

Newsletter



Recently Issued Reports

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Audit of the Department of Defense Coronavirus Aid, Relief, and Economic Security Act Awards to the Defense Industrial Base

This audit determined that the DoD awarded Coronavirus Aid, Relief, and Economic Security Act funding to sustain or increase the Defense Industrial Base in accordance with Federal regulations and Defense Production Act authorities for the six awards that were reviewed. In addition, DoD officials complied with the Federal Acquisition Regulation and the Code of Federal Regulations when awarding the Coronavirus Aid, Relief, and Economic Security Act funding to existing contracts and new technology investment agreements. As a result, the six Defense Industrial Base awards that were reviewed will receive \$206.8 million in Coronavirus Aid, Relief, and Economic Security Act funding to help them overcome the financial distress caused by the COVID-19 pandemic and sustain critical national defense.

In Case You Missed It

Federal News Network Radio Interview with Deputy AIG, Theresa Hull*

Theresa Hull, Assistant Inspector General for Audit Acquisition, Contracting, and Sustainment, discusses the Audit of Other Transactions Awarded Through Consortia with Federal News Network.

**Aired May 14th*

Semiannual Report to the Congress - October 1, 2020 through March 31, 2021 Publicly Released: June 2, 2021

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

Recently Issued Reports (*cont'd*)

Audit of the Department of Defense's Compliance in FY 2020 With Improper Payment Reporting Requirements

This audit determined that the DoD did not comply with all of the Payment Integrity Information Act requirements in its FY 2020 reporting of improper payments. The DoD did not publish reliable improper payments estimates for 7 of its 11 programs and missed its annual improper payment reduction target for the Military Health Benefits program because it did not comply with two of the six Payment Integrity Information Act requirements. As a result, DoD leadership and Congress cannot accurately determine whether the DoD has the necessary resources and the appropriate measures in place to reduce its improper payments.

Evaluation of the Air Force Systems Engineering Processes Used in the Development of the Refueling Boom for the KC-46A Tanker

This evaluation determined that the KC-46 Program Office officials did not effectively manage the development of the refueling boom for the KC-46A tanker. For example, KC-46 Program Office officials did not ensure that critical technologies for the refueling boom were demonstrated in a relevant testing environment after Boeing officials presented a system design at the preliminary design review in 2012. Additionally, program officials did not verify full functionality of the KC-46A tanker refueling boom in accordance with the program's Test and Evaluation Master Plan when they performed flight testing of the KC-46A tanker refueling boom with Air Force receiver aircraft. As a result, retrofit of the refueling boom for the delivered KC-46A tankers is not estimated to begin until January 2024, and will result in additional undetermined costs. This delay also limits the DoD's use of the KC-46A tanker for its intended refueling missions.

Evaluation of the Department of Defense's Handling of Incidents of Sexual Assault Against (or Involving) Midshipmen at the United States Naval Academy

This evaluation determined that United States Naval Academy (USNA) Sexual Assault Prevention and Response personnel provided services to midshipmen-victims of sexual assault, victim support services were available to midshipmen-victims of sexual assault at the USNA, and reports of sexual assault were accurately reported to Congress as required by DoD and Navy policy, and law. The evaluation also determined that Navy Criminal Investigative Service (NCIS) agents responded to and investigated reports of sexual assault in accordance with DoD, Navy, and NCIS policy. Additionally, USNA commanders and decision makers did not retaliate against the three midshipmen-victims who departed the USNA during the scope of the evaluation by separating them from the Navy for reporting their sexual assaults. However, the USNA SAPR personnel did not have a process or system to document "contacts and consults" with midshipmen-victims who chose not to make an official report of sexual assault or a means to document resulting referrals to victim support services.

Quality Control Review of the PricewaterhouseCoopers LLP FY 2019 Single Audit of the Institute for Defense Analyses

This review determined that PricewaterhouseCoopers LLP complied with Generally Accepted Government Auditing Standards and Uniform Guidance requirements from the Code of Federal Regulations when it performed the FY 2019 single audit of the Institute for Defense Analyses.

Recently Issued Reports *(cont'd)*

Summary External Peer Review of the Air Force Audit Agency

This review determined that the system of quality control for the Air Force Audit Agency in effect for the 3-year period ended December 31, 2019, has been suitably designed and complied with to provide the Air Force Audit Agency with reasonable assurance of performing and reporting in conformity in all material respects with applicable professional standards and legal and regulatory requirements. Audit organizations can receive a rating of pass, pass with deficiencies, or fail. The Air Force Audit Agency received a rating of pass for its Special Access Program audits.

Upcoming Reports

Significant reports expected to be issued within the next 30 days include:

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 determines whether DoD Components (tasked units) requested and received reimbursement of costs incurred for support provided for coronavirus disease-2019 (COVID-19) pandemic response mission assignments in the U.S. Northern Command area of responsibility in accordance with DoD policies.

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 to prevent unauthorized changes and ensure the integrity of design data. Additive manufacturing systems are printers and computer workstations used to develop three-dimensional products.

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

This audit determines whether the Military Departments made purchases using the Aviation Into-Plane Reimbursement Card program in accordance with applicable laws and regulations.

Audit of Department of Defense Joint Bases

This audit determines whether Military Service Components met the terms outlined in the joint base memorandums of agreement and whether processes are in place to report and address joint base-related concerns.

Upcoming Reports (cont'd)

Audit of Munitions Storage in the U.S. European Command

This audit determines whether the DoD stored and secured its munitions in the U.S. European Command area of responsibility in accordance with applicable policy. This report is classified.

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

This audit determines whether the DoD transported arms, ammunition, and explosives by sea in accordance with DoD regulations.

Audit of the Accounting Corrections on the Standard Form 1081

This audit determines whether the DoD properly used the Standard Form 1081, "Voucher and Schedule of Withdrawals and Credits," to correct accounting errors. DoD Components and the Defense Finance and Accounting Service use the Standard Form 1081 to transfer amounts between Fund Balance With Treasury accounts and to make corrections to collections and disbursements.

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 shipments of arms, ammunition, and explosives in compliance with DoD, Army, and installation guidance. This report is classified.

Defense Criminal Investigative Service Highlights

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



Former Air Force Employee Pleads Guilty to Stealing More Than \$1.1 Million in Government Funds

On May 14, 2021, in Greenbelt, Maryland, Eddie Ray Johnson, Jr. pleaded guilty to theft of Government property in connection with a scheme to use his Government-issued travel credit card to obtain over \$1 million in cash advances. From January 2003 to February 2018, Johnson was a civilian Air Force travel coordinator in the Secretary of the Air Force, Office of Legislative Liaison where he planned congressional travel and reviewed accounting packages submitted by trip escorts. Johnson admitted that he used his Government-issued credit card to obtain more than \$1.1 million in cash advances, frequently depositing stolen funds in a non-interest bearing account at a bank branch in the Pentagon. After depositing the stolen funds, Johnson wrote checks to himself for his personal benefit, which he deposited into his personal bank accounts and used for living expenses, a baby grand piano, loan payments for a Harley Davidson motorcycle, and family vacations. In addition, Johnson admitted to providing cash to his family members. He faces a maximum sentence of 10 years in Federal prison. This was a joint investigation with the Defense Criminal Investigative Service (DCIS), the Air Force Office of Special Investigations, and the Internal Revenue Service Criminal Investigations Division.

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

Former Chesapeake OB-GYN Sentenced to 59 Years in Prison

On May 18, 2021, in Alexandria, Virginia, a former Chesapeake doctor was sentenced to 59 years in prison after a jury convicted him on 52 counts of health care fraud and other charges stemming from his performance of irreversible hysterectomies, improper sterilizations, and other medically unnecessary procedures over a decade. Javaid Perwaiz, an OB-GYN who practiced in Hampton Roads since the 1980s, executed this scheme to defraud health insurance programs by performing medically unnecessary procedures between 2010 and 2019 that caused approximately \$20.8 million in losses to private and Government health care insurers. Perwaiz would falsely tell his patients that they needed surgeries because they had cancer, or to avoid cancer to induce them to agree to the surgeries. Perwaiz also falsified patient records so that he could induce their labor early to ensure he would be reimbursed for the deliveries, violated the 30-day waiting period for elective sterilizations by submitting backdated forms, and billed insurance organizations hundreds of dollars for false diagnostic procedures. This was a joint investigation with DCIS, the Department of Health and Human Services Office of the Inspector General (OIG), and the Federal Bureau of Investigation (FBI).

University of Miami to Pay \$22 Million to Settle Claims

On May 10, 2021, the University of Miami (UM) agreed to pay \$22 million to resolve allegations that it violated the False Claims Act by ordering medically unnecessary laboratory tests and submitting false claims through its laboratory and hospital based facilities. UM converted multiple physician offices to hospital facilities, and then sought payment at higher rates without providing beneficiaries the required notice, even after being advised by a contractor that its notice practices were deficient. The Government alleged that UM billed Federal health care programs for medically unnecessary laboratory tests for patients who received kidney transplants with a transplant program operated by UM. Each time a patient checked into the program, UM's electronic ordering system triggered a pre-determined set of tests to be run for the patient at UM's laboratory. According to the Government, UM pressured the hospital to purchase pre-transplant laboratory tests from UM at inflated rates in exchange for UM surgeons performing surgeries at the hospital. This was a joint investigation with DCIS, the Department of Health and Human Services OIG, the Office of Personnel Management OIG, the Defense Health Agency, and the Florida Attorney General's Office's Medical Fraud Control Unit.

Jury Convicts Iranian National for Illegally Exporting Military Sensitive Items

On May 7, 2021, a Federal jury in San Antonio, Texas, convicted Mehrdad Ansari, an Iranian citizen and resident of the United Arab Emirates and Germany, for scheming to obtain military sensitive parts for Iran in violation of the Iranian Trade Embargo. These parts had dual-use military and civilian capability and could be used in such systems as nuclear weapons, missile guidance, secure tactical radio communications, offensive electronic warfare, military electronic countermeasures, radar warning, and surveillance systems. According to the evidence presented, Ansari attempted to transship cargo obtained from the U.S. by co-defendants using his companies located in Dubai, United Arab Emirates. From 2007 to 2011, the conspirators obtained or attempted to obtain over 105,000 parts valued at approximately \$2.6 million. The conspirators conducted 599 transactions with 63 different U.S. companies in which they obtained or

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

attempted to obtain parts without notification that they were being shipped to Iran, or securing the required Government license to ship them to Iran. Ansari faces up to 40 years in Federal prison. This was a joint investigation with the DCIS, Homeland Security Investigations, the FBI, and the Department of Commerce Bureau of Industry and Security's Office of Export Enforcement.

Navistar Defense to Pay \$50 Million to Settle Claims

On May 27, 2021, Navistar Defense agreed to pay \$50 million to resolve allegations that it fraudulently induced the U.S. Marine Corps to enter into a contract modification at inflated prices for a suspension system for armored vehicles known as Mine-Resistant Ambush Protected vehicles. During negotiations for the modification, the Government asked Navistar to provide sales information on the contract parts to assess the reasonableness of Navistar's proposed prices. The Government alleged that Navistar knowingly created fraudulent commercial sales invoices for sales that never occurred and submitted those invoices to the Government to justify the company's prices. The Government relied on the fraudulent sales invoices in agreeing to Navistar's inflated prices. The civil settlement includes the resolution of claims brought under the qui tam (or whistleblower) provision of the False Claims Act by Duquoin Burgess, a former Government contracts manager for Navistar. This was a joint investigation with DCIS, NCIS, the U.S. Army Criminal Investigation Command's Major Procurement Fraud Unit, and the Defense Contract Audit Agency.

Announced Projects

(to view the announcement letters, if available, please click on the title)

Audit of the Department of Defense Certification Process for Coronavirus Aid, Relief, and Economic Security Act Section 4003 Loans Provided to Companies Designated as Critical to Maintaining National Security

The objective of this audit is to determine the effectiveness of the DoD's processes to certify and approve businesses critical to maintaining national security for loans under section 4003 of the Coronavirus Aid, Relief, and Economic Security Act.

Audit of the Department of the Navy's Controls Over the Federal Employees' Compensation Act Program

The objective of this audit is to determine whether the Navy effectively managed the Federal Employees' Compensation Act program, including reducing claimant fraud, waste, or abuse.

Evaluation of the Department of Defense's Actions Regarding the Unidentified Aerial Phenomena

The objective of this evaluation is to determine the extent to which the DoD has taken actions regarding Unidentified Aerial Phenomena.

Announced Projects (cont'd)

Evaluation of the Department of Defense's Efforts to Address the Climate Resilience of U.S. Military Installations in the Arctic and Sub-Arctic

The objective of this evaluation is to determine the extent to which the DoD has addressed the climate resilience of U.S. military installations in the Arctic and sub-Arctic.

Re-Announcement of the Evaluation of Kinetic Targeting Processes in the United States Africa Command Area of Responsibility

The objective of this evaluation is to determine whether U.S. Africa Command and U.S. Special Operations Command established and followed targeting and reporting procedures in the U.S. Africa Command area of responsibility to reduce civilian casualties and collateral damage.

Audit of Vetting and Continuous Review of International Military Students Enrolled in United States-Based Training Programs and Accompanying Family Members

The objective of this audit is to determine whether the DoD effectively implemented vetting procedures for international military students enrolled in U.S.-based training programs and their accompanying family members with access to DoD installations and facilities in accordance with DoD guidance.

Audit of the Defense Health Agency's Reporting of Improper Payment Estimates for the Military Health Benefits Program

The objective of this audit is to determine whether the Defense Health Agency is accurately identifying and reporting improper payments as required by the Payment Integrity Information Act of 2019.

Joint Audit of Security Controls Over Coast Guard Systems Used and Operated on the Department of Defense Information Network

The objective of this audit is to determine whether the Coast Guard implemented security controls to protect Coast Guard systems used and operated on the DoD Information Network in accordance with applicable cybersecurity requirements.