

Newsletter



Ukraine Oversight

The Department of Defense Office of Inspector General (DoD OIG) recognizes that the DoD mission to provide aid to Ukraine is evolving rapidly. Accordingly, the DoD OIG is focused on leading the oversight community in providing comprehensive and timely oversight to promote efficiency and prevent fraud, waste, and abuse.

In July, Acting DoD IG Sean O'Donnell led a DoD OIG team to Germany to better understand the DoD's efforts and challenges. The team met with U.S. European Command (USEUCOM) leaders and the USEUCOM IG to discuss ongoing DoD OIG work related to Ukraine, their shared commitment to oversight of the provision of DoD aid and weapons to Ukraine, and future oversight areas. The DoD OIG team learned about the challenges the DoD faces in providing support to Ukraine, which will facilitate targeted oversight. These discussions also highlighted the opportunity to draw from best practices and lessons learned contained in previous oversight reports on DoD operations in Iraq and Afghanistan. Although DoD support for Ukraine is vastly different from those operations, the DoD OIG recognizes common challenges, such as stewarding large sums of aid, ensuring end-use monitoring of weapons and equipment, and replenishing DoD resources.

During the visit, Acting DoD IG O'Donnell also met with DoD OIG auditors and investigators based in Germany to discuss ongoing and future DoD OIG oversight related to Ukraine. The DoD OIG's established presence and existing relationships in Germany enable immediate and comprehensive DoD OIG oversight in this area.

In addition, the DoD OIG continues to lead a collaborative, whole-of-government approach to oversight work on Ukraine through a joint working group with representatives from the OIGs of the U.S. Agency for International Development and Departments of State, Treasury, Homeland Security, Health and Human Services, and Energy. The group also includes representatives from the Government Accountability Office and several DoD and intelligence agencies. This working group ensures coordinated, comprehensive oversight of the expenditure of Ukraine assistance funds and the delivery of support.

Below is a summary of recently issued DoD OIG oversight products related to Ukraine and the USEUCOM area of responsibility. You can find the DoD OIG's completed and ongoing work in this area at the following link: <https://www.dodig.mil/Ukraine/>.

Recently Issued

Management Advisory: The Department of Defense's Use of Ukraine Supplemental Appropriations Act, 2022, Funds

This management advisory determined that, as of June 2, 2022, the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, (OUSD[C]/CFO) had implemented procedures for DoD Components to follow in reporting through the Advancing Analytics system (Advana) the execution of \$6.5 billion in funds appropriated to the DoD to provide assistance to Ukraine. OUSD(C)/CFO personnel implemented processes to help ensure that DoD Components are reporting, through their respective accounting systems, the transactions supporting the assistance the DoD is providing to Ukraine. However, the DoD's use of systems that are not able to directly feed into Advana could limit the transparency of the execution of the Ukraine supplemental funds. DoD leadership and Congress rely on accurate financial information reporting when ensuring transparency and accountability of the DoD's use of the Ukraine Supplemental Appropriations Act, 2022, funds. As the DoD is building processes and procedures to ensure the transparency of reporting for Ukraine supplemental funds, this advisory identified multiple areas of concern that, if not adequately addressed, could reduce the traceability of Ukraine supplemental funds and the transparency in the DoD's reporting. Among these areas of concern are the need for business rules as a workaround for reporting Standard Financial Information Structure elements and manually input accounting data in lieu of systems that do not interface with Advana, and the use of summary journal vouchers and other adjusting methods to reclassify base funded transactions to supplemental funded transactions. Addressing the areas of concern identified in the advisory will be critical for improved transparency in reporting the use of appropriated funds as the DoD continues to provide support to Ukraine and if the DoD supports another contingency in the future.

Audit of Training Ranges in the U.S. European Command

The objective of this audit was to determine whether select training ranges in Europe have the capability and capacity to support the training requirements of forces assigned or allocated to USEUCOM. This report contains controlled unclassified information.

Recently Issued Reports

Audit of Sole-Source Depot Maintenance Contracts

This audit determined that DoD contracting officials negotiated fair and reasonable prices for 13 of 34 sole-source and single-source depot maintenance contracts reviewed, valued at \$1.7 billion, by complying with Federal and DoD acquisition regulations, and implementing sole-source pricing best practices during contract planning, proposal evaluation, and negotiations. However, DoD contracting officials may not have negotiated fair and reasonable prices for 21 of 34 sole-source and single-source depot maintenance contracts reviewed, valued at \$4.6 billion, because DoD officials did not provide well-defined requirements, in accordance with Federal and DoD acquisition regulations. In addition, factors beyond the control of the DoD contracting officials limited their ability to negotiate fair and reasonable prices.

The audit also determined that, although Naval Sea Systems Command (NAVSEA) contracting officials solicited dry dock-ship repair contracts using competitive procedures in accordance with Federal and Defense acquisition regulations, NAVSEA contracting officials awarded 17 of 49 contracts as single-source contracts from FYs 2017 through 2021. As a result, single-source contracts increased the risk of higher costs and contributed to schedule delays. Any schedule delays in returning ships to the Navy's fleet could affect the Navy's readiness worldwide. The DoD OIG made 14 recommendations, including that DoD officials require contracting officials responsible for specific contracts in the audit sample to work with program offices to determine whether the existing processes can be improved. The DoD OIG also recommended that DoD officials require contracting officers to request uncertified cost and pricing data that is sufficient to support the contracting officers' determination of fair and reasonable prices when negotiating sole-source commercial contracts.

Compendium of Open Office of Inspector General Recommendations to the Department of Defense

The 2022 Compendium identifies 1,425 recommendations made by the DoD OIG that remained open as of March 31, 2022. Of the 1,425 open recommendations, DoD management has agreed to take corrective action on 1,345 recommendations. Included in that total are 50 open recommendations from DoD OIG reports with potential monetary benefits of \$6.1 billion. The Compendium also includes a chapter on the 195 recommendations that are at least 5 years old. While the overall number of aged recommendations has increased at a smaller rate since last year's Compendium, the number of recommendations over 7 years old has increased by 260 percent over the previous year. Additionally, the 2022 Compendium highlights 20 open recommendations that the DoD OIG believes warrant priority attention based on the potential for the recommendations to improve the effectiveness of DoD operations, impact health and safety, or provide cost savings. The Compendium also includes a chapter that discusses the findings and recommendations that resulted from the DoD-wide financial statement audit, as well as the process that the DoD OIG and independent public accounting firms will use to follow up on those recommendations. In addition, the Compendium discusses 17 recommendations that were closed but not implemented, since the 2021 Compendium. Since the inaugural issuance of the 2017 Compendium, the DoD has provided supporting documentation that led to the closure of over 3,500 recommendations. However, 1,064 recommendations reported in previous Compendiums remain open.

Evaluation of Efforts by the Office of the Under Secretary of Defense for Research and Engineering and Defense Advanced Research Projects Agency to Mitigate Foreign Influence

This evaluation determined that the Office of the Under Secretary of Defense for Research and Engineering implemented procedures to monitor and mitigate foreign influence in the DoD's research and development programs by initiating a Science and Technology Protection Working Group, developing standardized science and technology protection plan templates, and creating modernization priority areas. The DoD OIG made two recommendations, including that DoD officials update the memorandum of agreement to comply with requirements in DoD Instructions 5200.39 and O-5240.24 for research, development, and acquisition programs with Critical Program Information.

Whistleblower Reprisal Investigation: Program Executive Office, Defense Counterintelligence and Security Agency, Fort Meade, Maryland

This report presents the results of the investigation into allegations that Patricia P. Stokes, the now-retired former Director of the Defense Vetting Directorate at the Defense Counterintelligence and Security Agency (DCSA), reprised against a subordinate GG-15 employee because he reported abuse of authority, gross waste of funds, gross mismanagement, and violations of DoD regulations and policies. The investigation concluded that Ms. Stokes subjected the Complainant to an unfavorable personnel action, as defined by law. Specifically, Ms. Stokes lowered the Complainant's performance evaluation in reprisal for his reports of wrongdoing, and this action would not have occurred absent the Complainant's protected disclosures. The DoD OIG determined that Ms. Stokes was aware of the Complainant's protected disclosures prior to downgrading his performance evaluation, and the evidence established that the protected disclosures were a contributing factor in her decision to reduce his evaluation. Ms. Stokes has retired from Government service. Accordingly, the DoD OIG forwarded its report to the Director of Washington Headquarters Services for inclusion in Ms. Stokes's personnel file. The DCSA made the Complainant whole by changing his evaluation.

Upcoming Reports

Audit of TRICARE Ambulance Transportation Reimbursements

This audit determines whether the DoD paid providers for ambulance transport claims in accordance with TRICARE reimbursement requirements.

Audit of Department of Defense Actions Taken to Protect the Department of Defense Information Network Resulting From the SolarWinds Orion Compromise

This audit determines the actions taken by the DoD to identify, respond to, and mitigate any compromise to DoD networks and systems that resulted from its use of SolarWinds Orion software. The results of this report will be classified.

Audit of the Military Services' Award of Cost-Reimbursement Contracts

This audit determines whether Military Service contracting officials awarded cost-reimbursement contracts in accordance with Federal and DoD regulations and guidance.

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

This audit determines whether the Department of the Navy effectively managed the Federal Employees' Compensation Act Program, including reducing claimant fraud, waste, or abuse.

Special Report on Lessons Learned From the Audit of Department of Defense Support for the Relocation of Afghan Nationals

This special report determines whether the DoD adequately provided support, such as housing, medical care, and security, during the relocation of Afghan evacuees.

Evaluation of Department of Defense Law Enforcement Organizations' Response to Active Shooter Incidents

This evaluation determines whether the DoD and its Law Enforcement Organizations (LEOs) established effective active shooter incident response policies, plans, and training in accordance with DoD and Military Service requirements. The evaluation also determines whether they have active shooter incident response policies, plans, and training that include non-first responder LEO personnel who are authorized to carry weapons on DoD facilities and installations.

Defense Criminal Investigative Service Highlights



21 Charged in \$1.2 Billion Multistate Health Care Kickback Conspiracy

On July 21, 2022, 36 defendants were charged in 13 Federal districts across the United States for more than \$1.2 billion in alleged fraudulent telemedicine, cardiovascular and cancer genetic testing, and durable medical equipment schemes. In connection with this effort, 21 doctors, laboratory and hospital executives, and marketers were charged for their involvement in health care kickback and money laundering conspiracies. Former True Health Diagnostics LLC Chief Executive Officer (CEO) Christopher Grottenthaler, former Boston Heart Diagnostics Corporation CEO Susan L Hertzberg, former Little River Healthcare CEO Jeffrey Paul Madison, and others are defendants in a False Claims Act lawsuit. Additionally, 33 doctors and health care executives have agreed to pay over \$32 million to resolve False Claims Act allegations for their involvement in the scheme. The criminal and civil cases allege that the defendants unlawfully enriched themselves by paying and receiving illegal kickbacks in exchange for laboratory referrals. The Defense Criminal Investigative Service (DCIS) investigated this matter jointly with the Department of Health and Human Services OIG, Department of Veterans Affairs (VA) OIG, and Federal Bureau of Investigation (FBI).

Fort Stewart Soldier Pleads Guilty in Fraud Scheme Targeting COVID-19 Relief Programs

On July 15, 2022, U.S. Army Chief Warrant Officer 2 Dara Buck pleaded guilty to conspiracy to commit an offense against the United States. Buck led a "prolific fraud scheme" in which she and others illegally raked in millions of dollars from COVID-19 relief programs and Federal student loan forgiveness. Buck led a conspiracy to obtain funding fraudulently from the Coronavirus Aid, Relief, and Economic Security Act's Paycheck Protection Program (PPP), and to secure the fraudulent discharge of Federal student loans using falsified disability claims. Furthermore, Buck admitted submitting more than 150 fraudulent PPP loan applications to the Small Business Administration (SBA) for herself and others in the conspiracy, resulting in more than \$3.5 million in fraudulent disbursements from banks to members of the conspiracy. Buck directly received fraudulently obtained PPP funding, or was paid by conspirators for submitting their fraudulent applications. Conspirators also paid Buck to submit falsified VA certifications for total and permanent disability to the Department of Education (DOE) to secure fraudulent discharges for more than a dozen student loans totaling more than \$1 million. DCIS investigated this matter jointly with the Army Criminal Investigation Division, the Treasury Inspector General for Tax Administration, and the SBA, VA, and DOE OIGs.

Turkish Businessman Indicted for Money Laundering and Wire Fraud Charges

On July 15, 2022, Sezgin Baran Korkmaz was indicted in Salt Lake City, Utah, for laundering more than \$133 million in illegal proceeds through bank accounts he controlled in Turkey and Luxembourg. According to an April 2021 superseding indictment, the proceeds relate to a scheme orchestrated in Plymouth, Utah, by Jacob Kingston, Isaiah Kingston, and Levon Termendzhyan to defraud the U.S. Treasury by filing false claims for more than \$1 billion in tax credits, allegedly for the production and sale of biodiesel by their company, Washakie Renewable Energy LLC. DCIS investigated this matter jointly with Internal Revenue Service Criminal Investigations (IRS-CI), the Environmental Protection Agency OIG, the FBI, and the U.S. Marshals Service.

Woman Admits to Falsifying Military Service, Identity Theft, and Fraudulently Collecting More Than \$250,000

On July 12, 2022, Sarah J. Cavanaugh pleaded guilty to charges of fraud, aggravated identity theft, forgery, and fraudulent use of medals. Though Cavanaugh never served in any branch of the U.S. military, she used her position as a licensed social worker with the Department of Veteran Affairs (VA) at the Rhode Island Veterans Affairs Medical Center to gain access to documents, personal information, and medical records belonging to a Marine and a cancer-stricken Navy veteran. Cavanaugh used the information to create fraudulent documents and medical records to support her claim that she was an honorably discharged Marine stricken with cancer. Additionally, Cavanaugh used the fraudulent documents in various schemes to obtain more than \$250,000 in cash, charitable donations, and services reserved for injured veterans. Cavanaugh, who portrayed herself as a wounded veteran who served overseas, also fraudulently held herself out to be a recipient of a Purple Heart and the Bronze Star Medal, replicas of which she purchased and publicly displayed on a U.S. Marine uniform she wore at public events. DCIS investigated this matter jointly with the VA OIG, VA Police Service, FBI, Naval Criminal Investigative Service (NCIS), IRS-CI, and Postal Inspection Service.

Former Contractor Employee Sentenced to Prison for Inflating Change Orders

On July 8, 2022, William Sacco was sentenced to 3 months of imprisonment, followed by 3 years of supervised release, for his involvement in a construction project fraud scheme. As a project manager for a Massachusetts-based mechanical contractor, Sacco conspired to defraud his employer and the owners of certain projects he managed from June 2014 to December 2017 by inflating change orders on the projects. As part of the conspiracy, a co-conspirator subcontractor, who owned an insulation company, made more than \$200,000 in payments to Sacco and for Sacco's benefit, including payments for college tuition, a graduation party, a laptop, airline tickets, hotels, and rent. Sacco and the co-conspirator submitted inflated change orders to Sacco's former employer to offset some of the costs of the payments the co-conspirator made to Sacco. DCIS investigated this matter jointly with the FBI.

Chief Executive Officer for Dozens of Companies and Entities Charged in Estimated \$1 Billion Scheme

On July 7, 2022, Onur Aksoy was indicted for running a massive operation over many years to traffic in fraudulent and counterfeit Cisco networking equipment with an estimated retail value of over \$1 billion. According to the indictment, Aksoy ran at least 19 companies formed in New Jersey and Florida, at least 25 stores on Amazon and eBay, and multiple other entities that imported tens of thousands of counterfeit Cisco networking devices from China and Hong Kong. Aksoy resold the devices to customers in the

United States and overseas, falsely representing the products as new and genuine. The operation allegedly generated over \$100 million in revenue, of which Aksoy received millions of dollars for his personal gain. DCIS investigated this matter jointly with Homeland Security Investigations, NCIS, and the Government Services Administration OIG.

Announced Projects

Audit of End-Use Monitoring of Transferred Defense Articles to U.S. Southern Command Partner Nations

The objective of this audit is to determine whether the DoD is conducting end-use monitoring of defense articles transferred to U.S. Southern Command partner nations in accordance with Federal laws, DoD regulations, and transfer agreements.

Audit of Defense Logistics Agency Oversight of Defense Fuel Support Points

The objective of this audit is to determine whether the Defense Logistics Agency is managing Defense Fuel Support Points in accordance with applicable policies to prevent fuel leaks and spills.

Summary External Peer Review of the Naval Audit Service

The objective of this review is to provide oversight of the Air Force Audit Agency's external peer review of the Naval Audit Service, excluding Special Access Program audits, for the 3-year period ended December 31, 2021. In addition, the DoD OIG will combine the results of the Air Force Audit Agency's external peer review of the Naval Audit Service with the results of the Naval Audit Service Special Access Program audits to provide an overall opinion on the Naval Audit Service system of quality control for the 3-year period ended December 31, 2021.

Evaluation of the Department of Defense Intelligence Agencies' Use of Human Language Technology

The objective of this evaluation is to determine the extent to which DoD intelligence agencies have developed and integrated human language technology to support multi-discipline intelligence collection, analysis, and production.

Evaluation of the Nuclear Certification of the B61-12 Nuclear Bomb

The objective of this evaluation is to determine to what extent the Air Force's nuclear certification of the F-15, B-2, and F-35 to carry the B61-12 nuclear bomb complied with Department of Energy, DoD, and Air Force requirements.

In Case You Missed It

DoD Hotline Worldwide Outreach

The DoD Hotline hosted its annual DoD Hotline Worldwide Outreach on July 28, 2022. More than 275 participants from Government and non-Government hotline programs attended the event, which commemorated National Whistleblower Appreciation Day and highlighted best practices, lessons learned, and examples of the greatest challenges facing the hotline oversight community.