

# Newsletter



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

### **Audit of the Protection of Military Research Information and Technologies Developed by Department of Defense Academic and Research Contractors**

This audit determined that the 10 academic and research contractors we assessed did not consistently implement required cybersecurity controls to protect controlled unclassified information stored on their networks from insider and external cyber threats. Among other findings, the audit found that academic and research contractors did not enforce the use of multifactor authentication or configure their systems to enforce the use of strong passwords to access their networks and systems; did not identify and mitigate network and system vulnerabilities in a timely manner; and did not protect controlled unclassified information stored on removable media by using automated controls to restrict the use of removable media. Without a framework for assessing cybersecurity requirements for existing contractors, the cybersecurity issues identified in this

#### **In Case You Missed It**

**Lead Inspector General for Operation Freedom's Sentinel and Operation Enduring Sentinel ~ Quarterly Report to the United States Congress ~ October 1, 2021 - December 31, 2021**

This Lead Inspector General (Lead IG) report to the United States Congress is the 27th quarterly report detailing Operation Freedom's Sentinel (OFS) and the 1st report on Operation Enduring Sentinel (OES). The report summarizes significant events involving OFS and OES, and describes completed, ongoing, and planned Lead IG and partner agency oversight work.

**Lead Inspector General for Operation Inherent Resolve ~ Quarterly Report to the United States Congress ~ October 1, 2021 - December 31, 2021**

This is the 28th Lead IG report to the United States Congress on Operation Inherent Resolve (OIR), the overseas contingency operation to advise, assist, and enable local partner forces until they can independently defeat ISIS in designated areas of Iraq and Syria, thereby setting conditions for the implementation of long-term security cooperation frameworks.

## ***Recently Issued Reports (cont'd)***

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report could remain undetected on DoD contractor networks and systems, increasing the risk of malicious actors targeting vulnerable contractor networks and systems and stealing information related to the development and advancement of DoD technologies.

### **Audit of Department of Defense Implementation of the DoD Coronavirus Disease–2019 Vaccine Distribution Plan**

This audit determined that, while the DoD strived to vaccinate its workforce against coronavirus disease-2019 (COVID-19) as quickly as possible, DoD officials did not have reliable data on which to base vaccine allocation decisions, or determine if they effectively administered the COVID-19 vaccine to the DoD workforce. Specifically, DoD officials could not definitively determine the vaccine eligible population at each military treatment facility and had difficulty reporting reliable vaccine administration data and encountered several challenges as it administered the vaccine. Therefore, the Defense Health Agency, the Military Departments, and the National Guard Bureau may not have made the most effective allocation decisions. In addition, without reliable vaccine administration data, the DoD may not be able to determine whether it effectively administered the vaccine.

### **Audit of TRICARE Telehealth Payments**

This audit determined that the Defense Health Agency improperly paid claims for FY 2020 telehealth services. From a sample of claims for FY 2020, the audit determined that the Defense Health Agency improperly paid originating site fee claims, distant site claims, and for services that were inappropriate for telehealth delivery. As a result of the improperly paid telehealth claims, the audit projected that the Defense Health Agency potentially overpaid health care providers for originating site fees by \$620,162 from October 2019 through June 2020. These funds could have been used for other critical health care services within the DoD. Improperly coded claims may result in under- or over-reporting of telehealth use by TRICARE beneficiaries, which could adversely affect Defense Health Agency resourcing decisions.

### **Evaluation of the Screening of Displaced Persons from Afghanistan**

This evaluation determined that the DoD had a supporting role during the biometric enrollment of Afghan evacuees in staging locations outside the continental United States and assisted in screening Special Immigrant Visa (SIV) applicants. However, the DoD did not have a role in enrolling, screening, or overseeing the departure of Afghan parolees at temporary housing facilities (safe havens) within the continental United States (CONUS). The evaluation found that Afghan evacuees were not vetted by the National Counter Terrorism Center (NCTC) using all DoD data prior to arriving in CONUS. This occurred because Customs and Border Patrol enrollments were compared against the Department of Homeland Security Automated Biometric Identification System data, which did not initially include all biometric data located in the DoD Automated Biometric Identification System (ABIS) database. In addition, the DoD's National Ground Intelligence Center (NGIC) has agreements with foreign partners that prohibit the sharing of some ABIS data with U.S. agencies outside of the DoD. The evaluation also found that, during their analytic review, NGIC personnel identified Afghans with derogatory information in the DoD ABIS database who were believed to be in the United States. As a result of the NCTC not vetting Afghan evacuees against all available data, the United States faces potential security risks if individuals with derogatory information are allowed to stay in the country. In addition, the U.S. Government could mistakenly grant SIV or parolee status to ineligible Afghan evacuees with derogatory information gathered from the DoD ABIS database.

## ***Recently Issued Reports (cont'd)***

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### **Quality Control Review of the Warren Averett, LLC FY 2019 Single Audit of DEFENSEWERX, Inc.**

This review determined that Warren Averett auditors did not comply with auditing standards and Uniform Guidance requirements when performing the FY 2019 single audit of DEFENSEWERX, Inc. (DWX). The Warren Averett auditors did not obtain sufficient, appropriate evidence to support conclusions that compliance requirements were not direct and material to the major program being audited, including requirements for cash management, equipment and real property management, and others. Additionally, they did not prepare sufficient, appropriate evidence of the procedures they performed and the audit evidence they obtained. The Warren Averett auditors also did not include the correct Schedule of Expenditures of Federal Awards (SEFA) in the reporting package to reflect the adjustments made to DWX's financial statements. As a result, Federal agencies cannot rely on the FY 2019 single audit because the audit documentation did not provide sufficient, appropriate evidence to support the audit conclusions and the audit opinion on DWX's compliance with Federal requirements. In addition, Federal agencies cannot use the SEFA to adequately monitor DWX Federal awards.

### **External Peer Review of the National Guard Bureau Internal Review Office**

This review determined that, except for the deficiencies described in the report, the system of quality control for the National Guard Bureau Internal Review (NGB IR) Office in effect for the 3-year period ended February 28, 2021, has been suitably designed and complied with to provide the NGB 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 NGB IR Office received an external peer review rating of pass with deficiencies. The external peer review rating of pass with deficiencies is based on the assessment of the design of the NGB IR Office's system of quality control, the extent of compliance with the Government Auditing Standards, and NGB IR Office policies and procedures.

### **Management Advisory: Department of Defense Support for the Relocation of Afghan Nationals at Fort McCoy, Wisconsin**

This management advisory provided DoD officials responsible for receiving, housing, supporting, and preparing Afghan evacuees for movement to their final resettlement location with the results from a DoD OIG site visit to Task Force (TF) McCoy at Fort McCoy, Wisconsin. The DoD OIG reviewed TF McCoy operations at Fort McCoy as part of the "Audit of DoD Support for the Relocation of Afghan Nationals (Project No. D2021-D000RJ-0154.000)." While TF McCoy housed and sustained Afghan evacuees, TF McCoy personnel did experience challenges, such as maintaining dining facilities, identifying the required contracted medical skill sets, providing behavioral health services, and holding Afghan evacuees accountable for misdemeanor crimes.

## ***Recently Issued Reports (cont'd)***

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### **Management Advisory: Department of Defense Support for the Relocation of Afghan Nationals at Fort Bliss, Texas**

This management advisory provided DoD officials responsible for receiving, housing, supporting, and preparing Afghan evacuees for movement to their final resettlement location with the results from a DoD OIG site visit to TF Bliss at Fort Bliss, Texas. The DoD OIG reviewed TF Bliss operations at Fort Bliss as part of the “Audit of DoD Support for the Relocation of Afghan Nationals (Project No. D2021-D000RJ-0154.000).” While TF Bliss housed and sustained Afghan evacuees, TF Bliss personnel experienced challenges, such as contractor medical providers obtaining New Mexico licenses and inadequate implementation of security measures. Additionally, according to TF Bliss personnel, the extensive use of the 2nd Brigade Combat Team, 1st Armored Division, for the TF Bliss mission degraded the 2nd Brigade Combat Team’s ability to train for future combat missions.

### **Management Advisory: Department of Defense Support for the Relocation of Afghan Nationals at Joint Base McGuire-Dix-Lakehurst, New Jersey**

This management advisory provided DoD officials responsible for receiving, housing, supporting, and preparing Afghan evacuees for movement to their final resettlement location with the results from a DoD OIG site visit to TF Liberty at Joint Base McGuire-Dix-Lakehurst, New Jersey. The DoD OIG reviewed TF Liberty operations at Joint Base McGuire-Dix-Lakehurst as part of the “Audit of DoD Support for the Relocation of Afghan Nationals (Project No. D2021-D000RJ-0154.000).” While TF Liberty housed and sustained Afghan evacuees, the DoD OIG identified potential procedural obstacles for law enforcement officers investigating potential criminal activity and challenges for other security personnel ensuring only those with proper credentials could access the villages.

## **Upcoming Reports**

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### **Audit of Entitlements for Activated Army National Guard and Air National Guard Members Supporting the Coronavirus Disease–2019 Mission**

This audit determines whether the process for activating Army National Guard (ARNG) and Air National Guard (ANG) members in response to the COVID-19 pandemic ensured that Soldier entitlements were accurately identified and processed.

### **Audit of Department of Defense Hotline Allegations Concerning the Defense Ordnance Technology Consortium Award Process**

This audit determines whether Army contracting personnel, in coordination with DoD Ordnance Technology Consortium Program Office personnel, awarded other transactions in accordance with applicable Federal laws and DoD policies and the DoD Ordnance Technology Consortium award process provided for the use of competitive procedures to the maximum extent practicable.

## ***Upcoming Reports (cont'd)***

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### **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 Contracts Awarded and Administered by the Defense Media Activity**

This audit determines whether the Defense Media Activity (DMA) had adequate internal controls for the proper award and administration of contracts in accordance with Federal and DoD regulations and guidance.

### **Audit of Active Duty Service Member Alcohol Misuse Screening and Treatment**

This audit determines whether the Defense Health Agency and Military Services screened and provided treatment of alcohol misuse for active duty Service members in a timely manner according to DoD guidance.

### **Audit of Department of Defense Small Business Subcontracting**

This audit determines whether DoD contracting officials conducted oversight to ensure that small business set-aside and sole-source contract awardees complied with the established small business subcontracting limitations in accordance with applicable laws and regulations.

### **Understanding the Results of the Audit of the Department of Defense FY 2021 Financial Statements**

This report summarizes the results of the audit of the DoD FY 2021 Financial Statements in terms understandable to non-auditors. It also discusses significant material weaknesses and shares the DoD OIG's perspective on what the DoD should do to continue its progress towards clean audit opinions and stronger financial management. In addition, the report describes the contents of the DoD Agency Financial Report, the purpose and importance of the financial statement audits, and the roles and responsibilities of DoD management and the auditors who reviewed the financial statements.

### **Evaluation of the Department of Defense's Transition from a Trusted Foundry Model to a Quantifiable Assurance Model for Procuring Custom Microelectronics**

This evaluation determines how the DoD will transition from a "Trusted Foundry" model to a "Quantifiable Assurance" model for procuring microelectronics from the commercial market. Specifically, the evaluation will determine whether the DoD has plans, procedures, processes, standards, and the technology necessary for this transition.

### **Evaluation of the Office of Net Assessment**

This evaluation determines the extent to which the Office of Net Assessment has developed and implemented policies and procedures to conduct its assessment mission in accordance with DoD Directive 5111.11, "Director of Net Assessment."



# Follow-up Evaluation of Report No. DODIG-2019-088, “Evaluation of DoD Efforts to Combat Trafficking in Persons in Kuwait,” June 11, 2019

This evaluation determines whether the DoD implemented corrective actions for report recommendations in Report No. DODIG-2019-088, “Evaluation of DoD Efforts to Combat Trafficking in Persons in Kuwait,” June 11, 2019.

## Defense Criminal Investigative Service Highlights

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



### Contractor to Pay \$48.5 Million to Resolve Claims Related to Contract Fraud

On February 23, 2022, food service equipment contractor TriMark USA agreed to pay \$48.5 million to resolve allegations that its subsidiaries TriMark Gill Marketing and Gill Group, Inc., improperly manipulated Federal small business set-aside contracts intended for service-disabled veteran-owned small businesses. This settlement constitutes the largest-ever False Claims Act recovery based on allegations of small business contracting fraud. Former TriMark executive Kimberley Rimsza also agreed to pay an additional \$100,000 as an individual civil penalty for her conduct in connection with the scheme, which resulted in Federal agencies improperly awarding

Government set-aside contracts between 2011 and 2021 to three small businesses with which TriMark closely worked. TriMark and Rimsza admitted that, when Federal agencies awarded the set-aside contracts to the small businesses, it was typically TriMark, rather than the small business themselves, that performed substantially all the work, while the small businesses merely billed the Government. TriMark, which fully cooperated in the Government’s investigation, represented that it has taken “comprehensive measures and implemented enhanced controls” to prevent the recurrence of similar conduct, including making personnel changes and implementing revised compliance procedures and training programs. The DoD OIG Defense Criminal Investigative Service (DCIS) investigated this matter jointly with the Department of Veterans Affairs (VA) OIG, General Services Administration OIG, Department of Homeland Security OIG, Air Force Office of Special Investigations, Army Criminal Investigation Division, and Small Business Administration OIG.

### Former Lab Director Sentenced for Falsifying Steel Testing Records for Parts for Navy Submarines

On February 14, 2022, the former Director of Metallurgy at Bradken Inc. was sentenced to 30 months in prison and fined \$50,000 for falsifying the results of tests to measure the strength and toughness of steel sold for installation in Navy submarines. Elaine Thomas pleaded guilty to major fraud against the United States in November 2021. Bradken is the Navy’s leading supplier of high-yield steel castings for naval submarines, and its Tacoma foundry produces castings that prime contractors use to fabricate submarine hulls. The Navy requires that the steel meets certain standards for strength and toughness to ensure that it does not fail under circumstances such as a collision. For 30 years, Thomas falsified test results to hide the fact that castings from Bradken’s Tacoma foundry did not meet these standards. Thomas falsified results for over 240 productions of steel, which represents about half the castings Bradken produced for the Navy. In April 2020, Bradken entered into a deferred prosecution agreement, accepting responsibility for the offense and agreeing to take remedial measures while also paying a nearly \$11 million civil settlement.

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

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The Navy has taken extensive steps to ensure the safe operation of 30 affected submarines. To date, the Navy says it has spent nearly \$14 million, including 50,000 hours of engineering work, to assess the parts and risk to the submarines. DCIS investigated this matter jointly with the Naval Criminal Investigative Service (NCIS) and the Defense Contract Audit Agency.

### **Lab Company Founders and Doctors Indicted for \$300 Million Health Care Fraud**

On February 10, 2022, 10 people, including 2 medical doctors, were charged in a 26-count indictment related to a \$300 million health care fraud. The founders of several lab companies, including Unified Laboratory Services (Unified), Spectrum Diagnostic Laboratory (Spectrum), and Reliable Labs LLC (Reliable), allegedly paid kickbacks to induce medical professionals to order medically unnecessary lab tests, which they then billed to Medicare and other Federal health care programs. After allegedly accepting the bribes, these medical professionals ordered millions of dollars' worth of these tests. Meanwhile, Unified, Spectrum, and Reliable disguised the kickbacks as legitimate business transactions, including as medical advisor agreement payments, salary offsets, lease payments, and marketing commissions. Knowing they could disguise additional kickbacks using a provider-ownership model, the founder of both Spectrum and Unified convinced Reliable to convert to a physician-owned lab. Reliable offered physicians ownership opportunities only if they referred an adequate number of lab tests. As a result of this scheme, these labs were able to submit more than \$300 million in billing to Federal health care programs. DCIS investigated this matter jointly with the Federal Bureau of Investigation (FBI), Department of Health and Human Services (HHS) OIG, and VA OIG.

### **Medical Center Agrees to Pay \$3.8 Million to Resolve False Claims Act Violations**

On February 9, 2022, Catholic Medical Center (CMC) agreed to pay \$3.8 million to resolve allegations that it violated the civil False Claims Act by improperly inducing patient referrals from a separate doctor through a weekend and holiday coverage service in violation of the Anti-Kickback Statute. Prosecutors asserted that the hospital paid its own cardiologists to cover for, and to be available to provide medical services for, another doctor's patients when she was unavailable. Prosecutors further alleged that CMC provided this call coverage service, which was of great value to the non-CMC doctor, at no charge. In return, the doctor who received the free coverage favored CMC when referring medical work outside of her practice, sending millions of dollars in medical procedures and services to CMC over a decade. Since CMC submitted payment claims for these services to Medicare, Medicaid, and other Federal health care programs, prosecutors alleged that these claims were the result of unlawful kickbacks. The Anti-Kickback Statute makes it illegal for a hospital to provide anything of value to physicians in exchange for referrals of Government-insured health care programs. DCIS investigated this matter jointly with the HHS OIG and FBI.

### **Contractor Sentenced for Paying Bribes and Defrauding the United States**

On February 4, 2022, a Florida contractor was sentenced to 15 years in prison for orchestrating a bribery and kickback conspiracy and committing fraud in connection with a DoD OIG contract. William Wilson, the owner of a company sub-contracted to provide information technology services to the DoD OIG, paid tens of thousands of dollars in bribes to Mathew Kekoa LumHo, then employed at the DoD OIG. In return, LumHo directed work to Wilson's company by placing fraudulent service orders through a Government contract

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

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that LumHo controlled. Wilson also paid numerous kickbacks to Ronald Capallia, then an employee for a telecommunications company that was a prime contractor to the Government. In exchange, Capallia directed work and provided favorable treatment to Wilson's companies as subcontractors to the telecommunications company. As a result, Wilson's company was awarded a subcontract while possessing no relevant experience or expertise and having no employees based in or near northern Virginia, where all the work was to be performed. Wilson frequently disguised the bribes and kickbacks to Capallia and LumHo through fake invoices for services that he never provided, or by masking the payments as payroll to relatives of Capallia and LumHo for jobs that did not exist. Furthermore, the co-conspirators repeatedly sought to interfere with the criminal investigation by creating false documentation, making false statements to law enforcement officials, lying on a financial disclosure form, committing perjury during sworn civil deposition testimony, and tampering or attempting to tamper with a witness. Wilson also threatened to murder Capallia and his family members by slitting their throats if Capallia ever testified on behalf of the Government. Capallia pleaded guilty in January 2018 to his role in the conspiracy and was sentenced to 1 year and 1 day of imprisonment in September 2021. Lumho was convicted at trial and sentenced to 7 years and 6 months in prison on January 14, 2022. DCIS investigated this matter jointly with the FBI.

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

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#### **Audit of Department of Defense Reporting on Obligations and Expenditures in Support of Operation Allies Welcome**

The objective of this audit is to determine whether the DoD properly recorded Operation Allies Welcome obligations and expenditures for their intended purpose. We will also determine whether the DoD accurately reported its spending to Congress.

#### **Audit of Environmental Threats to Naval Dry Docks**

The objective of this audit is to determine whether Navy officials planned for environmental threats to naval dry docks, in accordance with Federal and DoD policies

#### **Audit of the Navy's Accelerated Promotion Program Suspension**

The objective of this audit is to determine whether employees hired at the Navy's four public shipyards were affected by the suspension of the Accelerated Promotion Program in 2016 and, if so, determine the number of employees affected. For employees affected, the audit will determine the monetary impact to those employees, and whether they are entitled to additional compensation, and, if so, identify the amount.

#### **Audit of the Department of Defense's Financial Management of the Afghanistan Security Forces Fund**

The objective of this audit is to determine whether the DoD managed the Afghanistan Security Forces Fund in accordance with applicable laws and regulations.



## **Announced Projects (*cont'd*)**

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### **Evaluation of the Department of Defense's Secure Unclassified Network Cybersecurity Controls**

The objective of this evaluation is to determine whether the DoD developed, implemented, maintained, and updated cybersecurity and governance controls in accordance with DoD guidance to protect the Secure Unclassified Network, and the data and technologies that reside on it, from internal and external threats.

### **Review of the Air Force Office of Special Investigations Internal Control Systems for Criminal Investigations and Supporting Programs**

The objective of this review is to determine the extent to which the Air Force Office of Special Investigations (OSI) Internal Control Systems internal controls and inspections are suitably designed to efficiently and effectively provide reasonable assurance that OSI personnel are complying with DoD and Service investigative standards and policies to ensure high quality and timely criminal investigations. Additionally, the review will determine whether OSI investigative support programs provide efficient and effective support to criminal investigations, and whether OSI personnel respond to and investigate allegations of criminal incidents, as required by DoD and Service policy.