



# INSPECTOR GENERAL

*U.S. Department of Defense*

## SEMIANNUAL REPORT TO THE CONGRESS

APRIL 1, 2016 TO SEPTEMBER 30, 2016



*Required by Public Law 95-452*

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

## Mission

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

## Vision

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



Fraud, Waste, & Abuse  
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## Whistleblower Protection U.S. DEPARTMENT OF DEFENSE

*The Whistleblower Protection Ombudsman's role is to educate agency employees about prohibitions on retaliation and employees' rights and remedies available for reprisal.*

*The DoD Hotline Director is the designated ombudsman.*

*For more information, please visit the Whistleblower webpage at [www.dodig.mil/programs/whistleblower](https://www.dodig.mil/programs/whistleblower).*



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Acting Inspector General  
Glenn A. Fine

This Semiannual Report summarizes the work of the Department of Defense (DoD) Office of Inspector General (OIG) from April 1 through September 30, 2016. This report demonstrates the breadth, depth, and significance of work conducted by the DoD OIG, the Military Service Auditors General and the Military Services Inspectors General (IGs), and the Military Criminal Investigative Organizations.

During the past 6 months, the OIG issued a total of 65 audit, inspection, and evaluation reports, including 45 audit reports that identified \$52.4 million in questioned costs and \$1 billion in funds put to better use.

Our Defense Criminal Investigative Service (DCIS) opened 254 cases, closed 253 cases, and has 1,612 ongoing investigations relating to matters such as procurement fraud, public corruption, product substitution, health care fraud, the illegal transfer of technology, and cyber crime and computer intrusions.

DCIS investigations, including those conducted jointly with other law enforcement organizations, have resulted in \$445.3 million in civil judgments and settlements; \$56 million in criminal fines, penalties, and restitution ordered; and \$42.1 million in administrative recoveries.

Our Administrative Investigations (AI) component conducted 29 senior official and reprisal investigations and oversaw 584 senior official and reprisal investigations conducted by the Military Services and Defense agencies IGs. AI also conducted a wide range of outreach and training programs, including an event in honor of National Whistleblower Appreciation Day, in which a whistleblower, retired West Virginia National Guard Lieutenant Colonel Teresa James, spoke about the reprisal and retaliation she experienced after reporting a sexual assault. Additionally, AI established a Whistleblower Reprisal investigations team dedicated to investigating allegations of reprisal filed by sexual assault victims. We continue to make progress in developing the Defense Case Activity Tracking System Enterprise, which will provide a standardized case management system for administrative investigations throughout the DoD, including the Military Service IGs and the Defense agencies.

We issued important evaluations during this reporting period. Our Intelligence and Special Program Assessments component released eight reports, six of which were classified and covered matters involving intelligence issues and the nuclear enterprise. Our Policy and Oversight component released 10 evaluation reports addressing its oversight of audit, investigative, and technical issues in the DoD. Our Special Plans and Operations component issued a report that evaluated DoD biological safety and security oversight at DoD Component laboratories, and a classified report concerning the effectiveness of the Afghan National Army Special Operations Forces (ANASOF) ability to conduct combat operations.

We continue our important work as the Lead IG for two overseas contingency operations—Operation Inherent Resolve and Operation Freedom’s Sentinel. We are working closely with our OIG partners from the U.S. Department of State; the U.S. Agency for International Development; the Departments of Homeland Security, Justice, and the Treasury; the Special Inspector General for Afghanistan Reconstruction; and other agencies to provide coordinated oversight and reporting of these contingency operations.

I would also like to recognize the work of other oversight organizations in the DoD, including the Service Audit Agencies, Military Criminal Investigative Organizations, the Military Services and Defense agencies Inspectors General, and the Defense Contract Audit Agency. This report also highlights their accomplishments as they continue to perform their critical missions.

I also want to express my appreciation to the DoD and Congress for their support of the work of the OIG. Most important, I want to thank the OIG employees and the employees of other DoD oversight organizations who tirelessly perform important work to detect and deter waste, fraud, and abuse, and to improve the efficiency and effectiveness of the DoD.

Glenn A. Fine  
Acting Inspector General

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## SUMMARY OF ACTIVITIES

The Inspector General Act of 1978, as amended, requires the Department of Defense Office of Inspector General (DoD OIG) to prepare semiannual reports summarizing its activities for the preceding 6-month period. The semiannual reports are intended to keep the Secretary of Defense and Congress fully informed of significant findings, progress the DoD has made relating to those findings, and recommendations for improvement.

For the reporting period of April 1 through September 30, 2016, the DoD OIG issued a total of 65 audit, inspection, and evaluation reports that identified \$52.4 million in questioned costs and \$1 billion in funds put to better use. The DoD OIG also achieved \$1.3 million in financial savings based on management-completed corrective actions related to reports issued in this and previous reporting periods. Defense Criminal Investigative Service (DCIS) investigations, including those conducted jointly with other law enforcement organizations, resulted in \$445.3 million in civil judgments and settlements; \$56 million in criminal fines, penalties, and restitution ordered; and \$42.1 million in administrative recoveries such as contractual agreements and military nonjudicial punishment.

**Audit** issued 45 reports identifying questioned costs and funds put to better use that addressed improvements in DoD operations; management of DoD weapon system acquisitions; fair and reasonable pricing decisions; eliminating improper payments; contract oversight; financial reporting and audit readiness; and cybersecurity and operations. For example, in a followup to a previous report, Audit determined that DoD management did not take appropriate action in response to a previous OIG report, which found travel cardholders potentially misused their travel cards at casinos and adult entertainment establishments. In another report, Audit determined that the Joint Improvised-Threat Defeat Agency (JIDA) needed to improve management of initiatives to rapidly deploy solutions for countering improvised explosive devices on the battlefield. In a series of reports on the DoD use of suspense accounts, which are designed to temporarily hold Government funds but are missing data necessary to be recorded correctly, Audit determined that the Defense Finance and Accounting Service (DFAS) did not have controls in place to accurately record suspense account balances on the proper Component-level financial statements or clear suspense account transactions within the required timeframes. Audit also determined that the Navy did not ensure all software assurance countermeasures were fully performed while developing critical software for the Littoral Combat Ship–Mission Modules, thereby increasing risk that critical software contains vulnerabilities that, if exploited, could result in mission failure.

**Defense Criminal Investigative Service (DCIS)** opened 254 cases, closed 253 cases, and has 1,612 ongoing investigations. Cases resolved in this reporting period addressed criminal allegations of procurement fraud, public corruption, product substitution, health care fraud, and the illegal transfer of technology. For example, one investigation resulted in a \$9.4 million civil settlement with Alcon, Inc., to resolve allegations of illegally exporting highly sophisticated medical equipment to Iran and Syria. Another investigation resulted in a jail sentence of 69 months for an individual who used his father's identity to qualify for DoD contracts intended for service-disabled, veteran-owned small businesses. Another case resulted in restitution of \$3.1 million and a jail sentence of 111 months for an individual who defrauded Federal health care benefit programs.

**Administrative Investigations (AI)** completed 29 senior official and reprisal investigations and oversaw 584 senior official and reprisal investigations completed by Service and Defense Agency IGs. During the reporting period, AI received a total of 443 senior official and 802 whistleblower reprisal and restriction complaints and closed a total of 441 senior official and 883 whistleblower reprisal and restriction complaints. The DoD Whistleblower Ombudsman received 154 contacts and the DoD Hotline's Whistleblower Rights and Protections webpage received 10,986 visits. The DoD Hotline received 7,036 contacts, opened 3,373 cases, and closed 3,329 cases.

**Intelligence and Special Program Assessments (ISPA)** issued eight reports. Four of the reports addressed the intelligence enterprise. Two reports addressed the nuclear enterprise and the last two reports dealt with security issues.

**Policy and Oversight (P&O)** issued 10 evaluation reports addressing its oversight of audit, investigative, and technical issues in the DoD. In one report, P&O found that data residing in the Contract Audit Follow-Up System, which the DoD Components use to track and manage the status of actions that contracting officers take in response to the Defense Contract Audit Agency (DCAA) audit reports, had errors totaling \$11 million in the overstatement of contractor questioned cost and questioned cost upheld by the contracting officer. P&O also found that the Pentagon's Transparency Office had not updated DoD policies on the Freedom of Information Act (FOIA) to reflect current FOIA requirements, as required by DoD policy. P&O performed inspections at the King Abdullah II Special Operations Training Center (KASOTC) in Amman, Jordan, and Camp Buehring, Kuwait, for compliance with DoD health and safety policies and standards regarding the electrical and fire protection systems of U.S. military-occupied facilities. The inspections identified a total of 824 deficiencies that could affect the health, safety, and well-being of the warfighters. Of the total deficiencies, 77 at KASOTC were deemed critical and required immediate corrective action.

**Special Plans and Operations (SPO)** issued two reports. The first report assessed the uniform application of biosafety and biosecurity policy and directives, plans, orders, and guidance across DoD Component laboratories that were conducting research using biological select agents and toxins (BSAT) and evaluated the DoD's biological, safety, and security oversight at laboratories for compliance with Federal, DoD, and Service policies. The second report assessed the effectiveness of the Afghan National Army Special Operations Forces (ANASOF) to conduct combat operations. This report is classified.

**Overseas Contingency Operations (OCO)** supports Lead IG responsibilities and oversight coordination related to Operation Inherent Resolve (OIR) and Operation Freedom's Sentinel (OFS), including coordination with the OIGs from the U.S. Department of State (DOS), the U.S. Agency for International Development (USAID), and other agencies. During this reporting period, the OCO published two quarterly reports on each of the overseas contingency operations.

In support of the Lead IG, the DoD and the DoS OIGs and the USAID are conducting 46 OIR and 40 OFS audits, assessments, and evaluations. Additionally, the OIGs are conducting 47 OIR and 25 OFS investigations.

## STATISTICAL HIGHLIGHTS

Summary of Activities	Total for the Reporting Period
<b>AUDIT</b>	
<b>Reports Issued</b>	45
Recommendations Made With Questioned Costs	\$52.4 million
Recommendations Made on Funds Put to Better Use	\$1 billion
Achieved Monetary Benefits	\$1.3 million
<b>DEFENSE CRIMINAL INVESTIGATIVE SERVICE</b>	
<b>Total Investigative Receivables and Recoveries<sup>1</sup></b>	\$543.6 million
Recovered Government Property	\$0
Civil Judgments/Settlements	\$445.3 million
Criminal Fines, Penalties and Restitution Ordered (does not include Asset Forfeitures)	\$56 million
Administrative Recoveries <sup>2</sup>	\$42.1 million
<b>Investigative Activities</b>	
Arrests	74
Criminal Charges	132
Criminal Convictions	97
Suspensions	51
Debarments	82
<b>Asset Forfeiture Results</b>	
Seized	\$12.4 million
Final Orders of Forfeiture	\$2.2 million
Monetary Judgments	\$23 million
<b>ADMINISTRATIVE INVESTIGATIONS</b>	
<b>Publicly Released Reports</b>	3
<b>Complaints Received</b>	1,245
Senior Official	443
Whistleblower Reprisal/Restriction	802
<b>Complaints Closed</b>	1,324
Senior Official	441
Whistleblower Reprisal/Restriction	883
<b>Investigations Completed</b>	29
Senior Official	2
Whistleblower Reprisal/Restriction	27

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

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

## STATISTICAL HIGHLIGHTS (CONT'D)

Summary of Activities	Total for the Reporting Period
<b>Oversight of Service and Defense Agency IG Investigations Completed</b>	584
Senior Official	86
Whistleblower Reprisal/Restriction	498
<b>Whistleblower Ombudsman</b>	
Contacts	154
Visits to Whistleblower Rights and Protections Webpage	10,986
<b>DoD Hotline</b>	
Contacts	7,036
Cases Opened	3,373
Cases Closed	3,329
<b>SUMMARY OF POLICY AND OVERSIGHT</b>	
Existing and Proposed Regulations Reviewed	182
Evaluation Reports Issued	10
Inspector General Subpoenas Issued	454
Contractor Disclosures Received	135
<b>INTELLIGENCE AND SPECIAL PROGRAM ASSESSMENTS</b>	
Reports Issued	8
<b>SPECIAL PLANS AND OPERATIONS</b>	
Assessment Reports Issued	2

# 1

## Overview



# SERVING THE DEPARTMENT AND THE CONGRESS

Established in 1982, the DoD OIG is an independent office within the DoD that conducts oversight over DoD programs and operations. According to the IG Act of 1978, as amended, our functions and responsibilities include the following.

- Serve as the principal advisor to the Secretary of Defense in matters of DoD fraud, waste, and abuse.
- Provide policy direction for and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the DoD.
- Ensure that the Secretary of Defense and Congress are fully informed of problems in the DoD.
- Review existing and proposed legislation and regulations relating to programs and operations of the DoD in regard to their impact on economy and efficiency and the prevention and detection of fraud and abuse in the DoD.
- Recommend policies for, and conduct, supervise, or coordinate other activities, for the purpose of promoting economy and efficiency, or preventing and detecting fraud and abuse, in DoD programs and operations.
- Coordinate relationships with Federal agencies, state and local government agencies, and nongovernmental entities, in matters relating to the promotion of economy and efficiency and detection of fraud and abuse.
- Transmit a semiannual report to the Congress that is available to the public.

The DoD OIG is authorized “to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to [any DoD component] which relate to programs and operations” of the DoD as stated in section 6(a)(1) of the IG Act.

## Our Mission

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

- supports the warfighter;
- promotes accountability, integrity, and efficiency;
- advises the Secretary of Defense and Congress; and
- informs the public.

## Our Vision

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

## Our Core Values

- Integrity
- Efficiency
- Accountability
- Excellence

## Our Goals

- Promote economy, efficiency, and effectiveness.
- Identify, deter, and detect fraud, waste, and abuse.
- Engage, enable, and empower our people.
- Achieve excellence through unity.

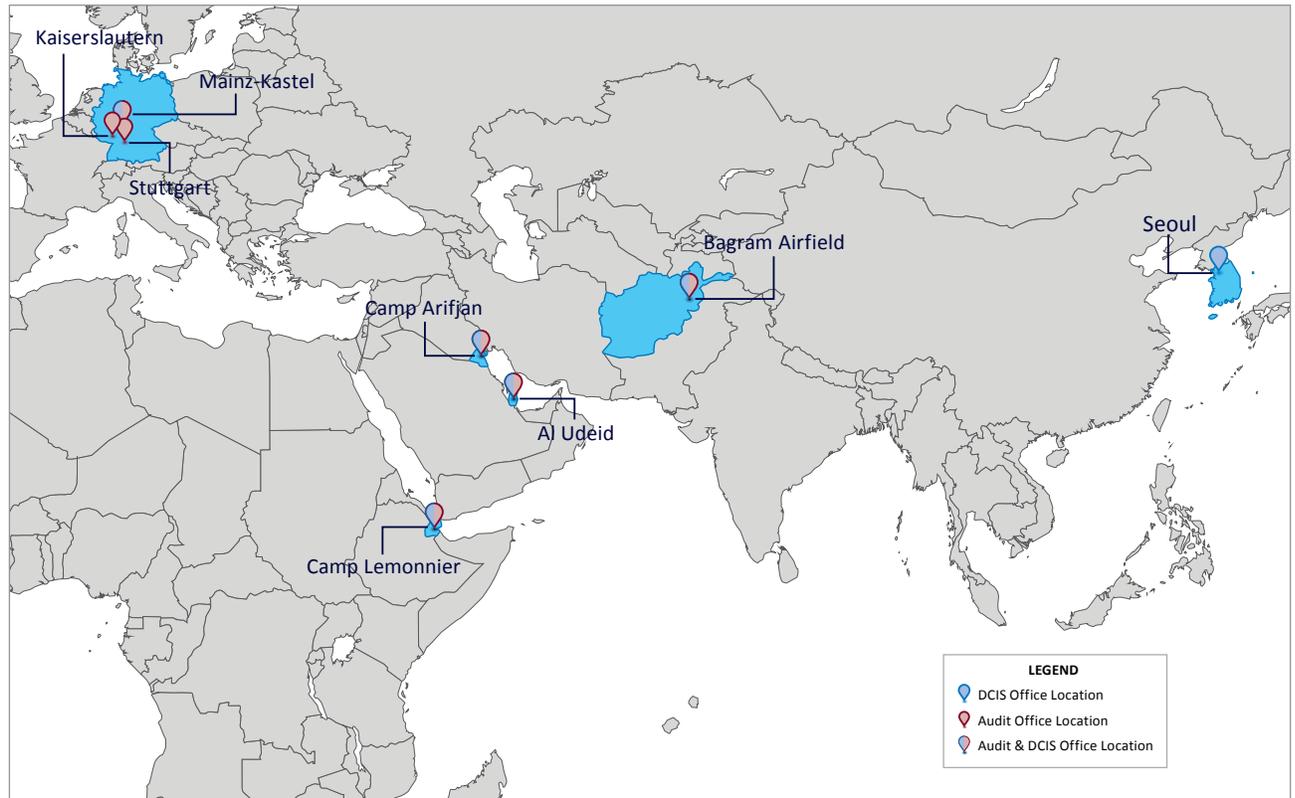
## Organizational Structure

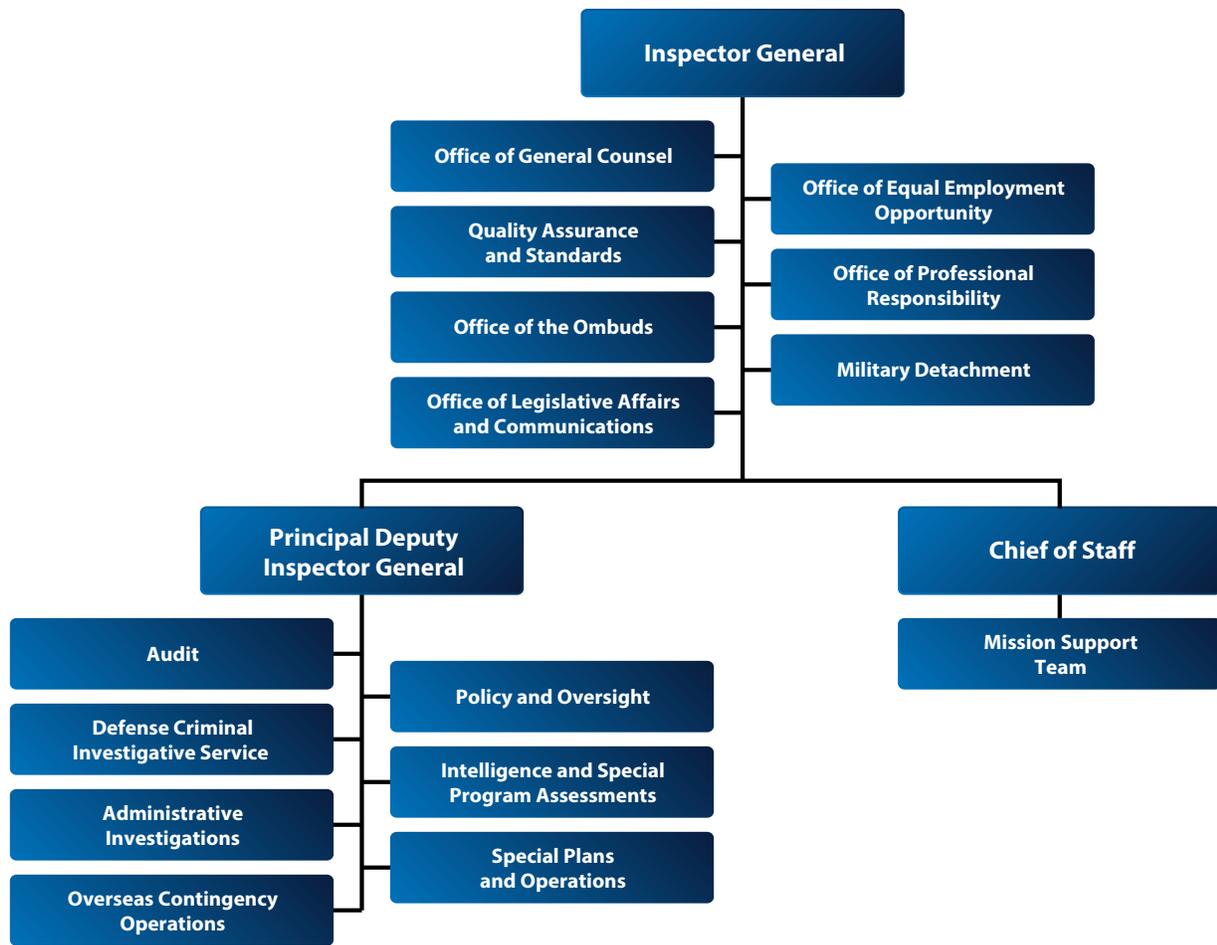
The DoD OIG is headquartered in Alexandria, Virginia, and has more than 50 field offices located in the United States, Europe, Southwest Asia, and South Korea. Over 1,000 DoD OIG employees are assigned to OIG headquarters, and more than 500 OIG employees, mostly auditors and investigators, are assigned to DoD OIG field offices. At any time, approximately 50 employees are temporarily assigned to Southwest Asia.

DoD OIG Field Offices Located Within the United States



DoD OIG Audit and DCIS Offices Located Overseas





## AUDIT

Audit provides independent, relevant, and timely audits that promote economy, efficiency, and effectiveness, and include actionable recommendations that, when effectively implemented, help improve DoD programs, operations, and stewardship of its resources.

## DEFENSE CRIMINAL INVESTIGATIVE SERVICE

DCIS conducts criminal investigations of matters related to DoD programs and operations, focusing on procurement fraud and public corruption, product substitution, health care fraud, illegal technology transfer, and cyber crimes and computer intrusions.

## ADMINISTRATIVE INVESTIGATIONS

AI investigates allegations of misconduct by senior DoD officials and allegations of whistleblower reprisal and restriction from communication with an IG or Member of Congress. AI also provides a confidential DoD Hotline for reporting fraud, waste, and abuse and for detecting and preventing threats and danger to the public health and safety of the DoD.

## INTELLIGENCE AND SPECIAL PROGRAM ASSESSMENTS

ISPA provides oversight across the full spectrum of programs, policies, procedures, and functions of the intelligence and counterintelligence enterprises, special access programs, nuclear enterprise, and related security issues within the DoD.

## POLICY AND OVERSIGHT

P&O provides oversight and policy guidance for DoD audit and investigative activities, conducts engineering assessments of DoD programs, provides technical advice and support to DoD OIG projects, and operates the DoD OIG subpoena and contractor disclosure programs.

## SPECIAL PLANS AND OPERATIONS

SPO conducts evaluations of national security issues, evaluations related to congressional requests, and other evaluations of significant DoD programs and operations.

## OVERSEAS CONTINGENCY OPERATIONS

OCO supports Lead IG responsibilities, coordinates the oversight of overseas contingency operations by the DoD OIG and other agencies through joint strategic planning and project management, and produces congressionally required quarterly reports related to each OCO.

# TOP MANAGEMENT CHALLENGES IN THE DoD

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## Summary of Management and Performance Challenges Facing the Department of Defense

Each year, the DoD OIG prepares an annual statement that summarizes the most serious management and performance challenges facing the DoD. The DoD OIG summary of challenges contains a description of the challenge and the DoD OIG's assessment of the DoD's progress in addressing each challenge.

The DoD OIG also uses the summary of management challenges to help guide our next year's oversight plan. The full summary of management challenges and the DoD's response will be released as part of the DoD's Agency Financial Report on November 15, 2016. The DoD OIG also posts the management challenges on its website [www.dodig.mil/pubs/managementchallenges/index.html](http://www.dodig.mil/pubs/managementchallenges/index.html).

- **Countering Global Strategic Challenges**
- **Countering the Terrorist Threat**
- **Enabling Effective Acquisition and Contract Management**
- **Increasing Cyber Security and Cyber Capabilities**
- **Improving Financial Management**
- **Protecting Key Defense Infrastructure**
- **Developing Full Spectrum Total Force Capabilities**
- **Building and Maintaining Force Readiness**
- **Ensuring Ethical Conduct**
- **Promoting Continuity and Effective Transition Management**







2

# Core Mission Areas

## AUDIT

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

- Acquisition Processes and Contract Management
- Cybersecurity
- Financial Management

### Acquisition Processes and Contract Management

#### Advanced Arresting Gear Program Exceeded Cost and Schedule Baselines

The DoD OIG determined if the Navy was effectively managing the acquisition requirements and testing for the Advanced Arresting Gear (AAG) program. The arresting gear is a system that stops aircraft when they land on the flight deck of an aircraft carrier. The audit found that the Program Manager, Aircraft Launch and Recovery Equipment, did not effectively manage the acquisition to meet requirements and execute testing for the AAG program. Ten years after the program entered the engineering and manufacturing development phase, the Navy has not been able to prove the capability or safety of the system to a level that would permit actual testing of the system on an aircraft carrier because of hardware failures and software challenges. In addition, the program manager also did not revise the Test and Evaluation Master Plan to address significant changes to the test strategy and schedule. As a result, major AAG system components required costly redesign that delayed developmental testing and will further postpone delivery of the full AAG system capability to the CVN-78 aircraft carrier. Developmental testing, originally scheduled to end in FY 2009, will continue through FY 2018, and reliability of the system is uncertain.

The DoD OIG recommended that the Assistant Secretary of the Navy for Research, Development, and Acquisition perform cost-benefit analyses to determine whether the AAG is an affordable solution for Navy aircraft carriers before deciding to go forward with the system on future aircraft carriers.

Additionally, the DoD OIG recommended, that the Program Manager, Aircraft Launch and Recovery Equipment, update the AAG Test and Evaluation Master Plan to revise the planned test strategy, test schedule, developmental and operational funding, and add measures to support the program's reliability growth plan before the Acquisition Category IC Acquisition Program Baseline is finalized. Management agreed with the recommendations.

**Report No. DODIG-2016-107**

#### Joint Improvised-Threat Defeat Agency Needs to Improve Assessment and Documentation of Counter-Improvised Explosive Device Initiatives

The DoD OIG determined whether the Joint Improvised-Threat Defeat Agency (JIDA) effectively managed initiatives for rapid deployment on the battlefield. Specifically, the DoD OIG evaluated JIDA processes for identifying, validating, and prioritizing requirements for countering improvised explosive devices, and for developing, demonstrating, and delivering solutions to the battlefield. The audit found that the Director, JIDA, needed to improve management of initiatives to rapidly deploy solutions for countering improvised explosive devices on the battlefield. Specifically, for the 95 initiatives valued at \$1.6 billion, the Director spent \$112.5 million for eight counter-improvised explosive device initiatives without showing evidence the solutions were proven helpful in protecting the warfighter from improvised explosive devices. Additionally, the Director spent \$446.8 million on the six initiatives that the DoD OIG reviewed without demonstrating that his personnel followed established policy to justify management actions. The DoD OIG recommended that the Director, Joint Staff, establish controls to make sure the sponsors for counter-improvised explosive device solutions complete an assessment of operational effectiveness and post completed assessments to the Knowledge Management/Decisions Support repository. Additionally, the DoD OIG recommended the Director, JIDA, develop control procedures to make sure the required supporting documentation is completed and captured. Management agreed with the recommendations.

**Report No. DODIG-2016-120**

### Army Justified Initial Production Plan for the Paladin Integrated Management Program but Has Not Resolved Two Vehicle Performance Deficiencies

The DoD OIG determined whether the Army effectively managed its Paladin Integrated Management (PIM) program during the production and deployment phase. Specifically, the DoD OIG evaluated whether program officials justified the low-rate initial production plan and whether test plans and results adequately prepared the program for full-rate production. This report is the first in a series of reports on the Army PIM program, which includes ammunition carriers and projectile-firing armored vehicles, called howitzers, for use in ground combat. The audit found that PIM program officials justified their plan to produce 133 initial production vehicles. The plan included 33 test vehicles and 100 production vehicles—the minimum necessary to maintain the production line and to gradually increase production before full-rate production. In addition, PIM program officials initiated system fixes to address seven of the nine performance deficiencies identified by the test community during the system development phase. PIM program officials also updated test plans to evaluate vehicle performance before full-rate production. However, Army Fires Center of Excellence, which developed PIM program operational requirements, and PIM program officials continued to address test community recommendations for deficiencies in the rate-of-fire requirement and the automatic fire extinguisher system. Army officials did not fully address two test community recommendations. As a result, Army Fires Center of Excellence and PIM program officials risk deploying vehicles that do not meet performance requirements and that could endanger crews. Additionally, PIM program officials may incur costly vehicle retrofits to address the deficiency in the automatic fire extinguisher system if not adequately addressed before full-rate production.

The DoD OIG recommended that the Commander, U.S. Army Fires Center of Excellence, include a clear maximum rate-of-fire requirement for different firing conditions in the capability production document before operational testing. Additionally, the DoD OIG recommended that the Program Executive Officer, Ground Combat Systems, evaluate and fix the deficiency in the automatic fire extinguisher system in howitzer crew compartments before deploying the first vehicles to minimize fire risk to soldiers and reduce retrofit costs. Management agreed with the recommendations.

**Report No. DODIG-2016-118**

### U.S. Army Central Support Element–Jordan Did Not Implement Controls to Effectively Maintain Facilities at the Joint Training Center–Jordan

The DoD OIG determined whether the DoD was effectively maintaining facilities at the Joint Training Center–Jordan (JTC). The JTC is a contingency base occupied by elements of the Jordanian Armed Forces (JAF) and Allied partners. There are two types of U.S.-occupied facilities on the JTC—JAF-owned facilities and U.S.-built facilities. The U.S. Army Central Support Element–Jordan (ASE-J) pays a monthly utilization fee for the use of the JAF-owned facilities. In March 2016, the ASE-J and the JAF entered into an Implementing Arrangement to the U.S.-Jordan Acquisition and Cross-Servicing Agreement, which outlined reimbursement for maintenance performed by the JAF for the JAF-owned, U.S.-occupied facilities. However, ASE-J personnel stated the Implementing Agreement did not require the JAF to provide maintenance to U.S.-built facilities on the JTC. The DoD OIG found that the ASE-J made significant life, health, and safety improvements throughout FY 2016 at the JTC. Specifically, the ASE-J replaced flooring in several housing units, rewired entire housing blocks, and purchased new housing units. However, the ASE-J did not adequately coordinate with the JAF to ensure U.S.-occupied facilities were effectively maintained at the JTC. Specifically, in the past year, the JTC experienced non-operational street lights, holes and soft spots in the floors of the housing units, and water leaks in the latrines. During the audit, the DoD OIG notified ASE-J officials of its findings and recommendations. The ASE-J management actions taken during the audit addressed the recommendations; therefore, the audit report contained no recommendations.

**Report No. DODIG-2016-115**

### Improvements Needed in Managing Scope Changes and Oversight of Construction Projects at Camp Lemonnier, Djibouti

The DoD OIG determined whether the DoD was constructing facilities in accordance with legislative authorities and providing adequate quality assurance and oversight of military construction projects at Camp Lemonnier, Djibouti. The DoD OIG nonstatistically selected and evaluated 2 of 17 Camp Lemonnier military construction projects with combined estimated costs of \$65.2 million. The audit determined that the Naval Facilities Engineering Command, Atlantic did not obtain

approval from the Office of the Chief of Naval Operations, Commander Naval Installations, and the Naval Facilities Engineering Command and initiate the congressional notification process for scope changes to the Ammunition Supply Point project as required by Federal law and Navy guidance. In addition, officials from the Naval Facilities Engineering Command, Camp Lemonnier, Djibouti, did not provide adequate oversight for the Bachelor Enlisted Quarters and Ammunition Supply Point projects.

As a result, there is an increased risk that construction will not meet contract requirements and that the DoD will not receive what it paid for. In addition, without complete contract files, the DoD may not have adequate information in the event of disputes or litigation. Additionally, because of the constant turnover of contracting officials and quality assurance representatives at Camp Lemonnier, the lack of complete contract files could limit the oversight ability of personnel subsequently assigned to manage and oversee contracts.

The DoD OIG recommended that the Commander, Naval Facilities Engineering Command, Atlantic, submit a request for approval to reduce the scope of the inert storage facility and initiate the congressional notification process for the Ammunition Supply Point scope changes. The DoD OIG also recommended that the Commander, Naval Facilities Engineering Command, Atlantic, establish local policies and procedures for contracting officials and quality assurance representatives to execute their roles and responsibilities and implement a process to consistently maintain complete contract files. Management officials disagreed with the recommendations, and their comments did not fully address all specifics of the recommendations. The DoD OIG requested additional management comments.

**Report No. DODIG-2016-141**

## Army's Management of Gray Eagle Spare Parts Needs Improvement

The Gray Eagle is an extended range, multipurpose unmanned aircraft system that provides reconnaissance, surveillance and target acquisition, command and control, electronic warfare, and attack capabilities. The DoD OIG determined whether the Department of the Army effectively managed MQ-1C Gray Eagle spare parts. The DoD OIG found that Product Manager Medium Altitude Endurance officials did not effectively manage the spare-parts inventory. Specifically, Product Manager Medium Altitude Endurance officials undervalued the

inventory on annual Army financial statements, kept obsolete spare parts, and retained excess inventory. Additionally, Army officials potentially paid millions in excess of fair and reasonable prices on the full production contract and will potentially overpay on future spare parts purchased.

The DoD OIG recommended that the Project Manager, Unmanned Aircraft System, include the spare parts in an Accountable Property System of Record and require Product Manager Medium Altitude Endurance officials to conduct studies and initiate disposal of unneeded excess and obsolete spare parts; use current excess inventory before purchasing spare parts; review the contract terms and determine if the contract should be modified to include a requirement that General Atomics include inventory located at DoD-fielded locations when forecasting spare parts for the performance-based logistics contract; and verify the Army's actual cost in the Catalog, Order, and Logistics Tracking System.

Additionally, the DoD OIG recommended the Executive Director, Army Contracting Command, Redstone Arsenal, Alabama, verify that the contracting officers conduct an adequate fair and reasonable price analysis for the full production contract; request actual spare-part unit costs; assess and determine whether overpayments were made and seek recovery of overpayments; and develop a plan to transition to a fixed-price contract. Management agreed with the recommendations.

**Report No. DODIG-2016-080**



**Gray Eagle Unmanned Aircraft System**

Source: [www.army.mil](http://www.army.mil)

### Independent Auditor's Report on Agreed-Upon Procedures for DoD Compliance With Service Contract Inventory Compilation and Certification Requirements for FY 2014

The DoD OIG assessed whether the DoD complied with Federal and DoD requirements when DoD Components compiled and certified the FY 2014 inventory of contracts for services (ICS). The DoD OIG found that the DoD compiled and submitted an FY 2014 ICS to Congress, as required; however, the report was submitted 2 months past the Federally mandated deadline. The DoD included four additional Components in the report that were not part of the FY 2013 ICS and did not include information on six Components. In addition, fewer DoD Components included completed information in their FY 2014 ICS submissions than in FY 2013.

DoD Components used different sources and methods to compile their FY 2014 ICS and to calculate contractor full-time equivalents. The DoD continues to face limitations to fully capture and consistently report on service contracts. Of the 38 Components that submitted an ICS, 37 submitted a certification letter for the FY 2014 reporting period, and 13 Components submitted late certification letters. Of the 37 Components, only 10 included all seven required elements. In addition, DoD Components varied in the level of information they provided in the certifications to address the elements required in the certification letter. DoD Components would benefit from clarification on the certification letter requirements.

The DoD OIG recommended that the Under Secretary of Defense for Acquisition, Technology, and Logistics, and the Under Secretary of Defense for Personnel and Readiness revise sections of the Office of the Secretary of Defense Guidance that are related to the FY 2016 ICS review. Management agreed with the recommendations.

**Report No. DODIG-2016-092**

### Navy Needs to Establish Effective Metrics to Achieve Desired Outcomes for SPY-1 Radar Sustainment

The DoD OIG determined whether the performance metrics included in the Navy's AN/SPY-1 Phased Array Radar (SPY-1 radar) performance-based logistics contracts appropriately incentivized the support contractors. This audit is the second in a series on SPY-1 radar spare parts. The SPY-1 radar is an advanced, automatic detect

and track radar system. The SPY-1 radar is one of 13 major subsystems in the AEGIS Weapon System that searches, detects, and tracks air and surface targets to support Anti-Air Warfare and Ballistic Missile Defense missions. The audit found that Naval Supply Systems Command, Weapon Systems Support (NAVSUP WSS) did not establish performance metrics that effectively incentivized support providers to achieve warfighter requirements and reduce total ownership costs associated with SPY-1 radar parts. In addition, NAVSUP WSS did not adequately assess contractors' performance against established metrics. As a result, supply support and cost reduction objectives for SPY-1 radar parts were not met. Additionally, NAVSUP WSS paid the contractors \$18 million without deducting incentive fees for poor performance. The DoD OIG recommended that the Commander, Naval Supply Systems Command, require NAVSUP WSS to follow DoD guidance when developing the performance metrics incorporated in future performance-based logistics contracts used to sustain the SPY-1 radar. Management agreed with the recommendations.

**Report No. DODIG-2016-116**

### DoD Generally Provided Effective Oversight of AbilityOne® Contracts

The DoD OIG determined whether the DoD effectively provided oversight of AbilityOne contracts. AbilityOne provides people who are blind or have significant disabilities with employment opportunities in the manufacture and delivery of products and services to the Federal Government. The DoD OIG reviewed a nonstatistical sample of 39 DoD contracts with AbilityOne contractors, valued at \$579.3 million, out of 203 contracts, valued at \$2.3 billion. The audit determined that DoD generally provided effective oversight of 39 AbilityOne contracts. However, one contracting officer's representative conducted surveillance based on customer complaints when the quality assurance surveillance plan stated the method of assessment was periodic surveillance; another contracting officer's representative did not document or conduct surveillance in accordance with the quality assurance surveillance plan; and a contracting officer did not prepare a letter designating the contracting officer's representative on one contract. In addition, contracting officers at Army Contracting Command–Rock Island, Illinois; Air Combat Command Acquisition Management and Integration Center, Newport News, Virginia; and Defense Logistics

Agency (DLA) Troop Support, Philadelphia, Pennsylvania; awarded three contracts valued at \$37.9 million, including options, for services and supplies not on the AbilityOne Procurement List. The contracting officer for DLA Troop Support Philadelphia should have followed the competition rules in Federal Acquisition Regulation (FAR) Part 6, “Competition Requirements,” to potentially save DoD funds on the supplies procured, valued at \$1.2 million.

The DoD OIG recommended that the Director, Defense Procurement and Acquisition Policy, issue a policy memorandum requiring DoD contracting officers to ensure all products and services procured under AbilityOne are on the AbilityOne Procurement List before contract award, update existing training to clearly define DoD contracting officers’ roles and responsibilities when awarding contracts under AbilityOne, and require that all contracting personnel planning to procure under AbilityOne complete the updated AbilityOne training. Comments from the Director, Defense Procurement and Acquisition Policy, addressed the specifics of the recommendations, and no further comments are required.

**Report No. DODIG-2016-097**

### **Army Officials Did Not Consistently Comply With Requirements for Assessing Contractor Performance**

Performance assessment reports provide source selection officials with information on contractor past performance. The DoD OIG determined whether Army officials completed comprehensive and timely contractor performance assessment reports for nonsystems contracts as required by Federal and DoD policies. The DoD OIG found that Army officials did not prepare 21 of 56 performance assessment reports in a timely manner, and they did not provide sufficient written narratives to justify the ratings given for 52 of 56 performance assessment reports, as required by the Federal Acquisition Regulation. This occurred because the Army procedures did not adequately address timeliness, assessors did not understand the rating factors, assessors were not adequately trained, and Army procedures did not require reviews of performance assessment reports to ensure compliance with the Federal Acquisition Regulation. As a result, Federal source selection officials did not have access to timely, accurate, and complete contractor performance assessment

information needed to make informed decisions related to contract awards. The DoD OIG recommended that Army officials develop, implement, or update procedures for preparing performance assessment reports within 120 days; requiring that assessors take training for writing performance assessment reports; evaluating performance assessment reports for quality; or registering contracts. In addition, the DoD OIG recommended Army officials prepare 21 overdue performance assessment reports. Management agreed with the recommendations.

**Report No. DODIG-2016-112**

### **Air Force Civil Engineer Center Management of Energy Savings Performance Contracts Needs Improvement**

The DoD OIG determined whether the Air Force was effectively managing its energy savings performance contracts (ESPCs). The audit determined that the Air Force Civil Engineer Center (AFCEC) did not centrally or effectively manage 52 existing ESPCs, collectively valued at \$849 million. Specifically, the AFCEC did not perform post-award project management, track project status, verify statutorily required energy savings, track required ESPC training, or maintain ESPC lessons learned. This occurred because AFCEC officials considered program management of existing ESPC task orders to be an installation responsibility and training to be a Department of Energy responsibility. Additionally, AFCEC officials did not believe the AFCEC could centrally manage ESPC projects with existing resources and focused on meeting Air Force goals to develop additional ESPC projects rather than managing existing projects. As a result, Air Force officials do not know whether the 52 existing ESPC projects achieved contractor-guaranteed energy savings, which were to be the basis of payments to the project contractors.

The DoD OIG made nine recommendations to the Commander, AFCEC, to improve the ESPC controls and to validate energy savings for existing projects, such as revise existing procedures to establish and maintain a mechanism to track energy savings and ESPC project status for planned, in-process, completed, and terminated Air Force projects; develop and maintain a process to coordinate with the Department of Energy for post-award ESPC technical review services; access the Department of Energy’s ESPC training data of Air Force personnel; and coordinate the ESPC training for Air Force stakeholders.

The DoD OIG also recommended that the Commander, AFCEC, develop and maintain an ESPC lessons-learned mechanism for Air Force use, a management plan for the AFCEC and Base Civil Engineer oversight of existing Air Force ESPC projects, and a plan to provide post-award ESPC technical support using available Air Force or the Department of Energy engineers. Management agreed with the recommendations.

**Report No. DODIG-2016-087**

### **The Air Force Processes for Approving Air Force Life Cycle Management Center Single-Award Indefinite-Delivery Indefinite-Quantity Contracts Need Improvement**

The DoD OIG determined whether the Air Force Life Cycle Management Center's (AFLCMC) single-award, indefinite-delivery indefinite-quantity (IDIQ) contracts were properly justified in accordance with Federal and DoD procedures. The DoD OIG also determined whether the delivery and task orders were within the scope of the contracts, in accordance with the statement of work and performance work statement. The audit found that AFLCMC contracting personnel generally justified eight contracts, valued at \$2.5 billion, as single-award IDIQ contracts, and issued 76 task orders consistent with the scope of the eight contracts. However, the AFLCMC contracting officers did not support one contract, valued at \$110.5 million, with a required determination and finding; obtain required approvals for three contracts; or provide copies of determinations and findings for single-award IDIQ contracts to Defense Procurement and Acquisition Policy.

The DoD OIG recommended that the Assistant Secretary of the Air Force for Acquisition issue internal guidance clarifying that only the senior procurement executive may approve determination and findings for Air Force single-award IDIQ contracts; review the four determination and findings cited above and submit those contracts without proper approval to the senior procurement executive; issue a memorandum to Air Force contracting activities clarifying that it is the contracting officer's responsibility to submit approved determination and findings to Defense Procurement and Acquisition Policy; and submit approved determination and findings pertaining to the single-award IDIQ contracts to Defense Procurement and Acquisition Policy. In addition, the DoD OIG recommended that the Commander, AFLCMC, issue a memorandum to contracting officers emphasizing their responsibilities

to submit determination and findings to Defense Procurement and Acquisition Policy for each single-award IDIQ contract that will exceed the dollar threshold (presently at \$112 million). Management agreed with the recommendations.

**Report No. DODIG-2016-085**

### **San Antonio MICC and POM Personnel Properly Awarded and Administered the POM UESC, but Improved Procedures and Guidance Are Needed**

The DoD OIG determined whether the contracts and task orders related to the Army Utility Energy Services Contracts (UESCs) were properly awarded and administered. Specifically, the DoD OIG reviewed the contract and task orders related to the UESC awarded for the U.S. Army Garrison Presidio of Monterey (POM), Monterey, California, with a maximum expected value of \$10 million. The audit determined that contracting personnel at the San Antonio Mission and Installation Contracting Command (MICC) and POM program personnel properly awarded and administered the POM UESC. However, personnel at the Army Office of the Assistant Chief of Staff for Installation Management, U.S. Army Installation Management Command, San Antonio MICC, and POM did not have standard operating procedures or sufficient guidance in place over the UESC program. This occurred because the contract was the first UESC for San Antonio MICC and POM personnel; therefore, they had not yet created UESC-specific standard processes. In addition, Office of the Assistant Chief of Staff for Installation Management personnel stated that they were waiting to issue guidance until after a Defense Federal Acquisition Regulation Supplement (DFARS) case was resolved. Although current personnel have awarded and administered the UESC appropriately, without documenting adequate and appropriate procedures and guidance Army officials may not be able to effectively award UESC contracts and administer the UESC program in the future.

The DoD OIG recommended that the Assistant Chief of Staff for Installation Management establish guidance with specific thresholds for reviewing and approving projects and guidance for awarding and administering the UESCs. Additionally, the Commander, 412th Contracting Support Brigade, and the Director, POM Directorate of Public Works, should establish standard operating procedures for awarding and administering the UESCs. Management agreed with the recommendations.

**Report No. DODIG-2016-077**

## Cybersecurity

### DoD Needs to Require Performance of Software Assurance Countermeasures During Major Weapon System Acquisitions

The DoD OIG determined whether critical software components for the Navy's Littoral Combat Ship–Mission Modules program received the required testing to reduce the risk of vulnerabilities in operational software. The audit found that program officials for the Navy Littoral Combat Ship–Mission Modules did not ensure all software assurance countermeasures in the Program Protection Plan were fully performed while developing critical software. This occurred because DoD policy did not require that all software assurance countermeasures detailed in the Program Protection Plan be performed. In addition, the DoD did not issue implementing procedures to ensure software assurance countermeasures were applied consistently across all major acquisition programs.

As a result, there is an increased risk that critical software contains vulnerabilities that, if exploited, could result in mission failure. The DoD OIG recommended that the Under Secretary of Defense for Acquisition, Technology, and Logistics develop and issue policy to require program offices to implement applicable software assurance countermeasures in approved Program Protection Plans throughout the life cycle of DoD programs; and develop and issue procedures to guide the consistent application of software assurance countermeasures in approved Program Protection Plans. Management agreed with the recommendations.

**Report No. DODIG-2016-082**



**Littoral Combat Ship**  
Source: [www.navy.mil](http://www.navy.mil)

### DoD's Policies, Procedures, and Practices for Information Security Management of Covered Systems

The DoD OIG summarized DoD's policies, procedures, and practices related to implementing logical access controls, conducting software inventories, implementing information security management, and monitoring and detecting data exfiltration and other cyber threats of covered systems. Covered systems are national security systems as defined in section 11103, title 40, United States Code, and Federal computer systems that provide access to personally identifiable information. The DoD OIG also assessed whether DoD Components followed logical access control policies, procedures, and practices for covered systems. The DoD OIG prepared this report in response to the requirements of the Cybersecurity Act of 2015. The report stated that the DoD has policies, procedures, and practices related to logical access controls, including multifactor authentication; software and license inventories; monitoring and threat detection capabilities; and information security requirements for third-party service providers. Specifically, the report contained the following findings.

- The DoD issued logical access policies, including policies requiring the use of multifactor authentication. In addition, DoD network and system owners issued procedures for implementing logical access controls using the National Institute of Standards and Technology catalog of system and privacy controls. However, the DoD audit community identified instances of DoD Components not following logical access control requirements.
- The DoD issued policies that require system owners to conduct inventories of software. However, the DoD did not have policy for conducting software license inventories. Officials with the DoD Office of the Chief Information Officer stated that they are establishing an agencywide policy for conducting software license inventories in response to a 2014 recommendation in a Government Accountability Office report. Although the DoD did not have an agencywide policy, three DoD Components had policies for conducting inventories for software licenses.
- The DoD Components reported using capabilities to monitor networks and systems to detect threats and data exfiltration. Those capabilities include the use of firewalls, host-based security systems, intrusion detection systems, intrusion prevention systems, and network analysis tools.

- The DoD issued policies that require DoD Components to ensure third-party service providers implement information security management practices such as conducting software inventories and deploying threat monitoring and detection capabilities.

The DoD OIG did not issue any recommendation in this summary report because recommendations provided in the previous audit reports were already addressed by the DoD.

**Report No. DODIG-2016-123**

## Financial Management

### Improvements Needed in Managing DoD Suspense Accounts

In a series of audits, the DoD OIG determined that Army, Navy, and Other Defense Organizations' (ODO) suspense accounts, designed to temporarily hold funds that belong to the Federal Government but were missing data necessary to be recorded in the correct account, were not adequately managed. The audit found that Defense Finance and Accounting Service (DFAS) did not have controls in place to accurately record suspense account balances on the proper Component-level financial statements or to clear the suspense account transactions within the required timeframes. In addition, DFAS, the Military Departments, and the ODOs incorrectly used suspense accounts to record collections generated from revenue-generating programs and to temporarily hold Thrift Savings Plan transactions. Also, the Army and the ODO suspense accounts were incorrectly used for tax withholdings collected from service members.

The DoD OIG recommended that DFAS review suspense account transactions to identify transactions that should be cleared to the correct account. The DoD OIG also recommended that the Military Departments and DFAS discontinue using suspense accounts to record revenue-generating program and Thrift Savings Plan transactions and to establish additional accounts to appropriately record nonsuspense transactions. In addition, the DoD OIG recommended that DFAS establish a process to ensure suspense account transactions are reviewed in a timely manner and posted to the correct account within required timeframes. In the Army and the ODO suspense reports, the DoD OIG also recommended that DFAS perform a trend analysis to support allocating suspense account balances to proper Component-level financial statements. Management agreed with the recommendations.

The DoD OIG is planning to issue a report on Air Force suspense accounts in the near future. The findings and recommendations are expected to be similar to the Army, Navy, and the ODO reports that have been issued.

**Report Nos. DODIG-2016-103 (Army), DODIG-2016-104 (Navy), and DODIG-2016-126 (Other Defense Organizations)**

### DoD Officials Did Not Take Appropriate Action When Notified of Potential Travel Card Misuse at Casinos and Adult Entertainment Establishments

In a followup to a previous report, Report No. DODIG-2015-125, "DoD Cardholders Used Their Government Travel Cards for Personal Use at Casinos and Adult Entertainment Establishments," published on May 19, 2015, the DoD OIG determined whether DoD cardholders who used Government travel cards at casinos and adult entertainment establishments for personal use sought or received reimbursement for their charges. Additionally, the DoD OIG determined whether disciplinary action had been taken when personnel misused Government travel cards, and if the misuse was reported to the appropriate security office.

The audit found that DoD management did not take appropriate action when notified that cardholders potentially misused their travel card at casinos and adult entertainment establishments. Specifically, DoD management and travel card officials did not perform adequate reviews for the cardholders reviewed during this audit and did not take action to eliminate additional misuse. Additionally, DoD management did not initiate travel voucher reviews for cardholders with travel card personal use to determine whether cardholders received improper overpayments and did not consistently consider the security implications of improper personal use of the travel card prior to this audit.

The DoD OIG made several recommendations to address these problems, including recommending that the Under Secretary of Defense for Intelligence report travel card misuse under investigation to the appropriate facility, report the outcome of the investigation, and report incidents of travel cards misuse by individuals without a security clearance in a timely manner using the appropriate personnel security system. Additionally, the Director, Defense Travel Management Office, needs to improve the identification of personal use of the travel card and disciplinary actions taken by revising the "Government Travel Charge Card Regulations." Management agreed with the recommendations.

**Report No. DODIG-2016-127**

## DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2015, but Improper Payment Estimates Were Unreliable

The DoD OIG determined whether the DoD complied with Public Law No. 107-300, “Improper Payments Information Act of 2002,” November 26, 2002, as amended by Public Law 111-204, “Improper Payments Elimination and Recovery Act of 2010” (IPERA), July 22, 2010. IPERA requires agency heads to periodically review all programs and activities that may be susceptible to significant improper payments and requires the DoD OIG to annually review and determine agency compliance with IPERA.

The audit determined that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, published the DoD FY 2015 Agency Financial Report showing that the DoD met five of the six requirements of IPERA; however, the DoD OIG determined that the improper payment estimates were not reliable. Specifically, the DoD published an Agency Financial Report; conducted program-specific risk assessments; and published corrective action plans; however, the DoD excluded required information for four payment programs and published improper payment estimates. The DoD could not ensure that all required payments were reviewed, which resulted in unreliable estimates and rates, and reported improper payment rates of less than 10 percent. The DoD did not meet the requirement to achieve the reduction target for one of the eight payment programs with established targets and, therefore, did not comply with IPERA in FY 2015. Specifically, the DoD did not meet the reduction target for the DoD Travel Pay program for the fourth consecutive year. According to the DoD FY 2015 Agency Financial Report, DoD Travel Pay errors occurred because of administrative errors, traveler input errors, and inadequate reviews by approving officials. As a result of the DoD Travel Pay program errors, the DoD did not achieve the improper payment reductions intended in IPERA for the DoD Travel Pay program.

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

- coordinate with the reporting activities to ensure future Agency Financial Reports contain all required improper payment reporting information;
- determine the source of all disbursed obligations not reviewed for improper payments and whether those disbursements are subject to improper payment reporting requirements;
- coordinate with DoD Components to develop sample designs that are stratified by an appropriate variable for each DoD payment program that currently uses a simple random sample design; and
- coordinate with the Directors of the Office of Management and Budget and DFAS to review the DoD Travel Pay program and determine reauthorization proposals or proposed statutory changes that are necessary to bring the mandatory program into compliance, and submit a report to Congress as required by Public Law 111-204.

Management agreed with the recommendations.

### **Report No. DODIG-2016-086**

## Army General Fund Adjustments Not Adequately Documented or Supported

The DoD OIG determined whether adjustments made to the Army General Fund data during the FY 2015 financial statement compilation process were adequately documented and supported. The audit found that Army and DFAS Indianapolis personnel did not adequately support \$2.8 trillion in third quarter adjustments and \$6.5 trillion in yearend adjustments made to the Army General Fund data during FY 2015 financial statement compilation. As a result, the data used to prepare the FY 2015 Army General Fund third quarter and yearend financial statements were unreliable and lacked an adequate audit trail. Furthermore, DoD and Army managers could not rely on the data in their accounting systems when making management and resource decisions. Until the Army and DFAS Indianapolis correct these control deficiencies, there is considerable risk that the Army General Fund financial statements will be materially misstated, and the Army will not achieve audit readiness by the congressionally mandated deadline of September 30, 2017.

The DoD OIG recommended that the Office of the Assistant Secretary of the Army (Financial Management and Comptroller) should periodically review system-generated adjustments to understand the reasons for the adjustments and to verify the support for the adjustments.

Additionally, the Office of the Assistant Secretary of the Army (Financial Management and Comptroller) and DFAS Indianapolis should provide resources to review system change requests to correct system deficiencies that caused errors resulting in journal voucher adjustments; determine when the requests will be implemented; and develop new cost-effective corrective actions if they will not be implemented; identify root causes of errors that result in unsupported journal voucher adjustments, including system-generated adjustments; and develop corrective actions with milestones to correct the identified root causes. Management agreed with the recommendations.

**Report No. DODIG-2016-113**

## Delinquent Medical Services Accounts at Landstuhl Regional Medical Center Need Additional Management Oversight

The DoD OIG determined whether Landstuhl Regional Medical Center effectively managed accounts delinquent over 120 days by properly transferring the debt to the appropriate debt collection agency or by actively pursuing collection. The DoD OIG nonstatistically selected and reviewed the 25 highest-dollar delinquent Medical Service Accounts (MSA) valued at \$1.9 million. The audit found that U.S. Army Medical Command and Regional Health Command Europe (RHCE) Uniform Business Office (UBO) officials did not effectively manage delinquent MSAs for Landstuhl Regional Medical Center.

As of May 26, 2015, Landstuhl Regional Medical Center had 12,043 outstanding MSAs, valued at \$4.6 million. Of the 25 MSAs reviewed, RHCE UBO officials did not transfer 23 MSAs, valued at \$1.8 million, to the appropriate debt collection agency after the accounts were delinquent for 120 days. In addition, RHCE UBO officials did not actively pursue collection for 18 delinquent MSAs, valued at \$1.3 million. As a result, RHCE UBO officials missed opportunities to collect \$1.7 million on the 25 MSAs reviewed by the DoD OIG. Unless RHCE UBO officials improve collection efforts and

take prompt and aggressive action to collect on these 25 MSAs, and on the \$2.7 million in additional delinquent debt, Landstuhl Regional Medical Center will continue to incur delinquent balances for future MSAs.

The DoD OIG recommended that the Commander, RHCE, review, research, and pursue collection on the delinquent MSAs that remain open; review and modify procedures for patient followup so MSAs delinquent for 120 days can be transferred; and coordinate with U.S. Army Medical Command to review, research, and take action as needed on accounts affected by changes in billing weights. The DoD OIG also recommended that the Commander, U.S. Army Medical Command, request a modification to the Armed Forces Billing and Collection Utilization System to ensure that MSAs delinquent for 120 days are transferred and take action to collect or provide guidance on uncollectible debt and provide updates to billing weights. Management agreed with the recommendations.

**Report No. DODIG-2016-079**



**Landstuhl Regional Medical Center**  
Source: [www.army.mil](http://www.army.mil)

## Ongoing Work

The following are examples of ongoing audits being conducted by the DoD OIG.

- An audit to determine whether officials from Defense Organizations completed comprehensive contractor performance assessment reports in a timely manner for nonsystems contracts as required by Federal and DoD policies. This is the fourth in a series of audits of DoD compliance with policies for evaluating contractor performance.

- In response to a congressional request, an audit to assess DoD's plans to comply with Public Law 113-101, "Digital Accountability and Transparency Act of 2014," specifically, to review the processes, systems and controls that the DoD has implemented, or plans to implement, to report financial and payment data in accordance with the requirements of the Act.
- An audit to determine whether the Army is effectively managing the Armored Multi-Purpose Vehicle acquisition program.
- An audit to determine whether the DoD has controls in place to record Department of the Air Force (Treasury Index 57) suspense account balances on the proper Component-level financial statements, the accounts are being used for the intended purpose, and the transactions are resolved in a timely manner. This is the fourth in a series of audits.
- An audit to determine whether the DoD appropriately paid for autism services in the TRICARE South Region.
- An audit to determine whether DoD Components are adequately correcting deficiencies identified during Command Cyber Readiness Inspections and whether DoD Components' Headquarters are using the results to identify systemic deficiencies and improve Component-wide cybersecurity.
- In response to a congressional request, an audit of the civilian pay and personnel programs at the Military Service and Component level. The audit will determine whether the civilian full-time equivalent and pay requirements contained in the Air Force's Fiscal Year 2016 Budget Estimates are adequately supported and justified. This is the first in a series of audits.
- An audit to determine whether the DoD has effective controls over chemical surety materials in the possession or under the control of the Army and DoD contractors. This is the third in a series of audits reviewing chemical and biological defense.

## DCIS INVESTIGATIONS

The following cases are highlights of investigations conducted by DCIS and its Federal law enforcement partners. During the current reporting period, DCIS investigative priorities include the following types of cases:

- Procurement Fraud
- Public Corruption
- Product Substitution
- Health Care Fraud
- Illegal Technology Transfer

### Procurement Fraud

Procurement fraud investigations are a major portion of DCIS cases. Procurement fraud includes, but is not limited to, cost and labor mischarging, defective pricing, price fixing, bid rigging, and defective and counterfeit parts. The potential damage from procurement fraud extends well beyond financial losses. This crime poses a serious threat to the DoD's ability to achieve its operational objectives and can harm the implementation of programs. To protect the welfare of our Nation's warfighters, DCIS places priority on these investigations, which can impact the safety and operational readiness of the warfighter.

#### Contractor Debarred After Wire Fraud Conviction

A joint investigation with the Army Criminal Investigation Command (Army CID), Department of Homeland Security OIG, and the Small Business Administration OIG disclosed that TAB Construction Company, Inc.; received \$34 million in Government contracts due to a fraudulent claim. From 2005 through 2012, William Richardson III, TAB owner, falsely claimed his company was physically located and operated in a Historically Underutilized Business Zone to compete and receive Government contracts set-aside for small businesses.

On April 26, 2016, Richardson and his affiliated companies, TAB, MARS Real Estate Investments, LLC, and BHR Real Estate, LLC, were debarred from Government contracting. Richardson previously pleaded guilty to wire fraud and was sentenced to 12 months in prison followed by 24 months of supervised release. Richardson was ordered to pay \$6.7 million in restitution jointly and severally with co-defendant TAB and a \$100 special assessment. TAB was previously ordered to pay a fine of \$7,500 and a \$400 special assessment.

### **Subject Sentenced to 69 Months in Prison for Using His Father's Identity to Qualify for Service-Disabled Contracts**

A joint investigation with the Army CID, the Department of Veterans Affairs OIG, the General Services Administration OIG, and the Social Security Administration OIG disclosed that Sean Page used his father's identity, without his knowledge, to receive DoD contracts targeted for service-disabled, veteran-owned small businesses. Page's father is a 100-percent disabled combat veteran who served in the Army from 1964 through 1981. From 2009 through 2013, Page created two companies using his father's identity and veteran status and was awarded 14 contracts for approximately \$1.2 million targeted for service-disabled, veteran-owned small businesses.

Page was previously found guilty of aggravated identity theft and theft of Government money. On August 11, 2016, Page was sentenced to 69 months in prison followed by 36 months of supervised release and was ordered to pay a \$300 special assessment.

### **Bering Straits Technical Services and its Parent Company Agreed to Pay \$2 million to Resolve Alleged Violations of the False Claims Act**

A joint investigation with the Army CID and the DLA OIG examined allegations that Bering Straits Technical Services and Bering Straits Native Corporation caused false and fraudulent claims to be submitted to the DoD for facilities maintenance and repair services at the Red River Army Depot, Texas. From September 2010 through August 2014, Bering Straits Technical Services and Bering Straits Native Corporation allegedly overcharged the Government by submitting false preventative maintenance reports and repair work orders. Employees were allegedly directed to inflate their maintenance labor hours and claim maintenance hours and supply costs for work that was not performed. This investigation was initiated as a result of a civil lawsuit filed under the qui tam provisions of the False Claims Act (FCA). The Act permits private individuals, called relators, to sue on behalf of the Government those who falsely claim Federal funds and to receive a share of any funds recovered through the lawsuit.

On April 7, 2016, Bering Straits Technical Services and Bering Straits Native Corporation entered into a civil settlement agreement with the Department of Justice (DOJ) and agreed to pay \$2 million to the

Government to resolve alleged violations of the FCA, the Program Fraud Civil Remedies Act, and the Contract Disputes Act. The relator will receive \$400,000 of the settlement amount.

### **SRA International Inc., and Galaxy Scientific Corporation Agreed to Pay \$1.1 million to Resolve Alleged False Claims Related to Military Contracts**

A joint investigation with the Army CID examined allegations that Galaxy Scientific Corporation used Shell Affiliates to bill for and obtain unlawful profits on certain military task orders under the Rapid Response contract with the Communications-Electronics Life Cycle Management Command. In 2004 and 2005, Galaxy Scientific Corporation, a company whose majority shareholder and chief executive officer was Dr. James Yoh, allegedly created Shell Affiliates, Galaxy Technology LLC, and Engineering Integrated Services LLC, both wholly owned by Dr. Yoh, to improperly induce the Government to fund and award task orders, disguise actual costs, misrepresent the work performed, and capture unlawful profit. This investigation was initiated as a result of a civil lawsuit filed under the qui tam provisions of the FCA.

On June 28, 2016, the Rapid Response contract's prime contractor, SRA International, Galaxy Technology, Galaxy Scientific Corporation, and Engineering Integrated Services entered into a civil settlement agreement with the DOJ and agreed to pay \$1.1 million plus accrued interest to the Government to resolve alleged violations of the FCA, the Program Fraud Civil Remedies Act, and the Contract Disputes Act. The relator will receive \$250,000 of the settlement amount.

### **Menlo Worldwide Services Inc., and its Subcontractor Agreed to Pay \$13 million to Resolve False Claims Act Allegations**

A joint investigation with the Army CID examined allegations that Menlo Worldwide Services Inc., (Menlo) and its subcontractor, Estes Forwarding Worldwide (Estes), overcharged the Government for transporting freight under the Defense Transportation Coordination Initiative contract. Menlo and Estes allegedly overbilled the Government in various ways, including billing for shipments by air when freight was shipped by ground.

This investigation was initiated as a result of a civil lawsuit filed under the qui tam provisions of the FCA.

On April 22, 2016, Menlo and Estes entered into a civil settlement agreement with the DOJ and agreed to pay the Government \$10 million and \$3 million, respectively, to resolve alleged violations of the FCA, the Program Fraud Civil Remedies Act, and the Contract Disputes Act. The relator will receive \$2.86 million of the settlement amounts.

## **The Hayner Hoyt Corporation Agreed to Pay \$5 million to Resolve Allegations it Exploited Contracts Intended for Service-Disabled Veterans**

A joint investigation with the Small Business Administration OIG and the Department of Veterans Affairs OIG examined allegations that the Hayner Hoyt Corporation and its affiliates, LeMoyné Interiors and Doyner Inc., engaged in conduct designed to exploit contracting opportunities reserved for service-disabled, veteran-owned small businesses. The Hayner Hoyt Chairman and Chief Executive Officer, Gary Thurston; its President, Jeremy Thurston; employees Ralph Bennett and Steve Benedict; and the affiliates established and certified 229 Constructors LLC as a service-disabled, veteran-owned small business with Bennett, a disabled veteran, as the President and Benedict as the co-owner. The Thurstons allegedly managed the overall operations and made the business decisions, while Bennett was responsible for overseeing Hayner Hoyt's tool inventory and plowing snow from Hayner Hoyt's property. 229 Constructors subcontracted more than \$1.3 million in service-disabled, veteran-owned small business contracts to Hayner Hoyt, LeMoyné Interiors, and Doyner. This investigation was initiated as a result of a civil lawsuit filed under the qui tam provisions of the FCA.

On March 11, 2016, Hayner Hoyt, LeMoyné Interiors, Doyner, Gary Thurston, Jeremy Thurston, Ralph Bennett, Steve Benedict, and 229 Constructors entered into a civil settlement agreement with the DOJ in which they made various admissions, including that their conduct violated Federal regulations designed to encourage contract awards to legitimate service-disabled, veteran-owned small businesses. Hayner Hoyt, on behalf of all the defendants, agreed to pay \$5 million plus interest to the Government to resolve alleged violations of the FCA, the Program Fraud Civil Remedies Act, and the Contract Disputes Act. The relator will receive \$875,000 of the settlement amount.

## **Public Corruption**

Corruption by public officials undermines public trust in the Government, can threaten national security, and can compromise the safety of DoD systems and personnel. Public corruption can also waste tax dollars and undermine the mission of the warfighter. DCIS combats public corruption through its criminal investigations, including using investigative tools such as undercover operations, court-authorized electronic surveillance, and forensic audits.

## **Florida and Mississippi Men Sentenced for Bribing Public Officials at Georgia Military Base**

A joint investigation with the Army CID and the Naval Criminal Investigative Service (NCIS) disclosed that Ivan Dwight Brannan and David R. Nelson provided cash and other items of value to bribe officials at the DLA. From 2006 through 2012, Brannan and Nelson paid at least \$120,000 in bribes to Mitchell Potts, a former DLA traffic office supervisor at Marine Corps Logistics Base, Albany, Georgia, and Jeffrey Philpot, another official in the DLA traffic office, to ensure their trucking company client was awarded millions of dollars in business.

Both Brannan and Nelson previously pleaded guilty to bribery of a public official. On June 9, 2016, Brannan was sentenced to 48 months in prison followed by 3 years of supervised release and was ordered to pay a \$100 special assessment. Also, on June 9, 2016, Nelson was sentenced to 24 months in prison followed by 3 years of supervised release and was ordered to pay a \$100 special assessment and a \$10,000 fine. Both Potts and Philpot previously pleaded guilty to bribery of a public official for their roles in this scheme and another similar one. Potts was previously sentenced to 120 months in prison followed by 3 years of supervised release and was ordered to pay a \$100 assessment fee. Philpot was previously sentenced to serve 84 months in prison followed by 3 years of supervised release and was ordered to pay a \$100 assessment fee.

## **Product Substitution**

DCIS investigates criminal and civil cases involving counterfeit, defective, substandard, or substituted products introduced into the DoD supply chain that do not conform with contract requirements. Nonconforming products can threaten the safety of military and Government personnel and other end users, compromise readiness, and waste economic resources.

In addition, when substituted products are provided to the DoD, mission-critical processes and capabilities can be compromised until they are removed from the supply chain. DCIS works with Federal law enforcement partners, supply centers, and the defense industrial base on working groups and task forces to ensure that DoD contractors provide the correct parts and components to meet contract requirements.

### **Contractor Agreed to Pay \$450,000 to Settle Allegations It Provided Nonconforming, Defective Parts on Bradley Fighting Vehicles**

DCIS investigated allegations that IONU Security, Inc., submitted false certificates of compliance to the Government for washer parts made to support the turret drive control unit of Bradley Fighting Vehicles. A turret drive control unit is a control box that provides power to the turret and its associated weapon systems. IONU's subcontractor allegedly manufactured the control boxes with phenolic insulating washers that did not meet contract specifications. The subcontractor discovered issues when the washers cracked and fractured during testing in August and September 2013. The subcontractor notified IONU of the washer failures, and manufacturing was halted until new washers were procured that met contract specifications. IONU and the subcontractor determined the noncompliant washers belonged to three lots that were manufactured in April 2013. Allegedly, IONU was aware that over 100 control boxes manufactured and shipped between April and September 2013 contained defective washers; however, IONU never notified the Government of the defective washers. After learning of the defect, the Government required the inspection of all control boxes manufactured during the suspect timeframe. The inspection revealed that 96 percent of the washers removed from the affected control boxes were cracked or broken, putting the units at risk of failure. A failure of a defective washer could result in an electronic short and catastrophic failure of the control box. This investigation was initiated from a DoD Hotline complaint.

On April 18, 2016, IONU agreed to pay \$450,000 to the Government to resolve alleged violations of the FCA.

### **\$5.7 million Default Judgment Entered Against Small Business Innovation Research Engineering Companies, Inc.**

A joint investigation with AFOSI disclosed that Small Business Innovation Research Engineering Companies, Inc., (SBIRE) submitted false claims to the Air Force. SBIRE delivered and billed for 379 lots of floorboards for the Boeing KC-135 Stratotanker military refueling aircraft that were painted with a first coat of epoxy paint instead of polyurethane paint as was required by the contract. The nonconforming paint was inferior and less expensive than the polyurethane paint, and use of this substitute paint resulted in the Air Force paying over \$500,000 more than it would have absent SBIRE's false claim. Additionally, SBIRE overcharged the Air Force \$26,000 for material handling. During the investigation, the Government tested samples of the SBIRE-manufactured floorboards and confirmed the paint did not meet Government standards. This investigation was initiated from a DoD Hotline complaint.

On June 24, 2016, the Air Force debarred SBIRE and its owners, John M. Lee, Sherri J. Lee, and other affiliates, from Government contracting for 3 years. SBIRE was previously ordered to pay a default civil judgment of \$5.7 million to the Government—three times the damages plus a penalty for each of the 379 false claims it submitted.

### **Co-Owners of a Military Clothing Supplier Pleaded Guilty to Obstructing a Federal Audit and Ordered to Forfeit \$2.1 million in Assets**

A joint investigation with Homeland Security Investigations (HSI) and the Army CID disclosed that Raymond Lawson, President, and Paul Grillo, Vice President of Barrier Wear, Inc., a DoD subcontractor, falsely represented to the Defense Contract Management Agency (DCMA) that cold weather clothing conformed to contract specifications. From 2008 through 2012, Barrier Wear supplied jackets and trousers to the DoD that were part of the Extended Cold Wear Clothing System. For each shipment, Barrier Wear completed a Product Quality Assurance Statement that was reviewed by DCMA Quality Assurance Representative. Lawson and Grillo impeded, influenced, or obstructed the Quality Assurance Representative by submitting a Product Quality Assurance Statement that falsely claimed the clothing conformed to specifications of the DoD contract. The jackets and trousers supplied by Barrier Wear were not made in the United States as required by the Berry Amendment.



**Soldiers Wearing Extended Cold Wear Clothing System**  
Source: [www.army.mil](http://www.army.mil)

Both Lawson and Grillo previously pleaded guilty to obstructing a Federal audit. On April 11, 2016, they were each sentenced to 3 years of unsupervised probation and 120 hours of community service. On April 14, 2016, a final order of forfeiture was obtained against Lawson, Grillo, and Barrier Wear in the amount of \$2.1 million.

### **James Alexander, President of Mathews Manufacturing, Inc., a DoD Contractor, Debarred for Fraud**

A joint investigation with NCIS disclosed that James Alexander, President, Mathews Manufacturing, Inc., a defense contractor, engaged in a scheme to defraud the Government related to the construction of shipping containers. In June 2010, Mathews Manufacturing was awarded a contract for the construction of 56 shipping containers for high-pressure turbine modules, designated as a critical application item, for use with the F/A-18 aircraft. The contract required Mathews Manufacturing to assemble the shipping containers using shock mounts not older than 1 year. Alexander and Larry Maxwell, a Quality Assurance Representative for Mathews Manufacturing, altered the cure dates stamped by the original equipment manufacturer to comply with the contract specifications. Alexander and Mathews Manufacturing then supplied the containers with the altered shock mounts bearing false and forged cure dates to the DoD.

Alexander previously pleaded guilty to mail fraud, was sentenced to 4 months in prison followed by 3 years of supervised release, and was ordered to pay a \$4,000 fine and over \$120,000 in restitution. Maxwell previously pleaded guilty to mail fraud, was sentenced to 3 years

of supervised release, and was ordered to complete 40 hours of community service. On April 22, 2016, Alexander and Mathews Manufacturing were debarred from Government contracting for a period of 6 years and 4 months. On June 28, 2016, Maxwell was debarred from Government contracting for 3 years.

## **Health Care Fraud**

Allegations of health care fraud are increasing throughout the Nation, including in DoD health care claims. DCIS conducts a wide variety of investigations involving health care fraud, including investigations of health care providers involved in corruption or kickback schemes; overcharging for medical goods and services; marketing or prescribing drugs for uses not approved by the U.S. Food and Drug Administration; or approving unauthorized individuals to receive TRICARE health care benefits. DCIS also proactively targets health care fraud through coordination with other Federal agencies and participation in Federal and state task forces.

### **Physician Sentenced to Over 9 Years for Defrauding Federal Health Care Programs**

A joint investigation with the Health and Human Services OIG, the Office of Personnel Management OIG, the Federal Bureau of Investigation (FBI), the Department of Labor OIG, and the U.S. Postal Service OIG disclosed that Paramjit Singh Ajrawat and his wife, Sukhveen Ajrawat, physicians who owned Washington Pain Management Center and specialized in interventional pain management, defrauded Federal health care benefit programs. From at least January 2011 through May 2014, the Ajrawats performed less expensive procedures and falsely billed for more costly procedures, submitted claims indicating that they had met specific requirements for reimbursement when in fact they had not met those requirements, and submitted claims for procedures that had not been performed.

Paramjit Ajrawat was previously convicted of health care fraud, making a false statement related to a health care program, obstruction of justice, wire fraud, and aggravated identity theft. On April 11, 2016, Paramjit Ajrawat was sentenced to 111 months in prison followed by 3 years of supervised release and was ordered to pay restitution of \$3.1 million, including \$501,046 to the Defense Health Agency. The Government moved to dismiss the charges against Sukhveen Ajrawat after her death on February 1, 2016.

### University of Missouri-Columbia Agreed to Pay \$2.2 million to Settle Alleged False Claims Act Violations

A joint investigation with the Health and Human Services OIG and the FBI disclosed allegations that certain attending physicians at the University of Missouri-Columbia Hospital falsely certified they had reviewed radiology exams including x-rays, MRIs, CT scans, and ultrasounds to accurately diagnose beneficiaries' medical conditions when in fact they had not reviewed those images.

The University of Missouri-Columbia agreed to pay the Government \$2.2 million to settle allegations that it violated the FCA. The Defense Health Agency will receive over \$84,000 of that settlement.

### Illegal Technology Transfer

DCIS serves a vital role in national security by investigating theft and the illegal exportation or diversion of strategic technologies and U.S. Munitions List items to banned nations, criminal enterprises, and terrorist organizations. This includes the illegal theft or transfer of defense technology, weapon systems, and other sensitive components and program information. DCIS is an integral participant in the President's Export Control Reform Initiative, which seeks to reduce redundancies in enforcement efforts across the Federal Government. DCIS is also a member of the Export Enforcement Coordination Center, which serves as the primary forum for Federal investigative agencies to coordinate and deconflict efforts and increase information sharing.

### DoD Contractors Illegally Exported Sensitive Military Technical Specifications to India and Supplied Faulty Aircraft Parts to the U.S. Air Force

A joint investigation with HSI disclosed that Robert Luba, owner and general manager of Allied Components LLC, and Hannah Robert, owner of One Source USA LLC, conspired to provide faulty parts to the DoD for the F-15 combat aircraft. The DoD contract required the parts to be manufactured in the United States and to meet certain specifications for hardness. Robert, who also owned a manufacturing facility in India, sent export-controlled DoD technical data to the plant without obtaining the required export licenses. The technical data was used by the Indian manufacturing plant to produce the parts for the DoD contract. Luba purchased the parts from Robert knowing that the parts were manufactured in India in violation of the DoD contract, then provided the DoD with



**F-15 Combat Aircraft**  
Source: [www.af.mil](http://www.af.mil)

false certifications as to the origin and composition of the parts. After several parts failed in the field, the DoD grounded 47 F-15 fighter aircraft for inspection and repair.

Robert previously pleaded guilty to conspiracy to violate the Arms Export Control Act. Luba previously pleaded guilty to violating the Arms Export Control Act and the FCA. On April 14, 2016, Robert was sentenced to 57 months in prison followed by 3 years of supervised release and was ordered to pay \$181,015 in restitution. On April 25, 2016, Luba was sentenced to 6 months in prison followed by 3 years of supervised release and was ordered to pay \$173,736 in restitution.

### DoD Contractor to Pay \$9.4 million to Settle Allegations It Illegally Exported Medical Technology to Iran and Syria

A joint investigation with the U.S. Department of Commerce Bureau of Industry and Security, the FBI, and HSI examined allegations that DoD contractor Alcon, Inc., Fort Worth, Texas, exported highly sophisticated medical equipment to Iran and Syria without an approved export license in violation of the International Emergency Economic Powers Act. Alcon manufactures ophthalmic products and instruments, including highly sophisticated surgical machines capable of making exact laser measurements to facilitate Lasik surgery. Alcon senior executives were allegedly aware that Alcon's license to export commodities to Iran had expired; however, the executives continued shipping Alcon's products without the required license. Alcon allegedly attempted to conceal its illegal sales to Iran by first shipping their products to Alcon's distribution centers in Europe, where a trans-shipment to Iran was then facilitated.

The Bureau of Industry and Security used its administrative remedies authority and ordered Alcon to pay a civil penalty in the amount of \$8.1 million. In a concurrent agreement with the U.S. Office of Foreign Assets Control, Alcon agreed to pay an additional \$1.3 million for violations of Iranian and Syrian sanctions.

## **Chinese Citizen Sentenced to 15 Months in Prison for Trafficking in Counterfeit Integrated Circuits**

A joint investigation with HSI, AFOSI, and the FBI disclosed that Daofu Zhang, Jiang Guanghou Yan, and Xianfeng Zuo, Chinese nationals who operated businesses in China that bought and sold electronic components, conspired to illegally export stolen sophisticated U.S. military semiconductors designed by Xilinx Corporation for ballistic missile and satellite applications. Yan agreed to pay an undercover agent \$37,000 each for 22 semiconductors that the undercover agent specified would be stolen from the U.S. military. To conceal the theft, Yan offered to provide nonfunctioning, counterfeit semiconductors to replace the stolen genuine components. Zhang ultimately shipped eight counterfeit semiconductors to an undercover agent in the United States for this purpose. In December 2015, Zhang, Yan, and Zuo traveled from China to the United States where they were arrested after attempting to take possession of the stolen semiconductors from the undercover agent.

On April 15, 2016, Zhang pleaded guilty to conspiracy to traffic in counterfeit goods. On July 8, 2016, Zhang was sentenced to 15 months in prison and was ordered to pay a special assessment of \$100. Yan previously pleaded guilty to conspiracy to traffic in counterfeit goods and attempting to export integrated circuits without the required export license. Zuo previously pleaded guilty to conspiracy to traffic in counterfeit goods.

## **Former Chinese National Sentenced in Illegal DoD Export Scheme**

A joint investigation with HSI found that Wenxia Man, also known as Wency Man, conspired to export defense articles in violation of the Arms Export Control Act. From March 2011 through June 2013, Man conspired with Xinsheng Zhang in China to illegally acquire and export to China defense articles and technical data, including Pratt & Whitney F135-PW-100 engines used in the F-35 Joint Strike Fighter, Pratt & Whitney F119-PW-100 turbofan engines used in the F-22 Raptor, General Electric F110-GE-132 engines designed for the F-16, and the General Atomics MQ-9 Reaper (Predator B) Unmanned Aerial Vehicle (drone).

On June 9, 2016, Man was convicted of conspiring to export and cause the export of defense articles without the required license. On August 19, 2016, Man was sentenced to 50 months in prison followed by 24 months of supervised release and was ordered to pay a \$100 court assessment fee. Zhang remains a fugitive.

## **Pakistani National Sentenced in Conspiracy to Illegally Export Sensitive Technology**

A joint investigation with HSI determined that Pakistani national Syed Vaqar Ashraf, also known as Vaqar Jaffery, attempted to procure and illegally ship military-grade gyroscopes to Pakistan for use by the Pakistani military. To evade detection, Ashraf arranged for the gyroscopes to be purchased in the name of a shell company and transshipped the gyroscopes to Belgium. Ashraf then traveled to Belgium to inspect the gyroscopes and arrange for their final transport to Pakistan. At the request of U.S. law enforcement, Ashraf was arrested by the Belgium Federal Police.

On June 21, 2016, Ashraf pleaded guilty to conspiracy to export controlled defense articles without a license. On September 1, 2016, Ashraf was sentenced to 33 months in prison followed by 3 years of supervised release.

## Asset Forfeiture Program

The DCIS Asset Forfeiture Program provides forfeiture support to DCIS investigations. Forfeiture counts are included in indictments, criminal informations, and consent agreements when warranted by the evidence. The program seeks to deprive criminals of property used or acquired through illegal activity, both in the United States and overseas. Since 2007, DCIS has seized \$243 million, and has obtained final orders of forfeiture totaling \$75 million, and money judgments in the amount of \$231 million. During this 6-month reporting period, DCIS seized assets totaling \$12.4 million. These assets consisted of U.S. currency, electronic equipment, financial instruments, household goods, jewelry, real property, and vehicles. In addition, DCIS obtained final orders of forfeiture totaling \$2.2 million, and money judgments in the amount of \$23 million.

### Investigative Highlights

On November 2, 2015, Jacob J. Kilgore pleaded guilty to health care fraud. Kilgore, co-owner of Orbit Medical, Inc., admitted to defrauding Medicare by submitting false and fraudulent claims for power wheelchairs. Kilgore falsified medical records to make it appear that beneficiaries were qualified to receive power wheelchairs when they were not, and that the claims otherwise met all Medicare requirements. On April 15, 2016, a forfeiture money judgment was issued against Kilgore in the amount of \$776,001.

On February 2, 2016, Nancy E. Company pleaded guilty to theft of Government money. Company, owner of Nancy's Alterations, Fort Drum, New York, admitted to failing to record and report to the Army and Air Force Exchange Service (AAFES) hundreds of thousands in credit card sales and instructed and encouraged her employees to process credit card sales without ringing them at the register. Company created and submitted false and fraudulent reports to AAFES regarding the gross sales and gross receipts of Nancy's Alterations, concealing the true amount of money earned. Nancy's Alterations contracted with Fort Drum to pay 23 to 24 percent of its gross sales and gross receipts to AAFES. On June 16, 2016, a forfeiture money judgment was issued against Company in the amount of \$133,769.

Figure 2.1 Asset Forfeiture Program by Fiscal Year

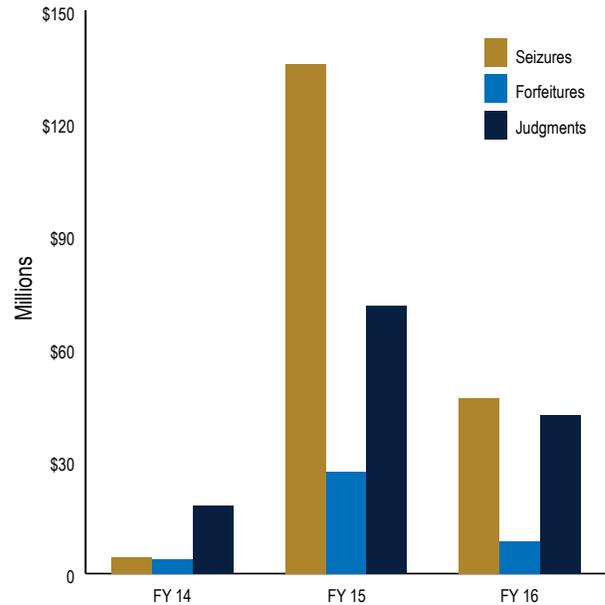
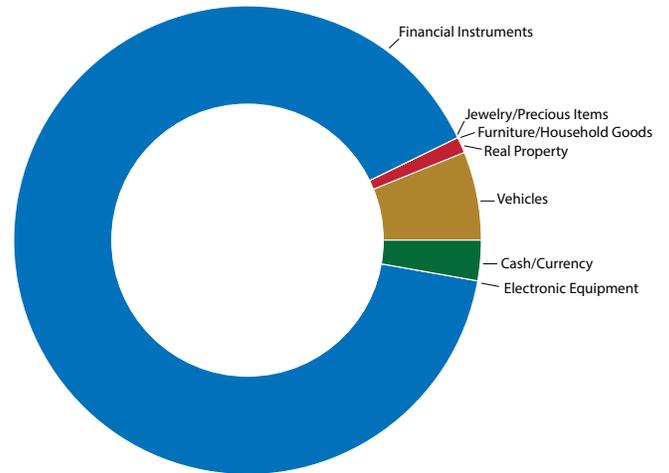


Figure 2.2 Seized Assets by Type, April 1– September 30, 2016



## ADMINISTRATIVE INVESTIGATIONS

The DoD OIG’s Administrative Investigations component consists of three directorates:

- DoD Hotline;
- Whistleblower Reprisal Investigations (WRI); and
- Investigations of Senior Officials (ISO).

The DoD Hotline Director also serves as the DoD Whistleblower Protection Ombudsman as described below.

## DoD Hotline

The mission of the DoD Hotline is to provide a confidential, reliable means to report violations of law, rule or regulation; fraud, waste, abuse, mismanagement, trafficking in persons, serious security incidents, or other criminal or administrative misconduct that involve DoD personnel and operations without fear of reprisal.

As a result of the Priority Referral Process, the DoD Hotline receives, triages, and refers cases to DoD OIG components, Military Services, Defense agencies, and DoD field activities based on the following criteria.

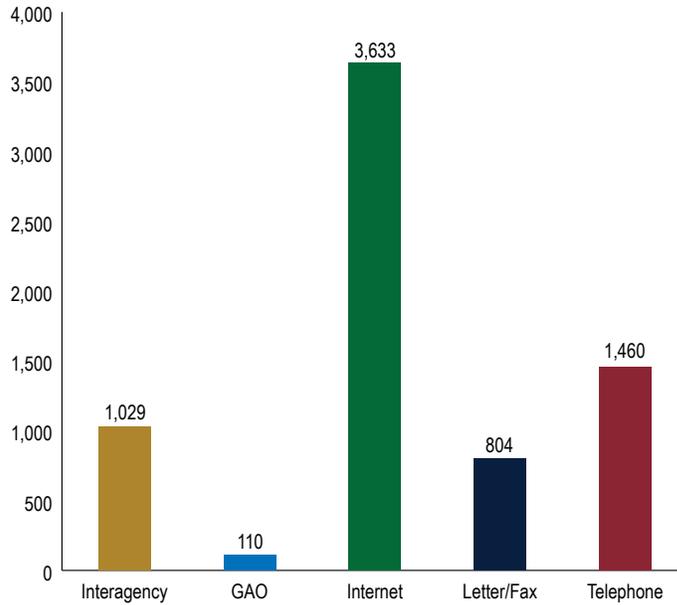
Figure 2.3 Priority Referral Process



**HOTLINE**  
Department of Defense

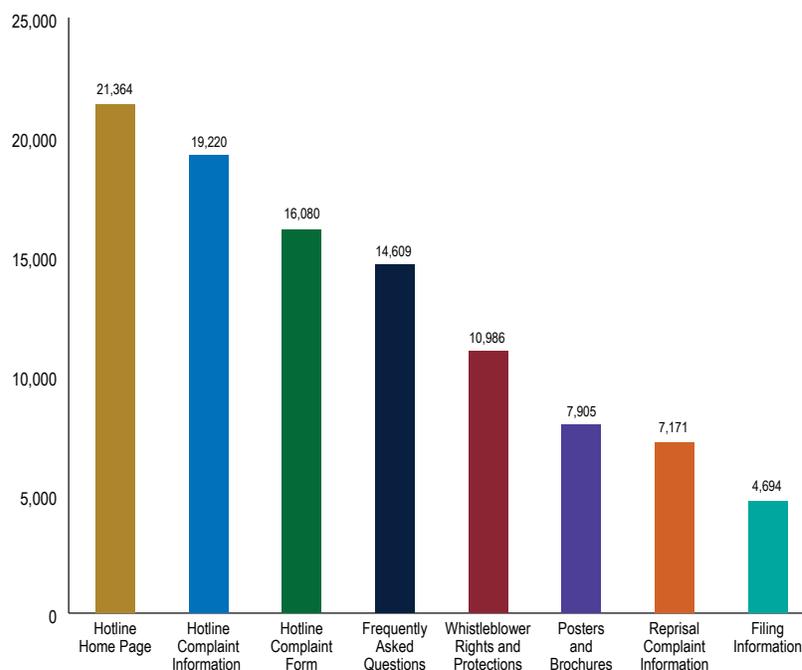
From April 1 through September 30, 2016, the DoD Hotline received 7,036 contacts. The types of contacts received are identified in the following chart.

Figure 2.4 Contacts Received by Type, April 1– September 30, 2016



From April 1 through September 30, 2016, the DoD Hotline webpages received over 178,000 views. This is a 65-percent increase over the prior reporting period. The chart below reflects the number of visits to various fraud, waste, abuse, and reprisal information pages.

Figure 2.5 Most Visited Pages on DoD Hotline Website, April 1– September 30, 2016



# CORE MISSION AREAS

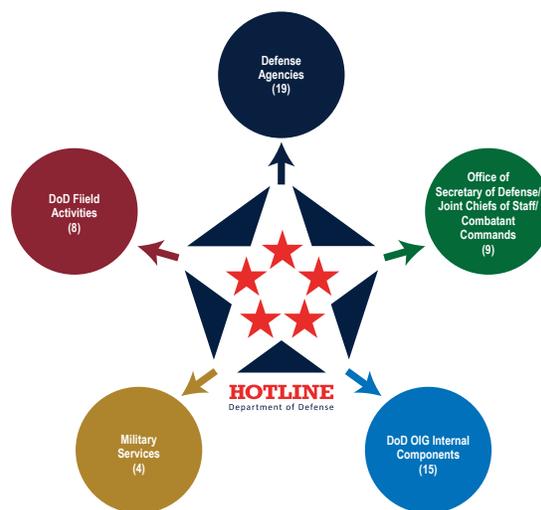
From April 1 through September 30, 2016, the DoD Hotline opened (referred) 3,373 cases and closed 3,329 cases referred during the current or prior reporting periods. A hotline contact becomes a case when it is opened and referred for action or information. An action case requires the recipient agency to conduct an investigation and is not closed until the DoD Hotline approves the Hotline Completion Report. An information case is referred to an agency for information or action the recipient deems appropriate. Information cases are closed by the DoD Hotline upon verifying it was received by the intended agency.

The following charts show the referrals that the DoD Hotline made to DoD OIG components, the Military Services, DoD agencies, and DoD field activities. Cases with no DoD nexus are transferred to non-DoD agencies. The DoD Hotline transferred 108 cases to non-DoD agencies, such as the Secret Service, the DOJ, and the Department of Veterans Affairs (VA).

As indicated in this graph, the DoD Hotline refers cases to:

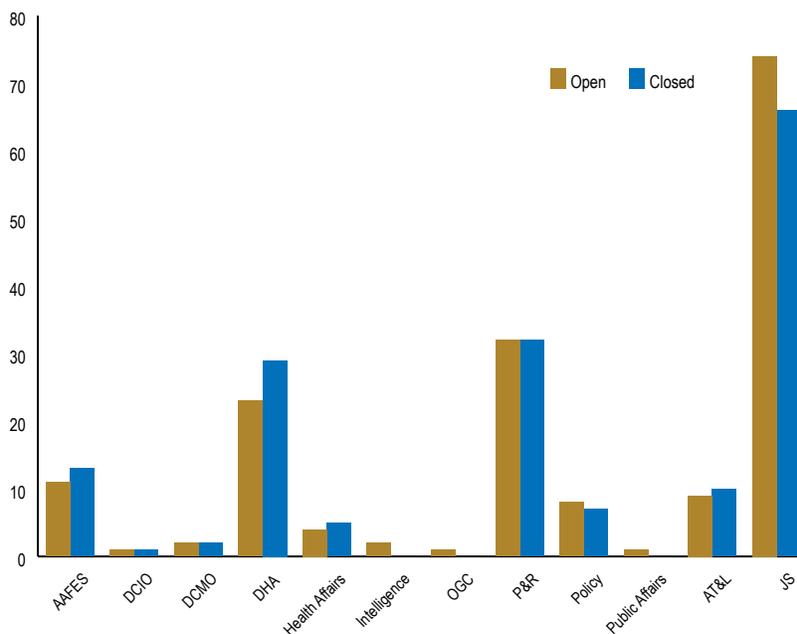
- 9 Office of the Secretary of Defense entities;
- 19 DoD agencies;
- 8 DoD field activities;
- 4 Military Services (Army, Marine Corps, Navy, and Air Force); and
- 15 DoD OIG internal components.

Figure 2.6 Hotline Cases Referred



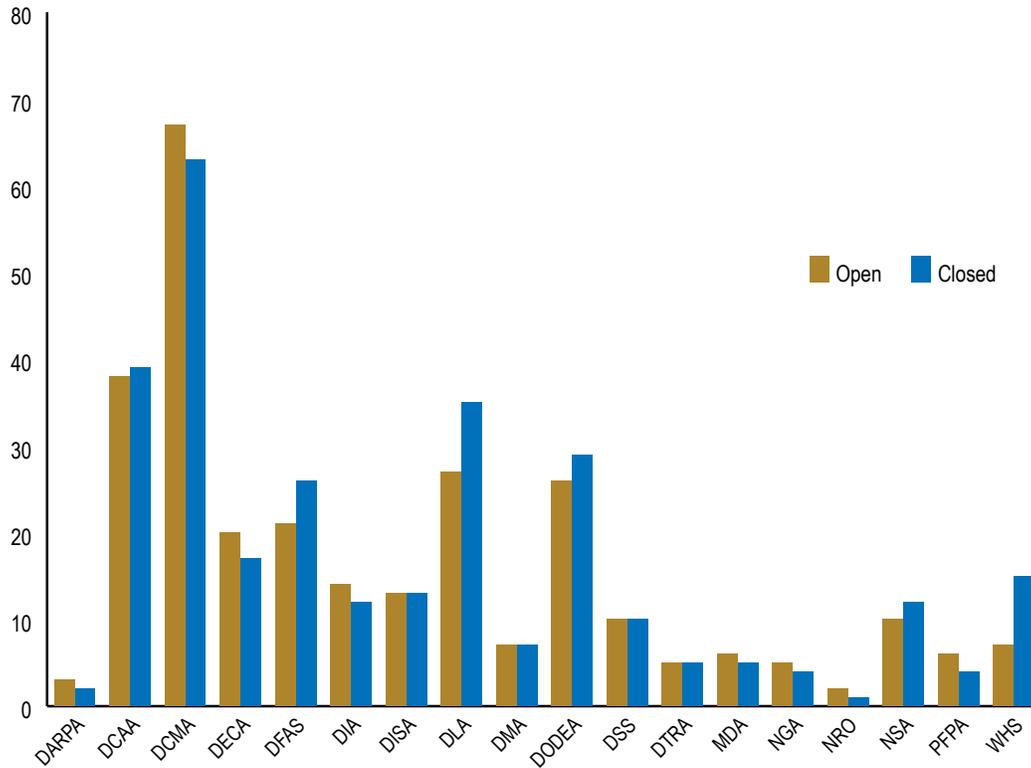
The DoD Hotline opened a total of 168 cases and closed 165 cases, which were referred to the Office of Secretary of Defense.

Figure 2.7 DoD Hotline Cases Opened and Closed—Office of the Secretary of Defense, April 1–September 30, 2016



The DoD Hotline opened a total of 287 cases and closed 299 cases referred to DoD agencies and field activities .

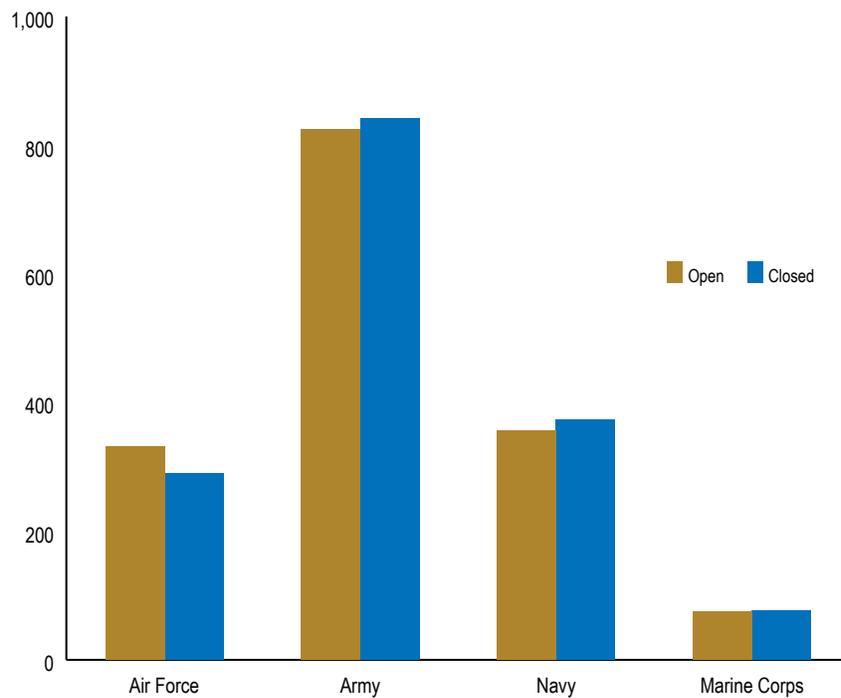
Figure 2.8 DoD Hotline Cases Opened and Closed—DoD Agencies & Field Activities, April 1– September 30, 2016



Note: The chart only shows the DoD agencies and field activities that received referrals during the reporting period.

The DoD Hotline opened a total of 1,587 cases and closed 1,579 cases referred to the Military Services.

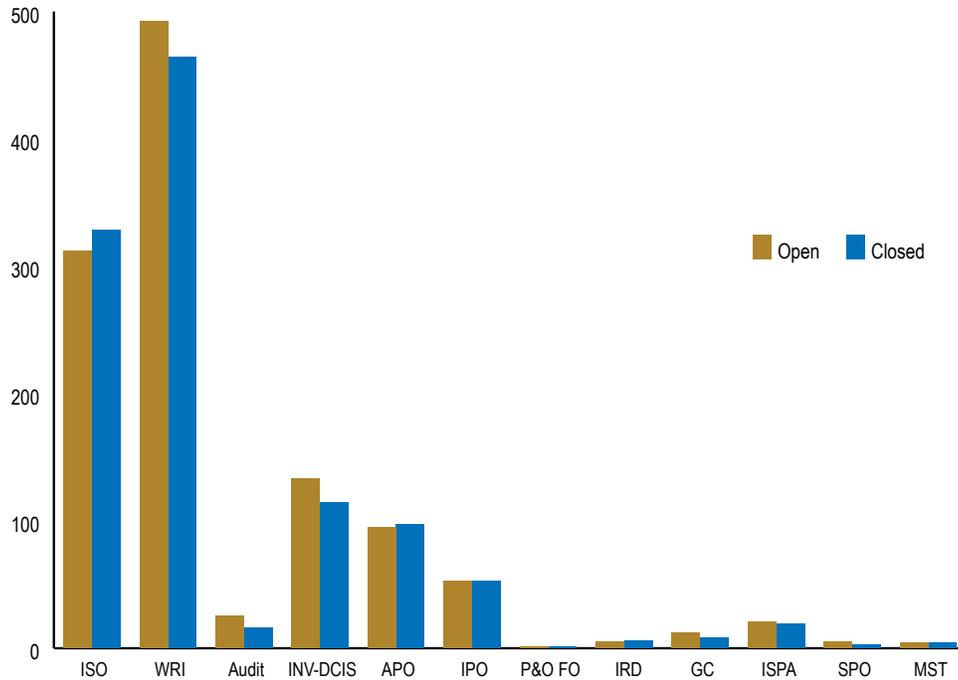
Figure 2.9 DoD Hotline Cases Opened and Closed—Military Services, April 1– September 30, 2016



# CORE MISSION AREAS

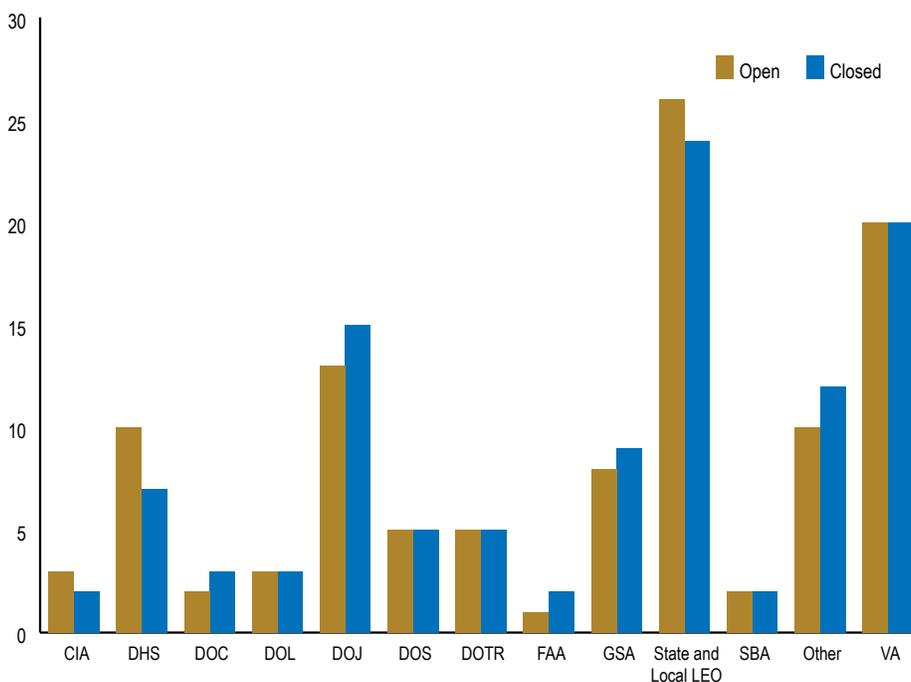
As indicated in the chart below, the DoD Hotline opened a total of 1,158 cases and closed 1,113 cases referred to the DoD OIG components.

Figure 2.10 DoD Hotline Cases Opened and Closed—DoD OIG Components, April 1–September 30, 2016



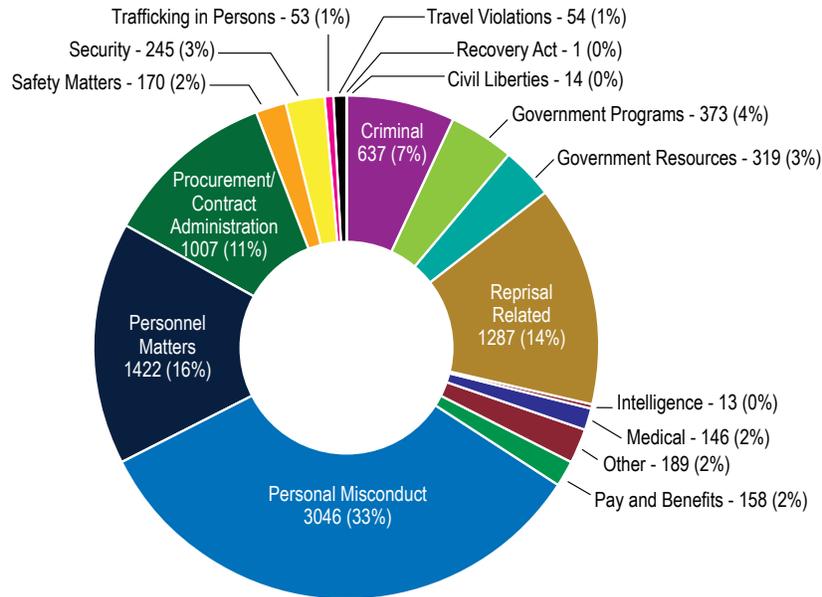
The DoD Hotline additionally referred 108 cases to non-DoD agencies, such as the Secret Service, the DOJ, and the VA, and closed 109 cases after verifying receipt by the intended recipient.

Figure 2.11 Non-DoD Cases Opened and Closed, April 1–September 30, 2016



The following pie chart shows that the majority of allegations received by the DoD Hotline involved personal misconduct, improper procurement or contract administration, and reprisal.

Figure 2.12 Types of Allegations Received by the DoD Hotline, April 1–September 30, 2016



Note: The number of allegations does not equal the number of cases because there are often multiple allegations for each case.

## Significant DoD Hotline Cases and Cost Savings

The following are examples of significant results from DoD Hotline cases in this reporting period.

The DoD Hotline referred an anonymous complaint alleging criminal bribery and corruption by a civilian employee (conflict of interest and acceptance of gratuities) at the Naval Support Activity in Bahrain to the Naval IG and NCIS. The allegations were substantiated, and the subject was removed from employment with the U.S. Navy due to his misconduct.

The DoD Hotline referred an anonymous complaint alleging multiple security violations to the Missile Defense Agency Internal Review Directorate. The directorate conducted an inquiry and substantiated unauthorized access to a secure Missile Defense Agency facility. Corrective actions included removal of access to the security facility, training, and counseling.

## Corrective and Remedial Actions Taken on DoD Hotline Cases Closed in Previous Reporting Periods

The following action occurred during this reporting period on a substantiated Hotline case closed in a previous reporting period.

A joint investigation conducted by the Army CID and local law enforcement substantiated allegations that a Army Recruiter engaged in various nonconsensual sexual acts at his off-post residence with a minor who was incapacitated. The DoD Hotline received a report of the final action concerning the Army Recruiter, who was convicted of sex with a minor and sentenced to 3 years of probation and 175 days in jail with 90 days being waived. He was discharged from the Army in October 2015.

## Whistleblower Protection Ombudsman

The DoD Whistleblower Protection Ombudsman provides education about protections for current or former military members, DoD civilian employees, and DoD contractor officials who make protected disclosures.

As part of other internal programmatic improvements, the DoD OIG upgraded the DoD Whistleblower Protection Ombudsman position to a full-time GS-15. The DoD OIG advertised the vacancy during this reporting period and a selection is anticipated during the next reporting period.

From April 1 through September 30, 2016, the DoD Whistleblower Protection Ombudsman received 154 contacts from people seeking information on whistleblower issues and rights. Additionally, the DoD Hotline's Whistleblower Rights and Protections webpage received 10,986 visits.

On July 28, 2016, in commemoration of National Whistleblower Appreciation Day held on July 30, 2016, the DoD Whistleblower Protection Ombudsman presented training on DoD Hotline best practices to the combined Federal and Defense Hotline Working Groups that consist of 57 Federal and 84 Defense agencies. The Whistleblower Appreciation Day event featured a whistleblower, retired West Virginia National Guard Lieutenant Colonel Teresa James, who spoke about the reprisal and retaliation that she experienced after reporting a sexual assault. After this training, the DoD Whistleblower Protection Ombudsman and the DoD Hotline received a spike in reprisal and ostracism complaints stemming from reports of sexual assault.

## Whistleblower Reprisal Investigations

The Whistleblower Reprisal Investigations (WRI) Directorate investigates allegations of whistleblower reprisal made by members of the Armed Forces; appropriated fund (civilian) employees of the DoD, including members of the DoD intelligence community; employees of DoD contractors, subcontractors, grantees and subgrantees; all DoD employees with access to classified information; and nonappropriated fund instrumentality (NAFI) employees, who are paid from nonappropriated funds generated by Military Service clubs, bowling centers, golf courses, and other activities.

The WRI Directorate conducts oversight reviews of whistleblower reprisal investigations performed by the Military Service and Defense agency IGs into these types of allegations. The WRI Directorate also investigates allegations that military members were restricted from communicating with a Member of Congress or an IG and also allegations of procedurally improper mental health evaluation referrals.

The WRI Directorate conducts these investigations under the authority of the IG Act of 1978, as amended; Presidential Policy Directive 19; and 10 U.S.C. sections 1034, 1587, and 2409.

### DoD OIG Whistleblower Reprisal Investigations Dedicated Team to Investigate Allegations of Reprisal Filed by Sexual Assault Victims

The Secretary of Defense, as required by Public Law 112-239, "National Defense Authorization Act (NDAA) for Fiscal Year 2013," established the Judicial Proceedings Panel. The Panel conducted an independent review and assessment of judicial proceedings conducted under the Uniform Code of Military Justice involving adult sexual assault and related offenses for the purpose of developing recommendations for improvements to such proceedings.

On February 11, 2016, the Judicial Proceedings Panel published its "Report on Retaliation Related to Sexual Assault Offenses" and recommended that the Secretary of Defense:

- establish a policy that requires the DoD OIG to investigate all complaints of professional retaliation related to sexual assault;
- ensure that these investigations are prioritized and conducted by personnel with specialized training; and;
- require the IGs to report the status of the investigations to the installation sexual assault response coordinators before each monthly case management group meeting.

In response to these recommendations, the WRI Directorate decided to handle all DoD reprisal cases resulting from reporting sexual assaults. The WRI Directorate has designated a dedicated investigative team for this purpose, and the team has been trained in sexual assault trauma awareness.

### Reprisal Investigations

During the reporting period, the DoD received a total of 802 complaints involving reprisal, restriction from communicating with a Member of Congress or an IG, and procedurally improper mental health evaluation referrals.

Figure 2.13 802 Complaints Received DoD-Wide, April 1– September 30, 2016

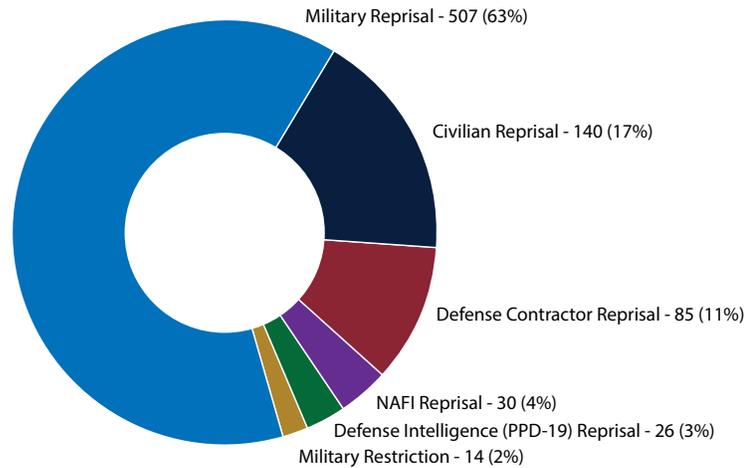


Table 2.1 shows the number and type of complaints investigated by the DoD OIG, Service IGs, and Defense agency IGs during this reporting period. Of the 883 complaints closed this period, 527 were dismissed due to insufficient evidence to warrant an investigation, 67 were withdrawn, and 289 were closed following full investigation, by either the DoD OIG, the Military Service IG, or Defense agency IGs. Of the 289 investigations closed, 275 involved whistleblower reprisal (36 substantiated) and 14 involved restriction from communicating with a Member of Congress or an IG (5 substantiated).

Table 2.1 Reprisal, Restriction, and Mental Health Procedural Complaints Closed in FY 2016 (2nd Half)

Type Complaint	Total Closed	Dismissed	Withdrawn	Investigated	Substantiated Cases	Substantiation Rate (in percent)
<b>Closed by DoD OIG</b>						
Military Reprisal	140	111	20	9	1	11
NAFI Reprisal	31	17	5	9	0	0
Defense Contractor Reprisal	54	43	7	4	0	0
Civilian Reprisal	143	138	1	4	2	50
Defense Intelligence (PPD-19) Reprisal	16	15	0	1	0	0
<b>Subtotal FY 2016 (2nd Half)</b>	<b>384</b>	<b>324</b>	<b>33</b>	<b>27</b>	<b>3</b>	<b>11</b>
Military Restriction	1	1	0	0	0	0
Mental Health Procedural	0	0	0	0	0	0
<b>Total FY 2016 (2nd Half)</b>	<b>385</b>	<b>325</b>	<b>33</b>	<b>27</b>	<b>3</b>	<b>11</b>
<b>Closed by Component IG With Oversight by DoD OIG</b>						
Military Reprisal	468	190	32	246	33	13
Civilian Reprisal	2	0	1	1	0	0
Defense Intelligence (PPD-19) Reprisal	1	0	0	1	0	0
<b>Subtotal FY 2016 (2nd Half)</b>	<b>471</b>	<b>190</b>	<b>33</b>	<b>248</b>	<b>33</b>	<b>13</b>
Military Restriction	26	11	1	14	5	36
Mental Health Procedural	1	1	0	0	0	0
<b>Total FY 2016 (2nd Half)</b>	<b>498</b>	<b>202</b>	<b>34</b>	<b>262</b>	<b>38</b>	<b>15</b>
<b>Grand Total FY 2016 (2nd Half)</b>	<b>883</b>	<b>527</b>	<b>67</b>	<b>289</b>	<b>41</b>	<b>14</b>

## Substantiated Whistleblower Reprisal and Restriction Allegations

The following examples describe cases in which the DoD OIG and Service IGs substantiated whistleblower reprisal, restriction, and procedurally improper mental health evaluation allegations.

- A senior master sergeant and master sergeant on Active Guard Reserve duty filed separate complaints alleging that their squadron commander (a lieutenant colonel) made comments to subordinates intended to restrict them from preparing and making protected communications to an IG or Member of Congress. The commander told subordinates he was using closed circuit television to monitor them and intended to listen to audio transcripts of their witness statements made against him during a criminal investigation. The investigations concluded that commander's comments, actions, and the general command climate caused his subordinates to fear retaliation for choosing to elevate complaints and concerns outside the squadron. The commander received a letter of reprimand.
- An Army captain issued an unfavorable noncommissioned officer evaluation report to an Army sergeant first class in reprisal for the noncommissioned officer's protected communication to an IG about falsification of an Army Physical Fitness Test by the unit's first sergeant and to a Member of Congress about interference with scheduled medical appointments. The captain wrote in the evaluation that the sergeant "voiced concerns of senior leadership's integrity and addressed issues with personnel outside the chain of command through improper channels." The captain's statement was a violation of the prohibition against reprisal. Corrective action is pending.
- An Army National Guard brigadier general denied a decoration award, issued a referral officer evaluation report, and initiated a medical evaluation board for an Army National Guard lieutenant colonel in reprisal for the lieutenant colonel reporting a sexual assault to her chain of command. The DoD OIG recommended that the Secretary of the Army direct an appropriate Service award, remove the unfavorable officer evaluation report, and reconsider the lieutenant colonel for promotion. The DoD OIG also recommended appropriate action be taken against the brigadier general. Corrective action is pending.
- An Army sergeant first class rendered an unfavorable counseling to an Army sergeant and threatened him with separation from the Service in reprisal for the sergeant's protected communication. Corrective action is pending.
- An Army lieutenant colonel issued to an Army captain an unfavorable officer evaluation report and rescinded the captain's end-of-tour award in reprisal for the captain's complaint to an equal opportunity advocate about a hostile work environment. Corrective action is pending.
- An Army first sergeant removed an Army sergeant first class from a senior platoon sergeant position and attempted to influence an unfavorable noncommissioned officer evaluation report in reprisal for the sergeant using the commander's "open door" policy. The first sergeant stated he felt betrayed and questioned the sergeant's loyalty to the command. Corrective action is pending.
- An Army staff sergeant issued his subordinate an unfavorable noncommissioned officer evaluation report in reprisal for the subordinate's protected communications to a Member of Congress and to an IG. The staff sergeant specifically commented in the evaluation that the subordinate "continuously complained to soldiers about the unit and the Army." Corrective action is pending.
- An Army captain gave a subordinate staff sergeant an Article 15 in reprisal for making protected communications about violations of work hours and recruiting policies to his chain of command and an IG. The captain initiated the Article 15 the day after learning of the sergeant's protected communication to the IG. Corrective action is pending.
- An Army Reserve colonel and a lieutenant colonel issued a subordinate major an unfavorable officer evaluation report in reprisal for the major's protected communications to the chain of command, equal opportunity office, and to an IG. The colonel and lieutenant colonel continually changed the major's ratings on a draft evaluation report each time the major made a protected communication over several months. Corrective action is pending.
- An Air Force major, a captain, and a senior master sergeant serving in a security forces unit reprised against two subordinates by issuing and endorsing letters of reprimand after the subordinates reported

improprieties in the processing of a violation for driving under the influence to the Air Force Office of Investigations. Corrective action is pending.

- An Air Force Reserve colonel twice restricted subordinate personnel from contacting an IG – first, by appointing his deputy director as the IG and second, by publicly stating that a unit member caused embarrassment to the unit by filing an IG complaint. Corrective action is pending.
- After an investigation substantiated that a Naval chief petty officer was fraternizing with another petty officer, the chief petty officer reprimed against two sailors by removing them from their duties. The chief petty officer suspected the sailors of filing the complaint that led to the investigation. The chief petty officer also held a meeting with subordinates and stated she would “squash like a bug” anyone who took issues outside of the chain of command. Corrective action is pending.
- An Army lieutenant colonel reprimed against a captain by threatening the captain with an administrative separation from the Army and issuing an unfavorable officer evaluation report for protected communications about the improper handling of a sexual assault complaint and about the lieutenant colonel’s toxic leadership. Corrective action is pending.
- A Marine Corps chief warrant officer administered two unfavorable fitness reports to a staff sergeant and reassigned him to a different position after the sergeant’s protected communications to the chain of command, an IG, NCIS, and a Sexual Assault Response Coordinator. A Marine Corps major also reprimed against the staff sergeant by endorsing the unfavorable fitness reports. Corrective action is pending.
- An Army lieutenant colonel issued a captain an unfavorable officer evaluation report in reprisal for the captain’s protected communications. The lieutenant colonel made direct reference in the evaluation report to the captain’s complaints of regulatory violations and the reporting of an inappropriate relationship between unit officers. Corrective action is pending.
- An Army lieutenant colonel issued an unfavorable officer evaluation report to an Army captain after the captain filed a complaint with a Sexual Assault Response Coordinator, which prompted a command investigation that substantiated a hostile work environment. Corrective action is pending.
- A Navy commander reprimed against a petty officer by modifying the petty officer’s scheduled departure date from deployment after the petty officer’s spouse complained that the commander had violated security policies by posting unit movement data on social network sites. A command master chief petty officer also reprimed against the petty officer by influencing the actions of the Navy commander. The petty officer’s early departure resulted in loss of pay and benefits. Corrective action is pending.
- After an investigation did not substantiate allegations of discrimination against a Navy lieutenant commander, the lieutenant commander made comments intended to restrict subordinates from making equal opportunity complaints. The lieutenant commander warned subordinates of potential consequences for making complaints and that future complaints should be handled within the chain of command. The lieutenant commander also threatened subordinates that they would have to “answer for their accusations” if they filed complaints that were found to be without merit. Corrective action is pending.
- A former adjutant general (brigadier general) for the Alaska National Guard denied an Army National Guard lieutenant colonel promotion to colonel in reprisal for protected communications to the chain of command and to the National Guard Bureau IG. In the same case, another Army National Guard brigadier general in the Alaska National Guard transferred the lieutenant colonel to a lower ranking position in reprisal for the lieutenant colonel’s protected communications to the chain of command and the National Guard Bureau IG. Corrective action is pending.
- An Air Force colonel administered a letter of reprimand to a civilian employee and reduced a performance award in reprisal for the employee’s giving a statement during a command-directed investigation and a DoD OIG investigation. Corrective action is pending.

## CORE MISSION AREAS

- An Air Force master sergeant issued an adverse letter of counseling and a letter of reprimand to an Air Force technical sergeant in reprisal for the sergeant's protected communications to her chain of command, equal opportunity office, and an IG. Corrective action is pending.
- A Navy commander issued an unfavorable fitness report to a Navy lieutenant commander in reprisal for the lieutenant commander's protected communication to an IG. The lieutenant commander testified during an investigation that substantiated allegations against the commander. Corrective action is pending.
- An Air National Guard senior master sergeant twice made comments to a subordinate about "not discussing his complaints with anyone outside" the squadron without talking to him first. The senior master sergeant's comments had a chilling effect on the subordinate's willingness to prepare or make a protected communication to the IG. Corrective action is pending.
- An Air Force senior master sergeant issued an enlisted performance report with a lower rating to a subordinate master sergeant in reprisal for the subordinate's protected communications to the chain of command. The senior master sergeant lowered the rating in the final performance report from those in draft after becoming aware of the protected communications. Corrective action is pending.
- A Navy captain reprised against a Navy lieutenant who made protected communications to the chain of command and the Sexual Assault Prevention and Response Victim Advocate representative. The Navy captain influenced the denial of the lieutenant's expedited transfer request, initiated detachment for cause (separation proceedings), and issued an adverse fitness report. Additionally, a second Navy captain recommended denial of the lieutenant's expedited transfer request in reprisal for the lieutenant's reporting re-victimization of the sexual assault to the authorities. Corrective action is pending.
- An Army civilian supervisor issued an unfavorable noncommissioned officer evaluation report to an Army staff sergeant in reprisal for the sergeant's protected communications to the chain of command and testifying during a command directed investigation. Corrective action is pending.
- An Air Force second lieutenant issued an unfavorable enlisted performance report to a subordinate master sergeant in reprisal for the master sergeant telling his supervisors that he "was going to the IG." The lieutenant changed a favorable draft evaluation to an unfavorable final evaluation after learning about the master sergeant's intent to make protected communications. Corrective action is pending.
- An Air Force major influenced and a colonel administered an adverse letter of counseling to a subordinate after the subordinate made a protected communication. Corrective action is pending.
- An Air Force senior master sergeant influenced a master sergeant to provide a negative promotion recommendation to a promotion board for a subordinate who made a protected communication to several members in the chain of command. Corrective action is pending.
- An Army lieutenant colonel recommended denial of a subordinate staff sergeant's request for early return from active duty and issued a memorandum of reprimand in reprisal for the staff sergeant's protected communication to an IG. Corrective action is pending.
- An Air Force master sergeant issued an adverse letter of counseling to a subordinate technical sergeant in reprisal for the technical sergeant's reporting of sexual harassment to the chain of command. Corrective action is pending.
- An Army major general issued a general officer memorandum of reprimand for placement in a subordinate lieutenant colonel's official military personnel file in reprisal for the lieutenant colonel's testimony during a command-directed investigation. Corrective action is pending.
- An Army captain recommended denial of a subordinate sergeant's reenlistment and prepared a package to support the captain's recommendation in reprisal for the sergeant's protected communication to an IG. Corrective action is pending.
- A Defense Media Agency civilian GS-13 supervisor downgraded a GS-12 employee's performance evaluation after the employee made a protected disclosure to a command official. Corrective action is pending.

- An Army captain threatened to issue an unfavorable noncommissioned officer evaluation report to an Army staff sergeant after she made protected communications to the chain of command and the installation IG. Corrective action is pending.
- An Air Force Reserve senior master sergeant canceled a subordinate Air Reserve Technician's approved active duty orders after she made a protected communication to her chain of command. Corrective action is pending.
- An Army command sergeant major made restrictive comments to subordinate personnel during a commander's call by referring to anyone contacting an IG as a "coward" or words to that effect. Corrective action is pending.
- A Navy lieutenant received a nonpunitive letter of caution, a Navy lieutenant commander received unspecified nonpunitive action, and a Navy captain received unspecified administrative measures for taking nonjudicial punishment against a subordinate in reprisal for the subordinate's protected communications to the chain of command.
- An Air Force lieutenant colonel received a letter of counseling for denying reenlistment to an Air Force senior airman after the airman filed complaints of sexual harassment, abusive treatment, and a hostile work climate.
- An Army major alleged her commander, an Army National Guard colonel, issued her an unfavorable officer performance evaluation in reprisal for reporting a sexual assault. The Army National Guard colonel retired prior to investigation completion and no disciplinary action was taken.

## Corrective and Remedial Actions on Whistleblower Cases Closed in Current and Previous Reporting Periods

The following are actions reported during this reporting period on substantiated whistleblower cases closed in current and previous reporting periods.

### Remedial Actions to Make Complainants Whole

A nonappropriated fund employee had his suspension rescinded and was reimbursed 14 days of back pay. Notice of remedial action was received February 23, 2016, but not reported in that last reporting period.

### Corrective Actions Against Responsible Management Officials

- A U.S. Marine Corps chief warrant officer was terminated from a probationary position at a Marine Corps Air Station after an investigation concluded the chief warrant officer reprisal against a subordinate while on active duty.
- An Air National Guard lieutenant colonel received a letter of reprimand for making comments to unit personnel that had the effect of restricting them from making a protected communication to an IG or Member of Congress. An investigation concluded that the lieutenant colonel abused his authority and created a hostile command climate.
- An Army Major received a general officer memorandum of reprimand for issuing an unfavorable noncommissioned officer report of evaluation to an Army master sergeant after the master sergeant testified during an Army command investigation.
- An investigation found that an Army National Guard colonel redeployed a subordinate captain early in reprisal for the captain's protected communications to an equal opportunity advisor and an IG. The colonel retired prior to investigation completion. In this same case, an Army National Guard lieutenant colonel received a letter of counseling for recommending the subordinate captain be released from active duty orders early after the captain filed complaints.
- An Army National Guard first lieutenant received a general officer letter of reprimand for initiating absent without leave actions against a subordinate in reprisal for the subordinate making a protected communication to an IG.
- An investigation substantiated allegations that an Army recruiting battalion command sergeant major threatened a subordinate with a lowered noncommissioned officer evaluation report. An Army captain received a letter of counseling for issuing the lowered evaluation in reprisal for the subordinate making a protected communication to a member of his chain of command. An Army lieutenant colonel refused to be interviewed during the investigation and received verbal counseling for concurring with the lowered evaluation. Additionally, the command sergeant major retired prior to investigation completion.

- A Navy chief petty officer made restrictive comments to a subordinate and removed the subordinate from her position in reprisal for the subordinate's protected communication to an IG. The chief petty officer retired, and no further action was taken.
- An Army first sergeant lowered the rating on a subordinate's noncommissioned officer evaluation report after she made a protected communication to an IG. The first sergeant retired before the investigation was completed, and no further action was taken.
- An Army lieutenant colonel received a general officer memorandum of reprimand for issuing a referred officer evaluation report to a subordinate after the subordinate made a protected communication to an IG.
- An Army captain received a letter of concern for issuing a subordinate an unfavorable noncommissioned officer evaluation report after the subordinate made a protected communication to an IG.
- An Air National Guard lieutenant colonel received a letter of reprimand for restricting members of his command from making protected communications to the IG.
- An Air Force Reserve colonel received verbal counseling by his commander for withholding a transfer and speaking poorly of an airman to a gaining command in reprisal for the airman's protected communications and for restricting the member from communicating with the IG.
- An Air Force colonel received a letter of admonishment for denying a civilian employee a performance award and proposing to take disciplinary action against the employee in reprisal for suspecting the employee had made two IG complaints.

## Investigations of Senior Officials

The DoD OIG's Investigations of Senior Officials (ISO) Directorate investigates allegations of misconduct against the most senior DoD officers (three-star and above and equivalents), senior officials in the Joint or Defense Intelligence Community, members of the Senior Executive Service (SES), as well as allegations not suitable for assignment to Military Services IGs. The ISO Directorate also conducts oversight reviews of Service and Defense agency IG investigations of misconduct involving senior officials.

As noted above, the WRI Directorate investigates allegations of reprisal involving senior officials and oversees DoD Component investigations of these allegations.

From April 1 through September 30, 2016, the DoD OIG received 443 complaints of senior official misconduct and closed 441. Of the 441 complaints closed, 353 were dismissed due to lack of a credible allegation of misconduct and 88 were closed following investigation. Of the 88 investigations closed, 2 were closed by the DoD OIG and 86 were closed by Component IGs with oversight by the DoD OIG.

Of the 88 investigations closed, 32 included substantiated allegations of misconduct.

Table 2.2 Senior Official Complaints Closed in FY 2016 (2nd Half)

	Total Closed	Dismissed	Investigated	Substantiated Cases	Substantiation Rate (in percent)
<b>Service/Agency</b>	<b>Closed by DoD OIG</b>				
Air Force	46	46	0	0	0
Army	141	140	1	0	0
COCOM/Defense Agency/Other	107	106	1	1	100
Marine Corps	15	15	0	0	0
Navy	46	46	0	0	0
<b>Subtotal FY 2016 (2nd Half) Closed by DoD OIG</b>	<b>355</b>	<b>353</b>	<b>2</b>	<b>1</b>	<b>50</b>
<b>Service/Agency</b>	<b>Closed by Component IG With Oversight by DoD OIG</b>				
Air Force	12		12	8	67
Army	31		31	10	32
COCOM/Defense Agency/Other	20		20	11	55
Marine Corps	3		3	1	33
Navy	20		20	1	5
<b>Subtotal FY 2016 (2nd Half) Oversight Review by DoD OIG</b>	<b>86</b>		<b>86</b>	<b>31</b>	<b>36</b>
<b>Total FY 2016 (2nd Half)</b>	<b>441</b>	<b>353</b>	<b>88</b>	<b>32</b>	<b>36</b>

### Senior Official Name Checks

When senior officials are pending confirmation by the Senate, or are considered for promotion, awards (including Presidential Rank awards), assignments, and retirements, DoD officials must submit name check requests to the DoD OIG to determine if there is any reportable information. The DoD OIG processed requests on a total of 8,527 names during this reporting period.

#### Examples of Substantiated or Significant Senior Official Cases Closed by DoD OIG or Service and Defense Agency IGs

- An Army major general assigned to U.S European Command violated the Joint Ethics Regulation and Army command and leadership policies by failing to exhibit exemplary conduct when he engaged in a sexual relationship with an Army civilian, who was not his wife, and misused his Government cell phone and computer. The major general received a memorandum of reprimand.
- An SES member in the Air Force violated the Joint Ethics Regulation (JER) by creating an intimidating or offensive working environment. The SES member resigned from his position.
- A Marine Corps brigadier general assigned to NATO in support of Operation Resolute Support misused subordinates, improperly signed training certificates for training he did not complete, and connected an unauthorized device (iPhone) into a nonsecured network computer. The brigadier general received a nonpunitive letter of caution.
- An Air National Guard brigadier general violated the JER by encouraging subordinates take his laundry to the cleaners by hanging dirty uniforms in his office and leaving money for their cleaning in his desk drawer. The brigadier general received a letter of admonishment.
- A National Security Agency Defense Intelligence SES member performed non-essential temporary duty to facilitate his personal travel plans. Corrective action is pending.
- An SES member of the Navy improperly recorded regular hours on her time and attendance records for time she did not work at her official place of duty. Corrective action is pending.

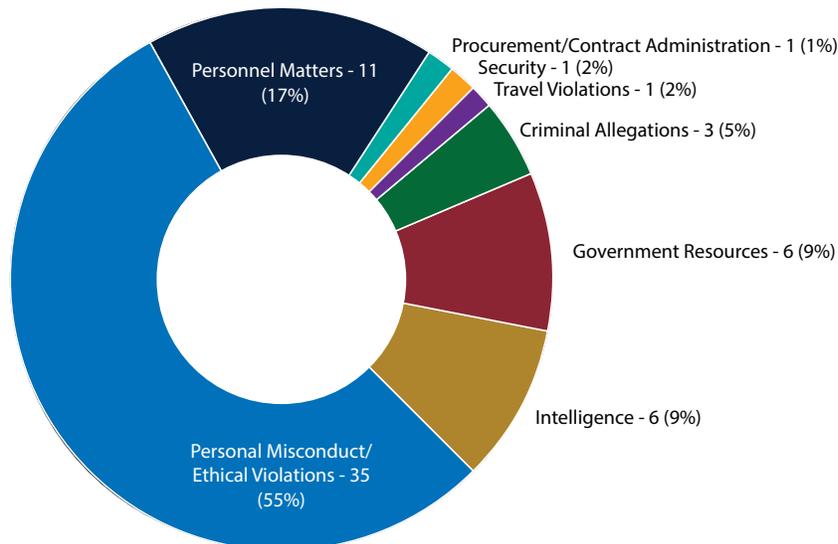
- A National Geospatial-Intelligence Agency Defense Intelligence SES member engaged in an inappropriate relationship with a subordinate, which contributed to a perception of favoritism. Corrective action is pending.
- An Army major general violated the JER by failing to treat subordinates with dignity and respect, violated Army Regulations by failing to notify personnel officials when a subordinate is placed under investigation, and violated Army regulations by improperly denying soldiers entry into the Warrior Transition Unit. Corrective action is pending.
- An Army brigadier general on the Joint Staff engaged in an adulterous relationship. Corrective action is pending.

### Corrective Actions on Senior Official Cases Closed in Current and Previous Reporting Periods

- An Army major general received a letter of counseling from the Vice Chief of Staff of the Army for mishandling classified information.

- An Army major general received a memorandum of concern from the Vice Chief of Staff of the Army for misusing Government employees when he had them set up and take down holiday decorations and perform unauthorized landscaping at his Government quarters.
- A National Geospatial-Intelligence Agency official received a 15-day suspension without pay and was asked to pay back \$13,421 for time claimed but not worked.
- A Navy rear admiral received a punitive letter of reprimand from his commander for using Government computer systems to view pornographic and sexually explicit material.
- A Navy vice admiral received a letter of instruction from the Vice Chief of Naval Operations for disclosing classified information in an open and public forum to an audience containing foreign nationals.

Figure 2.14 64 Types of Substantiated Misconduct, April 1– September 30, 2016



Note: The number of allegations does not equal the number of cases as there may be multiple allegations for each case.

## Quality Assurance Reviews

### Review of Naval Inspector General Hotline and Senior Official and Whistleblower Reprisal Investigative Units

From April 11–15, 2016, at the request of the Naval General Counsel and IG, an 11-member DoD OIG team performed an on-site Quality Assurance Review of the Naval IG Hotline and a quality assessment of the operations, policies, and procedures for the senior official and whistleblower reprisal investigations units. During the course of the review, the DoD OIG assessed the Naval IG's compliance with governing regulations; and identified best practices and areas for improvement or increased efficiency and effectiveness. The Naval IG concurred with recommendations made.

## Outreach and Training

From April 1 through September 30, 2016, AI conducted more than 186 hours of external outreach during 31 events, reaching 1,038 personnel. These outreach sessions included training on whistleblower reprisal and senior official investigations for new investigative staff assigned to joint IG billets in the Army, the Marine Corps, the Navy, and the Air Force. AI also conducted a total of 4,812 hours of training internally to DoD OIG employees such as the Semiannual Administrative Investigations Training Symposium and Basic Investigator courses listed.

### Defense Health Agency IG

On April 25, 2016, personnel from the DoD Hotline briefed the new IG for the Defense Health Agency. The hotline personnel shared best practices, discussed business processes, policies and procedures, and established methods for handling case referrals.

### Semiannual Administrative Investigations Training Symposium

On May 18, 2016, the DoD OIG held the Semiannual Administrative Investigations Symposium that was attended by 224 people, including representatives from the Military Services, other Defense agencies, and Intelligence Community IGs. Training included workshops on Ethics Law and Policy delivered by the U.S. Office of Special Counsel, Best Practices in Administrative Investigations, the Hotline Quality Assurance Guide, Hotline Completion Reports, and Interrogatory Preparation Best Practices.



Acting Inspector General Glenn A. Fine stresses the importance of the work performed by the Military Services and Defense agencies Inspectors General.

Source: DoD OIG



Approximately 224 people from the DoD OIG and Military Services and Defense agencies Inspectors General attended the Administrative Investigations Training Symposium in May 2016.

Source: DoD OIG

### General Services Administration Training

On June 28, 2016, the Director, Whistleblower Reprisal Investigations, delivered training on investigating contractor whistleblower reprisal complaints to 28 attendees at a meeting of the General Services Administration (GSA) OIG Special Agents in Charge and Assistant Agents in Charge, in Fort Worth, Texas. The GSA Inspector General and the Deputy Inspector General also attended the training.

## Video and Statement Analysis Training

On June 29, 2016, a subject matter expert delivered training in video and statement analysis to 120 people from the DoD OIG, the Intelligence Community Inspector OIG, the Service IGs and the Defense agencies IGs.



Investigators receive training in detecting deception in video and statements analysis

Source: DoD OIG

## Basic Whistleblower Reprisal Investigations Course

The Deputy IG for AI presented the Basic WRI Course on June 7-10, and September 13-16, 2016. The Deputy IG also conducted Mobile Training Team courses on July 12-15 at Ft Bragg, North Carolina, on July 26-29 at Fort Eustis, Virginia, on August 22-25 at Ramstein Air Base, Germany, and September 26-29, 2016, at Schofield Barracks, Hawaii. Attendees included IG representatives from the Army, Marine Corps, Navy, Air Force, National Guard, the Combatant Commands, Intelligence Community IGs, other Defense agencies, and the Department of Homeland Security. The course includes instruction on whistleblower statutes, intake processes, interviews, investigative planning, report writing, quality assurance processes, case management, and closure procedures.

## Federal Reserve Board

On July 12, 2016, the DoD Hotline office hosted members from the Federal Reserve Board OIG. Hotline managers discussed the DoD Hotline structure, described the business process and workflow, and detailed several hotline best practices such as the efficiencies gained from the hotline web redesign, elimination of e-mail complaints, and the development of Performance Management Indicators.

## DoD-Wide and Federal Hotline Working Group

The DoD-Wide and Federal Hotline Working Groups met on July 14, 2016, and decided to combine the two working groups into a single Federal Hotline Working Group. During the combined meeting, the Working Group drafted a proposed addendum to the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Recommended Best Practices for OIG Hotlines and a plan to submit for CIGIE consideration for the next reporting period.

## DoD Hotline Worldwide Outreach

On July 28, 2016, the DoD Hotline conducted its 4th Annual Worldwide Hotline Outreach and Observance of National Whistleblower Appreciation Day. The event hosted over 200 participants. The Office of Special Counsel presented "Significant Victories for the Taxpayers and the Merit System," and the DoD Hotline Director, joined by representatives from the Department of the Navy and the Department of Energy, led a panel discussion on the CIGIE's "Best Practices" for hotlines. In honor of National Whistleblower Appreciation Day, retired West Virginia Army National Guard Lieutenant Colonel Teresa James spoke about the reprisal and retaliation she experienced after reporting a sexual assault. Lieutenant Colonel James' reprisal allegations, stemming from a report of sexual assault, were the first to be substantiated in the DoD.



The U.S. Office of Special Counsel's Director of Training and Outreach, Shirine Moazed, and Deputy Special Counsel Adam Miles presented their work with whistleblowers and talked about the significant victories for taxpayers and the Merit System.

Source: DoD OIG

Safety and Health Administration. The presentation, titled "Leveraging Technology in Whistleblower Reprisal Investigations," covered key features of WRI's electronic case management system, various ways in which WRI leverages technology to increase efficiency in reviewing documentary evidence and creating investigative timelines, and best practices in report writing in the modern age through hyperlinking and electronic version control.

## Office of Special Counsel Interview Training

On September 7, 2016, the Deputy IG for AI presented a 1-day Administrative Investigations Interview Training Course to 42 attorneys and investigators from the U.S. Office of Special Counsel. This training course focused on administrative investigation interview best practices and techniques, and included practical exercises and desk guides for student use.

## Ongoing Work

### U.S. Central Command Investigation

In September 2015, the DoD OIG opened an investigation to address allegations concerning the processing of intelligence information by U.S. Central Command Intelligence (J2) Directorate. The DoD OIG is examining whether there was any falsification, distortion, delay, suppression, or improper modification of intelligence information; any deviations from appropriate process, procedures, or internal controls regarding the intelligence analysis; and personal accountability for any misconduct or failure to follow established processes.



Retired West Virginia National Guard Lieutenant Colonel Teresa James shared her experience of suffering reprisals following a report of sexual assault during the Worldwide Hotline Outreach event.

Source: DoD OIG

## Federal Employment Retaliation Inter-Agency Roundtable

On August 23, 2016, the DoD OIG Deputy Director, Whistleblower Reprisal Investigations, briefed an audience of 60 representatives from approximately a dozen Federal agencies responsible for investigating whistleblower retaliation complaints at the Federal Employment Retaliation Inter-Agency Roundtable hosted by the U.S. Department of Labor, Occupational

# INSPECTIONS AND EVALUATIONS

The following summaries highlight evaluations, inspections, and assessments conducted throughout the DoD OIG. These are conducted by three components of the OIG—Special Plans and Operations (SPO), Intelligence and Special Program Assessments (ISPA), and Policy and Oversight (P&O).

## Intelligence

### Evaluation of U.S. Intelligence and Information Sharing with Coalition Partners in Support of Operation Inherent Resolve

The DoD OIG evaluated the effectiveness of current DoD policies, governance, procedures, and guidelines for sharing classified military information and terrorism information with coalition partner nations in support of Operation Inherent Resolve (OIR). This evaluation determined that DoD guidance and policies allow sharing information with OIR partner nations, but there are opportunities to improve the processes and application of DoD policies and procedures for sharing information with coalition partner nations. The DoD OIG report, which is classified, made five recommendations to help reduce delays and improve information sharing with coalition partner nations in a contingency operation environment. Management agreed with the recommendations

**Report No. DODIG-2016-081 (Classified)**

### Evaluation of United States Army Counterintelligence Investigations and Evidence Handling Procedures

The DoD OIG evaluated whether Army counterintelligence investigative activities and evidence handling procedures in the continental United States complied with Executive Order 12333, DoD policy, and Army regulations. This evaluation determined that the Army was conducting counterintelligence investigative activities and evidence handling procedures in accordance with Executive Order 12333, DoD policy, and Army regulations. However, the Army did not have a policy for entering subjects of Limited Counterintelligence Assessments into

the Defense Central Index of Investigations, as outlined by DoD Instruction 5505.07, “Titling and Indexing Subjects of Criminal Investigations in the Department of Defense,” January 27, 2012; Army Regulation 381-10, “U.S. Army Intelligence Activities,” May 3, 2007; and Army Regulation 381-45, “Investigative Records Repository,” May 31, 2013. A Limited Counterintelligence Assessment is a local file initiated to determine if an incident or matter is of counterintelligence interest. The Defense Central Index of Investigations contains reference to investigative records created and held by the DoD Components, which include counterintelligence investigative records.

The DoD OIG report, which is classified, recommended that the Director, U.S. Army Counterintelligence, Human Intelligence, Disclosure and Security (G-2X), authorize sending Limited Counterintelligence Assessments to the Investigative Records Repository so subject information from Limited Counterintelligence Assessments can be indexed into the Defense Central Index of Investigations. Management agreed with the recommendation.

**Report No. DODIG-2016-110 (Classified)**

## The Nuclear Enterprise

### Evaluation of the Integrated Tactical Warning and Attack Assessment Ground-Based Radars

The DoD OIG evaluated whether the materiel condition of the Integrated Tactical Warning and Attack Assessment Ground-Based Radars was adequate to allow it to perform and sustain its required capabilities. DoD OIG personnel visited geographically dispersed radar sites and evaluated each site’s maintenance, infrastructure, funding, and management processes.

The DoD OIG report, which is classified, made five recommendations to ensure that:

- maintenance, testing, and funding responsibilities are clearly defined;
- critical nuclear command, control, and communications maintenance issues will be prioritized and unfunded items at each site will be resourced; and

- electrical power plants at all sites will be electromagnetic pulse protected, spare parts issues will be solved, and quality assurance processes for the Integrated Tactical Warning and Attack Assessment Ground-Based Radar sites will be corrected.

Management agreed with the recommendations.

**Report No. DODIG-2016-133 (Classified)**

### Evaluation of DoD Nuclear Enterprise Governance

The DoD OIG evaluated whether responsibilities and authorities for nuclear weapons, nuclear weapons systems, and the DoD nuclear command and control systems were effectively aligned within the generally accepted roles of the offices of the Secretary of Defense, the Joint Staff, and ad hoc and statutory committees. The DoD OIG also examined decision-making processes, interdepartmental coordination, and any gaps, seams, and overlaps between the evaluated offices and committees.

The DoD OIG determined that responsibilities and authorities for nuclear weapons, nuclear weapons systems, and DoD nuclear command and control systems were properly aligned and understood by the individual offices. However, the DoD has not created all required oversight structures, and some new governance structures were not codified. This evaluation found that a lack of interdepartmental coordination led to gaps, seams, and overlaps in nuclear enterprise governance. This evaluation also found that decision-making processes, including risk-management and prioritization, were rarely documented. The DoD OIG recommended that the DoD ensure requirements and capabilities are met and continually assessed. The DoD agreed to implement the majority of the recommendations, and is preparing additional comments to the final report's request to consider the remaining recommendations. This report is classified.

**Report No. DODIG-2016-125 (Classified)**

## Equipping and Training Afghan Security Forces

### Assessment of U.S. and Coalition Efforts to Train, Advise, and Assist the Afghan National Army Special Operations Forces (ANASOF)

The objective of this project was to determine the extent to which the U.S. and Coalition had met its goal to train, advise, and assist the Afghan National Army Special Operations Forces (ANASOF) to conduct combat operations. This report published five findings in the areas of training, advising, and assisting the ANASOF to conduct combat operations; enforcement of published policies; logistics support; Afghan National Army (ANA) Special Operations Command budget authority; and command relationships between ANA Corps Commanders and ANA Special Operations Command units.

The report contains recommendations to the Commander, Combined Security Transition Command–Afghanistan and the Commander, Resolute Support, including coordination with the Commander, NATO Special Operations Component Command–Afghanistan. The intent of the recommendations is to enhance the U.S. and Coalition mission to train, advise, and assist the ANASOF to conduct combat operations. Management agreed with all recommendations. This report is classified.

**DODIG-2016-140 (Classified)**

## Facilities Inspections

### U.S. Military-Occupied Facilities Inspection–King Abdullah II Special Operations Training Center

The DoD OIG inspected U.S. military-occupied facilities at the King Abdullah II Special Operations Training Center (KASOTC) for compliance with DoD health and safety policies and standards regarding electrical and fire protection systems. The DoD OIG also conducted a radiation survey to determine whether background radiation levels from the building materials posed an unacceptable health risk.

The inspection identified a total of 286 deficiencies that could affect the health, safety, and well-being of the warfighters. Of the total deficiencies, 77 were critical deficiencies requiring immediate corrective action and were described in a September 2015 Notice of Concern memorandum that was issued to the commanders of U.S. Central Command and U.S. Army Central (USARCENT). The majority of the deficiencies

identified during the inspections resulted from insufficient inspection and inadequate maintenance. For the radiological assessment, the annual individual dose based on radiation measurements obtained from natural background radiation and from building materials at KASOTC was determined to be comparable to the average annual background external radiation dose (less than 1.0 mSv) individuals receive in the United States. At these levels, there are no demonstrable radiation-induced health effects.

The DoD OIG recommended that the Commander, USARCENT, conduct a root-cause analysis and implement a corrective action plan for all 286 deficiencies identified in the report, create and execute a plan for ongoing inspections and maintenance of all U.S. military-occupied facilities at KASOTC, and ensure that inspection and maintenance of these locations complies with applicable electrical and fire protection safety codes and standards. Management agreed with the recommendations.

**Report No. DODIG-2016-106**

## **Military Housing Inspection - Camp Buehring, Kuwait**

The DoD OIG inspected U.S. military-occupied housing facilities at Camp Buehring, Kuwait, for compliance with DoD health and safety policies and standards regarding electrical and fire protection systems. The inspection identified a total of 538 deficiencies that could affect the health, safety, and the well-being of the warfighters. Of the total deficiencies, 198 related to electrical systems and 340 related to fire protection systems. The majority of those deficiencies were due to insufficient inspection, inadequate maintenance, lack of an effective maintenance and inspection plan, and ineffective project oversight. In addition, Camp Buehring did not have any permanent, Government-employed master electricians or fire protection engineers; the maintenance contract did not require that the contractor perform electrical maintenance to any specific standard; and the contract inspection, testing, and maintenance requirements for fire alarm and fire protection systems did not reference the appropriate Unified Facilities Criteria.

The DoD OIG recommended that the Commander, USARCENT, conduct a root cause analysis and implement a corrective action plan for all 538 deficiencies identified in the report, create and execute a plan for ongoing inspection and maintenance of all U.S. military-occupied facilities at Camp Buehring, and ensure that the

buildings and the maintenance of these locations comply with applicable electrical and fire protection safety codes and standards. Management agreed with the recommendations.

**Report No. DODIG-2016-139**

## **Other Evaluations**

### **Evaluation of the Air Force Office of Special Investigations' Conduct of Internet-Based Operations and Investigations**

The DoD OIG evaluated the procedures used by AFOSI to initiate and participate in Internet-based operations and investigations with Federal, state, and civilian law enforcement agencies' Internet crimes task forces. The objective of the evaluation was to determine whether AFOSI had sufficient policy guidance and supervisory oversight governing Internet-based operations such as Internet Crimes Against Children (ICAC).

The DoD OIG determined that AFOSI lacked specific policy addressing its special agents' roles during ICAC operations, which contributed to violations of applicable DoD policy. These violations were the result of AFOSI special agents participating in prohibited investigative activities with civilian law enforcement agencies before establishing a reasonable likelihood of a subject's military affiliation. The DoD OIG also determined that DoD policy had not been updated to include the reasonable likelihood standard articulated in a recent court case, *United States v. Dreyer*, 767 F.3d 826 (9th Cir. 2014), affirmed in part, remanded in part, *United States v. Dreyer*, 804 F.3d 1266 (9th Cir. 2015) (*en banc*).

The DoD OIG found that AFOSI policy did not clearly define the roles and responsibilities of special agents regarding Internet-based operations nor did it require the execution of memorandums of understanding for participation in ICAC task forces. During the course of evaluation, the AFOSI revised its policy, and it now provides clear guidance governing its agents' participation in ICAC operations.

The DoD OIG recommended that DoD policy be clarified to reflect the reasonable likelihood standard in *United States v. Dreyer*. Management agreed with the recommendations.

**Report No. DODIG-2016-075**

### Evaluation of the Separation of Service Members Who Made a Report of Sexual Assault

In accordance with House Report 114-102, to accompany Public Law 114-92 “National Defense Authorization Act (NDAA) for Fiscal Year 2016,” the DoD OIG evaluated the separations of certain service members who made unrestricted reports of sexual assault. Specifically, the DoD OIG evaluated whether the Services carried out separations of service members who made unrestricted reports of sexual assault for Nondisability Mental Conditions (NDMC), in compliance with DoD policy. The NDMCs included:

- Personality Disorder,
- Adjustment Disorder,
- Disruptive Behavior Disorder,
- Impulse Control Disorder,
- Mental Condition,
- Other, and
- Condition, Not a Disability.

Of the 498 NDMC separation records requested from the Services, 108 records were either missing or incomplete, and the Services did not complete 239 of the 355 separations evaluated as required by guiding policy. Additionally, 254 associated DD Forms 214, “Certificate of Release or Discharge from Active Duty,” August 1, 2009, had Separation Program Designator codes that did not coincide with the diagnosed NDMCs. As a result, numerous service members had inaccurate DD Forms 214. The inaccurate DD Forms 214 may adversely affect the DoD’s ability to analyze trends related to the NDMC separations as required by DoD policy and violate service members’ rights to have an accurate record of their service.

The DoD OIG recommended that DoD policy be updated to establish management control procedures for separating service members for NMDC to ensure service members are properly counseled and separations are processed and recorded accurately. Management agreed with the recommendations.

**Report No. DODIG-2016-088**

### Evaluation of Complaint Regarding the Handling of Sexual Assault and Drug Investigations at the U.S. Air Force Academy (USAFA)

At the request of Senator Kirsten Gillibrand (D-NY) and Senator John Thune (R-SD), the DoD OIG evaluated alleged mishandling of sexual assault and drug investigations at the U.S. Air Force Academy. Specifically, the DoD OIG evaluated whether:

- The former USAFA Superintendent impeded the AFOSI investigations by denying its request to interview the USAFA head football coach.
- The former USAFA Superintendent impeded the AFOSI criminal investigations when he allowed a “star” football player to play in a 2011 post-season football game even though the football player was the subject of an AFOSI criminal investigation for alleged drug use, in contravention to the USAFA’s zero tolerance policy.
- A USAFA Air Officer Commanding (AOC) impeded an AFOSI sexual assault investigation by informing a cadet suspect he was the target of planned AFOSI investigative activity.

The DoD OIG also evaluated all sexual assault and drug investigations conducted by the AFOSI pertaining to USAFA cadets between September 2011 and December 2012 to determine if the investigations were conducted in accordance with DoD and AFOSI guiding policies.

The OIG DoD did not substantiate that:

- The former USAFA Superintendent impeded the AFOSI investigations by denying its request to interview the USAFA head football coach. Although the former USAFA Superintendent did deny an AFOSI special agent’s request to interview the head football coach—an interview the DoD OIG determined to be a logical investigative step and thus concluded that he did hinder the investigation—his action did not rise to the level of impeding the investigation.
- The former USAFA Superintendent impeded AFOSI criminal investigations when he allowed a USAFA cadet football player to participate in the 2011 post-season Military Bowl football game while the cadet was the subject of an AFOSI criminal investigation. The OIG DoD determined that AFOSI requested the former USAFA Superintendent

allow the cadet football player to play in the game in order to prevent the compromise of AFOSI's ongoing narcotics investigations. Consequently, the Superintendent agreed to allow the football player to play in the game.

- A former USAF Academy squadron commander impeded an AFOSI sexual assault investigation by informing a cadet suspect he was the target of planned AFOSI investigative activity. There was no evidence that the now-retired commander informed the cadet suspect of the planned investigative activity.

The DoD OIG further concluded that all sexual assault and most drug investigations conducted by AFOSI between September 2011 and December 2012 were conducted in accordance with guiding policies.

The DoD OIG recommended that the AFOSI Commander ensure that AFOSI special agents conducting criminal investigations document in the case file when there is perceived command influence or the reason logical investigative steps were not conducted, as required by AFOSI policy. The AFOSI Commander agreed with the recommendation.

Although not requested to comment, the current USAFA Superintendent stated the recognition of prior cadet misconduct caused the USAFA to refocus and enhance its culture and climate. The Superintendent stated that as a result, the USAFA has instituted a series of initiatives directed at improving USAFA culture, climate, and diversity.

**Report No. DODIG-2016-096**

## Assessment of the Department of Defense Military Critical Technologies Program

The DoD OIG assessed the effectiveness of the Militarily Critical Technologies Program and its compliance with applicable DoD policy. The DoD OIG found that DoD Instruction 3020.46, "The Militarily Critical Technologies List (MCTL)," October 24, 2008, no longer accurately reflects the process that the DoD uses to identify critical technologies and is not a reliable technical reference for the export control community. The Militarily Critical Technologies List has not been updated since 2011.

The DoD OIG recommended that the Under Secretary of Defense for Acquisition, Technology, and Logistics determine if the requirement in the Export

Administration Act for a critical technologies list is currently being met by means other than the Militarily Critical Technologies List and adjust policy to reflect that determination. The DoD OIG also recommended that Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense for Policy inform the internal and external export control stakeholder community that the Militarily Critical Technologies List is not being updated and should not be used as a technical reference.

Management agreed with the recommendations.

**Report No. DODIG-2016-109 (For Official Use Only)**

## Evaluation of DoD Biological Safety and Security Implementation

DoD-owned and operated laboratories use biological select agents and toxins (BSAT) to conduct research. This research is critical for the development of public health and medical tools, such as vaccines, drugs, and sensors, to protect civilian and military populations. Since these select agents and toxins are inherently dangerous to laboratory workers and the public, Congress enacted legislation that required oversight of all laboratories that use these pathogens. The DoD OIG's evaluation of oversight at DoD laboratories that use BSAT was ongoing, when, in May 2015, DoD leadership learned that the Army's Dugway Proving Ground in Utah had, over the course of the last decade, sent low concentrations of a live anthrax spores to dozens of facilities in the United States and abroad.

The DoD OIG evaluation report found that DoD laboratories had been inspected irregularly, or not at all, and had not always been inspected by teams with a sufficient level of experience and expertise. As a result, the laboratories had significant deficiencies and vulnerabilities that DoD management did not correct. The report recommended the appointment of a single executive agent to:

- conduct standardized inspections,
- track all inspection results,
- develop and implement training for BSAT laboratory inspectors,
- ensure all inspection teams have sufficient expertise and experience,

- implement a scientific peer review function addressing all biosafety and biosecurity issues; and
- coordinate inspections of BSAT laboratories with the Centers for Disease Control and Prevention and the U.S. Department of Agriculture's Animal and Plant Health Inspection Service and develop combined inspection criteria.

In addition, the DoD OIG recommended that DoD leadership develop guidance that requires the laboratories to include vulnerability assessment findings during inspections. Management agreed with all recommendations.

#### ***DODIG-2016-078***

### **Evaluation of the Accuracy of Data in the DoD Contract Audit Follow-Up System**

The DoD OIG evaluated the accuracy of data in the Contract Audit Follow-Up (CAFU) System. DoD Components use CAFU to track and manage the status of actions that contracting officers take in response to Defense Contract Audit Agency (DCAA) audit reports. In FY 2014, DCAA audit reports questioned \$10.7 billion in proposed DoD contractor costs. The data residing in the CAFU is also summarized and included in the biannual DoD OIG's Semiannual Report (SAR) to Congress. The data in the CAFU need to be accurate to ensure that reported DCAA audit findings are appropriately resolved in a timely manner to ensure information published in the SAR is correct.

The DoD OIG evaluation determined that of the 50 CAFU reportable audit records tested, 41 records (82 percent) included inaccurate information in one or more data fields. Each record includes up to 20 data fields with information on each DCAA report. In total, 100 data fields had errors. The errors caused a \$2.6 million overstatement of Questioned Cost in the CAFU. Additionally, in 15 instances, Defense Contract Management Agency (DCMA) contracting officers entered inaccurate Questioned Cost Sustained amounts in the CAFU that resulted in overstating Questioned Cost Sustained in CAFU by \$8.4 million. The DoD OIG also detected errors in the CAFU information while compiling CAFU information for its semiannual report to Congress. For example, a CAFU error could have caused a \$1.97 billion overstatement of Questioned Cost Sustained in the March 31, 2014, SAR if the DoD OIG

had not detected it. The CAFU data errors adversely impact DoD management's ability to rely on the CAFU as a tool for tracking contracting officer actions on DCAA audit reports.

The DoD OIG recommended that the Directors of DCAA and DCMA provide refresher training and modify agency procedures and related internal controls that will improve the CAFU data accuracy and help ensure compliance with applicable DoD policy. Management agreed with the recommendations.

#### ***Report No. DODIG-2016-091***

### **DoD Freedom of Information Act Policies Need Improvement**

At the request of the Chairman of the Senate Committee on Homeland Security and Governmental Affairs, the DoD OIG determined whether noncareer officials were adversely affecting the Freedom of Information Act (FOIA) response process at the DoD between January 2007 and July 2015. The evaluation did not disclose any instances of a noncareer official influencing the FOIA response process. However, the DoD OIG found that the DoD Deputy Chief Management Officer's Transparency Office had not updated DoD FOIA policies to reflect current FOIA requirements, as required by DoD policy. In addition, the Transparency Office issued informal guidance on notification procedures for "significant" FOIA releases that was not incorporated into the DoD Regulation 5400.7-R, "DoD Freedom of Information Act Program." The DoD OIG recommended that the Deputy Chief Management Officer update FOIA-related policies including formal notification procedures for "significant" FOIA releases. Management partially agreed with the recommendations and provided other corrective actions that were acceptable to the DoD OIG.

#### ***Report No. DODIG-2016-124***

## Ongoing Work

The following are examples of ongoing evaluations being conducted by SPO, ISPA, and P&O.

- An evaluation to assess the U.S. and Coalition efforts to train, advise, assist, and equip the Kurdish Security Forces to conduct operations against the Islamic State of Iraq and the Levant (ISIL).
- An evaluation to assess the DoD's oversight of the Wounded Warrior Transition Program to determine whether the Office of Warrior Care Policy effectively assessed and monitored the performance of the Integrated Disability Evaluation System, specifically for recovering warriors.
- An evaluation to determine the effectiveness of the Defense Cover Program's oversight process.
- An evaluation to determine the sustainment and modernization of the National Airborne Operations Center mission.
- An evaluation to determine whether the Navy and the Air Force are organized, trained, and equipped to provide Explosive Ordnance Disposal capabilities to the nuclear weapon mission.
- An evaluation of contracting officer actions on cost accounting standard noncompliances reported by DCAA to determine whether the contracting officer actions taken in response to selected DCAA reports complied with the Federal Acquisition Regulation and DoD policy.
- An evaluation of the Military Criminal Investigative Organization (MCIO) investigations of sexual assaults with adult victims to determine whether the MCIOs completed investigations as required by the DoD, the Military Services, and MCIO policy.
- An evaluation to verify whether the Recovered Chemical Warfare Material Program is in compliance with the Federal and local laws, regulations, and DoD policies and guidelines for environmental health and safety.

## POLICY AND OVERSIGHT

The DoD OIG provides policy, guidance, and oversight for the DoD's audits and investigations. The DoD OIG also provides analysis and comments on all proposed draft DoD policy issuances and operates the DoD OIG subpoena and contractor disclosure programs.

### Audit Policy and Oversight

#### Reviews of Single Audit Reports

In accordance with the Public Law 98-502, "Single Audit Act of 1984," as amended by the Public Law 104-156, "The Single Audit Amendments of 1996," the mission of the DoD OIG Single Audit Program is to provide policy guidance, direction, and coordination with DoD Components and other Federal agencies on matters related to single audits of DoD Federal Awards (Federal Financial Assistance and Cost-Reimbursement Contracts) received or administered by state governments, local governments, institutions of higher education, and nonprofit organizations. The DoD OIG provides technical audit advice to auditors and auditees, conducts reviews of audit reports, advises auditors and auditees of audit report deficiencies, and conducts quality control reviews of selected single audits.

DoD OIG completed 45 reviews of single audit reports, involving \$3 billion in DoD dollars. The reviews resulted in the issuance of 48 memorandums to DoD-awarding components identifying 114 single audit report findings, including \$25.5 million of questioned costs that require DoD resolution actions.

The DoD OIG also issued the following report on a quality control review performed to determine compliance with auditing standards.

- Report No. DODIG-2016-138, "Quality Control Review of the Dixon Hughes Goodman LLP FY 2014 Single Audit of Logistics Management Institute," September 29, 2016, reported that Dixon Hughes Goodman LLP's audit contained quality deficiencies that affect the reliability of the audit results and require corrective action. Specifically, the auditors did not adequately perform audit procedures for their review of the procurement, suspension, and debarment; cash management; reporting; and sub

recipient monitoring compliance requirements. As a result, Dixon Hughes Goodman LLP needs to complete additional audit work to support its audit conclusions before Federal agencies can rely on the overall opinion on the Logistics Management Institute's compliance with requirements for the research and development cluster. Additionally, the DoD OIG identified a deficiency in the review of indirect costs for the allowable costs/cost principles compliance requirement that needs to be addressed in future audits.

## Criminal Investigative Policy

The DoD OIG evaluates the performance of and develops policy for DoD criminal investigative components, such as the DoD agencies, the Army CID, NCIS, and AFOSI that have criminal investigators. During the reporting period, the DoD OIG issued the following three policies that affected DoD criminal investigative agencies.

### **DoDI O-5505.09, "Interception of Wire, Electronic, and Oral Communications for Law Enforcement," November 27, 2013; Incorporating Change 2, Effective May 18, 2016**

DoD Instruction O-5505.09 was updated to (1) remove the requirement for headquarters-level legal reviews for wire, electronic, and oral intercepts and allow the legal reviews to be conducted at the regional level, thereby reducing an administrative burden for the MCIOs and (2) enhance the approval process for consensual intercepts.

### **DoDI 5505.02, "Criminal Investigations of Fraud Offenses," August 29, 2013, Incorporating Change 1, Effective June 10, 2016**

DoD Instruction 5505.02 was changed to establish procedures for the MCIOs and DCIS to notify the Director of the Office of Government Ethics of any referrals related to possible violations of conflicts of interest involving current or former Government officers or employees.

### **DoDI 5525.12, "Implementation of the Amended Law Enforcement Officers Safety Act of 2004 (LEOSA)," February 13, 2014, Incorporating Change 1, August 1, 2016**

DoD Instruction 5525.12 was changed to permit qualified, current law enforcement officers to transfer from one DoD Component to another without a background check as long as certain criteria are met. The instruction also allows a qualified retired law enforcement officer to obtain an identification card before obtaining a firearms qualification, but reiterates that for the identification card to be valid, it must be accompanied by a valid firearms qualification as defined in 18 U.S.C. § 926C(c)(4).

## Subpoena Program

The DoD OIG's authority to issue subpoenas is based on section 6 of the IG Act of 1978, as amended. A DoD OIG 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 OIG investigation, audit, or evaluation; and
- the subpoena cannot be unreasonably broad or burdensome.

According to the IG Act, the DoD OIG can issue subpoenas to obtain business, personnel, financial, and state and local Government records. Records obtained by subpoena may also be used to locate witnesses, confirm statements made by witnesses or subjects, and provide other relevant information.

From April 1 through September 30, 2016, the DoD OIG issued 454 subpoenas.

Figure 2.15 DoD OIG Subpoenas Issued, April 1–September 30, 2016

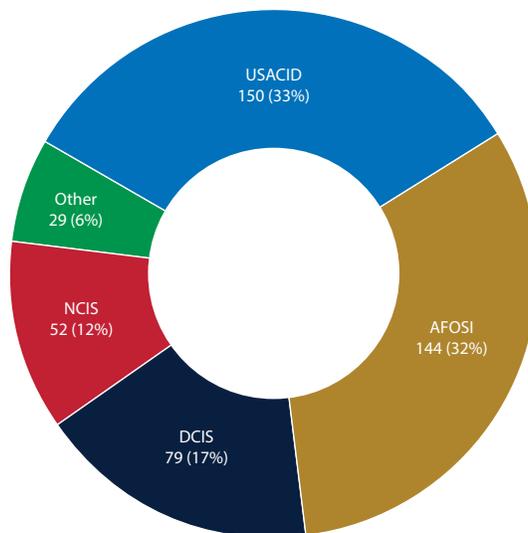
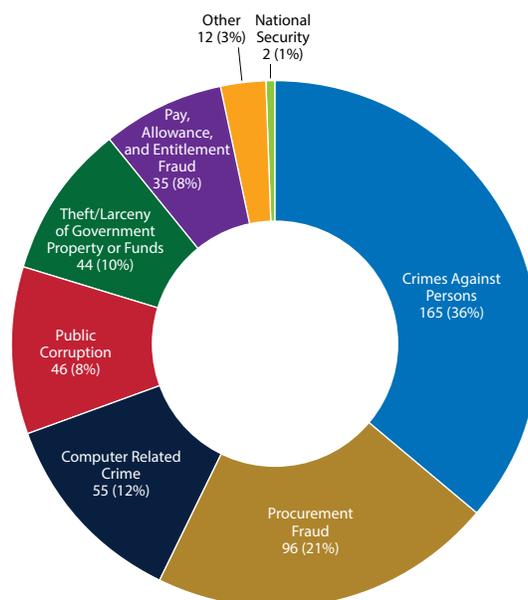


Figure 2.16 Subpoenas Requested by Type of Investigation, April 1–September 30, 2016

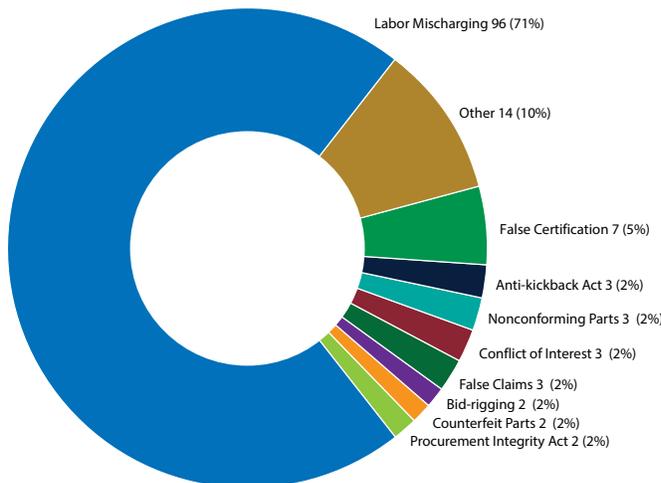


## Contractor Disclosure Program

A contractor disclosure is a written disclosure by a DoD contractor or subcontractor to the DoD OIG that addresses credible evidence that the contractor or subcontractor has committed a violation in connection with the award, performance, or closeout of a contract or any subcontract. Such disclosures are required by FAR Rule 2007-006, which implements Public Law 110-252, “The Close the Contractor Fraud Loophole Act.”

From April 1, 2016, through September 30, 2016, the DoD OIG received 135 contractor disclosures.

Figure 2.17 Contract Disclosures by Type, April 1– September 30, 2016



## Ongoing Work

The following are examples of ongoing audit and investigative oversight work being conducted by the DoD OIG’s Policy and Oversight component.

- A review of the Army Internal Review Audit Function to determine whether the policies and procedures related to the system of audit quality are suitably designed and operating effectively.
- At the request of the Secretary of Defense, an investigation to determine the validity of assertions made by the former United Launch Alliance (ULA) Vice-President of Engineering. His assertions, made at a seminar hosted by the University of Colorado Boulder’s Aerospace Engineering Sciences Department, related to competition for National Security Space launch missions and whether the United States Air Force Space and Missile Systems Center properly awarded contracts to ULA in accordance with DoD and Federal regulations.
- An investigation into allegations that DoD officials conveyed inaccurate or misleading information to Congress in connection with the selection of Royal Air Force Croughton, United Kingdom, as the location for a Joint Intelligence Analyses Complex.

## LEAD INSPECTOR GENERAL

The DoD OIG’s Overseas Contingency Operation (OCO) component supports Lead IG responsibilities and oversight coordination related to named OCOs. The component coordinates with the senior representatives from the Department of State OIG, the U.S. Agency for International Development OIG, and other OIGs, as appropriate, to fulfill responsibilities to coordinate OCO oversight, develop interagency strategic oversight plans, and produce quarterly reports on the operations and oversight of the OCOs.

According to the FY 2013 NDAA, the chair of CIGIE must designate a Lead IG for an OCO no later than 30 days after the commencement or designation of the military operation as an OCO that exceeds 60 days. The Lead IG for an OCO must be designated from among the IGs for the DoD, the Department of State, and the U.S. Agency for International Development. The OIGs for these agencies are responsible for staffing and supporting the Lead IG in ensuring that comprehensive oversight is conducted and reporting is provided over all aspects of the contingency operation.

On March 31, 2015, the Lead IG began issuing quarterly reports for each contingency operation, detailing the oversight work conducted by the Lead IG agencies and its partner agencies. Quarterly reports to Congress for each OCO and related oversight activities are submitted separately and can be accessed online at <http://www.dodig.mil/OCO/index.cfm>. There are currently two designated OCOs.

Operation Inherent Resolve (OIR) is the U.S. strategy, with coalition partners, to degrade and destroy the terrorist group known as ISIL. On October 17, 2014, the Secretary of Defense designated OIR as a contingency operation. Pursuant to section 8L of the IG Act of 1978, as amended, the CIGIE Chair designated the DoD IG as the Lead IG for OIR, who then appointed the DOS IG as the Associate IG.

In OIR, the U.S. strategy involves several agencies and multiple lines of effort to deny ISIL safe haven, prevent the flow of funds and fighters to ISIL, address humanitarian crises in the region, and expose ISIL’s true nature.

The United States continues to lead The Global Coalition to Counter ISIL, which includes more than 60 countries that joined with Iraq to defeat this terrorist group.

Operation Freedom’s Sentinel (OFS) provides the framework for continued U.S. support to Afghanistan to help it build and sustain an enduring security capability. On January 1, 2015, the Secretary of Defense designated OFS as a contingency operation. On April 1, 2015, the CIGIE Chair designated the DoD IG as the Lead IG for OFS, who then appointed the DOS IG as Associate IG. OFS has two complementary missions: (1) continue counterterrorism efforts against al-Qaeda, the Islamic State-Khorasan (IS-K), and their affiliates in Afghanistan to prevent their resurgence and their plotting against U.S. targets, including the homeland; and (2) conduct a “train, advise, and assist” program to improve the capabilities and long-term sustainability of the Afghan National Defense and Security Forces under the Resolute Support mission of the North Atlantic Treaty Organization.

The three Lead IG agencies coordinate with Special Inspector General for Afghanistan Reconstruction (SIGAR) and the other oversight partners of the Southwest Asia Joint Planning Group as it relates to OFS.

### Lead IG Hotline

The DoD OIG has dedicated a Lead IG Hotline investigator to proactively discuss the hotline and coordinate the contacts received through the hotline among the Lead IG agencies and others. The investigator conducts education and outreach on preventing, detecting, and reporting fraud, waste, and abuse as it relates to OIR and OFS activities.

As part of the effort, the Lead IG Hotline representative conducts in-theater fraud awareness briefings and training events for commanders, service members, DoD civilians, contractors, and facility directors at military installations throughout Iraq, Kuwait, Qatar, and Afghanistan. In addition, the representative works closely with Joint Staff and in-theater CENTCOM IGs on hotline matters and conducts outreach with the Services IG hotline coordinators to educate them on Lead IG focus areas. Through these periodic efforts, the Lead IG Hotline representative maintains open lines of communication with rotating commanders and staff and communicates the presence and accessibility of the DoD OIG to deployed military, civilian, and contractor personnel.



Airmen deliver fuel to Coalition bases in Iraq in support of Operation Inherent Resolve.

Source: [www.af.mil](http://www.af.mil)

During the reporting period, the Lead IG Hotline representative coordinated the contacts received through the hotline among the Lead IG agencies and others. For OIR, the hotline representative coordinated 178 contacts and opened 154 cases, which were referred within the DoD OIG, the Lead IG agencies, or other investigative organizations. The representative also received 142 contacts related to OFS and opened and similarly referred 90 cases for review and, as appropriate, investigation. The majority of the contacts received during this period related to personal misconduct and other personal matters, as well as criminal allegations.

## Lead IG Outreach and Interagency Initiatives

In April 2016, the DIG-OCO led a team of senior DoD OIG personnel to Al Udeid Air Base in Qatar to meet with senior Air Force Central Command officials. The team received briefings on the planning and execution of the air campaign, including the range of assets and capabilities, supporting OIR. In September 2016, the DIG-OCO led another team to Kuwait to visit deployed employees and command officials to discuss oversight efforts.

In June 2016, the Acting DoD Deputy IG for Investigations traveled to Kuwait and Qatar to meet with Air Force and Army leaders to obtain a better understanding of operational realities, Air Force contracting efforts, and possible areas of focus for fraud prevention and

detection. The Acting DoD Deputy IG for Investigations also traveled to Camp Arifjan, Kuwait, to meet with senior leaders of Combined Joint Task Force-OIR to discuss the contracting footprint in the theater of operations and efforts in the fight against fraud.

In September 2016, a team of senior DoD OIG personnel visited facilities in Kuwait and Afghanistan to discuss oversight efforts and witness ongoing activities. These outreach and coordination trips were in addition to visits by project teams conducting oversight or special agents who are leading investigations.

## OCO Planning and Coordination

The OCO component coordinates and publicizes the annual compilation of scheduled and ongoing audits, evaluations, and inspections relating to OIR and OFS. Through this coordination, the component identifies gaps and overlaps in oversight projects and develops a comprehensive oversight plan.

The Deputy IG for OCO is also the Chair of the interagency Southwest Asia Joint Planning Group, which publishes an annual compendium of all ongoing and planned oversight projects conducted within the U.S. Central Command area of responsibility, called the Comprehensive Oversight Plan for Overseas Contingency Operations.

## OCO Reports

The OCO component publishes quarterly reports in each OCO. These quarterly reports provide information involving each OCO and current, ongoing, and future oversight work conducted by the Lead IG and its partner agencies throughout the year. During this reporting period, the OCO component published two quarterly reports on each of the OCOs, totaling 14 quarterly reports since its inception. Furthermore, the three Lead IG agencies together have published a total of 60 reports on completed oversight projects.

In support of the Lead IG, the OIGs of DoD, DoS, and the USAID are conducting 46 OIR and 40 OFS audits, assessments, and evaluations. Additionally, the OIGs are conducting 47 OIR and 25 OFS investigations.

The following are highlights of Lead IG oversight work conducted by the DoD OIG during the reporting period for OIR and OFS. Some of these reports are described in more detail in the Audit and Inspection and Evaluation sections of this semiannual report.

### Evaluation of U.S. Intelligence and Information Sharing With Coalition Partners in Support of Operation Inherent Resolve

The DoD OIG evaluated the effectiveness of current DoD policies, governance, procedures, and guidelines for sharing classified military information and terrorism information with coalition partner nations in support of OIR. This evaluation determined that the DoD guidance and policies allow sharing information with OIR partner nations, there are opportunities to improve the processes and application of DoD policies and procedures for sharing information with coalition partner nations. Management agreed with the recommendations. This report is classified.

***DODIG-2016-081***

### Additional Controls Needed to Issue Reliable DoD Cost of War Reports That Accurately Reflect the Status of Air Force Operation Inherent Resolve Funds

The DoD OIG determined whether the Air Force was adequately accounting for DoD funds supporting OIR through its Cost of War execution report. In addition, based on the results of DoD OIG's preliminary research, the DoD OIG also examined the Cost Of War report to determine if it satisfied legal requirements to report financial information for contingency operations.

The DoD OIG found that the Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller underreported \$237.9 million in obligations and \$209.9 million in disbursements due to inadequate controls over the processing and reporting of Air Force OIR costs. The DoD OIG also found that the DoD inaccurately reported Air Force OIR costs in its third quarter FY 2015 Cost of War reports and did not issue the Cost of War reports in a timely manner. The DoD OIG concluded that significant underreporting of cost and publication delays diminished the relevance of the information provided to Congress and to the Government Accountability Office for making informed budget decisions.

The DoD OIG recommended that Air Force officials develop and implement standard operating procedures, which include operation-specific guidance, to ensure personnel enter necessary costs into CORAS and the Air Force officials should adjust CORAS to reflect accurate FY 2015 costs. In addition, DFAS Enterprise Solutions and Standards and Air Force officials should update CORAS business rules to ensure OIR costs are accurately reported. Either Deputy Comptroller officials should coordinate with Congress to adjust the Cost of War reporting requirements or Deputy Comptroller officials should assign the resources necessary to issue the Cost of War report on time, automate preparing the Cost of War report, and revise OCO reporting instructions for FY 2016 to meet public law reporting requirements. Management addressed all specifics of the recommendations. However, the Deputy Comptroller only partially addressed the recommendation. The DoD has requested additional comments to this report.

***DODIG-2016-102***

### U.S. Military-Occupied Facilities Inspection—King Abdullah II Special Operations Training Center

The DoD OIG inspected U.S. military-occupied facilities at King Abdullah II Special Operations Training Center (KASOTC) to verify compliance with DoD health and safety policies and standards regarding the electrical and fire protection systems, and conducted a radiation survey to determine whether background radiation levels from the building materials posed an unacceptable health risk. The inspection found 286 deficiencies that could affect the health, safety, and well-being of the warfighters. Of the 286 deficiencies, 154 related to fire

protection and 132 related to electrical systems. The DoD OIG determined that 77 of deficiencies were critical and required immediate corrective action. Management agreed with the recommendations.

***DODIG-2016-106***

**U.S. Army Central Support Element-Jordan Did Not Implement Controls To Effectively Maintain Facilities at the Joint Training Center-Jordan**

The DoD OIG conducted this audit to determine whether the DoD was effectively maintaining facilities at the Joint Training Center—Jordan, which is a contingency base occupied by elements of the Jordanian Armed Forces and allied partners. The audit found that the Army made significant life, health, and safety improvements throughout FY 2016 at the Joint Training Center, including replacing flooring in several housing units, rewiring entire housing blocks, and purchasing new housing units but did not adequately coordinate with the Jordanian Armed Forces to ensure U.S. occupied facilities were effectively maintained. These problems occurred because, prior to 2016, no formalized agreement existed between the U.S. Army and Jordanian components outlining how the DoD would be reimbursed for maintenance performed at U.S. occupied facilities owned by the Jordanian Armed Forces.

***DODIG-2016-115***

**The Army Did Not Implement Effective Controls To Maintain Visibility and Accountability of Iraq Train and Equip Fund Equipment**

The objective of this audit, the third in a series of audits on property accountability in support of OIR, was to determine whether the Army had effective controls for processing and transferring Iraq Train and Equip Fund (ITEF) equipment to the government of Iraq. The audit found that Army commands documented procedures for processing and transferring ITEF equipment to the Government of Iraq. However, the 1st Theater Sustainment Command did not have effective controls to maintain complete visibility and accountability of the ITEF equipment in Kuwait and Iraq prior to transfer to the government of Iraq, and could not provide complete data for the quantity and dollar value of equipment on hand, including rolling stock and ammunition.

***DODIG-2016-134***

**Improvements Needed in Managing Scope Changes and Oversight of Construction Projects at Camp Lemonnier, Djibouti**

The DoD OIG determined whether the DoD was constructing facilities in accordance with legislative authorities and providing adequate quality assurance and oversight of military construction projects at Camp Lemonnier, Djibouti. The DoD OIG non-statistically selected and evaluated 2 of 17 Camp Lemonnier military construction projects with combined estimated costs of \$65.2 million. The audit determined that the Naval Facilities Engineering Command, Atlantic, did not obtain necessary approval, initiate the congressional notification process for scope changes to the Ammunition Supply Point project, or provide adequate oversight for the Bachelor Enlisted Quarters and Ammunition Supply Point projects.

***DODIG-2016-141***

**Military Housing Inspection - Camp Buehring, Kuwait**

The DoD OIG inspected U.S. military-occupied housing facilities at Camp Buehring, Kuwait to verify compliance with DoD health and safety policies and standards regarding electrical and fire protection systems. The inspection found significant deficiencies in electrical and fire protection systems. The DoD OIG identified a total of 538 deficiencies that could affect the health, safety, and the well-being of the warfighters—198 related to electrical systems and 340 related to fire protection systems. The majority of these deficiencies were due to insufficient inspection, inadequate maintenance, lack of an effective maintenance and inspection plan, and ineffective project oversight. Management agreed with the recommendations.

***DODIG-2016-139***

**Designation of Contracting Officer's Representatives and Oversight Framework Could Be Improved for Contracts in Afghanistan**

The objective of this audit was to determine whether contracting officer's representatives were properly appointed and trained, and were able to effectively perform their oversight responsibilities for contracts performed in Afghanistan. The audit determined that

contracting officer's representatives in Afghanistan generally met training requirements, but were not properly appointed after contracting officer's representatives designation guidelines were revised. Management agreed with the recommendations.

***DODIG-2016-131***

**Assessment of U.S. and Coalition Efforts to Train, Advise, and Assist Afghan National Army Special Operations Forces (ANASOF)**

The objective of this project was to determine the extent to which the U.S. and Coalition had met its goal to train, advise, and assist the Afghan National Army Special Operations Forces (ANASOF) to conduct combat operations. This classified report contains five findings resulting in eight recommendations. This report is classified.

***DODIG-2016-140 (Classified)***

**Joint Improvised-Threat Defeat Agency Needs to Improve Assessment and Documentation of Counter-Improvised Explosive Device Initiatives**

The DoD OIG conducted an audit of the Joint Improvised-Threat Defeat Agency (JIDA) to determine whether it effectively managed initiatives for rapid deployment on the battlefield. The audit found that, when followed, the agency processes to identify, validate, and prioritize requirements for countering improvised explosive devices and to develop, demonstrate, and deliver solutions to the battlefield were effective. In addition, the audit found that the JIDA was unable to finalize conclusions on required assessments of 8 of 95 counter-IED initiatives because not enough data were available to analyze. As a result, for the 95 initiatives, valued at \$1.6 billion, the JIDA spent \$112.5 million for eight counter IED initiatives without showing evidence that the solutions were proven to help the warfighter in countering improvised explosive devices. Management agreed with the recommendations.

***Report No. DODIG-2016-120***

## Ongoing Work

The following are examples of ongoing audits, inspections, evaluations, and assessments being conducted by the Lead IG and its partner agencies.

- An evaluation of Intelligence, Surveillance, and Reconnaissance (ISR) Capability Allocation Process for OIR to evaluate whether or not decisions on ISR capability allocations for OIR were supported by a comprehensive cost-benefit assessment of U.S. Central Command's priority intelligence and cost-benefit analysis tools used in the capability generation process.
- An assessment of the DoD, U.S. Central Command, and Coalition plans and efforts to train, advise, assist, and equip the Kurdish Security Forces to conduct operations against ISIL.
- An assessment of U.S. and Coalition efforts to train, advise, assist, and equip the Iraqi Counterterrorism Services and the Iraqi Special Operations Forces in support of operations against ISIL.
- An evaluation of the Syria Train and Equip Program's compliance with provisions authorized under the 2015 National Defense Authorization Act, Section 1209. In addition, the DoD OIG will determine the validity of a DoD Hotline complaint concerning program execution.
- An audit to determine whether the DoD provided effective contract oversight of the Army Heavy Lift contracts.
- An inspection of the overall programs and operations of the Bureau of Population, Refugees, and Migration and to assess the effectiveness of its humanitarian support activities in Iraq, Syria, and neighboring countries.
- An audit to determine whether the Department of State is obtaining terrorism-related information, reporting that information for watch-listing purposes, and properly screening visa applicants for ties to terrorism.
- An audit to determine whether the Department of State has complied with the process for vetting nonlethal aid recipients in Syria, and whether the assistance provided has been used as intended.
- An audit to determine whether USAID awarded, obligated, modified, monitored, and reported funds according to established requirements, and the costs incurred were supported, allowable, allocable, and reasonable in accordance with established requirements and award provisions.



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## Enabling Mission Areas

# CONGRESSIONAL TESTIMONY AND BRIEFINGS

## Congressional Testimony and Briefings

The DoD OIG participates in congressional hearings and briefings and responds to letters, phone calls, and e-mails from congressional committees, congressional staff, and individual Members of Congress.

### Hearings

On April 15, 2016, Jacqueline L. Wicecarver, Acting Deputy Inspector General for Audit, DoD OIG, testified before the House Committee on Armed Services, Subcommittee on Oversight and Investigations, in a hearing entitled, “Evaluating DoD Investments: Case Studies in Afghanistan Initiatives and U.S. Weapons Sustainment.” Ms. Wicecarver testified on the DoD OIG findings and recommendations in Report No. DODIG-2016-052, “Defense Logistics Agency (DLA) Aviation Can Improve its Processes to Obtain Restitution From Contractors That Provide Defective Spare Parts.” Ms. Wicecarver testified that DLA Aviation did not pursue and obtain appropriate restitution from contractors that supplied defective parts. Ms. Wicecarver’s written statement can be accessed online at <http://www.dodig.mil/pubs/testimony.cfm>.

On September 7, 2016, Glenn A. Fine, Principal Deputy Inspector General Performing the Duties of the DoD IG, testified before the House Committee on Oversight and Government Reform, Subcommittee on National Security, in a hearing entitled, “Oversight of the Department of Defense Office of Inspector General’s Military Whistleblower Reprisal Investigations.” Mr. Fine testified regarding OIG whistleblower reprisal investigations, the growth of the caseload, and improvements the OIG is making in its investigative program. Mr. Fine’s written statement can be accessed online at <http://www.dodig.mil/pubs/testimony.cfm>.



**Acting Deputy Inspector General for Audit Jacqueline L. Wicecarver**  
Source: DoD OIG



**Principal Deputy Inspector General Glenn Fine**  
Source: DoD OIG



## Meetings With Congressional Members and Staff

During the reporting period, the DoD OIG conducted 48 meetings and participated in numerous phone calls with congressional staff and Members of Congress. Topics of discussion included pending legislation and:

- an ongoing investigation of allegations that U.S. Central Command intelligence reports were distorted to support a positive portrayal of success in the U.S. mission in Iraq to assist the Iraqi Army to defeat ISIL;
- a congressionally directed review of allegations that inaccurate or misleading information was intentionally conveyed to Congress in connection with the selection of Royal Air Force Croughton, United Kingdom, as the location for a Joint Intelligence Analysis Complex;
- an audit report on DLA aviation parts; and
- oversight work coordination in Afghanistan with SIGAR to avoid overlap.

## Congressional Requests

The Office of Legislative Affairs and Communications serves as the point of contact in the DoD OIG for communications with Congress and the media. During the reporting period, the office received 66 new congressional inquiries and conducted audits and reviews in response to congressional interest and statutory mandates. In addition, the office proactively informs congressional staffers about OIG reports and OIG work.

The following are examples of congressionally directed reviews that were concluded during this reporting period.

- DODIG-2016-084, “Evaluation of Ammunition Data Cards,” April 29, 2016
- DODIG-2016-088, “Evaluation of the Separation of Service Members Who Made a Report of Sexual Assault,” May 9, 2016
- DODIG-2016-096, “Evaluation of a Complaint Regarding the Handling of Sexual Assault and Drug Investigations at the U.S. Air Force Academy,” June 21, 2016
- DODIG-2016-097, “DoD Generally Provided Effective Oversight of AbilityOne® Contracts,” June 17, 2016
- DODIG-2016-124, “DoD Freedom of Information Act Policies Need Improvement,” August 16, 2016

## Council of the Inspectors General on Integrity and Efficiency

CIGIE was statutorily established as an independent entity within the Executive Branch by the “The Inspector General Reform Act of 2008.” Its purpose is to address integrity, economy, and effectiveness issues that transcend individual government agencies, and to 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. During the reporting period DoD IG leadership served on CIGIE’s Audit, Inspections and Evaluations, Investigations committees and the Transition Working Group.

During the reporting period, the Acting DoD IG chaired the CIGIE Presidential Transition Working Group. This group produced a Presidential Transition Handbook for transition teams, as well as new Administration officials, many of whom will not be familiar with the role of IGs. It is also designed to provide a quick overview of the role of IGs, their processes, the types of reports they issue, their mandatory reporting requirements, their unique roles and responsibilities, and their potential role in the Presidential transition. The report can be accessed online at CIGIE’s website at <https://www.ignet.gov/>. The Acting DoD IG also served on CIGIE’s Audit, Inspections and Evaluations, and Investigations.

## Defense Council on Integrity and Efficiency

The DCIE is chaired by the DoD IG and meets on a quarterly basis to ensure effective coordination and cooperation between and among the activities of the DoD IG, the Defense agencies, and the activities of the internal audit, inspection, and investigative organizations of the Military Departments with a view toward avoiding duplication. The DCIE functions as a forum for discussions among the members of the DCIE regarding opportunities, within the programs and operations of the DoD, for “leadership and coordination [in] activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations” (IG Act, Section 2(2)). These opportunities address but need not be limited to audit, inspection, and investigative policies and projects outside the jurisdiction of an individual DCIE member organization. The DCIE has six standing committees: Audit, Administrative Investigations, Criminal Investigations, Information Technology, Inspections and Evaluations, and the Defense Intelligence and Special Programs Oversight Committee.

During the reporting period the DCIE focused on issues related to professional training, coordination oversight work and joint planning groups, standardization of reprisal investigations, efforts to increase transparency, and coordination of OCO under the Lead IG.



**CIGIE Inspection and Evaluation Fundamentals Training**  
Source: DoD OIG

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Services



# MILITARY SERVICE AUDIT AND INVESTIGATIVE AGENCIES

The Military Service audit and investigative agencies are key components of the DoD oversight community. These agencies conduct audits and investigations of activities, programs, functions, and criminal activity solely within their Military Service.

Included in this section are the submissions from the Services summarizing significant audit reports issued by the U.S. Army Audit Agency (USAAA), the Naval Audit Service (NAVAUDSVC), and the Air Force Audit Agency (AFAA). Appendix B provides a full list of audit reports issued by the DoD OIG and the Service audit agencies.

This section also includes submissions by the MCIOS describing the results of significant investigations performed by the MCIOS that resulted in criminal, civil, and administrative actions. The MCIOS are the Army Criminal Investigation Command (Army CID), the Naval Criminal Investigative Service (NCIS), and the Air Force Office of Special Investigations (AFOSI).

## ARMY

### U.S. Army Audit Agency

To accomplish its mission, the USAAA relies on a work force of highly trained professional auditors, many with advanced degrees and professional certifications. The USAAA has 525 employees and is organized into 17 functional audit teams that provide audit support to all aspects of Army operations.

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

During the second half of FY 2016, the USAAA published 76 reports, made over 275 recommendations, and identified \$1.8 billion in potential monetary benefits. A few of USAAA's significant reports are described in the following paragraphs.

### Army Nontactical Vehicles Leased in CONUS

The USAAA conducted this audit to verify that the size of the Army's nontactical vehicle (NTV) fleet was appropriate and that underutilized vehicles were returned. The audit focused on the Army's use of 26,075 leased passenger-carrying vehicles (15-person and below) in FY 2013 and FY 2014 as reported in the GSA Fleet Drive-Thru system.

The USAAA found that leased passenger vehicles were not meeting the annual utilization goal of 10,000 miles (about 833 miles per month) as required in Army Regulation 58-1, "Management, Acquisition, and Use of Motor Vehicles." Of 26,075 leased passenger vehicles, 13,400 (more than half) did not meet the mileage goal as required in the Regulation. This occurred because the Army did not have a centralized approach to manage its leased NTV fleet. Specifically, the Assistant Chief of Staff for Installation Management, the proponent of NTV policy, did not have the authority to require Army organizations to turn in or not renew leases for NTVs that did not meet utilization requirements; there was no control on the number NTV accounts with the GSA; there was not a formal process to justify keeping vehicles with low mileage; and vehicles were not evaluated based on alternative, nonmileage criteria. Of the 13,400 underutilized passenger vehicles, 3,969 (about 30 percent) did not achieve an average of 400 miles per month (less than half of the monthly goal). As a result, the Army maintained a surplus leased NTV fleet of at least 3,969 vehicles, and there was not a process in place to ensure that underutilized vehicles were properly managed or returned to GSA.

The USAAA recommended that the Army establish NTV policy changes and additional authority to oversee the Army's NTV program and take action to streamline how the Army NTV fleet is managed. The USAAA also recommended that the Army return underutilized vehicles to GSA immediately. If it is not economically feasible to return the vehicles, the Army should cross level (provide them to Army organizations with vehicles eligible for turn in, rather than acquiring new leases) the underutilized vehicles. The USAAA estimated that, at a minimum, eliminating the 3,969 underutilized vehicles from the Army's inventory would save about

\$60.7 million. The Assistant Chief of Staff for Installation Management agreed with the recommendations and methodology and believes there may be larger savings.

**Report No. A-2016-0078-IEO**

### Financial Audit Readiness at U.S. Army Special Operations Command

The USAAA conducted this audit to verify that the U.S. Army Special Operations Command (USASOC) had sufficient processes and controls to support and sustain financial audit readiness. The USAAA reviewed the processes that the USASOC used for testing internal controls and the impacts of those tests on audit readiness.

The USAAA determined that the USASOC did not have sufficient processes in place to measure whether controls were working effectively to support and sustain audit readiness. Internal control testing of contracts, Military Interdepartmental Purchase Requests (MIPR), and Government purchase card transactions showed that 2,576 of 3,851 (about 67 percent) internal control tests failed. Units did not submit documentation during testing because the USASOC did not ensure testing guidance established a standardized process for maintaining and retrieving supporting documents. Also, USASOC personnel were not properly trained to complete internal control testing, and supporting documents did not exist at the time of testing. In addition, the USAAA identified that documentation controlled by DFAS and Army contracting activities was not readily available to USASOC personnel. These internal control failures occurred due to USASOC process weaknesses and command not exercising oversight of audit readiness. As a result, the USASOC could not provide assurance that any of the sample transactions, totaling \$28.5 million, had proper support to achieve audit readiness.

The USAAA recommended that the Commanding General, USASOC, improve the command's processes in place to achieve an audit-ready state. Specifically, the USAAA recommended that the USASOC identify standardized processes for obtaining and submitting supporting documentation; provide training on those processes; identify and implement a process for approving and disseminating corrective action plans for audit readiness; and complete a financial audit readiness tool for compiling and trending monthly audit samples. The Commanding General, USASOC, agreed with the findings and recommendations.

**Report No. A-2016-0079-FMR**

### Audit of Fixed-Wing Aircraft Requirements

The USAAA audited the Army fixed-wing requirements for mission support aircraft and the process to develop contractor logistics support (CLS) budget estimates to support fixed-wing aircraft for the FYs 2017 through 2021 Program Objective Memorandum. The USAAA issued two reports in this area—one report covered fixed-wing aircraft use and the other report covered contractor logistics support funding for fixed-wing aircraft requirements.

The USAAA determined that the requirement for 4 of 23 aircraft reviewed was not validated by the Deputy Chief of Staff, G-3/5/7. Of the four aircraft that were not validated, two were not justified based on mission requirements. Additionally, of the 19 aircraft that were validated by DCS, G-3/5/7, one aircraft was not justified based on mission requirements. The Fixed Wing Project Office had a reasonable process in place to identify CLS budget estimates. For the FYs 2017 through 2021 Program Objective Memorandum, the office developed CLS funding requirements of \$1.6 billion for 253 fixed-wing aircraft. However, the project office included the CLS for aircraft that should not have been included. Specifically, it included CLS funding for one C-20F aircraft that was planned for divestiture in FY 2017 and nine Medium Altitude Reconnaissance and Surveillance System aircraft that were non-enduring, quick-reaction capabilities and funded with OCO funds. The project office also included full CLS funding in the same fiscal year for aircraft being divested as well as replacement aircraft.



**Fixed-Wing Aircraft**

Source: [www.army.mil](http://www.army.mil)

The USAAA recommended that the Deputy Chief of Staff, G-8, adjust requirements that could save the Army about \$8.5 million by using excess aircraft to meet other mission requirements. The DCS, G-8, agreed with the recommendation and the reasonableness of the potential monetary benefits. The USAAA recommended that the Project Manager, Fixed Wing Project Office, reduce the CLS requirements for fixed-wing aircraft by \$129 million for FYs 2017 through 2021 and, for future POM submissions, use 65 percent of the full CLS budget for aircraft divested and replaced in the same fiscal year. The Fixed Wing Project Office agreed with the recommendations and took action during the audit to adjust its FYs 2018-2022 Program Objective Memorandum submission to reflect the reduction to fixed wing CLS requirements.

**Report No. A-2016-0086-ALA and A-2016-0126-ALA**

### Basic Allowance for Subsistence—Soldiers Authorized to Mess Separately

The Secretary of the Army identified basic allowance for subsistence pay for Government-provided meals during field duty an Army material weakness. As a result, the Secretary of the Army required the Deputy Chief of Staff, G-1, to revalidate soldiers in grades E1 through E6 living barracks authorized to mess (eat) separately. The USAAA verified that the Army performed the required revalidation of soldiers authorized to mess separately and took appropriate action as needed. The USAAA audited controls over soldiers with meal cards and soldiers authorized to mess separately.

The USAAA determined that the Deputy Chief of Staff, G-1, did not provide sufficient support to show it revalidated 100 percent of the soldiers that were authorized to mess separately. Although the directorate received e-mails from commanders with the intent to revalidate the soldiers' authorization, the information was not used to improve controls and processes over separate messing. Specifically, the Army Directive that intended to improve the controls over basic allowance for subsistence remained in draft, leaving controls weak and decentralized. As a result, the Army did not know how many soldiers were authorized to mess separately, sometimes did not deduct pay from soldiers issued meal cards, and had a food cost operating loss of about \$207.2 million in 2014.

The USAAA recommended that the Deputy Chief of Staff, G-1, complete corrective actions to collect overpayments to soldiers identified in the sample and to ensure soldiers with meal cards continue to have deductions in pay. If corrective actions are taken, the Army would save about \$80,000 between FYs 2016 and 2021. The USAAA also recommended that Deputy Chief of Staff, G-1, and the Deputy Chief of Staff, G-4, discontinue the meal card program and transition to a "pay as you go" system at two select dining facilities per year to achieve potential monetary benefits of \$270 million between FYs 2016 and 2021. Both the Deputy Chief of Staff, G-1, and Deputy Chief of Staff, G-4, agreed with the recommendations and the Deputy Chief of Staff, G-1, agreed with the potential monetary benefits over the Program Objective Memorandum.

**Report No. A-2016-0091-FMF**

### Large Scale Renewable Energy Projects: Project Validation

The Deputy Assistant Secretary of the Army (Energy and Sustainability) requested that the USAAA audit large-scale renewable energy projects because it is a key initiative to help the Army meet its future goals of developing one gigawatt of renewable energy and supporting energy security. The USAAA focused on project validation—the second phase of the life cycle approach—and conducted the audit to verify that large-scale projects were sufficiently supported by a life-cycle cost analysis (LCCA) and enhanced energy security in accordance with applicable directives.

The USAAA reviewed 11 large-scale projects in the project validation phase and determined that the Office of Energy Initiatives addressed energy security requirements. However, some improvements were needed to ensure that all LCCA factors were sufficiently supported. The USAAA review of two selected projects—a solar project and a combined heat and power project—showed that the Office of Energy Initiatives sufficiently supported most of the 16 or 17 key factors selected for review. However, its process for developing and supporting the methodology and updating the LCCA for three key factors was not sufficient to ensure that projected energy cost savings were clearly presented. Specifically, key personnel did not develop and use the correct kilowatt-hour factor and update the escalation rate and estimated production factors for the status quo alternatives to show the impact on savings. Additionally,

the USAAA's analysis showed that using incorrect information for factors could significantly change estimated cost savings. Although the two projects were still economically viable, these conditions primarily happened because the Office of Energy Initiatives guidance and level of oversight were not sufficient. As a result, the project's LCCAs may not include the most reliable information available for Army leadership to make key decisions on a project's potential cost, energy production, and economic viability. Furthermore, the potential risk exists for moving forward with multiyear projects that aren't cost-effective or able to achieve other intended benefits.

The USAAA recommended that the Deputy Assistant Secretary of the Army (Energy and Sustainability) document the rationale and methodology used to update the solar project's LCCA to ensure it remains economically viable; use updated cost factors for the combined heat and power project's LCCA to document that the project remains economically viable; and issue guidance and assign oversight responsibilities to monitor compliance and to generate period reports to leadership. The Office of Energy Initiatives provided the official Army position on behalf of the Deputy Assistant Secretary of the Army (Energy and Sustainability) and generally agreed with the report's conclusion and recommendations.

**Report No. A-2016-0097-IEE**

### Army Security Clearance Processes

The USAAA evaluated selected aspects of the Army's security clearance processes for soldiers on active duty or Reserve status, civilians, and contractors. The USAAA verified that the Army had controls in place to identify, report, and track derogatory information for personnel with an active security clearance and to properly grant and monitor interim clearances.

The USAAA determined that the Deputy Chief of Staff (DCS), G-2, established policies for identifying and reporting derogatory information and developed security training. Although installation security managers had processes in place to identify and report derogatory information for soldiers, they generally relied on civilian and contractors to self report. However, some commanders and supervisors did not consistently apply reporting requirements. This occurred because personnel required to take training were often not aware of or did not complete the training, and commands did not track completion of the training. Additionally,

guidance from the DCS, G-2, did not clearly define what constituted a credible derogatory event and timely reporting. As a result, individuals who may pose a threat may have access to classified information. The DCS, G-2, established controls for granting interim clearances, and installation security managers generally granted interim clearances properly. However, security managers sometimes did not maintain supporting documentation and did not consistently monitor the granted interim clearances. This occurred because guidance from the DCS, G-2, did not address the need to maintain documentation and did not require security managers to periodically review and remove unwarranted interim clearances. As a result, individuals could be a security risk when derogatory events are not reported and could have access to classified information for years without having a favorably adjudicated clearance.

The USAAA made five recommendations to improve the security clearance process and the DCS, G-2, concurred with them. The USAAA recommended that the DCS, G-2, direct commanders to develop and implement a method to track and document training; require security managers to ensure all cleared personnel complete the initial and annual refresher security training; and develop a process for sharing relevant information among security managers. The USAAA also recommended that the DCS, G-2, revise guidance and issue interim guidance to define when a derogatory incident becomes credible and timely reporting of that incident and require security managers to review all available sources of local records checks and maintain supporting documentation used to grant interim clearances.

**Report No. A-2016-0103-IEP**

### Followup Audit of the Contracts for the Guard Recruiting Assistance Program

The USAAA reviewed corrective actions that the Assistant Secretary of the Army, Acquisition, Logistics, and Technology and the National Guard Bureau took to implement recommendations from the Audit Report A-2013-0128-MTH, "Contracts for the Guard Recruiting Assistance Program," August 1, 2013. The USAAA verified that the commands implemented the recommendations and that the corrective actions achieved the desired benefits.

The USAAA determined that The Assistant Secretary of the Army, Acquisition, Logistics, and Technology implemented two recommendations, and the

National Guard Bureau implemented 4 of the 10 recommendations from the prior audit report. However, the corrective actions implemented for only three of the four recommendations achieved the desired results from reorganization actions improved oversight over the National Guard Bureau's contracting actions and improved the training for contracting personnel. Three other recommendations, one implemented by the Assistant Secretary of the Army, Acquisition, Logistics, and Technology, and two implemented by the National Guard Bureau, did not achieve desired results. These three recommendations required the command to develop policies and procedures to place emphasis on ethics and conduct in all service contracts and to ensure appropriate reviews and approvals for each phase of the contract life cycle. Factors that contributed to preventing the commands' actions from achieving the desired effects included insufficient training, absence of specific performance objectives related to policies and procedures, and the need for additional requirements in guidance from the National Guard Bureau's Office of the Principal Assistant Responsible for Contracting to support a transparent review. Lastly, the National Guard Bureau did not implement 4 of the 10 recommendations because command's implementation was either in progress or the command had not taken specific actions to meet the intent of the recommendation. The four recommendations addressed the need to increase internal reviews of high-risk contracts and annual procurement management reviews.

The USAAA made seven recommendations to the Chief, National Guard Bureau, to enable the command to improve the contracting process. These recommendations included updating National Guard Bureau instructions related to the review of contracting documents; updating contracting officer responsibilities; providing additional annual training to contracting personnel; and providing additional oversight through the conduct of audits of service contracts by the National Guard Bureau's Internal Review Office.

The National Guard Bureau concurred with six of the seven recommendations and nonconcurred with one recommendation. The National Guard Bureau did provide alternative actions that USAAA believed met the intent of the recommendation.

**Report No. A-2016-0119-MTH**

### **Institutional Training Directed Lodging and Meal Program**

The USAAA audited the Army Institutional Training Directed Lodging and Meal Program to verify that the centers of excellence and schools were providing authorized students with Government meals and lodging during training and properly charging the Army's centralized account.

The USAAA performed the audit at four Centers of Excellence (schools) and determined that the Army generally had sufficient controls in place for the authorized students' lodging. However, the Centers of Excellence (schools) did not have sufficient controls over student meals. Specifically, three of the four training installations visited were not aware of the Institutional Training Directed Lodging and Meal Program policy, and the installations were either were not giving Government-provided meals to their students during training or were issuing incorrect meal cards to soldiers. Also, logistics readiness centers at the training installations did not have sufficient resources to provide sufficient Government oversight on contractor-operated dining facilities to verify that headcount personnel accurately recorded meals for each student. As a result, the Army's centralized account was not charged for all entitlements that soldiers should have received during their training. In addition, USAAA used statistical sampling techniques to evaluate whether soldiers who graduated from a training course during the period March 1, 2014 to June 30, 2015 received the proper per diem. USAAA's review projected that about 19 percent of the soldiers' chains of command approved travel reimbursement for full meal per diem, valued at about \$11.6 million per year, on days that soldiers should have been provided Government meals during their training.

The USAAA made 12 recommendations to the Deputy Chief of Staff, G-3/5/7; the U.S. Army Training and Doctrine Command; and the U.S. Army Sustainment Command to develop controls to ensure that the Institutional Training Directed Lodging and Meal Program policy was implemented at the Centers of Excellence (schools), and management agreed with the recommendations. Specifically, the USAAA recommended that the Deputy Chief of Staff, G-3/5/7, incorporate guidance from the Institutional Training Directed Lodging and Meal Program Handbook into AR 350-1, "Army Training and Leader Development," to strengthen its impact. The USAAA also recommended

that the Training and Doctrine Command and the U.S. Army Sustainment Command develop controls at the various Army Centers of Excellence (schools) to make sure the Institutional Training Directed Lodging and Meal Program policies were being followed and to develop metrics to track the program's improvement. If the Army implements the recommendations, it could save \$58 million in potential monetary benefits over the next 5 fiscal years.

**Report No. A-2016-0122-FMF**

### Controls Over Military Leave

The USAAA conducted this audit at the request of the Assistant Secretary of the Army, Financial Management and Comptroller. The USAAA reviewed four Active Component subordinate commands and one Reserve Component command to verify that controls over military leave were sufficient to ensure that absences from duty were properly accounted for and charged. The USAAA also conducted a limited review of the automated leave log program in the Army National Guard.

The USAAA determined that the controls at these commands did not sufficiently ensure that military leave was properly processed and charged. As a result, 24 soldiers were not charged for 467 days of leave, which, if sold back, would cost the Army about \$47,000. In addition, Active Component battalion personnel did not compare leave logs to DFAS reports to identify and correct discrepancies or submit leave forms in a timely manner, which were submitted 41 days late on average. These conditions occurred because command S-1 leadership did not ensure that procedures were performed properly, the Army did not require subordinate commands to retain personnel accountability reports, and company commanders did not ensure accuracy of personnel accountability reports. The USAAA observed controls in the Army National Guard's automated leave log program that could potentially correct the issues identified during the audit.

The USAAA made four recommendations to improve the Army's controls over military leave. Management agreed with the recommendations and planned to research and take action as needed to correct the leave of the identified soldiers. Additionally, the Office of the Deputy Chief of Staff, G-1, and the U.S. Army Human Resources Command will issue guidance to clarify leave procedures and retention of records and update Army Regulation, AR 600-8-6, "Personnel Accounting and Strength

Reporting." The automation of the leave procedures will be in the Integrated Personnel and Pay System-Army to be released in FY 2020.

**Report No. A-2016-0124-MTH**

### Sexual Assault-Related Phone Numbers—Rounds Six and Seven

With the endorsement of the former Secretary of the Army, the USAAA continued testing the responsiveness of Army staff at the phone numbers listed on the DoD Safe Helpline website. Test calls were made to assess the responsiveness of sexual assault response coordinators or victim advocates to calls made to these offices. Due to congressional reporting requirements for data concerning sexual assault incidents in the Armed Forces, it is critical to ensure that the Army have controls in place to ensure that sexual assault victims could successfully contact a sexual assault response coordinator or a victim advocate. Additionally, the USAAA assessed the corrective actions taken by the Office of the Deputy Chief of Staff, G-1, and the Director, Department of the Army's Sexual Harassment/Assault Response and Preventive Program, to implement recommendations one through six from a previous audit report, A-2014-0046-MTH, "Sexual Assault-Related Phone Numbers—First Three Test," February 13, 2014.

The USAAA determined that the Army significantly improved its response rate (94 percent) for sexual assault victims to contact a sexual assault response coordinator or a victim advocate using phone numbers posted on the DoD Safe Helpline website. However, the USAAA identified inconsistencies regarding voicemail greetings for the sexual assault response coordinators and victim advocates. Specifically, 35 percent (51 of 145) of installation websites reviewed in round seven did not follow established website guidance requiring the posting of the DoD Safe Helpline and the installation's primary 24/7 phone numbers on websites. This occurred because interim guidance was not clear and systemized in Army regulations. Additionally, Army commands did not provide sufficient oversight for voicemail contents and the Army's Sexual Harassment/Assault Response and Prevention Hotline information on installation websites. The USAAA also determined that Office of the Deputy Chief of Staff, G-1, met the intent of four of the six recommendations from audit report A-2014-0046-MTH. However, control weaknesses remained because the office had not fully implemented two of the

recommendations regarding the review of monthly test call results and codifying all interim policies into an Army regulation. As a result, sexual assault victims who cannot reach a live sexual assault response coordinator or victim advocate may not know the available options that they have to receive support and services in a timely manner.

The USAAA recommended that the Deputy Chief of Staff, G-1, issue interim guidance to clarify the procedures to test 20 percent of sexual assault–related helpline phone numbers and the reporting process each month and to reissue interim guidance to clarify current Sexual Harassment/Assault Response and Prevention Hotline policies and procedures. The Deputy Chief of Staff, G-1, agreed with the recommendations and anticipates the release and publication of the revised guidance no later than November 15, 2016.

**Report No. A-2016-0125-MTH**

### **Audit of Equipment Fielding for the U.S. Army National Guard**

The Deputy Chief of Staff, G-8, requested the USAAA to verify if the U.S. Army National Guard (ARNG) had a sufficient process to establish requirements and manage funding for equipment fielding (new equipment training and displaced equipment training [NET/DET]) consistent with established priorities.

The USAAA determined that the Army did not have a sufficient process to establish NET/DET requirements and manage funding. Specifically, the Army calculated requirements using outdated cost factors rather than anticipated fieldings, the number of days needed for training, or the number of soldiers required to complete the training. In addition, the Army National Guard did not consistently use funding for its intended purpose. Of \$28.2 million received for FY 2015, the Army National Guard used about \$6.5 million (23 percent) for requirements other than NET/DET. At the state level, funding requests sometimes were inaccurate, and the Army National Guard did not know the actual cost for each fielding event. Additionally, the states inaccurately requested and received about \$678,000 for events not held during the first half of FY 2016. This occurred because the Army National Guard sometimes used discretionary flexibility to allocate funding to satisfy other requirements it deemed as higher priority and could not fully account for other funding sources used for NET/DET events. Additionally states developed annual funding requests with insufficient information and did

not make adjustments for events not held throughout the fiscal year; were unaware of requirements in the budget execution guidance for reporting NET/DET events; and sometimes did not receive training on reporting and tracking requirements.

As a result, the Army National Guard did not have assurance that requirements were accurate or that it used funding as intended. During the audit, the Army National Guard distributed guidance to state force integration readiness officers on NET/DET tracking and reporting processes.

The USAAA recommended that the Director, Army National Guard, issue guidance for states to apply funding from events that were not held to current NET/DET requirements or return the funding to support emerging new and displaced equipment training requirements. This guidance will ensure about \$678,000 is used for its intended purpose. The Army National Guard should also revise its annual budget execution guidance to replace annual funding requests with quarterly submissions to more accurately capture requirements. Process improvements should ensure the Army National Guard uses an estimated \$8.1 million for NET/DET requirements and existing shortfalls from FY 2016 through the FYs 2017 through 2021 Program Objective Memorandum. The Director, ARNG concurred with the findings, recommendations, and potential monetary benefits.

**Report No. A-2016-0129-ALA**

### **Multinational Force and Observers Reimbursable Account**

The Deputy Director, Army Budget, requested that the USAAA audit the Army’s Multinational Force and Observers reimbursable account due to concerns over management controls. The objective of this audit was to verify if the Army had effective management controls and procedures to account for and properly process reimbursements and offset credits to the Multinational Force and Observers reimbursable account.

The USAAA determined that the Army’s process for the Multinational Force and Observers reimbursable account did not have sufficient controls in place to ensure proper reimbursements to the Army, avoid overbilling or underbilling the Multinational Force and Observers, or to provide oversight of the reimbursable account. The guidance and processes used by the Army for managing the account were unclear and inconsistent on bill

calculations, recording costs and reimbursements, and payment due dates. The Army did not record all of the reimbursable costs in the accounting system or reconcile bills, costs, and reimbursements. Furthermore, there was not a separation of duties or oversight of bill preparation or receipts to reduce the risk of potential fraud. As a result, the Army Budget has not been properly reimbursing the Operations and Maintenance, Army and Military Personnel, Army Appropriations since at least 2010. As a result, the Army had an unused balance of about \$16.7 million in the Multinational Force and Observers reimbursable account. Based on guidance in DoD 7000.14-R, DoD Financial Management Regulation, these funds are no longer eligible to reimburse current Army appropriations for costs incurred.

The USAAA recommended that the Deputy Assistant Secretary of the Army for Budget implement oversight responsibilities and separation of duties over the Multinational Force and Observers bill; reconcile the Multinational Force and Observers bill on a quarterly basis to ensure timely reimbursements to Army appropriations; return the Multinational Force and Observers account balance to the U.S. Treasury as Miscellaneous Receipts; and update the Multinational Force and Observers guidance to reshape the Army's process for Multinational Force and Observers reimbursable account management. By improving guidance and internal controls over the process, Army appropriations will receive about \$3.4 million in reimbursements each year, providing about \$20.4 million over the Program Objective Memorandum years. The Director, ARNG, concurred with the findings, recommendations, and potential monetary benefits.

**Report No. A-2016-0132-FMF**

**U.S. Army Corps of Engineers Hurricane Sandy Recovery Program: Internal Controls (Contract Award Process)**

In late October 2012, Hurricane Sandy devastated portions of the Caribbean, mid-Atlantic, and northeastern United States. It caused estimated damages of \$20 billion and losses that included business interruptions surpassing \$50 billion. On January 29, 2013, President Obama signed the Disaster Relief Appropriations Act to provide \$50.5 billion in aid for Hurricane Sandy disaster victims and their communities. The U.S. Army Corps of Engineers (USACE) received more than \$5 billion to



**U.S. Army Corps of Engineers Hurricane Sandy Recovery Program**  
Source: [www.army.mil](http://www.army.mil)

The USAAA determined that USACE generally had internal controls to manage the program's contract award process. USACE had valid and supported requirements for most of the 32 contract actions (valued at \$376 million) selected for review. The controls were generally in place and worked to ensure that contractors were registered and eligible, contracting officers used appropriate solicitation and bidding, and contractors were qualified for awarded contracts. However, improvements were needed for the controls over approving projects for disaster relief funding; approval and certification of funds for requisition documents; and use of U.S. Army Contracting Command's Virtual Contracting Enterprise module called Paperless Contract File.

The USAAA recommended that Headquarters, USACE, improve controls for requisition documents and paperless contract file documentation, including recommendations to establish proper segregation of duties, review policies and procedures for certifying funds, and upload contracting documents into the paperless contract file as required by DoD directives. The Assistant Secretary of the Army (Civil Works) agreed with the recommendations and actions taken.

**Report No. A-2016-0128-IEE**

**Military Funeral Honors Program**

At the request of the Assistant Deputy Chief of Staff, G-1, the USAAA reviewed the Army Military Funeral Honors program to verify if it was properly structured to operate efficiently. Active Component, Army National Guard, and U.S. Army Reserve organizations and soldiers collectively performed the funeral honors mission throughout the

world to render honors to eligible military veterans upon request. The Casualty and Mortuary Affairs Operations Center within U.S. Army Human Resources Command was the program manager for the funeral honors program. In FY 2012 through FY 2014, the Army performed more than 473,000 military funeral honors ceremonies.

The USAAA determined that the Army performed military funeral honors missions effectively, but the program was not structured efficiently to operate as a total force mission. The program's policies and procedures were not consistent among the components, and there was not a centralized process to distribute funeral honors missions among the Active Army, Army National Guard, and U.S. Army Reserve. This occurred because of limited guidance to define the Army's military funeral honors program or assigned roles, responsibilities, and authorities for the program. As a result, the components operated their respective funeral honors program independently instead of as a total force mission. In addition, reporting of funeral honors requests and missions was incomplete and understated the number of ceremonies Army teams performed. The Army also spent about \$20 million from FY 2012 through FY 2014 to perform funeral honors ceremonies for veterans of other Services without reimbursement.

The USAAA made various recommendations to the Assistant Secretary of the Army (Manpower and Reserve Affairs), the Deputy Chief of Staff, G-1, and the Director, Army National Guard, to ensure that the military funeral honors program was operating efficiently, and management concurred with the recommendations. Among the recommendations, the USAAA recommended that an existing military funeral honors database module be established as the Army's official system of record for the program, that Army Regulation 638-8 (Casualty Program) be updated and an interim directive be published to define the program and responsibilities, and that the number of contractor support personnel be determined based on the number of ceremonies each state performs.

**Report No. A-2016-0139-MTH**

**Audit of Close Combat Tactical Trainers**

The Office of the Deputy Chief of Staff, G-3/5/7, Director of Training, requested that USAAA verify if the Office of the Deputy Chief of Staff, G-3/5/7, managed its inventory of Close Combat Tactical Trainers (CCTTs) to maximize its return on investment. The USAAA also



**Close Combat Tactical Trainers**

Source: [www.army.mil](http://www.army.mil)

verified if the Active Component and National Guard units appropriately used the inventory of Conduct of Fire Trainers, instead of the CCTTs, to increase gunnery proficiency levels.

The USAAA determined that the Office of the Deputy Chief of Staff, G-3/5/7, could improve the management of its inventory of CCTTs to ensure the Army maximized its return on this investment. For FYs 2013 through 2015, the CCTTs were generally used to train the soldiers in events (exercises) in accordance with the Combined Arms Training Strategy and other relevant guidance. However, a significant amount of CCTT training capacity was not used during this period. During FYs 2013 through 2015, about 82 percent (700,931 of 853,953) and 59 percent (100,396 of 170,596 hours) of the annual hours available to train for the Active Components and National Guard, respectively, were not used. This occurred because there were not prescribed requirements to use the CCTTs nor sufficient data collected to evaluate usage; Army units were not sufficiently knowledgeable about CCTTs and about incorporating them into their training plans; and the Warfighter FOCUS contract that provided contractor support did not sufficiently allow for fluctuations in requirements. The USAAA also determined that Army units used its CCTT inventory to increase soldier pre-gunnery proficiency as preparation for their gunnery qualification on the Conduct of Fire Trainers course. During FYs 2013 through 2015, an average of 12 percent (404 of 3,485 events) of the Active Component and 5 percent (101 of 1,972 events) of the National Guard units CCTT training were gunnery table events specifically identified as "not suitable" to conduct on the CCTTs. However, existing guidance did not explicitly prohibit the use of the CCTTs for these events.

The USAAA made recommendations to reduce the overall size of the CCTT program, which could save the Army about \$104.4 million for FYs 2017 through 2021. Additionally, the USAAA recommended that the Office of the Deputy Chief of Staff, G-3/5/7, prescribe the usage of the CCTTs and determine whether unsuitable gunnery training should be prohibited using CCTTs. The Deputy Chief of Staff, G-3/5/7, agreed with the audit findings, conclusions, and the intent of recommendations.

**Report No. A-2016-0144-MTT**

## U.S. ARMY CRIMINAL INVESTIGATION COMMAND

### Significant Investigative Cases

#### Rape Complaint Leads to 23 Years Confinement

This investigation was initiated by the Army CID in 2015 as a result of an allegation that Specialist Luke English raped his wife multiple times after restraining her with duct tape. Mrs. English was able to escape and report the sexual assault to the Military Police, Fort Bliss, Texas. Further investigation revealed Specialist English also assaulted a female with whom he had a relationship and met through an online dating site. When the female informed Specialist English of her intention to terminate the relationship, Specialist English threatened to murder his wife and commit suicide.

On July 29, 2016, English was found guilty of rape, sexual assault, attempted rape, assault, kidnapping, obstruction of justice, and communicating threats during a judge-alone general court martial at Fort Bliss. He was sentenced to 23 years confinement, reduction in rank to E-1, forfeiture of all pay and allowances, a dishonorable discharge, and was required to register as a sex offender.

#### Army Contractor Sentenced for Damaging Army Computers and False Official Statements

A joint investigation by the Army CID and the FBI was initiated in 2013 after Mr. Wei Chen, an Army contractor, connected removable USB media (portable storage device) to the Army's unclassified and classified secret-level network at Camp Buehring, Kuwait. During an interview, Mr. Chen admitted to inserting

an unauthorized device into the classified secret-level computer and to attempting to delete the network logs to conceal the security violations. Mr. Chen also admitted to serving in the Chinese People's Liberation Army and making false statements about his foreign military service when completing his Standard Form 86, "Questionnaire for National Security Positions."

Mr. Chen pleaded guilty to making a false statement and damaging a Government computer in the U.S. District Court for the District of Massachusetts, Springfield, Massachusetts. On May 5, 2016, he was sentenced to 6 months home confinement, 5 years of probation, an \$8,000 fine, and a \$200 special assessment.

#### Army Contractors Negotiate Settlement for Substandard Helmets for Combat Soldiers

An investigation was initiated by the Army CID and DCIS in 2010 after allegations that UNICOR, a sub-contractor of ArmorSource LLC, manufactured and provided substandard advanced combat helmet for combat soldiers. ArmorSource LLC provided the U.S. Army with helmets that failed to meet performance standards and were manufactured and tested with methods not in accordance with the contract. The substandard testing methods were directed by a civilian employee of UNICOR. Subsequently, the helmets failed ballistic safety tests and were recalled and removed from the U.S. Army inventory.

On March 7, 2016, the United States Attorney's Office, Eastern District of Texas, and the DOJ's Civil Division negotiated a civil settlement agreement with ArmorSource LLC in which ArmorSource LLC agreed to pay the U.S. Government \$3,087,366.63, including interest, over a 5-year period.



**Advanced Combat Helmet**

Source: [www.army.mil](http://www.army.mil)

## NAVY

### Naval Audit Service

The mission of the Naval Audit Service (NAVAUDSVC) is to provide independent and objective audit services to assist the Department of the Navy leadership in assessing risk to improve efficiency, accountability, and program effectiveness. The NAVAUDSVC develops an annual audit plan based on input from the Department of the Navy. All NAVAUDSVC audit work is designed to address critical areas that merit additional oversight within the Department of the Navy.

In the past 6 months, the NAVAUDSVC completed audits that address such critical areas as acquisition, receipt, and acceptances of goods and services; maintenance of ammunition and explosives storage facilities; and training of security force personnel. The NAVAUDSVC also conducted healthcare-related audits that found deficiencies related to drug testing and immunizations. The NAVAUDSVC assists reports for NCIS identified over \$300,000 in potential fraud that was related to salary and travel deficiencies. In the fiscal year ahead, the NAVAUDSVC will continue to provide the Department of the Navy commands with an expert and impartial assessment of critical areas and, when needed, make recommendations to help the Department of the Navy achieve greater efficiency and effectiveness in its operations.

#### Controls Over Government Commercial Purchase Card Program Across Department of the Navy/Assistant for Administration Activities and Field Offices

The objective of this audit was to verify that internal controls over the process for identifying and validating requirements and awarding, monitoring, and paying for service and product acquisitions across Department of the Navy Budget Submitting Office (BSO)-12 activities and field offices were in place, functioning effectively, and in compliance with applicable laws and regulations. This audit focused on Government Commercial Purchase Card (GCPC) transactions.

The NAVAUDSVC found that the Department of the Navy/Assistant for Administration's internal controls over the GCPC processes for identifying and validating

requirements, awarding, monitoring, and paying for service and product acquisitions were not always in place, functioning effectively, or in compliance with applicable laws and regulations. This occurred because no overarching Hierarchy Level 3 (Department of the Navy /Assistant for Administration) policies to standardize the GCPC procurement process were in place. Furthermore, the local activity level Internal operating procedures were either missing or some activities were not compliant with them. Internal control weaknesses also occurred due to insufficient oversight throughout the process that allowed for noncompliance with guidance. As a result, the lack of sufficient oversight of the GCPC program by the Department of the Navy / Assistant for Administration resulted in improper and unsubstantiated purchases. Also, the lack of oversight increases the risk of potential fraud, additional wasteful spending, and further abuse of the GCPC program in the future if left unchecked. Management agreed to take appropriate corrective action.

#### **Report No. N2016-0043**

#### Controls Over Military Interdepartmental Purchase Requests Across Department of the Navy/Assistant for Administration Activities and Field Offices

The objective of the audit was to verify that internal controls over the process for identifying and validating requirements, awarding, monitoring, and paying for service and product acquisitions for MIPR s across the Department of the Navy/Assistant for Administration BSO-12 activities and the field offices were in place, functioning effectively, and in compliance with applicable laws and regulations.

The NAVAUDSVC found that the BSO-12 activities and field offices did not have sufficient controls over outgoing MIPRs for services and product acquisitions across the Department of the Navy/Assistant for Administration. The conditions occurred because the BSO-12 activities and field offices did not have sufficient oversight over the MIPR process and did not develop policies and procedures that addressed the MIPR process. As a result, the BSO-12 activities and field offices may not receive goods and services as required or as stated in the MIPR for approximately \$753 million in MIPR transactions; cannot ensure the proper administrative control of funds for \$489 million in MIPR transactions; cannot ensure

goods and services acquired are in the best interest of the Government for approximately \$23 million in MIPR transactions; are at an increased risk of Anti-Deficiency Act and Bona Fide Need Rule violations for approximately \$135 million in MIPR transactions; and did not de-obligate \$4 million in a timely manner to put to better use. Management agreed to take appropriate corrective action.

**Report No. N2016-0048**

### Personal Property Accountability at Naval Air Systems Command

The objective of this audit was to verify that the Naval Air Systems Command's (NAVAIR) procedures, policies, and internal controls provided accountability for its personal property. The NAVAUDSVC concluded that NAVAIR did not have sufficient accountability over its personal property. The NAVAUDSVC found internal control weaknesses with personal property accountability, management oversight, and roles and responsibilities. Personal property for NAVAIR's component commands existed and was accounted for in the two primary databases (Enterprise Resource Planning and MAXIMO) for October 1, 2014 through January 31, 2015. However, at NAVAIR Headquarters, the NAVAUDSVC could not determine whether data in Navy Enterprise Resource Planning were complete. Personnel could not confirm a comprehensive wall-to-wall inventory was performed. NAVAIR personnel could not provide documentation, such as original invoices, to support the acquisition cost for 49 of 167 (29 percent) ERP items or support for 90 of 148 (61 percent) MAXIMO items, as required by SECNAV Instruction 7320.10A. Also, NAVAIR Headquarters did not provide sufficient monitoring and oversight over the personal property program in the command. Finally, the NAVAUDSVC found that NAVAIR had not ensured personal property managers were designated at component commands visited. These conditions occurred because NAVAIR had not implemented controls and lacked sufficient formal guidance for the personal property program. Management agreed to take appropriate corrective action.

**Report No. N2016-0028**

### Receipt and Acceptance of Goods and Services Purchased by Commander, Submarine Force Atlantic

The objective of this audit was to verify that the Commander, Submarine Force Atlantic, had effective internal controls in place to ensure that goods and services are properly received, accepted, and accounted for. The NAVAUDSVC reviewed 386 Government Purchase Card and Military Standard Requisitioning and Issue Procedures transactions.

The NAVAUDSVC determined that Submarine Force Atlantic needed to improve its system of internal controls over the receipt and acceptance process and procedures. Specifically, the NAVAUDSVC found that Submarine Force Atlantic did not maintain documentation to support the legitimacy or need for \$2.5 million in materials. Submarine Force Atlantic had no way of determining if the purchased material was for an approved mission or if the material was received prior to payment. The NAVAUDSVC also found that 55 percent of the transactions reviewed included one or more internal control weaknesses such as improper or incomplete supporting documentation; improper receipt and acceptance of material; and incomplete physical inventory accountability.

These conditions occurred because management had insufficient oversight over procedures and weak internal controls in place for receipt and acceptance of goods and services. Without effective oversight and adherence to established Navy guidance, Submarine Force Atlantic cannot ensure that all purchases and inventory can be supported by sufficient, complete, and proper transaction files. Management agreed to take appropriate corrective action.

**Report No. N2016-0036**

### Marine Corps Substance Abuse Program

The objective of this audit was to verify that the U.S. Marine Corps Substance Abuse Program was managed as intended and complied with applicable guidance. The NAVAUDSVC found that service members who tested positive for illegal drugs were processed for separation in compliance with the mandatory administrative separation processing policy. However, the NAVAUDSVC also found that the Marine Corps did not drug test 100 percent of Marine Corps service members as required. Although the Marine Corps conducted drug testing

for 87 percent (238,963 of 273,506) of Marine Corps Service members in FY 2013, the NAVAUDSVC found that 13 percent (34,543 of 273,506) were not drug tested. Of the 13 percent of Marine Corps Service members not tested, 8 percent (21,722 of 273,506) were not tested, 5 percent (12,788 of 273,506) were legitimately not tested, and 0.01 percent (33 of 273,506) were undetermined. Legitimately “not tested” were service members who separated from the Marine Corps in FY 2013 and did not report in from a permanent change of duty station in FY 2013. The NAVAUDSVC did not determine the reasons why service members were not tested because of the numerous commands involved in drug testing throughout the Marine Corps.

The Marine Corps did not have assurance that service members were free from the effects of drug abuse when 100 percent of service members were not drug tested as required. Undetected drug abuse could detract from unit performance and mission readiness. Not dealing with drug offenses swiftly and effectively as required could have a negative impact on both mission and performance. Management agreed to take appropriate corrective action.

**Report No. N2016-0025**

**Navy Child and Youth Programs Immunization Verification**

The objective of this audit was to verify that children attending the Navy Child and Youth Program have the required immunizations. The NAVAUDSVC found that 89 of 210 (42 percent) children attending the Navy Child and Youth Program at the installations visited, did not have the required immunization support documents in their files. This occurred in part because guidance issued by the Commander, Navy Installations Command, conflicted with the documentation and retention requirements as mandated by Office of the Chief of Naval Operations Instruction 1700.9e, “Child and Youth Program,” issued Sept. 24, 2012.

Without sufficient support documentation, the Navy did not have reasonable assurance that children within the Navy Child and Youth Program have had their age-specific immunizations. The NAVAUDSVC also found that Child and Youth Program did not notify parents that non-immunized children were at a particular facility until the number of non-immunized children exceeded 10 percent of the total enrolled. However, the criteria on which the 10-percent threshold was based had been

updated, and it no longer requires any such threshold. Awareness would allow parents to make informed decisions about enrollment in the program. Management agreed to take appropriate corrective action.

**Report No. N2016-0037**

**Summary of Naval Audit Service Ammunition and Explosives Storage Facilities Audits**

The objective of this audit was to summarize systemic problems identified in previous ammunition and explosives storage facility audit reports across seven regions audited and to verify that the Navy’s current ammunition and explosives storage facility infrastructure sufficiently supports its current and future needs. The NAVAUDSVC determined that the Navy’s ammunition and explosives storage facility infrastructure does not sufficiently support its current and future needs. This occurred because the Navy did not perform a comprehensive review of its ammunition and explosives storage facility requirements to determine whether the ammunition and explosives storage infrastructure could support current and future needs; procedures and internal controls were not in place to ensure ammunition and explosives shore-based storage facilities were sufficiently planned and budgeted for during life-cycle sustainment planning efforts; military construction projects to build or modify ammunition and explosives facilities historically did not receive high funding priority; and the Navy was not funded for baselining efforts, which would have facilitated the site approval process, according to Navy personnel.

As a result, the Navy could not clearly define its ammunition and explosives storage requirements, quantify its unmanaged risk, sufficiently store modern ammunition and explosives, and ensure ammunition and explosives storage facilities could support the Navy’s missions into the future. Additionally, the storage capabilities of current ammunition and explosives storage facilities has resulted in jam stow conditions, increased handling, storage of ammunition outside and in conveyances, delays in shipments, and negative mission impact (the NAVAUDSVC did not identify any specific cases of critical safety mishaps during the audits). Additionally, not aligning the ammunition and explosives storage facilities to the weapons systems acquisition programs they support may result in additional shortages of available storage space for weapons systems once they are developed. Finally, based on the regional

audits, the NAVAUDSVC found that ammunition and explosives storage facilities were not managed effectively or maintained in accordance with DoD guidance. Specifically, the NAVAUDSVC found that information was not accurately reflected in Internet Navy Facilities Assets Data Store property records; explosives limits recorded in Ordnance Information System-Retail did not match approved explosives limits; explosives limits were not accurately displayed on facility placards; and ammunition and explosives storage facilities did not meet current safety standards.

These systemic problems occurred due to a lack of sufficient procedures, internal controls, and oversight and a lack of management emphasis at the regional and installation levels. Management agreed to take appropriate corrective action.

**Report No. N2016-0041**

### **Antiterrorism Force Protection—Security Force Personnel at Commander, Navy Region Southeast**

The audit objective was to verify that security forces on Navy Region Southeast installations were being used efficiently and effectively to ensure maximum protection of people and assets. The NAVAUDSVC found that although overall security forces at Navy Region Southeast installations were being used efficiently and effectively to ensure maximum protection of people and assets, and security personnel were generally performing appropriate duties at the installations; however, there were opportunities for improvement.

Navy Region Southeast installations could not always provide sufficient documentation to verify that Navy Security Force personnel were properly trained in required law enforcement and physical security duties and properly trained and authorized to carry their assigned weapons. In addition, Auxiliary Security Force personnel were not always scheduled effectively in accordance with Commander, Navy Installations Command guidance; and Navy Region Southeast installations could not always provide sufficient documentation to verify that Auxiliary Security Force personnel were properly trained in required physical security duties and properly trained and authorized to carry their assigned weapons. Finally, a tenant command employed a separate armed contracted security force without establishing a memorandum of understanding

or agreement with the installation where the tenant command resides. These conditions occurred, in part, because sufficient controls and oversight were not in place to ensure training documentation was current and properly maintained for Navy Security Force (including contractors) and Auxiliary Security Force personnel.

In addition, Auxiliary Security Force personnel were not always scheduled for the correct amount of watches and training days per month due to insufficient controls and oversight. Furthermore, the tenant command operating with a separate armed contracted security force could not locate the memorandum of understanding/ agreement or joint agreement.

As a result, the Navy lacks assurance that some personnel were properly trained and qualified prior to performing duties, potential security risks and operational inefficiencies exist at Force Protection Conditions Charlie and Delta, and potential emergency response risks exist without sufficient coordination of all security forces operating on installations. Management agreed to take appropriate corrective action.

**Report No. N2016-0039**

## **NAVAL CRIMINAL INVESTIGATIVE SERVICE**

### **Significant Investigative Cases**

#### **U.S. Marine Corps Contracting Officer, former Marine, Convicted in Contracting Conspiracy**

NCIS and DCIS initiated an investigation in December 2013 as a result of allegations that Marine Corps Captain David Liu used his position as a contracting officer in support of overseas contingency operations in Uganda and Djibouti to steer contract awards in exchange for bribes. Liu oversaw \$1.4 million in contracts that were awarded to former Marine Corps Master Gunnery Sergeant Monroe Stueber, owner of Total Solutions and Consulting, LLC, leading to the contract award and receipt of \$11,000. On January 13, 2016, Liu pleaded guilty in the United States District Court for the Eastern District of North Carolina, New Bern, North Carolina, to one count

of conspiracy to violate the Procurement Integrity Act. On May 4, 2016, Liu was sentenced to 37 months of confinement and 3 years of supervised release. He was ordered to pay a \$5,000 fine, \$100 special assessment fee, and was prohibited from obtaining employment in the defense contracting field for 5 years.

Stueber pleaded guilty in U.S. District Court for the Eastern District of North Carolina, New Bern, North Carolina, to one count of unlawfully obtaining procurement information and was sentenced to 180 days of home confinement, 3 years of probation, 100 hours of community service, a \$5,000 fine, and \$100 special assessment fee. Stueber was debarred from contracting by the Department of the Navy for 4 years and prohibited from employment in the defense contracting field for 5 years.

### **Japanese National Sexually Assaulted by U.S. Navy member**

This investigation was initiated by NCIS in March 2016 after notification from the Naha Police Department, Japan, that an incapacitated Japanese national woman was raped by Navy Seaman Justin Castellanos. Castellanos confessed to raping the victim while she was unconscious.

On July 15, 2016, Castellanos was found guilty of rape by a Naha District Court, Okinawa, Japan. Castellanos paid \$22,388 in restitution and was sentenced to 30 months confinement in a Japanese prison.

### **U.S. Navy Member Convicted of Child Endangerment**

This investigation was initiated by NCIS in July 2011 after notification from the Social Services Division for the U.S. Department of Health and Human Services regarding the suspected child abuse of an infant child by Petty Officer Second Class Garry Mitchell and his spouse, Cassandra Mitchell. The victim was admitted to the Naval Hospital, Portsmouth, Virginia, with signs of opiate ingestion, to include vomiting, lethargy, and constricted pupils. The victim tested positive for opiates on two occasions while at the hospital. The Mitchells were interviewed and denied poisoning their child who was placed into foster care. Mrs. Mitchell provided consent for the NCIS investigators to forensically review electronic devices she shared with Mitchell. The review revealed internet search terms for “baby coffins,” “can they test for codeine overdose,” “poison,” and “can a dangerous drug be out of your system in 3 days without detox.”

On March 9, 2016, during a judge-alone general court martial aboard Naval Station Norfolk, Virginia, Petty Officer Second Class Mitchell was found guilty of child endangerment. Mitchell was sentenced to 7 years confinement, forfeiture of all pay and allowances, reduction in rank to E-1, and a dishonorable discharge.

## **AIR FORCE**

### **Air Force Audit Agency**

The Air Force Audit Agency (AFAA) mission is to provide timely, relevant, and quality audit services to all levels of Air Force management. These services focus on independent, objective, and quality audits that include 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 the Air Force core values: Integrity First, Service Before Self, and Excellence In All We Do. To support Air Force decision makers and customers at all levels, the AFAA conducts centrally directed, Air Force-wide audits to support Air Force senior leaders, while installation-level audit teams provide audit services and support to installation commanders. The AFAA has 634 personnel assigned to more than 50 worldwide locations to execute its mission.

The AFAA uses audit planning methods driven by Air Force leadership priorities and focus areas. The FY 2016 AFAA Audit Plan was prepared in collaboration with Air Force senior leaders to ensure planned audit efforts were balanced between law and policy compliance, operational effectiveness, and organizational efficiencies. AFAA collaboration with Air Force senior leadership allowed the AFAA to provide value to customers through relevant and insightful audits on key Air Force efforts. As such, FY 2016 planned topics included audits on initiative implementation, financial improvement and audit readiness, contingency operations, and classified or security operations. The AFAA designed the annual audit plan as a living document, accommodating adjustments as emergent Air Force priorities arose and customer needs changed. To focus on the complete audit life cycle and ensure condition elimination, the AFAA directed more audit resources in FY 2016 toward follow-on and closeout audits. This will continue to be the AFAA focus in FY 2017.

The AFAA partnered with the Assistant Secretary of the Air Force for Financial Management and Comptroller and the Deputy Chief of Staff for Strategic Plans and Requirements to codify a process to incorporate potential monetary benefits in the Air Force Planning, Programming, Budgeting, and Execution process. Additionally, the AFAA now requires Air Force management to identify the potential monetary cost associated with implementing audit recommendations. Accordingly, the Assistant Secretary of the Air Force for Financial Management and Comptroller and the Deputy Chief of Staff for Strategic Plans and Requirements will address both potential monetary benefits and potential monetary costs in the Air Force Planning, Programming, Budgeting, and Execution process. This partnership helps to ensure the Air Force is aligning scarce resources against its highest priorities.

During the second half of FY 2016, the AFAA published 34 centrally directed audit reports, providing 163 recommendations and \$1.94 billion in audit-estimated net potential monetary benefits to Air Force senior officials. Furthermore, the AFAA installation-level audit teams published 266 audit reports, identifying an additional \$33.9 million in audit-estimated potential monetary benefits to installation commanders. The following paragraphs summarize the most significant audit reports issued from April 1 through September 30, 2016.

### **F117 (C-17) Engine Requirements**

The C-17 Globemaster III Integrated Sustainment Program uses contractor logistics support (CLS) to manage C-17 aircraft and F117 engine sustainment. The Globemaster III Integrated Sustainment Program contract provides material support, engine and aircraft sustainment services (including maintenance), and sustainment labor. The C-17 Program Manager uses the number of aircraft, bases, flying hours, and engine cycles to determine the required level of engine and aircraft sustainment services. The C-17 aircraft and F117 engine maintenance have significant Air Force mission impact. In FY 2014, C-17 program office personnel obligated over \$919 million for C-17 aircraft and F117 engine maintenance services.

This audit determined whether the Air Force effectively managed F117 engine requirements. Specifically, whether Air Force personnel properly identified and programmed budget requirements for F117 engine maintenance.

During the audit, the AFAA expanded the scope to determine whether Air Force personnel properly identified and computed contract requirements for C-17 aircraft and F117 engine maintenance services. The AFAA determined that Air Force personnel did not effectively manage selected aspects of C-17 aircraft and F117 engine requirements. While program office personnel properly identified and programmed FY 2015 through FY 2021 budget requirements for F117 engine maintenance, personnel did not properly compute contracted C-17 aircraft and F117 engine maintenance services requirements. Specifically, major command personnel provided the program office baseline flying hours, instead of official Air Force future flying hours, and inaccurate projected engine cycle rates for determining aircraft and engine maintenance requirements. As a result, the Air Force understated contract requirements by more than \$151 million for FY 2015 through FY 2017. Using official Air Force future flying hours and accurate projected engine cycles allows the Air Force to contract for appropriate C-17 aircraft and F117 engine maintenance services.

During the audit, management took corrective action to improve identification of C-17 aircraft and F117 engine contract maintenance services. The AFAA did not make recommendations for corrective action. Air Force officials agreed with the AFAA's evaluation and took appropriate actions during the audit.

#### **Report No. F2016-0005-L20000**



**C-17 Globemaster III**  
Source: [www.af.mil](http://www.af.mil)

### Air Force Equipment Management System Data

The Air Force Equipment Management System (AFEMS) is an on-line, integrated, transaction-driven processing system that facilitates management of equipment resources. The AFEMS is the Air Force's official accountable property system of record for all equipment that allows the Air Force to comply with Public Law 101-576, "The Chief Financial Officers Act of 1990," by reporting and depreciating in-use and warehouse capital equipment. As of March 5, 2015, the Air Force managed over 44,000 capital equipment items valued at \$21 billion.

This audit evaluated whether Air Force equipment management personnel effectively managed the AFEMS data. Specifically, whether equipment management personnel accurately recorded base-level capital asset data in the AFEMS and maintained supporting documentation for the equipment. The AFAA determined Air Force equipment management personnel did not properly manage AFEMS data. Specifically, Air Force equipment management personnel did not accurately record base-level capital asset data in the AFEMS. As a result, Air Force management did not have total visibility over \$1.6 billion of sampled capital equipment items and overstated Air Force financial statements by at least \$3.6 billion for sampled items. Accurate accountability helps safeguard these mission-sensitive equipment items from theft and misuse, and it provides accurate asset inventory data in compliance with the Air Force's Financial Improvement and Audit Readiness initiative. In addition, personnel did not maintain adequate supporting documentation for base-level capital equipment. As a result, the Air Force is at risk of not properly reporting and depreciating the \$21 billion of capital equipment items, as required by The Chief Financial Officers Act. The AFAA made five recommendations to improve the accuracy of base-level capital equipment accounts and documentation. Air Force officials agreed with the AFAA's evaluation and initiated appropriate actions.

**Report No. F2016-0003-L40000**

### Flying Hour Requirements

The Air Force Flying Hour program is a requirements-based, peacetime program, consisting of the flying hours necessary to train aircrews to safely operate aircraft and execute core tasked missions. Major command flying hour program managers use the Air Force Single Flying Hour Model to compute requirements, based on force

structure, aircrew data, and the types, number, and duration of training sorties and events needed to fulfill annual flying training requirements. In FY 2014, the Air Force programmed for 1.2 million flying hours valued at \$7.8 billion and executed 1.1 million flying hours valued at \$6.9 billion. The AFAA performed this audit as part of a series of audits on the flying hour program. Previous audits involved training accomplishment and simulator usage for bomber, mobility, and fighter aircraft.

The objective of this audit was to evaluate whether Air Force officials accurately calculated and adequately supported flying hour requirements. The AFAA determined Air Force personnel did not accurately identify the number of pilots requiring flying hours to maintain combat readiness, resulting in a net overstatement of 14,045 hours for FY 2014. In addition, program managers did not accurately compute or adequately support pilot experience levels, average sortie duration, and the cost of business inputs used in the flying hour models. As a result, the Air Force overstated requirements by an additional 1,641 hours in FY 2014.

This audit was the fifth in a series of audits on flying hour requirements that shows a continuing problem for the Air Force with planning for pilot and aircrew training. The identified internal control weaknesses will be included in the AFAA's input to the Air Force's Annual Statement of Assurance. Until corrected, flying hour requirements will not be defensible and auditable, and funding discrepancies will continue to negatively affect operational readiness.

The AFAA made 18 recommendations to strengthen internal controls within the flying hour program. The Air Force must analyze flying hour model calculation processes to identify required program improvements and additional flying hours necessary to sustain readiness. After an adjustment to accommodate for reduced flying hour programming levels, the AFAA estimated the Air Force could more efficiently program \$1.96 billion across the Future Years Defense Program. Savings would be offset by costs associated with required improvements, including costs identified during recommended business process reengineering efforts and an estimated \$959 million for understatements in flying hour requirements.

Implementing the recommendations will result in potential monetary costs and management must factor these costs into the Planning, Programming, Budgeting, and Execution process. During the audit, Air Force

officials agreed with the evaluation and initiated appropriate actions, including adjusting FY 2016 flying hour requirements during execution and realizing a \$512 million reduction in the FY 2017 Program Objective Memorandum for all weapon systems.

**Report No. F2016-0003-O30000**

### Item-Level Secondary Inventory Control Activity Requirements

The Joint Logistics Commanders established the non-consumable (reparable) items program for parts used by more than one service. This program created a single-inventory control point within the DoD primary user—the Primary Inventory Control Activity—who receives requirements from secondary users, the Secondary Inventory Control Activities (SICAs). The April 2014 Air Force Working Capital Fund's Consolidated Sustainment Activity Group supply division repair budget contained item-level SICA requirements totaling \$888.3 million for FY 2014 through FY 2017.

This audit evaluated whether Air Force personnel properly managed item-level SICA requirements. Specifically, the AFAA evaluated whether logistics budget personnel accurately budgeted for item-level SICA repair requirements. The AFAA determined that Air Force personnel did not properly manage item-level SICA requirements. Specifically, logistics budget personnel did not accurately budget for item-level SICA repair requirements. As a result, personnel overstated the repair budget by approximately \$577.4 million for FY 2014 through FY 2017. The AFAA estimated reducing the overstatements and correcting the condition would reduce the Air Force Working Capital Fund's budget \$1 billion over the next 6 years (execution year and the Future Years Defense Program). Additionally, overstating the Working Capital Fund budget reduces overall operational readiness by using limited resources to buy inventory that may be needed for higher Air Force priorities. The AFAA made three recommendations to improve management of Air Force item-level SICA requirements. Air Force officials agreed with the AFAA's evaluation and initiated appropriate actions.

**Report No. F2016-0004-L40000**

### Reimbursement Supporting Documentation

Since 2007, the Air Force has reported accounts receivable as a financial reporting material weakness in the annual Statement of Assurance. Specifically, the Statement of Assurance cites the Air Force's inability to provide supporting documentation for accounts receivable balances recorded in the general ledger accounts and reported in the Air Force's financial statements. Accounts receivable is a subsidiary set of Air Force reimbursement records. Reimbursements are payments received for material or services provided to another activity. As of April 30, 2014, the Air Force General Fund reimbursement account balances totaled approximately \$8.4 billion. In addition, as of August 31, 2014, the Air Force General Fund Accounts Receivable balance totaled approximately \$15 million.

The AFAA performed an audit at the request of the Deputy Assistant Secretary for Financial Operations in support of the Air Force's audit readiness efforts. The AFAA evaluated whether implemented procedures corrected the General Fund reimbursement's account receivable material weakness. Specifically, the AFAA evaluated whether financial management personnel could provide supporting documentation to verify personnel authorized, approved, and recorded only valid reimbursement accounting transactions and recorded transactions at the correct amounts.

The AFAA determined that implemented procedures did not correct the reimbursement's account receivable material weakness. Specifically, financial management personnel did not fully support the Air Force's General Fund reimbursements. Air Force financial management personnel could not provide documentation to validate the existence and accuracy/valuation for approximately \$8 million (11 percent) of \$70.4 million of reimbursement customer accounts recorded in the accounting system as of April 30, 2014. In addition, DFAS personnel could not provide documentation to validate the existence and accuracy or valuation of accounts receivable billings of approximately \$2.6 million (78 percent) of \$3.3 million recorded in the General Accounting and Finance System (accounting system) as of August 31, 2014. The AFAA made four recommendations to improve management of the reimbursement supporting documentation process. Air Force officials agreed with the AFAA's evaluation and initiated appropriate actions.

**Report No. F2016-0003-L10000**

# AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

## Significant Investigations

### Air Force Technical Sergeant Sentenced to 30 Years Confinement for Sodomy and Indecent Liberties with a Child

This investigation was initiated by AFOSI in July 2015 as a result of allegations that Technical Sergeant Bryce Flanders sexually assaulted his 11-year-old adopted daughter between 2004 and 2006. The investigation revealed that on multiple occasions, Flanders committed sodomy and indecent acts with his daughter.

On June 9, 2016, as part of a pre-trial agreement, in a judge-alone general court martial at Elmendorf Air Force Base, Alaska, Flanders pleaded guilty to sodomy and indecent liberties with a child under 16 years of age. He was sentenced to 30 years confinement, reduction in rank to E-1, forfeiture of all pay and allowances, a dishonorable discharge, and was required to register as a sex offender.

### Air Force Technical Sergeant Sentenced to 47 Years Confinement

This investigation was initiated in October 2015 after the spouse of Technical Sergeant Brandon Justice reported to AFOSI that Justice had committed illicit sexual acts with children, from infant to 17 years old, over a 9-year period. Subsequent investigation determined from 2008 through 2015, Justice sexually assaulted five children and possessed child pornography while residing in Florida and in the United Kingdom.

On June 9, 2016, as part of a pre-trial agreement in a judge-alone general court martial at Royal Air Force Lakenheath, United Kingdom, Justice pleaded guilty to numerous specifications of sexual assault involving five children and possession and distribution of child pornography. He was sentenced to 47 years confinement, reduction in rank to E-1, forfeiture of all pay and allowances, a dishonorable discharge, and was required to register as a sex offender.

### Air Force Maintenance Squadron Members Plead Guilty to Theft of USAF Equipment

This investigation was initiated on August 27, 2015, by AFOSI and the Colorado Springs Police Department based upon an allegation that Senior Airman Collin Childress, Staff Sergeant Anthony Paulson, and Air Force civilian Philip Tebedo, who were members of the 302nd Maintenance Squadron, Air Force Reserve Command, Peterson Air Force Base, Colorado, were involved in an alleged fraud ring that used Government funds to procure and steal Government property from the Air Force Supply System. The property included numerous fixed-blade and “switch-blade” knives, as well as several firearm sights, optics, and other related accessories valued at \$38,000. Subsequent investigative efforts, to include numerous searches, led to the recovery of \$17,000 worth of equipment.

On October 1, 2015, Childress, Paulson, and Tebedo were arrested and charged with Class 4 Felony Theft under 18-4-401 of the Colorado Revised Statutes. In March and April 2016, in the District Court of El Paso County, Colorado, Childress, Paulson, and Tebedo each pleaded guilty to theft and were sentenced to a joint \$12,034.19 fine, with each individually serving 2 years of probation and 100 hours of community service.

# 5

## Appendixes



# REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended, states that each Inspector General shall no later than April 30 and October 31 of each year prepare semiannual reports summarizing the activities of the office during the immediately preceding 6-month periods ending March 31 and September 30. The IG Act specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the applicable pages.

REFERENCES	REQUIREMENTS	PAGE
Section 4(a)(2)	“review existing and proposed legislation and regulations...make recommendations...”	60
Section 5(a)(1)	“description of significant problems, abuses, and deficiencies...”	8–58
Section 5(a)(2)	“description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies...”	8–58
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.”	8–58
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.	85-93
Section 5(a)(7)	“a summary of each particularly significant report...”	8–58
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...”	95
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...”	95
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...”	95
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...”	134
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...”	134
Section 5(a)(16)	“A list of any peer reviews conducted by DoD OIG 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...”	134
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...”	96
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...	96
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...”	100-119
Section 5 note	“an annex on final completed contract audit reports...containing significant audit findings.”	120-133
Section 8(f)(1)	“Information concerning the number and types of contract audits”	97
(A)-(B)	“any Department of Defense audit agency that...received a failed opinion from...or is overdue for an external peer review...”	N/A

# AUDIT, INSPECTION, EVALUATION, AND INVESTIGATIVE REPORTS ISSUED

## DoD OIG

[www.dodig.mil/PUBS](http://www.dodig.mil/PUBS)

## Naval Audit Service

[www.secnav.navy.mil/navaudsvc/Pages/default.aspx](http://www.secnav.navy.mil/navaudsvc/Pages/default.aspx)

## Army Audit Agency

[www.hqda.army.mil/aaaweb](http://www.hqda.army.mil/aaaweb)

## Air Force Audit Agency

[www.afaaf.af.mil](http://www.afaaf.af.mil)

	DoD OIG	Military Departments	Total
Acquisition Processes and Contract Management	27	24	51
Administrative Investigations	3	0	3
Administrative Readiness	0	6	6
Cyber Security	5	8	13
Equipping and Training Iraqi and Afghan Security Forces	2	0	2
External Peer Review	1	0	1
Financial Management	11	45	56
Health and Safety	4	8	12
Human Capital	0	12	12
Infrastructure and Environment	0	15	15
Intelligence	4	0	4
Investigative Oversight	3	0	3
Joint Warfighting and Readiness	3	26	29
The Nuclear Enterprise	2	0	2
Other	3	2	5
<b>Total</b>	<b>68</b>	<b>146</b>	<b>214</b>

## Acquisition Processes and Contract Management

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-077	San Antonio MICC and POM Personnel Properly Awarded and Administered the POM UESC, but Improved Procedures and Guidance Are Needed	04/08/2016
DoD OIG	DODIG-2016-080	Army's Management of Gray Eagle Spare Parts Needs Improvement	04/29/2016
DoD OIG	DODIG-2016-083	Followup Audit: DLA Officials Took Appropriate Actions to Address Concerns With Repair Parts for the High Mobility Multipurpose Wheeled Vehicle	04/29/2016
DoD OIG	DODIG-2016-085	The Air Force Processes for Approving Air Force Life Cycle Management Center Single-Award Indefinite-Delivery Indefinite-Quantity Contracts Need Improvement	04/29/2016
DoD OIG	DODIG-2016-087	Air Force Civil Engineer Center Management of Energy Savings Performance Contracts Needs Improvement	05/04/2016
DoD OIG	DODIG-2016-090	U.S. Army Special Operations Command Properly Awarded Service Contracts	05/12/2016
DoD OIG	DODIG-2016-091	Evaluation of the Accuracy of Data in the DoD Contract Audit Follow-Up System	05/13/2016
DoD OIG	DODIG-2016-092	Independent Auditor's Report on Agreed-Upon Procedures for DoD Compliance With Service Contract Inventory Compilation and Certification Requirements for FY 2014	05/19/2016
DoD OIG	DODIG-2016-093	The Naval Air Systems Command Did Not Obtain Fair and Reasonable Prices on ScanEagle Spare Parts	05/31/2016

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-094	Audit of the DoD Healthcare Management System Modernization Program	05/31/2016
DoD OIG	DODIG-2016-097	DoD Generally Provided Effective Oversight of AbilityOne® Contracts	06/17/2016
DoD OIG	DODIG-2016-099	U.S. Special Operations Command Controls Over the Requirements Development Process for Military Construction Projects Need Improvement	06/17/2016
DoD OIG	DODIG-2016-100	Contract Awards at Naval Oceanographic Office Need Improvement	06/17/2016
DoD OIG	DODIG-2016-107	Advanced Arresting Gear Program Exceeded Cost and Schedule Baselines	07/05/2016
DoD OIG	DODIG-2016-112	Army Officials Did Not Consistently Comply With Requirements for Assessing Contractor Performance	07/25/2016
DoD OIG	DODIG-2016-115	U.S. Army Central Support Element–Jordan Did Not Implement Controls to Effectively Maintain Facilities at the Joint Training Center–Jordan	07/26/2016
DoD OIG	DODIG-2016-116	Navy Needs to Establish Effective Metrics to Achieve Desired Outcomes for SPY-1 Radar Sustainment	08/01/2016
DoD OIG	DODIG-2016-117	Marine Corps Installations National Capital Region–Regional Contracting Office Generally Implemented Recommendations	07/29/2016
DoD OIG	DODIG-2016-118	Army Justified Initial Production Plan for the Paladin Integrated Management Program but Has Not Resolved Two Vehicle Performance Deficiencies	08/05/2016
DoD OIG	DODIG-2016-120	Joint Improvised–Threat Defeat Agency Needs to Improve Assessment and Documentation of Counter-Improvised Explosive Device Initiatives	08/09/2016
DoD OIG	DODIG-2016-128	XM25 Schedule Delays, Cost Increases, and Performance Problems Continue, and Procurement Quantity Not Justified	08/29/2016
DoD OIG	DODIG-2016-130	The Navy Needs More Comprehensive Guidance for Evaluating and Supporting Cost-Effectiveness of Large-Scale Renewable Energy Projects	08/25/2016
DoD OIG	DODIG-2016-131	Designation of Contracting Officer’s Representatives and Oversight Framework Could Be Improved for Contracts in Afghanistan	08/30/2016
DoD OIG	DODIG-2016-132	U.S. Army Contracting Command–Redstone Arsenal and U.S. Army Medical Research Acquisition Activity Properly Awarded and Administered Firm-fixed-price Level-of-effort Term Contract Actions	08/30/2016
DoD OIG	DODIG-2016-137	The Defense Logistics Agency Properly Awarded Power Purchase Agreements and the Army Obtained Fair Market Value for Leases Supporting Power Purchase Agreements	09/28/2016
DoD OIG	DODIG-2016-138	Quality Control Review of the Dixon Hughes Goodman LLP FY 2014 Single Audit of Logistics Management Institute	09/29/2016
DoD OIG	DODIG-2016-141	Improvements Needed in Managing Scope Changes and Oversight of Construction Projects at Camp Lemonnier, Djibouti	09/30/2016
USAAA	A-2016-0077-ALA	Audit of Research, Development, Test, and Evaluation Overhead Standardization--U.S. Army Armament Development and Engineering Center	04/20/2016
USAAA	A-2016-0081-ALA	Research, Development, Test, and Evaluation Overhead Standardization, U.S. Army Armament Research, Development and Engineering Center	05/03/2016
USAAA	A-2016-0083-FMX	U.S. Military Entrance Processing Command Acquisition Process Controls, North Chicago, Illinois	04/28/2016
USAAA	A-2016-0095-ALA	Audit of Army’s Procurement Objective for the M4 Carbine Family of Systems	05/25/2016
USAAA	A-2016-0098-ALC	Sports Contracts at the U.S. Army National Guard	06/14/2016
USAAA	A-2016-0108-ALC	Impact of the Defense Contract Management Agency Mission Transfer	07/14/2016
USAAA	A-2016-0109-ALA	Army Procurement Objectives	07/12/2016
USAAA	A-2016-0110-ALS	Acquisition Strategy for Logistics Management Services, U.S. Army Sustainment Command	07/12/2016
USAAA	A-2016-0113-FMP	Followup Audit of Revenue Collection and Contract Award Fee Process; Base Operations Support-Reagan Test Site, Kwajalein Atoll	07/20/2016
USAAA	A-2016-0119-MTH	Followup Audit of the Contracts for the Guard Recruiting Assistance Program	08/02/2016
USAAA	A-2016-0123-IEX	Host Nation Construction Contracts in Europe	08/10/2016
USAAA	A-2016-0127-ALC	Time-Sensitive Report--Contract Review for the Soldiers for Life-Transition Assistance	08/16/2016

Agency	Report Number	Report Title	Date
USAAA	A-2016-0128-IEE	U.S. Army Corps of Engineers Hurricane Sandy Recovery Program: Internal Controls (Contract Award Process)	08/18/2016
USAAA	A-2016-0133-MTM	Audit of U.S. Army Medical Research Acquisition Activity Contract Functions	09/09/2016
USAAA	A-2016-0134-MTH	Selected Contract Awards at the National Guard Bureau	09/09/2016
USAAA	A-2016-0142-ALC	The Invoicing, Receipt, Acceptance, and Property Transfer System Invoice Approval Process, U.S. Army Medical Command	09/26/2016
NAVAUDSVC	N2016-0043	Controls over Government Commercial Purchase Card Program Across Department of the Navy/Assistant for Administration Activities and Field Offices	08/01/2016
NAVAUDSVC	N2016-0044	Controls Over Department of the Navy/Assistant for Administration Activities and Field Offices Service and Product Contracts	08/05/2016
NAVAUDSVC	N2016-0048	Controls over Military Interdepartmental Purchase Requests Across Department of the Navy/Assistant for Administration Activities and Field Offices	08/25/2016
NAVAUDSVC	N2016-0050	Independent Logistics Assessment and Certification Requirements Process at Marine Corps Systems Command and Program Executive Office Land Systems	09/08/2016
NAVAUDSVC	N2016-0051	Internal Controls over Sensitive Support Processes in the Integration Support Directorate, and the Reliability of Financial Reporting	09/09/2016
AFAA	F-2016-0002-L30000	Government Purchase Card Certification and Payment Process Management	09/09/2016
AFAA	F-2016-0003-L30000	KC-10 Contract Logistics Support, Phase II	09/19/2016
AFAA	F-2016-0004-L30000	Air Force Distributed Common Ground System	09/30/2016

## Administrative Investigations

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-095	Medal of Honor Award Process Review: U.S. Army Noncommissioned Officer Nominee	05/04/2016
DoD OIG	DODIG-2016-121	Headquarters, Special Operations Command, Africa Stuttgart, Germany	08/09/2016
DoD OIG	DODIG-2016-136	Defense Information School Fort Meade, MD	09/22/2016

## Administrative Readiness

Agency	Report Number	Report Title	Date
USAAA	A-2016-0100-IET	Chain of Custody Controls, Arlington National Cemetery	06/08/2016
USAAA	A-2016-0103-IEP	Army Security Clearance Processes	06/20/2016
USAAA	A-2016-0121-FMR	Attestation Review of the FY 16 Army Managers' Internal Control Program	09/01/2016
USAAA	A-2016-0124-MTH	Controls Over Military Leave	08/15/2016
USAAA	A-2016-0139-MTH	Military Funeral Honors Program	09/26/2016
USAAA	A-2016-0147-IEO	Background Investigations, Arlington National Cemetery	09/28/2016

## Cyber Security

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-082	DoD Needs to Require Performance of Software Assurance Countermeasures During Major Weapon System Acquisitions	04/29/2016
DoD OIG	DODIG-2016-089	Followup Audit: Audit Recommendations From Report No. DODIG-2013-109 Were Not Fully Implemented, but Controls Were in Place to Prevent Unauthorized Access to Robert C. Byrd and Greenup Locks and Dams	05/10/2016
DoD OIG	DODIG-2016-119	Army Commands Need to Improve Logical and Physical Security Safeguards that Protect SIPRNet Access Points	08/05/2016

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-123	DoD's Policies, Procedures, and Practices for Information Security Management of Covered Systems	08/15/2016
DoD OIG	DODIG-2016-129	NSA Should Take Additional Steps in Its Privileged Access-Related Secure-the-Net Initiatives	08/29/2016
USAAA	A-2016-0088-IET	Followup Audit of Elevated Privileges	05/03/2016
USAAA	A-2016-0116-IET	Defense Research and Engineering Network Security, U.S. Army Cyber Command and Second Army	07/27/2016
USAAA	A-2016-0120-IEX	Audit of 7th Army Training Command Information Technology Support Operations, Information Technology Support Structure at 7th Army Training Command	08/04/2016
AFAA	F-2016-0003-O10000	Platform Information Technology Cybersecurity	09/09/2016
AFAA	F-2016-0005-O10000	Air Forces Central Command Wireless Network Security	09/09/2016
AFAA	F-2016-0005-O20000	Nuclear Surety Management - Independent Safety Review Capability	09/09/2016
AFAA	F-2016-0006-O10000	United States Air Forces Central Area of Operation Morale Network Operations	09/09/2016
AFAA	F-2016-0006-A00900	Follow-On Audit, Classified Information Systems Protection-Secret Internet Protocol Router Network	09/30/2016

## Equipping and Training Iraqi and Afghan Security Forces

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-134	The Army Did Not Implement Effective Controls to Maintain Visibility and Accountability of Iraq Train and Equip Fund Equipment	09/14/2016
DoD OIG	DODIG-2016-140	Assessment of U.S. and Coalition Efforts to Train, Advise, and Assist the Afghan National Army Special Operations Forces (ANASOF)	9/29/2016

## External Peer Review

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-122	External Peer Review Report on the United States Special Operations Command Office of Inspector General Audit Division	08/15/2016

## Financial Management

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-079	Delinquent Medical Service Accounts at Landstuhl Regional Medical Center Need Additional Management Oversight	04/28/2016
DoD OIG	DODIG-2016-086	DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2015, but Improper Payment Estimates Were Unreliable	05/03/2016
DoD OIG	DODIG-2016-102	Additional Controls Needed to Issue Reliable DoD Cost of War Reports That Accurately Reflect the Status of Air Force Operation Inherent Resolve Funds	06/23/2016
DoD OIG	DODIG-2016-103	Improvements Needed in Managing Army Suspense Accounts	06/27/2016
DoD OIG	DODIG-2016-104	Improvements Needed in Managing Department of the Navy Suspense Accounts	06/30/2016
DoD OIG	DODIG-2016-108	Army Needs Greater Emphasis on Inventory Evaluation	07/12/2016
DoD OIG	DODIG-2016-113	Army General Fund Adjustments Not Adequately Documented or Supported	07/26/2016
DoD OIG	DODIG-2016-114	Actions Needed to Improve Reporting of Marine Corps, Navy, and Air Force Operating Material and Supplies	07/26/2016
DoD OIG	DODIG-2016-126	Improvements Needed in Managing the Other Defense Organizations' Suspense Accounts	08/25/2016

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-127	DoD Officials Did Not Take Appropriate Action When Notified of Potential Travel Card Misuse at Casinos and Adult Entertainment Establishments	08/30/2016
DoD OIG	DODIG-2016-135	Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the FY 2016 Civilian Payroll Withholding Data and Enrollment Information	09/19/2016
USAAA	A-2016-0079-FMR	Financial Audit Readiness at U.S. Army Special Operations Command	04/21/2016
USAAA	A-2016-0080-FMF	Integrated Personnel and Pay System-Army, Data Correctness Campaign	04/19/2016
USAAA	A-2016-0082-ALA	Testing Requirements for Software Intensive Network Systems, Deputy Chief of Staff, G-8	04/27/2016
USAAA	A-2016-0086-ALA	Audit of Fixed Wing Aircraft Requirements--Funding for Contractor Logistics Support	05/02/2016
USAAA	A-2016-0089-IEX	Funding Requirements for European Infrastructure Consolidation	05/04/2016
USAAA	A-2016-0090-FMP	Sustainment Funding, U.S. Army Garrison Humphreys	05/10/2016
USAAA	A-2016-0091-FMF	Basic Allowance for Subsistence--Soldiers Authorized to Mess Separately	05/24/2016
USAAA	A-2016-0092-ALA	Army Watercraft Fleet, Program Executive Office Combat Support & Combat Service Support	05/10/2016
USAAA	A-2016-0094-FMF	Guard Incentive Management System	05/23/2016
USAAA	A-2016-0096-FMX	Time Sensitive Report--Potential Antideficiency Act Violation, Audit of Arizona Army National Guard U.S. Property & Fiscal Office	05/26/2016
USAAA	A-2016-0101-FMX	Agreed-Upon Procedures Attestation of U.S. Army Corps of Engineers Mobile District-Latin American Office	06/24/2016
USAAA	A-2016-0102-FMR	General Equipment Financial Audit Readiness, U.S. Army Materiel Command	06/17/2016
USAAA	A-2016-0111-FMX	Time-Sensitive Report: Potential Antideficiency Act Violation--Military Interdepartmental Purchase Request, Audit of Arizona Army National Guard U.S. Property and Fiscal Office	07/12/2016
USAAA	A-2016-0112-ALM	Depot Maintenance Requirements--Tracked Combat Vehicles, Program Executive Office, Ground Combat Systems	07/21/2016
USAAA	A-2016-0114-FMX	Workload Survey of General Fund Enterprise Business System Vendor Transactions	07/20/2016
USAAA	A-2016-0117-MTI	Military Intelligence Program Requirements Processing at Headquarters, DA	07/26/2016
USAAA	A-2016-0118-ALA	Audit of Army Testing Costs at White Sands Test Center	08/01/2016
USAAA	A-2016-0122-FMF	Institutional Training Directed Lodging and Meal Program	08/10/2016
USAAA	A-2016-0126-ALA	Audit of Fixed Wing Aircraft Requirements--Mission Support Aircraft	08/18/2016
USAAA	A-2016-0130-ALM	Depot Maintenance Requirements--Tactical Wheeled Vehicles, U.S. Army TACOM Life Cycle Management Command	09/01/2016
USAAA	A-2016-0132-FMF	Multinational Force and Observers Reimbursable Account	09/08/2016
USAAA	A-2016-0138-FMF	Army Conference Policy	09/22/2016
NAVAUDSVC	N2016-0023	Allocation of Depot Maintenance Workload between Public and Private Sectors at United States Marine Corps	04/06/2016
NAVAUDSVC	N2016-0024	Allocation of Depot Maintenance Workload between Public and Private Sectors at United States Fleet Forces Command	04/08/2016
NAVAUDSVC	N2016-0028	Personal Property Accountability at Naval Air Systems Command	05/02/2016
NAVAUDSVC	N2016-0030	Fiscal Year 2014 Implementation of the Federal Managers' Financial Integrity Act at Selected Naval Facilities Engineering Command Activities	05/11/2016
NAVAUDSVC	N2016-0033	Allocation of Depot Maintenance Workload between Public and Private Sectors at Strategic Systems Programs	05/19/2016
NAVAUDSVC	N2016-0034	Allocation of Depot Maintenance Workload between Public and Private Sectors at Commander, U.S. Pacific Fleet	05/26/2016
NAVAUDSVC	N2016-0035	Defense Travel System Approving Officials' Approval of Travel Vouchers at Norfolk Naval Shipyard	06/02/2016
NAVAUDSVC	N2016-0036	Receipt and Acceptance of Goods and Services Purchased by Commander, Submarine Force Atlantic	06/03/2016
NAVAUDSVC	N2016-0038	Approval of Marine Corps Travel Vouchers in the Defense Travel System	06/30/2016

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2016-0040	Allocation of Depot Maintenance Workload between Public and Private Sectors at Naval Supply Systems Command	07/22/2016
NAVAUDSVC	N2016-0049	Independent Attestation—Agreed-Upon Procedures Attestation Engagement for Cash Management at Selected Navy Working Capital Fund Activities	09/08/2016
NAVAUDSVC	N2016-0052	Internal Controls over the Government Commercial Purchase Card Programs at Naval Special Warfare Groups One and Two	09/14/2016
NAVAUDSVC	N2016-0055	Auditor General Advisory—Naval Audit Service Input for the Fiscal Year 2016 Statement of Assurance	09/23/2016
NAVAUDSVC	N2016-0057	Allocation of Depot Maintenance Workload between Public and Private Sectors within the Department of the Navy—Summary Report	09/27/2016
AFAA	F-2016-0002-L10000	Accrued Environmental Restoration Liabilities Assertion	08/23/2016
AFAA	F-2016-0003-L10000	Reimbursement Supporting Documentation	08/23/2016
AFAA	F-2016-0004-L10000	Air Force Working Capital Fund Revenue and Expenses (Medical Dental)	09/02/2016
AFAA	F-2016-0005-L10000	Air Force Working Capital Fund Revenue Recognition	09/02/2016
AFAA	F-2016-0004-O10000	Medical Systems - General and Application Controls	09/09/2016
AFAA	F-2016-0006-L10000	Service Medical Activity-Air Force Journal Vouchers	09/09/2016
AFAA	F-2016-0005-L40000	Follow-On, Air Force Special Operations Command Equipment Management	09/27/2016
AFAA	F-2016-0007-L10000	Managers' Internal Control Program Over Nonfinancial Operations	09/28/2016
AFAA	F-2016-0007-O40000	Overseas Housing Allowances	09/28/2016

## Health and Safety

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-078	Evaluation of DoD Biological Safety and Security Implementation	04/27/2016
DoD OIG	DODIG-2016-105	Controls Over Compound Drugs at the Defense Health Agency Reduced Costs Substantially, but Improvements Are Needed	07/01/2016
DoD OIG	DODIG-2016-106	U.S. Military-Occupied Facilities Inspection—King Abdullah II Special Operations Training Center	07/07/2016
DoD OIG	DODIG-2016-139	Military Housing Inspection - Camp Buehring, Kuwait	09/30/2016
USAAA	A-2016-0084-MTM	Soldiers With Mental Health Conditions Separated from Active Duty for Misconduct	05/04/2016
USAAA	A-2016-0085-MTM	Follow-on Audit of Audit of Soldiers With Mental Health Conditions Separated from Active Duty for Misconduct	05/04/2016
USAAA	A-2016-0135-MTM	Offline Purchases of Class VIII Materiel, U.S. Army Medical Command	09/12/2016
USAAA	A-2016-0137-MTM	Medical Equipment Maintenance, Combat Support Hospitals	09/26/2016
NAVAUDSVC	N2016-0026	Accountability Over Controlled Pharmaceuticals in Navy Medicine West	04/21/2016
NAVAUDSVC	N2016-0031	Patient Registration Controls at Military Treatment Facilities	05/19/2016
AFAA	F-2016-0003-O40000	Integrated Disability Evaluation System	05/12/2016
AFAA	F-2016-0004-O40000	Defense Medical Human Resources System Internet	09/09/2016

## Human Capital

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2016-0025	Marine Corps Substance Abuse Program	04/08/2016
NAVAUDSVC	N2016-0027	United States Marine Corps Temporary Disability Retired List	04/29/2016
NAVAUDSVC	N2016-0032	Navy Firefighter Training	05/19/2016
NAVAUDSVC	N2016-0045	Navy Sex Offender Notifications	08/12/2016

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2016-0054	Reporting of Naval Sea Systems Command and Naval Air Systems Command Headquarters Staffing Levels	09/23/2016
NAVAUDSVC	N2016-0056	Navy Officer Diversity and Inclusion Training	09/26/2016
AFAA	F-2016-0005-O40000	Nonappropriated Fund Instrumentality Strategic Memoranda of Agreement	09/23/2016
AFAA	F-2016-0006-O20000	Fuel Management - Southwest Asia Area of Responsibility	09/23/2016
AFAA	F-2016-0007-O20000	Utilities Privatization Post Award Management	09/28/2016
AFAA	F-2016-0008-O40000	Air National Guard Workday Management	09/28/2016
AFAA	F-2016-0005-L30000	Nonappropriated Fund Contracts and Agreements	09/30/2016
AFAA	F-2016-0008-O20000	Rapid Engineer Deployable Heavy Operational Repair Squadron Engineer Equipment and Vehicle Management	09/30/2016

## Infrastructure and Environment

Agency	Report Number	Report Title	Date
USAAA	A-2016-0078-IEO	Army Nontactical Vehicles Leased in CONUS	04/27/2016
USAAA	A-2016-0093-IEE	Audit of Support Functions for the Recovered Chemical Warfare Material Program	05/17/2016
USAAA	A-2016-0097-IEE	Large-Scale Renewable Energy Projects: Project Validation	06/07/2016
USAAA	A-2016-0115-IEO	Audit of U.S. Army Reserve Training Center Support	07/26/2016
USAAA	A-2016-0136-IEO	Real Property Exchange, Office of the Assistant Secretary of the Army for Installations, Energy and Environment	09/15/2016
USAAA	A-2016-0140-IEO	Recruiting Facilities Leases, Office of the Assistant Chief of Staff for Installation Management	09/26/2016
USAAA	A-2016-0143-IEP	Audit of the Army's Implementation of Fort Hood Recommendations--Emergency Management and Services	09/23/2016
USAAA	A-2016-0146-IEX	Background Investigations, Arlington National Cemetery	09/28/2016
USAAA	A-2016-0149-IEE	Asset Management of Hydroelectric Power Services: Columbia River Basin Facilities	09/30/2016
NAVAUDSVC	N2016-0039	Antiterrorism Force Protection--Security Force Personnel at Commander, Navy Region Southeast	07/08/2016
NAVAUDSVC	N2016-0041	Summary of Naval Audit Service Ammunition and Explosives Storage Facilities Audits	07/25/2016
NAVAUDSVC	N2016-0042	Antiterrorism Force Protection--Commander, Navy Region Southwest Security Force Personnel	07/25/2016
NAVAUDSVC	N2016-0046	Antiterrorism/Force Protection--Commander, Navy Region Europe, Africa, Southwest Asia Security Force Personnel	08/23/2016
NAVAUDSVC	N2016-0053	Management of Real Property Outgrants--Naval Facilities Engineering Command Southwest	09/20/2016
NAVAUDSVC	N2016-0058	Antiterrorism/Force Protection--Commander, Navy Region Japan Security Force Personnel	09/30/2016

## Intelligence

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-076	Evaluation of Section 1208 of the National Defense Authorization Act	04/07/2016
DoD OIG	DODIG-2016-081	Evaluation of U.S. Intelligence and Information Sharing with Coalition Partners in Support of Operation Inherent Resolve	04/25/2016
DoD OIG	DODIG-2016-098	Evaluation of Foreign Officer Involvement at the United States Special Operations Command	06/15/2016
DoD OIG	DODIG-2016-110	Evaluation of United States Army Counterintelligence Investigations and Evidence Handling Procedures	07/13/2016

## Investigative Oversight

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-075	Evaluation of the Air Force Office of Special Investigations' Conduct of Internet-Based Operations and Investigations	04/25/2016
DoD OIG	DODIG-2016-088	Evaluation of the Separation of Service Members Who Made a Report of Sexual Assault	05/09/2016
DoD OIG	DODIG-2016-096	Evaluation of a Complaint Regarding the Handling of Sexual Assault and Drug Investigations at the U.S. Air Force Academy	06/21/2016

## Joint Warfighting and Readiness

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-072	DoD Needs to Improve Screening and Access Controls for General Public Tenants Leasing Housing on Military Installations	04/01/2016
DoD OIG	DODIG-2016-084	Evaluation of Ammunition Data Cards	04/29/2016
DoD OIG	DODIG-2016-111	DoD Effectively Synchronized Military Information Support Operations for Operation Inherent Resolve but Needs to Develop Formal Processes and Procedures for Web-Based Operations	07/25/2016
USAAA	A-2016-0071-MTT	Audit of Reception Battalion In-Processing Procedures, Fort Sill, Oklahoma	04/08/2016
USAAA	A-2016-0072-MTT	Audit of Reception Battalion In-Processing Procedures, Fort Leonard Wood, Missouri	04/08/2016
USAAA	A-2016-0073-MTT	Audit of Reception Battalion In-Processing Procedures, Fort Jackson, South Carolina	04/08/2016
USAAA	A-2016-0074-MTT	Audit of Reception Battalion In-Processing Procedures, Fort Benning, Georgia	04/08/2016
USAAA	A-2016-0076-FMP	Ammunition Management, U.S. Army Alaska	04/13/2016
USAAA	A-2016-0087-ALS	Weapons Accountability at the Retail Level	05/04/2016
USAAA	A-2016-0099-FMP	Army Prepositioned Stock-4 Munitions Programs: Phase II, Korea	06/14/2016
USAAA	A-2016-0104-MTI	Independent Auditor's Report on the Attestation Review of Intelligence Processing, Exploitation, and Dissemination Controls	06/28/2016
USAAA	A-2016-0105-MTT	Using the Aviation Combined Arms Tactical Trainer Program, Office of the Deputy Chief of Staff, G-3/5/7	07/15/2016
USAAA	A-2016-0125-MTH	Sexual Assault-Related Phone Numbers--Rounds Six and Seven, Office of the Deputy Chief of Staff, G-1	08/15/2016
USAAA	A-2016-0129-ALA	Audit of Equipment Fielding for the U.S. Army National Guard	08/24/2016
USAAA	A-2016-0131-MTH	DA Sexual Harassment/Assault Response and Prevention Program Task Orders	09/07/2016
USAAA	A-2016-0141-FMP	Audit of Unmanned Aircraft Systems-Pacific	09/27/2016
USAAA	A-2016-0144-MTT	Close Combat Tactical Trainers	09/28/2016
USAAA	A-2016-0145-MTT	Selected Additional Skill Identifiers--Phase II	09/27/2016
USAAA	A-2016-0148-IEX	Disposition of Excess Equipment and Materiel in Europe	09/28/2016
NAVAUDSVC	N2016-0029	Department of the Navy Military Overseas Suitability Screening and Civilian Overseas Processing Program	05/11/2016
AFAA	F-2016-0005-L20000	F117 (C-17) Engine Requirements	05/25/2016
AFAA	F-2016-0003-O30000	Flying Hour Requirements	08/26/2016
AFAA	F-2016-0002-L40000	Deployed Equipment Assets	09/19/2016
AFAA	F-2016-0003-L40000	Air Force Equipment Management System Data	09/19/2016
AFAA	F-2016-0004-L40000	Item-Level Secondary Inventory Control Activity Requirements	09/19/2016
AFAA	F-2016-0004-O30000	Follow-Up Process Audit, Personnel Reliability Program	09/23/2016
AFAA	F-2016-0006-O40000	Contractor Access Controls	09/26/2016
AFAA	F-2016-0006-L40000	Local Purchase Equipment	09/27/2016
AFAA	F-2016-0006-L20000	Follow-On Audit, TF39 Engine Drawdown	09/30/2016

## The Nuclear Enterprise

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-125	Evaluation of DoD Nuclear Enterprise Governance	09/16/2016
DoD OIG	DODIG-2016-133	Evaluation of the Integrated Tactical Warning/Attack Assessment Ground-Based Radars	09/08/2016

## Other

Agency	Report Number	Report Title	Date
DoD OIG	DODIG-2016-101	Review of the Policies for Prepublication Review of DoD Classified or Sensitive Information to Ensure no DoD Sensitive or Classified Information is Released to the Media	06/17/2016
DoD OIG	DODIG-2016-109	Assessment of the Department of Defense Militarily Critical Technologies Program	07/08/2016
DoD OIG	DODIG-2016-124	DoD Freedom of Information Act Policies Need Improvement	08/16/2016
NAVAUDSVC	N2016-0037	Navy Child and Youth Programs Immunization Verification	06/29/2016
NAVAUDSVC	N2016-0047	United States Marine Corps Childcare Background Check Initiatives	08/24/2016

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

# REPORTS WITH QUESTIONED COSTS AND FUNDS RECOMMENDED TO BE PUT TO BETTER USE

Reports Issued	Date	Questioned Costs	Funds Put to Better Use
DODIG-2016-079 Delinquent medical Service Accounts at Landstuhl Regional Medical Center Need Additional Management Oversight	04/28/2016		\$4,347,288
DODIG-2016-087 Air Force Civil Engineer Center Management of Energy Savings Performance Contracts Need Improvement	05/04/2016	\$48,951,267	
DODIG-2016-093 The Naval Air Systems Command Did Not Obtain Fair and Reasonable Prices on ScanEagle Spare Parts (For Official Use Only)	05/31/2016	\$2,124,896	
DODIG-2016-097 DoD Generally Provided Effective Oversight of AbilityOne® Contracts	06/17/2016	\$1,200,000	
DODIG-2016-099 U.S. Special Operations Command Controls Over the Requirements Development Process for Military Construction Projects Need Improvement (For Official Use Only)	06/17/2016		\$4,000,000
DODIG-2016-105 Controls Over Compound Drugs at the Defense Health Agency Reduced Costs Substantially, but Improvements Are Needed	07/01/2016	\$99,469	
DODIG-2016-127 DoD Officials Did Not Take Appropriate Action When Notified of Potential Travel Card Misuse at Casinos and Adult Entertainment Establishments	08/29/2016	\$6,303	\$2,241
<b>Total</b>		<b>\$52,381,935</b>	<b>\$1,015,849,529<sup>1</sup></b>

1. Two For Official Use Only reports that are not listed identified \$1.007 billion in funds put to better use.

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

## FOLLOWUP ACTIVITIES

Decision status of DoD OIG 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 (in thousands)
A. For which no management decision had been made by the beginning of the reporting period.	31	\$1,727,142 <sup>1</sup>
B. Which were issued during the reporting period.	65	\$1,068,231 <sup>2</sup>
Subtotals (A+B)	96	\$2,795,373
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	\$1,818,365 <sup>3,4</sup>
D. For which no management decision has been made by the end of the reporting period.	32	\$977,008 <sup>5</sup>
Reports for which no management decision was made within 6 months of issue (September 30, 2016).	2 <sup>6</sup>	0

1. Includes \$157 million in “questioned costs” not previously reported.
2. DoD IG issued audit reports during the period involving \$52 million in “questioned costs.”
3. On these audit reports management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed.
4. Includes \$1.7 billion in “questioned costs.”
5. Includes \$6 thousand in “questioned costs.”
6. DoD IG Report Nos. DODIG-2014-001, “MV-22 Squadrons Could Improve Reporting of Mission Capability Rates and Readiness,” and DODIG-2015-155, “U.S. Forces Korea Service Components Can Improve Management of Individual Protective Equipment,” had no decision as of September 30, 2016, but action to achieve a decision is in process.

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

## FOLLOWUP ACTIVITIES

Status of action on central internal audits period ending September 30, 2016.

Status	Number	Funds Put to Better Use (in thousands)
<b>DoD OIG</b>		
Action in Progress - Beginning of Period	226	\$0
Action Initiated - During Period	65	\$1,818,365 <sup>1</sup>
Action Completed - During Period	50	\$1,253
Action in Progress - End of Period	241	\$0 <sup>2</sup>
<b>Military Departments</b>		
Action in Progress - Beginning of Period	493	\$6,154,653 <sup>3</sup>
Action Initiated - During Period	177	\$3,788,944
Action Completed - During Period	123	\$737,113
Action in Progress - End of Period	547	\$9,887,542

1. The DoD IG opened audit reports during the period involving \$1.7 billion in “questioned costs.”
2. On certain reports with audit estimated monetary benefits of \$32.7 billion, we agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.
3. Incorporates retroactive adjustments.

\* Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, section 5(b)(2) and (3).

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

April 1, 2016 through September 30, 2016.

Type of Audit <sup>2</sup>	Reports Issued	Dollars Examined (in millions)	Questioned Costs <sup>3</sup> (in millions)	Funds Put to Better Use (in millions)
Incurring Costs, Operations Audits, Special Audits	2,085	\$150,688.8	\$2,488.6	\$--- <sup>4</sup>
Forward Pricing Proposals	538	\$39,100.4	---	\$4,015.4 <sup>5</sup>
Cost Accounting Standards	140	\$200.7	\$78.1	---
Defective Pricing	26	(Note 6)	\$174.6	---
<b>Totals</b>	<b>2,789</b>	<b>\$189,989.9</b>	<b>\$2,741.3</b>	<b>\$4,015.4</b>

- This schedule represents Defense Contract Audit Agency (DCAA) contract audit reports issued during the 6 months ended September 30, 2016. 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. The total number of assignments completed during the 6 months ended September 30, 2016, was 8,463. 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.
- This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as:
  - Incurring Costs** – Audits of direct and indirect costs charged to Government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and provisions of the contract. Also included under 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 CAS regulation.
  - Defective Pricing** – A review to determine whether contracts are based on current, complete and accurate cost or pricing data (the Truth in Negotiations Act).
- Questioned costs represent costs that DCAA has questioned because they do not comply with rules, regulations, laws, or contractual terms.
- 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.
- Represents potential cost reductions that may be realized during contract negotiations.
- Defective pricing dollars examined are not reported because the original value was included in the audits associated with the original forward pricing proposals.

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

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

	Number of Reports	Costs Questioned <sup>6</sup> (in millions)	Costs Sustained <sup>7</sup> (in millions)
Open Reports			
Within Guidelines <sup>2</sup>	442	\$2,804.2	N/A <sup>8</sup>
Overage, greater than 6 months <sup>3</sup>	659	\$3,855.6	N/A
Overage, greater than 12 months <sup>4</sup>	452	\$3,746.6	N/A
In Litigation <sup>5</sup>	176	\$1,264.0	N/A
Total Open Reports	1,729	\$11,670.4	N/A
Closed Reports	458	\$2,140.2	\$468.9 (22%) <sup>9</sup>
All Reports	2,187	\$13,810.6	

- 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," April 15, 2015. This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and Cost Accounting Standard noncompliance reported by DoD Components. The DoD OIG has not have not verified the accuracy of the reported data.
- These reports are within the time frames established by OMB Circular A-50, "Audit Follow-up," and DoD Instruction 7640.02. OMB Circular A-50 requires that audit reports be resolved within 6 months after report issuance. Generally, an audit is resolved when the contracting officer determines a course of action that is documented and approved in accordance with agency policy. 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.
- These reports have not been resolved and the 6-month OMB Circular A-50 deadline has passed.
- These reports have not been dispositioned and the 12-month DoD Instruction 7640.02 deadline has passed.
- Of the 176 reports in litigation, 30 are under criminal investigation.
- Cost Questioned represents the amount of audit exception, potential cost avoidance, or recommended price adjustment in the audit report.
- Cost Sustained represents the questioned costs, potential cost avoidance, or recommended price adjustment sustained by the contracting officer.
- N/A (not applicable). Cost Sustained occurs when an audit report has been dispositioned (closed) during the reporting period and, as a result, would not be applicable to open reports.
- Contracting officers sustained \$468.9 million (22 percent) of the \$2,140.2 million questioned during the period as a result of post-award contract audits. The contracting officer sustention rate of 22 percent represents a decrease from the sustention rate of 26 percent for the prior reporting period.

\* Fulfills requirement of DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports," April 15, 2015, Enclosure 2, Section (1)(d).

## STATUS OF ACTION ON POST-AWARD CONTRACTS<sup>1</sup> (CONT'D)

	Number of Reports	Costs Questioned <sup>6</sup> (in millions)	Costs Sustained <sup>7</sup> (in millions)
Open Reports			
Within Guidelines <sup>2</sup>	451	\$2,527.9	N/A <sup>8</sup>
Overage, greater than 6 months <sup>3</sup>	684	\$4,966.0	N/A
Overage, greater than 12 months <sup>4</sup>	415	\$3,060.7	N/A
In Litigation <sup>5</sup>	164	\$1,003.2	N/A
Total Open Reports	1,714	\$11,557.8	N/A
Closed Reports	412	\$1,722.3	\$447.4 (26.0%) <sup>9</sup>
All Reports		2,126	\$13,280.1

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 by the DoD Components in accordance with DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports," April 15, 2015. The DoD OIG has not verified the accuracy of the reported data.
2. These reports are within the time frames established by OMB Circular No. A-50, "Audit Follow-up," and DoD Instruction 7640.02. OMB Circular No. A-50 requires that audit reports be resolved within 6 months after report issuance. Generally, an audit is resolved when the contracting officer determines a course of action which is documented and approved in accordance with agency policy. DoD Instruction 7640.02 states that audit reports are overage if not dispositioned within 12 months from date of issuance. Generally, disposition is achieved when the contractor implements audit recommendations, the contracting officer negotiates a settlement with the contractor, or the contracting officer issues a final decision pursuant to the Disputes Clause.
3. These reports have not been resolved and the 6-month OMB Circular No. A-50 deadline has passed.
4. These reports have not been dispositioned and the 12-month DoD Instruction 7640.02 deadline has passed.
5. Of the 164 reports in litigation, 22 are under criminal investigation.
6. Costs Questioned represent the amount of audit exception, potential cost avoidance, or recommended price adjustment in the audit report.
7. Cost Sustained represents the questioned costs, potential cost avoidance, or recommended price adjustment sustained by the contracting officer.
8. N/A (not applicable). Cost Sustained occurs when an audit report has been dispositioned (closed) during the reporting period and as a result would not be applicable when reporting data on open reports.
9. Contracting officers sustained \$447.4 million (26 percent) of the \$1,722.3 million questioned as a result of significant post-award contract audits during the period. The contracting officer sustention rate of 26 percent represents a decrease from the sustention rate of 31.3 percent for the prior reporting period.

## STATUS OF REPORTS WITH ACTION PENDING (SEPTEMBER 30, 2016)<sup>1,2</sup>

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

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

**Reason Action Not Completed:** Volume I of DoD Manual 5200.02 required a second formal coordination due to the amount of time since completion of initial formal coordination. Volumes I and II were consolidated per General Counsel request, and draft DoD Manual 5200.02 required a legal sufficiency review. Air Force Instruction 31-501 has undergone staffing and coordination but has not been published. The Army Regulation 380-67 revision is on hold by the Army Judge Advocate General pending publication of revised Department of Defense guidance.

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

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

**Description of Action:** Establish a new U.S. Treasury account symbol to charge when cash is obtained from the U.S. Treasury, and revise the DoD Financial Management Regulation to reflect implementation of the related changes.

**Reason Action Not Completed:** Awaiting publication of U.S. Department of Treasury guidance.

**Principal Action Office:** Under Secretary of Defense Comptroller/Chief Financial Officer

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

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

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

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

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

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

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

**Principal Action Office:** Assistant Secretary of Defense for Public Affairs

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

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

**Reason Action Not Completed:** Lack of management emphasis.

**Principal Action Office:** Navy

**Report:** D-2010-081, Army Use of Time-and-Materials Contracts in Southwest Asia, 08/27/2010

**Description of Action:** The Army Contracting Command will establish a plan for reviewing invoices for cited contracts and task orders.

**Reason Action Not Completed:** The Army Contracting Command and the Defense Contract Audit Agency have not completed reviews of task orders and audits of incurred costs.

**Principal Action Office:** Army

**Report:** SPO-2011-005, Assessment of Allegations Concerning Traumatic Brain Injury Research Integrity in Iraq, 03/31/2011

**Description of Action:** Review and update Navy guidance to specify that an Investigational New Drug application must be filed with the Food and Drug Administration prior to using dietary supplements in medical research.

**Reason Action Not Completed:** The revised guidance is in the final staffing process and anticipated to be signed out no later than December 31, 2016.

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

**Report:** D-2011-060, Marine Corps Inventory of Small Arms Was Generally Accurate, but Improvements Are Needed for Related Guidance and Training, 04/22/2011

**Description of Action:** Update the small arms accountability guidance in Marine Corps Order 5530.14A.

**Reason Action Not Completed:** Delayed while awaiting the release of DoD Instruction (DoDI) 5200.08, "Security of DoD Installations and Resources" and DoDI 5200.08-R "Physical Security Program." These DoD policy

1. Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(b)(4).
2. For this reporting period, there were disallowed costs of \$22.7 billion on reports over 12 months old with final action pending.

documents provide DoD-level physical security policy to the Services and influence the entire content of Marine Corps Order 5530.14A.

**Principal Action Office:** Navy

**Report:** D-2011-104, Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract With Sikorsky to Support the Corpus Christi Army Depot, 09/08/2011

**Description of Action:** Obtain refunds from Sikorsky for pricing and excessive escalation.

**Reason Action Not Completed:** Based upon the conclusion of the Department of Justice settlement process, the contracting officer requested that a DCAA post-award audit be completed. The audit was delayed by direction of the Department of Justice. Also, the contractor has been slow in providing data requested by DCAA to support the audit. DCAA has requested and received approval from the Army Contracting Command-Redstone Arsenal to extend the due date for the Post-Award Audit.

**Principal Action Office:** Defense Contract Management Agency and Army

**Report:** DODIG-2012-004, Changes Are Needed to the Army Contract With Sikorsky to Use Existing DoD Inventory and Control Costs at the Corpus Christi Army Depot, 11/03/2011

**Description of Action:** Obtain a refund from Sikorsky for the material cost reduction incentive, and request that Sikorsky provide a refund of excessive profits charged on purchases from the Defense Logistics Agency.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2012-007, Acquisition of the Multi-Platform Radar Technology Insertion Program Needs Transparency and Accountability, 11/02/2011

**Description of Action:** Update the Global Hawk Block 40 Test and Evaluation Master Plan.

**Reason Action Not Completed:** Corrective actions are ongoing.

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

**Report:** DODIG-2012-017, U.S. Naval Academy Officials Did Not Adhere to Contracting and Gift Policies, 11/07/2011

**Description of Action:** Implement the Naval Heritage and History Command inventory system at the U.S. Naval Academy Museum, record all in-kind gifts into the system, and require the U.S. Naval Academy Museum Director to use the system.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2012-039, Summary Report on DoD's Management of Undefined Contractual Actions, 01/13/2012

**Description of Action:** Develop a transparent means to document incurred costs and reduced cost risk related to substantial incurred costs during undefinitized periods.

**Reason Action Not Completed:** Long-term actions are ongoing.

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

**Report:** DODIG-2012-041, Evaluation of DoD Contracts Regarding Combating Trafficking in Persons: U.S. European Command and U.S. Africa Command, 01/17/2012

**Description of Action:** Modify deficient contracts to include appropriate Federal Acquisition Regulation Combating Trafficking in Persons clauses.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2012-050, Improvements Needed With Host-Based Intrusion Detection Systems, 02/03/2012

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

**Reason Action Not Completed:** Improvements to multiple systems and configuration processes are ongoing.

**Principal Action Office:** Defense Information Systems Agency

**Report:** DODIG-2012-057, Guidance Needed to Prevent Military Construction Projects From Exceeding the Approved Scope of Work, 02/27/2012

**Description of Action:** Verify that the expenditure of funds designated for the Camp Phoenix North Expansion Project was redesignated for the New Kabul Compound.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** Air Force

**Report:** DODIG-2012-064, Vulnerability and Risk Assessments Needed to Protect Defense Industrial Base Critical Assets, 03/13/2012

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

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Assistant Secretary of Defense for Homeland Defense and Global Security

**Report:** DODIG-2012-066, General Fund Enterprise Business System Did Not Provide Required Financial Information, 03/26/2012

**Description of Action:** Implement corrective actions to address the Standard Financial Information Structure gaps as reported in the General Fund Enterprise Business System.

**Reason Action Not Completed:** Extensive time required to coordinate and implement corrective actions.

**Principal Action Office:** Army

**Report:** DODIG-2012-067, Assessment of DoD Wounded Warrior Matters - Camp Lejeune, 03/30/2012

**Description of Action:** Establish policies and procedures to uniquely identify Wounded Warriors assigned or attached to a Wounded Warrior Battalion in the Composite Health Care System so that established DoD TRICARE access to care standards specifically for the Wounded Warrior population can be tracked.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2012-079, Review of United States Air Force Nuclear Weapon Security Program, 04/20/2012

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Air Force

**Report:** DODIG-2012-082, DoD Can Improve Its Accounting for Residual Value From the Sale of U.S. Facilities in Europe, 05/04/2012

**Description of Action:** Revise DoD Instruction 4165.69 "Realignment of DoD Sites Overseas," to require that future residual value settlement negotiations analyze and document how the residual value settlement amount was determined.

**Reason Action Not Completed:** Corrective actions are in process.

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

**Report:** DODIG-2012-086, Evaluation of DoD Contracts Regarding Combating Trafficking in Persons: Afghanistan, 05/15/2012

**Description of Action:** Modify deficient contracts to include appropriate Federal Acquisition Regulation Combating Trafficking in Persons clauses.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2012-087, Logistics Modernization Program System Procure-to-Pay Process Did Not Correct Material Weaknesses, 05/29/2012

**Description of Action:** Develop a plan of action and milestones to bring the Logistics Modernization Program system into compliance with the DoD Business Enterprise Architecture Procure-to-Pay business rules.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2012-090, Information Security Controls Over the Defense Enrollment Eligibility Reporting System, 05/22/2012

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

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

**Report:** DODIG-2012-098, Defense Logistics Agency's Procurement Automated Contract Evaluation System, 06/05/2012

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

**Reason Action Not Completed:** One recommendation is in the resolution process.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2012-102, Cost-Control Measures Are Needed on the Army's Cost-Reimbursable Services Contract for Logistics Support of Stryker Vehicles, 06/18/2012

**Description of Action:** Conduct a Business Case Analysis of the logistics support approach that will consider the type of support (contractor versus organic) as well as identify potential metrics.

**Reason Action Not Completed:** Extensive time required to complete the Business Case Analysis.

**Principal Action Office:** Army

**Report:** DODIG-2012-107, Defense Finance and Accounting Service Needs to Improve the Process for Reconciling the Other Defense Organizations' Fund Balance with Treasury, 07/09/2012

**Description of Action:** Develop a systems infrastructure that will allow retrieval of detailed transactions that support open appropriations; reconciliations between transactions supporting the amounts on the Cash Management Report and Other Defense Organizations' accounting systems; and monthly transaction level reconciliations for the Other Defense Organizations.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Defense Finance and Accounting Service

**Report:** DODIG-2012-110, Better Oversight Needed for the National Guard's Weapons of Mass Destruction Civil Support Teams, 07/02/2012

**Description of Action:** The Director, National Guard Bureau-J3, will develop a written oversight plan that verifies compliance with mission reporting requirements and provides feedback to Weapons of Mass Destruction Civil Support Teams on omissions and errors.

**Reason Action Not Completed:** Policy continues to be staffed.

**Principal Action Office:** National Guard Bureau

**Report:** DODIG-2012-117, General Fund Enterprise Business System Project Office Contract Modifications, 08/14/2012

**Description of Action:** Ensure that the Defense Federal Acquisition Regulation Supplement properly references the DoD Financial Management Regulation as the appropriate policy mechanism for financing Economy Act Orders with non-DoD agencies. Update the Procedures, Guidance, and Information to include a section on how to properly monitor interagency acquisitions.

**Reason Action Not Completed:** Long-term corrective actions are in process.

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

**Report:** DODIG-2012-122, DoD Should Procure Compliant Physical Access Control Systems to Reduce the Risk of Unauthorized Access, 08/29/2012

**Description of Action:** Require each office implementing Homeland Security Presidential Directive-12 (HSDP-12) to provide full oversight and accountability. Require Services and DoD agencies to report to the Under Secretary of Defense for Personnel and Readiness on the status of their efforts. Report on compliance for facility physical access control systems with Federal Information Processing Standard 201. Require the completion of site surveys that address all mission requirements and infrastructure limitations.

**Reason Action Not Completed:** Use of the Defense Property Accountability System to inventory and manage physical access control equipment and promulgation of a memorandum establishing accountability for physical security equipment both have been delayed by changes to overarching guidance. A directive paragraph will be included in the Navy Physical Security and Law Enforcement Policy to include the requirement for installation officials to be included in the site survey. Marine Corps actions have been deferred until a DoD-compliant enterprise access control solution is fielded.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness, Under Secretary of Defense for Intelligence, Navy, and Marine Corps

**Report:** DODIG-2012-124, DoD Efforts to Protect Critical Program Information: The Navy's EA-18G "Growler," 08/30/2012

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Navy

**Report:** DODIG-2012-135, Counter Narcoterrorism Technology Program Office's Mi-17 Overhaul Contracts, 09/27/2012

**Description of Action:** Withhold payments on additional costs associated with two contractors' requests for equitable adjustments until all costs have been determined to be reasonable, allowable, and allocable, and the head of the contracting activity has reviewed the requisite analyses.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2012-137, U.S. Pacific Command's Petroleum War Reserve Requirements and Stocks, 09/26/2012

**Description of Action:** Revise DoD Manual 4140-25-M, "DoD Management of Bulk Petroleum Products, Natural Gas, and Coal," to include a requirement for updating the days of supply planning factors at least biennially.

**Reason Action Not Completed:** DoD Manual 4140-25 is expected to be issued in FY 2017.

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

**Report:** DODIG-2013-005, Performance Framework and Better Management of Resources Needed for the Ministry of Defense Advisors Program, 10/23/2012

**Description of Action:** Develop a performance management framework to cover Ministry of Defense Advisors' program office responsibilities, including advisor recruiting, training, and deployment performance indicators to assess progress and measure program results.

**Reason Action Not Completed:** Lack of management emphasis.

**Principal Action Office:** Assistant Secretary of Defense for Special Operations/Low Intensity Conflict

**Report:** DODIG-2013-035, Better Reporting and Certification Processes Can Improve Red Teams' Effectiveness, 12/21/2012

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Air Force

**Report:** DODIG-2013-036, Improvements Are Needed to Strengthen the Security Posture of USACE, Civil Works, Critical Infrastructure and Industrial Control Systems in the Northwestern Division, 01/14/2013

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

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2013-050, Recovering Organizational Clothing and Individual Equipment From Civilians and Contractor Employees Remains a Challenge, 02/22/2013

**Description of Action:** Implement corrective actions to address all recommendations, with the exception of Recommendation (1)(b), in DoD OIG Report No. D-2010-069, "Central Issue Facilities at Fort Benning and Related Activities," 06/21/2010.

**Reason Action Not Completed:** Long-term corrective actions are in process.

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

**Report:** DODIG-2013-057, Enterprise Business System Was Not Configured to Implement the U.S. Government Standard General Ledger at the Transaction Level, 03/20/2013

**Description of Action:** Develop and implement an Enterprise Business System alternate chart of accounts that has the capability to report the DoD Standard Chart of Accounts for general fund and working capital fund activities at the transactional level.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2013-063, Award and Administration of Performance-Based Payments in DoD Contracts, 04/08/2013

**Description of Action:** Issue guidance requiring contracting personnel to determine whether the contractor can obtain private financing at a reasonable rate before allowing Performance-Based Payments financing.

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

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

**Report:** DODIG-2013-070, Defense Agencies Initiative Did Not Contain Some Required Data Needed to Produce Reliable Financial Statements, 04/19/2013

**Description of Action:** Revise DoD Financial Management Regulation guidance to require costs of programs reported in the Statement of Net Cost to be

accounted for by program costs and not by appropriation, enabling the use of the Program Indicator Code attribute.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Under Secretary of Defense Comptroller/Chief Financial Officer

**Report:** DODIG-2013-072, Data Loss Prevention Strategy Needed for the Case Adjudication Tracking System, 04/24/2013

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

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2013-078, TRICARE Management Activity Needs to Improve Oversight of Acquisition Workforce, 05/01/2013

**Description of Action:** Perform a comprehensive review of Tricare Management Activity's compliance with the recommendation to develop a time-phased plan for all acquisition workforce personnel who did not attain position required certifications within allowed timeframes to obtain certifications, and as appropriate, initiate administrative action to remove them from acquisition related positions.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

**Report:** DODIG-2013-079, Advanced Combat Helmet Technical Assessment, 05/29/2013

**Description of Action:** Fully characterize the performance of all helmet designs included in the combat helmet test protocols. Performance characterization should consider threat, historical test data, prototype test data, and manufacturing capabilities. Based on helmet performance characterizations, determine if modification to the first article test and lot acceptance test protocols are appropriate.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Director, Operational Test and Evaluation and Army

**Report:** DODIG-2013-082, Hotline Allegation Regarding the Failure to Take Action on Material Management and Accounting System (MMAS) Audit Findings, 05/29/2013

**Description of Action:** Two recommendations are in the resolution process.

**Reason Action Not Completed:** Two recommendations are in the resolution process.

**Principal Action Office:** Navy

**Report:** DODIG-2013-084, Increased Procurement Quantity for CH-53K Helicopter Not Justified, 05/31/2013

**Description of Action:** Perform a requirements analysis, an affordability assessment, and before the low-rate initial production, submit any increases in quantity beyond 156 CH-53K aircraft to the Joint Requirements Oversight Council for review and decision.

**Reason Action Not Completed:** The requirements analysis has been completed and the affordability study is expected to be finished this year.

**Principal Action Office:** Marine Corps

**Report:** DODIG-2013-085, Cryptographic Modernization of Critical Nuclear Command, Control, and Communications Systems, 05/29/2013

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** National Security Agency

**Report:** DODIG-2013-087, Assessment of DoD Wounded Warrior Matters-Joint Base Lewis-McChord, 05/31/2013

**Description of Action:** Update command policies and provide interim measures to allow soldiers assigned or attached to a Warrior Transition Unit to participate in internship opportunities to the maximum extent possible.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2013-097, Improvements Needed in the Oversight of the Medical-Support Services and Award-Fee Process Under the Camp As Sayliyah, Qatar, Base Operation Support Services Contract, 06/26/2013

**Description of Action:** Revise Army Regulation 40-68, "Clinical Quality Management," to align the regulation with supervision requirements set forth in Federal Acquisition Regulation 37.4 "Nonpersonal Health Care Service."

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

**Principal Action Office:** Army

**Report:** DODIG-2013-098, Assessment of U.S. Military Cemeteries, 06/28/2013

**Description of Action:** Update Office of the Secretary of Defense guidance and Military Service regulations, instructions, manuals and inspection procedures to improve and standardize cemetery management across Services.

**Reason Action Not Completed:** Office of the Secretary of Defense-level guidance is in draft form and in coordination with the agencies impacted. Once issued, the Services will finish updating their regulations, instructions, manuals and inspection procedures.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics; Under Secretary of Defense for Personnel and Readiness; Army; Navy; and Air Force

**Report:** DODIG-2013-100, Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan Improved, but Additional Actions are Needed, 07/02/2013

**Description of Action:** Initiate corrective actions to recover premium transportation fees and provide a refund to the Army after litigation is completed.

**Reason Action Not Completed:** An Armed Services Board of Contract Appeals case remains in litigation.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2013-102, Improved Oversight of Communications Capabilities Preparedness Needed for Domestic Emergencies, 07/01/2013

**Description of Action:** Establish oversight procedures, including performance metrics, to verify that National Guard units report the readiness status of personnel and equipment for the Joint Incident Site Communications Capability system in a timely manner.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** National Guard Bureau

**Report:** DODIG-2013-103, Boeing Overstated Contract Requirements for the CH-47F Helicopter, 07/16/2013

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

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2013-119, Better Procedures and Oversight Needed to Accurately Identify and Prioritize Task Critical Assets, 08/16/2013

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Assistant Secretary of Defense for Homeland Defense and Global Security

**Report:** DODIG-2013-123, Army Needs To Improve Mi-17 Overhaul Management and Contract Administration, 08/30/2013

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

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2013-125, Quality Control Review of the PricewaterhouseCoopers, LLP FY 2011 Single Audit of SRI International, 08/29/2013

**Description of Action:** Improve documentation in future audits on procedures performed to test key personnel, identification of cost principles used to determine allowability, and procedures performed to determine compliance requirements that are not applicable.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Single Audit Act

**Report:** DODIG-2013-130, Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process, 09/13/2013

**Description of Action:** Implement the Army's reengineered Acquire-to-Retire business process by developing standardized procedures and controls that leverage all the capabilities provided by the General Fund Enterprise Business System.

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2013-134, Navy Commercial Access Control System Did Not Effectively Mitigate Access Control Risks, 09/16/2013

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

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2013-138, The U.S. Air Force Academy Lacked Effective Controls Over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts, 09/23/2013

**Description of Action:** Revise DoD Financial Management Regulation guidance to clarify the reporting requirement for nonmonetary gifts.

**Reason Action Not Completed:** Extensive time required to revise DoD Financial Management Regulation, Volume 12, Chapter 30, "Operation and Use of General Gift Funds."

**Principal Action Office:** Under Secretary of Defense (Comptroller)/Chief Financial Officer

**Report:** DODIG-2014-005, Combined Joint Task Force-Horn of Africa Needed Better Guidance and Systems to Adequately Manage Civil-Military Operations, 10/30/2013

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

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** U.S. Africa Command

**Report:** DODIG-2014-019, Assessment of Continental United States Based Nuclear Response Task Force Programs, 12/03/2013

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** U.S. Northern Command

**Report:** DODIG-2014-026, Assessment of Arlington and Soldiers' and Airmen's Home National Cemeteries, 12/20/2013

**Description of Action:** Assess the effectiveness of current processes and manpower levels to reduce the backlog of those awaiting burial. Pursue full authorization and filling of required positions documented in the Table of Distribution and Allowances. Develop and implement a single data entry record management system. Optimize the use of overtime and borrowed military manpower to support existing schedulers.

**Reason Action Not Completed:** Corrective actions are ongoing. As of March 2016, the Arlington National Cemetery had a 78 percent personnel fill rate and is expeditiously recruiting and hiring staff, and the implementation of an enhanced Interment Scheduling System is underway.

**Principal Action Office:** Army

**Report:** DODIG-2014-037, Title is For Official Use Only, 02/10/2014

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

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2014-038, Air Force Life Cycle Management Center Could Not Identify Actual Cost of F119 Engine Spare Parts Purchased From Pratt and Whitney, 02/10/2014

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

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Air Force

**Report:** DODIG-2014-040, Assessment of DoD Wounded Warrior Matters: Managing Risks of Multiple Medications, 02/21/2014

**Description of Action:** Publish policy guidance that addresses the risks for wounded warriors who may use multiple medications in the course of their treatment and

the need for additional safeguards. Review and update policies and procedures for medication reconciliation to ensure appropriateness to address the unique needs of the wounded warrior population.

**Reason Action Not Completed:** A draft Air Force Instruction 44-119, “Medical Quality Operations” is in final coordination.

**Principal Action Office:** Assistant Secretary of Defense for Health Affairs

**Report:** DODIG-2014-049, DoD Considered Small Business Innovation Research Intellectual Property Protections in Phase III Contracts, but Program Improvements Are Needed, 03/27/2014

**Description of Action:** Issue departmental guidance on the standard intellectual property protections and use of the data assertions table; timely Small Business Administration notification requirements; and recording Small Business Innovation Research information in existing databases to increase the accuracy and uniformity of database information.

**Reason Action Not Completed:** Corrective actions are ongoing.

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

**Report:** DODIG-2014-052, DoD Did Not Negotiate Rates With Overseas Health Care Providers and Generally Paid Claims as Billed, 04/01/2014

**Description of Action:** Initiate action to either establish negotiated rates with high-dollar-volume overseas health care providers or implement other cost containment measures in high-dollar volume locations with significant increases. Also, establish procedures to negotiate rates directly with the TRICARE Overseas Program contractor when the contractor provides service as a health care provider.

**Reason Action Not Completed:** Extensive time required to conduct study and evaluate alternatives.

**Principal Action Office:** Assistant Secretary of Defense for Health Affairs

**Report:** DODIG-2014-059, DoD Efforts to Meet the Requirements of the Improper Payments Elimination and Recovery Act in FY 2013, 04/15/2014

**Description of Action:** Develop quality assurance goals and programmatic corrective action plans to reduce errors related to separation debts.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense Comptroller/Chief Financial Officer

**Report:** DODIG-2014-062, Improvements Needed in the Stocking of Air Force Basic Expeditionary Airfield Resources Support and Repair Spare Kits in Guam, 04/17/2014

**Description of Action:** The Report is classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Air Force

**Report:** DODIG-2014-064, Improved Management Needed for the F/A-18 Engine Performance-Based Logistics Contracts, 04/25/2014

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

**Reason Action Not Completed:** Corrective actions are ongoing.

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

**Report:** DODIG-2014-066, Logistics Modernization Program System Not Configured to Support Statement of Budgetary Resources, 05/05/2014

**Description of Action:** Develop procedures for distributing Defense Working Capital Fund budget authority to the budget offices for recording in the Enterprise Resource Planning systems that support the Defense Working Capital Fund.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense Comptroller/Chief Financial Officer and the Army

**Report:** DODIG-2014-067, Improvement Needed for Management of Commemorative Program Funds, 05/06/2014

**Description of Action:** Develop guidance for effectively performing Executive Agent responsibilities in accordance with DoD Directive 5101.1, “DoD Executive Agent.”

**Reason Action Not Completed:** One recommendation is in the resolution process.

**Principal Action Office:** Army

**Report:** DODIG-2014-073, Improvements Needed for Triannual Review Process at Norfolk Ship Support Activity, 05/13/2014

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

**Reason Action Not Completed:** Awaiting the completion of a Department of Justice investigation.

**Principal Action Office:** Army

**Report:** DODIG-2014-076, Opportunities for Cost Savings and Efficiencies in the DoD Permanent Change of Station Program, 05/21/2014

**Description of Action:** Develop quality control and standard operating procedures to ensure quarterly reviews of all non-temporary storage lots to determine whether the entitlements are still valid and establish policy requiring use of the most cost-effective method to ship and store domestic household goods weighing 1,000 pounds or less.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Marine Corps

**Report:** DODIG-2014-079, Evaluation of the Department of Defense Combating Trafficking in Persons Program, 06/16/2014

**Description of Action:** Review and comment on DoD Components' self assessments of their Combating Trafficking in Persons programs and develop and implement specialized training in Combating Trafficking in Persons training for legal counsel and strategic planners.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

**Report:** DODIG-2014-080, Assessment of DoD Processes in Support of Committee on Foreign Investment in the United States Determinations and Foreign Ownership, Control, or Influence Mitigation, 06/10/2014

**Description of Action:** Develop a centralized repository for classified Defense contracts to maintain DD Forms 254, "Department of Defense Contract Security Classification Specification," and other contract security requirements.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense for Intelligence

**Report:** DODIG-2014-081, Army Integrated Air and Missile Defense Program Needs to Improve Software, Test, and Requirements Planning, 06/09/2014

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

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2014-083, Insufficient Infrastructure Support to the Fixed Submarine Broadcast System, 06/23/2014

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2014-087, Army's Audit Readiness at Risk Because of Unreliable Data in the Appropriation Status Report, 06/26/2014

**Description of Action:** Analyze and identify the root causes of the significant adjustments required for General Fund Enterprise Business System data to be reported in the Appropriation Status Report, and implement corrective actions to eliminate the need for the automatic adjustment process within the Defense Departmental Reporting System-Budgetary.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2014-090, Improvements Needed in the General Fund Enterprise Business System Budget-to-Report Business Process, 07/02/2014

**Description of Action:** Verify that the General Fund Enterprise Business System posting logic documentation is accurate and complete, and use it to validate General Fund Enterprise Business System general ledger account postings.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2014-091, Procedures to Ensure Sufficient Rare Earth Elements (REE) for the Defense Industrial Base Need Improvement, 07/07/2014

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

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2014-092, Navy and Marine Corps Have Weak Procurement Processes for Cost-reimbursement Contract Issuance and Management, 07/11/2014

**Description of Action:** Develop checklists and guides that can be used by contracting personnel regarding the extra planning, approval, and oversight of cost-reimbursement contracts; identify hybrid contracting as a best practice within the contracting competency; update contracting policies; establish better communication channels; and develop controls to ensure that a contracting officer's representative is assigned to each contract at contract award.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Marine Corps

**Report:** DODIG-2014-093, Inspection of the Armed Forces Retirement Home, 07/23/2014

**Description of Action:** Finalize the update of directives and policies upon completion of the union's review. Begin use of privileging software.

**Reason Action Not Completed:** Delays have been caused by the ongoing review of updated policies and directives by the union, which is involved in arbitration over contract issues, and by actions to finalize security protocols to ensure privileging software protects Personally Identifiable Information.

**Principal Action Office:** Armed Forces Retirement Home

**Report:** DODIG-2014-096, Improvements Needed in Contract Administration of Mi-17 Cockpit Modification Task Order, 07/28/2014

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

**Reason Action Not Completed:** Contract closeout was delayed due to the continued lack of sufficient manpower.

**Principal Action Office:** Army

**Report:** DODIG-2014-100, Assessment of DoD Wounded Warrior Matters: Selection and Training of Warrior Transition Unit and Wounded Warrior Battalion Leaders and Cadre, 08/22/2014

**Description of Action:** Provide the action plan on future Wounded Warrior Regiment staffing and manning requirements.

**Reason Action Not Completed:** The Deputy Commandant for Manpower and Reserve Affairs has not provided the final analysis of the Wounded Warrior Regiment manning and staffing review.

**Principal Action Office:** Marine Corps

**Report:** DODIG-2014-101, Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight, 08/13/2014

**Description of Action:** Establish procedures to validate that staff collect accurate and complete demographic and billing patient information before patient discharge; send dispute letters to Texas Medicaid and Healthcare Partnership for all claims denied for missing the 95-day filing requirement; provide U.S. Army Medical Command all the Medicaid-eligible claims denied by Texas Medicaid Health Partnership for missing the 95-day filing requirement to identify the value and impact of those claims to Brooke Army Medical Center; and identify the reimbursed and disallowed amounts, the amounts the beneficiaries now are responsible to pay, and request direction on a course of action to eliminate the debt.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Assistant Secretary of Defense for Health Affairs

**Report:** DODIG-2014-102, Government of the Islamic Republic of Afghanistan Needs to Provide Better Accountability and Transparency Over Direct Contributions, 08/29/2014

**Description of Action:** Require the government of the Islamic Republic of Afghanistan Ministries of Defense and Interior to automate their payroll processes and eliminate manual edits after payroll documents have been approved.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** U.S. Central Command

**Report:** DODIG-2014-104, Global Combat Support System (GCSS)-Army Did Not Comply With Treasury and DoD Financial Reporting Requirements, 09/03/2014

**Description of Action:** Develop and implement processes to validate Global Combat Support System-Army compliance with the DoD Financial Management Regulation and develop standard operating procedures for using internal controls to ensure complete and accurate DoD Standard Chart of Accounts and Transaction Library data. Also, develop and publish annual Standard Financial Information Structure account guidance showing which account attributes are applicable for each DoD account.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense Comptroller/Chief Financial Officer

**Report:** DODIG-2014-109, Review of Audits Issued by the Defense Contract Audit Agency in FY 2012 and FY 2013, 09/08/2014

**Description of Action:** Perform a defective pricing audit on the contract to ensure that the negotiated contract price was not increased because the contractor did not submit or disclose accurate, complete, and current certified cost or pricing data.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Defense Contract Audit Agency

**Report:** DODIG-2014-110, Ontic Engineering and Manufacturing Overcharged the Defense Logistics Agency for Sole-Source Spare Parts, 09/15/2014

**Description of Action:** Review all sole-source spare parts purchased from the contractor from October 1, 2012, to the present, to identify any potential overpricing, and determine whether the requirements for a voluntary refund were met.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2014-114, Independent Auditor's Report on Agreed-Upon Procedures for DoD Compliance With Service Contract Inventory Compilation and Certification Requirements for FY 2012, 09/18/2014

**Description of Action:** Provide an update on the status, including time frames, for staffing the Total Force Management Support Office and finalizing the service contract review form.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

**Report:** DODIG-2014-116, Assurance Policy Evaluation - Spacecraft and Strategic Systems, 09/17/2014

**Description of Action:** Update the Defense Acquisition Guidebook to recommend that the Major Defense Acquisition Programs review, tailor, and apply applicable mission assurance concepts and principles, such as those found in the Mission Assurance Guide, when developing Systems Engineering Plans and contract requirements to promote a higher probability of mission success.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

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

**Report:** DODIG-2014-118, Improvements Needed in Contract Award of Mi-17 Cockpit Modification Task Order, 09/19/2014

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

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2014-119, Excess Inventory Acquired on Performance-Based Logistics Contracts to Sustain the Air Force's C-130J Aircraft, 09/22/2014

**Description of Action:** Establish and monitor C-130J-unique, performance-based, logistics inventory control metrics on the performance-based logistics contracts. Also, establish a contract clause for performance-based logistics contracts that requires contractors in coordination with the buying DoD Component to comply with the revised DoD Manual 4140.01, Volume 6, "DoD Supply Chain Material Management Procedures: Materiel Returns, Retention, and Disposition."

**Reason Action Not Completed:** Corrective actions are on schedule.

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

**Report:** DODIG-2014-120, Acquisition Practices Used at United States Marine Corps Program Executive Officer Land Systems: Program Manager Medium and Heavy Tactical Vehicles, 09/22/2014

**Description of Action:** Perform additional testing to identify system configuration and component changes to address the safety risks identified with the Automatic Fire Extinguishing Systems and increase the system's effectiveness before awarding a contract and procuring additional systems. Also, revise system performance specifications to require that additionally procured systems meet impulse noise requirements.

**Reason Action Not Completed:** A final decision is pending on an initiative for Program Objective Memorandum-17 in support of Automatic Fire Extinguishing Systems testing and procurement.

**Principal Action Office:** Navy

**Report:** DODIG-2014-123, Air Force Did Not Justify the Need for MQ-9 Reaper Procurement Quantities, 09/30/2014

**Description of Action:** Perform and document comprehensive analyses to determine the necessary quantity of MQ-9 aircraft, validate cost and quantity changes, and update MQ-9 aircraft production documents.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Air Force

**Report:** DODIG-2014-124, Army Needs to Improve the Reliability of the Spare Parts Forecasts it Submits to the Defense Logistics Agency, 09/29/2014

**Description of Action:** Develop a plan of action and milestones to improve the accuracy of the spare parts forecasts that Army Life Cycle Management Commands provide to the Defense Logistics Agency. Also, develop Army-wide policy and establish controls on monitoring and updating depot overhaul factors consistently.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2015-001, Assessment of the Department of Defense Prisoner of War/Missing in Action Accounting Community, 10/17/2014

**Description of Action:** The Director of the new Defense Prisoner of War/Missing In Action Accounting Agency will establish standard operating procedures across the accounting community organizations, and the Under Secretary of Defense for Personnel and Readiness will establish DoD-wide policy regarding the disinterment of unknowns from past conflicts.

**Reason Action Not Completed:** Corrective actions are ongoing. New standard operating procedures and an updated Mortuary Affairs Policy will be

developed upon completion of ongoing efforts to update pertinent DoD directives and instructions, and administrative instructions.

**Principal Action Office:** Marine Corps

**Report:** DODIG-2015-002, Assessment of DoD-Provided Healthcare for Members of the United States Armed Forces Reserve Components, 10/09/2014

**Description of Action:** Develop Defense Health Affairs line-of-duty forms to provide Procedural Instructions to implement controls outlined in DoD Instruction 1241.01, "Reserve Component (RC) Line of Duty Determination for Medical and Dental Treatments and Incapacitation Pay Entitlements." Update DoD Instruction 1200.15, "Assignment To and Transfer Between Reserve Categories, Discharge From Reserve Status, Transfer to the Retired Reserve, and Notification of Eligibility for Retired Pay," to include revisions regarding members meeting individual medical readiness requirements when transferring from an Active Component to the Selected Reserve.

**Reason Action Not Completed:** Defense Health Agency is drafting new line-of-duty forms and procedural guidance, and DoD Instruction 1200.15 is under revision.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

**Report:** DODIG-2015-006, Policy Changes Needed at Defense Contract Management Agency to Ensure Forward Pricing Rates Result in Fair and Reasonable Contract Pricing, 10/09/2014

**Description of Action:** Revise Defense Contract Management Agency Instruction 130 to address the Federal Acquisition Regulation 15.404-2(a)(1) requirement that the administrative contracting officer tailor the request for audit services to reflect the minimum essential supplementary information needed to conduct a cost analysis. Also, provide training to the administrative contracting officer community on the use of cost analysis to determine fair and reasonable forward pricing rate recommendations and forward pricing rate agreement rates.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Defense Contract Management Agency

**Report:** DODIG-2015-008, Followup Audit: Enterprise Blood Management System Not Ready for Full Deployment, 10/23/2014

**Description of Action:** Ensure that in-transit inventory is not counted twice in the Enterprise Blood Management System; develop and implement the Blood Management Blood Bank Transfusion Services interface capability with

the Composite Health Care System; evaluate how the DoD blood product information technology capabilities would benefit from being interoperable as an information technology portfolio; and identify and document opportunities for efficiencies throughout the process.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Assistant Secretary of Defense for Health Affairs

**Report:** DODIG-2015-010, Defense Logistics Agency Did Not Fully Implement the Business Enterprise Architecture Procure-to-Pay Business Process in the Enterprise Business System, 10/28/2014

**Description of Action:** Conduct a comprehensive business process re-engineering assessment of the Defense Logistics Agency's Procure-to-Pay phases affected by the Enterprise Business System and EProcurement.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Defense Chief Management Officer

**Report:** DODIG-2015-011, Evaluation of the Defense Criminal Investigative Organizations' Defense Incident-Based Reporting System Reporting and Reporting Accuracy, 10/29/2014

**Description of Action:** Ensure Defense Incident-Based Reporting System data submitters provide accurate and complete data submissions within 15 workdays after the end of each month and that error corrections are completed within 30 days of the Defense Manpower Data Center notifications and are tracked to completion as required by DoD Manual 7730.47-M, Volume 1, "Defense Incident-Based Reporting System (DIBRS): Data Segments and Elements."

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness, Navy, and the Defense Criminal Investigative Service

**Report:** DODIG-2015-016, Department of Defense Suicide Event Report (DoDSER) Data Quality Assessment, 11/14/2014

**Description of Action:** Revise DoD guidance to provide policy and procedures for data collection and for submission and reporting of suicide events data. Revise the Defense Health Affairs Manual to incorporate an updated description of the Medical Expense Performance Reporting System codes. Share information with the Department of Veterans Affairs.

**Reason Action Not Completed:** The Military Services are awaiting publication of DoD Instruction 6490.XXX to establish guidance for the DoD Suicide Event Report. The Medical Expense and Performance Reporting System manual is in the process of being replaced by a Defense Health Agency Medical Expense and Performance Reporting System Procedure Manual.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

**Report:** DODIG-2015-027, Quality Control Review of BDO USA, LLP FY 2013 Single Audit of Advanced Technology International, 11/03/2014

**Description of Action:** Perform additional audit procedures to support the audit opinion including determination of direct and material compliance requirements and internal controls and compliance testing on direct and material requirements.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Single Audit Act

**Report:** DODIG-2015-029, DoD Needs to Improve Processes for Issuing and Managing Cost-Reimbursement Contracts, 11/07/2014

**Description of Action:** Issue guidance to reinforce the applicability of the current guidance or clarifying when cost-reimbursement contracts should be approved one level above the contracting officer. Issue guidance to reinforce the current regulations regarding the requirement to consider how a cost-reimbursement contract could transition to a firm-fixed-price contract in the future.

**Reason Action Not Completed:** Corrective actions are ongoing.

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

**Report:** DODIG-2015-031, The Services Need To Improve Accuracy When Initially Assigning Demilitarization Codes, 11/07/2014

**Description of Action:** Revise DoD Demilitarization program guidance and establish metrics. Require the Services to revise their respective demilitarization program guidance and establish a process to ensure compliance with demilitarization training requirements; identify and correct training deficiencies for both the Defense Demilitarization Program Course and annual refresher training; and establish controls to assign accurate demilitarization codes.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

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

**Report:** DODIG-2015-037, Exoatmospheric Kill Vehicle Quality Assurance and Reliability Assessment-Part B, 11/13/2014

**Description of Action:** The Report is classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Missile Defense Agency

**Report:** DODIG-2015-040, Defense Health Agency Did Not Have Adequate Controls in the North Region to Detect Improper Payments for Claims Submitted by Skilled Nursing Facilities, 11/25/2014

**Description of Action:** Conduct comprehensive medical reviews of skilled nursing facility claims to ensure that the claims are documented, billed, and paid appropriately.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Assistant Secretary of Defense for Health Affairs

**Report:** DODIG-2015-044, DoD Needs to Reinitiate Migration to Internet Protocol Version 6, 12/01/2014

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

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** DoD Chief Information Officer

**Report:** DODIG-2015-045, DoD Cloud Computing Strategy Needs Implementation Plan and Detailed Waiver Process, 12/04/2014

**Description of Action:** Develop a waiver process providing detailed guidance on how to obtain a Global Information Grid waiver for cloud computing in DoD.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** DoD Chief Information Officer

**Report:** DODIG-2015-046, Navy Commands Need to Improve Logical and Physical Controls Protecting SIPRNET Access Points, 12/10/2014

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** U.S. Cyber Command and Navy

**Report:** DODIG-2015-048, Personnel and Support Needed for Joint Cyber Center Operations at Combatant Commands, 12/09/2014

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Joint Staff, U.S. Africa Command, U.S. Strategic Command, U.S. Cyber Command, U.S. European Command, and U.S. Southern Command

**Report:** DODIG-2015-051, Air Force Leadership Action is Required to Sustain the Minuteman III Intercontinental Ballistic Missile Through 2030, 12/17/2014

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Air Force

**Report:** DODIG-2015-052, Air Force Life Cycle Management Center's Management of F119 Engine Spare Parts Needs Improvement, 12/19/2014

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

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Air Force

**Report:** DODIG-2015-053, Naval Supply Systems Command Needs to Improve Cost Effectiveness of Purchases for the Phalanx Close-In Weapon System, 12/19/2014

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

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2015-056, Opportunities to Improve the Elimination of Intragovernmental Transactions in DoD Financial Statements, 12/22/2014

**Description of Action:** Review the results of the Department of the Treasury Invoice Processing Platform pilot program at the U.S. Marine Corps to determine whether it should be implemented throughout DoD. Also, revise DoD Financial Management Regulation Volume 6B, Chapter 13, "Adjustments, Eliminations, and Other Special Intragovernmental Reconciliation Procedures," to mandate the use of the Invoice Processing Platform for Buy/Sell transactions.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense (Comptroller)/Chief Financial Officer

**Report:** DODIG-2015-058, U.S. Air Force May Be Paying Too Much for F117 Engine Sustainment (Redacted), 12/22/2014

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

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Air Force

**Report:** DODIG-2015-062, DoD Needs Dam Safety Inspection Policy To Enable the Services To Detect Conditions That Could Lead to Dam Failure, 12/31/2014

**Description of Action:** Issue policy to implement the Federal Guidelines for Dam Safety.

**Reason Action Not Completed:** The Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics has not provided an update on the planned new guidance. Action by the Services is pending issuance of DoD guidance.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics; Army; Navy; Air Force; and Marine Corps

**Report:** DODIG-2015-066, U.S. Military Academy, West Point, Controls Over Gift Funds Need Improvements, 01/14/2015

**Description of Action:** Revise property records to accurately reflect gifted real and personal assets. Require museum personnel to use the appraised value field in the Army Museum Information System to record acquisition costs or appraisal values of non-monetary gifts received and artifacts purchased. Initiate a review into the actions of the former Chief of Staff, West Point, and others involved with the disbursing activities to determine why they did not comply with Army or DoD policy for operating a disbursing office at West Point. Update Army Regulation 210-3 to reflect DoD and Army requirements related to management and disbursement of gift funds.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2015-067, Assessment of U.S. and Coalition Efforts to Develop the Logistics and Maintenance Sustainment Capability of the Afghan National Police, 01/30/2015

**Description of Action:** Establish a developmental program for volunteers to the Ministry of Defense Advisors program. Advise and assist the Ministry of the Interior to determine the cost effectiveness of hiring civilians versus uniformed police personnel to work in Afghan National Police vehicle maintenance positions.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense for Policy, U.S. Forces - Afghanistan

**Report:** DODIG-2015-068, DoD Methodologies to Identify Improper Payments in the Military Health Benefits and Commercial Pay Programs Need Improvement, 01/14/2015

**Description of Action:** Include all Defense Health Agency health care payments when assessing risk and document the justification for excluding any type of program payments. Develop a methodology to assess risk for all contracts that is not limited to prior year sampling results

but also considers other risk factors. Coordinate with the Office of Management and Budget to obtain guidance on the testing and reporting requirements of fraudulent payments or indicators of potentially fraudulent payments and issue DoD-wide guidance.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense Comptroller/Chief Financial Officer and Assistant Secretary of Defense for Health Affairs

**Report:** DODIG-2015-072, Improvements Needed for Navy's Triannual Review, 01/22/2015

**Description of Action:** Develop standard queries for the budget submitting offices to ensure completeness of data extracted for triannual reviews.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2015-078, Evaluation of the Defense Criminal Investigative Organizations' Compliance with the Lautenberg Amendment Requirements and Implementing Guidance, 02/06/2015

**Description of Action:** Revise DoD Instruction 6400.06 "Domestic Abuse Involving DoD Military and Certain Affiliated Personnel," to develop policy to ensure employees who have a qualifying conviction comply with federal law to dispose of privately owned firearms and ammunition and to certify compliance annually.

**Reason Action Not Completed:** The Office of Management and Budget issued a freeze on rule making until late spring 2017 and the coordination of DoD Instruction 6400.06 must be extended. The re-issuance of DoD Instruction 6400.06 is expected in Fiscal Year 2019.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness and Navy

**Report:** DODIG-2015-081, Evaluation of Department of Defense Compliance with Criminal History Data Reporting Requirements, 02/12/2015

**Description of Action:** Submit the missing 304 fingerprints and 334 final disposition reports to the Federal Bureau of Investigation for inclusion into the Integrated Automated Fingerprint Identification System.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2015-087, Delinquent Medical Service Accounts at Naval Medical Center Portsmouth Need Additional Management Oversight, 03/04/2015

**Description of Action:** Review, research, and pursue collection on the remaining open delinquent medical

service accounts. Establish procedures to validate the collection of accurate and complete demographic and billing patient information before patient discharge and to document the registration, admission, and discharge processes of patients. Also, address reimbursement issues for services provided to Medicare and Veterans Affairs beneficiaries.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Navy

**Report:** DODIG-2015-090, Evaluation of Aircraft Ejection Seat Safety When Using Advanced Helmet Sensors, 03/09/2015

**Description of Action:** Ensure consistent documentation of aircraft ejection data to increase the data available for ejections with Helmet Mounted Devices and Night Vision Goggles to improve the safety risk analysis. Also, review and update the Joint Service Specification Guide 2010-11, "Emergency Egress Handbook," to reflect changes in policy and technology that have occurred in the last 16 years.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy and Air Force

**Report:** DODIG-2015-092, F-35 Lightning II Program Quality Assurance and Corrective Action Evaluation, 03/11/2015

**Description of Action:** Realign the quality assurance organization to report directly to the Program Executive Officer, define the organization roles and responsibilities, and staff the organization appropriately.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** F-35 Joint Program Office

**Report:** DODIG-2015-096, The Army's Information Technology Contracts Awarded Without Competition Were Generally Justified, 03/25/2015

**Description of Action:** Issue guidance emphasizing Federal Acquisition Regulation Subpart 5.2, "Synopsis of Proposed Contract Actions." Require refresher training for contracting personnel to fully implement Federal Acquisition Regulation Subpart 5.2; and training on the use of multiple award contracts and on fully supporting justifications in accordance with FAR subpart 6.3, "Other Than Full and Open Competition."

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

**Report:** DODIG-2015-102, Additional Actions Needed to Effectively Reconcile Navy's Fund Balance With Treasury Account, 04/03/2015

**Description of Action:** Develop a reconciliation process that is based on detail-level transaction data from the Department of the Navy's general ledger systems.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2015-103, Summary of DoD Office of Inspector General Spare-Parts Pricing Audits: Additional Guidance is Needed, 03/31/2015

**Description of Action:** Issue policies to the Military Services and Defense agencies that reiterate and strengthen the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement requirements to obtain fair and reasonable prices when purchasing spare parts. Also, require the Military Services and Defense agencies to provide plans on how they intend to verify the consistent implementation of pricing policies, guidance, and training issued by the Office of the Secretary of Defense.

**Reason Action Not Completed:** Corrective actions are ongoing.

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

**Report:** DODIG-2015-106, Independent Auditor's Report on Agreed-Upon Procedures for DoD Compliance With Service Contract Inventory Compilation and Certification Requirements for FY 2013, 04/15/2015

**Description of Action:** Issue clarifying guidance related to the inventory of contracts for services certification letters.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Deputy Secretary of Defense

**Report:** DODIG-2015-107, Challenges Exist for Asset Accountability and Maintenance and Sustainment of Vehicles Within the Afghan National Security Forces, 04/17/2015

**Description of Action:** Perform a reconciliation to ensure vehicle information is accurate and complete; assess the accuracy of property transfer records; obtain a complete inventory of vehicles received by the Afghan National Security Force; and advise Ministry of Defense and Ministry of Interior officials to maintain consolidated property book records for all vehicles received from DoD and Coalition forces.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** U.S. Forces–Afghanistan

**Report:** DODIG-2015-110, The Air Force's Information Technology Contracts Awarded Without Competition Were Generally Justified, 04/24/2015

**Description of Action:** Issue guidance to the Air Force Contracting community reiterating the requirements of the Federal Acquisition Regulation 5.207(c)(15), 5.207(c)(16)(i), and 5.207(c)(16)(ii).

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Air Force

**Report:** DODIG-2015-111, F-35 Engine Quality Assurance Inspection, 04/27/2015

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

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** F-35 Joint Program Office

**Report:** DODIG-2015-114, Navy Officials Did Not Consistently Comply With Requirements for Assessing Contractor Performance, 05/01/2015

**Description of Action:** Develop and implement procedures for contract registration, including procedures to validate that personnel properly register contracts.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2015-117, U.S. Cyber Command and Military Services Need to Reassess Processes for fielding Cyber Mission Force Teams, 04/30/2015

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** U.S. Cyber Command, Army, Navy, Air Force, and Marine Corps

**Report:** DODIG-2015-120, Defense Logistics Agency Did Not Obtain Fair and Reasonable Prices From Meggitt Aircraft Braking Systems for Sole-Source Commercial Spare Parts, 05/08/2015

**Description of Action:** Issue guidance to establish a percentage of commercial sales that is sufficient to determine fair and reasonable prices when commercial items are acquired on a sole-source contract. Also, issue guidance to prohibit contracting officers from placing clauses in sole-source commercial contracts limiting their ability to obtain cost data.

**Reason Action Not Completed:** Corrective actions are ongoing.

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

**Report:** DODIG-2015-121, DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2014, but Improper Payment Estimates Were Unreliable, 05/12/2015

**Description of Action:** Review the DoD Travel Pay program and determine reauthorization proposals or proposed statutory changes that are necessary to bring the mandatory program into compliance with Public Law 111-204, "Improper Payments Elimination and Recovery Act of 2010," to meet payment reduction targets.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense Comptroller/Chief Financial Officer

**Report:** DODIG-2015-122, Naval Air Systems Command Needs to Improve Management of Waiver Requests, 05/15/2015

**Description of Action:** Update Secretary of the Navy Instruction 5000.2E, "Department of the Navy Implementation and Operation of the Defense Acquisition System and the Joint Capabilities Integration and Development System," and Secretary of the Navy Manual, M-5000.2, "Acquisition and Capabilities Guidebook," to emphasize that program managers must request waivers whenever they do not meet any of the 20 criteria the Navy guidance requires programs to meet to certify readiness for initial operational test and evaluation.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2015-125, DoD Cardholders Used Their Government Travel Cards for Personal Use at Casinos and Adult Entertainment Establishments, 05/19/2015

**Description of Action:** Identify tools, techniques, and technologies to prevent or identify personal use of Government travel cards at casinos and adult entertainment establishments and determine the feasibility of deactivating travel cards and reducing travel card limits for cardholders while not on official travel.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

**Report:** DODIG-2015-127, Triannual Review Processes Need Improvement at Three Naval Budget Submitting Offices, 05/18/2015

**Description of Action:** Develop and implement procedures based on updates to the DoD Financial Management Regulation Volume 3, Chapter 8,

"Standards for Recording Commitments and Obligations," and perform reviews of all budget submitting offices to determine the effectiveness of implementation of the triannual review.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2015-128, Army Needs to Improve Processes Over Government-Furnished Material Inventory Actions, 05/21/2015

**Description of Action:** Develop a business process and the Logistics Modernization Program posting logic to identify and track Army Working Capital Fund inventory provided to contractors as Government-furnished material within the Logistics Modernization Program system.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2015-130, Controls Over Cargo Securing and Handling at Military Ocean Terminal Concord Need Improvement, 05/27/2015

**Description of Action:** The report is Classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** U.S. Transportation Command

**Report:** DODIG-2015-132, Opportunities Exist to Improve the Inventory Management for Defense Logistics Agency Aviation C-130 Spare Parts, 06/11/2015

**Description of Action:** Implement controls that assess supply chain risks and evaluate and improve procedures that review purchase requests and orders of parts that may be excessive.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2015-133, Evaluation of the Integrated Tactical Warning and Attack Assessment's Mobile Ground System, 06/18/2015

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Air Force

**Report:** DODIG-2015-134, Assessment of the U.S. Theater Nuclear Planning Process, 06/18/2015

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Joint Staff

**Report:** DODIG-2015-137, Improvements Needed on DoD Procurements from Robertson Fuel Systems, 06/25/2015

**Description of Action:** Issue guidance to clarify the commercial item definition in a sole-source environment when no evidence of commercial sales exists for an item being purchased and require contracting officers to obtain the necessary documentation to support the commerciality of any product from the contractor and additional cost data to support price reasonableness determinations or document when the contractor refuses to provide requested information in the contract files.

**Reason Action Not Completed:** Corrective actions are on schedule.

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

**Report:** DODIG-2015-138, The Air Force Did Not Monitor the Energy Savings Performance Contract at Joint Base McGuire, 06/29/2015

**Description of Action:** Delegate the contracting officer's representative appropriate responsibility to report contractor performance information and review and certify contractor vouchers and related support. Develop and implement base-level controls covering contract voucher analysis and certification responsibilities. Validate actual energy savings achieved and review payments to determine whether the contractor's performance warranted the energy savings paid to the contractor.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Air Force

**Report:** DODIG-2015-140, Defense Logistics Agency Can Improve Its Product Quality Deficiency Report Processing, 07/01/2015

**Description of Action:** Develop an action plan with milestones to improve product quality deficiency report processing and ensure that the revised policy and controls are implemented at all Defense Logistics Agency Supply Chains that process Product Quality Deficiency Reports.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Defense Logistics Agency

**Report:** DODIG-2015-141, Naval Facilities Engineering Command Needs to Improve Controls Over Task Order Administration, 07/02/2015

**Description of Action:** The Commander, Naval Facilities Engineering Command, Marianas, evaluate the requirements for the helipad and hazardous waste

storage for the P-528 project and ensure they are built to meet applicable standards and guidance.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Navy

**Report:** DODIG-2015-142, Navy's Contract/Vendor Pay Process Was Not Auditable, 07/01/2015

**Description of Action:** Update the Department of the Navy's system business processes to ensure transactions are processed in compliance with the Statement of Federal Financial Accounting Standards 1, "Accounting for Selected Assets and Liabilities."

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2015-143, Patriot Express Program Could Be More Cost-Effective for Overseas Permanent Change of Station and Temporary Duty Travel, 07/06/2015

**Description of Action:** Require that personnel who conduct transportation feasibility studies consider all transportation costs. Perform transportation feasibility studies on all Patriot Express channels to evaluate the economics of using Patriot Express for permanent change of station and temporary duty travel. Establish and implement guidance to ensure that transportation office personnel check Patriot Express availability before booking commercial flights for overseas travel and implement controls in the Defense Travel System regarding checking Patriot Express availability.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** U.S. Transportation Command, Army, and Navy

**Report:** DODIG-2015-148, Rights of Conscience Protections for Armed Forces Service Members and Their Chaplains, 07/22/2015

**Description of Action:** Update DoD Instruction 1300.17, "Accommodation of Religious Practices Within the Military Services," and when completed, update Service regulations and procedures.

**Reason Action Not Completed:** An update of DoD Instruction 1300.17 is ongoing with the draft released for coordination.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

**Report:** DODIG-2015-150, Theater Blood Application Was Not Effectively Developed and Implemented, 07/17/2015

**Description of Action:** Ensure policies and procedures to manage future requirements for medical information systems are documented, reviewed, and updated as necessary and develop a long-term strategy and not invest additional money in the continued development of the Theater Blood Application until the application's sustainability is determined. In addition, develop policies and procedures for training requirements and establish and implement a program to ensure users receive initial training prior to deployment, followed by refresher training.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

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

**Report:** DODIG-2015-151, Followup Audit: DoD Military Treatment Facilities Continue to Miss Opportunities to Collect on Third Party Outpatient Claims, 07/24/2015

**Description of Action:** Conduct an analysis to determine the sufficient time needed to conduct adequate followup; develop a plan to review Uniform Business Office resource issues for the Military Treatment Facilities; ensure that the Military Treatment Facilities refer outstanding third party claims to the appropriate legal office; update and comply with the Uniform Business Office Manual; and establish a quality assurance program and new protocols or procedures.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Assistant Secretary of Defense for Health Affairs

**Report:** DODIG-2015-152, Defense Information Systems Agency and Defense Logistics Agency Information Technology Contracts Awarded Without Competition Were Generally Justified, 07/29/2015

**Description of Action:** Review the contracting practices at Defense Information Systems Agency, Defense Information Technology Contracting Organization, Fort Meade, Maryland, for a contract and take action to remove the non-unique equipment and services as appropriate.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Defense Information Systems Agency

**Report:** DODIG-2015-157, Assessment of the Nuclear Warhead Unsatisfactory Report Process, 08/05/2015

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics and the Defense Threat Reduction Agency

**Report:** DODIG-2015-159, Followup Audit: More Improvements Needed for the Development of Wounded Warrior Battalion—East Marines' Recovery Plans, 08/07/2015

**Description of Action:** Update the Recovery Care Coordinator training program; revise and finalize Wounded Warrior Regiment Order P3100.1A, "Recovery Care Coordinator Program Procedural Manual," to comply with all DoD and Marine Corps policies and procedures; and verify that the Wounded Warrior Regiment contracting officer and their representative properly performed and documented contract surveillance.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** Marine Corps

**Report:** DODIG-2015-160, U.S. Army Generally Designed Adequate Controls to Monitor Contractor Performance at the King Abdullah II Special Operations Training Center, but Additional Controls Are Needed, 08/07/2015

**Description of Action:** Require U.S. Government subject matter experts to perform regular electrical service inspections to ensure facilities are maintained and are operating according to applicable standards. Require the U.S. Army Quartermaster School and Joint Culinary Center of Excellence to review the dining facility services section of the contract and the quality assurance surveillance plan. Upon receiving the results of the review, modify contract documents to implement recommended changes.

**Reason Action Not Completed:** Corrective actions are ongoing

**Principal Action Office:** Army

**Report:** DODIG-2015-161, Naval Personnel Can Improve Compliance With the Berry Amendment and the Buy American Act, 08/12/2015

**Description of Action:** Review potential Antideficiency violations and, if a violation occurred, determine which officials are responsible and recommend corrective actions.

**Reason Action Not Completed:** Time needed to obtain legal review.

**Principal Action Office:** Navy

**Report:** DODIG-2015-162, Continental United States Military Housing Inspections—National Capital Region, 08/13/2015

**Description of Action:** Conduct an effective root cause

analysis and implement a corrective action plan for all identified electrical, fire protection, and environmental health and safety deficiencies. Also, execute a plan for performing ongoing inspection and maintenance of all housing units to attain compliance with applicable electrical and fire protection codes and standards.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Army and Navy

**Report:** DODIG-2015-168, Air Force Commands Need to Improve Logical and Physical Security Safeguards That Protect SIPRNET Access Points, 09/10/2015

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Air Force

**Report:** DODIG-2015-172, Naval Sea Systems Command Needs to Improve Management of Waiver and Deferral Requests, 09/14/2015

**Description of Action:** Require sponsors of Acquisition Category I programs, or programs of interest to the Joint Chiefs of Staff, to notify the Joint Chiefs when deferrals will delay demonstrating primary system requirements beyond the scheduled date for initial operational capability. Revise Navy policy, after the Vice Chairman, Joint Chiefs of Staff revises guidance, and revise Naval Sea Systems Command policy incorporating updated Navy policy on managing waivers and deferrals from operational test requirements.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** DODIG-2015-174, U.S. Army Corps of Engineers—Alaska District Needs to Improve Competitive Procedures for Cooperative Agreements for Alaska Integrated Natural Resources Management Plans, 09/16/2015

**Description of Action:** Develop procedures that require personnel to give priority to Federal agencies and the respective State fish and wildlife agencies when awarding cooperative agreements and contracts for Integrated Natural Resources Management Plans on Alaska installations. Also develop guidance that requires competition for task orders when multiple cooperative agreements exist related to the development and implementation of Integrated Natural Resources Management Plans.

**Reason Action Not Completed:** Corrective actions are ongoing.

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

**Report:** DODIG-2015-177, Assessment of DoD/USCENTCOM and Coalition Plans/Efforts to Train, Advise, and Assist the Iraqi Army to Defeat the Islamic State of Iraq and the Levant, 09/30/2015

**Description of Action:** Report is classified.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** U.S. Central Command

**Report:** DODIG-2015-179, Delinquent Medical Service Accounts at David Grant Air Force Medical Center Need Additional Management Oversight, 09/24/2015

**Description of Action:** Validate whether the planned medical billing system will prioritize delinquent medical service accounts and alert the clerks as to which accounts require followup and review, research, and pursue collection on the delinquent accounts that remain open. Establish procedures to document the process of patient followup. Develop a plan to address the reimbursement problems that arise from Medicare and Non-North Atlantic Treaty Organization Coalition Forces; assess whether further action can be taken against delinquent medical service accounts; and develop a strategy to address the difficulties encountered with receiving reimbursement for services provided to Medicare beneficiaries.

**Reason Action Not Completed:** Corrective actions are ongoing.

**Principal Action Office:** Air Force

**Report:** DODIG-2015-181, Continental United States Military Housing Inspections—Southeast, 09/24/2015

**Description of Action:** Conduct an effective root cause analysis and perform corrective actions for all deficiencies identified. Verify or create a plan for ongoing inspection and maintenance of all housing units, including privatized housing, to applicable electrical, fire protection, and environmental health and safety codes and standards.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2015-183, Evaluation of DoD's Force Health Protection Measures During Operation United Assistance, 09/30/2015

**Description of Action:** Take appropriate steps to address the inequitable disbursement of family separation allowance when unusual operational requirements prevent routine reintegration.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

# SECTION 845 ANNEX AUDIT REPORTS WITH SIGNIFICANT FINDINGS

## DoD OIG

<b>Audit Report No.</b> DODIG-2016-087	<b>Date:</b> May 4, 2016
<b>Subject:</b> Air Force Civil Engineer Center Management of Energy Savings Performance Contracts Needs Improvement	
<b>Report:</b> \$49 million in questioned costs	
<p>Section 8287, title 42, United States Code requires that aggregate annual agency payments to the energy services company over the term of the energy savings performance contract not exceed the amount that the agency would have paid for utilities without the energy savings performance contract in place. The Air Force Civil Engineer Center had not attempted to validate energy savings achieved for the energy savings performance contract at Joint Base Charleston, South Carolina; therefore, the total contract payment value of \$49 million is questionable.</p>	

## DCAA

<b>Audit Report No.</b> 9851-2008C10100008**	<b>Date:</b> March 3, 2016
<b>Subject:</b> Independent Audit Report on NJVC's Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2008	
<b>Prepared For:</b> Defense Contract Management Agency (DCMA) and National Geospatial-Intelligence Agency (NGA)	
<b>Report:</b> \$29.2 Million Questioned Costs	
<p>The audit of the FY 2008 incurred cost proposal resulted in \$29.2 million in questioned costs - \$21.9 million in direct costs and \$7.3 million in indirect costs. The significant questioned costs include \$17.4 million in unsupported subcontract costs. Other questioned costs include General and Administrative (G&amp;A) expenses, Labor, ERP Planning costs, Incentive Bonuses, Recruiting Sign On, and Other Direct Costs (ODC).</p>	

<b>Audit Report No.</b> 2671-2014A19500004**	<b>Date:</b> March 17, 2016
<b>Subject:</b> Independent Audit Report on Proposed Estimated Cost to Complete for Affected CAS-Covered Contracts as Included in Company's CAS Harmonization Detailed Cost Impact dated July 20, 2015	
<b>Prepared For:</b> Defense Contract Management Agency, Corporate Administrative Contracting Officer (CACO)	
<b>Report:</b> \$63.9 Increased Costs	
<p>The audit of contractor's proposed estimated cost to complete (ETC) using the pre-harmonized cost accounting practices for the CAS-covered contracts, Cost Accounting Standard for Composition and Measurement of Pension Costs(CAS 412), required cost accounting practice change, resulted in the proposed ETC for CY 2012, 2013 and 2014 being understated by \$63.9 million. Therefore, the proposed ETC does not provide the Government with a reasonable basis for determining an equitable adjustment under Federal Acquisition Regulation.</p>	

\* Fulfills requirements of the National Defense Authorization Act for FY 2008, Section 845.

\*\* This report falls outside of the current reporting period April 1 through September 30, 2016, but are being reported now for full transparency and disclosure.

<b>Audit Report No. 3711-2009A10100001 and 3711-2010A10100001</b>	<b>Date:</b> April 8, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2009 and FY2010	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$60.6 Million Questioned Costs	
The audit of the CY 2009 and CY 2010 incurred cost proposals resulted in approximately \$60.6 million in questioned indirect costs. The significant questioned costs include \$13.8 million in outside and technical services and \$12.2 million in manufacturing and engineering costs. Other questioned costs include property rental costs, legal services, corporate allocations, marketing, independent research and development, and facilities service requests. These costs were generally either unallowable or unreasonable and inappropriately allocated as contract costs through indirect pool costs.	
<b>Audit Report No. 3151-2010U10100001 and 3151-2011U10100001</b>	<b>Date:</b> April 12, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for CY2010 and CY2011	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$56.2 Million Questioned Costs	
The audit of the FY 2010 and FY 2011 incurred cost proposals resulted in \$56.2 million in questioned costs—\$41.1 million in direct costs and \$15.1 million in indirect costs. The significant questioned costs include \$40.1 million in direct costs incurred under firm fixed priced contracts and incorrectly proposed as cost reimbursable costs and \$17 million in environmental remediation costs that were proposed in excess of previously identified allowable amounts for allocation through the indirect cost pool.	
<b>Audit Report No. 1281-2009A10100782</b>	<b>Date:</b> April 15, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2009 and FY2010	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$26.8 Million Questioned Costs	
The audit of the FY 2009 (revised) and FY 2010 incurred cost proposals resulted in \$26.8 million questioned costs \$9.9 million in direct costs and \$16.9 million in indirect costs. The significant questioned costs include \$11.5 million in unallowable legal expenses proposed as indirect costs. Other questioned costs include costs associated with executive compensation, payment for personal services, unsupported professional services, direct labor, and other direct costs.	
<b>Audit Report No. 1201-2016L42000001</b>	<b>Date:</b> April 22, 2016
<b>Subject:</b> Independent Audit Report on Certified Cost or Pricing Data Resulting in Price Agreement	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$10.7 Million Recommended Price Adjustment	
The audit of the contractor's compliance with 10 USC § 2306a, Truth in Negotiations Act, resulted in a recommended price adjustment of \$10.7 million because the contractor did not submit accurate, complete, and current cost or pricing data for labor and material. Specifically, the contractor provided noncurrent or inaccurate underlying support data for labor, provided noncurrent or inaccurate data for its improvement curve, and did not disclose a 28.75 percent factor added in its calculation of special test equipment maintenance support. The contractor also used an incomplete and inaccurate euro conversion, did not disclose competing bids, priced an inaccurate quantity, and did not disclose a revised methodology related to material.	

<b>Audit Report No. 6341-2009A10100044</b>	<b>Date:</b> April 26, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contract for FY2009	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$209.3 Million Noncompliant Costs	
<p>DCAA was not able to obtain sufficient appropriate evidence on which to base an opinion on the reasonableness, allowability, and allocability of the incurred cost proposal and issued a disclaimer of opinion. The contractor could not provide support for the majority of the claimed direct costs in FY 2009, which includes \$209.3 million in noncompliant and unsupported subcontract costs. The contractor also did not provide a detailed schedule H as part of their annual cost submission in order to verify the labor rates and the application of fixed indirect rates in accordance with contract terms.</p>	

<b>Audit Report No. 1241-2011W42098003</b>	<b>Date:</b> April 27, 2016
<b>Subject:</b> Independent Audit Report on Certified Costs or Pricing Data Resulting in a Price Agreement	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$14.9 Million Recommended Price Adjustment	
<p>The audit of the contractor's compliance with 10 USC § 2306a, Truth in Negotiations Act, resulted in a recommended price adjustment of \$14.9 million because the contractor did not submit accurate and complete cost or pricing data as of the date of certification. Specifically, the contractor did not disclose current, accurate, and complete data related to a specific material part resulting in overstated direct material costs of \$11.1 million and corresponding overstatements for indirect rates, cost of money factors, and profit.</p>	

<b>Audit Report No. 6321-2006Y10100028 and 6321-2007Y10100005</b>	<b>Date:</b> April 29, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2006 and FY2007	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$59.7 Million Noncompliant Costs	
<p>DCAA was not able to obtain sufficient appropriate evidence on which to base an opinion on the reasonableness, allowability, and allocability of the incurred cost proposal and issued a disclaimer of opinion. The contractor could not provide the requested support for direct labor hours, other direct costs, and indirect cost elements selected for testing. Auditors identified a total \$59.7 million in noncompliant and unsupported direct costs and questioned elements of the Overhead and General and Administrative (G&amp;A) indirect cost pools based on the limited procedures performed. The effects of this possible noncompliance could be both material and pervasive for both direct and indirect costs.</p>	

<b>Audit Report No. 3231-2011C10100012 and 3231-2012C10100009</b>	<b>Date:</b> May 13, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2011 and FY2012	
<b>Prepared For:</b> Contracting Officer—US Army	
<b>Report:</b> \$37.2 Million Noncompliant Costs	
<p>DCAA was not able to obtain sufficient appropriate evidence on which to base an opinion on the allowability, allocability, and reasonableness of the incurred cost proposal and issued a disclaimer of opinion. Based on limited procedures performed, auditors identified \$37.2 million in noncompliant costs. The noncompliant costs consisted of \$14.2 million in noncompliant direct costs and \$23 million in noncompliant indirect costs. The significant noncompliant costs include \$21 million in noncompliant costs that were included in the General and Administrative (G&amp;A) allocation base.</p>	

<b>Audit Report No. 4611-2010T10100001 and 4611-2011T10100001</b>	<b>Date:</b> May 31, 2016
<b>Subject:</b> Independent Audit Proposed Amounts on Unsettled Flexibly Priced Contracts for CFY 2010 and CFY 2011	
<b>Prepared For:</b> Defense Contract Management Agency – Cost and Pricing Center	
<b>Report:</b> \$72.6 Million Questioned Costs	
The audit of the CFY 2010 and CFY 2011 incurred cost proposals resulted in \$72.6 million questioned costs - \$65.3 million in direct costs and \$7.3 million in indirect costs. The significant questioned costs include \$54.3 million of fringe benefits erroneously proposed as labor within the CFY 2011.	

<b>Audit Report No. 3221-2010T10100001 and 3221-2011T10100001</b>	<b>Date:</b> June 1, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2010 and FY2011	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$236.7 Million Questioned Costs	
The audit of CY 2010 and CY 2011 Administrative, Centrally Managed, and Cost of Money corporate allocation proposals resulted in \$236.7 million in questioned costs, which includes \$62.7 million unsupported costs. The significant costs include \$214.3 million in unallowable corporate administrative costs and \$13.7 million in unallowable compensation costs in excess of the benchmark compensation cap and pension costs for ineligible employees.	

<b>Audit Report No. 1731-2015D19500002</b>	<b>Date:</b> June 8, 2016
<b>Subject:</b> Independent Audit Report on CAS 418 Noncompliance Proposal dated August 20, 2015	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$31.9 million Increased Costs	
The audit identified increased Government costs totaling \$31.9 million resulting from the contractor's Cost Accounting Standard 418 Noncompliance for Revenue Share Partnership cited in previous DCAA reports. This occurred because the contractor used proposed instead of negotiated contract prices when preparing the General Dollar Magnitude Cost Impact Proposal.	

<b>Audit Report No. 2161-2010T10100001</b>	<b>Date:</b> June 30, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amount on Unsettled Flexibly Priced Contracts for FY 2010	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$19.2 Million Questioned Costs	
The audit of the FY 2010 incurred cost proposal resulted in a total of \$19.2 million questioned costs—\$5.6 million in direct costs and \$13.6 million in indirect costs. Auditors identified questioned indirect costs in the Overheard and General and Administrative (G&A) pools and questioned costs in association with unallowable per diem expenses included in other direct costs.	

<b>Audit Report No. 4151-2012M10100022 and 4151-2013M10100027</b>	<b>Date:</b> July 29, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2012 and FY2013	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$34.7 Million Questioned Costs	
<p>The audit of the FY 2012 and FY 2013 incurred cost proposal resulted in a total of \$34.7 million questioned costs related to General and Administrative (G&amp;A) expenses and upward adjustments to the G&amp;A and Material Overhead allocation bases in FY 2010. The significant questioned costs include \$34.5 million Independent Research and Development and Bid and Proposal Costs that were not submitted to the Defense Technical Information Center as required.</p>	

<b>Audit Report No. 4611-2010H10100001</b>	<b>Date:</b> July 29, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2010	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$79.3 Million Noncompliant Costs	
<p>DCAA did not perform sufficient audit procedures to test the allowability, allocability, and reasonableness of a significant portion of proposed cost elements by the coordinated report date. As a result, DCAA issued a disclaimer of opinion and reported on significant noncompliance identified during limited procedures. Based on limited procedures, \$79.3 million in noncompliant costs were identified, including \$72.7 million in unsupported costs. The significant noncompliant costs included \$41.6 million in miscellaneous costs and \$11.8 million in vendor services that the contractor was unable to support.</p>	

<b>Audit Report No. 4611-2011H10100001</b>	<b>Date:</b> July 29, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2011	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$49.6 Million Questioned Costs	
<p>The audit of the FY 2011 incurred cost proposal resulted in a total of \$49.6 million questioned indirect costs, which includes \$47.2 million in unsupported costs. The significant questioned costs include \$20.3 million in miscellaneous direct charges and \$13.7 million in vendor services that the contractor was unable to support.</p>	

<b>Audit Report No. 3531-2015L42000004</b>	<b>Date:</b> August 5, 2016
<b>Subject:</b> Independent Audit Report on Certified Cost or Pricing Data Resulting in Price Agreement	
<b>Prepared For:</b> Defense Pricing	
<b>Report:</b> \$71.7 Million Recommended Price Adjustment	
<p>The audit of the contractor's compliance with 10 USC § 2306a, Truth in Negotiations Act, resulted in a recommended price adjustment of \$71.7 million, which includes a \$53.2 million and \$16.6 million recommended price adjustment for the basic missile price and indirect costs respectively. This price adjustment is recommended because the contractor did not submit current, accurate, and complete cost or pricing data pertaining to subcontract and general material costs. Specifically, the contractor did not disclose subcontractor offers and quotes available before the Government agreement; did not disclose exchange rate analysis for its foreign subcontract costs; negotiated inaccurate costs; and failed to update its bill of material for current pricing on general material parts.</p>	

<b>Audit Report No. 6811-2015U42098002</b>	<b>Date:</b> August 5, 2016
<b>Subject:</b> Independent Audit Report on Certified Cost or Pricing Data Resulting in Price Agreement	
<b>Prepared For:</b> Contracting Officer	
<b>Report:</b> \$25.8 Million Recommended Price Adjustment	
<p>The audit of the contractor's compliance with 10 USC § 2306a, Truth in Negotiations Act, resulted in a recommended price adjustment of \$25.8 million because the contractor did not submit certified cost or pricing data. Specifically, the contractor failed to disclose current cost or pricing data that were specific for the contract and included costs for deleted parts and Government Furnished Material that resulted in the disclosure of inaccurate cost or pricing data. This data resulted in overstated direct material costs of \$20 million and other corresponding overstatements for indirect rates, cost of money factors, and profit.</p>	
<b>Audit Report No. 06811-2010U10100001, 6811-2011U10100001, and 6811-2012U10100001</b>	<b>Date:</b> August 18, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly-Priced Contracts for CFY 2010, CFY 2011, and CFY 2012	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$175.4 Million Noncompliant Costs	
<p>DCAA was not able to perform all necessary examination procedures in order to provide an opinion on the reasonableness, allowability, and allocability of the incurred cost proposals for CFY 2010, 2011, and 2012. As a result, DCAA issued a disclaimer of opinion and reported on material noncompliance. Based on limited procedures performed, auditors identified a total \$175.4 million in noncompliant costs, which includes \$37 million in indirect costs, \$138.4 million in direct costs, and a total of \$126.2 million in unsupported costs. The significant noncompliant costs include \$121.2 million in largely unsupported Field Service Labor and other direct contract costs, \$11.3 million in unsupported subcontract costs, and \$20.5 million in noncompliant costs identified as Independent Research and Development and Bid and Proposal Costs instead of pre-contract and contract costs for a separate contract</p>	
<b>Audit Report No. 2191-2015T10160001, 2191-2008T10100004, 2191-2009T10100005, 2191-2010T10100004, 2191-2011T10100004, 2191-2012T10100003, and 2191-2013T10100003</b>	<b>Date:</b> August 31, 2016
<b>Subject:</b> Independent Audit Report on Unsettled Flexibly Priced Contracts for FYs 2008, 2009, 2010, 2011, 2012, and 2013	
<b>Prepared For:</b> Contracting Officer	
<b>Report:</b> \$51 million Question Costs	
<p>The audit of the FY 2008 through 2013 incurred cost proposals resulted in approximately £33.5 million in questioned costs—£21.8 million in direct costs and £11.7 million in indirect costs. These questioned costs are valued at approximately \$51 million based on an average exchange rate. The significant questioned costs include £17.6 million in direct labor charges that were identified as either unallowable, unreasonable, or unallocable based on the terms of the contract.</p>	

<b>Audit Report No. 9821-2010C10100001</b>	<b>Date:</b> September 2, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Calendar Year (CY) 2010	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$28.3 Million Questioned Costs	
<p>The audit of the CY 2010 incurred cost proposal resulted in \$28.3 million in questioned costs - \$13.9 million in direct costs and \$14.4 million in indirect costs. The significant questioned costs include \$13.9 million in direct costs incurred under Time and Material (T&amp;M) contracts. Other questioned costs include costs associated with bonuses, amortization/depreciation, facilities costs, professional consultant costs, intercompany allocations, contributions, lobbying and political activities, gifts, and cafeteria supplies. These costs were either unallowable or the contractor could not support the claimed cost.</p>	

<b>Audit Report No. 4371-2011C10100001 and 4371-2012C10100001</b>	<b>Date:</b> September 9, 2016
<b>Subject:</b> Independent Audit Report on Unsettled Flexibly Priced Contracts for FY2011	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$37.4 Million Questioned Costs	
<p>The audit of FY2011 incurred cost proposals resulted in \$37.4 million in questioned costs, including \$15.8 million in unsupported costs. Questioned costs were comprised of \$11.4 million direct costs and \$26 million indirect costs. These costs were questioned in a number of categories, including Engineering Overhead, Technical Services, Integration Overhead, General &amp; Administrative Expenses (G&amp;A), Direct Travel, and Internal Product Orders, without identifying significant questioned costs in any one category.</p>	

<b>Audit Report No. 3221-2001I10100001 and 3221-2012I10100001</b>	<b>Date:</b> September 15, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts Incurred or Charged Directly to Unsettled Flexibly Priced Contracts for FY2011 and FY2012	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$91.6 Million Questioned Costs	
<p>The audit of FY2011 and FY2012 incurred costs proposals resulted in \$91.6 million in questioned indirect costs, including \$18.9 million in unsupported costs. The significant questioned costs include \$29 million in Depreciation, \$13.7 million in Travel, and \$13.8 million in Professional Services.</p>	

<b>Audit Report No. 6421-2009N10100003</b>	<b>Date:</b> September 15, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2009	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$27.2 Million Questioned Costs	
<p>The audit of the FY 2009 incurred cost proposal resulted in \$27.2 million in questioned costs, including \$27 million in questioned direct costs of which \$26.4 million was unsupported. The significant questioned costs include \$22.8 million in Time and Material which was not supported by adequate documentation to comply with applicable cost principles.</p>	

<b>Audit Report No. 9821-2011C10100001</b>	<b>Date:</b> September 16, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Calendar Year (CY) 2011	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$18.7 Million Noncompliant Costs	
DCAA was not able to obtain sufficient appropriate evidence on which to base an opinion on the reasonableness, allowability, and allocability of the incurred cost proposal and issued a disclaimer of opinion. We did not receive audited corporate and intercompany allocations to include in our report. The significant noncompliant costs include \$11.5 million in direct costs incurred under Time and Material (T&M) contracts. Other noncompliant costs include costs associated with bonuses, amortization/depreciation, facilities costs, professional consultant costs, contributions, lobbying and political activities, gifts, and cafeteria supplies.	
<b>Audit Report No. 6741-2010Q10100001 and 6741-2011Q10100001</b>	<b>Date:</b> September 19, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2010 and FY2011	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$255 million in Questioned Costs	
The audit of the FY 2011 and FY 2012 incurred cost proposals resulted in \$255 million in questioned indirect costs. The most significant questioned costs include \$156.2 in questioned Overhead expenses on the review of executive compensation and transaction testing. Other significant questioned costs include \$57.3 million in General and Administrative (G&A) expenses based on the review of executive compensation and transaction testing of various indirect costs and \$41.3 million in Fringe expenses based on the review of pension expenses.	
<b>Audit Report No. 1701-2009E10100321</b>	<b>Date:</b> September 21, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Calendar Year (CY) 2009	
<b>Prepared For:</b> Defense Contract Management Agency (DCMA) Administrative Contracting Officer (ACO) and Contract Linguist Program Support Office—Contracting Officer.	
<b>Report:</b> \$32 Million Questioned Costs	
The audit of the FY 2009 incurred cost proposal resulted in a total of \$32 million questioned costs including direct labor, subcontract, upward adjustments, other direct costs, indirect upward adjustments in CONUS and OCONUS Fringe expenses. The significant questioned costs include \$28 million direct labor cost due to Mission Essential Personnel not providing passing written and verbal language testing scores, and medical documentation.	
<b>Audit Report No. 01751-2008D10100001</b>	<b>Date:</b> September 22, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2008	
<b>Prepared For:</b> U.S. Navy Administrative Contracting Officer	
<b>Report:</b> \$57.6 Million Questioned Costs	
The audit of the FY 2008 incurred cost proposal resulted in a total of \$57.6 million questioned costs related to direct subcontract costs due to lack of support, direct interdivisional work orders (IWO) due to inadequate competition and lack of supporting documentation, unreasonable executive compensation, and subcontract costs. The significant questioned costs include \$44 million direct subcontract costs made in excess of the firm fixed price amount after the contractor converted the contract to cost plus fixed fee with a ceiling amount.	

<b>Audit Report No. 01751-2009D10100001</b>	<b>Date:</b> September 22, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2009	
<b>Prepared For:</b> U.S. Navy Administrative Contracting Officer	
<b>Report:</b> \$38 Million Questioned Costs	
The audit of the FY 2009 incurred cost proposal resulted in a total of \$38 million questioned costs related to labor, direct interdivisional work orders (IWO), subcontracts costs, claimed expenses in Overhead account, and Executive compensation. The significant questioned costs include \$26 million direct subcontract costs made in excess of the firm-fixed price amount after the contractor converted the contract to cost-plus-fixed-fee with a ceiling amount.	

<b>Audit Report No. 3121-2011K10100001 and 3121-2012K10100001</b>	<b>Date:</b> September 23, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amount on Unsettled Flexibly Priced Contracts for FY2011 and FY2012	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$29.5 Million Questioned Costs	
The audit of the FY 2011 and FY 2012 incurred cost proposals resulted in \$29.5 million in questioned costs, which consisted largely of \$29.4 million in indirect costs. The questioned indirect costs were incurred over a number of indirect cost categories with significant questioned costs of \$10 million identified in relation to the General and Administrative (G&A) expenses.	

<b>Audit Report No. 6221-2012U10100003, 6221-2012U10100009, 6221-2013U10100009, 6221-2013U101000010, 6221-2014U10100006, and 6221-2014U10100007</b>	<b>Date:</b> September 26, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts Incurred Cost Proposals and Intermediate Home Office Proposed Pool Allocations for FY2012, FY2013, and FY2014	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$66 Million Questioned Costs	
The audit of the FY 2012, FY 2013, and FY 2014 incurred cost proposals and home office proposed pool allocations resulted in \$66 million in questioned indirect costs—\$56.9 million in questioned General and Administrative (G&A) base expenses and \$9.1 million in questioned General and Administrative (G&A) pool expenses. The significant questioned costs include \$56.9 million in Fringe accounts that were erroneously added to Other Direct Costs (ODC) resulting in an overstated General and Administrative (G&A) base expense in each year.	

<b>Audit Report No. 4531-2010K10100001 and 4531-2011K10100001</b>	<b>Date:</b> September 27, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for CFY 2010 and CFY 2011	
<b>Prepared For:</b> Defense Contract Audit Agency, Corporate Administrative Contracting Officer (CACO)	
<b>Report:</b> \$18 Million Questioned Costs	
The audit of the CFY 2010 and CFY 2011 incurred cost proposal resulted in \$18 million in questioned indirect costs. The significant indirect questioned costs include \$16 million of costs associated with Legal fees in the General and Administrative (G&A) pool because of costs incurred in Legal expenses to pay a judgment for a former employee as the result of losing a lawsuit.	

<b>Audit Report No. 6171-2010E10100002</b>	<b>Date:</b> September 27, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2010	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$18.3 Million Noncompliant Costs	
<p>DCAA was not able to perform all necessary examination procedures in order to provide an opinion on the reasonableness, allowability, and allocability of the incurred cost proposals for FY 2010. As a result, DCAA issued a disclaimer of opinion and reported on material noncompliance. Based on limited procedures performed, auditors identified a total \$18.3 million in noncompliant costs, which includes \$1.3 million in direct costs and \$17 million in indirect costs. The significant noncompliant costs include \$16.8 million in subcontractor costs. Of this amount, \$11 million represents subcontractor costs questioned because the contractor did not receive prior approval from the contracting officer to perform work under the contract in question.</p>	

<b>Audit Report No. 2671-2012A10100001</b>	<b>Date:</b> September 28, 2016
<b>Subject:</b> Independent Audit Report on Proposed Corporate Allocation Amounts on Unsettled Flexibly Priced Contracts for CY 2012	
<b>Prepared For:</b> Defense Contract Management Agency Cost and Pricing Center Corporate Administrative Contracting Officer (CACO)	
<b>Report:</b> \$21.5 Million Questioned Costs	
<p>The audit of the CY 2012 incurred cost proposal resulted in \$21.5 million in questioned costs. The significant indirect questioned costs include \$19 million of costs associated with Excess Pension costs, Payroll Related Central Payments, Executive Compensation, Outside Legal Costs, Strategic Business Development and Washington Office costs, which are indirect costs that are accumulated within costs centers. The costs represent labor, related fringe, incentive compensation, operating and rental/real estate expenses. These costs were either unallowable or the contractor could not support the claimed cost.</p>	

<b>Audit Report No. 2811-2011E10100002</b>	<b>Date:</b> September 28, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY2011	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$27.2 Million Questioned Costs	
<p>The audit of the FY 2011 incurred cost proposal resulted in \$27.2 million in questioned indirect costs. The significant questioned costs include \$22 million in Bid and Proposal and Selling costs related to cost in Project Settlement Cost of Sales and the associated burdens.</p>	

<b>Audit Report No. 9721-2010C10100001</b>	<b>Date:</b> September 28, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Calendar Year (CY) 2010	
<b>Prepared For:</b> Defense Contact Management Agency	
<b>Report:</b> \$36.8 Million Questioned Costs	
<p>The audit of the CY 2010 incurred cost proposal resulted in \$36.8 million in questioned costs. The significant indirect questioned costs include \$22.9 million of costs associated with retirement related activities. These costs were either unallowable or the contractor could not support the claimed cost.</p>	

<b>Audit Report No. 3201-2010R10100004</b>	<b>Date:</b> September 29, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Year (CFY) 2010	
<b>Prepared For:</b> Defense Contract Management Agency, Corporate Administrative Contracting Officer (CACO)	
<b>Report:</b> \$11.5 Million Questioned Costs	
The audit of the FY 2010 incurred cost proposal resulted in a total of \$11.5 million questioned costs related to direct material due to lack of proof of payment and activity rates not supported.	

<b>Audit Report No. 9841-2011C10100001</b>	<b>Date:</b> September 29, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for Calendar Year (CY) 2011	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$51.2 Million Questioned Costs	
The audit of the CY 2011 incurred cost proposal resulted in \$51.2 million in questioned costs - \$39.2 million in direct costs and \$12 million in indirect costs. The significant questioned costs include \$37 million in direct costs incurred under subcontracts. Other questioned costs include costs associated with labor, business travel, business meetings, employee performance incentives, other compensation, depreciation, property taxes, business license fees, outside services, professional services, indirect factory work orders, and intercompany allocations. These costs were either unallowable or the contractor could not support the claimed cost.	

<b>Audit Report No. 2271-2011H10100001/2011H10100002 and 201210100001/2012H10100002</b>	<b>Date:</b> September 30, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for CY2011 and CY2012	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$35.6 Million Questioned Costs	
The audit of the FY 2011 and FY 2012 incurred cost proposal resulted in \$35.6 million in questioned indirect costs. The significant questioned costs include \$25.7 million in Premium Indirect Salary and Hourly Labor limited for cost reimbursable contracts.	

<b>Audit Report No. 6281-2010G10100001 and 6281-2011G10100001</b>	<b>Date:</b> September 30, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2010 and FY 2011	
<b>Prepared For:</b> Defense Contract Audit Agency, Divisional Administrative Contracting Officer (DACO)	
<b>Report:</b> \$20 Million Questioned Costs	
The audit of the FY 2010 and FY 2011 incurred cost proposal resulted in \$20 million in questioned costs - \$8 million in direct costs and \$12 million indirect costs. The costs include Direct Labor, Direct Materials and Allocation Fringe costs. The majority of the questioned costs were due to costs not in accordance with contract terms and costs claimed that exceeded the general ledger amounts.	

<b>Audit Report No. 6281-2011H10100001 and 6281-2012H10100001</b>	<b>Date:</b> September 30, 2016
<b>Subject:</b> Independent Audit Report on Proposed Corporate Allocation Amounts for FY 2011 and FY 2012	
<b>Prepared For:</b> Defense Contract Audit Agency, Corporate Administrative Contracting Officer (CACO)	
<b>Report:</b> \$25 Million Questioned Costs	
The audit of the FY 2011 and FY 2012 incurred cost proposal resulted in \$25 million in questioned costs related to Executive Compensation, Non-Executive Compensation, Associated Costs, Purchased Services and Fringe. The significant questioned costs include \$11.5 million in State Taxes due to claimed costs in excess of General Ledger costs.	

<b>Audit Report No. 6631-2011C10100599 and 6631-2012C10100003</b>	<b>Date:</b> September 30, 2016
<b>Subject:</b> Independent Audit Report on Corporate Administered Programs Costs Claim and Corporate Office Overhead Costs Claim Amounts Allocated to Business Units for Inclusion on Unsettled Flexibly Priced Contracts for 2011 and 2012	
<b>Prepared For:</b> Defense Contract Management Agency, Administrative Contracting Officer (ACO)	
<b>Report:</b> \$56 Million Questioned Costs	
The audit of the FY 2011 and FY 2012 incurred cost proposal resulted in a total of \$56 million questioned costs related to Corporate Office Overhead, including labor and fringe, legal, consultants, severance pay, service and occupancy costs, independent research and development, relocation, employee related other and officer post retirement, and executive death benefit costs. Corporate Administered Programs, including group insurance and umbrella/excess liability insurance. The significant questioned costs include \$17 million in costs related to executive compensation exceeding the FAR ceiling; \$13 million in costs related to costs allocated from Investment Management Company; and \$11.6 million in costs related to the Voluntary Executive Separation Plan.	

<b>Audit Report No. 6711-2010K10100002 and 6711-2011B10100002</b>	<b>Date:</b> September 30, 2016
<b>Subject:</b> Independent Audit Report on Business Segment FY2010 and FY2011 Incurred Cost Proposal	
<b>Prepared For:</b> Defense Contract Management Agency, Divisional Administrative Contracting Officer (DACO)	
<b>Report:</b> \$39 Million Questioned Costs	
The audits of the FY 2010 and FY 2011 incurred cost proposal resulted in a total of \$39 million questioned costs related to executive compensation, direct material, and other income—unrealized gain/loss on derivatives. The significant questioned costs include \$34 million in costs related to IR&D costs which were not adequately supported.	

<b>Audit Report No. 6821-2010F10100001 and 6821-2011F10100001</b>	<b>Date:</b> September 30, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2010 and FY 2011	
<b>Prepared For:</b> Defense Contract Management Agency, Corporate Administrative Contracting Officer (CACO)	
<b>Report:</b> \$82 Million Questioned Costs	

<b>Audit Report No. 6821-2010F10100001 and 6821-2011F10100001</b>	<b>Date:</b> September 30, 2016
<p>The audits of the FY 2010 and FY 2011 incurred cost proposal resulted in a total of \$82 million questioned costs. The significant questioned costs include \$19 million in Non-Senior Executives' compensation costs which were found to be unreasonable; \$26 million of Net Book Value (NBV) costs due to lack of supporting documentation to substantiate its claimed costs; and \$12.5 million in nonqualified defined benefit pension plan costs directly associated with costs which were expressly unallowable.</p>	

<b>Audit Report No. 6831-2010B10100002</b>	<b>Date:</b> September 30, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2010	
<b>Prepared For:</b> Defense Contract Management Agency, Divisional Administrative Contracting Officer (DACO)	
<b>Report:</b> \$43 Million Noncompliant Costs	
<p>DCAA was unable to carry out all of the audit procedures necessary to complete audits of FY 2010 proposed local costs. DCAA encountered scope limitations which resulted in our inability to obtain sufficient appropriate evidence to provide an opinion for the proposed fiscal year contract costs resulting in a disclaimer of opinion. The contractor could not provide support for claimed direct costs in FY 2010, which includes the following significant costs: \$14 million in noncompliant and unsupported Direct Material costs; \$17 million of noncompliant and unsupported Direct Relocation costs; and \$10.6 million of noncompliant and unsupported Travel Costs. The contractor also did not provide a detailed schedule H as part of their annual cost submission in order to verify the labor rates and the application of fixed indirect rates in accordance with contract terms.</p>	

<b>Audit Report No. 6831-2010M10100001 and 6831-2011M10100002.</b>	<b>Date:</b> September 30, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2010 and FY 2011	
<b>Prepared For:</b> Defense Contract Management Agency, Divisional Administrative Contracting Officer (DACO)	
<b>Report:</b> \$39 Million Noncompliant Costs	
<p>DCAA was unable to carry out all of the audit procedures necessary to complete audits of FY 2010 and FY 2011 proposed local costs. DCAA encountered scope limitations which resulted in our inability to obtain sufficient appropriate evidence to provide an opinion for the proposed fiscal year contract costs resulting in a disclaimer of opinion. The contractor could not provide support for claimed direct costs in FY 2010 and FY 2011, which includes the following significant costs: \$10 million of noncompliant and unsupported Indirect Local Costs including Indirect Travel, Professional Services Legal and Rent, and \$22 million of noncompliant and unsupported Direct Local Costs including T&amp;M Labor, Direct Travel and Direct Relocation.</p>	

<b>Audit Report No. 6831-2011B10100005</b>	<b>Date:</b> September 30, 2016
<b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2011	
<b>Prepared For:</b> Defense Contract Management Agency, Divisional Administrative Contracting Officer (DACO)	
<b>Report:</b> \$37 Million Noncompliant Costs	

<b>Audit Report No. 6831-2011B10100005</b>	<b>Date:</b> September 30, 2016
<p>DCAA was unable to carry out all of the audit procedures necessary to complete audits of FY 2011 proposed local costs. DCAA encountered scope limitations which resulted in our inability to obtain sufficient appropriate evidence to provide an opinion for the proposed fiscal year contract costs resulting in a disclaimer of opinion. The contractor could not provide support for claimed direct costs in FY 2011, which includes the following significant costs: \$13.5 million in noncompliant and unsupported Direct Material costs; \$10 million in noncompliant and unsupported Other Direct Costs; \$10 million of noncompliant and unsupported Direct Relocation costs; and \$22 million of noncompliant and unsupported Travel Costs. The contractor also did not provide a detailed Schedule H as part of their annual cost submission in order to verify the labor rates and the application of fixed indirect rates in accordance with contract terms.</p>	
<b>Audit Report No. 6851-2010A10100001 and 6851-2011A10100001</b>	<b>Date:</b> September 30, 2016
<p><b>Subject:</b> Independent Audit Report on Proposed Amounts on Unsettled Flexibly Priced Contracts for CY 2010 and CY 2011</p>	
<p><b>Prepared For:</b> Defense Contract Management Agency, Divisional Administrative Contracting Officer (DACO)</p>	
<p><b>Report:</b> \$229 Million Questioned Costs</p>	
<p>The audits of the FY 2010 and FY 2011 incurred cost proposal resulted in a total of \$229 million questioned costs - \$208 million in direct costs and \$20 million in indirect costs. The questioned costs were due to unreasonable executive compensation, as well as unallowable indirect consulting, legal, recruitment, relocation, travel, and professional services. The contractor also proposed unallowable direct consulting, relocation, travel, property taxes, major subcontract, IWOs and pass-through costs. The significant questioned costs include \$129 million in Firm Fixed Price Costs proposed for items selected due to the contractor being unable to provide adequate support to verify that materials/services are delivered and that subcontractors are paid. The significant questioned costs also include \$70 million of the proposed Material To/From Store costs due to the contractor's inability to provide adequate supporting data for proposed costs.</p>	

## RESULTS OF PEER REVIEWS

### Peer Review of Department of Defense Office of Inspector General by United States Postal Service Office of Inspector General

The United States Postal Service OIG conducted an external peer review of DoD OIG audit operations and issued a final report on January 4, 2016. DoD OIG received a peer review rating of pass, and there are no outstanding recommendations. A copy of the external quality control review report can be viewed at [www.dodig.mil/pubs/reviews.html](http://www.dodig.mil/pubs/reviews.html).

### Peer Review of the United States Special Operations Command Office of Inspector General Audit Division

The DoD OIG conducted an external peer review of the system of quality control for the U.S. Special Operations Command OIG in effect for the year ended December 31, 2015. The Command's OIG audit organization received an External Peer Review rating of pass as the system of quality control for the its audit organization in effect for the period reviewed was suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. A copy of the external quality control review report dated August 15, 2016, can be accessed at [http://www.dodig.mil/pubs/report\\_summary.cfm?id=7069](http://www.dodig.mil/pubs/report_summary.cfm?id=7069).

### Peer Review of the Defense Contract Management Agency by the Department of Defense Office of Inspector General

The DoD OIG conducted an external peer review of the DCMA Office of Independent Assessment Internal Review Team reviewing the system of quality control in effect for the year ended May 31, 2015. The DCMA received a peer review rating of pass, and there are no outstanding recommendations. A copy of the external quality control review report dated November 2, 2015, can be accessed at [http://www.dodig.mil/pubs/report\\_summary.cfm?id=6687](http://www.dodig.mil/pubs/report_summary.cfm?id=6687).

### Summary Report on Audit Quality at DoD Audit Organizations by the Department of Defense Office of Inspector General

The DoD OIG issued Report No. DoDIG-2016-031, "Summary Report on Audit Quality at the DoD Audit Organizations," December 14, 2015, which summarized deficiencies identified in 19 DoD audit organizations' peer review reports. The report highlights systemic issues across the DoD audit organizations and can be used to share lessons learned and to train staff on improving systems of quality control at the audit organizations. The report contained no recommendations. A copy of the summary report can be accessed at [http://www.dodig.mil/pubs/report\\_summary.cfm?id=6740](http://www.dodig.mil/pubs/report_summary.cfm?id=6740).

### Peer Review of the National Guard Bureau by the Department of Defense Office of Inspector General

The DoD OIG conducted an external peer review of the system of quality control for the National Guard Bureau Internal Review Office in effect for the year ended February 28, 2015. The office received a rating of pass with deficiencies. The deficiencies identified, however, did not rise to the level of a significant deficiency because they were not systemic. There were no outstanding recommendations. A copy of the external quality control review report, dated December 18, 2015, can be accessed at [http://www.dodig.mil/pubs/report\\_summary.cfm?id=6741](http://www.dodig.mil/pubs/report_summary.cfm?id=6741).

\* Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a)(14),(15),(16).

# ACRONYMS

AAFES	Army and Air Force Exchange Service	FCA	False Claims Act
AAG	Advanced Arresting Gear	FMR	Financial Management Regulation
ACC-RI	U.S. Army Contracting Command–Rock Island	FOIA	Freedom of Information Act
AFAA	Air Force Audit Agency	FY	Fiscal Year
AFB	Air Force Base	GDMA	Glenn Defense Marine Asia PTE, LTD
AFCEC	Air Force Civil Engineer Center	GCPC	Government Commercial Purchase Card
AFCOLS	Air Force Common Output Level Standards	HSI	Homeland Security Investigations
AFEMS	Air Force Equipment Management System	ICAC	Internet Crimes Against Children
AFLCMC	Air Force Life Cycle Management Center	ICS	Contracts for Services
AFOSI	Air Force Office of Special Investigations	IDIQ	Indefinite-Delivery Indefinite-Quantity
AGEAR	After Government Employment Advice Repository	IG	Inspector General
AI	Administrative Investigations	IPERA	Improper Payments Elimination and Recovery Act of 2010
ANASOF	Afghan National Army Special Operations Forces	iRAPT	Invoice, Receipt, Acceptance, and Property Transfer
Army CID	Army Criminal Investigation Command	IRS	Internal Revenue Service
ARNG	U.S. Army National Guard	ISIL	Islamic State of Iraq and the Levant
BSAT	Biological Select Agents and Toxins	ISPA	Intelligence and Special Program Assessments
BSO	Budget Submitting Office	JIDA	Joint Improvised-Threat Defeat Agency
CAFU	Contract Audit Follow-Up System	KASOTC	King Abdullah II Special Operations Training Center
CCTT	Close Combat Tactical Trainer	LCCA	Life-Cycle Cost Analysis
CENTCOM	U.S. Central Command	MCIO	Military Criminal Investigative Organization
CID	Criminal Investigation Command*	MCSC	Marine Corps Systems Command
CIGIE	Council of the Inspectors General on Integrity and Efficiency	MICC	Mission and Installation Contracting Command
CLS	Contractor Logistics Support	MILCON	Military Construction
CSTC-A	Combined Security Transition Command–Afghanistan	MIPR	Military Interdepartmental Purchase Requests
DCAA	Defense Contract Audit Agency	MOI	Ministry of Interior
DCIE	Defense Council on Integrity and Efficiency	MOTSU	Military Ocean Terminal Sunny Point
DCIO	Defense Criminal Investigative Organization	NAVAUDSVC	Naval Audit Service
DCIS	Defense Criminal Investigative Service	NCIS	Naval Criminal Investigative Service
DCMA	Defense Contract Management Agency	NDAA	National Defense Authorization Act
DFARS	Defense Federal Acquisition Regulation Supplement	NDMC	Non-Disability Mental Conditions
DFAS	Defense Finance and Accounting Service	NET/DET	New Equipment Training and Displaced Equipment Training
DIG-OCO	Deputy IG for Overseas Contingency Operations	NTV	Nontactical Vehicle
DISL	Defense Intelligence Senior Leader	OCO	Overseas Contingency Operations
DLA	Defense Logistics Agency	OFS	Operation Freedom’s Sentinel
DOJ	Department of Justice	OIG	Office of Inspector General
DOS	Department of State	OIR	Operation Inherent Resolve
ESPC	Energy Savings Performance Contract	OMB	Office of Management and Budget
FAA	Federal Aviation Administration	PEO	Program Executive Office
FAR	Federal Acquisition Regulation	PIM	Paladin Integrated Management
FBI	Federal Bureau of Investigation		

\* Criminal Investigation Division when not referring to Army Criminal Investigation Division

PMF	Popular Mobilization Force
P&O	Policy and Oversight
POM	Presidio of Monterey
SAR	Semiannual Report
SBIRE	Small Business Innovation Research Engineering Companies
SDDC	U.S. Army Military Surface Deployment and Distribution Command
SES	Senior Executive Service
SFC	Sergeant First Class
SICA	Secondary Inventory Control Activities
SIGAR	Special Inspector General for Afghanistan Reconstruction
SPO	Special Plans and Operations
UESC	Army Utility Energy Services Contract
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USAFA	U.S. Air Force Academy
USARCENT	U.S. Army Central
U.S.C.	United States Code
USAID	U.S. Agency for International Development
USASOC	U.S. Army Special Operations Command
USTRANSCOM	U.S. Transportation Command
WIN-T	Warfighter Information Network–Tactical
WRI	Whistleblower Reprisal Investigations

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