

# Newsletter



## Ukraine Oversight

As the size and scope of Department of Defense (DoD) support to Ukraine continues to increase, the DoD Office of Inspector General (OIG) is committed to ensuring comprehensive and timely oversight to promote efficiency and prevent fraud, waste, and abuse. Leveraging its technical expertise, existing resources, and established presence in Germany, the DoD OIG remains fully engaged in overseeing the DoD's execution of funding and delivery of aid to Ukraine.

In addition to conducting seven ongoing projects related to Ukraine, the DoD OIG continues to consider and plan additional oversight work in high-risk areas. Auditors and evaluators identify potential projects based on a variety of factors, such as issues highlighted in previous oversight work, legislation, and independent research, assessment, and judgment. For example, during a recent trip to Germany to visit the U.S. European Command (USEUCOM) Headquarters, Acting DoD Inspector General (IG) Sean O'Donnell and Deputy Inspector General (DIG) Troy Meyer met with USEUCOM leaders and the USEUCOM IG to learn about challenges the DoD faces in providing support to Ukraine—insights that are now informing oversight planning.

Meanwhile, the DoD OIG's Data Analytics Team is leveraging its expertise with DoD financial systems to understand the data associated with spending for Ukraine. For example, the team identified the universe of DoD contracts related to Ukraine supplemental appropriations, applying advanced algorithms to identify and validate actions related to Ukraine support. With an accurate and comprehensive data set of contracts, the DoD OIG can better prioritize oversight efforts, identify systemic issues, and target the highest risks. The DoD OIG is currently actively tracking almost 8,000 contract actions worth more than \$2 billion for weapons and material the DoD is providing to Ukraine.

The DoD OIG also continues to lead a joint working group with representatives from multiple Federal oversight agencies to ensure a whole-of-government approach to Ukraine oversight, and to coordinate closely with its partners at the Department of State (DoS) and U.S. Agency for International Development (USAID) OIGs.

In addition, the DoD OIG's Defense Criminal Investigative Service (DCIS) leads regular coordination with Military Criminal Investigative Organizations, the DoS and USAID OIGs, and other law enforcement and oversight partners to counter criminal actors and strategic competitors seeking to exploit rapid acquisitions and equipment transfers in support of Ukraine. DCIS recently hosted an international European Fraud Working Group. The event focused on DoD procurement fraud and public corruption issues in Europe and Africa, with special emphasis on oversight of the DoD's efforts in support of Ukraine. More than 90 investigators, police, auditors, attorneys, analysts, and contracting officials attended, including representatives from the North Atlantic Treaty Organization, Germany's Federal Criminal Policy Office and Federal Central Tax Office, the United Kingdom's International Crime Coordination Center, and the Department of Justice, DoS, USAID, Internal Revenue Service, Federal Law Enforcement Training Center, and several DoD organizations.

The DoD OIG remains committed to keeping Congress fully informed of its oversight work related to Ukraine. In August, Acting IG O'Donnell and DIG Meyer provided two briefings for congressional staff on the DoD OIG's oversight work related to Ukraine. During both briefings, they discussed ongoing audits and evaluations, and DCIS's commitment to monitor and investigate cases involving weapons and counter-proliferation. Acting IG O'Donnell and DIG Meyer also shared with congressional staff the key takeaways from their recent trip to Germany.

Below is an oversight product on Ukraine appropriations that the DoD OIG expects to issue in the next 30 days. You can find the DoD OIG's completed and ongoing work related to Ukraine and the USEUCOM area of responsibility at the following link: <https://www.dodig.mil/Ukraine/>

### *Upcoming Report*

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

This research project examines the DoD's processes for tracking, reprogramming, and reporting the use of funds provided for assistance to Ukraine.

### **Recently Issued Reports** (To view the reports, click on the title)

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#### **Audit of the Department of Defense Components' Response to the SolarWinds Orion Compromise**

This audit determined 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. This report is classified.

#### **Audit of TRICARE Ambulance Transportation Reimbursements**

This audit determined that the Defense Health Agency (DHA), through its contractors, made improper payments for ground ambulance transportation services. The DHA improperly paid \$28,516.97 on 85 of the 182 claims in the audit's statistical sample. In addition, the Military Health System Data Repository (MDR) contained inaccurate and incomplete transport and payment information. Without sufficient medical documentation and adequate controls, the DHA will continue to incur millions of dollars in improper payments on ground ambulance transports and miss the opportunity to potentially recover at least an

estimated \$118.85 million in improper payments. In addition, improper payment estimates and reporting will be understated, inaccurate and incomplete data will affect the DHA's ability to review and report on data for ground ambulance transports, and overseas transport claims will not have accurate baseline costs for future comparison. Finally, without adequate controls to prevent overpaying for services not provided, the DHA will continue to waste funds that could otherwise enhance the quality of health care for beneficiaries. The DoD OIG made 12 recommendations, including that the DHA Director reinforce contractor requirements to obtain documentation necessary to support the medical necessity of ambulance transports and require the TRICARE contractors to reeducate providers about the importance of submitting supporting documentation with claims and in response to requests for post-payment reviews.

## **Special Report: Lessons Learned From the Audit of Department of Defense Support for the Relocation of Afghan Nationals**

This audit determined that the DoD successfully provided housing and sustainment, medical care, and security for more than 34,900 Afghans traveling through two installations in Germany and for more than 73,500 Afghan evacuees at eight U.S. installations. This special report identified eight lessons learned from 11 management advisories the DoD OIG issued related to Operation Allies Refuge and Operation Allies Welcome. The lessons learned include establishing agreements between Federal agencies to define roles and responsibilities, establishing standard accountability procedures, identifying funding limitations, and reprogramming funds when possible to resource mission essential requirements. The DoD OIG did not make recommendations in this report.

## **External Peer Review of the U.S. Special Operations Command, Office of Inspector General, Audit Branch**

This report reviewed the system of quality control for the U.S. Special Operations Command, Office of Inspector General, Audit Branch (SOIG-A), in effect for the 3-year period ended December 31, 2021. In the DoD OIG's opinion, the system of quality control for the SOIG-A in effect for the 3-year period ended December 31, 2021, has been suitably designed and complied with to provide the SOIG-A 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 SOIG-A has received an external peer review rating of pass. The DoD OIG did not make any recommendations in this report.

## **Quality Control Review of the Clark Nuber P.S. FY 2020 Single Audit of The Geneva Foundation**

This quality control review determined that Clark Nuber auditors did not comply with generally accepted government auditing standards (GAGAS) and Uniform Guidance requirements when they reviewed the Special Tests and Provisions compliance requirement for The Geneva Foundation. Specifically, the Clark Nuber auditors identified key personnel requirements as a special test and provision that they planned to test. However, the Clark Nuber audit documentation did not include evidence of the audit procedures performed to test the Foundation's compliance with key personnel requirements. As a result of the lack of documentation, the DoD OIG concluded that the Clark Nuber auditors did not support their conclusion and need to perform additional audit procedures before users of the single audit report can rely on the auditors' conclusion that the Foundation complied with key personnel requirements. Except for Clark Nuber's review of the Special Tests and Provisions compliance requirement, the FY 2020 single audit of the Foundation

complied with GAGAS and Uniform Guidance requirements. The DOD OIG made two recommendations, including that the Clark Nuber Shareholder perform and document additional audit procedures for the FY 2020 single audit to test the Foundation's compliance with key personnel requirements, and update the FY 2020 single audit report of The Geneva Foundation, as necessary, for the results of the additional audit procedures.

### **Evaluation of the August 29, 2021 Strike in Kabul, Afghanistan**

This evaluation determined whether the August 29, 2021 strike in Kabul, Afghanistan, was conducted in accordance with DoD policies and procedures. Specifically, the evaluation reviewed the pre-strike targeting process, damage assessment and civilian casualty review and reporting process, and post-strike reporting of information. This report is classified.

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

This evaluation determined that the DoD does not have an overall law enforcement policy covering DoD Law Enforcement Organizations' (LEOs) response to an active shooter incident, but five existing policies contain some elements that provide active shooter incident response requirements. These elements, although related to emergency management, arming of personnel, lessons learned, incident response plans, and training, provide only minimal active shooter incident response requirements. Due to the lack of an overall active shooter DoD law enforcement policy, DoD LEOs did not consistently comply with the five existing DoD policies and did not establish consistent policies, plans, or training for responding to an active shooter incident. This report contained a recommendation that the Under Secretary of Defense for Intelligence and Security update DoD Directive 5210.56, or other appropriate policy, to include and standardize active shooter incident response procedures and planning, equipment, and training requirements for all DoD and Service LEOs.

## **Upcoming Reports**

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### **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.

### **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 Defense Federal Mall Purchases**

This audit determines whether the DoD made purchases through Federal Mall in accordance with Federal and DoD policies.

## **Audit of Department of Defense Other Transactions and the Use of Non-Traditional Contractors**

This audit determines whether the DoD awarded Other Transactions for prototypes in accordance with applicable Federal laws and DoD policies.

## **Audit of the Department of Defense Certification Process for Coronavirus Aid, Relief, and Economic Security Act Section 4003 Loans Provided to Companies Designated as Critical to Maintaining National Security**

This audit determines whether DoD officials adequately supported decisions when verifying and certifying businesses as critical to maintaining national security for loans under section 4003 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

## **Audit of the Department of Defense Component Insider Threat Reporting to the Department of Defense Insider Threat Management and Analysis Center**

This audit determines whether DoD Components reported insider threat incidents to the DoD Insider Threat Management and Analysis Center in accordance with DoD guidance.

## **Audit of U.S. Southern Command's Execution of Coronavirus Aid, Relief, and Economic Security Act Funding**

This audit determines whether U.S. Southern Command officials used CARES Act funding to support the coronavirus disease-2019 pandemic response and operations in accordance with Federal laws and DoD policies.

## **Audit of the Department of Defense Counter-Islamic State of Iraq and Syria Train and Equip Fund Stipends to the Vetted Syrian Opposition**

This audit determines whether the DoD verified that Vetted Syrian Opposition groups met DoD requirements when providing the groups with stipends from the Counter-Islamic State of Iraq and Syria Train and Equip Fund for Syria. We will also determine whether the DoD established internal controls to ensure the stipend payments were accurately distributed to Vetted Syrian Opposition groups. This report will be classified.

## **Audit of Vetting of International Students Enrolled in U.S.-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.

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

This evaluation summarizes previous oversight reports related to security cooperation activities in Afghanistan, Iraq, and Africa.



# Defense Criminal Investigative Service Highlights

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



## Former Senior U.S. Navy Employee Convicted for Bribery, Conspiracy, and Lying to Investigators

On August 19, 2022, Fernando Xavier Monroy, the former Director of Operations for the U.S. Navy Military Sealift Command Office in Busan, South Korea, was convicted of bribery, conspiracy to commit bribery, and making false statements. Monroy conspired with the owner of DK Marine, a South Korea-based company that provided services to the Navy, and a former civilian Navy cargo ship captain. Monroy conspired to unlawfully provide services for the Navy ship, captained by one of Monroy's co-conspirators, during a December 2013 port visit in Chinhae, South Korea. He also provided another co-conspirator with confidential and proprietary, internal Navy

information. In exchange for steering business and providing such information to his co-conspirators, Monroy's co-conspirators bribed him with cash, personal travel expenses, meals and alcoholic beverages, and the services of prostitutes. The Defense Criminal Investigative Service (DCIS) investigated this matter jointly with Naval Criminal Investigative Service.

## Man Pleads Guilty to Wire Fraud and Illegally Exporting Defense Articles to Turkey

On August 10, 2022, Arif Ugur, a Turkish national, pleaded guilty in connection with his scheme to illegally export defense technical data to foreign nationals in Turkey for the fraudulent manufacturing of various U.S. military parts, in violation of the Arms Export Control Act. Ugur founded and was the sole managing partner of the Anatolia Group Limited Partnership, through which he bid on and acquired numerous contracts to supply the DoD with a variety of machine parts and hardware items intended for use by the U.S. military. Many of these contracts required that the parts be manufactured in the United States. In his initial bids and in subsequent e-mail communications with DoD representatives, Ugur falsely claimed that Anatolia manufactured the parts in the United States; however, Ugur had no manufacturing facilities in the United States or elsewhere. Instead, Ugur contracted with a Turkish manufacturer to make the parts and then passed them off to DoD as if they had been manufactured by Anatolia in the United States. DCIS investigated this matter jointly with Homeland Security Investigations and the Department of Commerce Office of Export Enforcement.

## Aircraft Parts Foundry Agrees to Settle False Claims Act Allegations

On August 5, 2022, WDC Acquisitions LLC, doing business as Wellman Dynamics (Wellman), agreed to pay \$500,000 to resolve alleged violations of the False Claims Act for failing to conduct contractually required testing and falsifying test results for parts used in military aircraft. Wellman manufactures large metal castings that it supplies to prime defense contractors for use in the UH-1Y, AH-1Z, AH-64 Apache, V22 Osprey, and UH-60 Black Hawk programs. Between 2014 and 2021, Wellman allegedly failed to conduct required metallurgic and other tests on the castings, and falsely certified results of tests that had not been performed. The settlement was based on an analysis of the company's ability to pay. DCIS investigated this matter jointly with the Department of Justice Civil Division's Commercial Litigation Branch.

## **Two Companies Plead Guilty in Bid Rigging Scheme for Insulation Contract**

On August 3, 2022, BC Flynn Contracting Corp and Axion Specialty Contracting LLC pleaded guilty for their roles in a conspiracy to rig bids on insulation contracts in Connecticut in violation of antitrust laws. In addition, BC Flynn pleaded guilty to engaging in criminal fraud related to those insulation contracts. Beginning as early as June 2011 and continuing until as late as March 2018, BC Flynn and Axion conspired with other companies and individuals to rig bids on contracts for installing insulation around pipes and ducts on construction projects at universities, hospitals, and other public and private entities in Connecticut. DCIS investigated this matter jointly with the Federal Bureau of Investigation.

## **Company Agrees to \$7.6 Million Judgment for Violating False Claims Act**

On August 2, 2022, Vertical Source LLC, VE Source LLC, and VE Source's owners, Sherman Barton and Christopher Neary, defrauded the Federal Government by falsely claiming that VE Source was eligible for Government contracts set aside for companies owned and controlled by service-disabled veterans. VE Source allegedly obtained contracts from the Department of Agriculture and the Defense Logistics Agency totaling more than \$16.5 million for which they were ineligible, undercutting the express congressional purpose in enacting laws intended to encourage awarding Federal contracts to businesses owned and controlled by service-disabled veterans. VE Source agreed to pay \$7.6 million in conjunction with its role in the scheme. In addition, Neary will pay \$120,000, Barton will pay \$75,000, and Vertical Source will pay \$180,000 to resolve claims made in a civil lawsuit filed under the False Claims Act. DCIS investigated this matter with General Services Administration and Department of Agriculture OIGs.

## **Announced Projects** (To view the announcement letters, please click on the title)

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### **Audit of the Organs Retained for Forensic Examination by the Armed Forces Medical Examiner System**

The objective of this audit is to determine whether DoD officials had effective controls in place to manage the retention and disposition of organs examined by the Armed Forces Medical Examiner System.

### **Audit of Department of Defense Health Care Personnel Shortages During the Coronavirus Disease-2019 Pandemic**

The objective of this audit is to determine whether DoD medical treatment facilities experienced shortages in health care personnel during the COVID-19 pandemic, the impact of personnel shortages, and mitigation strategies to reduce shortages during future pandemics.

### **Audit of the Army's Management of Army Prepositioned Stock-5 Equipment**

The objective of this audit is to determine whether the Army adequately maintained and accurately accounted for Army Prepositioned Stock-5 equipment in accordance with Federal and DoD regulations.

### **Evaluation of the Army and the Navy Hypersonic Weapon Systems Program Offices' Ability to Meet Milestones**

The objective of this evaluation is to determine whether the Army Long Range Hypersonic Weapon and the Navy Conventional Prompt Strike Program Offices are meeting their weapon systems development and fielding timelines and milestones.

## **Evaluation of the Army-Navy Transportable Radar Surveillance and Control Model 2 Ballistic Missile Defense System in the U.S. Indo-Pacific Command's Area of Responsibility**

The objective of this evaluation is to determine whether the capabilities of the Army-Navy Transportable Radar Surveillance and Control Model 2 Ballistic Missile Defense System meet U.S. Indo-Pacific Command missile defense requirements.

## **Evaluation of the Department of Defense's Health, Safety, and Environmental Hazard Identification and Remediation Oversight Reform in Privatized Military Housing**

The objective of this evaluation is to determine the extent of the DoD's compliance with privatized military housing oversight requirements related to health, safety, and environmental hazard identification and remediation in the National Defense Authorization Acts (NDAAs) for FYs 2020 and 2021. This evaluation is the third in a series of three evaluations responsive to requirements in section 3044 of the FY 2020 NDAA.

## **In Case You Missed It** (To view the report, please click on the title)

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## **Lead Inspector General Report for Operation Enduring Sentinel and Operation Freedom's Sentinel ~ Quarterly Report to the United States Congress ~ April 1, 2022 – June 30, 2022**

This Lead Inspector General (IG) report to Congress is the 3rd quarterly report on Operation Enduring Sentinel (OES) and the 29th 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 work. This report covers the period from April 1 through June 30, 2022.