

Newsletter



DoD Inspector General Confirmation

On November 30, 2022, the Senate confirmed the Honorable Robert P. Storch to be the DoD Inspector General (IG). Accordingly, Mr. Storch will transition from his position as the National Security Agency/Central Security Service IG to the DoD Office of Inspector General. Chief of Staff Steve Stebbins will perform the duties of the DoD IG in the interim.

The Honorable Sean W. O'Donnell, who served concurrently as the Acting DoD IG since April 2020, will continue in his Senate-confirmed post as the Environmental Protection Agency IG.

Oversight of DoD Support to Ukraine

Providing oversight of DoD expenditures and activities related to Ukraine remains a top priority for the DoD Office of Inspector General (OIG). Conducting timely, relevant audits, evaluations, and investigations promotes economy and efficiency in DoD operations and helps to root out fraud, waste, and abuse. Moreover, it provides DoD leadership prompt, actionable findings and recommendations that can lead to improvements in the DoD's execution of support to Ukraine.

With decades of institutional knowledge and experience overseeing DoD operations around the world, the DoD OIG is a subject matter expert in overseeing complex contingencies. Our office continues to expand its knowledge through engagements with officials responsible for all aspects of the DoD's assistance to Ukraine.

In November, former Acting DoD IG Sean O'Donnell met at the Pentagon with Army Brigadier General (BG) Garrick Harmon, the Senior Defense Official and Defense Attaché from the U.S. Embassy in Kyiv, Ukraine. During the meeting, BG Harmon provided insights on capabilities, challenges, requirements, and logistics for routine and enhanced end-use monitoring of military equipment transferred to Ukraine.

Deputy IG for Evaluations Michael Roark and a project team recently visited Poland to observe DoD operations to transfer equipment to Ukraine as part of an evaluation of security controls for defense items transferred to Ukraine within the U.S. European Command (USEUCOM) area of responsibility. Their evaluation will determine the extent to which the DoD complied with Defense Transportation Regulations and DoD Instructions when conducting these operations.

In addition, auditors recently traveled to Germany to meet with Army officials and a Ukrainian military officer to understand the scope of the training the Army is providing to the Ukrainian Armed Forces. The audit will determine the extent to which the DoD is training the Ukrainian Armed Forces to operate and maintain U.S.-provided defense articles.

The DoD OIG continues work on eight ongoing projects and continues to plan additional oversight in high-risk areas identified through research, coordination, and ongoing dialogue with DoD leaders and Congress.

For more information on the DoD OIG's oversight activities related to Ukraine, visit www.dodig.mil.

Recently Issued Reports and Management Advisories

(To view the reports, click on the title.)

Independent Auditor's Reports on the DoD FY 2022 and FY 2021 Basic Financial Statements

On November 15, 2022, the DoD published the DoD FY 2022 Agency Financial Report, which includes the FY 2022 and FY 2021 Agency-Wide Basic Financial Statements. The DoD OIG performed an audit of these Basic Financial Statements and issued a disclaimer of opinion—meaning that the auditors could not obtain sufficient, appropriate audit evidence to support an opinion. During this year's DoD Agency-Wide audit, DoD OIG auditors identified 28 material weaknesses, 3 significant deficiencies, and 7 instances of noncompliance with laws, regulations, contracts, and grant agreements, which are described in our report. Auditors from the DoD OIG and independent public accounting firms completed nearly 1,000 site visits (virtual and in-person). The audits of 25 DoD components resulted in 6 received unmodified (clean) opinions, 1 qualified opinion, and 16 received disclaimers of opinion. Standalone audits are still in progress for the DoD OIG and the Defense Information Systems Agency Working Capital Fund. In addition, the Marine Corps is undergoing a 2-year audit cycle, which will be completed in November 2023. The DoD OIG plans to issue a product in January that will summarize the purpose, findings, and potential benefits of the audit of the DoD's basic financial statements in terms that are understandable to non auditors.

Management Advisory: The DoD's Compliance with Privacy Act Training Requirements Pursuant to the Federal Information Security Modernization Act of 2014

This management advisory contained a finding and recommendation specific to the DoD's compliance with requirements in the Federal Information Security Modernization Act of 2014 for training on the Privacy Act of 1974, as amended. Although the DoD had policies and procedures in place for privacy training, the policies and procedures did not provide DoD Components a clear baseline for minimum content or frequency required for privacy training. Providing a baseline for privacy training helps to ensure personnel are aware of privacy program requirements, thereby enhancing the organization's ability to properly collect, maintain, use, and

disseminate personally identifiable information and protect it from unauthorized access. The DoD OIG made one recommendation that the Assistant to the Secretary of Defense for Privacy, Civil Liberties, and Transparency revise DoD Instruction 5400.11 to include the minimum content requirements and frequency for basic and role-based privacy training, as required by National Institute of Standards and Technology guidance.

Federal Telehealth Report: Insights on Utilization and Program Integrity Risks Across Selected Health Care Programs in Six Federal Agencies

This report from the Pandemic Response Accountability Committee's Health Care Subgroup shared insights about the use of telehealth in selected programs across six Federal agencies during the first year of the COVID-19 pandemic, including the DoD's TRICARE. The review identified that the Defense Health Agency (DHA) developed program integrity measures to identify providers whose billing posed a high risk to the TRICARE Program, focusing on schemes indicating possible fraud, waste, or abuse. The review also found that the DHA lacked the necessary data to distinguish between clinical and telehealth services. Due to the substantial increase in the use of telehealth during the COVID-19 pandemic, improving TRICARE data specific to telehealth is critical to monitoring the DoD TRICARE Program and identifying providers that pose a high risk to the program. The DoD OIG did not make any recommendations in this report.

Annual Report to Congress Regarding the DoD's Progress on Implementing FY 2021 National Defense Authorization Act Section 554 Requirements

This annual report addressed the DoD's progress toward implementing standardized policies and processes as directed by section 554 of the FY 2021 National Defense Authorization Act. The DoD made progress in establishing policies, programs, and systems related to diversity and inclusion and the prevention of prohibited activities within the DoD. Additionally, the DoD revised DoD Instruction 1325.06 to establish policy, assign responsibilities, and provide procedures for handling protest, extremist, and criminal gang activity by members of the Armed Forces. Also, a July 27, 2022 memorandum from the Deputy Secretary of Defense provided the Military Departments (MILDEPs) guidance for implementing the Instruction that directs data collection for future DoD OIG Section 554 reports. Accordingly, the MILDEPs took action to fulfill Section 554 reporting requirements. However, the report also identified that, while the DoD established policies and processes, the terminology for allegation categories is inconsistent across the Services. Until the DoD establishes standardized policy pertaining to allegation terminology and uses a centralized database for allegation reporting and tracking, the DoD will have inconsistent tracking of prohibited activities participation, problems identifying and collecting data from multiple decentralized systems, and difficulty validating the accuracy of reported data.

Upcoming Reports and Management Advisories

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

This audit determines whether the Defense Counterintelligence and Security Agency completed DoD security vetting of international military students and their accompanying family according to DoD policy and communicated the results of its analysis to appropriate DoD stakeholders.

Management Advisory: The DoD's Use of Mobile Applications

This management advisory provides DoD officials responsible for approving the use of mobile applications with concerns identified during an ongoing audit of Defense Digital Service support of DoD programs and operations. The objective of this audit is to determine whether Defense Digital Service engagements achieved their intended purpose and were executed in accordance with DoD and Federal policies.

Management Advisory: DoD Restoration Costs to Repair Facilities After Supporting Operation Allies Refuge and Operation Allies Welcome

This management advisory informs DoD leadership of the circumstances that arose from the substantial restoration activities at the temporary housing sites that supported Operation Allies Refuge and Operation Allies Welcome. These restoration activities were identified during an ongoing audit of DoD reporting on obligations and expenditures in support of Operation Allies Welcome. The objective of this audit is to determine whether the DoD properly recorded Operational Allies Welcome obligations and expenditures for their intended purpose.

Management Advisory: Evaluation of U.S. Special Operations Command's Joint Military Information Support Operations Web Operations Center

This evaluation determines whether the U.S. Special Operations Command's Joint Military Information Support Operations Web Operations Center supports the combatant commander's requirements to conduct military information support operations. This management advisory will be classified.

External Peer Review of the Army Internal Review Program

This report reviews the system of quality control for the Army Internal Review (IR) Program in effect for the 3-year period that ended on December 31, 2021. A system of quality control encompasses the Army IR Program's structure, policies adopted, and procedures established to provide it with reasonable assurance of conforming in all material respects with the Government Auditing Standards and applicable legal and regulatory requirements.

Evaluation of the DoD's Response to Havana Syndrome

This evaluation determines the extent to which the DoD developed guidance and implemented procedures to identify and evaluate DoD personnel who may have experienced anomalous health incidents, also known as "Havana Syndrome."

Evaluation of Military Criminal Investigative Organizations' Major Procurement Fraud Programs

This evaluation determines whether the Military Criminal Investigation Organizations' (MCIOs) major procurement fraud investigations complied with DoD, Service, and MCIO policy. The investigations under review covered fraud offenses with an alleged loss of \$500,000 or more; corruption involving bribery, gratuities, or conflicts of interest; and defective product, non-conforming product, counterfeit material (equipment and supplies), and product substitution.

Evaluation of the DoD's Secure Unclassified Network

This evaluation determines whether the DoD developed, implemented, maintained, and updated security and governance controls to protect the Secure Unclassified Network (SUNet), and the data and technologies that reside on it, from internal and external threats.

Defense Criminal Investigative Service Highlights

(To view the Department of Justice press release, please click on title.)



Four Defendants Charged in Multi-Million Dollar COVID-19 Fraud Ring

On November 2, 2022, Jacob Liticker, Kehinde Mubarak Ladepo, Ganiyu Victor Ladepo, and Maxwell Uzoma Okobi were charged for their alleged roles in a fraud scheme related to the Coronavirus Aid, Relief, and Economic Security Act Paycheck Protection Program (PPP). Defendant Kehinde Mubarak Ladepo was an Active Duty Airman (E-3) in the Air Force. The indictment alleges that the defendants participated in a national scheme, led by Liticker, through which they attempted to acquire \$2 million in fraudulent PPP loans and successfully acquired nearly \$1 million in fraudulent PPP loans. According to the indictment,

Liticker created false PPP loan applications for nearly 100 people across the country, typically for amounts around \$20,000, and helped those individuals submit this false information to Small Business Administration-approved lenders. He also often created false tax documentation to support the non-existent businesses and assisted in getting the loans forgiven. In exchange for his services, Liticker would receive a portion of the PPP loan proceeds. The DoD OIG's Defense Criminal Investigative Service (DCIS) investigated this matter jointly with the Air Force Office of Special Investigations, Secret Service, and Small Business Administration OIG.

Insulation Contracting Firm Sentenced for Rigging Bids

On November 7, 2022, defense subcontractor Axion Specialty Contracting (Axion) was ordered to pay a \$1 million criminal fine and \$313,121 in restitution for its participation in a bid-rigging scheme targeting public and private entities. This is the third sentencing from a long-running investigation of the insulation contracting industry. According to the defendant's August 3, 2022 guilty plea, the defendant conspired with other insulation contractors to rig bids on contracts for installing insulation around pipes and ducts on construction projects at universities, hospitals, DoD facilities, and other public and private entities in Connecticut. The conspiracy ran for over 5 years, beginning as early as October 2012 and continuing until as late as March 2018. Six other individuals and companies have pleaded guilty to criminal conduct related to this investigation. Three individuals and one company await sentencing. DCIS investigated this matter jointly with the Federal Bureau of Investigation (FBI).

Three Arrested for Illegal Scheme to Export Controlled Data and Defraud the DoD

On November 9, 2022, Phil Pascoe, Monica Pascoe, Scott Tubbs, and Quadrant Magnetics LLC were charged with wire fraud, violations of the Arms Export Control Act, and smuggling of goods. The indictment alleges that, between January 2012 and December 2018, the defendants conspired to send approximately 70 drawings containing export-controlled technical data to a company located in China without a license from the U.S. Government. The indictment further alleges that Quadrant Magnetics imported

rare earth magnets that were smelted and magnetized by a company in China and sold these magnets to two U.S. companies, which included them in components sold to the DoD for use in various DoD systems in violation of the Defense Acquisition Regulations System. DCIS investigated this matter jointly with the FBI, Homeland Security Investigations, Internal Revenue Service–Criminal Investigation, Naval Criminal Investigative Service, and Department of Energy OIG.

Doctor Sentenced for Accepting Illegal Kickback Payments

On November 18, 2022, Thomas Raley Jr. was sentenced to 3 years in prison for writing and referring compounded drug prescriptions in exchange for illegal kickback payments. Raley previously entered into a civil settlement with the Government that requires him and the company he owned to pay \$3.1 million. According to court documents, Raley was a physician specializing in orthopedic surgery, spine surgery, and comprehensive pain management services. In 2013, Raley and his codefendant began soliciting pharmacists to pay them kickbacks in return for Raley referring expensive compounded medications to the pharmacies. DCIS investigated this matter with the FBI, Department of Health and Human Services OIG, and Food and Drug Administration Office of Criminal Investigation.

Announced Projects [\(To view the announcement letters, please click on the title.\)](#)

FY 2023 Review of the DoD’s Compliance with the Federal Information Security Modernization Act of 2014

The objective of this review is to determine the effectiveness of the DoD’s information security policies, procedures, and practices and provide an annual independent evaluation in accordance with the Federal Information Security Modernization Act of 2014.

Review of the DoD’s Co-Location Policies to Support Dual-Military Marriages

The objective of this review is to determine the extent to which the DoD’s co-location policies support dual-military marriages.

In Case You Missed It [\(To view the report, please click on the title.\)](#)

FY 2023 Top DoD Management Challenges

This document provides Congress and DoD leaders an independent assessment of the management and performance challenges confronting the DoD for FY 2023 and beyond. Each Inspector General (IG) is required by law to prepare this annual assessment summarizing what the IG considers the “most serious management and performance challenges facing the agency.” These challenges are based on the DoD OIG’s independent judgment, previous oversight work and oversight work of other organizations, congressional hearings and legislation, input from DoD officials, and issues raised by the media.

Lead Inspector General Report for Operation Enduring Sentinel and Operation Freedom's Sentinel ~ Quarterly Report to Congress ~ July 1 – September 30, 2022

This Lead Inspector General (IG) report to Congress is the 4th quarterly report on Operation Enduring Sentinel (OES) and the 30th quarterly report on Operation Freedom's Sentinel (OFS). The report summarizes significant events involving OES and OFS and describes completed, ongoing, and planned Lead IG and partner agency oversight.