

Newsletter



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

Audit of Depot-Level Reparables for Army, Navy, and Air Force Engines

This audit determined that the Military Departments did not consistently meet their stocking requirements for the nine engines the DoD OIG reviewed. While the Army maintained sufficient quantities of the T-55, T700-GE-701D, Diesel (M88), and Diesel (M109) engines to meet its stocking requirements, the Army fell short of meeting its stocking requirement for the Diesel-Glow Plug (M113) engine in April 2021. In addition, the Navy did not maintain sufficient quantities of the T700-GE-401C engine to meet its stocking requirements; however, the Navy was in the process of obtaining additional engines from General Electric and had engines installed on aircrafts in long-term storage that were available to supplement stock, if needed. The Air Force maintained sufficient quantities of the F108-100 engine but did not maintain enough supply of the F100-220 and F100-229 engines. However, the Air Force accepted the risk in engine stock to focus its limited resources on critical non-engine-related problems with the F-15 and F-16 aircraft. Additionally, the three organic depots and one contractor depot that repaired the nine selected engines and engine modules did not consistently meet the Military Department's repair metrics for depot performance. Although the Military Departments did not consistently meet their stocking requirements and the depots did not consistently meet the repair metrics for depot performance, the impact to weapon system readiness was either insignificant or the Military Departments were taking action to correct the problems.

Audit of Navy and Marine Corps Actions to Address Corrosion on F/A-18C-G Aircraft

This audit determined that aircraft maintainers generally reported that they performed required 84-day inspections, completed associated maintenance actions, and implemented technical directives designed to address (prevent and correct) corrosion on F/A-18C-G aircraft. However, aircraft maintainers did not always perform the organizational-level inspections or maintenance to Navy standards. In addition, officials responsible for the oversight of organizational-level inspections and maintenance did not always identify and correct work that did not meet Navy standards. According to Navy officials, a House Armed Services Committee report, and three reports from the contractors performing the service life extensions, aircraft

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entering the service life extension process had corrosion that Navy maintainers should have identified at the organizational level. Based on reporting by the contractor to the Navy and the House Armed Services Committee, the Navy took actions to improve the condition of aircraft entering the service life extension programs, including additional training, meetings, coordination, and detailed inspections.

Audit of Department of Defense Selection of Middle-Tier Acquisition Rapid Prototyping and Rapid Fielding Programs

This audit determined that DoD acquisition personnel effectively leveraged the middle tier of acquisition (MTA) pathway for 11 programs reviewed to rapidly develop prototypes and field proven technologies to the warfighter as intended by DoD guidance. Acquisition personnel effectively leveraged the MTA pathways because DoD acquisition executives encouraged and supported the use of the MTA pathways, and program executive offices and program managers used the flexibilities provided by the MTA pathways. As a result, DoD programs embraced the shift in acquisition culture and increased the use of MTA pathways. For the programs reviewed, use of the MTA pathways increased efficiencies and effectiveness by streamlining acquisition processes and expediting prototyping and fielding efforts. Since the MTA programs are still in the early stages of execution and DoD acquisition reform remains a work in progress, the DoD must continue to balance management and oversight of these programs with the risk involved to ensure efficient delivery of necessary capabilities at a fair and reasonable cost.

Audit of U.S. Special Operations Command Maritime Precision Engagement Funds

This audit determined that U.S. Special Operations Command Special Operations Forces, Acquisition, Technology, and Logistics personnel appropriately allocated Maritime Precision Engagement funds to validated requirements for the Maritime Precision Engagement–Munitions and Maritime Precision Engagement–Integration programs in accordance with DoD and U.S. Special Operations Command guidance. Specifically, Special Operations Forces, Acquisition, Technology, and Logistics personnel appropriately reprogrammed or realigned \$10.6 million in funds from the validated Maritime Precision Engagement programs to other validated programs within the Program Executive Office–Special Operations Forces Warrior and Program Executive Office–Maritime portfolios that were underfunded due to unforeseen requirements; or to improve capabilities in support of the warfighter.

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

This audit determined that the DoD Education Activity developed and implemented controls in accordance with Centers for Disease Control and Prevention and DoD guidance related to the spread of Coronavirus Disease–2019 (COVID-19). The DoD Education Activity issued COVID-19 operational guidelines and the 15 individual DoD Education Activity schools reviewed in this audit implemented controls, which included multiple COVID-19 mitigation strategies that reinforced appropriate hygiene and social distancing practices (protective measures) in ways that were developmentally appropriate for students, teachers, and staff. In addition, these guidelines and controls provided education to parents and caregivers on the importance of monitoring for and responding to the symptoms of COVID-19 at home to reduce the risk of COVID-19 spread for students, teachers, and staff members.

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Audit of the Defense Logistics Agency Award and Management of Bulk Fuel Contracts in Areas of Contingency Operations

This audit determined that Defense Logistics Agency (DLA) Energy contracting officials complied with Federal Acquisition Regulation and DoD guidance and generally met bulk fuel requirements, valued at \$212.9 million, in Afghanistan, Bahrain, Iraq, Jordan, Kuwait, the Philippines, Turkey, Qatar, and the United Arab Emirates. DLA Energy officials ensured contractors fulfilled bulk fuel requirements for 164 of the 180 orders reviewed. For the remaining 16 orders, DLA Energy officials ultimately ensured DoD customers received the fuel needed to meet mission needs. However, to fulfill the bulk fuel requirement, DLA Energy officials needed to use one-time buys that resulted in late deliveries and additional cost to the DoD. Further, DLA Energy contracting officers terminated 26 of 180 orders within 11 of 68 contracts in the universe, which cost the DoD an additional \$9.1 million for the new bulk fuel contracts due to price increases and other costs. However, one termination resulted in a cost savings of \$2.7 million due to a lower price per gallon on the replacement contract. Due to the frequency and nature of terminations in Iraq, this audit includes an analysis of an additional 36 terminated Iraq contracts. In total, there were 38 terminated Iraq contracts which resulted in \$50.4 million in additional costs to the DoD due to price increases based on the original and replacement contract values and other costs. Although DLA Energy contracting officers generally met bulk fuel requirements, contracting officers can use various source selection methods to obtain fuel in areas of contingency operations. The lowest price technically acceptable in the source selection process is appropriate when the expectation is the best value. However, in areas of contingency operations, the best value may require an evaluation of factors other than lowest price and technically acceptable.

Followup Audit of Army Oversight of Logistics Civil Augmentation Program IV Government-Furnished Property in Afghanistan

This audit determined that the 401st Army Field Support Battalion and Army Contracting Command–Afghanistan did not fully implement two of four recommendations from Report No. DODIG-2018-040, “Army Oversight of Logistics Civil Augmentation Program Government-Furnished Property in Afghanistan,” December 11, 2017, to improve the accountability of Government-furnished property (GFP). Although Army Contracting Command–Afghanistan did improve training on GFP guidance and accountability requirements and modified task orders to capture GFP changes on contract modifications, the Army’s accountable records were still inaccurate. Specifically, the audit found that the 401st Army Field Support Battalion did not maintain the accountable records to reflect accurate visibility of GFP possessed by the contractor. In addition, the 401st Army Field Support Battalion and Army Contracting Command–Afghanistan did not independently initiate any GFP reconciliations between the Army’s accountable records and contractors’ GFP listings in accordance with standard operating procedures. As a result of not fully implementing corrective actions to maintain accurate GFP accountability, the Army and contractors’ accountable records differed by 16,504 items, valued at \$53.6 million.

Audit of Military Services Special Assignment Airlift Mission Cargo Movement Requests

This audit could not determine whether the Military Services submitted timely Special Assignment Airlift Mission (SAAM) cargo movement requests through the U.S. Transportation Command or whether the cargo movements provided the best value to the Government. The audit reviewed sample of 163 Military Service SAAM cargo movements; however, sufficient information to review timeliness for 147 of the 163 (90 percent) sample items could not be obtained. Additionally, the audit was unable to identify validators for 55 of the

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sample items, and validators were unable to provide the information needed to determine whether the unit submitted the SAAM request in a timely manner for another 92 SAAMs. Without this information, a comparison of the date that the unit was notified of the need to move the cargo, the date that the request was entered into the SAAM Request System, and the date that the movement occurred could not be completed. Therefore, the audit could not determine whether the request was submitted in a timely manner allowing for the selection of the mode of transportation that would provide the best value to the Government. As a result, the Military Services spent \$1.6 billion on SAAMs from October 1, 2017, through September 30, 2020, without the capability to determine whether the timeliness of SAAM requests affected the ability to select the most efficient and cost-effective mode of transportation to meet DoD requirements.

Management Advisory: Identifying and Reporting Possible Human Trafficking Violations and Abuse Against Afghan Special Immigrant Visa Applicants and Other Afghan Refugees

This management advisory compiles information about identifying and reporting possible human trafficking violations among the Afghan refugee population being housed by the DoD. The purpose of this management advisory is to assist U.S. military, civilian, and contractor personnel responsible for the care and welfare of Afghan Special Immigrant Visa applicants and other Afghan refugees by explaining the indicators of potential human trafficking, the requirements to report suspected human trafficking, and the methods available for reporting possible human trafficking violations and abuses. The DoD Office of Inspector General sent this advisory to the Under Secretary of Defense for Policy, Commander of U.S. Central Command, Commander of U.S. Northern Command, Commander of U.S. Army Central, and Director of the Joint Staff as a reminder of current policies related to human trafficking.

Evaluation of the Department of Defense's Mitigation of Foreign Suppliers in the Pharmaceutical Supply Chain

This evaluation determined that the Defense Logistics Agency (DLA) identified the DoD's reliance on foreign suppliers in the pharmaceutical supply chain as a risk, but did not conduct a formal assessment of the risk to develop mitigation strategies. Additionally, the evaluation determined that for routine military treatment facility operations, the Defense Health Agency and the Military Services did not proactively assess risks of unexpected supply disruptions, in accordance with DoD Manual 4140.01, Volume 1. The risks include those posed by the DoD's reliance on the commercial pharmaceutical market, which is increasingly reliant on foreign sources. The Defense Health Agency and the Military Services used "just-in-time" ordering for pharmaceuticals and did not store extra finished drug products to use in the event of a supply disruption because it was not required. As a result, pharmaceutical supply disruptions could compromise the standard of care to DoD beneficiaries.

Evaluation of U.S. Special Operations Command's Supply Chain Risk Management for the Security, Acquisition, and Delivery of Specialized Equipment

This evaluation determined that the U.S. Special Operations Command (USSOCOM) did not implement supply chain risk management procedures, in accordance with DoD policy. Specifically, USSOCOM policy did not require USSOCOM program managers to complete Program Protection Plans for acquisitions programs. In addition, USSOCOM policy did not require USSOCOM program managers to ensure that contractors develop program protection implementation plans that address weaknesses identified if Program Protection Plans were in place. While USSOCOM addressed these policy deficiencies in November 2020, USSOCOM

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personnel did not develop plans to prioritize and implement these policy requirements for active contracts. As a result, USSOCOM did not fully identify, assess, and mitigate supply chain risk during the acquisition and development of USSOCOM specialized equipment, which could compromise equipment, the inability to identify intellectual property theft, and possible introduction of counterfeit parts into equipment.

Quality Control Review of the BKD, LLP FY 2020 Single Audit of MRIGlobal and Related Entities

This review determined that BKD complied with Generally Accepted Government Auditing Standards and Uniform Guidance requirements from the Code of Federal Regulations when it performed the FY 2020 single audit of MRIGlobal.

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

Audit of the Department of Defense's Implementation of Cybersecurity Reciprocity Within the Risk Management Framework Process

This audit determines whether DoD Components leveraged cybersecurity reciprocity to reduce redundant test and assessment efforts when authorizing information technology through the Risk Management Framework process. Reciprocity is an agreement to accept and reuse another organization's (internal or external to the DoD) security assessments to share information and thereby reduce associated costs in time and resources for authorizing information technology systems to operate on the DoD Information Network.

Audit of the Department of Defense Strategic Planning for Overseas Civilian Positions

This audit determines whether the DoD conducted strategic planning to hire an overseas civilian workforce in support of the global mission and ongoing operations.

Audit of Department of Defense Education Activity Grant Oversight

This audit determines whether the DoD Education Activity verified that grantees met the terms and conditions of awarded grants. This audit also determines whether the DoD Education Activity verified that grantees met the grant interim goals.

Evaluation of the Department of Defense's Implementation of Oversight Provisions for Privatized Military Housing

This evaluation determines whether the DoD provided effective oversight of privatized military housing. This evaluation focused on whether the DoD implemented the oversight provisions of the FY 2020 National Defense Authorization Act, Military Housing Privatization Initiative.

Evaluation of Open Burning and Detonation of Unused Military Munitions

This evaluation determines whether the DoD complied with environmental and related laws, agreements, and DoD and Military Services policies at sites where the DoD conducts, or has conducted, open burning or open detonation of waste military munitions in the United States.

Upcoming Reports (cont'd)

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

This evaluation determines whether the U.S. Central Command screened, documented, and tracked DoD Service members suspected of sustaining a traumatic brain injury to determine whether a return to duty status for current operations was acceptable or evacuation and additional care were required.

Defense Criminal Investigative Service Highlights

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



National Health Care Fraud Enforcement Action Results in Charges Involving over \$1.4 Billion in Alleged Losses

On September 17, 2021, the Department of Justice (DOJ) announced criminal charges against 138 defendants, including 42 doctors, nurses, and other licensed medical professionals, in 31 Federal districts across the United States. The charges stem from their alleged participation in various health care fraud schemes that resulted in approximately \$1.4 billion in alleged losses. The charges target approximately \$1.1 billion in fraud committed using telemedicine, \$29 million in COVID-19 health care fraud, \$133 million connected to substance abuse treatment facilities (or “sober homes”), and \$160 million connected to other health care fraud and illegal opioid distribution schemes across the country. The Department of Defense Office of Inspector General, Defense Criminal Investigative Service (DCIS) is conducting these investigations jointly with the Health Care Fraud and Appalachian Regional Prescription Opioid Strike Force teams from the DOJ Criminal Division’s Fraud Section, in coordination with 31 U.S. Attorneys’ Offices nationwide and agents from the HHS OIG, FBI, DEA, and other Federal and state law enforcement agencies.

Orlando Cardiologist Pays \$6.75 Million to Resolve Allegations of Performing Unnecessary Medical Procedures

On September 15, 2021, Doctor Ashish Pal, a cardiologist based in Orlando, Florida, paid \$6.75 million to resolve allegations that he violated the False Claims Act by performing medically unnecessary cardiology procedures. The settlement resolves allegations that from January 2013 to December 2019, Dr. Pal knowingly submitted false claims to Federal health care programs for medically unnecessary ablations and vein stent procedures. The Government alleged that Dr. Pal performed the procedures on veins that did not qualify for treatment. Additionally, the Government alleged that Dr. Pal made misrepresentations in patient medical records to justify the procedures, including falsely documenting patient symptoms. Prosecutors also alleged that, in many instances, the ablations were performed either exclusively or primarily by ultrasound technicians outside their scope of practice. To help ensure the alleged abuses outlined in this case do not reoccur, Dr. Pal entered into a detailed, multi-year integrity agreement with the HHS OIG. This integrity agreement contains training and reporting requirements as well as a quarterly claims review conducted by an independent review organization. It also contains provisions for stipulated penalties and a possible exclusion from Federal health programs such as Medicare and Medicaid in the event of a breach of its terms. DCIS conducted this investigation jointly with the FBI, HHS OIG, and the Office of Personnel Management OIG.

Defense Criminal Investigative Service Highlights (cont'd)

Iranian National Sentenced for Illegally Exporting Military Sensitive Items

On September 14, 2021, in San Antonio, Texas, Mehrdad Ansari, an Iranian national, was sentenced to 63 months in prison followed by three years of supervised release for violating the International Emergency Economic Powers Act (IEEPA). Ansari was convicted in May 2021 for his role in a scheme to obtain military sensitive parts for Iran in violation of the Iranian Trade Embargo. With his co-conspirators, Ansari obtained parts that had dual-use military and civilian capability and could be used in such systems as nuclear weapons, missile guidance and development, secure tactical radio communications, offensive electronic warfare, radio jamming, radar warning, and surveillance systems. Evidence presented during his trial revealed that Ansari attempted to ship testing equipment obtained from the U.S. by his co-defendants, Taiwanese citizen Susan Yip and Iranian citizen Mehrdad Foomanie, using Ansari's companies, Gulf Gate Sea Cargo and Global Merchant LLC, located in Dubai, United Arab Emirates. In October 2012, Yip was sentenced to two years in prison after pleading guilty to acting as a broker and conduit for Foomanie to buy items in the U.S. and have them unlawfully shipped to Iran. Mehrdad Foomanie remains a fugitive. DCIS conducted this investigation jointly with Homeland Security Investigations, the FBI, and Department of Commerce Bureau of Industry and Security.

Marine Corps Colonel Pleads Guilty in International Navy Bribery and Fraud Scandal

On September 3, 2021, in San Diego, California, U.S. Marine Corps Colonel Enrico DeGuzman pleaded guilty to bribery, admitting that he accepted more than \$67,000 in extravagant meals, drinks, entertainment, and hotel stays in Hong Kong, Singapore, and Tokyo from foreign defense contractor Leonard Glenn Francis. DeGuzman admitted that in return for this and other valuables, he corruptly used his official position to enrich Francis, the owner and CEO of Singapore-based Glenn Defense Marine Asia (GDMA), a ship husbanding company that serviced U.S. Navy ships in the Asia Pacific region. DeGuzman admitted that he endeavored to direct Navy ships into ports serviced by GDMA, shared confidential Navy information with Francis, and helped recruit other Navy officials into Francis's scheme. DeGuzman was one of nine members of the Navy's Seventh Fleet indicted by a Federal grand jury in March 2017 for conspiring with Francis and receiving bribes. DeGuzman is the second of the Seventh Fleet defendants to plead guilty. The overarching fraud and bribery case has resulted in Federal criminal charges against 34 U.S. Navy officials, defense contractors, and GDMA. So far, 27 of those have pleaded guilty, admitting collectively that they accepted millions of dollars in luxury travel and accommodations, meals, or services of prostitutes, among many other valuables from Francis. In exchange, they helped GDMA win and maintain contracts and overbill the Navy by over \$35 million. DCIS conducted this investigation jointly with the Naval Criminal Investigative Service and the Defense Contract Audit Agency.

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

Interagency Coordination Group of Inspectors General for Guam Realignment Annual Report for Fiscal Year 2021

This report describes the obligations, expenditures, and revenues associated with military construction on Guam in response to the FY 2010 National Defense Authorization Act. Section 2835 of the Act establishes the Interagency Coordination Group of Inspectors General for Guam Realignment and requires an annual report summarizing—for the preceding calendar year—the activities under programs and operations funded with amounts appropriated, or otherwise made available for, military construction on Guam.

Announced Projects (cont'd)

Audit of the Department of Defense's FY 2021 Compliance With Payment Integrity Information Act Requirements

The objective of this audit is to determine whether in FY 2021, the DoD complied with the Payment Integrity Information Act of 2019. This audit is required by Public Law 116-117, "Payment Integrity Information Act of 2019," March 2, 2020.

Audit of Department of Defense Support for the Relocation of Afghan Nationals

The objective of this audit is to determine whether the DoD has adequately planned and provided support for the relocation of Afghan nationals. The audit will focus on housing, medical, security, dining, and cultural capabilities at the gaining facilities.

Evaluation of the Screening of Displaced Persons from Afghanistan

The objective of this evaluation will determine the extent to which the DoD is managing and tracking displaced persons from Afghanistan through the biometrics enrollment, screening, and vetting process.

Quality Control Review of the FY 2020 Single Audit of the Battelle Memorial Institute

The objective of the quality control review is to determine whether Deloitte & Touche LLP performed the FY 2020 single audit of Battelle Memorial Institute in accordance with generally accepted auditing standards and Federal requirements for single audits.