 sexual assault-related phone number on 100 percent of their installation websites, and 95 percent of the phone calls to those numbers were properly handled.
Report No. N2012-0044

Naval Criminal Investigative Service

The Naval Criminal Investigative Service is the primary law enforcement and counterintelligence arm of the DoN. It works closely with other federal, state, local and international police and security services on serious crimes affecting the DoN, including homicide, sexual assault, procurement fraud and other crimes against persons and property. NCIS also has a significant national security mission, investigating such crimes as terrorism, espionage and computer intrusion. In the combating terrorism arena, NCIS provides both offensive and defensive capabilities to the DoN. In the offensive context (performing the "counterterrorism" mission), NCIS conducts investigations and operations aimed at interdicting terrorist activities. In the defensive context (performing the "antiterrorism" mission), NCIS supports key DoN leaders with protective services and performs vulnerability assessments of military installations and areas to which naval expeditionary forces deploy. NCIS also leverages its investigative capabilities as it conducts its indications and warning mission for the DoN, fusing threat information from an array of sources and disseminating threat products to naval elements around the world on a 24-hour basis. Below are investigative highlights of NCIS cases for the current reporting period.

Excellence in Operations and Investigations

NCIS Obtains Confession in USS Miami Arson

NCIS identified a suspect and obtained confessions for two deliberate fires set aboard a nuclear attack submarine undergoing renovations. The blaze aboard the USS Miami on May 23, 2012, injured seven people and caused $440 million in damage. The fire started in the forward portion of the submarine while it was in dry dock and burned for more than 12 hours. Due to the extensive damage, NCIS and the Bureau of Alcohol, Tobacco, Firearms and Explosives were unable to determine how or where it started. On June 16, workers discovered another fire, this time under the Miami's hull, before it could cause significant damage. Investigators recovered evidence indicating it was set intentionally. In addition to launching an exhaustive on-site investigation, NCIS compared lists of employees in the area during the two fires. Analysts narrowed the number of potential suspects from more than 100 to a small group of crew members, military personnel and civilian shipyard workers, including Casey James Fury. Investigators conducted an in-depth background investigation and found that Fury was receiving treatment for mental health issues. NCIS interrogated Fury and administered polygraph examinations. In sworn statements, he denied involvement in the first fire while admitting he set the second fire. When polygraph results indicated deception, Fury confessed he started both fires. Fury was charged in the District Court with two counts of arson and remains in jail.

NCIS investigated fires aboard a submarine.

Counterintelligence Efforts Recognized

NCIS received the following awards for investigative and operational excellence:

- The FBI Director's Award for significant contributions in counterintelligence.
- Three DoD Counterintelligence and Human Intelligence Enterprise Awards: (1) the Office of Special Projects was recognized in the CI Investigations (Team) category for its work on the espionage case that led to the conviction of Petty Officer 2nd Class Bryan Martin; (2) an intelligence analyst received the individual CI Collection award for re-

"Another tip led to the recovery of $240,000 worth of Marine Corps night vision goggles and other restricted military gear allegedly stolen from the government."

porting on Bahrain's Arab Spring protests; and (3) the NCIS representative to U.S. Africa Command received the National Military Intelligence Association's Colonel John Lansdale DoD CI Award in recognition of his "extraordinary contribution" to the DoD CI Enterprise. In addition, a special agent in the National Security Directorate was recognized with the John F. O'Hara CI Career Achievement Award for "sustained, selfless service of the highest order, and extraordinary and long-lasting contributions to DoD and the United States."

NCIS employees received the following awards for investigative and operational excellence: U.S. Attorney's Office, District of Washington, D.C., recognition for outstanding efforts in the investigation and prosecution of Stewart Nozette, an espionage and compromise case that resulted in a 13-year sentence.

- The DoN Meritorious Civilian Service Award for providing "crucial counterintelligence support to an ongoing sensitive activity of national importance."
- The DoD Counterintelligence and Human Intelligence Enterprise Award individual CI Collection award for reporting on Bahrain's Arab Spring protests.
- The National Military Intelligence Association's Colonel John Lansdale DoD CI Award in recognition of "extraordinary contribution" to the DoD CI Enterprise.
- The John F. O'Hara CI Career Achievement Award for "sustained, selfless service of the highest order and extraordinary and long-lasting contributions to DoD and the United States."

Hotline Text Tips Prove Effective

Launched in 2011, the NCIS Text and Web Tip Hotline has been a valuable source of information. For example, during this reporting period a tip received via the text hotline led to an active-duty sailor confessing to downloading child pornography and molesting his 3-year-old daughter and infant son. The tipster notified NCIS about a Facebook page with pedophilia-related posts and a photo of what appeared to be base housing aboard a naval installation. NCIS identified and interrogated the suspect, obtained a confession and identified the victims. Within two days, a military protection order was issued that prohibited him from contact with juveniles. Another tip led to the recovery of $240,000 worth of Marine Corps night vision goggles and other restricted military gear allegedly stolen from the government. Because of the tipster's information, NCIS conducted an investigation, identified the suspect and obtained a confession.

Deployments

During the reporting period, 107 NCIS personnel deployed to Afghanistan (88), the Horn of Africa (13), Kuwait (3), Bahrain (2), and Iraq (1). These deployments supported several warfighting efforts, to include the Joint Counterintelligence Unit–Afghanistan, the International Contract Corruption Task Force, Joint Field Office Afghanistan, the U.S. Special Operations Command, the Commander Joint Task Force, and the counter-piracy efforts of Combined Task Force–151.

Threats from Foreign Intelligence Services

In early 2012, three NCIS special agents assigned to the Joint Counterintelligence Unit-Afghanistan, Detachment Kandahar, conducted an operation that led to identifying and capturing an Afghan national working on behalf of a foreign government recognized as a hostile Tier-One threat. The individual, who was questioned and confessed to a long-standing relationship with the hostile government, remains in U.S. custody as an enemy combatant.

Multinational Cooperation in Afghanistan

Two recent war-zone murder investigations exemplify NCIS successes in using law enforcement skills and expertise to collect evidence admissible in Afghanistan courts, and in collaborating with joint task forces and local prosecutors to bring suspects to justice. In both incidents, agents quickly secured the area and simultaneously gained and provided insight into green-on-blue "insider" incidents that commanders used to better understand and potentially prevent future security seams and attacks. The cases also demonstrated the level of cooperation with joint task forces and local prosecutors who bring suspects to justice and NCIS' ability to collect evidence admissible in Afghanistan courts.

In the first case, three Afghan civilian contractors were implicated in the death of a U.S. civilian working for the U.S. Army Corps of Engineers whose body was discovered in a cave at a military training facility in Kabul. One contractor was convicted and sentenced to 16 years confinement, a second was released to the Afghan Counterterrorism Prosecutive Directorate, and the third was acquitted but remains in Afghan custody pending appellate review. The second incident involved investigating an Afghan army soldier who shot and killed a Marine Corps lance corporal in January 2012. An Afghan trial court found the soldier guilty in August and sentenced him to 20 years in prison.

Biometrics

The NCIS Biometrics program continues to expand the identity intelligence analytic efforts and make important contributions to the larger U.S. government interagency and international biometrics effort. With more than 100 desktop and handheld biometrics devices deployed to NCIS field elements worldwide, personnel added 962 collections to federal databases during this reporting period, resulting in one alert, 115 positive matches and 33 watch-list nominations.

International and Law Enforcement Engagement

The Security Training Assistance and Assessment Teams supported security cooperation efforts and assisted foreign and domestic partner capacity-building through training seminars for 225 members of partner law enforcement and security organizations. During the reporting period, STAAT conducted the following: three week-long seminars in Southeast Asia on port law enforcement and security; three Maritime Interception Operations and International Ship and Port Security Code Seminars in South America; and several Assessment Methodology Seminars in Africa on electronic security systems, security lighting design, waterside security and use of biometrics to enhance security.

NCIS's relationships with civilian and foreign law enforcement and security services continue to play a critical factor in ensuring the safety of forward-deployed naval assets. Since March 2012 NCIS has engaged in the following:

- Hosted 14 foreign delegations at NCIS headquarters, including visitors from Australia, Canada, China, France, India, Jordan, Peru, the Republic of Korea, Serbia and New Zealand.
- Participated in 11 significant engagement activities, including the Counter Transnational Organized Crime Conference in Colombia, a Jordanian Directorate of Military security exchange, a technical assistance seminar in Kosovo, and subject matter expert exchanges with members of the Australian security and intelligence communities.
- Actively engaged with several international law enforcement organizations, including INTERPOL, Europol, the International Association of Chiefs of Police, the International Criminal Investigative Training Assistance Program, the International Law Enforcement Association, and the Law Enforcement Attaché Group.
- Conducted liaison events during the National Organization of Black Law Enforcement Executives, Women in Federal Law Enforcement, National Asian Peace Officers' Association and International Association of Chiefs of Police conferences.

Partnerships with the Australian Government

NCIS's global engagement strategy is focused on leveraging the skills and knowledge of partners to amplify and extend the Department's ability to identify, investigate and neutralize threats. As part of an aggressive global engagement strategy, NCIS further strengthened information sharing and operational partnerships with four key Australian security and intelligence organizations: the Australian Secret Intelligence Organisation, the Defense Intelligence Organisation, the Australian Federal Police and the Royal Australian Navy Maritime Intelligence Support Center.

Such partnerships allow NCIS to leverage Australia's access to information sources and have led to several joint operational opportunities. Through relationships with the Australians, NCIS recently gained access to new streams of intelligence not typically available across the U.S. Intelligence Community. Analysts have used the information to enhance classified threat assessments provided in support of U.S. Marines deployed to Darwin, Australia and other DoN force protection efforts in Asia.

NCIS conducted international and law enforcement engagements.

Successful Teamwork with Law Enforcement Agencies

Cold Cases

Two cold cases involving Navy service members from 1993 and 2007 were successfully resolved through collaboration with local authorities in San Diego and Norfolk. In one case, two civilians were convicted and sent to prison for killing two sailors in 1993. In the other, two repeat sexual assault offenders were identified and brought to justice, and a police officer in Florida was prosecuted for a rape he committed as an active-duty service member nearly seven years earlier in Norfolk. The double-murder case in San Diego was reopened in 2009 when NCIS conducted "touch DNA" tests on the victims' clothing and cigarette butts that were collected at the scene. The DNA profiles matched two known samples, including that of the original suspect. The two suspects were found guilty of first-degree murder, and in March 2012 both were sentenced to two consecutive life terms without the possibility of parole. The other case dates from 2007, when NCIS was notified about photos of an unconscious woman being sexually assaulted by four men wearing Navy uniforms. The victim could not be identified, and the case went cold. In 2009, NCIS located and obtained confessions from the two suspects who were still on active duty. NCIS was then able to identify and locate the woman, who was unaware of the assault, and the two suspects who had left the Navy. All four were found guilty of various rape-related offenses and sentenced in Norfolk Circuit Court within the past year.

NCIS supports the Navy's War of 1812 commemoration.

"The effort is an innovative example of multiplying the force and strengthening liaison relationships with local authorities."

Information Sharing Among Military Criminal Investigative Organizations

NCIS is leading the effort to increase information sharing among the military criminal investigative organizations. The Multiple Threat Alert Center at NCIS headquarters embedded representatives from the Marine Corps and Army CID in its 24/7 Watch Analytic Center. The collocation of MCIO watch nodes streamlines awareness and information dissemination throughout DoD. Notable examples:

- When the Air Force notified the Multiple Threat Alert Center about the possible suicide of a Navy service member in Illinois, watch standers were able to quickly relay the information through NCIS field elements to AFOSI and local authorities conducting the investigation.
- An Army CID watch stander provided real-time threat warning information from the Multiple Threat Alert Center directly to CID protective operations details supporting a NATO summit in Chicago.
- By working with the FBI and other MCIOs, NCIS quickly notified seniors that the suspect in a public deadly shooting had no direct DoD affiliation.

War of 1812 Commemoration

NCIS continues to ensure senior leaders have the most current and complete information for making force protection decisions in support of the Navy's multi-year War of 1812 commemoration. Dozens of field office and headquarters personnel have been heavily involved in providing and updating assessments of possible threats and risks to Navy, Marine Corps and Coast Guard assets participating in "Sailabration" events. Throughout the reporting period, special agents and analysts conducted intelligence research and coordinated with local law enforcement forces to interpret and give context to threats at the local and national level in more than a dozen major cities.

Protective Service Operations

The Protective Operations Field Office developed initiatives that leverage existing resources and expertise and have improved efficiency. One program uses the civilian law enforcement experience of reservists assigned to field offices. To date, 24 volunteer reservists from around the world have received training and credentials that allow them to deploy in support of NCIS protective service operations. The effort is an innovative example of multiplying the force and strengthening liaison relationships with local authorities. Using reservists enabled the Protective Operations Field Office to support an unprecedented number of special events, including War of 1812 bicentennial activities, a NATO summit, Fleet Weeks and several foreign dignitary visits, in addition to executing its primary mission to protect high-risk billets.

During the reporting period, 255 protective service missions in more than 35 countries were completed.

Important Initiatives

Sexual Assault

NCIS realigned the Family and Sexual Violence Program in a shift toward a dedicated, multidisciplinary team response to adult sexual assault, child abuse and domestic violence complaints. The reorganization also addresses specific Marine Corps requirements from the commandant's Sexual Assault Prevention and Response Campaign Plan 2012. The pilot program, which is underway at Camp Lejeune and Camp Pendleton, and at Navy bases in Norfolk and San Diego, is expected to expedite resolution of sexual assault complaints and enhance partnerships with the Navy Judge Advocate General's Corps, the Navy Bureau of Medicine and Surgery, and victim advocacy services. In addition, NCIS adapted advanced curriculum from Army CID to improve a course on sexual assault investigations and interviews. This coursework fulfills DoD requirements and recommendations from the General Accounting Office.

Research, Development and Acquisition Protection

NCIS has 97 agents specifically certified to protect the $17.8 billion the Department has budgeted for research, development, testing and evaluation. To ensure the most sensitive Navy information receives the highest level of protection, NCIS identified the six most critical technologies and developed a threat-based plan. The second phase, realigning resources against the 20 programs that use those technologies and the 153 DoN programs with "critical program information" elements, is underway. In June 2012 NCIS deployed an initiative to enhance critical technology protection by sharing information and combining capability and authority of government agencies with counterintelligence, cyber and criminal investigative missions. So far, NCIS has established two interagency task forces. The first is a collaborative effort with FBI, DoD and U.S. government agencies focused on the technology corridor in Raleigh-Durham, N.C. The other is a collaborative effort with the Department of Commerce and ICE to identify serious threats to the technology supply chain.

Acquisition Fraud

The NCIS Economic Crimes Program completed the first phase of a proactive outreach effort designed to increase awareness and protection of Navy and Marine Corps acquisition entities that execute some 346,000 contracting actions each year. The program, a risk-based approach for evaluating and assessing vulnerability at all 356 acquisition entities, also improves the process for receiving and aggressively responding to fraud-mitigating information. The acquisition commands were divided into three tiers based on the current level of NCIS support and personal contact. NCIS conducted on-site assessments at all Tier III commands, many of which have been underserved since the beginning of the Global War on Terror and provided personal points of contact, assessed potential vulnerabilities, conducted fraud awareness briefs, identified potential sources and evaluated requirements for future fraud support.

Cyber Efforts

NCIS provides intelligence to DoN and DoD decision-makers on adversarial countries' open-source intelligence collection efforts against DoN and its contractors. The 44 specially trained agents and 73 support staff in the Cyber Field Office continue to aggressively expand offensive operations to gain insight into the online activities targeting U.S. policy-makers and others responsible for protecting information of economic and military value. Since March 2012 more than 336 intelligence information reports have been generated from 22 ongoing operations.

NCIS supports Cyber Field Office operations.

Insider Threat

NCIS added two cyber-trained analysts to the NCIS Insider Threat Program. This analytical capability enhances the program's ability to analyze multiple data sets and information sources to help identify and attribute potential and actual insider threat activity on Navy information networks. The analysts will assist in supporting operations and investigations, prepare intelligence assessments, develop investigative cyber leads information, and evaluate new technology for improving threat analysis.

NCIS investigated embezzlement from the Navy Recycling Program.

Significant Investigative Cases

Two Convicted of Importing and Selling Counterfeit Computer Hardware

Overview: In January 2009 ICE requested NCIS assistance in a large-scale investigation of several California-based companies suspected of importing and selling counterfeit integrated circuits. Through the efforts of the joint task force, NCIS helped identify inferior microchips and stop the flawed electronic switches from entering the military supply chain. Because of the numerous applications in military and weapons systems, integrated circuits directly affect operational readiness and the safety of Navy and Marine Corps members and their aircraft, vessels, and equipment. Beginning in September 2007, Customs and Border Protection began seizing shipments of counterfeit electronics from China. In October 2009, NCIS and ICE agents executed arrest warrants for the owner of MVP Micro and several business associates. Agents executed search warrants at their homes and businesses, seizing evidence consistent with counterfeiting and distributing microcircuits. Thousands of counterfeit integrated circuits, including some falsely marked "military-grade," were sold to more than 400 businesses and commands, including Naval Sea Systems Command ,which maintains the Navy's ships and systems. This case was part of a comprehensive initiative targeting counterfeit items entering U.S. military and government supply chains. The following task force members participated in Operation Chain Reaction: NCIS, DCIS, ICE-Homeland Security Investigations, U.S. Customs and Border Protection, FBI, Army CID, GSA OIG, DLA OIG, AFOSI and NASA OIG.

Result: Mustafa Abdul Aljaff, owner of MVP Micro and Felahy's brother-in-law, pleaded guilty to violating 18 U.S.C. § 371, Conspiracy, and § 2320, Trafficking in Counterfeit Goods, and was sentenced in February 2012 in the U.S. District Court. Aljaff was sentenced to 30 months in prison, three years supervised release and 250 hours of community service. As part of the plea agreement, Aljaff agreed to forfeit industrial machinery to the U.S. government, which is designed to be used in the examination, testing, packaging, demarking and marking of integrated circuits; computers and computer network servers; and his integrated circuit inventory, all of which was seized from his business location in connection with the execution of a search warrant on Oct. 8, 2009. Aljaff was ordered to pay $177,862 in restitution to the semiconductor companies whose trademarks were infringed as a result of his criminal conduct. Neil Felahy, MVP Micro's operations manager, pleaded guilty of the same violations and was sentenced to 20 months in prison, three years supervised release, and 500 hours of community service. MVP Micro, Aljaff, Felahy, and their associated businesses were debarred from receiving U.S. government contracts for 10 years.

Civilian Sentenced for Embezzling $600,000 from Navy Recycling Program

Overview: In April 2010, NCIS became aware of a possible embezzling scheme involving the recycling program aboard Naval Air Station Patuxent River, Md. Although a recycling contract expired in 2003, agents discovered during a joint investigation with DCIS and IRS that the contractor was allowed to make pickups from several naval installations. Instead of paying the Navy for the recycled scrap metal, however, the contractor was instructed to pay the manager of the recycling program directly. In six years, the employee had deposited 124 checks worth $631,000 into his personal bank accounts.

Result: The civilian pleaded guilty to violating 18 U.S.C. § 641-Theft of Government Funds, and 26 U.S.C. § 7206(1)-Filing a False Tax Return, in the U.S. District Court for the District of Maryland, Southern Division. He was sentenced in May 2012 to 30 months incarceration, three years supervised release, and ordered to pay $631,057 in restitution to the Navy and $134,795 to the IRS.

Suspect Identified from National Center for Missing and Exploited Children Photo

Overview: In January 2012 NCIS was notified through the National Center for Missing and Exploited Children that explicit images of a child thought to be a military dependent had been discovered on a child pornography website. NCIS reviewed the images and identified a sport utility vehicle at what appeared to be a military swimming pool and a girl in a bathing suit. Investigators identified the location as a military recreation center on Naval Station Pearl Harbor,

Hawaii, and the SUV as the personally owned vehicle of a Navy second class petty officer living on the island. Agents were able to positively identify the suspect after matching items in the photos with his belongings, as well as identify the girl in the photographs as the sailor's 8-year-old daughter. During a forensic interview, the child reported that her father had been sexually abusing her for several years. When electronic evidence was seized from the sailor's home and examined, investigators found 17,463 National Center for Missing and Exploited Children hits for known victims of child pornography.

Result: In trial by general courts-martial held in July 2012 the petty officer pleaded guilty to multiple violations of UCMJ Articles 120-Rape of a Child; 125-Sodomy; and 134-Production and Distribution of Child Pornography. He was sentenced to 75 years confinement, dishonorable discharge, forfeiture of all pay and allowances, reduction in rank and to register as a sex offender.

International Effort Stops Hacker

Overview: In May 2012 an online actor known as Zyklon B successfully compromised the Military Sealift Command procurement website and posted screenshots of internal network pages to a public website. The site was hacked through a Structured Query Language injection attack and command officials verified that the screenshots captured sensitive system information intended FOUO. Army CID notified NCIS with information linking Zyklon B to an Internet Protocol address used in other attacks on U.S. government and military websites. Together with the Navy Cyber Defense Operations Center, NCIS and the MSC confirmed that the site had been attacked using the identified IP address. NCIS notified French authorities, and through collaboration with the French Ministry of the Interior Cyber Crime, Zyklon B was apprehended in June 2012 at his home in Nantes, France. During questioning, the juvenile using the Zyklon B moniker admitted he unlawfully accessed the MSC website as well as other DoD, and U.S. and French government websites. The estimated loss to MSC was more than $47,000. This was a joint investigation with the French Ministry of Interior Cyber Crime Unit, NASA, Army CID, AFOSI and Department of Energy.

Result: French authorities indicted the online actor using the screen name Zyklon B for hacking into numerous U.S., French and German websites. Although the individual confessed to the charges, he will not face judicial discipline because of his age.

Ringleader in Sham Navy Marriages Sentenced

Overview: NCIS began an investigation of marriage fraud in 2009 upon allegations that a sailor entered into marriage with a foreign national to obtain basic allowance for housing benefits. During interrogation, she told NCIS and ICE agents that a shipmate on the USS Kearsarge, a petty officer, introduced her to a cousin and arranged for their marriage. She also told investigators that the petty officer arranged the marriage of another sailor serving on the ship. Investigation determined that while the petty officer was on active duty, he and an airman conspired to arrange marriages between Navy members and illegal aliens. The petty officer introduced the couples, facilitated the marriage ceremonies and helped the service members apply for the additional housing allowance. He then took a portion of the benefits and threatened the service members if they failed to follow through. When NCIS investigators interrogated the petty officer, he claimed that he had not received payment for arranging marriages and was unaware his cousin was in a fraudulent marriage.

Result: All four were tried and sentenced in the U.S. District Court for the Eastern District of Virginia, Norfolk Division. The foreign spouses were deported. The petty officer, who was separated at the end of his enlistment in June 2010, pleaded not guilty to all charges. He was convicted of violating 8 U.S.C. § 1325(c) and 2 – Marriage Fraud, 18 U.S.C. §§ 371–Conspiracy, 287 and 2–False Claims, 1512(b)(3)–Witness Tampering, and 1001(a)(2)–False Statements. In February 2012 he was sentenced to serve 52 months incarceration, three years supervised release, and ordered to pay more than $134,000 restitution to the Navy. The second sailor was administratively separated in October 2011. He pleaded guilty in November 2011 to violating 18 U.S.C. § 371–Conspiracy and was sentenced to five years probation with six months home detention and payment of more than $62,000 restitution. The female sailor was separated in April 2010 with

"The petty officer introduced the couples, facilitated the marriage ceremonies and helped the service members apply for the additional housing allowance."

an other than honorable discharge. Both she and the airman pleaded guilty to violating 18 U.S.C. § 641 and 2–Theft of Government Property. In March 2010 she was sentenced to five years probation with six months on home detention, and ordered to pay more than $43,000 restitution; in February 2010 the airman was sentenced to 366 days imprisonment, three years supervised release, and ordered to pay more than $57,000 restitution.

Air Force

Air Force Audit Agency

The Air Force Audit Agency mission is to provide all levels of Air Force management timely, relevant and quality audit services by reviewing and promoting the economy, effectiveness and efficiency of operations; assessing and improving Air Force fiduciary stewardship and the accuracy of financial reporting; and evaluating programs and activities and assisting management in achieving intended results. The AFAA is committed to reaching out to Air Force customers at all levels. To support Air Force decision makers, the AFAA has approximately 680 personnel at more than 50 worldwide locations. The AFAA conducts centrally directed, Air Forcewide audits in numerous functional areas to support Air Force senior leaders. Installation-level audit teams provide additional audit services to installation commanders.

AFAA reviewed mobility graduate flying training.

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

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. During the second half of FY 2012, the AFAA completed nine asset accountability audits, eight system accounting conformance audits and three other audits to directly support Air Force financial improvement and audit readiness.

During the second half of FY 2012, the AFAA published 59 centrally directed audit reports, made more than 94 recommendations to Air Force senior officials and identified $895.9 million in potential monetary benefits. The following paragraphs provide and synopsize a few examples of AFAA audit coverage related specifically to DoD management challenge areas.

Joint Warfighting and Readiness

Mobility Graduate Flying Training Program

Overview: AFAA determined whether pilots completed required aircraft graduate flying training events and major command personnel accurately identified graduate flying hour requirements.

Findings: Pilots completed required aircraft graduate flying training events at all three major commands reviewed, but Air Force Reserve Command and Air Mobility Command personnel overstated training hour requirements by 41 and 15 percent, respectively.

Result: Reducing graduate training flying hours by 1,050 hours will allow the Air Force to put $83.9 million to better use over the next six years (execution year and the Future Years Defense Program). During the audit, Air Force Reserve Command took appropriate corrective action, and headquarters Air Force published a memo requiring personnel perform a midyear review of annual flying hour allocation against execution to identify trends, inefficiencies, and program shortfalls. In addition, AFAA made one recommendation to Air Mobility Command to improve management of the Mobility Graduate Flying Training Program.

Report No. F2012-0004-FD4000

Air Reserve Technician Program

Overview: AFAA determined whether Air Force Reserve Command personnel complied with congressional mandates by utilizing technician positions to facilitate operational unit readiness.
Findings: Air Force Reserve Command personnel did not comply with congressional mandates to employ only 50 technicians at headquarters organizations; 86 technicians at headquarters organizations did not support the reserve mission as Congress intended.
Result: Properly utilizing these positions facilitates reserve units' readiness and potentially avoids $9.5 million in annual payroll costs. AFAA recommended Air Force Reserve Command identify the 50 authorized positions, eliminate all excess positions from the headquarters organizations and monitor those positions to preclude assignment of more positions beyond the statutory authorization.
Report No. F2012-0007-FD4000

Special Duty Assignments

Overview: AFAA determined whether Air Force functional and career field managers accurately identified special duty manning requirements.
Findings: Air Force functional and career field managers did not accurately identify special duty manning requirements, misstating in 21 percent of special duty career fields.
Result: Accurate manpower levels are essential to shaping the force and accomplishing the Air Force mission in the most economical and efficient manner. Reducing 171 unused special duty career field manpower requirements will provide the Air Force with $142 million in funds put to better use over the next six years (execution year and the Future Years Defense Program). AFAA made one recommendation to improve program management.
Report No. F2012-0010-FD4000

Mobility Aircrew Continuation Training

Overview: AFAA determined whether Air Mobility Command personnel effectively identified training events appropriate for simulator usage, aircrews maximized simulator usage for events identified as simulator-appropriate and aircrews efficiently managed continuation training requirements.
Findings: Although Air Mobility Command personnel identified training events appropriate for simulator usage, they could improve simulator utilization. Underutilization of simulators was systematic across Air Mobility Command wings as 43 percent of the aircrews at nine of 10 wings used the aircraft when simulators were a viable, more cost-effective training option. In addition, 47 pilots completed 78 continuation training events, valued at more than $2.7 million, not needed to maintain currency.
Result: Fully utilizing simulators for simulator-appropriate events could allow the Air Force to more efficiently use $385 million in flying hours in six years (execution year and the Future Years Defense Program). By limiting continuation training to valid training needs, AFAA projected Air Mobility Command could more efficiently use $83 million in flying hours over six years (execution year and the Future Years Defense Program). AFAA made two recommendations to improve the training program by requiring simulator training on simulator-appropriate events and justifying proficiency training.
Report No. F2012-0011-FD4000

AFAA reviewed mobility aircrew continuation training.

Information Assurance, Security and Privacy

Continuous Monitoring of Air Force Systems Security Controls

Overview: AFAA determined whether the Air Force decentralized continuous monitoring program effectively maintained Air Force information system security. Specifically, AFAA determined whether information assurance managers properly assessed information system security controls and effectively implemented system security plan, configuration management and control processes.
Findings: Information assurance managers did not properly assess information system security and information assurance, and program managers did not effectively implement system security plan, configuration management or control processes.
Result: Reliable configuration management and control processes, combined with proper assessments and documentation of individual system security postures, significantly reduce the risk of unauthorized network access or

AFAA reviewed T-6 and T-38 FMS contract costs.

unauthorized access going undetected. AFAA made three recommendations to improve the continuous monitoring program.
Report No. F2012-0006-FB4000

Acquisition Processes and Contract Management

Foreign Military Sales Contractor Logistics Support

Overview: AFAA determined whether Air Force personnel properly managed T-6 and T-38 foreign military sales contractor logistics support costs in accordance with agreements. Specifically, AFAA determined whether Air Force personnel properly allocated, identified and billed contract costs.
Findings: Air Force personnel properly allocated costs in proportion to flying hour participation but did not properly identify support costs for allocation to bill participating foreign military sales countries.
Result: As a result, the Air Force under and overbilled these countries $846,913 and $808,365, respectively, between FYs 2007 and 2009. Properly identifying and billing logistics support costs improves accuracy of billings to foreign military sales countries and allows the Air Force to better manage limited funding. AFAA made one recommendation to improve management of the T-6 and T-38 foreign military sales contractor logistics support costs.
Report No. F2012-0008-FC2000

Suspended Assets

Overview: AFAA assessed whether personnel timely resolved asset suspensions, properly coded suspended assets and accurately accounted for suspended assets.
Findings: Air Force personnel did not timely resolve suspensions, properly code suspended assets or accurately account for suspended assets.
Result: As a result of poor accountability, Air Force leaders did not have total asset visibility and control for more than $38 million of suspended assets. Further, timely resolution of suspensions and properly coding suspended assets would save the Air Force $281 million and resolve asset shortages. AFAA made three recommendations to improve management of suspended assets.
Report No. F2012-0008-FC4000

Financial Management

Program Management Administration Costs

Overview: AFAA determined whether Air Force personnel properly budgeted, expended and reported program management administration costs.
Findings: Air Force personnel improperly budgeted for these administration costs, expended administration funds on inappropriate or questionable expenditures, expended administration funds at an inconsistent level of support across programs, and did not use standard methodologies to identify costs, provide sufficient support for budget submissions or accurately report costs in program reviews.
Result: As a result, Air Force personnel relied on inconsistent and unsupported budget estimates to establish program management administration efficiency savings targets of more than $1.7 billion above the Future Years Defense Program. In addition, program managers authorized purchases that exceeded the amount required to manage their programs and the program review briefings were inaccurate in all program offices reviewed. Finally, reducing inappropriate expenditures, estimated at nearly $12 million over the Future Years Defense Program, could assist in meeting efficiency savings targets. AFAA made five recommendations to assist Air Force acquisition officials to better manage program management costs, progress towards efficiency targets and improve the decision support process.
Report No. F2012-0007-FB1000

Travel Compensatory Time

Overview: AFAA determined whether Air Force personnel given travel compensatory time were in travel status, received appropriate supervisory approval, and did not receive travel compensatory time on holidays.
Findings: Travelers incorrectly received travel compensatory time on holidays. Specifically, 39 (87 percent) of 45 randomly selected transactions occurring on holidays allotted 243.5 hours of travel compensatory time.

Result: Based on a statistical projection of the sample results, Air Force personnel improperly received at least $306,417 of travel compensatory time during the period reviewed. Implementing corrective actions should provide more efficient use of $1,532,085 over the Future Years Defense Program. AFAA made one recommendation to improve travel compensatory time management.
Report No. F2012-0008-FB1000

Medical Special Pay

Overview: AFAA determined whether Air Force officials accurately identified special pay fund requirements, effectively managed funds execution, and de-obligated unliquidated obligation balances no longer needed in a timely manner.
Findings: Officials accurately identified special pay fund requirements. However, during FYs 2007 through 2011, medical officials did not effectively execute more than $36.8 million in unspent current year medical special pay funds or timely de-obligate associated unliquidated obligation balances totaling more than $36.7 million.
Result: Effectively managing special pay fund execution identifies unneeded funds that can be used for other current year military personnel appropriation requirements. De-obligating $36.7 million in excess medical special pay unliquidated obligation balances allows the Air Force to immediately put these funds to better use. During the audit, management obtained access to financial systems that will enable medical officials to improve management of current year funds. AFAA also made one recommendation to strengthen medical special pay funds management.
Report No. F2012-0009-FD2000

Civil Engineering Efficiency Governance Process

Overview: AFAA assessed if the Air Force Civil Engineer used the governance process to manage efficiency initiatives. Specifically, AFAA determined whether officials properly planned, supported, and reported savings progress.
Findings: Civil Engineering management did not use their governance process to manage the efficiency initiatives. Specifically, management did not properly plan, support and report targeted savings.
Result: As a result, Air Force management cannot rely on nearly all the $2.4 billion in reported efficiency savings. Properly planning, supporting and reporting efficiency data provides full disclosure in financial assessment updates, reveals potential inconsistencies, provides better visibility for making needed program changes and provides Air Force officials improved information for optimal resource decisions. AFAA made one recommendation to improve efficiency initiatives.
Report No. F2012-0016-FD1000

Health Care

Teleradiology Program

Overview: AFAA determined whether Air Force officials effectively utilized teleradiology capacity and performed required quality control assessments of radiology equipment.
Findings: Radiologists at five of six teleradiology hubs reviewed had the capacity to interpret almost 65,000 additional radiology studies annually. In addition, responsible personnel did not perform 85 percent of required radiology equipment quality control assessments.
Result: Fully implementing teleradiology capability will assist military radiologists in maintaining wartime skills and allow the DoD to avoid purchasing private sector radiological services costing approximately $10.6 million over six years (execution year and the Future Years Defense Program). Although the audit did not identify any adverse incidences because personnel did not perform quality control assessments, misinterpretations, as well as potential repeat radiation exposure to patients, can occur when radiological equipment is not periodically tested and re-calibrated. AFAA made one recommendation to improve management of the teleradiology program workload.
Report No. F2012-0006-FD2000


AFAA reviewed quality control assessments of radiology equipment.

Community Action Information Board and Integrated Delivery System

Overview: AFAA determined whether Air Force officials consistently implemented Community Action Information Board and Integrated Delivery System across active duty, Air National Guard

"AFOSI operations near Kandahar Air Field, Afghanistan, facilitated the identification of, and consequential deliberate operations against, several known Taliban facilitators..."

and reserve forces. Specifically, AFAA determined whether Air Force officials implemented essential program requirements; identified community needs and timely developed community action plans; and monitored, evaluated and reported key indicator metrics and helping-agency counseling workload.

Findings: AFAA audited 18 locations and determined Community Action Information Board and Integrated Delivery System officials either did not (1) implement all essential program requirements; (2) identify community needs and timely development of community action plans; or (3) monitor, evaluate and report key indicator metrics and helping-agency workload to Community Action Information Board members.

Result: AFAA identified several best practices and made one recommendation to improve the Community Action Information Board and Integrated Delivery System.

Report No. F2012-0010-FD2000

Air Force Office of Special Investigations

Significant Activities

- AFOSI established a Force Protection Detachment in Iraq responsible for providing dedicated counterintelligence support to DoD personnel and resources located in Iraq. AFOSI worked closely with the Department of State, Defense Intelligence Agency, and U.S. Central Command to ensure the Force Protection Detachment was properly aligned under the Chief of Mission. The eight-person Force Protection Detachment supports the Office of Security Cooperation Iraq, while simultaneously providing CI support to force protection efforts during ship port visits, airlift and other related activities in furtherance of the overall DoD mission in Iraq. Force Protection Detachment members establish and leverage close relationships with host nation security and police services to identify, counter and mitigate threats against DoD elements.
- As a result of investigative activities, AFOSI members located near Kandahar Air Field, Afghanistan, developed CI information regarding a trans-provisional Taliban commander who was directly involved in facilitating improvised explosive device attacks in and around Kandahar, Afghanistan. This commander was in direct contact with Haqqani network members who were seeking safety outside of Afghanistan. He was subsequently captured based on AFOSI information.
- AFOSI operations near Kandahar Air Field, Afghanistan, facilitated the identification of, and consequential deliberate operations against, several known Taliban facilitators who were in a single compound. Operations conducted by U.S. forces produced the capture of one facilitator and the neutralization of three others.
- AFOSI operations led to the identification and capture of a Taliban sub-commander who was involved with planning and emplacing at least three IEDs targeting the Afghanistan National Police and coalition forces. Two additional Taliban fighters were identified and captured during the operation.
- Subsequent to investigative efforts by AFOSI agents in the area of Bagram, Afghanistan, multinational forces conducted an operation resulting in the capture of five, and neutralization of two, Taliban cell members. Of those neutralized, one was identified as a trans-provisional sub-commander with well-known contacts, to include several high-ranking Taliban commanders.
- AFOSI members near Shindand, Afghanistan, developed information crucial to locating and neutralizing a remote controlled vehicle borne IED near the entrance of a coalition forces installation. After close coordination with available explosive ordinance disposal personnel, the area was secured and the device was neutralized without incident.
- While executing an operation, based on information collected by AFOSI agents near Kandahar, Afghanistan, agents and coalition forces seized weapons, computers, and alcohol from two compounds located on a coalition military base. The compounds were being used by multiple local national contractors from Kandahar, some of whom

were also suspected of providing funds to the Taliban.

- Following a lead, AFOSI members and Afghan National Police identified and detained five Taliban fighters who were using a compound near a coalition forces base outside of Kandahar, Afghanistan. Of the five detained, one was further identified as a senior Taliban leader.
- AFOSI imminent threat reporting provided to the Afghan National Directorate of Security led to the neutralization of two IEDs and three Taliban fighters as they were emplacing the devices.
- Based on threat information identified and developed by AFOSI agents in and around Bagram, Afghanistan, local forces were able to thwart a Taliban ambush on coalition forces and Afghan National Security Forces.

Significant Investigative Cases

Trucking Contractor Steals Jet Fuel from Military

Overview: This investigation was initiated in December 2005 based upon information provided by the FBI, Lawton, Okla. An informant had related that the Latimer Trucking Company had the contract for delivering Jet Propellant-8 fuel from local refineries to Altus AFB, Okla., Tinker AFB, Okla. and Sheppard AFB, Texas. Three to four tanker trucks, each carrying approximately 7,500 gallons of JP-8 fuel per run, made two runs daily. After picking up the fuel at the refinery, the driver returned to the Latimer Trucking Company and unload 500-1500 gallons in underground fuel tanks. The truck would then proceed to the military installation to make its delivery. On Dec. 14, 2006, the FBI, DCIS, and AFOSI executed federal search warrants and interviewed several Latimer Trucking Company drivers. Samples taken from the truck's operating fuel tested positive as JP-8. As part of his plea, Doyle Latimer admitted that from 2001 through 2007 he stole JP-8 jet fuel belonging to the United States and intended for delivery to military bases by draining it from the tankers and using it to operate his trucks. He further admitted that he knew his wife was creating false fuel receipts to cover-up the use of the JP-8 jet fuel in operating his trucks. Cynthia Latimer admitted to conspiring with her husband to cover-up the theft of JP-8 by preparing false fuel receipts that appeared to document legitimate diesel fuel purchases for Latimer trucks when, in fact, there had been no purchase of diesel fuel. In carrying out this conspiracy, the Latimers were able to reduce the costs of their daily trucking operation.

Result: Doyle and Cynthia Latimer pleaded guilty on May 4, 2012, in Federal District Court to violating 18 U.S.C. § 371, Conspiracy to Defraud the United States. Doyle Latimer was sentenced to serve 12 months and one day in prison, followed by two years of supervised release. Cynthia Latimer was ordered to serve two years of probation. Both were ordered to jointly pay $109,819 in restitution to the United States.

Contractor Disclosure Leads to Administrative Settlement

Overview: This joint investigation with DCIS was initiated in April 2010 based upon information provided to the DoD IG Contractor Disclosure Program from The Boeing Company. The disclosure referenced an allegation Boeing received through its ethics portal that some first-level managers at their Integrated Defense Systems site in Wichita, Kan., had retroactively adjusted time entries of their hourly employees in the electronic labor accounting system (Autotime) so that those employees would not incur corrective action for arriving late or leaving work before the end of their shift. In an effort to determine the number of questionable hours, Boeing's auditors acquired data samples from their Autotime system and turnstile records for the time period September 2008 to March 2009. The review identified 1,087.3 questionable hours. Of these hours, Boeing found that 454.9 hours financially impacted DoD contracts involving the Army's B-52, VC-25, Airborne Laser and the Navy's E-4B. The auditors then extrapolated these findings over the period of January 2003 to March 2009. As a result, Boeing calculated the financial impact to DoD contracts to be $400,066. DCIS and AFOSI reviewed Boeing's internal investigative efforts and determined all methods and findings appeared to be in order.

Result: This matter was referred to the Defense Contract Management Agency for administrative

AFOSI investigated theft of jet fuel from the military by a trucking contractor.

AFOSI investigated theft of weapons and ammunition.

action. An administrative settlement was reached in which Boeing paid $400,066 to the government.

Combat Arms Range Personnel Steal Weapons and Ammunition

Overview: This investigation was initiated in October 2011, based upon information from a confidential source that four Air Forces members, three staff sergeants and one master sergeant, assigned to the combat arms range on Seymour Johnson AFB, N.C., were stealing military weapons and ammunition and selling them from their on-base residences. AFOSI monitored conversations between the first identified staff sergeant and master sergeant wherein they discussed that staff sergeant's possession of stolen government ammunition. Based upon this conversation, AFOSI apprehended the staff sergeant when he attempted to access a storage unit at the combat arms range. A search of his vehicle revealed 16 ammunition canisters, two military handguns, weapon magazines and more than 10,600 rounds of military ammunition. There was also a loaded handgun near the driver's seat and an unloaded handgun in the front passenger's seat. AFOSI searched the second staff sergeant's on-base residence and seized approximately 9,600 rounds of military ammunition, various weapons parts and components of ballistic vests. Subsequently, AFOSI determined that the first and second staff sergeant had been selling stolen ammunition and weapon parts to 25 different civilian buyers through accounts with a publicly available website. As the investigation continued to unfold, additional evidence was obtained that implicated the master sergeant and a third staff sergeant in the theft of large quantities of military ammunition from the Seymour Johnson firing range. However, investigation did not reveal any evidence showing the master sergeant or the third staff sergeant sold the ammunition.

Result: In a general court-martial, the first staff sergeant was found guilty of violating UCMJ Articles 92-Dereliction of Duties; 108-Wrongful Distribution of Military Property of the U.S.; and 121-Larceny and Wrongful Appropriation of Government Property. On June 30, 2012, he was reprimanded and ordered to forfeit $1,800 in pay, fined $1,680, confined for six months and reduced in grade. On Dec. 21, 2011, the master sergeant accepted nonjudicial punishment for violating UCMJ Article 121-Larceny and Wrongful Appropriation of U.S. Government Property. He was reprimanded, ordered to forfeit $1,000 in pay and was reduced in grade. In a general courts-martial, the second staff sergeant pleaded guilty to violating UCMJ Articles 92-Dereliction of Duties; and 121-Larceny and Wrongful Appropriation of U.S. Government Property. On July 12, 2012, he was reprimanded and ordered to forfeit $1,800 in pay, fined $1,808, confined for 146 days and reduced in grade. On Dec. 21, 2011, the third staff sergeant accepted nonjudicial punishment for violating UCMJ Article 121-Larceny and Wrongful Appropriation of U.S. Government Property. He was reprimanded, ordered to forfeit $700 in pay and reduced in grade.

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Appendices

Audit, Inspection, and Evaluation Reports Issued

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

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

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

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

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

	DoD IG	Military Depts.	Total
Joint Warfighting and Readiness	9	84	93
Information Assurance, Security, and Privacy	8	20	28
Acquisition Processes and Contract Management	21	30	51
Financial Management	15	64	79
Health	6	10	16
Equipping and Training Iraq and Afghan Security Forces	13	0	13
Nuclear Enterprise	2	0	2
Other	5	7	12
Total	**79**	**215**	**294**

Acquisition Processes and Contract Management

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-072	DoD's FY 2010 Purchases Made Through the Department of the Interior	04/13/2012
DoD IG	DODIG-2012-073	Natick Contracting Division's Management of Noncompetitive Awards Was Generally Justified	04/10/2012
DoD IG	DODIG-2012-075	DoD Oversight of Private Security Contractors in Iraq Was Sufficient, but Contractors May Not Deter Attacks on Office of Security Cooperation-Iraq Enduring Sites (Classified)	04/16/2012
DoD IG	DODIG-2012-076	Army Contracting Command-Rock Island Contracts Awarded Without Competition Were Properly Justified	04/19/2012
DoD IG	DODIG-2012-077	Naval Surface Warfare Center Crane Contracts Awarded Without Competition Were Adequately Justified	04/24/2012
DoD IG	DODIG-2012-081	Navy Organic Airborne Surface Influence Sweep Program Needs Defense Contract Management Agency Support	04/27/2012
DoD IG	DODIG-2012-084	Air Force Aeronautical Systems Center Contracts Awarded Without Competition Were Properly Justified	05/10/2012
DoD IG	DODIG-2012-085	American Recovery and Reinvestment Act-Army Corps of Engineers Los Angeles District Contractor Performance and Reporting Controls Were Generally Effective	05/10/2012
DoD IG	DODIG-2012-091	The Army Needs to Recoup Funds Expended on Property Damaged in an Accident at a Development Subcontractor's Facility (For Official Use Only)	05/24/2012

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-095	American Recovery and Reinvestment Act - Ineffective Controls Over the Contractor's Performance and Reporting for Modernization of Navy Operational Support Center in Charlotte, N.C.	06/05/2012
DoD IG	DODIG-2012-098	Controls Governing the Procurement Automated Contract Evaluation System Need Improvement (For Official Use Only)	06/05/2012
DoD IG	DODIG-2012-099	Adequate Contract Support and Oversight Needed for the Tactical Wheeled Vehicle Maintenance Mission in Kuwait (For Official Use Only)	06/01/2012
DoD IG	DODIG-2012-101	Acquisition of the Navy Organic Airborne and Surface Influence Sweep Needs Improvement	06/13/2012
DoD IG	DODIG-2012-102	Better Cost-Control Measures Are Needed on the Army's Cost-Reimbursable Services Contract for Logistics Support of Stryker Vehicles	06/18/2012
DoD IG	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
DoD IG	DODIG-2012-121	Audit of the Joint Land Attack Cruise Missile Defense Elevated Netted Sensor (For Official Use Only)	09/07/2012
DoD IG	DODIG-2012-125	Inappropriate Leasing for the General Fund Enterprise Business System Office Space	09/11/2012
DoD IG	DODIG-2012-127	American Recovery and Reinvestment-Implementation of the Advanced Metering Infrastructure Requirements for the Planning, Contractor's Performance, and Reporting Was Ineffective	09/10/2012
DoD IG	DODIG-2012-132	Project Planning Resulted in Outstanding Building Deficiencies and Decreased Functionality of the Main Fire Station at Naval Station Great Lakes	09/14/2012
DoD IG	DODIG-2012-134	Contingency Contracting: A Framework for Reform - 2012 Update	09/18/2012
DoD IG	DODIG-2012-136	DoD Education Activity Needed Better Planning for Military Construction Projects	09/24/2012
USAAA	A-2012-0096-ALA	Audit of Earned Value Management - Program Executive Office, Aviation	05/15/2012
USAAA	A-2012-0098-ALA	Modeling and Simulation Developmental Testing, U.S. Army Test and Evaluation Command	05/03/2012
USAAA	A-2012-0099-ALA	Audit of Earned Value Management-Program Executive Office, Missiles and Space	05/03/2012
USAAA	A-2012-0100-ALA	Audit of Earned Value Management - Program Executive Office, Simulation, Training and Instrumentation	05/15/2012
USAAA	A-2012-0101-ALC	Army's Acquisition Workforce Growth-Sustainment Funding	05/18/2012
USAAA	A-2012-0115-IEF	Audit of Recruiting Assistance Programs--Reserve Components (For Official Use Only)	06/04/2012
USAAA	A-2012-0132-ALE	Agreed-Upon Procedures Attestation of Payments to Subcontractors at Novo Selo, Bulgaria (For Official Use Only)	07/05/2012
USAAA	A-2012-0134-ALC	Arlington National Cemetery Columbarium Court 9 Contract Management	07/25/2012
USAAA	A-2012-0140-IEF	Service Support Contracts for the National Defense Center for Energy and Environment (For Official Use Only)	07/23/2012
USAAA	A-2012-0142-ALC	Follow-up Audit of Contracting Operations in Support of Arlington National Cemetery	07/31/2012
USAAA	A-2012-0150-ALA	Army Rapid Acquisition Processes-Institutionalization	08/02/2012
USAAA	A-2012-0154-MTH	Follow-up Audit of Arlington National Cemetery Operations-Government Purchase Card	08/03/2012
USAAA	A-2012-0164-ALC	Restricted and Limited Competition, Office of the Deputy Assistant Secretary of the Army (Procurement) and U.S. Army Corps of Engineers Louisville District	08/23/2012
USAAA	A-2012-0169-ALA	Commercial-Off-the-Shelf Software Sustainment Costs in Weapon Systems, Program Executive Office for Command, Control and Communications-Tactical	09/04/2012
USAAA	A-2012-0172-ALC	Procurement Management Reviews, Office of the Deputy Assistant Secretary of the Army (Procurement) and U.S. Army Corps of Engineers	09/06/2012
USAAA	A-2012-0176-ALA	Earned Value Management, Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology)	09/11/2012
USAAA	A-2012-0188-IEE	Summary Result for Phase III Audits of the American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting	09/25/2012
USAAA	A-2012-0194-ALE	Audit of Contract Planning in U.S. Army Africa	09/26/2012
USAAA	A-2012-0203-FMF	Yuma Proving Ground Financial Transaction Analysis, Contract Costs (For Official Use Only)	09/28/2012
NAVAUDSVC	N2012-0031	Implementation of Earned Value Management for the Virginia Class Submarine	04/5/2012
NAVAUDSVC	N2012-0038	Non-Acquisition Programs	04/26/2012

Appendix A

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2012-0040	Purchased Property at Pearl Harbor Naval Shipyard	05/02/2012
NAVAUDSVC	N2012-0045	Purchased Property at Norfolk Naval Shipyard	06/12/2012
NAVAUDSVC	N2012-0051	Navy's Management of Unmanned Systems	06/27/2012
NAVAUDSVC	N2012-0052	Camp Lemonnier, Djibouti, Base Operating Support Contract	06/28/2012
NAVAUDSVC	N2012-0056	Contracts for Department of the Navy Aviation Maintenance	08/03/2012
NAVAUDSVC	N2012-0062	Contracts Awarded for the Naval Postgraduate School	08/28/2012
AFAA	F-2012-0003-FC1000	Smart/Jones Buildings Joint Review (For Official Use Only)	04/25/2012
AFAA	F-2012-0008-FC2000	Foreign Military Sales Contractor Logistics Support	04/13/2012
AFAA	F-2012-0008-FC4000	Suspended Assets	04/03/2012

Financial Management

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-069	Action is Needed to Improve the Accuracy of DEERS Beneficiary Data	04/02/2012
DoD IG	DODIG-2012-082	DoD Can Improve Its Accounting for Residual Value From the Sale of U.S. Facilities in Europe	05/04/2012
DoD IG	DODIG-2012-087	Logistics Modernization Program System Procure-to-Pay Process Did Not Correct Material Weaknesses	05/29/2012
DoD IG	DODIG-2012-096	Defense Departmental Reporting System-Budgetary Was Not Effectively Implemented for the Army General Fund	05/31/2012
DoD IG	DODIG-2012-097	Independent Auditor's Report on the Attestation of the Existence, Completeness, and Rights of the Department of the Navy's Aircraft	05/31/2012
DoD IG	DODIG-2012-100	Independent Auditor's Report on the Examination of the Existence, Completeness, and Rights of the Department of the Air Force's Aircraft, Intercontinental Ballistic Missiles, Satellites, Cruise Missiles and Aerial Targets/Drones	06/07/2012
DoD IG	DODIG-2012-107	Defense Finance and Accounting Service Needs to Improve the Process for Reconcile the Other Defense Organizations' Fund Balance with Treasury	07/09/2012
DoD IG	DODIG-2012-108	Questionable Data Cast Doubt on the Need for Continuing the Defense Transportation Coordination Initiative	08/31/2012
DoD IG	DODIG-2012-111	Enterprise Resource Planning Systems Schedule Delays and Reengineering Weaknesses Increase Risks to DoD's Auditability Goals	07/13/2012
DODIG	DODIG-2012-117	DoD Needs to Improve Controls Over Economy Act Orders with U.S. Agency for International Development.	08/14/2012
DoD IG	DODIG-2012-118	Defense Finance and Accounting Service Needs to Strengthen Procedures to Comply with the Federal Financial Management Improvement Act	08/14/2012
DoD IG	DODIG-2012-130	DFAS Controls over Duplicate Payments in One Pay Were Generally Effective, But There Were Opportunities for Improvement	09/14/2012
DoD IG	DODIG-2012-131	Improvements Needed in How the Defense Finance and Accounting Service Adjusts and Supports Billing Rates	09/19/2012
DoD IG	DODIG-2012-140	An Unreliable Chart of Accounts Affected Auditability of Defense Enterprise Accounting and Management System Financial Data	09/28/2012
DoD IG	DODIG-2012-144	Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the FY 2012 Civilian Payroll Withholding Data and Enrollment Information	09/28/2012
USAAA	A-2012-0091-FMF	Review of Arlington National Cemetery Controls Over Grave Site Accountability (For Official Use Only)	04/18/2012
USAAA	A-2012-0095-ALE	Agreed-Upon Procedures Attestation of Freight Tenders at Black Sea Support Team Transportation Office in Romania (For Official Use Only)	04/26/2012
USAAA	A-2012-0106-IEE	Audit of Federal Employee Compensation Act Fraud Investigation, Phase II (For Official Use Only)	05/16/2012
USAAA	A-2012-0110-FMF	Examination of the Existence and Completeness of the Army's UC-35A Aircraft (For Official Use Only)	05/23/2012

Agency	Report Number	Report Title	Date
USAAA	A-2012-0123-FMR	Examination of Federal Financial Management Improvement Act Validation, Logistics Modernization Program System, Third Deployment--Selected Requirements	07/19/2012
USAAA	A-2012-0136-FMR	Review of the Army's Compliance with the Federal Managers' Financial Integrity Act	08/09/2012
USAAA	A-2012-0145-FMF	Follow-up Audit of Arlington National Cemetery Budget Execution	07/31/2012
USAAA	A-2012-0147-FMF	Follow-up Audit--Other Revenue, Arlington National Cemetery	07/31/2012
USAAA	A-2012-0162-FMF	Yuma Proving Ground Financial Transaction Analysis, Award Fee Procedures (For Official Use Only)	08/17/2012
USAAA	A-2012-0166-FMF	Yuma Proving Ground Financial Transaction Analysis, Government Purchase Card Procedures (For Official Use Only)	08/24/2012
USAAA	A-2012-0167-IEO	Follow-up Audit of DoD Support to the 2009 Presidential Inaugural, Joint Force Headquarters National Capital Region	08/28/2012
USAAA	A-2012-0168-FMR	Recoveries of Prior Year Obligations, Logistics Modernization Program	09/11/2012
USAAA	A-2012-0170-FMF	Basic Allowance for Subsistence Pay for Soldiers Participating in Field Training	09/05/2012
USAAA	A-2012-0177-FMR	Examination of Federal Financial Management Improvement Act Compliance -- Requirements Baseline Revalidation, Global Combat Support System-Army	09/14/2012
USAAA	A-2012-0178-IEE	Army Workers' Compensation Program - Case Management	09/14/2012
USAAA	A-2012-0183-FMF	Defense Travel System Permission Levels Voucher Analysis, Deputy Assistant Secretary of the Army (Financial Operations) (For Official Use Only)	09/20/2012
USAAA	A-2012-0187-IEE	Audit of Federal Employee Compensation Act Fraud Investigation, Phase III (For Official Use Only)	09/24/2012
USAAA	A-2012-0188-IEE	Summary Result for Phase III Audits of the American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting	09/25/2012
USAAA	A-2012-0193-IEM	U.S. Army Criminal Investigation Command Assisted on Federal Grants and Cooperative Agreements (For Official Use Only)	09/27/2012
USAAA	A-2012-0198-IEM	U.S. Army Criminal Investigation Command Assisted on Miscellaneous Accounts (For Official Use Only)	09/27/2012
NAVAUDSVC	N2012-0030	Business Process Reengineering Efforts for Selected Department of the Navy Business System Modernizations; Shipyard Management Information System Investment for Corporate Software	04/02/2012
NAVAUDSVC	N2012-0033	Government Commercial Purchase Card Program Internal Controls at Naval Beach Group One	04/10/2012
NAVAUDSVC	N2012-0034	Business Process Reengineering Efforts for Selected Department of the Navy Business System Modernizations; Naval Air Systems Command Depot Maintenance System	04/10/2012
NAVAUDSVC	N2012-0035	Government Commercial Purchase Card Transactions at Naval Facilities Engineering Command Southwest	04/18/2012
NAVAUDSVC	N2012-0037	Business Process Reengineering Efforts for Selected Department of the Navy Business System Modernizations; Maintenance Figure of Merit/Mission Readiness Assessment System	04/20/2012
NAVAUDSVC	N2012-0041	Navy Mortuary Affairs Payment Process	05/14/2012
NAVAUDSVC	N2012-0043	Controls Over Navy Cash Aboard Navy Ships	05/25/2012
NAVAUDSVC	N2012-0049	Financial Management of the Navy Department Employees' Recreation and Welfare Fund	06/21/2012
NAVAUDSVC	N2012-0050	Independent Attestation – Agreed-Upon Procedures Attestation Engagement of Assessing Internal Controls Over Financial Reporting in the Department of the Navy, Phase 2	06/22/2012
NAVAUDSVC	N2012-0059	United States-United Kingdom Polaris-Trident Trust Fund Financial Reports	08/22/2012
NAVAUDSVC	N2012-0060	Opinion on the United States-United Kingdom Polaris-Trident Trust Fund Financial Reports	03/09/2012
NAVAUDSVC	N2012-0061	Common Access Card Potential Cost Savings	08/23/2012
NAVAUDSVC	N2012-0066	Auditor General Advisory – Naval Audit Service Input for the FY 2012 Statement of Assurance	09/13/2012
NAVAUDSVC	N2012-0067	Bureau of Medicine and Surgery Process for Military Interdepartmental Purchase Requests	09/20/2012
NAVAUDSVC	N2012-0068	Government Commercial Purchase Card Program Controls at the Naval Research Laboratory	09/28/2012
AFAA	F-2012-0005-FB1000	Air Force Office of Special Investigations Emergency and Extraordinary Expense Funds	04/16/2012
AFAA	F-2012-0006-FB1000	Secretary of the Air Force Efficiency Objectives Governance Process	04/16/2012
AFAA	F-2012-0007-FB1000	Program Management Administration Costs	05/08/2012

Appendix A

Agency	Report Number	Report Title	Date
AFAA	F-2012-0008-FB1000	Travel Compensatory Time	06/08/2012
AFAA	F-2012-0009-FB1000	Air Force Smart Operations for the 21st Century Demolition Savings Determination and Validation	06/18/2012
AFAA	F-2012-0007-FB3000	Memorandum Report of Audit, Follow-up Audit, Operating Materials and Supplies - Uninstalled Missile Motor Accountability	04/03/2012
AFAA	F-2012-0008-FB3000	Memorandum Report of Audit, Operating Materials and Supplies - Munitions Accountability	04/04/2012
AFAA	F-2012-0009-FB3000	Memorandum Report of Audit, Operating Materials and Supplies - Tactical Missile Accountability	04/04/2012
AFAA	F-2012-0010-FB3000	Memorandum Report of Audit, Operating Materials and Supplies - Target Accountability	04/04/2012
AFAA	F-2012-0011-FB3000	Memorandum Report of Audit, General Fund Military Equipment - Intercontinental Ballistic Missiles	04/12/2012
AFAA	F-2012-0012-FB3000	Memorandum Report of Audit, General Fund Military Equipment - Remotely Piloted Aircraft in the United States Air Forces Central Area of Responsibility	04/12/2012
AFAA	F-2012-0013-FB3000	Memorandum Report of Audit, Operating Materials and Supplies - Cruise Missile Accountability	04/24/2012
AFAA	F-2012-0014-FB3000	Memorandum Report of Audit, Working Capital Fund: Spending Authority Collections - Maintenance	04/24/2012
AFAA	F-2012-0015-FB3000	Memorandum Report of Audit, Operating Materials and Supplies - Drone Accountability	07/12/2012
AFAA	F-2012-0016-FB3000	Memorandum Report of Audit, Follow-up Audit, Operating Materials and Supplies - Spare Engine Accountability	08/27/2012
AFAA	F-2012-0007-FB4000	Information Technology Efficiency Initiatives Baseline Validation	07/18/2012
AFAA	F-2012-0008-FB4000	Air Force Efficiency Target Savings Progress Tracking	08/22/2012
AFAA	F-2012-0002-FC1000	Enterprise Sourcing Group Cost Savings Methodology	04/05/2012
AFAA	F-2012-0007-FC3000	Financial Audit of the Joint Surveillance Target Attack Radar System Aircraft Re-Engining Program	04/27/2012
AFAA	F-2012-0009-FD1000	Kelly Cooperative Agreement Closeout	04/12/2012
AFAA	F-2012-0011-FD1000	FY 2012 Great Falls Air National Guard Gas Utilities Privatization Economic Analysis	06/11/2012
AFAA	F-2012-0012-FD1000	Baseline Adjustments to the Annual Energy Management Report	07/12/2012
AFAA	F-2012-0015-FD1000	Interim Report of Audit, Gabreski Air National Guard NY Electric Utilities Privatization Economic Analysis	08/01/2012
AFAA	F-2012-0016-FD1000	Civil Engineering Efficiency Governance Process	08/28/2012
AFAA	F-2012-0007-FD2000	Chapel Tithes and Offering Fund	04/03/2012
AFAA	F-2012-0009-FD2000	Medical Special Pay	08/28/2012
AFAA	F-2012-0005-FD4000	Services Lodging Operations	04/25/2012

Health Care

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-086	Evaluation of DoD Contracts Regarding Combating Trafficking in Persons: Afghanistan	05/15/2012
DoD IG	DODIG-2012-088	Guam Medical Staffing Plan Needs Improvement to Ensure Eligible Beneficiaries Will Have Adequate Access to Health Care	05/16/2012
DoD IG	DODIG-2012-106	Needs to Improve the Billing System for Health Care Provided to Contractors at Medical Treatment Facilities in Southwest Asia	06/27/2012
DoD IG	DODIG-2012-112	Reporting the Daily Location of Deployed Service Members Generally Adequate; However, the Navy Needed Improvement	07/18/2012
DoD IG	DODIG-2012-120	Assessment of DoD Wounded Warrior Matters – Wounded Warrior Battalion – West Headquarters and Southern California Units	08/22/2012
DoD IG	DODIG-2012-123	Assessment of the Federal Voting Assistance Program Implementation of the Military and Overseas Voter Empowerment Act	08/31/2012
USAAA	A-2012-0087-ALE	Deployment Health Assessments, U.S. Army Europe	04/09/2012

Agency	Report Number	Report Title	Date
USAAA	A-2012-0093-IEM	Behavioral Health Programs, Fort Bliss and William Beaumont Army Medical Center (For Official Use Only)	04/25/2012
USAAA	A-2012-0144-IEM	Preventive Health Care Initiatives, Weight Management and Tobacco Cessation, U.S. Army Medical Command	08/22/2012
USAAA	A-2012-0148-FMP	Medical Stocks--Korea, U.S. Army Medical Department Activity-Korea	08/07/2012
USAAA	A-2012-0158-IEM	Follow-up Audit of Army Warrior Care and Transition Program	08/14/2012
NAVAUDSVC	N2012-0064	Verification of Navy Physician Licensing, Privileging, and Malpractice Reporting	08/28/2012
AFAA	F-2012-0010-FD1000	Air Force Heritage Program Radiation Safety	06/08/2012
AFAA	F-2012-0006-FD2000	Teleradiology Program	04/02/2012
AFAA	F-2012-0008-FD2000	Civilian Medical Assessments	07/17/2012
AFAA	F-2012-0010-FD2000	Community Action Information Board and Integrated Delivery System	08/29/2012

Information Assurance, Security, and Privacy

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-080	Improvements Are Needed to the Defense Finance and Accounting Service Information Assurance Vulnerability Management Program (For Official Use Only)	04/24/2012
DoD IG	DODIG-2012-090	Improvements Needed to Strengthen the Defense Enrollment Eligibility Reporting System Security Posture (For Official Use Only)	05/22/2012
DoD IG	DODIG-2012-114	Assessment of Security within the Department of Defense – Security Policy	07/27/2012
DoD IG	DODIG-2012-122	DoD Should Procure Compliant Physical Access Control Systems to Reduce the Risk of Unauthorized Access (For Official Use Only)	08/29/2012
DoD IG	DODIG-2012-124	DoD Efforts to Protect Critical Program Information – The Navy's EA-18G Program (Classified)	08/30/2012
DoD IG	DODIG-2012-133	Lacks Policy and Strategic Plans for Terrorist Watchlist Nomination Process (Classified)	09/27/2012
DoD IG	DoDIG-2102-142	Summary of FY 2011 Inspections on Security, Intelligence, Counterintelligence, and Technology Protection Practices at DoD Research, Development, Test, and Evaluation Facilities (For Official Use Only)	09/28/2012
DoD IG	DODIG-2012-145	Summary of Information Assurance Weaknesses as Reported by Audit Reports Issued From Aug. 1, 2011, Through July 31, 2012 (For Official Use Only)	09/28/2012
USAAA	A-2012-0088-FMT	Audit of Information Technology Costs Associated with Sustainment, Restoration, and Modernization Projects	04/10/2012
USAAA	A-2012-0107-FMT	Disposal of Excess Information Technology Equipment, Office of the Chief Information Officer/G-6	05/24/2012
USAAA	A-2012-0113-FMT	Printer Management, Chief Information Officer/G-6	05/31/2012
USAAA	A-2012-0127-FMT	Bandwidth Requirements for Connecting Army Installations to the Global Information Grid, Chief Information Officer/G-6	07/02/2012
USAAA	A-2012-0133-FMT	Follow-up Audit of Installation Campus Area Network Connectivity--Phases I, II, and III, Chief Information Officer/G-6	07/06/2012
USAAA	A-2012-0200-FMT	Audit of Army Materiel Command Cyber Program and the Audit of Army's Reporting of Cyber Events/Incidents for Army Materiel Command Systems	09/28/2012
USAAA	A-2012-0201-FMT	Enterprise Email Lessons Learned, Office of the Chief Information Officer/G-6	09/28/2012
NAVAUDSVC	N2012-0063	Managing Personally Identifiable Information at Naval Operational Support Centers	08/28/2012
NAVAUDSVC	N2012-0070	Navy Compliance with Department of Defense Information Assurance Certification and Accreditation Process	09/28/2012
AFAA	F-2012-0005-FB2000	Memorandum Report of Audit, Automated Funds Management Application Controls 2	04/04/201
AFAA	F-2012-0006-FB2000	Memorandum Report of Audit, Positive Inventory Control Fusion - Application Controls	04/12/2012
AFAA	F-2012-0007-FB2000	Memorandum Report of Audit, Comprehensive Engine Management System Accounting Conformance	06/11/2012
AFAA	F-2012-0008-FB2000	Memorandum Report of Audit, Reliability, Availability, Maintainability Support System for Electronic Combat Pods - Accounting Conformance	06/13/2012

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Agency	Report Number	Report Title	Date
AFAA	F-2012-0009-FB2000	Memorandum Report of Audit, Automated Funds Management General Controls	06/26/2012
AFAA	F-2012-0010-FB2000	Memorandum Report of Audit, Expeditionary Combat Support System Accounting Conformance - Base Equipment Management	06/26/2012
AFAA	F-2012-0011-FB2000	Memorandum Report of Audit, Integrated Missile Database Accounting Conformance	09/06/2012
AFAA	F-2012-0006-FB4000	Continuous Monitoring of Air Force Systems Security Controls	04/16/2012
AFAA	F-2012-0011-FC2000	Memorandum Report of Audit, Job Order Cost Accounting System II Accounting Conformance	09/05/2012
AFAA	F-2012-0012-FD4000	Memorandum Report of Audit, Military Personnel Data System Accounting Conformance	08/24/2012
AFAA	F-2012-0013-FD4000	Memorandum Report of Audit, Follow-up Audit, Air Reserve Order Writing System Reserve Accounting Conformance Requirements	08/27/2012

Joint Warfighting and Readiness

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-071	DoD Management of the Redistribution Property Assistance Team Operations in Kuwait	04/10/2012
DoD IG	DODIG-2012-074	Investigation of U.S. Central Command Referral; Non-Compliance with Interrogation Policy (Classified)	04/11/2012
DoD IG	DODIG-2012-105	Review of Stability Operations Information Centers in Afghanistan (For Official Use Only)	06/18/2012
DoD IG	DODIG-2012-110	Better Oversight Needed for the National Guard's Weapons of Mass Destruction Civil Support Teams	07/02/2012
DoD IG	DODIG-2012-119	Most Geographic Combatant Commands Effectively Planned and Executed Disaster Relief Operations, but Improvements Could Be Made	08/14/2012
DoD IG	DODIG-2012-129	General Purpose Forces Enablers Support to Special Operations Forces Works Effectively, but Opportunities Exist for Improvement (Classified Report)	09/13/2012
DoD IG	DODIG-2012-137	U.S. Pacific Command's Petroleum War Reserve Requirements and Stocks (Classified Report)	09/26/2012
DoD IG	DODIG-2012-138	Wholesale Accountability Procedures Need Improvement for the Redistribution Property Assistance Team Operations	09/26/2012
DoD IG	DODIG-2012-139	Improvements Needed in Transparency and Accountability of U.S. Army Reserve Component Equipment Transfers (For Official Use Only)	09/8/2012
USAAA	A-2012-0076-MTS	Training for Financial Management Units	04/04/2012
USAAA	A-2012-0082-MTH	Audit of Deployment Extension Incentive Pay for the Active Component	05/02/2012
USAAA	A-2012-0083-MTE	Audit of Commander's Emergency Response Program and Iraqi Commander's Emergency Response Program Closeout in Iraq	04/02/2012
USAAA	A-2012-0089-MTE	Audit of the Foreign Excess Personal Property Program--Phase II	04/16/2012
USAAA	A-2012-0090-IEI	Audit of Joint Basing Facilities	06/15/2012
USAAA	A-2012-0092-MTE	Management Controls Over Payments for Overseas Contingency Operations Transportation, U.S. Army Central Command and U.S. Military Surface Deployment and Distribution Command	04/27/2012
USAAA	A-2012-0094-IEE	Audit of Environmental Remediation of Chemical Demilitarization Base Realignment and Closure Sites	05/01/2012
USAAA	A-2012-0097-MTE	Audit of Property Accountability-Afghanistan	05/01/2012
USAAA	A-2012-0102-MTH	Use of Mobile Training Teams for Institutional Training	05/09/2012
USAAA	A-2012-0103-MTH	Audit of Deployment Extension Stabilization Pay	05/09/2012
USAAA	A-2012-0104-ALS	Examination of the Army Ideas for Excellence Program, Idea Number NECR10040C: Container Stenciling, Crane Army Ammunition Activity	05/30/2012
USAAA	A-2012-0105-FMP	Managing Training Assets in Alaska, U.S. Army, Alaska	05/15/2012
USAAA	A-2012-0108-FMP	Watercraft Technical Manuals, Hawaii	05/30/2012

Agency	Report Number	Report Title	Date
USAAA	A-2012-0109-MTH	Attestation Review of the U.S. Army Manpower Analysis Agency Requirements Determination Model	05/22/2012
USAAA	A-2012-0111-MTE	Audit of Contractor Payments-Afghanistan (For Official Use Only)	06/08/2012
USAAA	A-2012-0112-FMP	Watercraft Readiness and Operations, U.S. Army Reserve, Hawaii	06/05/2012
USAAA	A-2012-0114-IEE	Army Workers' Compensation Program: Use of Return-to-Work Programs and Initiatives	06/06/2012
USAAA	A-2012-0116-ALS	Audit of Specific Procurement Actions Involving Communications Security Materiel	06/01/2012
USAAA	A-2012-0117-FMP	Management of U.S. Forces Korea Tax-Exempt Fuel Coupons, U.S. Army 411th Contracting Support Brigade, U.S. Army Corps of Engineers--Far East District, and the Army and Air Force Exchange Service (For Official Use Only)	06/04/2012
USAAA	A-2012-0118-MTE	Agreed-Upon Procedures Attestation-Common Access Cards at Camp Leatherneck, Afghanistan (For Official Use Only)	06/07/2012
USAAA	A-2012-0119-ALS	Audit of the Command Supply Discipline Program--Active Army	06/07/2012
USAAA	A-2012-0120-ALE	Audit of Operating Tempo Fund Use, U.S. Army Europe	06/14/2012
USAAA	A-2012-0121-ALA	Electronic Warfare Capabilities	06/20/2012
USAAA	A-2012-0122-MTP	Audit of Army Health Affairs Actions Taken to Implement Fort Hood Recommendations (For Official Use Only)	06/20/2012
USAAA	A-2012-0124-MTH	U.S. Army Reserve Retirement Points System, U.S. Army Human Resources Command	06/14/2012
USAAA	A-2012-0125-MTP	Time-Sensitive Report, Audit of the Army Materiel Command's Army Protection Program	06/14/2012
USAAA	A-2012-0126-ALS	Audit of the Command Supply Discipline Program--Army National Guard	06/22/2012
USAAA	A-2012-0128-FMP	Agreed-Upon Procedures: Investigative Support Golf Course Operations - Korea (For Official Use Only)	06/22/2012
USAAA	A-2012-0129-ALS	Audit of the Command Supply Discipline Program--U.S. Army Reserve Command	06/22/2012
USAAA	A-2012-0130-FMI	Audit of U.S. Army Special Operations Command Materiel Development	07/05/2012
USAAA	A-2012-0131-ALS	Implementation of Item Unique Identification Program Requirements; Audit of Property Accountability of Training Aids, Devices, Simulators, and Simulations Equipment During Fielding; Program Executive Office for Simulation, Training and Instrumentation	07/02/2012
USAAA	A-2012-0135-MTT	Nonstandard Equipment Training	07/13/2012
USAAA	A-2012-0137-ALM	U.S. Army's End-of-Life Cycle Fleet Management, U.S. Army TACOM Life Cycle Management Command	07/19/2012
USAAA	A-2012-0138-ALM	Audit of Army Prepositioned Stocks, War Reserve Secondary Items Requirements (For Official Use Only)	07/20/2012
USAAA	A-2012-0139-IEM	Child, Youth and School Services Facility Requirements. Fort Bliss, Texas (For Official Use Only)	07/20/2012
USAAA	A-2012-0141-MTE	Follow-up Audit of Combat Support Services-Kuwait-Government Property Visibility, Camp Arifjan, Kuwait	08/09/2012
USAAA	A-2012-0143-IEM	Family Readiness Support Assistant Staffing and Utilization, Office of the Assistant Chief of Staff for Installation Management	08/02/2012
USAAA	A-2012-0146-MTE	Audit of Bulk Fuel Accountability in Afghanistan-Phase II (For Official Use Only)	09/27/2012
USAAA	A-2012-0151-ALM	National Source of Repair Selection Process-Phase II	08/02/2012
USAAA	A-2012-0152-FMP	Deployment Health Assessments, Hawaii	08/14/2012
USAAA	A-2012-0155-ALE	Audit of Newly Fielded Equipment (For Official Use Only)	08/21/2012
USAAA	A-2012-0156-MTE	Management Controls Over DoD Activity Address Codes Multiclass Purchases, Office of the Deputy Chief of Staff, G-4	08/10/2012
USAAA	A-2012-0157-ALS	Communications Security Materiel in Storage (For Official Use Only)	08/09/2012
USAAA	A-2012-0159-ALS	Property Accountability of Training Aids, Devices, Simulators, and Simulations Equipment During Fielding	08/14/2012
USAAA	A-2012-0160-MTE	Property Accountability Over Unit Equipment Shipped to Afghanistan, Office of the Deputy Chief of Staff, G-4	08/21/2012
USAAA	A-2012-0161-IEO	Overseas Contingency Operations Resource Reporting, Office of the Assistant Chief of Staff for Installation Management	08/17/2012

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Agency	Report Number	Report Title	Date
USAAA	A-2012-0163-ALS	Second Destination Transportation Funding Requirements	08/21/2012
USAAA	A-2012-0165-ALM	Predeployment Training Equipment	08/23/2012
USAAA	A-2012-0171-ALS	Time-Sensitive Report for the Audit of Second Destination Transportation Funding Execution	09/24/2012
USAAA	A-2012-0173-ALS	Examination of Army Suggestion Program, Suggestion Number SESR11007C: Fuel Point Realignment, Hunter Army Airfield	09/07/2012
USAAA	A-2012-0174-ALS	Audit of Spare Parts Turn-in, Property Accountability Recovery Team Procedures	09/11/2012
USAAA	A-2012-0179-MTS	Follow-up Audit of Army Operational Plans for Contractor Support on the Battlefield	09/14/2012
USAAA	A-2012-0180-MTH	Human Dimension Contract Tasks, U.S. Army Capabilities Integration Center, Joint Base Langley-Eustis, Virginia	09/18/2012
USAAA	A-2012-0181-ALS	Examination of Resubmitted Army Suggestion Program, Suggestion Number SESR09014C-R: Reuse of M109A5 Fire Support Combined Arms Tactical Trainer Component Parts, Office of the Administrative Assistant to the Secretary of the Army	09/19/2012
USAAA	A-2012-0184-MTE	Audit of Found on Installation Property (For Official Use Only)	09/20/2012
USAAA	A-2012-0185-MTP	Audit of Training Ammunition Requirements for Civilian Guards, U.S. Army Materiel Command	09/26/2012
USAAA	A-2012-0186-MTE	Financial Transparency in the Afghan Transportation Network-South Contract, Bagram Airfield, Afghanistan (For Official Use Only)	09/21/2012
USAAA	A-2012-0196-ALS	Follow-up Audit of Shop Floor Automation	09/26/2012
USAAA	A-2012-0197-ALM	Contractor Logistics Support	09/27/2012
USAAA	A-2012-0199-ALS	Management of Aviation Maintenance Operations for Rotary Wing Aircraft, 11th Aviation Command	09/28/2012
USAAA	A-2012-0202-ALM	Audit of Army Prepositioned Stock, Accountability and Shelf-Life Management (For Official Use Only)	09/28/2012
USAAA	A-2012-0204-FMF	Direct Contributions from Afghanistan Security Forces Fund (For Official Use Only)	09/28/2012
NAVAUDSVC	N2012-0036	Reporting of Navy Aviation Fuel Consumption	04/19/2012
NAVAUDSVC	N2012-0046	Department of the Navy Bulk Fuel Facilities and Farms – Southwest Region, Defense Fuel Support Point San Pedro, CA	06/14/2012
NAVAUDSVC	N2012-0048	Reporting of Navy Maritime Fuel Consumption	06/21/2012
NAVAUDSVC	N2012-0053	Department of the Navy Bulk Fuel Storage Facilities and Farms – Mid-Atlantic Region, Craney Island	06/29/2012
NAVAUDSVC	N2012-0054	Military Sealift Command Ships' Energy Consumption	07/09/2012
NAVAUDSVC	N2012-0055	Aviation Fuel Accounting at Marine Corps Air Station Yuma	07/06/2012
NAVAUDSVC	N2012-0058	Accounting and Reporting of Marine Corps and Navy Fuel Consumption for Tactical Ground Units	08/08/2012
NAVAUDSVC	N2012-0065	Relocation of Carrier Air Wing Five	08/31/2012
AFAA	F-2012-0009-FC2000	Aircraft Demilitarization	06/28/2012
AFAA	F-2012-0010-FC2000	Propulsion Support Equipment	08/16/2012
AFAA	F-2012-0009-FC4000	Small Arms and Light Weapons Management	04/04/2012
AFAA	F-2012-0010-FC4000	Airborne Readiness Spares Packages	05/22/2012
AFAA	F-2012-0013-FD1000	Military Munitions Response Program Management	07/25/2012
AFAA	F-2012-0014FD1000	Hazardous Materials Management	07/26/2012
AFAA	F-2012-0007-FD3000	Core Function Master Plans (Classified)	05/22/2012
AFAA	F-2012-0004-FD4000	Mobility Graduate Flying Training Program	04/02/2012
AFAA	F-2012-0006-FD4000	Air Guard Recruiting Assistance Program	05/14/2012
AFAA	F-2012-0007-FD4000	Air Reserve Technician Program	07/05/2012
AFAA	F-2012-0008-FD4000	Civilian Leadership Development Program	07/06/2012
AFAA	F-2012-0009-FD4000	Follow-up Audit, Upgrade Training Program	07/12/2012

Agency	Report Number	Report Title	Date
AFAA	F-2012-0010-FD4000	Special Duty Assignments	08/07/2012
AFAA	F-2012-0011-FD4000	Mobility Aircrew Continuation Training	08/22/2012

Equipping and Training Iraq and Afghan Security Forces

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-034.2	Assessment of Afghan National Security Forces Metrics—Quarterly (Classified)	05/15/2012
DoD IG	DODIG-2012-083	Additional Guidance and Training Needed to Improve Afghan National Army Pharmaceutical Distribution	05/07/2012
DOD IG	DODIG-2012-089	Better Contract Oversight Could Have Prevented Deficiencies in the Detention Facility in Parwan, Afghanistan	05/17/2012
DoD IG	DODIG-2012-092	Development of Individual Equipment Requirements for the Afghan National Army Needs Improvement	05/25/2012
DoD IG	DODIG-2012-093	Improving Army Contract Award and Management for Small Arms Acquired Using Afghanistan Security Forces Funds	05/30/2012
DoD IG	DODIG-2012-094	Afghan National Police Requirements Were Not Clearly Defined But Contract Administration Improved	05/30/2012
DoD IG	DODIG-2012-103	Accountability of Night Vision Devices Procured for the Afghan National Security Forces Needs Improvement	06/18/2012
DoD IG	DODIG-2012-104	DoD Needs to Improve Vocational Training Efforts to Develop the Afghan National Security Forces Infrastructure Maintenance Capabilities	06/18/2012
DoD IG	DODIG-2012-109	Assessment of U.S. Government and Coalition Efforts to Develop the Afghan Local Police	07/09/2012
DoD IG	DODIG-2012-128	Fees and Surcharges Assessed on Afghanistan Security Forces Fund Orders Need Improved Cost Accounting	09/19/2012
DoD IG	DODIG-2012-135	Mi-17 Overhauls Had Significant Cost Overruns and Schedule Delays (For Official Use Only)	09/24/2012
DoD IG	DODIG-2012-141	Assessment of U.S. Government and Coalition Efforts to Train, Equip and Field the Afghan Air Force (For Official Use Only)	09/28/2012
DoD IG	DODIG-2012-034.3	Assessment of Afghan National Security Forces Metrics—Quarterly (Classified)	09/28/2012

Nuclear Enterprise

Agency	Report Number	Report Title	Date
DoD IG	DoDIG-2012-079	Review of United States Air force Nuclear Weapon Security Program (Classified)	04/20/2012
DoD IG	DoDIG-2012-113	Assessment of Air Force Global Strike Command Organizational Structures, Roles and Responsibilities	08/07/2012

Appendix A

Other

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-070	Oversight Review of the FY 2011 External Reviews of the Quality Control Systems of the Military Department Audit Agencies	04/02/2012
DoD IG	DODIG-2012-078	Program Management Assessment of a USDI SAP (Phase I) (Classified)	04/24/2012
DoD IG	DODIG-2012-116	External Quality Control Review of the Defense Information Systems Agency Audit Organization	07/20/2012
DoD IG	DODIG-2012-126	Quality Control Review of the Defense Commissary Agency Internal Audit Function	09/10/2012
DoD IG	DODIG-2012-143	ISO 9001:2008 Quality Assurance Assessment of Defense Acquisition University Processes	09/27/2012
NAVAUDSVC	N2012-0032	Ethics Program at the Chief of Naval Personnel	04/9/2012
NAVAUDSVC	N2012-0039	Department of the Navy Civilian Drug/Free Workplace Program – Compliance	05/02/2012
NAVAUDSVC	N2012-0042	Hiring Select Retired Department of the Navy Military Officers into Civilian Positions	05/22/2012
NAVAUDSVC	N2012-0044	FY 2012 Second Quarter Test of Department of the Navy Sexual Assault/Related Phone Numbers	06/07/2012
NAVAUDSVC	N2012-0047	Department of the Navy Proposed FY 2013 Military Construction Projects Related to the U.S. Marine Corps' Guam Relocation Effort	06/18/2012
NAVAUDSVC	N2012-0057	Impact of Physical Readiness Training on Personnel Safety	08/07/2012
NAVAUDSVC	N2012-0069	FY 2012 Third Quarter Test of Department of the Navy Sexual Assault/Related Phone Numbers	09/28/2012

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

Reports Containing Potential Monetary Benefits

Reports Issued	Date	Potential Monetary Benefits	
		Disallowed Costs	Funds Put to Better Use
DODIG-2012-069 Action Is Needed to Improve the Completeness and Accuracy of DEERS Beneficiary Data	04/02/2012	N/A	$7,000,000
DODIG-2012-091 The Army Needs to Recoup Funds Expended on Property Damaged in an Accident at a Development Subcontractor's Facility	05/24/2012	N/A	$8,430,780
DODIG-2012-102 Better Cost-Control Measures Are Needed on the Army's Cost-Reimbursable Services Contract for Logistics Support of Stryker Vehicles	06/18/2012	N/A	$152,400,000
DODIG-2012-106 DoD Needs to Improve the Billing System for Health Care Provided to Contractors at Medical Treatment Facilities in Southwest Asia	06/27/2012	N/A	$13,822,841
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	$70,000 (Questioned)	N/A
DODIG-2012-117 DoD Needs to Improve Controls Over Economy Act Orders with U.S. Agency for International Development	08/14/2012	N/A	$17,600,000
DODIG-2012-122 DoD Should Procure Compliant Physical Access Control Systems to Reduce the Risk of Unauthorized Access	08/29/2012	N/A	$75,224,295
DODIG-2012-108 Questionable Data Cast Doubt on the Need for Continuing the Defense Transportation Coordination Initiative	08/31/2012	N/A	$49,100,000
DODIG-2012-121 Audit of the Joint Land Attack Cruise Missile Defense Elevated Netted Sensor	09/07/2012	N/A	$2,474,100,000
DODIG-2012-130 DFAS Controls Over Duplicate Payments in One Pay Were Generally Effective, But There Were Opportunities for Improvement	09/14/2012	N/A	$162,542
DODIG-2012-132 Project Planning Resulted in Outstanding Building Deficiencies and Decreased Functionality of the Main Fire Station at Naval Station Great Lakes	09/14/2012	N/A	$24,736,000
DODIG-2012-135 Mi-17 Overhauls Had Significant Cost Overruns and Schedule Delays	09/27/2012	N/A	$16,400,000
Total		**$70,000**	**$2,838,976,458**

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

Follow-up Activities

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

Status	Number	Funds Put to Better Use [1] ($ in thousands)
A. For which no management decision had been made by the beginning of the reporting period.	32	$4,374
B. Which were issued during the reporting period.	79	$2,839,047
Subtotals (A+B)	111	$2,843,421
C. For which a management decision was made during the reporting period. (i) dollar value of recommendations that were agreed to by management. - based on proposed management action - based on proposed legislative action (ii) dollar value of recommendations that were not agreed to by management.	64	$203,698 $203,698 [2]
D. For which no management decision has been made by the end of the reporting period.	47	$2,639,723
Reports for which no management decision was made within six months of issue (as of Sept. 30, 2012).	10[3]	0

1. DoD IG issued audit reports during the period involving $70,000 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. DoD IG Report Nos. D-2011-106, "The Department of the Navy Spent Recovery Act Funds on Photovoltaic Projects That Were Not Cost-Effective"; D-2011-108, " Geothermal Energy Development Project at Naval Air Station Fallon, Nevada Did Not Meet Recovery Act Requirements"; D-2011-109, "American Recovery and Reinvestment Act "Heating, Ventilation, and Air Conditioning Replacement" Project at Naval Support Activity Norfolk - Planning and Initial Execution Could Have Been Improved"; D-2011-112, "Counterintelligence Interviews for U.S.-Hired Contract Linguists Could Be More Effective"; DODIG-2012-025, "Review of Matters Related to the Office of the Assistant Secretary of Defense (Public Affairs) Retired Military Analyst Outreach Activities"; DODIG-2012-044, "Status of Recommendations to Improve the Nuclear Enterprise – Phase II"; DODIG-2012-053, "Investigation of Sensitive Compartmented Information Leaks in the DOD"; DODIG-2012-055, "Inspection of DoD Detainee Transfers and Reliance on Assurances"; DODIG-2012-056, "Report on Sensitive Compartmented Information Leaks in the Department of Defense"; and, DODIG-2012-057, "Guidance Needed to Prevent Military Construction Projects From Exceeding the Approved Scope of Work," had no decision as of Sept. 30, 2012, but action to achieve a decision is in process.

▸ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 USC, Appendix, Section 5(a)(8),(9), & (10).

Status of action on central internal audits period ending Sept. 30, 2012

Status	Number	Funds Put to Better Use [1] ($ in thousands)
DoD IG		
Action in Progress - Beginning of Period	103	$29,700
Action Initiated - During Period	66[2]	$2,839,047
Action Completed - During Period	41	$59,740[3]
Action in Progress - End of Period	128	0[4]
Military Departments		
Action in Progress - Beginning of Period	537	$4,947,781
Action Initiated - During Period	216	$1,832,575
Action Completed - During Period	160	$103,534
Action in Progress - End of Period	601 [5]	$6,007,136[5]

1. DoD IG opened audit reports during the period involving $70,000 in "questioned costs."
2. Adjusted for two re-opened reports.
3. Included are recouped "questioned costs" of $35,000.
4. On certain reports (primarily from prior periods) with audit estimated monetary benefits of $1,119 million, DoD IG agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.
5. Incorporates retroactive adjustments.

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

Appendix D

Contract Audit Reports Issued[1]

Type of audit[2]	Reports Issued	Dollars Examined ($ in millions)	Questioned Costs[3]	Funds Put to Better Use
Incurred Costs, Ops Audits, Special Audits	2,586	$24,354.6	$1,715.0	$10.1[4]
Forward Pricing Proposals	875	$53,682.5	---	$4,704.9 [5]
Cost Accounting Standards	337	$126.6	$94.2	---
Defective Pricing	22	(Note 6)	$36.5	---
Totals	3,820	$78,163.7	$1,845.7	$4,715.0

Note 1. This schedule represents DCAA contract audit reports issued during the six months ended Sept. 30, 2012. This schedule includes any audits that DCAA performed on a reimbursable basis for other government agencies and the associated statistics may also be reported in other OIGs' Semiannual Reports to Congress. Both "Questioned Costs" and "Funds Put to Better Use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication. In prior semiannual reporting periods, DCAA reported the total number of assignments completed. The total number of assignments completed during the six months ended Sept. 30, 2012 was 6,475. 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 – A review of a contractor's cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice, or noncompliance with a Cost Accounting Standard 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 USC Appendix, Section 8(f)(1).

Status of Action on Post-Award Contracts[1]

	Number of Reports	Costs Questioned ($ in millions)	Disallowed Costs[6]
Open Reports:			
Within Guidelines[2]	532	$1,116.5	N/A[7]
Overage, greater than 6 months[3]	600	$1,505.4	N/A
Overage, greater than 12 months[4]	498	$ 1,262.8	N/A
In Litigation[5]	177	$2,239.1	N/A
Total Open Reports	1,807	$6,123.8	N/A
Closed Reports	405	$1,048.1	$692.0 (66.0 percent)[8]
All Reports	2212	$7,171.9	$692.0 (9.6 percent)

1. This schedule represents the status of DCAA reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliance with the Cost Accounting Standards as reported by DoD Components. The status of action on significant post-award contract audits is reported in accordance with DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports". Because of limited time between availability of the data and reporting requirements, there is minimal opportunity to verify the accuracy of the reported data.
2. These reports are within the time frames established by OMB Circular A-50, "Audit Follow-up", and DoD Instruction 7640.02 as described in footnotes 3 and 4 below.
3. OMB Circular A-50 requires that audit reports be resolved within six 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 177 reports in litigation, 49 are under criminal investigation.
6. Disallowed costs are costs sustained by the contracting officer in negotiations with contractors.
7. N/A (not applicable). Disallowance of cost 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.
8. Contracting officers disallowed $692.0 million (66.0 percent) of the $1.048.1 million questioned as a result of significant post-award contract audits during the period. The contracting officer disallowance rate of 66.0 percent represents an increase from the disallowance rate of 39.2 percent for the prior reporting period.

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

Status of Reports with Action Pending

Report: D-2002-010, Armed Svc Blood Program Defense Blood Standard System, 10/22/2001
Description of Action: Commercial-Off-The-Shelf solution to correct the inventory counting and interface problems has been selected. A contract for development/implementation/deployment of a Enterprise Blood Management System has been awarded.
Reason Action Not Completed: Delays due to system configuration and verification of commercial products which must be completed prior to deployment.
Principal Action Office: Air Force, ASD(HA)

Report: D-2006-077, DoD 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: Current guidance is dated January 1987. ECD on DoDI 5200.2 was 6/12. ECD on the related Manual is 2014. AF consolidating several current security instructions into a single publication. ECD is 2/13. AR 380-67 on hold by Army JAG pending completion of DoD guidance.
Principal Action Office: USD(I), Army, Air Force

Report: D-2008-002, DoD Salary Offset Program, 10/09/2007
Description of Action: Make modifications to existing systems to properly compute salary offsets for military members, retirees, and annuitants.
Reason Action Not Completed: Extensive time required to make modifications to existing systems.
Principal Action Office: DFAS

Report: D-2008-066, FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior, 03/19/2008
Description of Action: Publish guidance/manual to address deficiencies in interagency acquisitions on the proper use of Non-DoD contracts.
Reason Action Not Completed: The Army delayed staffing the draft directive pending a determination regarding future use of Directives within the Department of the Army. The Draft Directive was reformatted as a manual for issuance and as an Appendix to the Army's Federal Acquisition Regulation Supplement.
Principal Action Office: Army

Report: D-2008-089, Planning Armor Requirements for the Family of Medium Tactical Vehicles, 05/09/2008
Description of Action: Update the capabilities documents for the FMTV to include armor kit requirements. Once these requirements are approved, document plans for issuance of the armor kits.
Reason Action Not Completed: Although action was initiated in late 2008, Army has yet to establish validated armor kit requirements for the FMTV.
Principal Action Office: Army

Report: D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, 05/13/2008
Description of Action: The Army is working to update its regulations, policies, and procedures for performing the annual and end-of-day inventory reconciliations.
Reason Action Not Completed: The Army has coordinated the revision of policy and guidance, which is expected to be published this year. Requested systems changes to the Logistics Modernization Program have not been funded.
Principal Action Office: Army

Report: D-2008-118, Host Nation Support of U.S. Forces in Korea, 08/25/2008
Description of Action: Update DoD FMR 7000.14-R, Volume 12, Chapter 24, to address the exchange rate used to value the dollar equivalent when recording obligation of burdensharing funds, and the differences in accounting and disbursing procedures for labor cost sharing funds.
Reason Action Not Completed: Extensive time required to complete coordination between DoD Components and revise DoD guidance.
Principal Action Office: USD(C)

Report: D-2009-028, Organizational Structure and Managers Internal Control Program for the Assistant Secretary of Defense and American Forces Information Service, 12/10/2008
Description of Action: Investigate potential misuse of funds, improper contracting, and statutory violations.
Reason Action Not Completed: The formal Antideficiency Act Violation Investigations are ongoing.
Principal Action Office: ASD(PA)

Report: D-2009-030, Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistant Ambush Protected Vehicles, 12/05/2008
Description of Action: Report is FOUO.
Reason Action Not Completed: Marine Corps action was on hold pending Joint Staff issuing revised guidance. Joint Staff issued revised guidance in January 2012. Marine Corps has not yet updated their guidance.
Principal Action Office: USMC

Report: D-2009-037, TRICARE Controls Over Claims Prepared By Third-

Party Billing Agencies, 12/31/2009
Description of Action: Resolve legal relationship between providers and billing agencies in accordance with requirements.
Reason Action Not Completed: Subsequent to mediation discussions between the TRICARE Management Activity and DoD IG, the TMA is seeking ways to satisfy the intent of this recommendation.
Principal Action Office: ASD(HA)

Report: D-2009-051, Controls Over Time and Attendance Reporting at the National Geospatial-Intelligence Agency, 02/09/2009
Description of Action: Revise guidance to improve internal controls over time and attendance, especially the use of overtime and compensatory time.
Reason Action Not Completed: Awaiting the issuance of the final NGA instruction addressing time and attendance.
Principal Action Office: NGA

Report: D-2009-059, Air Force Management of the U.S. Government Aviation Into-Plane Reimbursement Card Program, 03/06/2009
Description of Action: Develop Air Force specific guidance and procedures on the use of the AIR Card. Develop a training program to ensure training for all personnel involved in AIR functions.
Reason Action Not Completed: Extensive time required to staff and get approval of regulation. ECD Nov. 12, 2012.
Principal Action Office: Air Force

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 OMB and/or the Department of the Treasury is complete. Extensive coordination needed between DoD and its Components, and with the Treasury and OMB.
Principal Action Office: USD(C), DFAS

Report: D-2009-064, FY 2007 DoD Purchases Made Through the National Institutes of Health, 03/24/2009
Description of Action: Develop mandatory training to address how the rules and regulations governing multiple-award contracts differ from those governing the General Services Administration's Federal Supply Schedules, including the award and administration of task and delivery orders.
Reason Action Not Completed: Updating policy and in-processing Federal Acquisition Regulation changes takes time. Developing training materials to be consistent with the Federal Acquisition Regulation changes also takes time.
Principal Action Office: USD(AT&L)
Report: D-2009-066, Marine Corps' Management of the Recovery and Reset Programs, 04/01/2009
Description of Action: Update USMC guidance to comply with Departmental guidance on prioritizing requirements.
Reason Action Not Completed: The USMC's Ground Equipment Reset Strategy document was under revision and awaiting approval by the Commandant of the Marine Corps.
Principal Action Office: USMC

Report: D-2009-072, Monitoring Power Track Payments for DoD Freight Transportation, 04/09/2009
Description of Action: Use data mining to monitor problematic payments for duplicate payment indicators.
Reason Action Not Completed: Enterprise Data Warehousing and data mining solutions to assist with the pre-payment and post-payment processes will be analyzed and implemented through an internal controls effort sponsored by the DASD (Transportation Policy) and DFAS. The ECD is February 2013.
Principal Action Office: USD(AT&L)

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 GWOT obligations and deobligate all unliquidated obligations, withdraw all excess funds provided to the DoD Components, and transfer the funds to the U.S. Treasury.
Reason Action Not Completed: Extensive time needed to coordinate deobligation of unliquidated obligations, withdrawal of excess funds, and transference of funds to U.S. Treasury.
Principal Action Office: USD(C)

Report: D-2009-104, Sanitization and Disposal of Excess Information Technology Equipment, 09/21/2009
Description of Action: DoD CIO is updating DoDD 8500.01, DoDI 8500.02, and DoDI 8510.01.
Reason Action Not Completed: Extended time is required for revision of DoD guidance series.
Principal Action Office: DoD CIO

Report: D-2009-108, U.S. Air Forces Central War Reserve Materiel Contract, 09/23/2009
Description of Action: The DCAA will audit direct costs under the old WRM contract and perform required surveillance of internal controls.
Reason Action Not Completed: DCAA has not completed its audit work.
Principal Action Office: DCAA

Report: D-2010-015, DoD Civil Support During the 2007 and 2008 California Wildland Fires, 11/13/2009
Description of Action: Update joint publication to add clarity to the process of staffing FEMA mission assignments, on the legal employment of surveillance by DoD assets providing assistance to civil authorities, and on specific events for command and control handoff guidance.
Reason Action Not Completed: Extensive time required to develop, coordinate and implement the guidance.
Principal Action Office: JCS, USD(C)

Report: D-2010-023, Review of Defense Technical Information Center Internal Controls, 12/03/2009
Description of Action: Revise the DoD Financial Management Regulation to require DoD organizations to report reimbursable fees separately from reimbursable authority.
Reason Action Not Completed: The USD Comptroller is further researching reimbursable budget authorities.
Principal Action Office: USD(C)

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

Reason Action Not Completed: Extensive time required to coordinate and issue guidance.
Principal Action Office: USD(AT&L)

Report: D-2010-026, Joint Civilian Orientation Conference Program, 12/09/2009
Description of Action: Update DoDI 5410.19 to clarify how to administer and manage the JCOC program. Initiate a preliminary Antideficiency Act review of the use of JCOC fees received since the inception of the Miscellaneous Receipts Statute.
Reason Action Not Completed: The WHS review has been completed and is being elevated through the chain of command for coordination and approval. A complete rewrite of DoDI 5410.19 is underway.
Principal Action Office: ASD(PA), WHS

Report: D-2010-028, Rapid Acquisition and Fielding of Materiel Solutions by the Navy, 12/15/2009
Description of Action: Report is FOUO.
Reason Action Not Completed: Long-term corrective actions are ongoing.
Principal Action Office: Navy

Report: D-2010-035, Defense Logistics Agency Contracts for M2 Machine Gun Spare Parts in Support of Operations in Southwest Asia, 01/11/2010
Description of Action: Evaluate the metrics used to manage the product quality deficiency reporting process and update the DLA Joint Product Quality Deficiency Report instruction.
Reason Action Not Completed: Extensive time required to develop, coordinate and implement the guidance.
Principal Action Office: DLA

Report: D-2010-036, Controls Over Navy Military Payroll Disbursed in Support of Operations in Southwest Asia at San Diego-Area Disbursing Centers, 01/22/2010
Description of Action: Develop an electronic storage capability for supporting documentation.
Reason Action Not Completed: Navy planned to commence the Training Requirements and Information Management System implementation within the U.S. in Sept. 2012, with a completion date of January 2013. Implementation of new version of TRIM that can accommodate overseas users will proceed immediately afterward.
Principal Action Office: Navy

Report: D-2010-043, Deferred Maintenance and Carryover on the Army Abrams Tank, 03/02/2010
Description of Action: Report is FOUO.
Reason Action Not Completed: The proposed change has been incorporated into the revised Financial Management Regulation, which will be published in the near future.
Principal Action Office: USD(C)

Report: D-2010-048, DoD Methodology for the Valuation of Excess, Obsolete, and Unserviceable Inventory and Operating Materials and Supplies, 03/25/2010
Description of Action: Develop methodologies for estimating net realizable value of excess, obsolete, and unserviceable inventory, operating material and supplies, munitions, and missiles.
Reason Action Not Completed: Reorganization within the office and developing methodologies for different assets takes time to complete.
Principal Action Office: USD(C)

Report: D-2010-051, Defense Contract Management Agency Acquisition Workforce for Southwest Asia, 04/08/2010
Description of Action: Revise DoDI 5000.66 to require military departments and defense agencies to develop guidance to identify acquisition, technology and logistics workforce requirements in accordance with other DoD instructions and the Financial Management Regulation.
Reason Action Not Completed: Extensive time required to revise and coordinate instructions/guidance.
Principal Action Office: USD(AT&L)

Report: D-2010-065, Validity and Security of Selected DoD Civilian Employee Accounts (U), 05/25/2010
Description of Action: Classified
Reason Action Not Completed: Extensive time required to review and validate potentially invalid accounts and apply corrections.
Principal Action Office: DFAS

Report: D-2010-069, Central Issue Facility at Fort Benning and Related Army Policies, 06/21/2010
Description of Action: Improve the process for recovering Organizational Clothing and Individual Equipment items from civilians and contractor employees on completion of their mission.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: USD(AT&L)

Report: D-2010-075, Foreign Allowances and Differentials Paid to DoD Civilian Employees Supporting Overseas Contingency Operations, 08/17/2010
Description of Action: Finalize and issue uniform DoD-wide policies and procedures to accurately and consistently authorize foreign allowances and differentials. Review foreign allowances and differential paid records to identify inaccuracies and make the necessary adjustments.
Reason Action Not Completed: Extensive time required to coordinate with DoD Components and Agencies. Additional time needed to evaluate the scope of the inaccuracies and take the necessary corrective actions.
Principal Action Office: DFAS

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 Environment will review invoices for Time-and-Materials task orders, will request DCAA 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 AFCEE has not received funds that they requested from U.S. Forces- Iraq to conduct the review. The Defense Contract Audit Agency audit work is ongoing.
Principal Action Office: Air Force

Report: D-2010-081, Army Use of Time-and-Materials Contracts in Southwest Asia, 08/27/2010
Description of Action: The Army Contracting Command will establish a plan for reviewing invoices for 18 contracts and request 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 Defense Contract Audit Agency have not completed reviews of task orders and audits of incurred costs.
Principal Action Office: Army

Report: D-2010-086, Audit of the Utility Tax Relief Program in Germany, 09/29/2010
Description of Action: Develop regulatory guidance requiring eligible civilian personnel to participate in the Utility Tax Avoidance Program in Germany; and develop a standard form to prove participation or ineligibility for the program.
Reason Action Not Completed: Long-term corrective actions are in process.
Principal Action Office: USD(P&R)

Report: D-2010-088, Accountability and Disposition of Government Furnished Property in Conjunction With the Iraq Drawdown - Logistics Civil Augmentation Program, 09/30/2010
Description of Action: Defense Contract Management Agency-Iraq to (1) provide a sufficiently supported account of all management decisions and actions taken concerning the acceptance, use and disposition of unused trash trucks; (2) determine whether personnel or cost recovery actions were warranted; and (3) determine proper disposition of the trucks.
Reason Action Not Completed: Government attempts to negotiate the final cost have reached an impasse and the government is proceeding to issue a Contracting Officer's Final Decision. A decision was expected by Sept 30. 2012.
Principal Action Office: DCMA

Report: D-2010-091, DoD Needs to Improve Management and Oversight of Operations at the Theater Retrograde-Camp Arifjan, Kuwait, 09/30/2010
Description of Action: Develop appropriate performance requirements for processing materiel that are applicable, auditable and measurable and coordinate those requirements with the Contracting Officer for inclusion in the newly awarded contract.
Reason Action Not Completed: The mission has significantly changed over the last few months making the current changes nonapplicable. The new requirement is being refined by the supporting activity. The current performance work statement will be revised to add performance requirements for processing materials that are applicable, auditable, and measurable. Estimated completion of this action is Jan 10. 2013.
Principal Action Office: Army

Report: D-2011-020, DoD Controls Over Information Placed on Publicly Accessible Web Sites Require Better Execution, 11/29/2010
Description of Action: Update guidance for information posted to publicly accessible Web sites; require annual assessment and documentation of DoD Internet services and use of Internet-based capabilities; provide enforcement procedures for annual certification requirements; mandate procedures to register Internet addresses and contact information; ensure implementation of policies on the use of DoD Internet services and Internet based capabilities; require an inventory capability and a registration system for public DoD Web sites; expand distribution of Operations Security and threat assessment reports; and identify the system that will maintain the inventory of DoD publicly accessible Web sites.
Reason Action Not Completed: Extensive time required to revise and coordinate guidance.
Principal Action Office: DoD CIO, ASD(PA), DISA

Report: D-2011-028, Contracts Supporting the Broad Area Maritime Surveillance Program, 12/23/2010
Description of Action: Develop an agency improvement policy that will require all letters of delegation be modified to include necessary surveillance and inspection requirements.
Reason Action Not Completed: Additional time required to finalize guidance.
Principal Action Office: DCMA

Report: D-2011-032, Audit of the Logistics Civil Augmentation Program IV Support Contract, 01/07/2011
Description of Action: Army will issue guidance for assigning personnel to supervise contractors performance for functions closely associated with inherently governmental duties.
Reason Action Not Completed: Army has not yet issued guidance regarding contractor performance closely associated with inherently governmental duties. Eleven of twelve recommendations have been completed.
Principal Action Office: Army

Report: D-2011-036, Competition Should Be Used for Instructor Services for the Mine Resistant Ambush Protected Vehicles, 02/03/2011
Description of Action: The Army will complete a formal investigation of the Anti Deficiency Act violation, will comply with DoD reporting requirements and will provide a copy of the preliminary and final investigation report to the DoD IG.
Reason Action Not Completed: The Army is conducting a formal ADA investigation of the violation.
Principal Action Office: Army

Report: D-2011-037, Audit of the Marine Corps Fulfillment of the Urgent Universal Need Statement for the Laser Dazzler, 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: Awaiting the results of an ongoing criminal investigation.
Principal Action Office: Navy

Report: D-2011-043, Fleet Industrial Supply Center Ship Maintenance Contracts in Southwest Asia, 02/22/2011
Description of Action: Revise internal guidance and conduct market research to identify potential new contractors.
Reason Action Not Completed: Extensive time required to finalize guidance and conduct market research at centralized level.
Principal Action Office: Navy

Report: D-2011-045, American Recovery and Reinvestment Act Project-Solar and Lighting at Naval Station Norfolk, Virginia, 02/25/2011
Description of Action: Develop plans to use the funds resulting from the bid-savings and the project's termination in accordance with Under Secretary of Defense (Comptroller)/Chief Financial Officer memorandum.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: USD(AT&L)

Appendix F

Report: D-2011-047, Improvements Needed in Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan, 03/2/2011
Description of Action: DLA will modify contracts to incorporate fair and reasonable prices, compute and recover overpayments, and correct a fiscal year appropriations billing error.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: DLA

Report: D-2011-050, DoD Needs to Improve High Dollar Overpayment Review and Reporting, 03/16/2011
Description of Action: Develop procedures for reviewing information on corrections, including recalls, offsets, and rejects for overpayments. Also, implement a methodology to include statistically sampling commercial pay entitlement systems for improper payments.
Reason Action Not Completed: Extensive time required to coordinate and develop procedures and a methodology.
Principal Action Office: USD(C)

Report: D-2011-060, Audit of Marine Corps Small Arms Accountability at Activities Relocating as Part of the Defense Posture Review Initiative, 04/22/2011
Description of Action: Update Marine Corps Order 8300.1C to include additional guidance for small arms accountability.
Reason Action Not Completed: Extensive time required to update, review, and issue guidance.
Principal Action Office: Navy

Report: D-2011-071, U.S. Air Force Academy Could Have Significantly Improved Planning, Funding, and Initial Execution of the American Recovery and Reinvestment Act Solar Array Project, 06/16/2011
Description of Action: Determine accountability for the categorization of Recovery Act solar array project costs at a utility company; and develop policies and procedures for planning and funding energy projects with public utility companies, which prevent unauthorized advanced payment of project funds.
Reason Action Not Completed: An Antideficiency Act investigation is underway, and has a suspense date of late October or early November 2012 for completion.
Principal Action Office: Air Force

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 FOUO.
Reason Action Not Completed: Extensive time to develop and award contract.
Principal Action Office: DLA

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 DSCA will perform a review for potential Antideficiency Act violations and take appropriate action for funds that were improperly obligated. The DCAA will conduct audit work to verify that DynCorp did not double-bill claimed costs under DoD and Department of State contracts from Dec. 30, 2010, through July 15, 2011.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: DSCA, DCAA

Report: D-2011-083, Audit of DoD Suspension and Debarment Decisions and Reporting Into the Excluded Parties List System, 07/14/2011
Description of Action: Review and improve the suspension and debarment process for referring poorly performing contractors for potential suspensions or debarments; and 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: USD(AT&L)

Report: D-2011-089, Audit of the Defense Information Systems Agency Controls Over the Center for Computing Services, 07/22/2011
Description of Action: Report is FOUO.
Reason Action Not Completed: Extensive time required to coordinate and issue guidance.
Principal Action Office: DISA

Report: D-2011-090, Audit of FY 2008 Marine Corps Global War on Terror-Related Costs Processed Through the Standard Accounting, Budgeting and Reporting System, 07/22/2011
Description of Action: Update Marine Corps Order 7300.21A "Marine Corps Financial Management Standard Operating Procedure Manual," Oct. 2, 2008.
Reason Action Not Completed: Extensive time required to update, review, and issue guidance.
Principal Action Office: Navy

Report: D-2011-096, Audit of the DoD Information Assurance Vulnerability Management Program, 08/12/2011
Description of Action: Report is FOUO.
Reason Action Not Completed: Time required to coordinate and issue policy guidance.
Principal Action Office: DoD CIO, JCS, STRATCOM

Report: D-2011-098, Defense Finance and Accounting Service Needs to Improve Controls Over the Completeness and Accuracy of the Cash Management Report, 08/15/2001
Description of Action: Monitor the DFAS working group's corrective actions and audit readiness efforts regarding the Fund Balance With Treasury account for Other Defense Organizations.
Reason Action Not Completed: Long-term corrective actions are in process.
Principal Action Office: USD(C)

Report: D-2011-099, Followup Audit of Impact of Legislation and Directives on Personal Commercial Solicitation of Military Personnel, 08/23/2011
Description of Action: Military Services to update financial training in an effort to increase junior enlisted Service members' awareness regarding the need for, and value of, filing complaints for deceptive or abusive life insurance marketing practices and unsuitable insurance products.
Reason Action Not Completed: The Services are strengthening training to highlight filing complaints for deceptive or abusive life insurance marketing practices.
Principal Action Office: USD(P&R)

Report: D-2011-101, Controls Over Army Deployable Disbursing System Payments Need Improvement, 08/19/2011

Description of Action: Publish guidance on standardizing how electronic payments made through local depository accounts will be recorded in the Deployable Disbursing System.
Reason Action Not Completed: Additional time required to coordinate and issue guidance.
Principal Action Office: Army, USD(C)

Report: D-2011-102, Afghan National Police Training Program Would Benefit From Better Compliance With the Economy Act and Reimbursable Agreements, 08/25/2011
Description of Action: The DSCA will perform a review for potential Antideficiency Act violations and take appropriate action for funds that were improperly obligated.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: DSCA

Report: D-2011-107, Improvements Needed in Procedures for Certifying Medical Providers and Processing and Paying Medical Claims in the Philippines, 09/09/2011
Description of Action: ASD (Health Affairs) is implementing recommendations to improve the certification of medical providers and the claims payment process in the Philippines.
Reason Action Not Completed: Long-term corrective actions are ongoing.
Principal Action Office: ASD(HA)

Report: D-2011-111, Guidance for Petroleum War Reserve Stock Needs Clarification (U), 09/27/2011
Description of Action: The Report is Classified.
Reason Action Not Completed: The revised DoD 4140.25 Directive and Manual are expected to be published in 2nd quarter 2013.
Principal Action Office: USD(AT&L), JCS

Report: D-2011-115, DoD Cannot Ensure Contractors Protected Controlled Unclassified Information for Weapon Systems Contracts, 09/30/2011
Description of Action: Report is FOUO.
Reason Action Not Completed: Time required to develop policy and obtain public comments.
Principal Action Office: USD(AT&L)

Report: D-2011-116, American Recovery and Reinvestment Act Wind Turbine Projects at Long-Range-Radar Sites in Alaska Were Not Adequately Planned, 09/30/2011
Description of Action: Cancel three wind turbine projects.
Reason Action Not Completed: Termination proceedings are in process, and $5M has been deobligated thus far.
Principal Action Office: USD(AT&L)

Report: D-2011-117, ARRA Requirements and Contracting for the Bachelor Enlisted Quarters at Camp Pendleton, 09/30/2011
Description of Action: Require Public Works Department personnel to comply with Marine Corps Order P11000.5G, requirements for project documentation, including completing DD Form 1391s and maintaining supporting documentation.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: Navy

Report: D-2011-119, ARRA-Improper Planning of the Administrative Buildings Project at Camp Lejeune, N.C., 09/30/2011
Description of Action: Require Marine Corps Base Camp Lejeune Public Works officials to track and assess the completion of DD Form 1391s, economic analyses, and National Environmental Policy Act reviews in accordance with Marine Corps Order P11000.5G.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: Navy

▸ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(b)(4).

Contract Audits with Significant Findings

DoD IG

Report No. DODIG-2012-102	Date: June 18, 2012
Subject: Better Cost-Control Measures Are Needed on the Army's Cost-Reimbursable Services Contract for Logistics Support of Stryker Vehicles	
Report: $152.4 Million in Funds Put to Better Use	
The Army's cost-reimbursable services contract for logistics support of Stryker vehicles lacked adequate cost-control metrics and a tangible deliverable. The contractor was authorized to spend about $1.453 billion, but DoD IG calculated the operational support costs for Stryker vehicles at about $1.117 billion for five years, resulting in about $335.9 million that the contractor used to accumulate inventory that could have been put to better use. As a result of the audit, the Project Manager for Stryker Brigade Combat Team identified $152.4 million in excess inventory that will be used to reduce Program Year 2011 and Program Year 2012 contract requirements.	

Report No. DODIG-2012-117	Date: Aug. 14. 2012
Subject: DoD Needs to Improve Controls Over Economy Act Orders with U.S. Agency for International Development	
Report: $17.6 Million of Potential Funds Put to Better Use	
U.S. Central Command and U.S. Forces-Afghanistan officials did not establish adequate controls over interagency acquisitions when transferring $40.1 million in Commander's Emergency Response Program funds to the U.S. Agency for International Development using three Economy Act Orders. DoD and USAID may have committed Antideficiency Act violations of $27.6 million and USAID improperly used $17.6 million of DoD funds.	

Report No. DODIG-2012-108	Date: Aug. 31, 2012
Subject: Questionable Data Cast Doubt on the Need for Continuing the Defense Transportation Coordination Initiative	
Report: $49.1 Million of Potential Funds Put to Better Use	
The Defense Transportation Coordination Initiative Program Management Office personnel did not provide effective oversight of the DTCI contract, valued at $1.76 billion. The third-party logistics contractor reported cost reductions of $167.4 million for 699,157 freight shipments. However, the reductions were not verifiable because of questionable data and PMO officials did not deduct $56.9 million in program costs from the reported cost reductions resulting in cost $7.5 million greater than cost reductions. The exercise of future contract options will require implementing corrective actions to verify that program benefits occur and offset the contract costs. If future contract options are not exercised $49.1 million of funds could be put to better use.	

Report No. DODIG-2012-135	Date: Sept. 27, 2012
Subject: Mi-17 Overhauls Had Significant Cost Overruns and Schedule Delays	
Report: $16.4 Million of Unnecessary Costs	
Army contracting and program management officials did not perform adequate oversight and management of Counter Narcoterrorism Technology Program Office contracts for the overhaul of Mi-17 aircraft. Specifically, the contracting officers and program management officials did not adequately support the contractor's oversight of its subcontractor. Further, the subcontractor denied quality assurance personnel access to its overhaul facility. As a result, the subcontractor aircraft overhaul took 12 to 20 months longer than planned, failed to identify unsanctioned parts that must be replaced, and cost the U.S. government $16.4 million in unnecessary costs.	

DCAA

Audit Report No. 02211-2006S10100001	Date: April 6, 2012
Subject: Independent Audit of CY 2006 Incurred Direct Charges, Residual Expenses, and Facilities Capital Cost of Money	
Prepared For: Defense Contract Management Agency – Cost and Pricing Center	
Report: $33.3 Million Questioned Costs	
The audit of the corporate incurred cost proposal questioned a net amount of $33.3 million. Major elements questioned include $24.8 million of medical expenses due to ineligible dependents; $7.7 million of executive compensation over the Federal Acquisition Regulation compensation cap; $1.3 million of out-of-period worker's compensation costs; and a $2.0 million upward adjustment for actual franchise taxes in excess of the estimates contained in the proposal.	

Audit Report No. 06341-2011A17900001	Date: May 18, 2012
Subject: Independent Audit of Labor Charging	
Prepared For: DCMA Munitions and Support Systems	
Report: $14.2 Million Questioned Cost	
The audit of the billed Time and Material labor and associated costs resulted in $14.2 million of questioned costs, including $11.3 million for prime and subcontract employees not meeting the contractual education and/or experience requirements; $2.3 million of bonus, hazard, and danger pay associated with the unqualified employees; $.4 million of indirect costs associated with the questioned labor billings; and $.2 million for subcontractor labor billed in excess of cost.	

Audit Report No. 01751-2012G17900001	Date: June 22, 2012
Subject: Independent Audit of Internal Restructuring Proposal	
Prepared For: Department of the Navy, Supervisor of Shipbuilding	
Report: $219.8 Million Questioned Cost	
The audit of the restructuring proposal resulted in $219.8 million of questioned costs. Significant items questioned include $194.5 million of proposed savings for years beyond the five year amortization period specified in Cost Accounting Standard 406, and $13.0 million of proposed savings duplicated in the proposal.	

Audit Report No. 02161-2011G10110001	Date: June 27, 2012
Subject: Independent Audit of Travel Costs	
Prepared For: Department of the Army, Army Contracting Command – Rock Island	
Report: $21.7 Million Questioned Cost	
The audit of billed travel costs under a single contract resulted in questioning all of the billed costs because the contractor did not obtain advance written approval for the travel as required by the contract terms.	

Audit Report No. 04201-2011G17200001	Date: January 23, 2012
Subject: Independent Audit of Compliance with Requirements Applicable to Research & Development and Internal Control Over Compliance in Accordance with OMB A-133 for FY 2011	
Prepared For: Department of the Air Force, Corporate Administrative Contracting Officer	
Report: $10.4 Million Questioned Cost	
The audit of the incurred cost proposal and compliance with OMB A-133 requirements resulted in $10.4 million questioned costs. Significant questioned items include $9.3 million for vacant or underutilized facilities and related legal fees; $0.3 million of unreasonable costs for memberships in multiple organizations that provide similar benefits or for membership costs related to lobbying; and $0.4 million of unreasonable executive compensation.	

Appendix G

Audit Report No. 03181-2010D10180008	Date: July 10, 2012
Subject: Independent Audit of FY 2009 Direct Labor Costs Incurred and Invoiced	
Prepared For: United States Army Intelligence and Security Command	
Report: $76.9 Million Questioned Cost	
The audit of the incurred and billed labor costs resulted in $76.9 million of questioned costs because the linguists did not meet the specific contract language proficiency or medical requirements.	

Audit Report No. 04411-2008Q10100001	Date: July 10, 2012
Subject: Independent Audit of FY 2008 Incurred Cost Submission	
Prepared For: U.S. Department of Energy, Richland Operations Office	
Report: $17.6 Million Questioned Cost	
The audit of the incurred cost proposal resulted in $17.6 million of questioned costs. Significant items questioned include $15.1 million of professional and consultant costs which were not supported by evidence of the work product and/or agreement; and $1 million of final subcontract fee that was not related to completed work or milestones.	

Audit Report No. 03711-2010A42098005	Date: July 25, 2012
Subject: Independent Audit of Cost or Pricing Data Provided During Negotiation	
Prepared For: Department of the Air Force, Aeronautical Systems Center	
Report: $11.2 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 $11.2 million for overstated material costs and related burdens because certain material items were included in the contractor's proposal twice, and the increased cost was included in the negotiated contract.	

Audit Report No. 06321-2011M17200001	Date: July 26, 2012
Subject: Independent Audit of Request for Equitable Adjustment	
Prepared For: Department of Veteran Affairs	
Report: $11.7 Million Questioned Cost	
The audit of the equitable adjustment request resulted in questioned costs of $11.7 million. The majority of the questioned costs resulted from the contractor's failure to provide adequate supporting documentation such as accounting records, banking records, and subcontractor agreements or invoices, for various claimed items including $7.5 of financing and interest expenses; $1.4 million of subcontractor costs; and $0.7 million of insurance or bond premiums, real estate taxes, and architect fees.	

Audit Report No. 02701-2006A10100003	Date: July 31, 2012
Subject: Independent Audit of FY 2006 Incurred Cost Audit	
Prepared For: Defense Contract Management Agency, Cost and Pricing Corporate and Divisional Administrative Contracting Officer Group	
Report: $76.6 Million Questioned Cost	
The audit of the incurred cost proposal resulted in $76.6 million of questioned cost. Significant items questioned include $60.1 million of direct material for which the contractor did not provide documentation of government inspection and acceptance and/or documentation demonstrating the material costs were based on competitive awards; and $13.4 million of labor hour billings for employees or subcontractors who did meet the contractual requirements for education, certification, or experience.	

Audit Report No. 03541-2012A17100003	Date: Aug. 17, 2012
Subject: Independent Audit of Termination Settlement Proposal	
Prepared For: Office of Assistant Secretary of Defense Health Affairs, TRICARE Management Activity	
Report: $18.3 Million Questioned Cost	
The audit of the termination settlement proposal questioned $18.3 million. Significant items questioned include $1.9 million of labor incurred during a stop work period prior to contract termination, $4.5 million of indirect fringe, overhead, and general & administrative costs applicable to questioned base costs; and $11.6 million of claimed unabsorbed overhead due to inappropriate use of the Eichleay formula.	

Audit Report No. 04911-2010J10100001	Date: Aug. 21, 2012
Subject: Independent Audit of FY 2010 Final Allocated Direct Cost Report	
Prepared For: National Aeronautics and Space Administration	
Report: $78.6 Million Questioned Cost	
The audit of the Final Allocated Direct Cost Report resulted in $78.6 million of questioned costs. Significant questioned items include $30.5 million of questioned subcontract costs due to inadequate price competition, failure to evaluate cost overruns, and rework costs that should have been absorbed by the subcontractor; $20 million of health and dental insurance costs for dependents because the contractor lacks adequate documentation and internal controls to verify eligibility; $6.3 million of overtime costs without the contract required approvals; and $5.6 million of separation pay that is unreasonable, incorrectly computed, or in excess of the amount recorded in the audited financial statements.	

Audit Report No. 02131-2007A10100001	Date: Sept. 13, 2012
Subject: Independent Audit of Incurred Cost Proposal for FY 2007	
Prepared For: U.S. Army Contracting Command, South West Asia Support Reachback Branch	
Report: $30.6 Million Questioned Cost	
The audit of the incurred cost proposal resulted in $30.6 million of questioned cost. Significant items questioned include $16.5 million of costs incurred in a different accounting period yet included in the FY 2007 proposal; $7.3 million of costs that were not supported with adequate documentation; and $4.1 million of unreasonable subcontract costs in excess of the ceiling amount of the subcontract.	

Audit Report No. 04911-2006B10100001	Date: Sept. 19, 2012
Subject: Independent Audit of FY 2006 Final Incurred Cost Submission	
Prepared For: Defense Contract Management Agency Los Angeles - Carson	
Report: $58.2 Million Questioned Cost	
The audit of the incurred cost submission resulted in $58.2 million questioned cost. Significant items questioned include $21.6 million of unauditable subcontract costs because the subcontractors are no longer in business and/or the records are unavailable; $15.6 million of claimed subcontract costs in excess of the amount claimed in the subcontractor's incurred cost submission; $5.1 million of claimed Employee Stock Ownership Plan expenses in excess of the limitations on total plan and individual contributions contained in the Internal Revenue Code; and $2.9 million of medical insurance costs due to lack of supporting documentation for the eligibility of claimed dependents.	

Audit Report No. 01701-2011E10180003	Date: Sept. 21, 2012
Subject: Independent Audit of Outside the Continental United States Direct Labor Costs for Second Half of Calendar Year 2010	
Prepared For: Department of the Army, Intelligence and Security Administration	
Report: $28.8 Million Questioned Cost	
The audit of the recorded labor costs resulted in $28.8 million of questioned costs including $28.7 million due to lack of contractually required documentation for employee language testing, medical screenings, or dental screenings; and $0.1 million due to unreasonable compensation	

Audit Report No. 06211-2006C10100003	Date: Sept. 26, 2012
Subject: Independent Audit of Incurred Cost Proposal for FY Ended March 31, 2006	
Prepared For: Defense Contract Management Agency – Cost and Pricing Center	
Report: $98 Million Questioned Cost	
The audit of the incurred cost proposal resulted in net questioned cost of $98 million. Significant items questioned include $59.2 million of nonbillable or inadequately supported accrued costs; $6.2 million of questioned corporate or other segment allocations; $46.0 million of questioned direct labor for employees who did not have the education or experience required by the contract for the labor category claimed; and an upward adjustment of $38.6 million to claimed Time and Material costs for projects incorrectly excluded from the proposal.	

Appendix G

Audit Report No. 06271-2002A10100103	Date: Sept. 26, 2012
Subject: Independent Audit of Incurred Cost Proposal for FY 2002	
Prepared For: Defense Contract Management Agency – Cost and Pricing Center	
Report: $15 Million Questioned Cost	
The audit of the incurred cost proposal resulted in $15 million questioned costs. Significant items questioned include $4.9 million of subcontract costs which were not adequately supported with documentation to verify that services had been received; $3.3 million of costs paid from imprest funds which were not adequately documented or approved in accordance with company policies; and $1.1 million of direct labor which was not supported by employee time sheets.	

Audit Report No. 03231-2005M10100049	Date: Sept. 28, 2012
Subject: Independent Audit of Incurred Cost Proposal for FY 2005	
Prepared For: U.S. Department of Energy, Environment Management Consolidated Business Center	
Report: $17.9 Million Questioned Cost	
The audit of the incurred cost proposal resulted in $17.9 million questioned costs. Significant items questioned include $15.4 million related to fixed unit cost contracts because the contractor could not provide adequate support for the number of units claimed, and $0.7 million of questioned labor costs due to missing or incomplete time sheets.	

Audit Report No. 06151-2006Y10100001	Date: Sept. 28, 2012
Subject: Independent Audit of Incurred Cost for FY Ended Dec. 31, 2006	
Prepared For: Defense Contract Management Agency - Virginia	
Report: $24.8 Million Questioned Cost	
The audit of the incurred cost proposal resulted in $24.8 million of questioned costs. Significant items questioned include $4.3 million of claimed pension costs for which no supporting documentation was provided; $2.1 million of bonuses that were not supported with adequate justification or basis for award; $1.7 million of costs related to commercial projects; $1.8 million of direct labor due to employees without the required education or experience required by the contract or for whom resumes were not provided; and $1.4 million of subcontract labor billed in excess of cost.	

Audit Report No. 04411-2005N10100005	Date: Sept. 29, 2012
Subject: Independent Audit of FY 2005 Incurred Cost	
Prepared For: Defense Contract Management Agency America's Business Group, Houston	
Report: $48.1 Million Questioned Cost	
The audit of the incurred cost proposal resulted in $48.1 million of questioned costs. Significant items questioned include $12.5 million of interdivisional labor in excess of the amount incurred; $5.5 million of unreasonable Iraq premium pay; $16.5 million of subcontract costs which were not based on adequate price analysis, were not supported with adequate source documentation, or not yet incurred; and $11.7 million of unallowable indirect expenses.	

Audit Report No. 02131-2006H10100002	Date: Sept. 30, 2012
Subject: Independent Audit of FY Ended Dec. 31, 2006 Incurred Cost Proposal	
Prepared For: U.S. Army Contracting Command, South West Asia Support Reachback Branch	
Report: $37.5 Million Questioned Cost	
The audit of the incurred cost proposal resulted in $37.5 million of questioned costs. Significant items questioned include $5.2 million of direct labor that was not supported by employee performance evaluations, time sheets, or employee agreements; $7.6 million of direct material costs that were not allocable to FY 2006; and $11.4 million of intercompany expenses for which no legible documentation was provided.	

▸ Fulfills requirements of the National Defense Authorization Act for FY 2008 Section 845.

Results of Peer Reviews

Peer Review of Department of Defense IG by Department of Health and Human Services OIG

The Department of Health and Human Services OIG conducted an external peer review of DoD IG Office of Audit and issued a final report on Dec. 2, 2009. DoD IG received a peer review rating of pass. There are no outstanding recommendations. A copy of the external quality control review report can be viewed on at www.dodig.mil/audit.

Peer Review of U.S. Postal Service OIG by Department of Defense IG

DoD IG conducted an external quality control review of the United States Postal Service OIG audit organization and issued a final report on March 31, 2010. USPS OIG received a peer review rating of pass. All outstanding recommendations have been implemented as of March 31, 2011. A copy of the external quality control review report in its entirety can be viewed on the USPS OIG website at www.uspsoig.gov.

Peer Review of DCIS Operations by the U.S. Department of Health and Human Services Office of Inspector General

The U.S. Department of Health and Human Services OIG conducted an external peer review of DCIS's system of internal safeguards and management procedures in effect through July 2011 and HHS OIG also conducted an evaluation to determine DCIS' compliance with applicable internal policies and procedures from April 2009 to July 2011. Since DCIS does not derive its statutory law enforcement authority from the Attorney General or the Inspector General Act, it is not subject to the Council of the Inspectors General on Integrity and Efficiency thus DCIS's participation in this peer review was voluntary. After completing its review of DCIS, the HHS OIG issued a final report dated Aug. 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.

External Quality Control Review of the Defense Information Systems Agency Audit Organization

DoD IG conducted a review of the system of quality control for the audit organization of the Defense Information Systems Agency and issued a final report on Aug. 7, 2012. As a result of significant deficiencies found, the DoD IG review team issued a fail opinion on the DISA audit organization's system of quality control used on audits for the review period ended March 31, 2011. The DoD IG found that the DISA audit organization's system of quality control for audits was designed in accordance with generally accepted government auditing standards; however, DoD IG identified significant deficiencies in the audit organization's compliance with its system of quality control that do not provide reasonable assurance that DISA audit personnel were following established guidance, policies, procedures, and applicable auditing standards. DoD IG report included six recommendations and DISA concurred with all of them.

Quality Control Review of the Defense Commissary Agency Internal Audit Function

DoD IG reviewed the Defense Commissary Agency Office of Internal Audit system of quality control and issued a final report on Sept. 10, 2012. The DeCA audit organization received peer review opinion of pass. Although the DeCA system of internal controls received a pass opinion, DoD IG identified five areas with findings relating to quality control, independence, audit planning, supervision, and audit documentation. The findings DoD IG identified were not cumulatively significant enough to rise to the level of a deficiency or significant deficiency. DeCA management concurred with all findings and recommendations.

► Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C. Appendix, Section 5(a)(14),(15),(16).

Appendix I

Acronyms

AAF	Afghan Air Force
AAFES	Army Air Force Exchange System
ACC	Army Contracting Command
ADA	Antideficiency Act
AF	Air Force
AFAA	Air Force Audit Agency
AFB	Air Force Base
AFCEE	Air Force Center for Engineering and Environment
AFOSI	Air Force Office of Special Investigations
AIR	Aviation Into-Plane Reimbursement
ALP	Afghan local police
AMI	Advanced Metering Infrastructure
ANA	Afghan National Army
ANP	Afghan National Police
ANSF	Afghan National Security Forces
APO	Audit Policy and Oversight
AQD	Acquisition Services Directorate
AR	Army Regulation
ARRA	American Recovery and Reinvestment Act
ASD(HA)	Assistant Secretary of Defense for Health Affairs
ASD(PA)	Assistant Secretary of Defense for Public Affairs
ASFF	Afghanistan Security Forces Fund
ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives
AT&L	Acquisition, Technology and Logistics
CDP	Contractor Disclosure Program
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CIGIE	Council of Inspectors General for Integrity and Efficiency
CIO	Chief Information Officer CID Criminal Investigation Command
CIOC	Command Intelligence Operations Center
CITF	Criminal Investigative Task Force
C-JTSCC	CENTCOM (U.S. Central Command)-Joint Theater Support Contracting Command
CNTPO	Counter Narcoterrorism Technology Program Office
COA	Chart of Accounts
COCOM	Combatant Commands
COPSWA	Comprehensive Oversight Plan for Southwest Asia
CST	Civil Support Team
CSTC-A	Combined Security Transition Command-Afghanistan
CTIP	Combating Trafficking in Persons
DASD	Deputy Assistant Secretary of Defense
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DCMA	Defense Contract Management Agency
DD	Department of Defense (Form)
DDRS	Defense Departmental Reporting System
DDRS-B	Defense Departmental Reporting System-Budgetary
DEAMS	Defense Enterprise Accounting and Management System
DECA	Defense Commissary Agency
DEERS	Defense Enrollment Eligibility Reporting System
DFAS	Defense Finance and Accounting Service
DFSP	Defense Fuel Support Point
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DoD IG	Department of Defense Inspector General
DoD(CIO)	Department of Defense Chief Information Officer
DoDEA	Department of Defense Education Activity
DoDD	Department of Defense Directive
DoDI	Department of Defense Instruction
DOI	Department of Interior
DoN	Department of the Navy
DoS	Department of State
DPA	Deferred Prosecution Agreement
DSCA	Defense Security Cooperation Agency
DSS	Defense Security Service
DTCI	Defense Transportation Coordination Initiative
DTRA	Defense Threat Reduction Agency
DW&T	Directorate of Whistleblowing and Transparency
EA	Economy Act
ECD	Estimated Completion Date
EFL-2	Expeditionary Forensic Laboratory-2
ERP	Enterprise Resource Planning
FBI	Federal Bureau of Investigation
FDA	Food and Drug Administration
FEMA	Federal Emergency Management Agency
FISMA	Federal Information Security Management Act
FMTV	Family of Medium Tactical Vehicles
FMR	Financial Management Regulation
FOUO	For Official Use Only
FVAP	Federal Voting Assistance Program

G-1	Personnel and Administrative Staff
G-4	Logistics Staff
G-6	Information Management Staff
GAO	Government Accountability Office
GFEBS	General Fund Enterprise Business System
GSA	General Services Administration
GSK	GlaxoSmithKline, Inc.
GWOT	Global War on Terror
HHS	Department of Health and Human Services
HSI	Homeland Security Investigation
IA	Information Assurance
IC	Intelligence Community
ICE	Immigration and Customs Enforcement
IED	Improvised Explosive Device
IG	Inspector General
IRS	Internal Revenue Service
ISAF	International Security Assistance Force
ISO	Investigations of Senior Officials
IT	Information Technology
JAG	Judge Advocate General
JCOC	Joint Civilian Orientation Conference Program
JCS	Joint Chiefs of Staff
JS	Joint Staff
JTTF	Joint Terrorism Task Force
LEP	Law Enforcement Professionals Program
LMP	Logistics Modernization Program
MCAS	Marine Corps Air Station
MCIO	Military Criminal Investigative Organization
MDA	Missile DefenseAgency
MEPCOM	Military Entrance Processing Command
MOI	Ministry of the Interior
NAS	Naval Air Station
NATO	North Atlantic Treaty Organization
NAVAUDSVC	Naval Audit Service
NAVFAC	Naval Facilities Engineering Command
NCIJTF	National Cyber Investigative Joint Task Force
NCIS	Naval Criminal Investigative Service
NCO	Noncommissioned Officer
NGA	National Geospatial Intelligence Agency
NOSC	Navy Operational Support Center
NSA	National Security Agency
NTM-A	North Atlantic Treaty Organization Training Mission-Afghanistan
NVD	Night Vision Devices
OASIS	Organic Airborne and Surface Influence Sweep
OCO	Overseas Contingency Operations
OGC	Office of General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPR	Office of Professional Responsibility
OSD	Office of the Secretary of Defense
PACE	Procurement Automated Contract Evaluation
PDTE	Predeployment Training Equipment
PII	Personally Identifiable Information
PEO	Program Executive Office
PFPA	Pentagon Force Protection Agency
PMO	Program Management Office
P&O	Policy and Oversight
POM	Program Objective Memorandum
P&R	Personnel and Readiness
PSB	Protective Services Battalion
RAPIDS	Real-time Automated Personnel Identification System
RPAT	Redistribution Property Assistance Team
S-1	Personnel Office
SBIR	Small Business Innovative Research
SECNAV	Secretary of the Navy
SPO	Special Plans and Operations
STAAT	Security Training Assistance and Assessment Teams
STTR	Small Business Technology Transfer
STRATCOM	Strategic Command
TF	Task Force
TMA	TRICARE Management Activity
TRIM	Training Requirements and Information Management
UCMJ	Uniform Code of Military Justice
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USACID	U.S. Army Criminal Investigation Command
USACIL	U.S. Army Criminal Investigation Laboratory
USAID	U.S. Agency for International Development
USD(AT&L)	Under Secretary of Defense (Acquisition, Technology and Logistics)
USD(C)	Under Secretary of Defense (Comptroller)
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
USFOR-A	U.S. Forces-Afghanistan
USMC	U.S. Marine Corps
WHS	Washington Headquarters Services
WMD	Weapons of Mass Destruction
WRI	Whistleblower Reprisal Investigations

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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Inspector General

United States Department of Defense

Semiannual Report to the Congress

April 1, 2012 - September 30, 2012

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