

Newsletter



Ukraine Oversight

The Department of Defense Office of Inspector General (DoD OIG) recognizes the critical importance of conducting independent and objective audits, evaluations, and investigations related to DoD programs and operations executed with funds appropriated for assistance to the government of Ukraine.

To this end, the DoD OIG is leading collaborative efforts with our partners in the oversight and law enforcement communities to ensure comprehensive, coordinated oversight. We have partnered with the OIGs for the Department of State (DOS) and the U.S. Agency for International Development (USAID) to form a joint working group on Ukraine oversight. The joint working group will coordinate and ensure interagency communication and visibility of each agency's ongoing work, and identify opportunities for collaboration between project teams. Similarly, our Defense Criminal Investigative Service (DCIS) is leading coordination with the Military Criminal Investigative Organizations, the DOS and USAID OIGs, and other law enforcement and oversight partners to develop a joint approach for identifying and addressing fraud and corruption related to expenditures for DoD outlays and contracts in support of Ukraine operations.

In addition, the DoD OIG has been proactive and agile in developing targeted projects to oversight the DoD's expenditure of funds appropriated for aid to Ukraine, including provision of military weapons and equipment. We will continue to conduct audits, evaluations, and investigations related to funds appropriated for aid to Ukraine.

The DoD OIG is well-positioned to lead and conduct Ukraine oversight, having reviewed DoD support provided to the government of Ukraine long before the current Russian invasion. The DoD OIG has field offices in Germany and a large body of completed and ongoing work related to the U.S. European Command, much of which ties to DoD efforts related to Ukraine. You can find the DoD OIG's completed and ongoing work related to Ukraine at the following link: <https://www.dodig.mil/Ukraine/>

Below are oversight projects related to Ukraine and the U.S. European Command area of responsibility that the DoD OIG recently announced or expects to issue in the next 30 days.

Recently Announced

Evaluation of the Department of Defense's Planning and Accountability of Equipment Support Provided to Ukraine

The objective of this evaluation is to determine the extent to which the DoD developed plans to provide and account for security assistance and intelligence support authorized by the FY 2022 National Defense Authorization Act to the Government of Ukraine.

Evaluation of Army Prepositioned Equipment Issued in Response to Ukraine and NATO Defense Forces

The objective of this evaluation is to determine the extent to which the 21st Theater Sustainment Command, U.S. Army Europe and Africa, is maintaining and accounting for Army Prepositioned Equipment (APS-2) in storage areas, and planning for the repair, replenishment, and replacement of issued APS-2 equipment in response to Ukraine and in support of NATO defense forces.

Announcement of the Research on the Department of Defense's Execution of Funds Provided for Assistance to Ukraine

The objective of this research project is to examine the DoD's processes for tracking, reprogramming, and reporting the use of funds provided for assistance to Ukraine. The Additional Ukraine Supplemental Appropriation Act, 2022 (the Act) provided the DoD an additional \$20.1 billion for assisting Ukraine and requires the DoD OIG to review the DoD's execution of the funds appropriated in the Act and to provide to the congressional defense committees a written report by September 19, 2022.

Evaluation of the Department of Defense's Replenishment of Weapons Stockpiles Provided to Ukraine

The objective of this evaluation is to determine the extent to which the DoD has planned to restock its equipment and munitions provided to Ukraine.

Evaluation of Intelligence Sharing in Support of Ukraine

The objective of this evaluation is to determine the extent to which the DoD developed, planned, and executed cross-domain intelligence sharing with European partners in support of Ukraine.

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

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

This audit determines whether select training ranges in Europe have the capability and capacity to support the training requirements of forces assigned or allocated to the U.S. European Command. Among the training ranges reviewed in this audit is the Grafenwoehr Training Area in Germany. The largest overseas U.S. military installation, Grafenwoehr is one site where U.S. Service members are providing support and training to Ukraine troops.

Upcoming Reports (cont'd)

Management Advisory: The Department of Defense's Execution of Funds Provided for Assistance to Ukraine

The purpose of this management advisory is to inform Congress and DoD leadership regarding the DoD's use of Ukraine Supplemental Appropriation Act of 2022 (the Act) funds and highlight areas of concern with the DoD's tracking and reporting of the supplemental funds. As directed in section 2302 of the Act, the DoD OIG is reviewing the DoD's execution of nearly \$6.5 billion provided for U.S. European Command operations mission support, deployment of personnel to the region, and intelligence support, and \$3.5 billion provided to replace DoD stocks and reimburse the DoD for defense services, education, and training provided to Ukraine. The DoD OIG will provide the management advisory to the congressional defense committees by July 13, 2022.

Recently Issued Reports

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

Report of Investigation: Mr. James M. Branham, Former Chief Operating Officer, Armed Forces Retirement Home

This report presents the results of the investigation of allegations that James M. Branham, former Chief Operating Officer (COO) of the Armed Forces Retirement Home (AFRH), sexually harassed subordinate female employees and reprimanded a female employee because she rejected his sexual advances. The investigation substantiated the allegations and determined that Mr. Branham engaged in an overall course of conduct in which he sexually harassed subordinate female employees at the AFRH. Mr. Branham initiated and engaged in an intimate, personal, "physical" relationship for several months with a subordinate female employee (Employee 1). Employee 1 described feeling awkward and uncomfortable when Mr. Branham asked her out on a date because she did not think she could say no. Employee 1 said that she discussed this issue with Mr. Branham, who told her that it was not a problem for him. In contrast, Employee 1 described her relationship with Mr. Branham as inappropriate and wrong because Mr. Branham was ultimately her boss. Separately, Mr. Branham made several sexually harassing comments and unwanted physical contact toward two subordinate female employees (Employee 2 and Employee 3). Mr. Branham also sent texts to Employee 2 containing sexual or flirtatious innuendos that made her feel uncomfortable. Mr. Branham's comments to and interactions with subordinate female employees created an intimidating, hostile, and offensive work environment that made them uncomfortable or caused them distress. Accordingly, the investigation concluded that Mr. Branham engaged in a pattern of sexual harassment toward three subordinate female employees. The DoD OIG did not make any recommendations regarding remedy for Employee 2 with respect to the reprisal findings, as she has since secured full-time employment elsewhere. Mr. Branham resigned from Government service. Accordingly, the DoD OIG forwarded its report to the Director of the Washington Headquarters Services for inclusion in Mr. Branham's personnel file.

Department of Defense Cooperative Agreements With Coronavirus Aid, Relief, and Economic Security Act Obligations

This audit determined that the DoD obligated Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to cooperative agreements for expenses incurred in preventing, preparing for, or responding to coronavirus disease-2019 (COVID 19). Specifically, for the 36 cooperative agreements the DoD OIG reviewed, the DoD Components complied with CARES Act requirements when they obligated \$127.1 million in CARES Act funding for purposes related to COVID-19, and by adequately justifying that the funds were

Recently Issued Reports (cont'd)

for a purpose permitted by the CARES Act. Of the \$127.1 million in CARES Act funding that the DoD Components obligated, they expended \$90.3 million to protect DoD military and civilian personnel and their families and safeguard national security capabilities. The DoD OIG did not make any recommendations in this report.

Audit of the Department of Defense's Implementation of Predictive Maintenance Strategies to Support Weapon System Sustainment

This audit determined that the DoD has made progress toward implementation of predictive maintenance strategies but has not fully implemented predictive maintenance on any of its weapon systems. DoD officials did not develop comprehensive strategic plans or policies, or have full visibility of predictive maintenance or Condition-Based Maintenance Plus (CBM+), the DoD's overarching strategy of knowing the condition of parts to reduce or eliminate unscheduled maintenance. In addition, DoD officials did not develop training tailored to the appropriate levels in the life-cycle sustainment workforce necessary to implement predictive maintenance strategies. The DoD also identified challenges to implementing predictive maintenance, such as transitioning from a "run to failure" maintenance culture to a predictive maintenance culture, lack of a standardized method to distinguish parts removed based on forecasts, lack of accurate and usable data and algorithms to make maintenance forecasts, and limited funding and resources. The DoD's goal is that the Military Services will implement and execute CBM+ to reduce total life-cycle sustainment cost and minimize unscheduled maintenance. Therefore, the DoD could miss opportunities to decrease maintenance cost and increase weapon system availability if predictive maintenance strategies are not fully implemented across the Services, as appropriate. The DoD OIG made 12 recommendations, including that the Deputy Assistant Secretary of Defense for Materiel Readiness, in coordination with the Service-level CBM+ focal points and other relevant stakeholders, develop and execute a mechanism to report and provide visibility of CBM+ and predictive maintenance projects and tools and standardize a method to distinguish parts removed due to predictive maintenance forecasts.

Audit of the Reuse of Defense Logistics Agency Disposition Services Excess Property

This audit determined that, in 2020, the Military Services reused 166,421 items, valued at \$18.1 million, from excess property inventory in serviceable, like-new condition managed by Defense Logistics Agency (DLA) Disposition Services. However, the Military Services could have avoided purchasing up to an additional 132,838 DLA managed items, valued at \$5.2 million, by reusing serviceable, like-new property already available at DLA Disposition Services. By not reusing available excess property from DLA Disposition Services, the Military Services wasted up to \$5.2 million purchasing items that they could have obtained at little to no cost. Reusing serviceable, like-new property from DLA Disposition Services rather than initiating new purchases allows the Military Services to allocate funds to other critical areas and demonstrates good stewardship of taxpayer money. The DoD OIG made nine recommendations, including that the DLA Director, in coordination with DLA Disposition Services, promote excess property reuse by establishing and offering periodic educational sessions with Military Department headquarters and Military Service activities. The DoD OIG also recommended that Service officials reinforce and periodically communicate to ordering activities DoD- and Service-specific reuse policies that promote maximizing reuse of excess property as a supply source, and provide details regarding newly established DLA Disposition Services educational sessions, reuse website information, and instructions on how to search and place orders for excess property.

Recently Issued Reports (cont'd)

Audit of the Development and Maintenance of Department of Defense Security Classification Guides

This audit determined that DoD Component original classification authorities (OCAs) did not develop or maintain security classification guides (SCGs) in accordance with Federal and DoD guidance. The audit reviewed 50 SCGs from a universe of 1,501. Of the 50 SCGs reviewed, the OCAs could not locate 3 and did not properly cancel another 4 that were no longer needed. For the remaining 43 SCGs, the OCAs did not identify and review existing classification guidance to avoid classification conflicts between similar information for 38 SCGs or identify the reasons for classifying information for 23 SCGs. In addition, the OCAs did not identify the classification level of information for 34 SCGs, conduct a 5-year review and update for 20 SCGs, or complete mandatory classification training before exercising their authority for 34 SCGs. Based on the universe of 1,501 SCGs, the audit projected that the OCAs did not develop or maintain 1,257 SCGs (83.7 percent) in accordance with DoD guidance, and that the OCAs would not be able to locate or had improperly canceled 244 SCGs (16.3 percent). Inaccurate and incomplete SCGs increase the risk that derivative classifiers will incorrectly interpret or apply the guidance and therefore over- or under-classify information, classify similar information inconsistently across programs, or not declassify information in a timely manner. If immediate actions are not taken to address issues identified in this report, the DoD increases the risk of unauthorized disclosure of classified information and the potential for threat actors to gain unauthorized access to information about critical programs and systems. The DoD OIG made five recommendations, including that the Under Secretary of Defense for Intelligence and Security direct all DoD Component Heads to account for all SCGs under their purview and to establish a process to ensure that DoD Components, the OCAs, and the Defense Technical Information Center comply with DoD requirements.

Audit of U.S. Army Base Operations and Security Support Services Contract Government-Furnished Property in Kuwait

This audit determined that the Army did not properly account for Government-furnished property (GFP) provided to the base operations and security support services contractor in Kuwait. Army officials did not ensure that the Kuwait accountable property records included at least 23,374 out of 147,362 GFP items recorded by the contractor, or accurate costs of GFP items for all 61 items in our nonstatistical sample. In addition, Army officials did not ensure that Kuwait accountable property records included all required GFP data elements, such as contract numbers for the 123,988 GFP items recorded in the Kuwait accountable property records and unique item identifiers or serial numbers for 111,877 out of the 123,988 GFP items. As a result of the Army's lack of accountability of GFP items provided to the contractor in Kuwait, the Kuwait and contractor accountable property records differed by 23,374 GFP items, increasing the risk of loss or theft of these items. According to the administrative contracting officer, the contractor self-reported \$13.5 million in GFP losses over the life of the contract. However, without accurate GFP accountable records, the Army cannot verify that the contractor identified and reported all contractor GFP losses. The DoD OIG made six recommendations, including that the Area Support Group–Kuwait property book officer conduct a reconciliation of the Kuwait accountable property records with the contractor GFP records and address discrepancies, including discrepancies in missing unique item identifiers and contract numbers. The DoD OIG also recommended that Army officials modify the Kuwait Base Operations and Security Support Services contract to convert contractor-acquired property to GFP, and ensure that all GFP that is authorized to be used on the Logistics Civil Augmentation Program V contract is added to that contract.

Recently Issued Reports (cont'd)

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

This audit determined that the DoD did not comply with Payment Integrity Information Act of 2019 (PIIA) requirements in its FY 2021 reporting of improper payments. The DoD complied with five of the PIIA's six payment integrity requirements, but did not comply with one requirement. Specifically, the DoD published unreliable, improper, and unknown payment estimates for all nine DoD programs required to report estimates. As a result, the DoD produced unreliable estimates for the 11th consecutive year. Even though the DoD did not comply with the 9 previous years of improper payment reporting requirements, this year is the first official year the DoD did not comply with the PIIA. With unreliable estimates in the DoD Agency Financial Report, DoD leadership and Congress cannot accurately determine whether the DoD has the resources needed and the controls in place to reduce its improper payments. The DoD OIG made nine recommendations, including that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, develop and implement a process to obtain accurate confirmed fraud amounts, report them in [paymentaccuracy.gov](https://www.paymentaccuracy.gov), and consider the fraud amounts when reviewing and approving the Sampling and Estimation Methodology Plans for each program.

External Peer Review of the Defense Commissary Agency Internal Review Office

This report reviewed the system of quality control for the Defense Commissary Agency Internal Review (DeCA IR) Office in effect for the 3-year period ended January 31, 2021. A system of quality control encompasses the DeCA IR Office'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. The elements of quality control are described in the Government Auditing Standards. In the DoD OIG's opinion, except for the deficiencies described in this report, the system of quality control for the DeCA IR Office in effect for the 3-year period ended January 31, 2021, has been suitably designed and complied with to provide the DeCA IR Office with reasonable assurance of performing and reporting in conformity in all material respects with the Government Auditing Standards and applicable legal and regulatory requirements. Audit organizations can receive a rating of pass, pass with deficiencies, or fail. The DeCA IR Office has received an external peer review rating of pass with deficiencies. The DoD OIG made nine recommendations, including that the DeCA IR Office Chief update standard operating procedures to include the specific procedures used for performing quality reviews, in accordance with the 2018 revision of Government Auditing Standard 5.42, and require that the basis for conclusions reached in quality reviews be fully documented.

Management Advisory: The Department of Defense's Use of the Civil Reserve Air Fleet in Support of Afghanistan Noncombatant Evacuation Operations

This management advisory provided DoD officials the results of an evaluation concerning the activation and use of the Civil Reserve Air Fleet to support noncombatant evacuation operations of Afghan refugees under Operation Allies Refuge. U.S. Transportation Command leaders and other key agency officials proactively sought volunteers from commercial air carriers in the initial phases of the Afghanistan noncombatant evacuation operations, informed and updated air carrier officials, activated the required number of aircraft within time standards, and followed required procedures and operations during the Civil Reserve Air Fleet activation and deactivation. The DoD OIG did not make any recommendations.

Upcoming Reports

Audit of Sole-Source Depot Maintenance Contracts

This audit determines whether the Military Services and Defense agencies negotiated fair and reasonable prices for sole-source depot maintenance contracts performed at contractor facilities.

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 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.

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.

Defense Criminal Investigative Service Highlights

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

Defendants Agree to Settle Kickback and False Claims Allegations



On June 14, 2022, Kellogg Brown & Root Services Inc. and three other companies (collectively KBR) agreed to a settlement of \$13.7 million to resolve a lawsuit seeking damages and penalties for alleged violations of the False Claims Act and the Anti-Kickback Statute, and for breach of contract. The settlement amount includes a payment of \$12 million by KBR, in addition to \$1.7 million KBR previously paid in contract restitution relating to the subcontracts at issue in the lawsuit. The lawsuit concerned the Logistics Civil Augmentation Program (LOGCAP) III contract, under which KBR was required to provide logistics support to U.S. Army forces in Iraq, and subcontracts that KBR awarded to two local companies to perform work on its behalf. As alleged in the lawsuit, certain KBR employees responsible for awarding these subcontracts rigged the bidding process in favor of the two companies and, to

reward this favorable treatment, principal officers from the companies paid kickbacks to the responsible KBR employees. The lawsuit also alleged that the subcontract prices were inflated and that, after the award of the subcontracts, KBR employees extended the duration of the subcontracts at the inflated prices. This alleged conduct violated the False Claims Act and the Anti-Kickback Act and breached the LOGCAP III contract. The Defense Criminal Investigative Service (DCIS) investigated this matter jointly with the Army Criminal Investigation Division (CID).

Defense Criminal Investigative Service Highlights (cont'd)

Former CEO Pleads Guilty to Conspiring to Export Defense Articles Illegally

On June 9, 2022, Joe Sery, former owner and chief executive officer of Tungsten Heavy Powder & Parts (THPP), pleaded guilty to a conspiracy to export defense articles on the U.S. Munitions List from the United States to the People's Republic of China, the Republic of India, and elsewhere. Sery conspired to export the articles without first obtaining a valid license or approval for such export from the Department of State, in violation of Federal export laws pursuant to the International Traffic in Arms Regulations (ITAR). Additionally, Sery entered into contracts with various aerospace and defense companies on behalf of THPP. He then obtained ITAR-controlled technical data and drawings from these companies to allow THPP to fulfill the contracted order. Sery created a non-THPP e-mail address to receive ITAR controlled documents, and exported technical drawings from the United States via e-mail messages to his business partner, Dror Sery, including while Dror Sery was located in India and the People's Republic of China. DCIS investigated this matter jointly with Homeland Security Investigations (HSI), Army CID, and the National Security Division of the Department of Justice.

Man Pleads Guilty to Fraud and Kickback Scheme Involving Medical Testing

On June 7, 2022, Erik Santos pleaded guilty to charges of conspiracy to violate the Federal Anti-Kickback Statute and conspiracy to commit health care fraud. The investigation determined that Santos owned and operated a company that conducted business with medical testing companies. From September 2019 through March 2020, Santos and others engaged in a scheme to provide medical testing companies with qualified patient leads and tests for medically unnecessary cancer genetic screening tests for Medicare, CHAMPVA, and TRICARE beneficiaries in exchange for kickbacks. Santos entered into a fake contract and used false invoices to make it appear that he paid for legitimate services and to conceal his fraudulent kickback scheme, receiving kickbacks of approximately \$33,250 for cancer genetic screening tests. Santos's scheme aimed to submit more than \$1.1 million in fraudulent claims to Medicare, CHAMPVA, and TRICARE. DCIS investigated this matter jointly with the Department of Health and Human Services OIG and the Department of Veterans Affairs OIG.

Woman Sentenced to 54 Months in Federal Prison for Identity Theft Scheme and Ordered to Pay \$4.4 Million

On June 1, 2022, Janet Sturmer was sentenced to 54 months in Federal prison, followed by 3 years of supervised release, for conspiracy to commit mail and wire fraud and aggravated identity theft. As part of her guilty plea, Sturmer will be required to pay \$4.4 million in restitution. The Government investigation determined that, from October 2015 to March 2017, Sturmer conspired with co-conspirators to commit wire fraud by posing as Navy-contracted agents and convincing victim companies that conspiracy members were authorized to order specialized communications equipment without prior payment. As part of the scheme, Sturmer and her co-conspirators used false identities and business names, and the stolen identities of real individuals to lease facilities and receive fraudulently obtained goods. DCIS investigated this matter jointly with HSI, the Naval Criminal Investigative Service, the Federal Bureau of Investigation, Customs and Border Protection, and the Department of Commerce Office of Export Enforcement.

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

Audit of Department of Defense Use of the Government Purchase Card in Response to the Coronavirus Disease–2019 Pandemic

The objective of this audit is to determine whether cardholders used the Government purchase card to support the DoD's response to the COVID-19 pandemic in accordance with Federal and DoD policies.

Audit of C-17 Spare Parts Pricing

The objective of this audit is to determine whether the Air Force purchased commercial spare parts at fair and reasonable prices to sustain the C-17 military transport aircraft. This audit is in response to an allegation to the DoD Hotline concerning spare parts pricing.

Evaluation of the Army Online Real Estate Inventory Tool

The objective of this evaluation is to determine the extent to which the Army has implemented an online real estate inventory tool to identify the existing inventory of space available at select Army installations.

Evaluation of Assessment, Monitoring, and Evaluation of Global Health Engagement Activities in the U.S. Indo-Pacific Command, U.S. European Command, and U.S. Africa Command

The objective of this evaluation is to determine the extent to which the DoD assessed, monitored, and evaluated global health engagement (GHE) activities in the U.S. Indo-Pacific Command, U.S. European Command, and U.S. Africa Command, as required by DoD Security Cooperation and GHE policy.

Evaluation of a Classified Program I

The objective of this evaluation is to determine whether the DoD Special Access Program Chief Information Officer's office followed appropriate guidance and regulations when awarding contracts and engaging in the agreements with six Defense Industrial Base contractors for the Industry Connections Initiative.

Summary Evaluation of Security Cooperation Activities in Afghanistan, Iraq, and Africa

The objective of this evaluation is to summarize previous oversight reports related to security cooperation activities in Afghanistan, Iraq, and Africa.

In Case You Missed It [\(To view the announcement letters, click on the title\)](#)

Federal News Network Interview

Marcus Gullet, Deputy Assistant Inspector General for Audit, discusses Understanding the FY 2021 Financial Statement Audit with the Federal News Network.

DoD Hotline Annual Worldwide Outreach

The DoD Hotline will host the virtual DoD Hotline Annual Worldwide Outreach on July 28, 2022, to commemorate National Whistleblower Appreciation Day. Stay tuned for registration details and an agenda.