

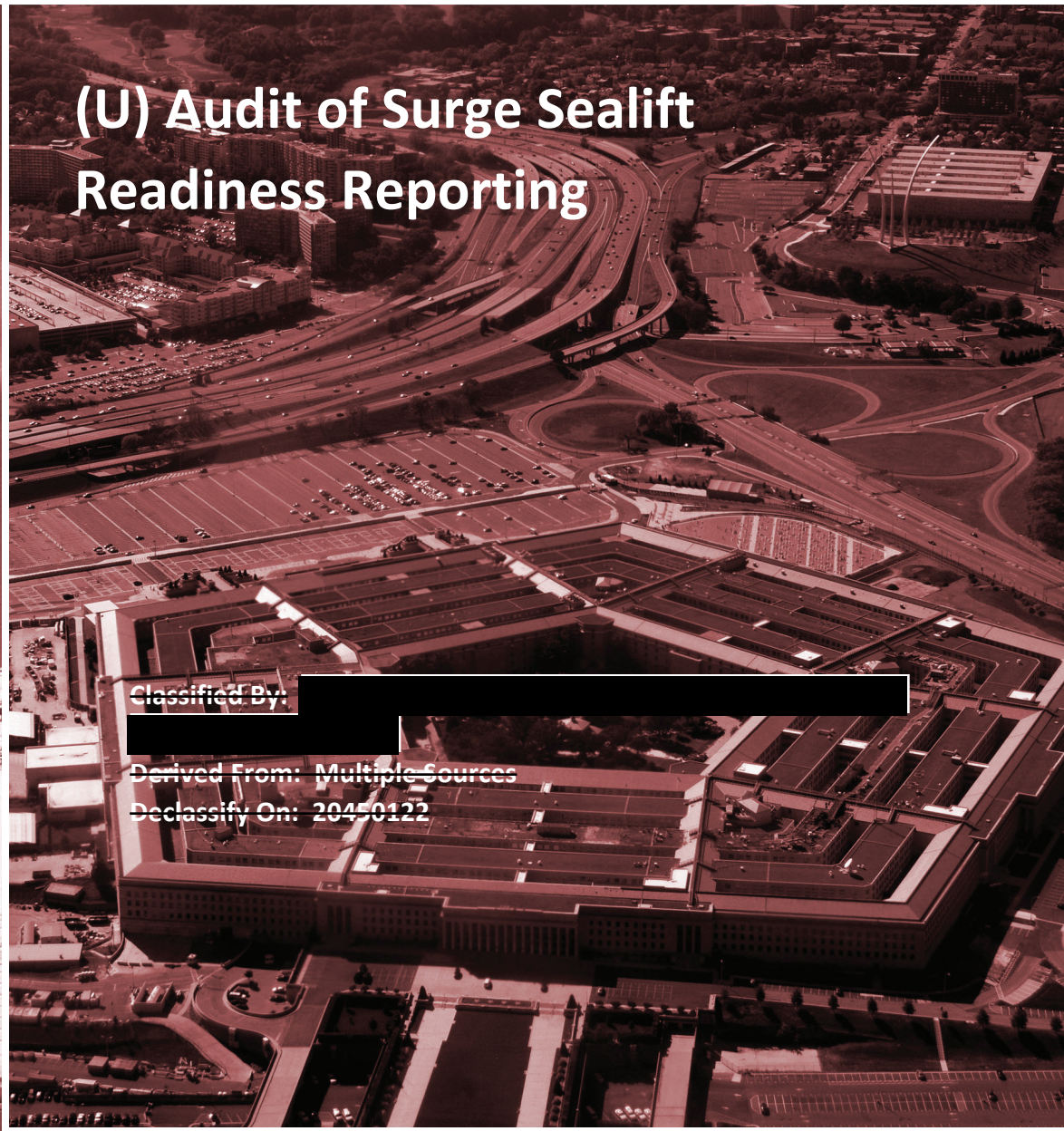
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INSPECTOR GENERAL

U.S. Department of Defense

January 22, 2020



(U) Audit of Surge Sealift Readiness Reporting

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Derived From: Multiple Sources

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(U) Results in Brief

(U) Audit of Surge Sealift Readiness Reporting

(U) January 22, 2020

(U) Objective

(U) The objective of this audit was to determine whether U.S. Transportation Command (USTRANSCOM) provided adequate oversight of the reporting on surge sealift activation requirements. To assess the accuracy of this reporting, we reviewed surge sealift readiness reporting in the Defense Readiness Reporting System–Navy (DRRS-N) and the Defense Readiness Reporting System–Strategic (DRRS-S) from FYs 2017 and 2018.

(U) Background

(U) USTRANSCOM is a unified, functional combatant command that provides global mobility solutions to the other U.S. combatant commands, the Military Services, Defense agencies, and other Government organizations. USTRANSCOM has three component commands that transport military resources over land, air, and sea. The Military Sealift Command (MSC) provides the sea transportation for DoD agencies and military services. The MSC uses a surge sealift fleet to support the initial sealift demands associated with operational plans (OPLANs).

(S) The surge sealift fleet consists of 50 Government-owned contractor-operated ships managed by both the DoD and the Department of Transportation (DOT). The 50 ships have a cargo capacity of 10.7 million square feet. Although the surge sealift fleet has never fully activated for a wartime scenario, the [REDACTED]. The DoD owns 15 of the ships (4.6 million square feet of the overall surge sealift capacity), and the DOT owns the remaining 35 ships (6.1 million square feet of the overall surge sealift capacity).

(U) Background (cont'd)

(S) MSC personnel update the readiness status for the 15 MSC ships in DRRS-N using contractor-provided readiness reports. The MSC relies on the DOT Maritime Administration (MARAD) to update the readiness status for its 35 ships in DRRS-N. The readiness status in DRRS-N is reported as: mission available, available with limitations, or not available. USTRANSCOM identifies its mission requirements based on the square footage of the items needing to be shipped. To convert from ship availability in DRRS-N to the square footage requirements in DRRS-S, MSC officials review the number of ships that are reported in DRRS-N as available or available with limitations. In short, DRRS-N reports whether each individual ship is ready or not; while DRRS-S reports the total amount of square footage available for meeting mission requirements. After review, MSC officials total all of the ships' square footage to determine how close the ships are to meeting the readiness target of [REDACTED]. The MSC then reports the total surge sealift capability monthly in DRRS-S, which is tracked by USTRANSCOM. The MSC Commander meets weekly with the USTRANSCOM Commander to provide an overview of sealift capacity and to discuss solutions if the [REDACTED].

(U) Findings

(S) We determined that the MSC did not accurately report the readiness status for 15 MSC-owned surge sealift ships during FYs 2017 and 2018. Over the 2-year period, the [REDACTED].

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(U) Results in Brief

(U) Audit of Surge Sealift Readiness Reporting

(U) Findings (cont'd)

(U) We determined that the MSC inaccurately reported the readiness status of its surge sealift ships because the MSC relied on ship contractors to accurately report ship readiness. MSC officials stated they believed that the ship's captains were in the best position to assess the ability of the ship to meet mission requirements, and therefore the MSC did not have procedures to verify that ship inspection reports matched casualty reports or to reconcile ship casualty reports to the DRRS-N ship readiness status.

(U) Consequently, as a result of the MSC's inaccurate ship readiness reporting, USTRANSCOM's assessment of surge sealift capability was unreliable and could lead geographic combatant commanders to make incorrect assumptions about the initial availability of equipment and resupply of critical items.

(S) The surge sealift provides 90 percent of cargo space needed to meet OPLAN requirements, and [REDACTED]

[REDACTED]. For example, the inability of a single ship to perform its mission could result in an armored brigade combat team's equipment not being delivered when expected.

(U) In addition, we found that MARAD contractors did not follow the MSC criteria for assessing and reporting the readiness status for the MARAD-owned surge sealift ships. MARAD contractors followed assessment and reporting criteria contained in the MARAD contract that has different definitions than MSC criteria for the rating categories. When we applied the MSC assessment criteria to the MARAD ships, we identified inaccuracies in the reported readiness status. For example, one MARAD ship had a deficiency identified in April 2018 that would have resulted in a not-available rating under the MSC criteria, but MARAD reported the ship as available for 99 days in DRRS-N.

(U) The difference in ship assessment and reporting occurred because the MSC did not establish standard reporting procedures with MARAD. In addition, the MSC has accepted the MARAD readiness reporting in DRRS-N without performing oversight to verify the readiness statuses being reported.

(S) As a result, the DoD spent \$477.8 million from FYs 2016 through 2018 on maintenance and repairs of the 35 MARAD surge sealift ships and plans to spend an additional \$843.9 million from FYs 2019 through 2022, without verification that the surge sealift ships are being maintained at the levels expected and will be mission ready when required. MARAD ships provide [REDACTED] of the square footage for the surge sealift fleet used by USTRANSCOM to support OPLAN requirements.

(U) Recommendations

(U) For MSC ship oversight, we recommend that the MSC Commander establish policies to:

- (U) verify that deficiencies identified in ship inspection reports match the corresponding contractor-issued casualty reports;
- (U) hold contractors accountable when casualty reports do not match ship inspections reports or are not submitted as required; and
- (U) reconcile casualty reports to the ship's reported status in DRRS-N to ensure accurate ship readiness reporting.

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(U) Results in Brief

(U) Audit of Surge Sealift Readiness Reporting

(U) Recommendations (cont'd)

(U) For MARAD ship oversight, we recommend that the MSC Commander:

- (U) develop business a process agreement with MARAD to establish standard criteria for readiness assessments for MSC and MARAD surge sealift ships; and
- (U) develop an oversight plan to verify the readiness status of the MARAD ships and coordinate with MARAD to obtain the documentation and establish the processes necessary for MSC to perform the oversight.

(U) Management Comments and Our Response

(U) The USTRANSCOM Chief of Staff, responding for the MSC Commander, agreed with the recommendations to verify that the deficiencies in the ship inspection reports match the casualty reports and to reconcile the casualty reports with the readiness status reported in DRRS-S. The Chief of Staff stated that the MSC contracts require the contractors to comply with ship inspections and to file casualty reports in accordance with guidance. However, comments from the Chief of Staff did not address the specifics of the recommendations, and we disagree that the actions to verify the deficiencies and reconcile the reports were performed. Therefore, these recommendations are unresolved. The Chief of Staff should provide comments to the final report describing specific procedures on how the MSC will ensure that the contractors will follow the contract requirements.

(U) The USTRANSCOM Chief of Staff agreed with the recommendation to hold contractors accountable when casualty reports do not match inspection reports or are not submitted. The Chief of Staff stated that MSC holds contractors accountable through their internal Contractor Discrepancy Reports that can positively or negatively

(U) impact future contract acquisitions. Comments from the Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once the Chief of Staff provides documentation that the MSC issued Contract Discrepancy Reports for ship contractors.

(U) The Chief of Staff agreed with the recommendation to develop an agreement with MARAD to establish standard criteria for readiness assessments. The Chief of Staff acknowledged that the MOA between the DoT and the DoD allows for agreements to be in place to improve business processes. The Chief of Staff stated that the MSC and MARAD will continue to work together to institute best business practices across the entire fleet. Comments from the Chief of Staff addressed the specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. We will close the recommendation once the Chief of Staff provides documentation verifying that the MSC and MARAD has established a standard criteria for readiness assessments.

(U) The Chief of Staff agreed with the recommendation to develop an oversight plan to verify the readiness status of MARAD ships and to coordinate with MARAD to obtain the necessary documentation and establish the processes for the MSC to perform the oversight. The Chief of Staff stated that USTRANSCOM would continue to verify and monitor readiness reporting through established processes. However, comments from the Chief of Staff did not address the specifics of the recommendations, and we disagree that the actions to develop standardized readiness reporting criteria through existing USTRANSCOM processes will improve the accuracy of readiness reporting. Therefore, these recommendations are unresolved. The Chief of Staff should provide comments to the final report describing the development of a detailed oversight plan to ensure that the readiness reported by MARAD is an accurate representation of the ship's readiness.

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(U) Recommendations Table

| Management | Recommendations | Recommendations | Recommendations |
|---|----------------------------|-----------------|-----------------|
| (U) Commander, Military Sealift Command | A.1.a, A.1.c, B.2.a, B.2.b | A.1.b, B.1 | None |

(U) Please provide Management Comments by February 21, 2020.

(U) The following categories are used to describe agency management's comments to individual recommendations:

- (U) **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- (U) **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- (U) **Closed** – OIG verified that the agreed upon corrective actions were implemented.

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

(U) January 22, 2020

(U) MEMORANDUM FOR COMMANDER, U.S. TRANSPORTATION COMMAND
COMMANDER, MILITARY SEALIFT COMMAND

(U) SUBJECT: Audit of Surge Sealift Readiness Reporting
(Report No. DODIG-2020-047)

(U) This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

(U) This report contains recommendations that are considered unresolved because the Commander, Military Sealift Command did not agree or did not fully address the recommendations presented in the report.

(U) Therefore, as discussed in the Recommendations, Management Comments, and Our Response section of this report, of the six recommendations, four are unresolved and two are resolved. We will track these recommendations until an agreement is reached on the actions to be taken to address the recommendations, and adequate documentation has been submitted showing that the agreed-upon action has been completed. DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, please provide us within 30 days your response concerning specific actions in process or alternative corrective actions proposed on recommendations. Your response should be sent to followup@dodig.mil if unclassified or rfunet@dodig.smil.mil if classified SECRET.

(U) We appreciate the cooperation and assistance received during the audit. If you have any questions, please contact me at [REDACTED].

A handwritten signature in blue ink, reading "Richard B. Vasquez", is located above the typed name.

Richard B. Vasquez
Assistant Inspector General for Audit
Readiness and Global Operations

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(U) Introduction

(U) Objective

(U) The objective of this audit was to determine whether U.S. Transportation Command (USTRANSCOM) provided adequate oversight of the reporting on surge sealift activation requirements. To assess the accuracy of this reporting, we reviewed surge sealift readiness reporting in the Defense Readiness Reporting System–Navy (DRRS-N) and the Defense Readiness Reporting System–Strategic (DRRS-S) from FYs 2017 and 2018.

(U) Background

(U) USTRANSCOM is a unified, functional combatant command that provides global mobility solutions to the other U.S. combatant commands, the military services, defense agencies, and other Government organizations. USTRANSCOM has three component commands that transport military resources over land, air, and sea. The Military Sealift Command (MSC) is USTRANSCOM's component command that transports military resources by sea. The MSC uses seven programs to manage its five mission areas, which include the Combat Logistics Force, Service and Command Support, Special Mission, Prepositioning, and Sealift.

~~(S)~~ This report discusses the reported readiness levels of the 50 Government-owned, contractor-operated ships defined in DRRS-S as the Sealift Organic Surge Capacity, which we will refer to as the surge sealift fleet. The MSC uses a surge sealift fleet to support the initial sealift demands associated with operational plans (OPLANS).

[REDACTED]

[REDACTED]. The 50 ships have a cargo capacity of 10.7 million square feet. Although the surge sealift fleet has never fully activated for a wartime scenario, the DoD established a readiness target of [REDACTED]

[REDACTED]

The DoD owns 15 ships in the surge sealift fleet that make up 4.6 million square feet of

~~(S)~~ the overall surge sealift capacity (discussed in Finding A). The DOT owns 35 ships in the surge sealift fleet that make up the remaining 6.1 million square feet of the overall surge sealift capacity (discussed in Finding B).

(U) Management of DoD-Owned Surge Sealift

(U) The MSC manages the 15 DoD surge sealift ships through four contracts for ship personnel, maintenance, and repairs. According to an MSC official, the MSC spent \$264.7 million for FYs 2016 and 2017 and plans to spend an additional \$560.4 million through the end of the contract periods.¹ The contracts contain requirements that the contractors maintain the surge sealift ships in a ready status for activation. The contracts also state that the contractor must follow the MSC Standard Operating Manual for reporting ship deficiencies and readiness.² MSC engineers, the U.S. Coast Guard, and the American Bureau of Shipping conduct operational and safety inspections to identify ship deficiencies, and these inspection reports are provided to the ship's captains so that the captain can ensure identified deficiencies are repaired. The MSC Standard Operating Manual requires ship contractors to report the identified ship deficiencies to the MSC. The ship captain must assess the ship deficiencies and the impact of the deficiencies on the overall readiness status of the ship. The ship captain is also required to report changes in the ship's readiness status to MSC personnel.

(U) Management of DOT-Owned Surge Sealift

(U) The DOT Maritime Administration (MARAD) is the agency responsible for managing the 35 DOT-owned surge sealift ships. MARAD contracts for systems maintenance, equipment repairs, logistics support, and ship operations management through one contract. Although the DOT owns the 35 surge sealift ships, the DoD provides funding to the DOT for operations and maintenance of the ships. From FYs 2016 through 2018, MARAD spent \$477.75 million in DoD funds on contracted maintenance and repairs for the 35 surge sealift ships and plans to spend an additional \$843.94 million from FYs 2019 through 2022.

(U) To support the surge sealift readiness effort, the DoD and the DOT established a memorandum of agreement outlining each organization's responsibilities. Under the agreement, MARAD has primary responsibility for awarding and managing ship maintenance and operation contracts, prioritizing maintenance requirements,

¹ (U) The MSC awarded the four ship management contracts from FYs 2013 through 2017. The contracts included a base period and four option years. The contracts also cover ships that are not included in the surge sealift fleet. On our request, the MSC provided a breakdown of the costs that would be attributed to only the surge sealift ships.

² (U) Commander Military Sealift Command Instruction 3121.9C, "MSC Standard Operating Manual," September 12, 2012.

(U) and reporting ship readiness status. The agreement states that MARAD retains administrative control responsibilities, including managing ship activation, crewing, training, logistics support, maintenance, and repair.

(U) USTRANSCOM, through the MSC, can request that the MARAD ships be activated to support military operations, for training and testing, or for other defense sealift purposes. MARAD is required to activate the ships and transfer operational control to the MSC within 5 days of the request for activation. The agreement requires the DoD to return the ships to MARAD as soon as practicable after the purpose for their activation has been accomplished. Finally, the agreement contains requirements for MARAD to provide the MSC access to ship readiness reports and update the MSC as changes occur in the ships' readiness status.

(U) MARAD reports ship readiness status for the 35 ships to the MSC through e-mail; the information provided includes daily briefings and periodic readiness status updates. The MARAD daily briefings to the MSC include information regarding the percentage of MARAD ships available and the readiness status and location of each MARAD ship. In addition, MARAD issues periodic readiness status updates to the MSC when changes are made to a ship's readiness status, sometimes multiple times a day. The updates outline why the readiness status changed and provide an estimated repair time. In addition to the daily e-mails providing daily briefings and periodic readiness status updates, USTRANSCOM issued a memorandum requesting MARAD to update the readiness status of the 35 surge sealift ships in DRRS-N.³

(U) MSC and MARAD Readiness Reporting of Surge Sealift Fleet

~~(S)~~ MSC personnel update the readiness status for their 15 MSC ships in DRRS-N using contractor-provided readiness reports. The MSC relies on MARAD to update the readiness status for its 35 ships in DRRS-N. The readiness status for each ship is reported in DRRS-N as: mission available, available with limitations, or not available.⁴ USTRANSCOM identifies its mission requirements based on the square footage of the items needing to be shipped. To convert from ship availability in DRRS-N to the square footage requirements in DRRS-S, MSC officials review the number of ships that are reported in DRRS-N as available or available with limitations. In short, DRRS-N reports whether each individual ship is ready or not; while DRRS-S reports the total amount of

³ (U) USTRANSCOM Memorandum "Strategic Sealift Program Guidance for FY16-FY22," November 19, 2015.

⁴ (U) According to the Navy DRRS-N reporting manual, available means that a unit can accomplish the mission to prescribed standards. Available with limitations means that the unit can perform the mission under most conditions and can meet most standards. Finally, not available means that the unit is unable to accomplish the mission.

(S) square footage available for meeting mission requirements. After review of the ships reported as available and available with limitations, MSC officials total all of the ships' square footage to determine how close the ships are to meeting the readiness target of [REDACTED]. The MSC then reports the total surge sealift capability monthly in DRRS-S which is tracked by USTRANSCOM. In addition, the MSC Commander meets weekly with the USTRANSCOM Commander to provide an overview of sealift capacity and to discuss solutions if the readiness target [REDACTED].

(U) USTRANSCOM's Use of OPLANs

(U) Geographic combatant commands are responsible for anticipating and planning for military crises and contingencies within their assigned areas of responsibility. Geographic combatant command officials develop OPLANs to identify contingency-specific scenarios and assumptions, and they also identify the resources needed to address anticipated contingencies. USTRANSCOM planners are responsible for forecasting the delivery of resources identified within an OPLAN. In addition, USTRANSCOM determines modes of transportation based on the priority, size, weight, and lead-time requirements to move equipment. USTRANSCOM planners create a schedule and identify any forecasted delivery delays and anticipated backlogs. When the forecasted delivery dates do not meet the OPLAN requirements, combatant command and USTRANSCOM planners meet to review and reprioritize deliveries. Without accurate information regarding the availability of the surge sealift ships, combatant commands and USTRANSCOM cannot adequately review and reprioritize deliveries.

(U) Review of Internal Controls

(U) DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.⁵ We identified internal control weaknesses related to the MSC's ships readiness reporting. In addition, USTRANSCOM did not have a process in place to validate the reported ship availability to determine whether the MARAD surge sealift ships could meet the projected OPLAN requirements. We will provide a copy of the report to the senior official responsible for internal controls at USTRANSCOM.

⁵ (U) DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

(U) Finding A

(U) MSC Readiness Reporting for Its 15 Surge Sealift Ships Was Not Accurate

(S) The MSC did not accurately report the readiness status of the 15 DoD-owned ships during FYs 2017 and 2018. We reviewed MSC ship inspections for the ships to determine whether the MSC readiness assessments were correctly reported. [REDACTED]

[REDACTED] For the three ships reported as available, MSC and U.S. Coast Guard ship inspections showed deficiencies that should have prevented the ships from completing their mission.

(U) The MSC inaccurately reported the readiness status of its surge sealift ships because the MSC relied on ship contractors to accurately report ship readiness. The MSC did not perform oversight to verify that ship contractors followed MSC Standard Operating Manual requirements when reporting identified ship deficiencies on casualty reports. MSC officials stated that the ships' captains were in the best position to assess the ability of the ship to meet mission requirements, and therefore the MSC did not have procedures to verify that ship inspection reports matched casualty reports or reconcile ship casualty reports to the DRRS-N ship readiness status.

(S) As a result of the MSC's inaccurate ship readiness reporting, the USTRANSCOM assessment of surge sealift capability was unreliable and could lead geographic combatant commanders to make incorrect assumptions about the initial availability of equipment and resupply of critical items. Because the surge sealift transport 90 percent of cargo needed to meet OPLAN requirements,

[REDACTED]

(U) Readiness Reporting for MSC Ships Was Not Accurate

(S) During FYs 2017 and 2018, the MSC reported inaccurate readiness statuses for all 15 MSC-owned ships. We reviewed MSC criteria that establishes reporting requirements and the readiness assessments for the surge sealift ships. To determine if readiness was reported accurately, we compared U.S. Coast Guard and MSC inspection reports to this criteria and found that the ship contractors were not consistently following guidance for ship readiness assessment. [REDACTED]

(U) MSC Guidance Establishes Reporting and Assessment Requirements

(U) The MSC surge sealift contractors are required by their contracts to follow the MSC Standard Operating Manual when reporting a deficiency in mission essential equipment and assessing ship readiness. The Manual includes instructions on when contractors are required to report deficiencies for mission essential equipment using casualty reports for repairs that cannot be completed within 48 hours of identifying a problem. The Manual also provides instructions on how the contractors should assess the ship's readiness based on the deficiencies identified during inspections.

(U) The MSC and the U.S. Coast Guard periodically inspected the MSC ships to identify ship deficiencies, and they provided inspection reports of the deficiencies identified to the ships' captains for repair. For the MSC and U.S. Coast Guard inspections, ship deficiencies that required repair were identified as minor or major findings. Minor findings identify ship deficiencies that have a potential impact to the condition or mission capability of the ship. Major findings are deficiencies that impact vessel mission capability, including "no-sail" deficiencies, which are so severe that they must be fixed before the ship can sail.

(U) The MSC Standard Operating Manual establishes standards for casualty reporting and readiness reporting. The Manual defines three categories of casualty reports and associates the categories with the impact on the ship's ability to accomplish its mission.

- (U) **Category 2** – A deficiency in mission essential equipment which causes a minor degradation in any primary mission.

- (U) **Category 3** – A deficiency in mission essential equipment which causes a major degradation but not the loss of a primary mission.
- (U) **Category 4** – A deficiency in mission essential equipment which causes a loss of at least one primary mission or for which a no-sail deficiency has been issued.

(U) According to the Manual, the ship's captain must submit a casualty report to the MSC "as soon as possible, but no later than 24 hours after it is determined casualty cannot be corrected within 48 hours." In addition, the Manual requires the contractor to submit a DRRS-N message within 24 hours after a Category 3 or 4 casualty report message has been released.

(U) Ship Contractors Did Not Consistently Follow Guidance for Assessing Ship Readiness

(S) The MSC surge sealift ship contractors did not consistently follow the Standard Operating Manual requirements for reporting deficiencies on casualty reports. During our review of the 15 MSC ships, we found 32 instances in which the MSC or U.S. Coast Guard inspectors identified major or no-sail deficiencies that required Category 4 casualty reports. However, we found that in 28 of the 32 instances MSC surge sealift ship contractors did not issue Category 4 casualty reports. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]. According to the Manual criteria for assessing ship readiness, these major or no-sail findings should have resulted in the ship's contractor rating the ship as Category 4 and issuing a casualty report. However, the USNS *Benavidez* ship contractors did not issue any Category 4 casualty reports for the major findings following the inspection, and the ship was assessed as available for use for 43 days instead of being reported as unavailable.

(U) Readiness Reported in DRRS-S Was Not Accurate

(S) Over a 2-year period, the [REDACTED]
[REDACTED]
[REDACTED]. To assess readiness reporting accuracy, we reviewed all 32 MSC and U.S. Coast Guard inspection reports for FYs 2017 and 2018.

(S) We reviewed the inspection reports to determine if they had any major or no-sail deficiencies identified. We then compared the deficiencies to the reported readiness status in DRRS-N to determine whether the deficiencies were reported as a Category 4 status in DRRS-N. We also reviewed the ships rated as Category 4 in DRRS-N to determine if we could identify the ship deficiencies that led to this readiness rating. In cases where we identified a major or no-sail deficiency on an inspection report, but the ship was rated as available in DRRS-N, we considered this an overstatement of ship availability. In cases where the ship was rated as unavailable in DRRS-N, but the MSC could not provide an inspection report with deficiencies to support this rating, we considered this to be an understatement of ship availability. Figure 1 shows the amount of square feet of cargo capacity reported in DRRS-S for the MSC ships compared to the available square foot capacity we calculated.

(U) *Figure 1. MSC Reported Readiness Compared to DoD OIG-Calculated Readiness*



(U) Source: The DoD OIG.

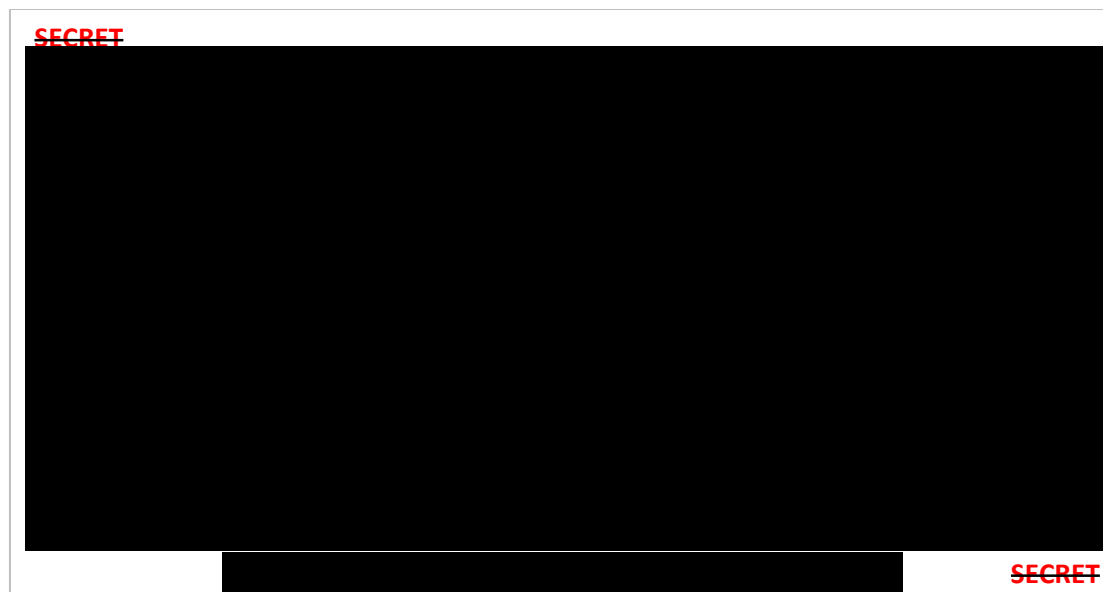
(U) Table 1. Accuracy of Ship Availability Reported by the MSC in DRRS-N.

[illegible]

(U) Source: The DoD OIG.

(S) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]. Figure 2 shows the comparison between the number of days the MSC reported the ships as available in DRRS-N and the number of days we calculated the ships as available.

(U) Figure 2. MSC-Reported Days That Ships Were Available Compared to DoD OIG-Calculated Days Available



(U) Source: The DoD OIG.

(S) In addition, Figure 2 shows that of the 15 ships, [REDACTED]
[REDACTED]. Only three ships, the *Brittin*, *Watson*, and *Fisher*, were available more often than reported in DRRS-N.

(U) The MSC Did Not Verify Accuracy of Readiness Reporting

(U) The MSC inaccurately reported the readiness status of surge sealift ships because the MSC relied on the ship contractors to accurately report ship readiness. MSC personnel did not verify the accuracy of the ship contractor reporting and did not require a reconciliation of casualty reports and DRRS-N.

(U) The MSC Did Not Verify Whether Contractors Accurately Submitted Casualty Reports

(U) The MSC did not verify that contractors correctly applied MSC Standard Operation Manual reporting requirements and submitted appropriate casualty reports when ship deficiencies were identified during MSC and U.S. Coast Guard inspections. According to the Manual, when a deficiency is identified during an inspection, the ship contractors are required to report casualties to the MSC using the MSC's casualty reporting system. However, the MSC relied on the contractors to follow this guidance and did not verify

(U) whether the contractors reported the casualties. During our review of the 15 MSC ships, we determined that there were 32 instances in which the MSC or U.S. Coast Guard inspectors identified major ship deficiencies that would impact the readiness of the ship. However, we found only 4 of 32 instances (or 13 percent) where the ship contractors appropriately issued Category 4 casualty reports for major ship deficiencies, as required by the MSC Standard Operating Manual. The MSC should establish a policy to verify whether deficiencies identified in ship inspection reports match the corresponding contractor-issued casualty report. The policy should include appropriate corrective actions to hold the contractors accountable when a casualty report does not match the ship inspection reports or are not submitted as required.

(U) The MSC Did Not Reconcile Casualty Reports to DRRS-N

(U) The MSC did not verify whether ship casualty reports matched DRRS-N ship readiness status. The MSC Standard Operating Manual states that any change to a ship's readiness status should be updated in DRRS-N. The MSC requires ship contractors to submit a spreadsheet detailing when casualty reports impact changes to ship readiness. Using the spreadsheet, MSC personnel update DRRS-N to reflect the readiness status of the ships. The casualty reports and the readiness spreadsheets required from the ship contractors must reflect the accurate readiness status reported in DRRS-N. However, the MSC input in DRRS-N did not always match the readiness status outlined in the casualty report provided by the ships' contractors. For example, in September 2018, the contractor for the USNS *Brittin* issued a Category 4 casualty report for main engine problems; however, the MSC did not update the status of the ship as unavailable in DRRS-N. Unless the MSC reconciles the ship casualty report to the readiness status of the ships reported in DRRS-N, the ship readiness status will continue to be inaccurate. The MSC should reconcile casualty reports to the ship's reported status in DRRS-N to ensure accurate ship readiness reporting.

(U) Incorrect Readiness Reporting Will Impact OPLAN Mission Planning

(U) As a result of the MSC's inaccurate ship readiness reporting, USTRANSCOM's assessment of surge sealift capabilities is unreliable and could lead geographic combatant commanders to make incorrect assumptions about the initial availability of equipment and resupply of critical items.

(S) USTRANSCOM planners create a schedule for the delivery of equipment based on the available resources identified in DRRS-S and identify any forecasted delivery delays and anticipated backlogs. When the forecasted delivery dates do not meet OPLAN requirements, combatant command and USTRANSCOM planners meet to review and reprioritize deliveries. Geographic combatant commanders rely on readiness reporting to perform mission planning for their assigned OPLANs. [REDACTED]

[REDACTED] For example, the USNS *Mendonca*, a Bob Hope-class ship, has a 387,662 square-foot capacity with the ability to transport equipment of an Army Armored Brigade Combat Team. According to the U.S. Congressional Budget Office's primer on military structure, the equipment of an Army Armored Brigade Combat Team consists of 1,327 vehicles including the following.⁶

- (U) 87 M1A2 Abrams Tanks
- (U) 142 Bradley fighting vehicles
- (U) 66 Armored Personnel Carriers
- (U) 18 Paladin 155 mm Howitzers
- (U) 164 Heavy Expanded Trucks

(S) [REDACTED]
[REDACTED]
[REDACTED]

(S) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

⁶ (U) U.S. Congressional Budget Office, "The U.S. Military's Force Structure: A Primer," July 2016.

(S) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

(U) Management Comments on the Finding and Our Response

(U) U.S. Transportation Command Chief of Staff Comments on MSC Onboard Condition Inspection Major Findings

(U) The USTRANSCOM Chief of Staff stated that MSC personnel take exception with the DoD OIGs interpretation of MSC on-board condition inspection major findings being categorized as no-sail casualties and the DoD OIGs assessment of MSC under or over reporting readiness within the MSC surge sealift fleet. According to the Chief of Staff, the Commander MSC Instruction 4700.18 states that findings will be classified as major when it impacts vessel mission capability or minor when there is a potential impact to the material condition or mission capability of the vessel.⁷ The Instruction does not categorize major findings as no-sails requiring a Category-4 status.

(U) The Chief of Staff also stated that our assessment of the readiness of the USNS *Gordon*, USNS *Benavidez*, and USNS *Gilliland* was inaccurate because we misunderstood the complex engineering systems onboard those ships. The Chief of Staff further stated that the MSC provided documentation to us addressing the disparities between ship inspection reports and contractor issued casualty reports showing that the casualty reports are less significant than indicated. The Chief of Staff concluded that the MSC does concur with a portion of our identified discrepancies and acknowledges that there is always room for improvement in this area.

(U) Our Response

(U) Comments from the USTRANSCOM Chief of Staff disagreed with our assessment of readiness reporting for MSC ships. We agree that the Commander MSC Instruction 4700.18 does not include language regarding no-sail deficiencies, and only classifies findings as “major,” which is defined as impact on vessel mission capability, and

⁷ (U) Commander Military Sealift Command Instruction 4700.18, “Contract Technical Requirements Surveillance Process for MSC Ships,” February 12, 2008

(U) “minor,” defined as potential impact to the material condition or mission capability of the vessel. We have updated the report to clarify that the MSC inspections identify major or minor findings and that the U.S. Coast Guard inspections identified no-sail deficiencies.

(U) We disagree with the USTRANSCOM Chief of Staff’s assessment of our analysis regarding ship readiness. We applied the MSC Standard Operating Manual guidance for assessing ship readiness and casualty reporting, which is the guidance that ship contractors are required to follow according to the MSC ship contracts. The Manual states that a Category-4 casualty report is a deficiency in mission essential equipment which causes a loss of at least one primary mission or for which a no-sail deficiency has been issued. During our analysis, we reviewed U.S. Coast Guard inspection reports that identified no-sail deficiencies and MSC inspection reports that included major findings. The MSC inspection reports included language, which defined major findings as conditions that “prevented the ship from carrying out the mission requirement.”

(U) Based on the definition of a Category-4 casualty report in the Standard Operating Manual, we determined that both the U.S. Coast Guard no-sail deficiencies and the MSC inspection major findings should be classified as Category-4 and required the ship contractor to issue a casualty report. We tracked the U.S. Coast Guard no-sail deficiencies and the MSC inspection major findings from the time they were issued until the work correcting the deficiency was completed. In cases where inspectors classified a deficiency as no-sail or major and no corrective action was determined to have occurred, we considered these ships to be unavailable for use and reviewed the DRRS-N reporting to determine if a ship’s readiness level was reported accurately in accordance with guidance.

(U) Throughout the audit, we provided the MSC opportunity to comment on and provide supporting documentation to explain the discrepancies we identified in the DRRS-N readiness reporting. We accepted the MSC explanations when sufficient supporting documentation was provided as evidence and updated our analysis accordingly. However, the MSC did not provide supporting documentation for all of the discrepancies identified in the report. For example, in the report we cited an inspection of the USNS *Benavidez* that found turbo charger mounting bolts that were sheared. The MSC provided a response to this finding and stated that the MSC Technical Warrant Holder issued guidance stating the vessel was still mission capable. We requested that the MSC provide a copy of that assessment for our review and consideration, but the MSC did not provide this document, and thus we did not update our analysis.

(U) Recommendations, Management Comments, and Our Response

(U) Revised Recommendation

(U) As a result of management comments, we revised draft Recommendation A.1.c to clarify the nature of the actions needed to improve existing internal controls. We revised the requirement to reconcile casualty reports to a ship's reported status in DRRS-S rather than DRRS-N, which is no longer used.

(U) Recommendation A.1

(U) We recommend that the Commander of Military Sealift Command establish policies to:

- a. **(U) Verify whether deficiencies identified in ship inspection reports match the corresponding contractor-issued casualty reports.**

(U) U.S. Transportation Command Chief of Staff Comments

(U) The USTRANSCOM Chief of Staff, responding for the MSC Commander, agreed with the recommendation, stating that MSC contracts currently require the contractors to comply with ship inspections. MSC contracts also require the contractors to file casualty reports in accordance with guidance. According to the contracting officer's representative designation letter, MSC contracting officer representatives are required to validate that the contractor is performing contract requirements.

(U) Our Response

~~(S)~~ Comments from the Chief of Staff partially addressed the recommendation; therefore, the recommendation is unresolved. The Chief of Staff's comments only included steps that the MSC had already been taking. As shown in this report, these steps were not sufficient to ensure the deficiencies identified in ship inspection reports match the corresponding contractor-issued casualty reports. We identified deficiencies that should have resulted in a ship being listed as available or unavailable, but it was reported as the opposite. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

~~(S)~~

[REDACTED]. We request that the Chief of Staff provide us the specific policies that will be used to verify whether deficiencies identified in ship inspection reports match the corresponding contractor-issued casualty reports.

- b. (U) Hold contractors accountable when casualty reports do not match ship inspections reports or are not submitted as required.**

(U) U.S. Transportation Command Chief of Staff Comments

(U) The USTRANSCOM Chief of Staff, responding for the MSC Commander, agreed with the recommendation, stating that the MSC currently holds contractors accountable through the use of Contract Discrepancy Reports. This information is used when assessing past performance in future contract acquisitions and can positively or negatively impact an individual contractors' rating and thus chance of receiving a contract award. The MSC will increase the use of Contract Discrepancy Reports when casualty reports do not match ship inspection reports or are not submitted.

(U) Our Response

(U) Comments from the Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once the Chief of Staff provides documentation that the MSC issued Contract Discrepancy Reports for ship contractors when casualty reports did not match inspections reports or were not submitted as required.

- c. (U) Reconcile casualty reports to the ship's reported status in Defense Readiness Reporting System-Strategic to ensure accurate ship readiness reporting.**

(U) U.S. Transportation Command Chief of Staff Comments

(U) The Chief of Staff, responding for the MSC Commander, agreed with the recommendation, stating that the MSC Training and Readiness Division, and Director Ship Management Surge Sealift groups, reconcile casualty reports to the ship's reported status in DRRS-N to ensure accurate ship readiness reporting. The Chief of Staff noted that the DRRS-N has been replaced with DRRS-S as of October 1, 2019. The Chief of Staff also reiterated USTRANSCOM's and the MSC's disagreement with the DoD OIG's calculations, which were discussed above in the response to the finding.

(U) Our Response

(S) Comments from the Chief of Staff partially addressed the recommendation; therefore, the recommendation is unresolved. The Chief of Staff's comments only included steps the MSC had already been taking. As shown in this report, these steps were not sufficient to ensure the readiness reported in DRRS-S was accurate.⁸ The Chief of Staff identified that the MSC reconciles casualty reports to the ship's reported status in DRRS-N. [REDACTED]

[REDACTED]. Therefore, we request that the MSC Commander establish a policy to reconcile casualty reports to the ship's reported status in DRRS-S to ensure accurate ship readiness reporting.

⁸ (U) In the body of the report we discuss the sufficiency of oversight to ensure that readiness reported in DRRS-N was accurate. Due to the replacement of DRRS-N, we used DRRS-S in our response to indicate the policies developed by the MSC should be to ensure DRRS-S was accurate.

(U) Finding B

(U) MARAD Used Different Criteria to Assess and Report Readiness Status of Surge Sealift Ships

(U) MARAD contractors did not follow the MSC criteria for assessing and reporting the readiness status for the 35 MARAD-owned surge sealift ships. MARAD contractors followed assessment and reporting criteria established in the MARAD contract for assessing readiness, and they followed the MSC Standard Operating Manual only after the ship activated. The MARAD contract contains different assessment and rating criteria for reporting readiness and has different definitions than MSC criteria for the rating categories. When we applied the MSC assessment criteria to the MARAD ships, we identified inaccuracies in the reported readiness status. MARAD officials provided inspection reports for seven ships, and we determined that MARAD overstated the readiness status for three of the seven. For example, the Cape Race had a no-sail deficiency identified in April 2018 that would have resulted in a not-available rating under the MSC criteria, but MARAD reported the ship as available for 99 days in DRRS-N.

(U) The difference in ship assessment and reporting occurred because the MSC did not establish standard reporting procedures with MARAD. The memorandum of agreement between DoD and DOT states that the MSC and MARAD will develop best business process agreements for surge sealift readiness standards, but these have not been developed. In addition, the MSC has accepted the MARAD readiness reporting in DRRS-N without performing oversight to verify the readiness status being reported.

(S) As a result, the DoD spent \$477.8 million from FYs 2016 through 2018 on maintenance and repairs of the 35 MARAD surge sealift ships, and plans to spend an additional \$843.9 million for FYs 2019 through 2022, without verification that the surge sealift ships are being maintained and will be mission ready when required. MARAD ships provide [REDACTED]

[REDACTED] of the square footage for the surge sealift ships used by USTRANSCOM to support OPLAN requirements. A [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

(U) MARAD Readiness Reporting Was Inaccurate When MSC Assessment Criteria Was Applied

(U) MARAD contractors did not follow the MSC Standard Operating Manual for assessing and reporting the readiness status for the MARAD-owned surge sealift ships except when the ships are activated. The MARAD Ship management contract establishes different category ratings for readiness, and it only requires the contractors to follow MSC criteria once the ship's operational control has been transferred to the MSC. However, when we applied the MSC criteria to the inspection reports provided by MARAD, we identified inaccuracies in the readiness status reported.

(U) MARAD Ship Management Contracts Outlined Reporting Requirements

(U) The MARAD ship management contract established the readiness reporting policies and procedures for the MARAD-owned ships. The contract statement of work established different readiness assessment and reporting criteria for when the ships were in maintenance status and when the ships were activated. During maintenance status, the ship contractors are required to report readiness based on the criteria outlined in the contract. The contract required the contractors to assess readiness based on a five category scale, and the contractors reported changes in their status to the MARAD contracting officer representative. The MARAD 5 category scale differs from the 3 category scale used by the MSC. Table 2 compares the MSSC assessment categories to the categories outlined in the MARAD contract statement of work.

(U) Table 2. Comparison of MSC and MARAD Assessment Categories

| (UNCLASSIFIED) MSC Assessment Categories | MARAD Assessment Categories |
|--|--|
| Not Applicable | C-1: No mission degrading maintenance items. Describes a vessel having no known maintenance items which impact its mission and operational requirements. DRRS-N rating: Available |
| CAT 2: A deficiency in mission essential equipment which causes a minor degradation in any primary mission, or a major degradation or total loss of a secondary mission. DRRS-N rating: Available | C-2: Documented and correctable mission degrading maintenance items. Describes a vessel which has mission degrading maintenance items which can be corrected within the activation timeframe (5 days). DRRS-N rating: Available |

(UNCLASSIFIED)

| (UNCLASSIFIED) MSC Assessment Categories | MARAD Assessment Categories |
|---|---|
| CAT 3: A deficiency in mission essential equipment which causes a major degradation but not the loss of a primary mission. DRRS-N Rating: Available with Limitations | Not Applicable |
| CAT 4: A deficiency in mission essential equipment which causes loss of at least one primary mission or for which a Coast Guard no-sail deficiency has been identified. DRRS-N Rating: Not Available | C-3: Mission degrading maintenance items. Describes a vessel which can be activated within its required timeframe, but has mission degrading maintenance items which cannot be corrected before activation (5 days). DRRS-N Rating: Not Available |
| | C-4: Major maintenance items that prevent the vessel from activating or performing its primary mission. Describes a vessel that cannot be fully mission capable within its activation timeframe (5 days). DRRS-N Rating: Not Available |
| Not Applicable | C-5: Scheduled major maintenance. Describes a vessel undergoing scheduled major maintenance items which prevent it from meeting its assigned activation timeframe (5 days). DRRS-N Rating: Not Available <div style="text-align: right;">(UNCLASSIFIED)</div> |

(U) Source: The DoD OIG.

(U) As shown in Table 2, the MSC readiness ratings did not include categories corresponding to the C-1 or C-5 categories in the MARAD assessment criteria. In addition, the MSC criteria differentiated between the DRRS-N ratings of available and available with limitations (CAT 3) but MARAD doesn't use a category that relates to available with limitations. Finally, the MSC CAT4 category specified that any ship with a no-sail deficiency was automatically assigned a CAT 4 rating and was not available for missions. MARAD readiness ratings doesn't include what a no-sail deficiency will be categorize at and categories C-3, C-4, and C-5 are considered not available.

(U) Once a MARAD ship is activated, the MARAD ship management contract requires the contractor to follow the MSC Standard Operating Manual for ship assessment and reporting. The assessment and reporting included issuing casualty reports and reporting the ship readiness status according to the MSC Standard Operating Manual readiness categories. The MARAD contract required the contractor to provide the information to the MSC in accordance with the Manual, as well as reporting the information to the MARAD contracting officer representative.

(U) MARAD Reported Inaccurate Readiness Statuses When Reviewed Using MSC Criteria

(S) MARAD official provided ship inspection reports for 7 of the 35 MARAD-owned surge sealift ships. We reviewed the inspection reports to determine whether any contained no-sail deficiencies, which under MSC guidance would cause the ship to be unavailable for missions. [REDACTED]

(U) Table 3. Accuracy of Ship Availability Reported by the MARAD in DRRS-N.

| (SECRET) [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
|------------------------|------------|------------|------------|
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | | | (SECRET) |

* (U) The number of days analyzed were based on the range of the deficiencies found in the inspection reports. We didn't determined accuracy for the whole 730 days (FYs 2017 and 2018).

(U) Source: The DoD OIG.

(S) For example, MARAD provided a U.S. Coast Guard inspection report for the *Cape Race* that included a no-sail deficiency related to the ship's steering pump.⁹ In the description, the inspector noted that during operational testing of the steering system using the second steering pump, the rudder did not respond. The inspector required

⁹ (U) U.S. Department of Homeland Security, U.S. Coast Guard form CG-835, "Vessel/Facility Inspection Requirements," for the *Cape Race*, April 18, 2018.

(S) the ship to demonstrate proper operation of the steering system using this pump prior to departure. According to the Coast Guard tracking system, this deficiency was not resolved until August 22, 2018, for a total of 127 days between identification and resolution of the deficiency. For [REDACTED]

[REDACTED]
Therefore, during this time period the MSC considered the *Cape Race* operational when it wasn't.

(U) The MSC Did Not Establish Standard Reporting Processes or Perform Adequate Oversight for Reporting Readiness

(U) The difference between the MSC and MARAD ship assessment and reporting of readiness occurred because the MSC did not establish standardized reporting procedures with MARAD. In addition, the MSC did not perform adequate oversight on the readiness status reported by MARAD, and instead relied on MARAD to report correctly.

(U) Memorandum of Agreement Allowed for Development of Business Practices but Lacked Detailed Procedures

(U) The memorandum of agreement between DoD and DOT established the overall policies and procedures for the surge sealift fleet. It established the high-level policies that govern the program and outlined the process for management, activation, and use of the MARAD-owned surge sealift fleet. The memorandum also contained a modification clause, which allows the MSC and MARAD to develop business process agreements subordinate to the memorandum for readiness standards and other necessary procedures. However, the memorandum did not contain detailed procedures for how MARAD should assess or report readiness to the DoD.

(U) Although the MSC and MARAD developed business procedures, they did not include specific standards for readiness assessment. In a memorandum to the MSC and MARAD, USTRANSCOM outlined the agreements regarding readiness reporting.¹⁰ The memorandum directed the MSC and MARAD to comply with USTRANSCOM reporting requirement to use DRRS-N and to determine ship availability to report total sealift capacity. However, the memorandum did not establish a readiness assessment standard that was consistent for all the ships. Specifically, MSC and MARAD used their own separate criteria to determine a ship's readiness and based on the different criteria

¹⁰ (U) USTRANSCOM Memorandum "Strategic Sealift Program Guidance for FY16-FY22," November 19, 2015.

(U) the MSC and MARAD ship availability could differ. For example, for a MSC ship that had a deficiency in mission essential equipment which causes loss of at least one primary mission and cannot be resolved in 48 hours, is a Category 4 deficiency that required a casualty report that showed the ship as unavailable. Meanwhile, the same ship under MARAD criteria would be reported as Category-2 and available if the deficiency can be resolved within five days. The same deficiency evaluated under the two different criteria reports the ship's readiness status differently. Therefore, the MSC should develop a business process agreement with MARAD to establish readiness assessment standards that are consistent for MSC and MARAD ships.

(U) The MSC Did Not Validate Readiness Reported by MARAD

(S) The MSC accepted MARAD readiness reporting in DRRS-N without performing oversight to verify the readiness status. The MSC relied on MARAD to accurately report ship readiness in DRRS-N and did not verify the accuracy of the reporting. The MSC did not develop any oversight plans for the readiness levels reported by MARAD. MARAD provided the MSC a daily ship readiness status brief and was responsible for determining and updating ships' readiness status in DRRS-N. However, the MSC did not require MARAD to provide supporting documentation, such as U.S. Coast Guard inspection results, to support and validate ship readiness status. [REDACTED]

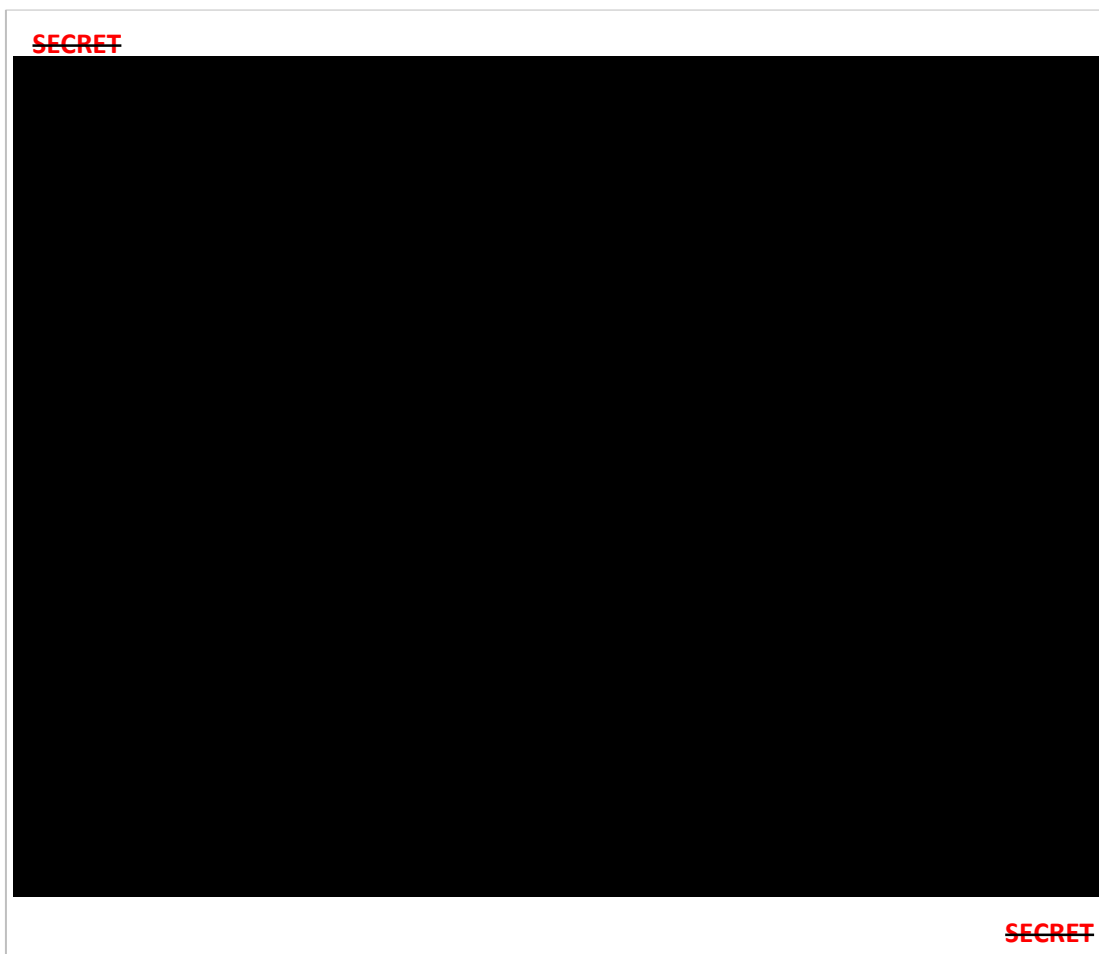
[REDACTED] Supporting documentation for ship status changes is necessary for DoD to independently verify the accuracy of ship readiness status reported by MARAD. Without verifying the data, the MSC could not determine whether the ships would meet OPLAN requirements for surge sealift. Therefore, the MSC should develop an oversight plan to verify the MARAD surge sealift readiness reporting and identify the documentation and processes needed to perform the oversight. The MSC should then coordinate with MARAD to establish reporting procedures for the documentation and processes necessary for the MSC to perform oversight over the MARAD surge sealift ships.

(U) The DoD Did Not Have Assurance That the Surge Sealift Fleet Would Be Available

(S) The DoD spent \$477.8 million for FYs 2016 through 2018 on maintenance and repairs and plans to spend an additional \$843.9 million from FYs 2019 through 2022 without verification that the surge sealift ships were being maintained and would be mission ready when required. [REDACTED]

[REDACTED]. Figure 3 shows the square footage identified as available for the MSC-owned ships and the ships owned by MARAD. The figure also shows that the MARAD ships make up a majority of the sealift capacity.

(U) Figure 3. Available Square Footage Reported Compared to OPLAN Requirement.



(U) Source: The DoD OIG.

(S) [REDACTED]
[REDACTED] of the available square footage of surge sealift for use in support of OPLANs. [REDACTED]
[REDACTED]
[REDACTED]. Without the ability to verify the readiness reporting of 57 percent of the surge sealift fleet provided by MARAD ships, USTRANSCOM could not ensure that it would provide sufficient sealift capability to meet OPLAN requirements. This risk is amplified when combined with the consistent misreporting of readiness rates for MSC managed ships.

(U) Recommendations, Management Comments, and Our Response

(U) Recommendation B.1

(U) We recommend that the Commander of Military Sealift Command develop a business process agreement with the Maritime Administration to establish standard criteria for readiness assessments for both Military Sealift Command and Maritime Administration ships.

(U) U.S. Transportation Command Chief of Staff Comments

(U) The USTRANSCOM Chief of Staff, responding for the MSC Commander, agreed with the recommendation, stating that the DoD-DOT memorandum of agreement regarding the NDRF and RRF states, "MSC and the Maritime Administration will develop best business process agreements subordinate to this [memorandum] for surge sealift activation, operations, readiness standards and other necessary procedures." The MSC and MARAD will continue to work together to institute best business practices across the entire surge sealift fleet. The Chief of Staff stated that the DoD-DOT memorandum does not give the MSC authority to task MARAD. USTRANSCOM, the MSC, and MARAD will establish a standard criteria for readiness assessments.

(U) Our Response

(U) Comments from the Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once the Chief of Staff provides documentation verifying that the MSC and MARAD has established a standard criteria for readiness assessments.

(U) Recommendation B.2

(U) We recommend that the Commander of Military Sealift Command:

- a. (U) Develop an oversight plan to verify the readiness status of the Maritime Administration surge sealift ships and identify documentation and processes needed for this oversight.**

(U) U.S. Transportation Command Chief of Staff Comments

(U) The USTRANSCOM Chief of Staff, responding for the MSC Commander, partially agreed, stating that once USTRANSCOM, the MSC, and MARAD establish one mutually agreed upon standard criteria of reporting readiness, verification and monitoring will occur through established processes at USTRANSCOM through daily and monthly readiness reviews.

(U) Our Response

(U) Comments from the Chief of Staff partially addressed the recommendation; therefore, the recommendation is unresolved. The Chief of Staff stated that USTRANSCOM would continue to verify and monitor readiness reporting through established processes. However, the current processes established by USTRANSCOM does not allow for the verification and monitoring of MARAD readiness reporting. Specifically, the established USTRANSCOM process is for the MSC to rely on MARAD to accurately report ship readiness in DRRS-N without verifying the accuracy of the reporting. We request that the MSC and USTRANSCOM develop a detailed oversight plan to ensure the readiness being reported by MARAD is an accurate representation of the ship's actual readiness.

- b. (U) Coordinate with the Department of Transportation Maritime Administration to obtain the documentation and establish the processes necessary for the Military Sealift Command to perform the oversight.**

(U) U.S. Transportation Command Chief of Staff Comments

(U) The USTRANSCOM Chief of Staff, responding for the MSC Commander, partially agreed, stating that once USTRANSCOM, the MSC, and MARAD establish one mutually agreed upon standard criteria of reporting readiness, verification and monitoring will occur through established processes at USTRANSCOM through daily and monthly readiness reviews.

(U) Our Response

(U) Comments from the Chief of Staff partially addressed the recommendation; therefore, the recommendation is unresolved. The Chief of Staff stated that USTRANSCOM would continue to verify and monitor readiness reporting through established processes. However, the current processes established by USTRANSCOM does not allow for the verification and monitoring of MARAD readiness reporting. Specifically, the established USTRANSCOM process is for the MSC to rely on MARAD to accurately report ship readiness in DRRS-N without verifying the accuracy of the reporting. We request that the MSC and USTRANSCOM coordinate with MARAD to obtain the additional documentation needed for the MSC to perform oversight over MARAD readiness reporting.

(U) Appendix A

(U) Scope and Methodology

(U) We conducted this performance audit from July 2018 through October 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

(U) We reviewed the memorandum of agreement between the DoD and the DOT to understand the authorities and responsibilities of each agency. We also reviewed DoD, U.S. Navy, and USTRANSCOM guidance to determine readiness reporting, casualty reporting, and ship activation processes. Finally, we reviewed MARAD and MSC ship management contracts and performance work statements to identify contractor performance requirements.

(U) We reviewed the 50 ships from the MSC (15) and MARAD (35) surge sealift fleet. For a list of ships reviewed, see Appendix B. We assessed readiness reporting accuracy for the 15 MSC surge sealift ships. Specifically, we compared the readiness reporting by the MSC in DRRS-N against casualty reports, U.S. Coast Guard inspections, and MSC onboard condition inspections to ensure readiness status matched ship availability. We assessed whether contractors followed the MSC Standard Operating Manual when issuing casualty reports. Our review covered readiness reporting for FYs 2017 and 2018.

(U) We also assessed the readiness reporting accuracy for four MARAD ships. We obtained U.S. Coast Guard inspections and identified deficiencies that affected the availability of the ship. Then, we compared the days the deficiencies affected the readiness against the readiness reporting in DRRS-N to determine if the reporting was accurate. Our review was based on MSC Standard Operating Manual and covered only the days affected by the deficiencies identified between FYs 2017 and 2018.

(U) We conducted interviews and meetings with personnel from DOT and MARAD; USTRANSCOM; and the MSC. In addition, we conducted site visits to USTRANSCOM Headquarters at Scott Air Force Base, Illinois, and MSC Headquarters at Naval Station Norfolk, Virginia. During our site visit to the MSC, we observed ships and interviewed ship's captains from the following ships.

- (U) USNS *Brittin*
- (U) USNS *Kocak*
- (U) USNS *Gordon*

(U) Use of Computer-Processed Data

(U) We used computer-processed from DRRS-N and DRRS-S to perform this audit. DRRS-N is a near real-time, web-based software system used by U.S. Navy unit commanders to perform capabilities-based readiness assessments and to aid in decision making. DRRS-S is an information management system that provides the DoD with authoritative, near real-time information on U.S. and select foreign military units. DRRS-S is a system that enables units to report and update the status of their equipment, supplies, personnel, and training as well as their overall readiness to perform assigned missions. As a system, DRRS-N provides Navy commanders a method to evaluate and report a U.S. Navy organization's ability to perform mission essential tasks by giving the commanders access to up-to-date information regarding all resources within their command.

(U) To verify the accuracy of MSC surge sealift ship readiness reporting in DRRS-N, we compared documentation that identified ship deficiencies that impacted the readiness status of the ships, such as casualty reports, and MSC and U.S. Coast Guard inspections against the readiness status reported in DRRS-N. We also compared the cumulative readiness and capacity status reported in DRRS-S against the verified availability of each ship. We did not verify the accuracy of MARAD readiness reporting for surge sealift ships in DRRS-N because MARAD only provided readiness status reports and did not provide inspection reports for the 35 MARAD ships. We determined that the computer-processed data was sufficiently reliable to draw our conclusions.

(U) Prior Coverage

(U) During the last 5 years, the Government Accountability Office (GAO), the DoD Office of Inspector General (DoD OIG), and the Naval Audit Service issued four reports discussing the availability and readiness of surge sealift ships. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html>. Naval Audit Service reports are not available over the Internet, but a list of reports can be accessed at <http://www.secnav.navy.mil/navaudsvc/report/Forms/AllItems.aspx>.

(U) GAO

(U) Report No. GAO-18-478, “Maritime Security: DOT Needs to Expeditiously Finalize the Required National Maritime Strategy for Sustaining U.S.-Flag Fleet,” August 2018

(U) The GAO determined that the U.S. Government support for the U.S.-registered fleet has helped meet national defense needs, but it has had a negative effect on some non-defense Government programs. Stakeholders identified two primary challenges in sustaining the U.S.-flag fleet for national defense needs. First, even with the annual stipend, maintaining the financial viability of U.S.-flag fleet vessels is a challenge. Second, the GAO also identified a potential shortage of U.S.-citizen mariners available to crew the Government-owned reserve fleet during a crisis. A MARAD working group estimated a shortage of over 1,800 mariners in the case of a drawn-out military effort.

(U) Report No. GAO-17-503, “Navy Readiness: Actions Needed to Maintain Viable Surge Sealift and Combat Logistics Fleets,” August 2017, revised October 31, 2017

(U) The GAO determined that the readiness of the surge sealift and combat logistics fleet had trended downward since 2012. There was an increase in mission-limiting equipment casualties, a decrease in scores on activation exercises, and maintenance periods that are running longer than planned. As a result, the decrease in readiness led to a decrease in the operational availability to deliver the equipment, supplies, and forces needed for the initial phases of operational plans.

(U) DoD OIG

(U) Report No. DODIG-2018-151, "Military Sealift Command's Maintenance of Prepositioning Ships," September 24, 2018

(U) The DoD OIG determined that the MSC did not ensure its Government-owned, contractor-operated prepositioning ships received the required maintenance. Specifically, MSC personnel did not maintain complete and accurate preventative maintenance plans and did not verify that contractor personnel completed the contract requirements related to the preventative maintenance of the prepositioning fleet.

(U) Naval Audit Service

(U) Naval Audit Service Report No. N2014-0034, "National Defense Sealift Fund Supporting the Ready Reserve Force Program," July 31, 2014

(U) The Navy verified whether the National Defense Sealift Fund program funds provided to MARAD to support the Ready Reserve Force ships were used in accordance with applicable laws and regulations. Navy officials found that the Department of the Navy did not provide sufficient oversight to ensure that the funds were used for ship maintenance, repair, and operation as authorized to support the Ready Reserve Force program being executed by MARAD. The memorandum of agreement did not clearly define the organization responsible for performing oversight of the National Defense Sealift Fund money being executed by MARAD. As a result, the Department of the Navy had no assurance that the \$332.1 million in National Defense Sealift Fund money was being used as intended.

(U) Appendix B

(U) Military Sealift Command Surge Sealift Ships

| (UNCLASSIFIED) Ship Name | Type | Square Footage |
|-----------------------------|--------------------------------------|---|
| <i>BRITTIN</i> | LARGE, MEDIUM-SPEED ROLL-ON/ROLL-OFF | 387,662 |
| <i>FISHER</i> | LARGE, MEDIUM-SPEED ROLL-ON/ROLL-OFF | 387,662 |
| <i>BOB HOPE</i> | LARGE, MEDIUM-SPEED ROLL-ON/ROLL-OFF | 387,662 |
| <i>BENAVIDEZ</i> | LARGE, MEDIUM-SPEED ROLL-ON/ROLL-OFF | 387,662 |
| <i>MENDONCA</i> | LARGE, MEDIUM-SPEED ROLL-ON/ROLL-OFF | 387,662 |
| <i>SHUGHART</i> | LARGE, MEDIUM-SPEED ROLL-ON/ROLL-OFF | 302,087 |
| <i>YANO</i> | LARGE, MEDIUM-SPEED ROLL-ON/ROLL-OFF | 302,087 |
| <i>GORDON</i> | LARGE, MEDIUM-SPEED ROLL-ON/ROLL-OFF | 321,831 |
| <i>GILLILAND</i> | LARGE, MEDIUM-SPEED ROLL-ON/ROLL-OFF | 321,831 |
| <i>WHEAT</i> | ROLL-ON/ROLL-OFF | 232,247 |
| <i>MARTIN</i> | ROLL-ON/ROLL-OFF | 203,173 |
| <i>OBREGON</i> | ROLL-ON/ROLL-OFF | 190,738 |
| <i>KOCAK</i> | ROLL-ON/ROLL-OFF | 190,738 |
| <i>PLESS</i> | ROLL-ON/ROLL-OFF | 190,738 |
| <i>WATSON</i> | ROLL-ON/ROLL-OFF | 392,615 |
| TOTAL | | 4,586,395 (UNCLASSIFIED) |

(U) DOT Maritime Administration Surge Sealift Ships

| (UNCLASSIFIED) Ship Name | Type | Square Footage |
|-----------------------------|-------------------|----------------|
| ALGOL | FAST SEALIFT SHIP | 203,000 |
| CAPELLA | FAST SEALIFT SHIP | 206,963 |
| POLLUX | FAST SEALIFT SHIP | 199,362 |
| REGULUS | FAST SEALIFT SHIP | 203,000 |
| ALTAIR | FAST SEALIFT SHIP | 199,362 |
| BELLATRIX | FAST SEALIFT SHIP | 203,000 |
| ANTARES | FAST SEALIFT SHIP | 199,362 |
| DENEbola | FAST SEALIFT SHIP | 203,000 |
| CAPE INSCRIPTION | ROLL-ON/ROLL-OFF | 149,088 |
| CAPE INTREPID | ROLL-ON/ROLL-OFF | 149,088 |
| CAPE ISABEL | ROLL-ON/ROLL-OFF | 149,088 |
| CAPE ISLAND | ROLL-ON/ROLL-OFF | 149,088 |
| CAPE ORLANDO | ROLL-ON/ROLL-OFF | 118,780 |
| CAPE HENRY | ROLL-ON/ROLL-OFF | 214,365 |
| CAPE HORN | ROLL-ON/ROLL-OFF | 214,365 |
| CAPE HUDSON | ROLL-ON/ROLL-OFF | 214,365 |
| ADMIRAL CALLAGHAN | ROLL-ON/ROLL-OFF | 141,843 |
| CAPE TAYLOR | ROLL-ON/ROLL-OFF | 117,854 |
| CAPE TEXAS | ROLL-ON/ROLL-OFF | 117,854 |
| CAPE TRINITY | ROLL-ON/ROLL-OFF | 117,854 |
| CAPE VICTORY | ROLL-ON/ROLL-OFF | 133,409 |
| CAPE VINCENT | ROLL-ON/ROLL-OFF | 133,409 |
| CAPE KENNEDY | ROLL-ON/ROLL-OFF | 146,895 |
| CAPE KNOX | ROLL-ON/ROLL-OFF | 146,895 |
| CAPE EDMONT | ROLL-ON/ROLL-OFF | 161,372 |
| (UNCLASSIFIED) | | |

| (UNCLASSIFIED) Ship Name | Type | Square Footage |
|-----------------------------|------------------|-----------------------------|
| CAPE DECISION | ROLL-ON/ROLL-OFF | 167,339 |
| CAPE DIAMOND | ROLL-ON/ROLL-OFF | 167,339 |
| CAPE DOMINGO | ROLL-ON/ROLL-OFF | 167,339 |
| CAPE DOUGLAS | ROLL-ON/ROLL-OFF | 167,339 |
| CAPE DUCATO | ROLL-ON/ROLL-OFF | 167,339 |
| CAPE RACE | ROLL-ON/ROLL-OFF | 176,313 |
| CAPE RAY | ROLL-ON/ROLL-OFF | 176,313 |
| CAPE RISE | ROLL-ON/ROLL-OFF | 176,313 |
| CAPE WASHINGTON | ROLL-ON/ROLL-OFF | 295,958 |
| CAPE WRATH | ROLL-ON/ROLL-OFF | 295,958 |
| TOTAL | | 6,154,174 (UNCLASSIFIED) |

(U) List of Classified Sources

- Source 1: ~~(S)~~ Defense Readiness Reporting System - Strategic, "Mission Essential Tasks Assessment Details" from October 2016 through September 2018. (Document classified Secret//NOFORN)
- Source 2: ~~(S)~~ Defense Readiness Reporting System - Navy, "Navy Summary Report" from October 1, 2016 through September 30, 2018. (Document classified Secret)
- Source 3: (U) Defense Readiness Reporting System - Navy, Navy Summary Report Unit Drilldown, "USNS GORDON and BOB HOPE Readiness Vignettes," October 17, 2018. (Document classified Secret)
- Source 4: ~~(S)~~ USTRANSCOM Top Concern #1 - Organic Sealift, February 25, 2019. (Document classified Secret)
- Source 5: (U) Casualty Report for the USNS BRITTIN, September 7, 2018. (Document classified Confidential//MR)
- Source 6: ~~(S)~~ USNS POMEROY Timeline and Vessel Swap with USNS Watson [Email], February 12, 2019. Declassified on February 12, 2019 (Document classified Secret)

(U) Management Comments

(U) U.S. Transportation Command



UNITED STATES TRANSPORTATION COMMAND
OFFICE OF THE CHIEF OF STAFF
508 SCOTT DRIVE
SCOTT AIR FORCE BASE, ILLINOIS 62225-5357

21 November 2019

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: TCCS

SUBJECT: DODIG Draft Report, Audit of Surge Sealift Readiness Reporting (Project Number - D2018-D000RG-0184.00)

1. The United States Transportation Command staff and Military Sealift Command staff have reviewed the subject report and provides the attached responses to the recommendations found in this report.
2. The point of contact in this matter is [REDACTED], TCIG, at [REDACTED] or email at transcom.scott.tcig.mbx.inspector-general@mail.mil or transcom.scott.tcig.mbx.inspector-general@mail.smil.mil.

A handwritten signature in black ink, appearing to read "Deborah L. Kotulich", is positioned above the printed name and title.

DEBORAH L. KOTULICH
Major General, U.S. Army
Chief of Staff

Attachment:

1. USTRANSCOM Response to DODIG Draft Report

(U) U.S. Transportation Command (cont'd)

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USTRANSCOM Response to DoDIG Draft Report Audit of Surge Sealift Readiness Reporting (Project NO. D2018-D000RG-0184.00)

Recommendation A.1: We recommend that the Commander of Military Sealift Command establish policies to:

A.1.a: Verify whether deficiencies identified in ship inspection reports match the corresponding contractor-issued casualty reports.

Management Response: Concur. MSC Contracts currently require the contractual requirements for O&M contractors to comply with ship inspections including USCG COI inspections, ABS Surveys, and OCI inspections. MSC Contracts also require the contractors responsibility to file CASREPs IAW NWP 1-03.1 Operational Reports and COMSCINST 3121.9 Standard Operations Manual. Per the Contracting Officer Representative (COR) designation letter, MSC CORs are required to validate that the O&M Contractor is abiding by contract requirements.

MSC does take exception with the DODIG's interpretation of MSC Onboard Condition Inspection Major Findings being categorized as "no sail" casualties and the DODIG assessment of MSC under or over reporting of readiness within the MSC Surge Fleet. Per COMSCINST 4700.18 Contract Technical Requirements Surveillance Process for MSC Ships pg 2 para 1 "Findings will further be classified as "Major" (impact on vessel mission capability) or "Minor" (potential impact to the material condition or mission capability of the vessel". COMSCINST 4700.18 does not categorize Major findings as "no sails" requiring a C-4 status. MSC has provided documentation that the DODIG's assessment that USNS GORDON, USNS BENEVIDEZ and USNS GILLILAND readiness were overstated is due to a misunderstanding by the DODIG of the complex engineering systems onboard those ships and therefore were inaccurately reported. MSC has provided documentation to the DODIG addressing the disparities between ship inspection reports and contractor issued casualty reports showing they are less significant than indicated. MSC does concur with a portion of the DODIG's identified discrepancies and acknowledges that there is always room for improvement in this area.

A.1.b: Hold contractors accountable when casualty reports do not match ship inspections reports or are not submitted as required.

Management Response: Concur. MSC currently holds contractors accountable through the use of Contract Discrepancy Reports (CDRs) that are generated by the MSC Program Office and issued by MSC Contracting. CDRs feed into the Contractors Past Performance Rating through the Contractor Performance Assessment and Reporting System (CPARS) and Past Performance Information Reporting System (PIRS) systems. These systems are used when assessing past performance in future contract acquisitions and can positively or negatively impact an individual contractors' rating and thus chance of receiving a contract award. MSC will increase the use of CDRs when casualty reports do not match ship inspection reports or are not submitted.

(U) U.S. Transportation Command (cont'd)

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A.1.c: Reconcile casualty reports to the ship's reported status in Defense Readiness Reporting System-Navy to ensure accurate ship readiness reporting.

Management Response: Concur. MSC's N04T, Training and Readiness Division, and Director Ship Management PM5 Surge Sealift groups reconciles casualty reports to the ship's reported status in Defense Readiness Reporting System-Navy to ensure accurate ship readiness reporting. As indicated by multiple comments from MSC to DODIG, the CASREP and DRRS-N system is complex. It should be noted that DRRS-N has been replaced with DRRS-S as of 01OCT19. MSC does take exception with the DODIG's calculations of their analysis of a C-4 CASREP as stated in OCR response to Recommendation A.1.a. The DODIG interpretation of C-4 CASREPs have led to the assumption that MSC has significantly under or over stated readiness. MSC does concur with a portion of the DODIG's identified C-4 CASREPs and acknowledges that there is always room for improvement in this area.

Recommendation B.1: We recommend that the Commander of Military Sealift Command develop a business process agreement with the Maritime Administration to establish standard criteria for readiness assessments for both Military Sealift Command and Maritime Administration ships.

Management Response: Concur. Paragraph 13.b. of the DOD-DOT MOA regarding the NDRF and RRF (08AUG08) states "MSC and the Maritime Administration will develop best business process agreements subordinate to this MOA for surge sealift activation, operations, readiness standards and other necessary procedures." MSC and MARAD will continue to work together to institute best business practices across the entire ROS fleet. The DOD-DOT MOA does not give MSC the authority to task MARAD. USTRANSCOM, OPNAV N42, MSC, and MARAD will establish a standard criteria for readiness assessments (i.e. use of CASREP and DRRS reporting).

Recommendation B.2: We recommend that the Commander of Military Sealift Command:

B.2.a: Develop an oversight plan to verify the readiness status of the Maritime Administration surge sealift ships and identify documentation and processes needed for this oversight.

Management Response: Partially concur. Once USTRANSCOM, OPNAV N42, MSC, and MARAD establish one mutually agreed upon standard criteria of reporting readiness, verification and monitoring will occur through established processes at USTRANSCOM HQs (daily and monthly readiness reviews) and the OPNAV N42 Plan to Performance process will be used to tie resourcing to readiness actions.

B.2.b: Coordinate with the Department of Transportation Maritime Administration to obtain the documentation and establish the processes necessary for the Military Sealift Command to perform the oversight.

(U) U.S. Transportation Command (cont'd)

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Management Response: Partially concur. Once USTRANSCOM, OPNAV N42, MSC, and MARAD establish one mutually agreed upon standard criteria of reporting readiness, verification and monitoring will occur through established processes at USTRANSCOM HQs (daily and monthly readiness reviews) and the OPNAV N42 Plan to Performance process will be used to tie resourcing to readiness actions.

(U) Acronyms and Abbreviations

| | |
|-------------------|--|
| DOT | Department of Transportation |
| DRRS-N | Defense Readiness Reporting System–Navy |
| DRRS-S | Defense Readiness Reporting System–Strategic |
| MARAD | Maritime Administration |
| MSC | Military Sealift Command |
| OPLAN | Operational Plan |
| USNS | U.S. Naval Ship |
| USTRANSCOM | U.S. Transportation Command |

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