

Newsletter



Recently Issued Reports (to view report, if available, please click on title)

Audit of the Military Departments' Purchases of Aviation Fuel and Non-Fuel Services Using the Aviation Into-Plane Reimbursement Card

This audit determined that Aviation Into-Plane Reimbursement (AIR) Card program officials did not identify instances in which the DoD wasted money, or potentially wasted money, when among other things, fuel purchases violated mandatory sourcing requirements; fuel purchases exceeded the aircraft's capacity in AIR Card System; and charges for non-fuel services, fees, and taxes were unauthorized or potentially unreasonable. AIR Card program officials did not conduct oversight of the transactions or correct deficiencies with AIR Card policy, training, or contracts. As a result of AIR Card program control weaknesses, the Military Departments incurred \$250.5 million in questioned costs, including \$10.4 in waste between September 2014 and September 2019, affecting the amount of funds available for readiness and other support functions. Unless the Defense Logistics Agency Program Management Office and the Military Departments improve AIR Card program controls, the Military Departments may continue to miss opportunities to identify fraud, waste, and abuse.

Audit of the Accounting Corrections on the Standard Form 1081

This audit determined that the DoD could not produce a complete or accurate universe of Standard Form (SF) 1081 transactions processed during the first and second quarters of FY 2020 in accordance with the DoD Financial Management Regulation. In addition, DoD Components did not implement procedures to ensure that all SF 1081 transactions were necessary or accurate. DFAS personnel processed SF 1081 transactions to reclassify transactions from a temporary holding account to the proper DoD account; these transactions were unnecessary because DFAS could have recorded the transaction correctly at the time the transaction occurred. Additionally, Army Materiel Command personnel processed SF 1081 transactions to reallocate costs between accounts, which were unnecessary because the accounting system could have processed the transactions automatically—eliminating the need for the SF 1081 transactions. Because DoD Components

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process SF 1081 transactions to transfer funds between appropriations and make corrections to collections and disbursements, Components need to ensure that these transactions are valid, accurate, and supported by an audit trail. Unless DoD Components can effectively reconcile their Fund Balance With Treasury accounts, they could risk having material misstatements of Fund Balance With Treasury balances on the Components' financial statements. Additionally, DFAS charged the DoD Components an hourly rate to perform accounting services, which included processing SF 1081 transactions on behalf of the Components. Therefore, unnecessary SF 1081 transactions created an administrative burden and wasted funds that the DoD Components could have put to better use.

Audit of Department of Defense Joint Bases

This audit determined that lead Components at Joint Bases Lewis–McChord, Anacostia–Bolling, and Elmendorf–Richardson did not always meet minimum performance standards or other specified terms in the memorandums of agreement between the lead and supported Components. The memorandums of agreement must, at a minimum, define financial arrangements, installation support responsibilities, financial and performance reporting requirements, dispute resolution procedures, disposition of assets other than real property, and other relevant issues. In addition, while the DoD had processes in place to maintain the memorandums of agreement and report and address joint base concerns, these processes were not always followed or effective. As a result, lack of relevant operating guidance and processes; exclusion of joint base consideration in Service processes and decisions; and non-adherence to memorandum of agreement terms can break down the joint construct, reducing efficiencies that can be gained from joint basing. Moreover, these factors can also hamper relations on the installation and potentially marginalize the input, needs, and mission of the supported Components.

Audit of the Department of Defense's Sea Transportation and Storage of Arms, Ammunition, and Explosives

This audit determined that DoD officials followed requirements in the Defense Transportation Regulation for preplanning, loading, inspecting, and unloading arms, ammunition, and explosives shipments by sea. This includes maintaining 101 of 105 required documents for the 30 arms, ammunition, and explosives shipments in the review sample. For these four shipments, DoD officials could not provide one of the for remaining documents, and three other documents were provided but did not contain the correct control number. These deficiencies were non-systemic and the audit concluded that DoD officials ensured the safe and secure movement of arms, ammunition, and explosives from the United States to Germany, Qatar, South Korea, and Kuwait.

Audit of the Reimbursement for Department of Defense Mission Assignments for Coronavirus Disease-2019 Pandemic Response in the U.S. Northern Command Area of Responsibility

This audit determined that DoD tasked-unit personnel did not submit timely requests for partial or final reimbursement from the Federal Emergency Management Agency for mission assignment support. As of July 31, 2020, DoD Components had reported \$221.6 million in incurred reimbursable costs for 11 of the 12 COVID 19 pandemic response mission assignments reviewed, but had not submitted timely reimbursement requests for those costs. If DoD tasked unit personnel had submitted timely and supported reimbursement requests, then the DoD could have used the \$221.6 million reimbursed by the Federal

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Emergency Management Agency to support DoD operations. As a result of the DoD's untimely requests for reimbursement, the Federal Emergency Management Agency could not accurately report disaster relief funding to Congress or bill states for their shared portion of the mission assignment costs.

Report of Investigation: Mr. Brett J. Goldstein, Defense Digital Service Director

The DoD OIG investigated allegations that Brett J. Goldstein, Director, Defense Digital Service, fostered a negative work environment by failing to treat his subordinates with dignity and respect. The DoD OIG also examined an emergent allegation that Mr. Goldstein used and condoned the use of an unauthorized electronic messaging and voice-calling application to discuss official DoD information. The DoD OIG concluded that Mr. Goldstein did not fail to treat his subordinates with dignity and respect. In addition, it concluded that Mr. Goldstein used and condoned his subordinates' use of Signal, an unauthorized electronic messaging and voice-calling application and that Mr. Goldstein used Signal regularly to communicate with Defense Digital Service employees and other DoD officials to discuss official DoD information.

Upcoming Reports

Audit of the Department of Defense's Controls on Health Information of Well-Known Department of Defense Personnel

This audit determines whether the DoD effectively controlled access to health information of well-known DoD personnel. Well-known DoD personnel are defined as senior DoD executives consisting of presidential appointees and senior military officers or individuals who became publicly known from a high-media incident. A high-media incident is when a large audience learns of an event through media communications, such as social media, broadcasting, or newspapers.

Audit of the U.S. Army Corps of Engineers' Use of Unfinalized Contract Actions for the Conversion of Alternative Care Sites in Response to the Coronavirus Disease-2019 Pandemic

This audit determines whether U.S. Army Corps of Engineers officials properly managed unfinalized contract actions for Alternative Care Sites constructed in response to the coronavirus disease-2019 (COVID-19) pandemic by finalizing actions within the required time limits, conducting analyses of fair and reasonable price determinations, and ensuring profit was adjusted for costs incurred.

Followup Audit of the Army's Management of the Heavy Lift Commercial Transportation Contract Requirements in the Middle East

This audit determines whether the Army implemented corrective actions identified in Report No. DODIG-2017-095, "U.S. Army's Management of the Heavy Lift VII Commercial Transportation Contract Requirements in the Middle East," June 26, 2017, in the Heavy Lift VIII contract related to validation of contract requirements, improvements to the reviews of transportation requests, and accurately forecasting Heavy Lift requirements to improve oversight and performance of the contract.

Upcoming Reports (*cont'd*)

Audit of Department of Defense's Management of Global Train and Equip Resources Provided to U.S. Africa Command Partner Nations

This audit determines whether the DoD properly transferred Global Train and Equip program equipment to U.S. Africa Command partner nations and adequately monitored the equipment to ensure that it was used in accordance with Federal law, DoD regulations, and transfer agreement terms and conditions.

Audit of Department of Defense Education Activity Controls Related to the Spread of Coronavirus Disease-2019

This audit determines whether the DoD Education Activity developed and implemented controls in accordance with the Centers for Disease Control and Prevention and DoD guidance concerning the spread of COVID-19.

Audit of the Department of Defense's Implementation of the Memorandums Between the Department of Defense and the Department of Homeland Security Regarding Cybersecurity and Cyberspace Operations

This audit determines whether the DoD planned and executed activities to implement memorandums between the DoD and the Department of Homeland Security regarding cybersecurity and cyberspace operations.

Audit of the Cybersecurity of Department of Defense Additive Manufacturing Systems

This audit determines whether DoD Components secured additive manufacturing systems (3-D technology) to prevent unauthorized changes and ensure the integrity of design data of the products being produced.

Physical Security Conditions at U.S. Transportation Command Military Ocean Terminals

This audit determines whether the physical security programs at the U.S. Transportation Command Military Ocean Terminals are protecting arms, ammunition, and explosives shipments in compliance with DoD, Army, and installation guidance. **This report is classified.**

External Peer Review of the Missile Defense Agency Internal Review Office

This review determines whether the system of quality control for the audit organization of the Missile Defense Agency Internal Review (MDA IR) Office in effect for the 3-year period ended September 30, 2020, has been suitably designed and complied with to provide the MDA IR Office with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Evaluation of Traumatic Brain Injury in the U.S. Central Command Area of Responsibility

The evaluation determines whether U.S. Central Command and its Service Component commands tracked or reported potentially concussive events or DoD Service members involved in potentially concussive events, as required by DoD policy. Potentially concussive events are incidents that may result in an individual experiencing a traumatic brain injury and require mandatory rest periods, medical evaluation, and reporting of exposure of all personnel involved.

Defense Criminal Investigative Service Highlights

(to view DOJ press release, if available, please click on title)



Former DoD Office of Inspector General Official and Co-Conspirator Convicted for Bribery and Kickback Conspiracy

On June 24, 2021, in Alexandria, Virginia, a Federal jury convicted William Wilson and Matthew Kekoa LumHo for participating in a bribery and kickback conspiracy involving contracting for the DoD OIG. According to evidence presented at trial, from 2010 through 2015, Wilson was the owner of a small construction company based in Lake Butler, Florida that paid numerous kickbacks and bribes to his co-conspirators, including LumHo, who was employed by the DoD OIG's Information Services Directorate. LumHo took official acts that benefitted Wilson's companies, including steering work to them by placing fraudulent service orders through a Government contract that he controlled.

Wilson also paid numerous kickbacks to two employees of a major telecommunications contractor in exchange for steering work to Wilson's companies as subcontractors. Wilson frequently disguised the bribes and kickbacks to LumHo and other co-conspirators through fake invoices for services that were never provided, or by masking the payments as payroll to relatives for jobs that did not exist. The co-conspirators repeatedly sought to interfere with the criminal investigation by creating false documentation, making false statements to law enforcement officials, lying on a financial disclosure form, committing perjury during sworn testimony, and tampering with witnesses. In addition, Wilson threatened to murder one of the conspirators and his family members if he ever testified on behalf of the Government. DCIS conducted this investigation jointly with the Federal Bureau of Investigation (FBI).

Turkish Businessman Arrested on Charges of Laundering Over \$133 Million is Fraud Proceeds

On June 19, 2021, Sezgin Baran Korkmaz was arrested in Austria following a superseding indictment returned by a Federal grand jury in Salt Lake City, Utah. The indictment charged Korkmaz with 1 count of conspiring to commit money laundering, 10 counts of wire fraud, and 1 count of obstruction of an official proceeding. According to the indictment, Korkmaz laundered over \$133 million in fraud proceeds through bank accounts that he controlled in Turkey and Luxembourg. The proceeds allegedly related to a scheme by Jacob Kingston, Isaiah Kingston, and Levon Termendzhyan to defraud the U.S. Treasury by filing false claims for over \$1 billion in refundable renewable fuel tax credits for the production of biodiesel by their company, Washakie Renewable Energy in Plymouth, Utah. Korkmaz and his co-conspirators allegedly used proceeds from the fraud to acquire a Turkish airline, hotels in Turkey and Switzerland, a yacht, and property on the Bosphorus strait in Istanbul. The indictment further alleges that Korkmaz devised a scheme to defraud his co-conspirators by falsely representing that he could provide them with protection from a Federal grand jury investigation and civil lawsuits. Prosecutors will seek to extradite Korkmaz to the United States so that he can appear before a Federal judge in Utah to face charges. DCIS conducted this investigation jointly with the Internal Revenue Service Criminal Division, the Environmental Protection Agency Criminal Investigation Division, and the Department of Justice Office of International Affairs.

Defense Criminal Investigative Service Highlights *(cont'd)*

Seven Charged for Their Roles in a \$110 Million Compound drug Scheme

On June 17, 2021, in McAllen, Texas, John Rodriguez, a compound pharmacy owner, and co-conspirators were taken into custody in connection with a multi-million dollar health care fraud and kickback scheme. According to the indictment, Pharr Family Pharmacy (PFP), owned by Rodriguez, allegedly billed various Federal health care programs more than \$110 million through claims that were fraudulent and fueled by illegal kickbacks. Dr. Mohammad Chowdhury, Alex Flores, and Hector DeLaCruz were purported marketers for PFP and were the conduits for millions in kickbacks relating to the referral of prescriptions for high-reimbursing compound drugs to the pharmacy. Other medical workers were charged with conspiring to receive kickbacks and commit money laundering to help coordinate the flow of prescriptions from the medical clinic to the pharmacy. As part of the scheme, Rodriguez allegedly provided PFP marketers with pre-filled prescription pads intended to be given to physicians, including Chowdhury. The resulting orders included compound drugs and other prescription items that would yield the highest possible reimbursement to PFP, without regard to medical necessity. DCIS conducted this investigation jointly with the FBI, the U.S. Postal Service OIG, Department of Labor OIG, Veteran Affairs OIG, Department of Health and Human Services (HHS) OIG, and the Texas Attorney General Medicaid Fraud Control Unit.

Avis Budget Group to Pay \$10.1 Million to Settle Allegations of Overcharging on Rental Vehicles

On June 10, 2021, in Newark, New Jersey, Avis Budget Group, which includes its brands Avis Car Rental, Budget Car Rental, and Payless Car Rental, agreed to pay \$10.1 million to resolve allegations that it violated the False Claims Act by overcharging the Government in connection with rental vehicle services. According to records, Avis Budget made false claims in connection with obtaining payments under an agreement with the United States managed by the Defense Travel Management Office. From 2014 through 2019, Avis Budget submitted false claims and received payment from the United States for unallowable supplemental charges to car rentals, including collision damage insurance, supplemental liability coverage, personal accident insurance, personal effects coverage and protection, and late turn-in fees. In addition to being unallowable, some of the fees Avis Budget charged were already included in the government rental rate. DCIS conducted this investigation jointly with the Defense Travel Management Office.

Nurse Practitioner sentenced to Eleven Years for Illegally Distributing Opioids and Money Laundering

On June 4, 2021, Washington D.C., Ivan Lamont Robinson, a licensed nurse practitioner, was sentenced to 135 months in Federal prison and ordered to forfeit \$108,000. Robinson was previously found guilty by a Federal jury of 42 Federal charges that he distributed oxycodone outside the legitimate scope of professional practice and without a legitimate medical purpose, and two counts of money laundering. According to records, Robinson ran a pain management clinic in the District of Columbia that received numerous complaints from pharmacists who suspected that he was operating a “pill mill” rather than a legitimate medical pain management practice. Through his position as a nurse practitioner, under District of Columbia law, Robinson had authority to prescribe oxycodone to patients. Robinson sold prescriptions to customers in exchange for \$370 in blank money orders. Customers came from outside the District of Columbia to purchase identical prescriptions, 60 tablets of 30 milligrams of oxycod one. The Government presented testimony from a medical expert who stated that Robinson provided no real medical treatment, and there was no medical basis to prescribe oxycodone. Moreover, the Government’s evidence showed that Robinson deposited over \$100,000 in money orders from customers during a four-month period in 2013. DCIS conducted this investigation jointly with HHS OIG, the Drug Enforcement Agency, and the Metropolitan Police Department.

Defense Criminal Investigative Service Highlights (*cont'd*)

Belgian Security Services Company and Three Former Executives Indicted for Bid Rigging on U.S. Department of Defense Contracts

On June 30, 2021, a Federal grand jury returned an indictment against Belgium-based Seris Security NV (Seris) and three of its executives for their roles in a conspiracy to fix prices, rig bids, and allocate customers for defense-related security services, including a multimillion-dollar contract issued in 2020 to provide security services to the DoD for military bases and installations in Belgium. This is the second charge and first indictment involving an international conspiracy obtained by the Procurement Collusion Strike Force, and follows a separate company's agreement to plead guilty in the investigation. According to the indictment, these security services based in Belgium included protecting U.S. military and NATO installations through the physical presence of guards, mobile monitoring, and electronic surveillance. As part of the scheme, the conspirators agreed in advance which company would win certain security services contracts, and the price that each would bid for the contracts. As a result, the Government received non-competitive and inflated bids, and was deprived of a competitive bidding process. The charged conspiracy began as early as spring 2019 and continued through late summer 2020. DCIS conducted this investigation jointly with the FBI, Army Criminal Investigation Command, Department of State OIG, DOJ Office of International Affairs, and other Procurement Collusion Strike Force partners in Europe.

Announced Projects

Audit of the U.S. Northern Command Execution of the Coronavirus Aid, Relief, and Economic Security Act Funding

The objective of this audit is to determine whether U.S. Northern Command officials used Coronavirus Aid, Relief, and Economic Security Act funding to support the COVID-19 pandemic response in accordance with Federal laws and DoD policies.

Audit of the Military Services' Actions for Improving Diversity and Inclusion in the Department of Defense

The objective of this audit is to determine to what extent the Military Services implemented actions to improve Diversity and Inclusion that were approved by the Secretary of Defense and agreed to by the Military Services in 2020.

Audit of the Tracking, Recovery, and Reuse of Department of Defense-Owned Shipping Containers

The objective of this audit is to determine to what extent the Army, Navy, and Marine Corps complied with DoD requirements to track, recover, and reuse DoD-owned shipping containers and include those containers in an accountable property system of record.

Evaluation of Combatant Commands' Communication Challenges with Foreign Nation Partners during the COVID-19 Pandemic and Mitigation Efforts

The objective of this evaluation is to determine how U.S. Africa Command, U.S. Central Command, U.S. European Command, U.S. Indo-Pacific Command, U.S. Southern Command, and their Component commands mitigated communication problems with partner nations during the COVID-19 pandemic. The review will also focus on documentation of these mitigation strategies and consider whether they should be employed in future operations where personal interaction is not possible.

Announced Projects *(cont'd)*

External Peer Review of the Defense Contract Management Agency, Office of Internal Audit and Inspector General

The objective of this review is to determine, for the 3-year period ended May 31, 2021, whether the quality control system for the audit functions of the Defense Contract Management Agency Office of Internal Audit and Inspector General was designed to provide reasonable assurance that the policies and procedures related to the system of audit quality are suitably designed, operating effectively, and complied with in practice.