

Inspector General

United States
Department *of* Defense



Semiannual Report to the Congress

April 1, 2006 - September 30, 2006

Required by Public Law 95-452

Office of the Inspector General

Department of Defense

VISION

One professional team strengthening the integrity, efficiency, and effectiveness of Department of Defense programs and operations.

MISSION

The Office of the Inspector General promotes integrity, accountability, and improvement of the Department of Defense personnel, programs, and operations to support the Department's mission and to serve the public interest.

Goal 1:

Improve the economy, efficiency, and effectiveness of Department of Defense personnel, programs, and operations.

Goal 2:

Eliminate fraud, waste, and abuse in the programs and operations of the Department.

Goal 3:

Improve the efficiency and effectiveness of Inspector General products, processes, and operations.

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FOREWORD

The Global War on Terror (GWOT) is at the forefront of our national concerns, and continues to be a priority for the Department of Defense (DoD) Office of the Inspector General (OIG). We continue to work with the Department and with Congress to provide the oversight needed to ensure Defense resources are used effectively in the war against terrorism and to support U.S. Armed Forces in Iraq and Afghanistan. This Semiannual Report to the Congress includes an overview that highlights the GWOT-related work and accomplishments of the DoD OIG, as well as the other DoD investigative, auditing and inspection organizations.

While GWOT remains a primary focus of our efforts, we remain fully engaged in other Defense programs and activities and have maintained our commitments to criminal investigations; audits of a wide range of DoD contractual and financial interests including systems acquisition, services, and retirement pay; and inspections of programs and procedures throughout DoD. At the same time, we must continue to address unforeseen contingencies in response to concerns from both the Department and Congress on the management and direction of Defense programs.

The demands on the OIG workforce are great and I am proud of the accomplishments highlighted in this report, which include:

- Achieving over \$1.9 billion in investigative recoveries,
- Attaining \$21 billion in audit monetary benefits, and
- Preparing OIG managers and employees to implement the National Security Personnel System.

The fact that the DoD OIG has been able to accomplish so much in so many different areas, while maintaining a high pace of operations, is a tribute to the dedication and professionalism of the men and women of the Office of Inspector General and their commitment to promoting integrity, accountability and efficiency within the DoD.



Thomas F. Gimble
Acting Inspector General

Department of Defense Office of the Inspector General

Statistical Highlights

The following statistical data highlights Department of Defense Office of the Inspector General activities and accomplishments during the April 1, 2006 to September 30, 2006 reporting period.

Investigations¹

Total returned to the U.S. Government.....	\$1.9 Billion
Seizures and Recoveries.....	\$.6 Million
Civil Judgments.....	\$1.6 Billion
Criminal Judgments.....	\$20.9 Million
Administrative Judgments.....	\$335.6 Million
Investigative Cases	
Indictments.....	177
Convictions.....	139
Suspensions.....	14
Debarments.....	34

Audit

Audit Reports Issued.....	56
Monetary Benefits	
Recommendations Made on Funds Put to Better Use.....	\$129.9 Million
Achieved Monetary Benefits (Funds Put to Better Use).....	\$20,998.2 Million

Hotline Activities

Contacts.....	7,455
Cases Opened.....	1,072
Cases Closed.....	1,215

1 Includes investigations conducted jointly with other federal and Defense Criminal Investigative Organizations.

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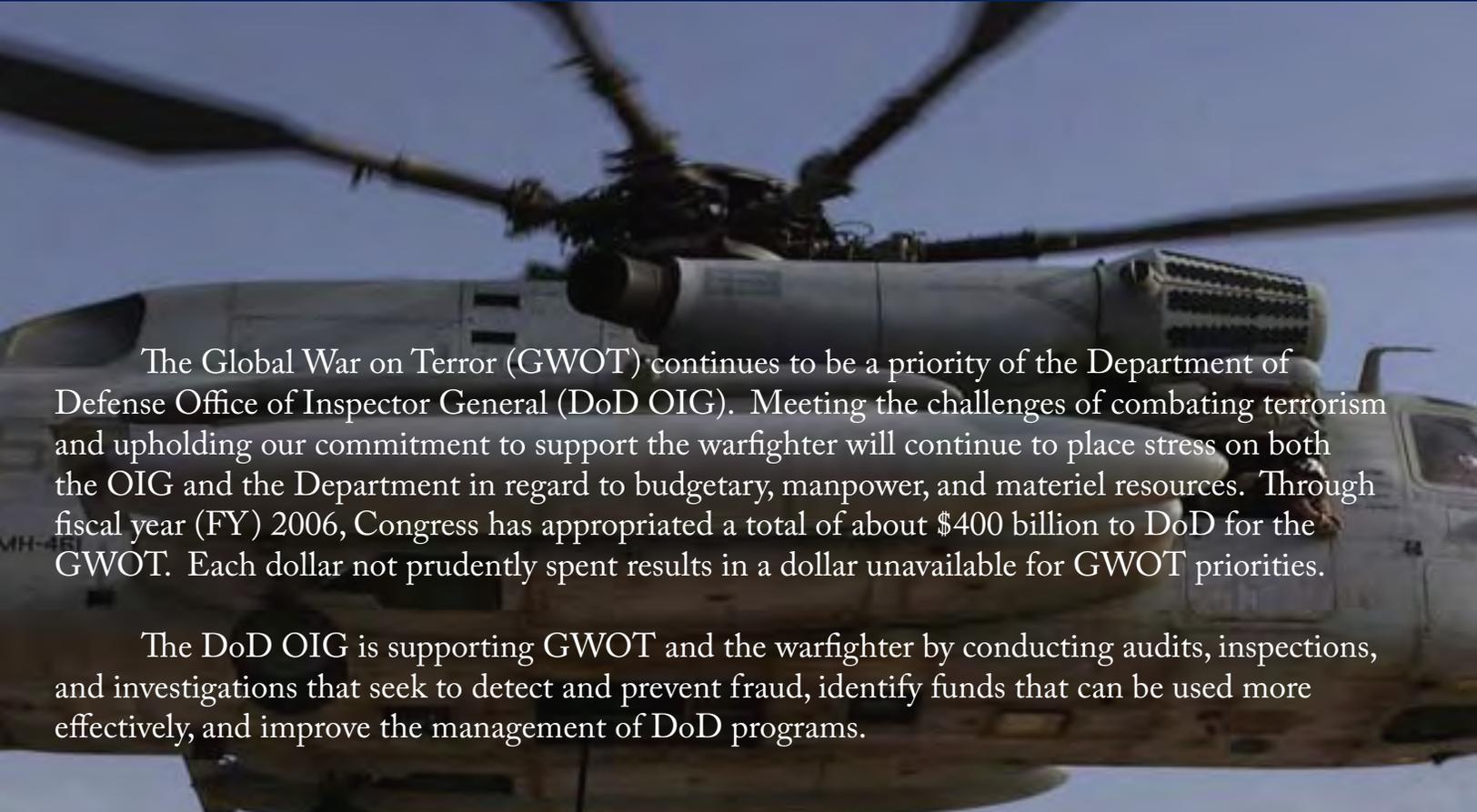
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INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

The Table below cross-references the specific pages in this semiannual report to the reporting requirements prescribed by the Inspector General Act of 1978 (Public Law 95-452), as amended.

IG Act References	Reporting Requirements	Page
Section 4(a)(2)	“review existing and proposed legislation and regulations...make recommendations...”	69-70
Section 5(a)(1)	“description of significant problems, abuses, and deficiencies...”	39-59
Section 5(a)(2)	“description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies...”	39-59
Section 5(a)(3)	“identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed...”	61-62
Section 5(a)(4)	“a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted..”	39-59
Section 5(a)(5)	“a summary of each report made to the [Secretary of Defense] under section 6(b)(2)...” (instances where information requested was refused or not provided”	N/A
Section 5(a)(6)	“a listing, subdivided according to subject matter, of each audit report issued..” showing dollar value of questioned costs and recommendations that funds be put to better use.	71-82, 83
Section 5(a)(7)	“a summary of each particularly significant report...”	39-59
Section 5(a)(8)	“statistical tables showing the total number of audit reports and the total dollar value of questioned costs...”	84
Section 5(a)(9)	“statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management...”	84
Section 5(a)(10)	“a summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period...”	84
Section 5(a)(11)	“a description and explanation of the reasons for any significant revised management decision...”	N/A
Section 5(a)(12)	“information concerning any significant management decision with which the Inspector General is in disagreement...”	N/A
Section 5(a)(13)	“information described under Section 804 [sic] of the Federal Financial Management Improvement Act of 1996...” (instances and reasons when an agency has not met target dates established in a remediation plan)	N/A
Section 5(b)(2)	“statistical tables showing the total number of audit reports and the dollar value of disallowed costs...”	85
Section 5(b)(3)	“statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision...”	85
Section 5(b)(4)	“a statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year...”	88-110
Section 8(f)(1)	“information concerning the number and types of contract audits...”	86

GLOBAL WAR ON TERROR



The Global War on Terror (GWOT) continues to be a priority of the Department of Defense Office of Inspector General (DoD OIG). Meeting the challenges of combating terrorism and upholding our commitment to support the warfighter will continue to place stress on both the OIG and the Department in regard to budgetary, manpower, and materiel resources. Through fiscal year (FY) 2006, Congress has appropriated a total of about \$400 billion to DoD for the GWOT. Each dollar not prudently spent results in a dollar unavailable for GWOT priorities.

The DoD OIG is supporting GWOT and the warfighter by conducting audits, inspections, and investigations that seek to detect and prevent fraud, identify funds that can be used more effectively, and improve the management of DoD programs.

This chapter will provide information on the GWOT-related oversight and operations involving the following:

- GWOT Highlights
- DoD Office of the Inspector General
- Army
- Navy & Marine Corps
- U.S. Air Force
- Combatant Commands
- Other DoD Elements

DoD OIG GWOT Highlights

The DoD OIG is committed to supporting the GWOT and has established the following goals:

- Expand the DoD OIG presence in Southwest Asia to work on priority issues directly supporting efforts for Operation Enduring Freedom and Operation Iraqi Freedom.
- Increase coverage of DoD GWOT-related contracting, programs, and operations.
- Increase support to the Joint Terrorism Task Forces and increase Project Shield America activities.

The DoD OIG is highlighting the following efforts made during this reporting period to support the GWOT:

- Defense Criminal Investigative Service work with Joint Terrorism Task Forces
- Support to DoD Mission Operations
- DoD OIG Oversight Community
- DoD OIG Qatar Auditing Field Office
- Training Iraqi IGs
- Establishment of DoD OIG Hotline for Southwest Asia
- Southwest Asia Leadership Visits



Joint Terrorism Task Forces Supporting the Global War on Terror



DCIS special agents continue to effectively combat terrorism through a teamwork approach with the Joint Terrorism Task Forces (JTTF) throughout the United States.

JTTFs, considered the nation's "Front Line" in battling terrorism have been instrumental in breaking up terrorist cells such as the "Portland Seven," the "Lackawanna Six," and the Northern Virginia jihad.

"DCIS has 32 special agents assigned full-time to JTTFs . . ."

The JTTFs, comprised of small groups of highly trained, locally based investigators, analysts, linguists, and other specialists from U.S. law enforcement and intelligence agencies, allow agents to use all means and methods available to investigate crimes, conduct threat assessments, and access JTTF information relating to DoD operations, programs, and personnel.

DCIS has 32 special agents assigned full-time to JTTFs throughout the country and 18 agents who act as part-time DoD representatives at their local JTTFs.



DCIS participates in Joint Terrorism Task Forces in the following locations:

- National Joint Terrorism Task Force
- New York, NY
- Buffalo, NY
- Boston, MA
- Philadelphia, PA
- Harrisburg, PA
- Springfield, MA
- Raleigh, NC
- Jacksonville, FL
- Atlanta, GA
- Tampa, FL
- Nashville, TN
- Miami, FL
- Pensacola, FL
- St. Louis, MO
- Chicago, IL
- Cleveland, OH
- Columbus, OH
- Covington, KY
- Dayton, OH
- Indianapolis, IN
- Minneapolis, MN
- Kansas City, KA
- Merrillville, IN
- Albuquerque, NM
- Dallas, TX
- Denver, CO
- Phoenix, AZ
- Oklahoma City, OK
- Long Beach, CA
- Portland, OR
- Seattle, WA
- Los Angeles, CA
- San Diego, CA
- Santa Ana, CA
- Norfolk, VA
- Richmond, VA
- Washington, DC
- Charlottesville, VA



The DoD OIG is providing intensive support to the GWOT along with the the Army, Navy, and Air Force audit agencies, criminal investigative organizations, and inspectors general; the combatant command inspectors general; and inspectors general in other Defense Agencies. These offices are working together to provide comprehensive oversight of DoD operations.

The oversight community must play a vital role in helping to skillfully improve efficiency and enhance the effectiveness of DoD mission operations.



DOD MISSION OPERATIONS



DOD OVERSIGHT COMMUNITY

The DoD OIG along with the other services and agencies listed to the left are providing comprehensive oversight of DoD operations involving the GWOT, a few examples are listed in the following table:

DoD GWOT Operations Oversight	Description
Acquisition of Equipment	Projects examine body armor, small arms, and medium tactical vehicles.
Logistics Issues	Projects examine the equipment status of deployed forces, the management of prepositioned munitions, repairing High-Mobility Multipurpose Wheeled Vehicles, and the use of commercial transports.
Joint Terrorism Task Forces	Investigative support provided by the Defense Criminal Investigative Organizations.
Counterintelligence Operations	Investigative support provided by the Defense Criminal Investigative Organizations.
Readiness	Projects include regular inspections of units, personnel, equipment, and training.
Contract Oversight	Projects include reviews of contracts for information operations, potable water, the Logistics Civil Augmentation Program, and use of blanket purchase agreements.
GWOT Funding	Planned and ongoing projects examine the Iraq Security Forces Fund, funds for the military health system, and funds for military construction.



GWOT INITIATIVE

The DoD OIG Qatar Auditing Field Office



Flag of Qatar (left).

IG personnel at the Auditing Qatar Field Office (below).



The Office of the Inspector General established a new field office in Qatar co-located with the U.S. Central Command (CENTCOM).

The Auditing Field Office - Qatar, is staffed by as many as eight auditors at a time, rotating in and out of the area after tours of four to six months. The Auditing Field Office - Qatar is responsible for performing audits and other reviews as required throughout the CENTCOM area of responsibility.

SUPPORT TO THE GLOBAL WAR ON TERROR

DoD OIG Provides Assistance to Iraqi IGs



DoD OIG Support to the Iraqi Ministry of Defense, Office of the Inspector General

The DoD OIG has detailed a full-time evaluator to the Multi-National Security Transition Command - Iraq (MNSTC-I) in Baghdad to support the Iraqi Inspectors General for the Iraqi Security Forces (ISF), consisting of the Ministries of Defense (MOD) and Interior (MOI). Working with other MNSTC-I advisors, the DoD IG representative provides advice, mentoring, assistance, and training to the MOD and MOI IGs. Also, these advisors have begun detailed planning to deliver interim training to the MOD IG staff. The training will fill an immediate need until an Iraqi-operated educational institution for professional development is established.

As part of its effort in the GWOT, the DoD OIG is helping the Iraqi people develop their own inspector general system. The Multi National Security Transition Command -- Iraq (MNSTC--I) requested the DoD OIG Policy and Oversight, Inspections and Evaluations (I&E) directorate to assist in mentoring and training Iraqi federal and military inspectors general in the concepts and functions of the IG system. As a measure of the success of the training, MNSTC--I has requested additional training assistance. Below are summaries of the two P&O-I&E projects to mentor and train Iraqi federal and military inspectors general in the roles of the Iraqi IGs in promoting rules of law, anticorruption and human rights.

Iraqi Anti-Corruption & Principled Governance Initiative

This new project supports the Department of State (DoS) initiative to provide advisory support to the entire Iraqi Anti-Corruption system, which includes the 29 ministerial Inspectors General, the Commission on Public Integrity, the Board of Supreme Audit and the Central Criminal Court of Iraq. The DoD IG will participate in the DoS IG's plan for interested President's Council on Integrity and Efficiency (PCIE) members to send advisors to Iraq on a rotational basis.

SUPPORT TO THE GLOBAL WAR ON TERROR

DoD OIG Southwest Asia

Hotline Posters

In an effort to increase the ability of our military, contractors, and civilians in the Southwest Asia region to report allegations of fraud, waste and abuse, the DoD OIG has established a special Hotline program and is distributing 10,000 posters.

**Report: Fraud,
Waste, and Abuse**

Defense Hotline

DSN: 312-664-1151

Protect the Total Force

Military * Contractors * Civilians

**Contact the Department of Defense
Inspector General Hotline**

Email: hotline@dodig.mil **www.dodig.mil/hotline**

Send written complaints to:
Defense Hotline
The Pentagon
Washington, DC 20301-1900

SUPPORT TO THE GLOBAL WAR ON TERROR

Southwest Asia Leadership Visits



While visiting Southwest Asia in late April and early May 2006, during this reporting period, Acting DoD Inspector General, Thomas F. Gimble met with senior leaders to get their input and recommendations on how the DoD OIG could better service their commands. Below are some of the senior leaders with whom he met.



Gen. George W. Casey,
Commander,
Multi-National Forces Iraq



Lt. Gen. Peter Chiarelli,
Commanding General,
Multinational Corps Iraq



Brig. Gen. William A. Chambers is Deputy
Commanding General,
Combined Forces Command
- Afghanistan, U.S. Central
Command, Kabul Afghanistan



Lt. Gen. Martin Dempsey,
head of training for Iraqi
security forces



Maj. Gen. James A. Kelly,
Deputy Commanding General
for Operations, 3rd Army

SUPPORT TO THE GLOBAL WAR ON TERROR

OFFICE OF THE INSPECTOR GENERAL

The DoD OIG is committed to providing the resources necessary to this oversight effort. All four of the major components of the DoD OIG – Auditing, Investigations, Policy and Oversight, and Intelligence are actively involved in supporting GWOT.

AUDIT

The DoD OIG currently has four auditors deployed in the “Green Zone” in Baghdad, Iraq, and as many as eight in the DoD OIG’s auditing field office in Qatar, which became operational in March 2006. The Qatar Field Office, collocated with the United States Central Command (CENTCOM), is responsible for performing audits and other reviews as required throughout the CENTCOM area of responsibility (AOR), which covers most of Southwest Asia.



Iraq, the Green Zone.

ONGOING AUDITS

The DoD OIG has 16 ongoing GWOT-related audit projects involving critical readiness issues that directly impact the warfighter such as personal and operational equipment readiness; the sustainability of small arms programs, and resetting ground vehicles within the U.S. Army commands. The DoD OIG is

also focused on the oversight of funds and evaluation of internal controls relating to humanitarian relief and reconstruction efforts as well as the diligent execution of FY 2005 supplemental funds to equip and train the Iraq security forces. Many of the DoD OIG audits were initiated at Congress’ request after issues were brought to their attention, such as, water quality for U.S. forces in Southwest Asia, the procurement policies for armored vehicles, and the use of contractors for dissemination of information within the local community population. A brief overview of each audit is listed as follows:

Equipment Status of Deployed Forces: The DoD OIG is reviewing whether U.S. forces in Iraq and Afghanistan are equipped in accordance with mission requirements. The DoD OIG is evaluating whether units were provided the required items of equipment and whether equipment modifications satisfied mission requirements. A team of auditors visited Kuwait, Bahrain, Qatar, Afghanistan, and Iraq. The report is expected to be published during the 2nd Quarter of FY 2007.

Information Operations in Southwest Asia: For this congressionally requested audit, the DoD OIG is looking at the role private contractors are playing when conducting information operations activities. Specifically, the DoD OIG is reviewing the use of private contractors, to include but not limited to, the Lincoln Group in conducting information operations activities. In addition, the DoD OIG is reviewing the authority under which information operations activities were conducted, whether those activities conformed to applicable laws and regulations, and whether contracts were proper. The report is expected to be published during the 1st Quarter of FY 2007.

Commander’s Emergency Response Program: The Commander’s Emergency Response Program (CERP) helps local commands in Iraq and Afghanistan respond to urgent humanitarian relief and reconstruction requirements. The DoD OIG is evaluating management’s administration of the CERP program, and determining whether the internal controls set up for CERP in the Afghanistan AOR ensure protection of DoD assets. The DoD OIG Southwest Asia field office is performing the audit.

The report is expected to be published during the 1st Quarter of FY 2007.

Management of the Iraq Security Forces Fund,

Phase I: The DoD OIG is reviewing management of the Iraqi Security Forces Fund to determine whether the \$5.7 billion provided in the FY 2005 supplemental for equipping, facility and infrastructure repair, renovation and construction, supplying, and training the Iraq security forces was used appropriately. The DoD OIG is also assessing whether transfers to other DoD appropriations followed congressional intent and applicable appropriation law. The report is expected to be published during the 1st Quarter of FY 2007.

“All four of the major components of the DoD OIG are actively involved in supporting GWOT.”

Management of the Iraq Security Forces Fund—

Phase II: During the second phase of the Iraq Security Forces Fund audit, the DoD OIG is examining the obligations of the funds made by the Multi-National Security Transition Command-Iraq. The team of auditors deployed to Qatar and Iraq during September 2006. The report is expected to be published during the 2nd Quarter of FY 2007.

Joint Service Small Arms Program Related to the Availability, Maintainability and Reliability of Small Arms to Support the Warfighter:

The DoD OIG is evaluating the initiatives of the Joint Service Small Arms Program to support and sustain the warfighter in the current operating environment. The DoD OIG is specifically assessing availability of small arms for meeting current requirements as well as whether adequate control measures are in place that will ensure maintainability and reliability of fielded small arms weapons. The report is expected to be published during the 1st Quarter of FY 2007.

Potable and Nonpotable Water in Iraq: The DoD OIG is conducting the congressionally requested audit to evaluate the contractor's water quality testing processes for effectiveness and determine whether the internal controls set up for providing safe nonpotable

water ensures protection of U.S. forces in Iraq. The DoD OIG will determine if the processes for providing potable and nonpotable water to U.S. forces are adequate. The DoD OIG Qatar Field Office is performing the audit. The report is expected to be published during the 3rd Quarter of FY 2007.

Inspection Process of the Army Reset Program for Ground Vehicles for Units Returning from Operation Iraqi Freedom:

The DoD OIG is examining the Army Reset Program for Ground Vehicles of the units that return from Operation Iraqi Freedom to determine the effectiveness of the inspection process of the vehicles after their tour. The audit team will visit units in Iraq during the 1st Quarter of FY 2007. The report is expected to be published during the 4th Quarter of FY 2007.

Conditional Acceptance and Production of Army Medium Tactical Vehicles in Support of the Global War on Terror:

The DoD OIG is evaluating whether the Army is adequately protecting the government's interest when it includes conditional acceptance provisions in production contracts for the Family of Medium Tactical Vehicle Program. In addition, the DoD OIG is evaluating whether management is cost-effectively producing the Family of Medium Tactical Vehicles as funded in support of the GWOT. The report is expected to be published during the 3rd Quarter of FY 2007.

DoD Use of Global War on Terror Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation: The DoD OIG is evaluating the adequacy of DoD financial controls over use of GWOT supplemental funding provided for procurement and research, development, test, and evaluation. The DoD OIG is also determining whether the funds were placed on contracts and used for purposes stipulated in the congressionally-approved GWOT supplemental funding. A series of reports are expected to be published beginning in the 3rd or 4th Quarter of FY 2007.

Internal Controls Over Out-Of-Country Payments:

The DoD OIG is evaluating whether internal controls over out-of-country payments supporting GWOT provide reasonable assurance that payments are properly supported and recorded. The report is expected to be published during the 3rd Quarter of FY 2007.

Procurement Policy for Armored Vehicles: The DoD OIG is conducting this audit in response to a congressional request to review DoD procurement policies for armored vehicles. The DoD OIG is reviewing the procurement history for armored vehicle contracts to Armor Holdings, Inc., and Force Protection, Inc., in support of GWOT. The report is expected to be published during the 3rd Quarter of FY 2007.

U.S. Transportation Command Compliance with DoD Policy on the Use of Commercial Transport: The DoD OIG is conducting this audit in response to an allegation relating to the use of commercial sealift services made to the Defense Hotline. The DoD OIG is determining whether U.S. Transportation Command is complying with DoD policy on the use of commercial transport during wartime and whether those policies effectively provide optimal and cost effective logistics to the warfighter. The report is

expected to be published during the 3rd Quarter of FY 2007.

Management of Prepositioned Munitions: The DoD OIG is evaluating management of prepositioned munitions in the U.S. European Command and, specifically, the impact that the DoD transformation and the GWOT have had on the readiness of prepositioned munitions. The report is expected to be published during the 3rd Quarter of FY 2007.

Antideficiency Act Investigation of the Operation and Maintenance Appropriation Accounts 2142020 and 2152020: The DoD OIG audit is based on an investigation requested by the Army Inspector General relating to funding and contracting actions associated with the construction of internment facilities at Camp Bucca, Iraq. The DoD OIG is determining whether an Antideficiency Act Violation occurred in Appropriation Accounts 2142020 and 2152020. The report is expected to be issued during the 1st Quarter of FY 2007.

Audit Research on DoD Contracts Awarded to Parsons Corporation and its Subsidiaries: The DoD OIG announced this project on September 29, 2006. The DoD OIG will determine which DoD entities have contracted with Parsons Corporation, the scope



Since the beginning of military action in Iraq, U.S. Army disbursement sites in Iraq, Kuwait, Saudi Arabia, and Egypt have made at least \$10.7 billion in payments to contractors and vendors in the Middle East. The records are stored in Rome, NY, and are being audited by the DoD OIG's Defense Financial Auditing Service. The title of the audit is "Internal Controls over Out-of-Country Payments."

of the work being contracted, and the amount of funds under contract. The information may be used to select specific contracts for a more in depth review.

PLANNED AUDITS

On September 27, 2006, the DoD OIG issued its FY 2007 Audit Plan, which identifies nine planned GWOT-related audits. The audits will further answer congressional questions regarding procurement policies; evaluate requirements and training ranges for urban warfare training; and focus on a wide-range of funding issues including the management of emergency supplemental funds, the transfer of appropriated funds into the Foreign Military Sales (FMS) program, and special military pay disbursements. A brief overview of each planned audit is listed as follows:

Procurement Policy for Body Armor: The DoD OIG will conduct this audit in response to a congressional request. The DoD OIG will review DoD procurement policies for and effectiveness of body armor acquired and used in support of GWOT. The DoD OIG plans to begin the audit during the 1st Quarter of FY 2007.

DoD's Military Operations in Urban Terrain (MOUT) Training: The DoD OIG will evaluate whether requirements and training ranges for urban warfare training have been identified and whether they are adequate to meet the current and future needs of U.S. land forces. The DoD OIG plans to begin the audit during the 1st Quarter of FY 2007.

Afghanistan and Iraq Appropriated Funds Processed Through the Security Assistance Program: The DoD OIG will determine whether the Afghanistan and Iraq appropriated funds are being properly managed. Specifically, the OIG DoD will look at whether the transfer of the Afghanistan and Iraq appropriated funds from the Army's accounts into the FMS Trust Fund was properly authorized; whether funds for the Foreign Military Financing (FMF) Program being used on the Afghanistan and Iraq cases are being properly accounted for and being used for their intended purpose; whether Afghanistan and Iraq appropriated funds are being properly accounted for and used for their intended purpose; and whether

Afghanistan, Iraq, and FMF funds transferred to the FMS Trust Fund are being properly reported in the DoD financial statements. The DoD OIG plans to begin the audit during the 2nd Quarter of FY 2007.

Department of the Navy Military Pay in Support of the Global War on Terror: The DoD OIG will evaluate whether Department of the Navy (DoN) military payroll disbursed in support of GWOT is paid in accordance with established laws and regulations. The DoD OIG will also review DoD Special Pay disbursements to determine whether the Marine Corps military personnel on active and reserve duty status are paid accurately and timely. The DoD OIG plans to begin the audit during the 1st Quarter of FY 2007.

Global War on Terror Funding (Medical): The DoD OIG will evaluate how the military health system justified and used supplemental funds to support the GWOT. Specifically, the DoD OIG will determine whether the military health system has implemented sufficient controls over the use of these funds as directed by DoD guidelines. The DoD OIG plans to begin the audit during the 1st Quarter of FY 2007.

Management of the Afghanistan Security Forces Fund: The DoD OIG will evaluate whether the \$1.285 billion provided for the Afghanistan Security Forces Fund in Public Law 109-13, "Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005," May 11, 2005, for FY 2005 and FY 2006 is managed efficiently and effectively and whether the use of the funds complies with the legislative intent. The DoD OIG plans to begin the audit during the 3rd Quarter of FY 2007.

Military Construction Funds Related to the Global War on Terror: The DoD OIG will determine whether the military construction funds identified related to the GWOT were used for their intended purposes. The DoD OIG plans to begin the audit during the 2nd Quarter of FY 2007.

DoD Support to North Atlantic Treaty Organization Transformation Efforts: The DoD OIG will evaluate DoD support of the North Atlantic

Treaty Organization’s transformation efforts to meet evolving security challenges and combat the GWOT. Specifically, DoD OIG will evaluate DoD support to the North Atlantic Treaty Organization’s transformation in areas including, but not limited to, organization, training, materiel, and personnel. The DoD OIG plans to begin the audit during the 1st Quarter of FY 2007.

Selected Appropriated Funds Processed through the Security Assistance Program: The DoD OIG will determine whether selected appropriated funds processed through the Security Assistance Program and the FMS Trust Fund are properly managed. Specifically, the DoD OIG will focus on whether the FMF Program, Counter Narcotics Programs, Global Peace Operations Initiative, Coalition Solidarity, and Drawdown appropriated funds are properly accounted for and used for their intended purpose. The DoD OIG plans to begin the audit during the 4th Quarter of FY 2007.

INVESTIGATIONS



On September 22, 2006, the Defense Criminal Investigative Service (DCIS), the investigative arm of the DoD OIG, reestablished its presence Iraq. Two DCIS special agents are now collocated

with the U.S. Army Criminal Investigation Command (CID) office at Camp Victory near the Baghdad Airport. Two more DCIS special agents are scheduled to deploy to Kuwait in the fall 2006, where they will support investigative operations in Southwest Asia and elsewhere. A total of 17 DCIS special agents served in Iraq from May 2003 to October 2004. One of those special agents was wounded and later received the Secretary of Defense Medal for the Defense of Freedom.

DCIS currently has 37 active investigations directly relating to Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF). Ten of these cases are being investigated in the Southwest Asia theater of operations. The latter number will significantly increase as more agents arrive in theater. Current cases involve bribery, defective or substandard products, labor mischarging, defective pricing, kickbacks, false claims/false statements, illegal technology transfer, theft (including explosives/grenades/bombs), terrorism, conflict of interest, and gratuities, and there are two projects focused on developing more procurement fraud and kickback cases. A total of 27 agents, representing every DCIS field office, are engaged in these cases.

DCIS Investigations relating to Operation Enduring Freedom and Operation Iraqi Freedom

Open Investigations on OEF/OIF	37
Open Investigations in Southwest Asia	10
DCIS Agents Assigned to OEF/OIF Investigations	27
DCIS Agents in Southwest Asia* (2 agents in Iraq / 2 agents in Kuwait)	4

**As of October 30, 2006*

DCIS special agents continue to effectively combat terrorism through a teamwork approach with the Joint Terrorism Task Force (JTTF) throughout the United States. In addition to the traditional work of ensuring U.S. warfighters have the best and safest equipment available to accomplish their mission, DCIS special agents work with federal, state, and local law enforcement agencies, other Defense Criminal Investigative Organizations (DCIOs), such as, the U.S. Army CID, the Naval Criminal Investigative Service (NCIS), and the U.S. Air Force Office of Special Investigations (OSI) – and the intelligence units that comprise the JTTFs, to ensure terrorism information is shared and investigations are completed in a thorough and timely manner.

The four DCIOs provide investigative support to the GWOT. A cadre of DCIO special agents are assigned to Federal Bureau of Investigation-led JTTFs, located throughout the country. The JTTFs, comprised of small groups of highly trained, locally based investigators, analysts, linguists, and other specialists from U.S. law enforcement and intelligence agencies, allow agents to use all means and methods available to investigate crimes, conduct threat assessments, and access JTTF information relating to DoD operations, programs, and personnel. For example, DCIS currently has 32 special agents assigned full-time to JTTFs throughout the country and 18 agents who act as part-time DoD representatives at their local JTTFs. These agents investigate DoD-related leads, gather evidence, make arrests, provide security for DoD-related special events, conduct training, collect and share DoD-related criminal information, and respond to threats and incidents related to the DoD. Special agents ensure that issues that potentially impact the safety of DoD employees or interfere with the operations or administration of DoD programs are adequately investigated. JTTFs, considered the nation's "front line" in battling terrorism, have been instrumental in breaking up terrorist cells such as the "Portland Seven," the "Lackawanna Six," and the Northern Virginia jihad.

DCIS also shares information on a regular basis with other federal law enforcement and intelligence agencies, such as the Department of

Homeland Security, the Defense Intelligence Agency, and the DoD Counterintelligence Field Activity, who are involved in the GWOT. Additionally, DCIS special agents investigate Iraq-related criminal activity and participate in task force investigations focusing on public corruption and fraud in the Southwest Asia Theater. In September 2006, DCIS agents began six-month details in Kuwait and Iraq to conduct investigations in support of DoD operations in the Southwest Asia Theater. Investigations will primarily involve procurement fraud and public corruption.

"Two DCIS special agents are now collocated with the U.S. Army Criminal Investigation Command office at Camp Victory near the Baghdad Airport."

INTELLIGENCE

The DoD OIG's Office of Intelligence has completed and is conducting several reviews of high-profile issues related to the GWOT. These include:

Review of DoD-Directed Investigations of Detainee Abuse: On August 25, 2006, the DoD OIG published a report on the review to monitor allegations of detainee and prisoner abuse. The review revealed that allegations of detainee abuse were not consistently reported, investigated, or managed in an effective, systematic, and timely manner; interrogation support in Iraq lacked unity of command and unity of effort; and counterresistance interrogation techniques migrated to Iraq, in part, because operations personnel believed that traditional interrogation techniques were no longer effective for all detainees. The Army G-2 concurred with the report, with comments and the Director, Joint Staff nonconcurred with the findings and recommendations pending release of other DoD Directives on the subject. Written comments are still requested from the Secretary of Defense, the Under Secretary of Defense for Intelligence and the Commander, Joint Forces Command.



DCIS Agents in Iraq.

Report on Review of Testimony to the National Commission on Terrorist Attacks Upon the United States:

On September 12, 2006, the DoD OIG published a report resulting from a joint review with the Department of Transportation OIG based on allegations made by the National Commission on Terrorist Attacks Upon the U.S. that DoD and Federal Aviation Administration officials at a Commission hearing made certain statements knowing them to be false. The review did not substantiate that statements to the Commission were intentionally false, but did conclude that DoD reported inaccurate information on the air defense response to the September 11, 2001 hijackings.

Investigation into Alleged Misconduct by Senior DoD Officials Concerning the Able Danger Program and Lieutenant Colonel Anthony A. Shaffer, U.S. Army Reserve:

On September 18, 2006, the DoD OIG published a report addressing allegations that Senior DoD officials mismanaged a DoD antiterrorist program, known as “Able Danger” and that in doing so, sought to end the military and civilian career of a key proponent of Able Danger, Lieutenant Colonel Anthony A. Shaffer, a member of the U.S. Army Reserve, who also held a civilian position as a Senior Intelligence Officer in the Defense Intelligence Agency. The report addressed nine allegations raised by the members of Congress including assertions that the Able Danger Team identified Mohammed Atta and other 9/11 hijackers before 9/11 but were prevented from sharing that information with law enforcement agencies. The nine allegations were not substantiated.

Office of Special Plans: The DoD OIG is performing an evaluation of the Office of Special Plans as requested by Senator Pat Roberts, Chairman, Senate Select Committee on Intelligence and Senator

Carl Levin, Ranking Member, Senate Armed Services Committee. The objective is to determine whether personnel assigned to the Office of Special Plans from September 2002 through June 2003 conducted unauthorized, unlawful, or inappropriate intelligence activities. The report is expected to be published during the 2nd Quarter of FY 2007.

U.S. Government’s Relationship with the Iraqi National Congress:

The DoD OIG is performing an evaluation of the U.S. Government’s Relationship with the Iraqi National Congress in response to direction from the House Appropriations Committee through the Office of the National Counterintelligence Executive. On June 12, 2006, the DoD OIG published a report on Phase One of the project. The report on Phase Two is expected to be published during the 2nd Quarter of FY 2007.



Sword Arch in Baghdad, Iraq.

Review of Congressional Concerns Regarding the Rendon Group:

The DoD OIG is performing an audit regarding the Rendon Group as requested by Representative Walter Jones. The overall objective is to assess the activities undertaken by the Rendon Group for DoD from FY 2000 to FY 2005. Specifically, the audit will examine the contracts between the Rendon Group and the DoD to determine whether the activities involved in these contracts complied with DoD policy and legal requirements. The report is expected to be published during the 2nd Quarter of FY 2007.

POLICY AND OVERSIGHT

The DoD IG’s Office of Policy and Oversight has played a key role in ongoing efforts in Southwest Asia to develop and promote the establishment of effective oversight and security organizations in Afghanistan and Iraq. Some of these projects have been conducted jointly with the Department of

State (DoS) and have provided critical assessments and detailed recommendations aimed at helping the fledgling democracies in those countries to counter crime, corruption and other threats to include terrorism. Here are summaries of those projects.

Follow-up Evaluation of the Department of State/ Department of Defense Interagency Assessment of Iraq Police Training Program Report: On July 15, 2005, the Inspectors General of the Department of State and Department of Defense published an Interagency Assessment of the Iraq Police Training Program. DoD is responsible for 21 recommendations, DoS for 7, and DoD and DoS have a shared responsibility for 2. The follow-up process concluded that 15 of the 21 DoD recommendations have been implemented, 5 more were being implemented, and 1 is deferred. The implemented recommendations are improving the overall quality of the program. For example, basic training courses are expanded and advanced training programs have been institutionalized. Other improvements include transfer of recruiting and vetting responsibilities to the Ministry of Interior, improved administrative processes and procedures, selection policies for officer training, and implementation of a Readiness Reporting System. One of the shared recommendations requiring centralized administrative procedures and development of standard operating procedures has been implemented, while the second shared recommendation is deferred until a new National Security Presidential Directive (NSPD) replaces NSPD-36, "United States Government Operations in Iraq."

Department of State/Department of Defense Interagency Assessment of Afghanistan Police Training: In May 2006, the Inspectors General of the Department of State and Department of Defense initiated an interagency assessment of the U.S. Government-funded programs to train and equip the Afghanistan National Police. The assessment also examined police recruiting and vetting programs, sustaining institutions and organizations, roles and responsibilities, oversight and internal control mechanisms, security challenges, interagency collaboration and cooperation indicators, and support contracts. The draft report is out for management



Police training in Afghanistan.

comments and the final report is scheduled for release in November of 2006.

Interagency Assessment of the Counter Narcotics Program in Afghanistan: In September 2006, the Inspectors General of the Department of State and Department of Defense initiated an interagency assessment of the U.S. Government (USG)-funded counter narcotics program in Afghanistan. The Offices of the Inspectors General for the Department of Justice and the U.S. Agency for International Development are also contributing resources to this evaluation. The team is using the U.S. Government's Five Pillar Strategy for the Afghanistan Counter Narcotics Program as a framework for this assessment and is specifically examining the following areas:

- Concept, conduct, and management of the USG-funded counter narcotics program in Afghanistan.
- Organization, coordination, and direction of interagency participation.
- Effectiveness of Embassy Kabul's policy direction.
- Interaction with the Afghan government on counter narcotics issues.
- Impact, effectiveness, and prospects of counter narcotics actions and programs.
- Contract management and internal controls over financial, physical, and personnel resources.

The final report is scheduled for release in January 2007.

DoD OIG Support to the Iraqi Ministry of Defense, Office of the Inspector General: The DoD OIG has detailed a full-time evaluator to the Multi-National Security Transition Command-Iraq (MNSTC-I) in Baghdad to support the Iraqi Ministry of Defense (MoD), OIG. Working with other MNSTC-I advisors, the DoD OIG representative provides advice, mentoring, assistance, and training to the MoD IG. The MNSTC-I advisory team has helped the Iraqis establish policies and procedures for such areas as (1) inspections of detainee facilities to curb detainee abuses, (2) document control to ensure classified documents are properly protected, (3) transparent acquisition and procurement practices, (4) and establishment of a military (uniformed) inspector general system for the Joint Headquarters and all three services. The advisors also participate in inspections, investigations, and audits to oversee and advise the OIG staff, and to provide opportunities for on-the-job training for Iraqi staff members. Finally, the advisors have begun detailed planning to deliver interim training to the MoD OIG staff, training that will fill an immediate need until an Iraqi-operated educational institution for professional development is established.

Iraqi Anti-Corruption & Principled Governance Initiative: The DoD OIG is supporting the DoS OIG initiative to provide advisory support to the entire Iraqi Anti-Corruption system, which includes the 29 ministerial Inspectors General, the Commission on Public Integrity, the Board of Supreme Audit and the Central Criminal Court of Iraq. The DoD OIG will provide advisors who will deploy to Iraq on a rotational basis and maintain a support cell at Headquarters, Washington D.C.

⇒ Photos to the right show the following:

- 1 Members of ANPP Evaluation Team prepare to visit Afghanistan National Police Training site in Kandahar.
- 2 DoD Acting Inspector General, Thomas F. Gimble with OIG employees at Sather Air Base, Baghdad, Iraq.
- 3 OIG personnel flying from Camp Victory to Baghdad International Zone on a Blackhawk helicopter.
- 4 Inspections and Evaluations team members at the Tomb of the Unknown Soldier in Baghdad.



DEPARTMENT OF DEFENSE INSPECTOR GENERAL

IRAQ PROJECTS — ONGOING

AUDIT PROJECTS

Project Title	Date Started	Functional Area	Magnitude/Scope	Staff
Hiring Practices of the Coalition Provisional Authority in Iraq (D2007-D000LC-0051).	23-Oct-06	Human Capital	Estimated 1,250 employees in CPA staff	6
Audit Research on DoD Contracts Awarded to Parsons Corporation and its Subsidiaries (D2006-D000CK-0273).	29-Sep-06	Contract Administration	TBD	5
Antideficiency Act Investigation of the Operation and Maintenance Appropriation Accounts 2142020 and 2152020 (D2005-D000FD-0300).	31-Aug-06	Financial Management	6 contracts valued at approximately \$30 million	7
Inspection Process of the Army Reset Program for Ground Vehicles for Units Returning from Operation Iraqi Freedom D2006-D000LH-0246).	30-Aug-06	Maintenance and Repair of Equipment and Rebuild and Overhaul of Equipment	About \$25 Billion (Army/Marines) for FY 06 and about \$20 Billion per year after FY 06	6
U.S. Transportation Command Compliance with DoD Policy on the Use of Commercial Transport (D2006-D000AB-0236).	28-Aug-06	Transportation	TBD	7
Potable and Nonpotable Water in Iraq (D2006-D000LQ-0254).	25-Aug-06	Contract Administration	TBD	5
Management of the Iraq Security Forces Fund—Phase II (D2006-D000LQ-0240).	21-Aug-06	Financial Management	\$5.7 Billion (P.L. 109-13 Emergency Supplemental Appropriation Act)	9
Management of Prepositioned Munitions (D2006-D000LA-0251).	7-Aug-06	Readiness	TBD	7
DoD Use of Global War on Terrorism Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation (D2006-D000AE-0241).	7-Aug-06	Financial Management; Procurement – Research and Development; and Contract Administration	577 Supplemental Line items totaling \$28.7 Billion	11

Conditional Acceptance and Production of Army Medium Tactical Vehicles in Support of the Global War on Terrorism (D2006-D000AE-0225).	24-Jul-06	Major Systems Acquisition	Of the \$17.2 Billion procurement, \$2.5 Billion came from GWOT supplemental	10
Procurement Policy for Armored Vehicles (D2006-D000CK-0210).	22-May-06	Procurement	14 Contracts totaling about \$1.6 Billion	9
Internal Controls Over Out-Of-Country Payments (D2006-D000FL-0208).	15-May-06	Financial Management	Of the 183,486 vouchers totaling about \$10.7 Billion, we are sampling 789 vouchers totaling about \$3.5 Billion	9
Management of the Iraq Security Forces Fund—Phase I (D2006LQ-0184).	3-May-06	Financial Management	\$5.7 Billion (P.L. 109-13 Emergency Supplemental Appropriation Act)	7
Information Operations in Southwest Asia (D2006-D000LA-0139).	7-Feb-06	Information Operations	3 Contracts with total value of \$37.4 Million	8
Equipment Status of Deployed Forces (D2006-D000LA-0092).	17-Nov-05	Forces Management	Interviewed about 1,100 Service members and reviewed the equipping process	7
Joint Service Small Arms Program Related to the Availability, Maintainability and Reliability of Small Arms to Support the Warfighter (D2005-D000LH-0232).	29-Jun-05	Forces Management and & Maintenance and Repair of Equipment	DoD uses 33 types of small arms. During October 2003 through September 2005, 1,852 Army Units deployed supporting Operation Iraqi Freedom and Operation Enduring Freedom.	10

*Assigned to ongoing audit projects are 101 individuals; some are assigned to multiple projects.

POLICY AND OVERSIGHT PROJECTS

Project Title	Date Started	Functional Area	Magnitude/Scope	Staff
DoD/VA Interagency Care Transition (D2006-DIP0E2-0245.000)	2-Aug-06	Health Care	Affects all wounded/injured troops returning from OIF/OEF. 20,000 troops to date.	11

Interagency Iraqi Anti-Corruption Initiative (D2006-DIP0E3-0256.000)	23-Aug-06	Other	Building capacity for 29 Iraqi ministries and entire anti-corruption system.	2
Follow-Up on the DoS/DoD Interagency Assessment of Iraq Police Training	17-Feb-06	Other	Approximately 135,000 members of the Iraq police service.	2
Support to Iraqi Security Force (MOD and MOI) OIGs (D2006-DIP0E3-0038.000)	15-Jul-05	Other	Building institutional capacity for 2 Iraqi ministries.	6

INTELLIGENCE PROJECTS

Project Title	Date Started	Functional Area	Magnitude/Scope	Staff
Government Relationship with the Iraqi National Congress	14-Feb-05	Intelligence and Security	Activities between January 2002 and December 2004	4
Office of Special Plans	16-Nov-05	Intelligence and Security	Activities between September 2002 and June 2003	5
Rendon Group Review	9-Feb-06	Intelligence and Security	All DoD Rendon Contracts	3

DEPARTMENT OF DEFENSE INSPECTOR GENERAL

IRAQ PROJECTS — PLANNED

AUDIT PROJECTS

Project Title	Planned Start Date	Functional Area	Magnitude/Scope	Staff
Procurement Policy for Body Armor.	1st Quarter FY 2007	Procurement	TBD	6
DoD's Military Operations in Urban Terrain (MOUT) Training (2007-D000LH-0115).	1st Quarter FY 2007	Forces Management	87 Urban Operations Training Sites	6
Afghanistan and Iraq Appropriated Funds Processed Through the Security Assistance Program (2007-D000FD-0041).	2nd Quarter FY 2007	Security Assistance Program	TBD	5

Department of the Navy Military Pay in Support of the Global War on Terrorism (2007-D000FC-0051).	1st Quarter FY 2007	Military Pay and Benefits and Financial Management	Estimated FY 2007 Marine Corps Active duty personnel 175,000; Reserve duty personnel 39,600; Estimated FY 2007 Military Personnel-Marine Corps appropriation (17-1105) \$9.3 Billion; Reserve Personnel-Marine Corps appropriation (17-1108) \$550.9 Million	5
Global War on Terrorism Funding (Medical).	1st Quarter FY 2007	Health Care	Approx. \$1.15 Billion in Supplemental for FY 06. Researching other funding used for medical support	7
Military Construction Funds Related to the Global War on Terrorism (2007-D000CK-0117).	2nd Quarter FY 2007	Military Construction	\$2 Billion in funds identified as MILCON for Iraq/Afghanistan	5
Selected Appropriated Funds Processed through the Security Assistance Program.	4th Quarter FY 2007	Security Assistance Program	Approx. \$500 Million	6

INTELLIGENCE PROJECTS

Project Title	Date Started	Functional Area	Magnitude/Scope	Staff
Intelligence Support to CENTCOM and US Special Operations Command in Operations Enduring Freedom and Iraqi Freedom (Planned)	January 2007 (Estimate)	Intelligence and Security	CENTCOM, SOCOM & DoD Intelligence Activities	7



A Marine assigned to the DoD OIG travels to Southwest Asia aboard a C-130

U.S. ARMY



ARMY AUDIT AGENCY

For the 6-month period that ended on September 30, 2006, the Army Audit Agency (AAA) had 31 auditors working on audits of GWOT-related Army missions. In particular, AAA provided audit support for Operation Iraqi Freedom and as of September 30, 2006, AAA had 10 auditors working in the area of operation, 6 in Iraq at Camp Victory and 4 in Kuwait at Camp Arifjan. During the 6-month reporting period, AAA published nine reports including the following:

Subsistence Prime Vendor Contract, Logistics Civil Augmentation Program (LOGCAP) Operations in Support of Operation Iraqi Freedom: AAA reported the bulk storage warehouse for subsistence items under the prime vendor contract to dining facilities the LOGCAP contractor operates did not have an inventory location identification system for providing inventory locations to the Warehouse Management System. The prime vendor did not maintain an adequate audit trail for the government-

owned operational rations it destroyed. In addition, the government did not ensure that rations Army veterinarians recommended for destruction were destroyed in a timely manner or that expired products were removed from the prime vendor's warehouse, both of which resulted in excess storage fees. The government also shipped operational rations with inadequate shelf life to Kuwait to replenish stock in theater and maintained excess inventory of operational rations at the prime vendor's warehouse which exceeds the Army's safety stock level of 3 months.

Cost-Effectiveness of Transitioning Task Order 66—Kuwait Naval Base Camp Support From Contingency to Sustainment Contracting, LOGCAP Operations in Support of Operation Iraqi Freedom – Phase II (Kuwait): AAA evaluated the cost-effectiveness of the transition of requirements to sustainment contracting from the LOGCAP task order 66 supporting the Kuwait Naval Base Camp. AAA conducted this audit as part of its multilocation audit of LOGCAP Operations in Support of Operation Iraqi Freedom. It performed the audit at the request of the Commander, Coalition Forces Land Component Command. The transition of work was not cost-effective. The AAA analysis of selected requirements that transitioned showed that these requirements cost the Army over \$4.9 million more than costs under the contingency contract.

AAA continued to provide audit support with three ongoing audits in support of Operation Iraqi Freedom:



Logistics Civil Augmentation Program (LOGCAP):

AAA is evaluating the adequacy of LOGCAP throughout the Iraq area of operation.

Retrograde Operations in Southwest Asia: AAA is evaluating the retrograde and redistribution of military property resulting from restructuring military forces and the attendant contractor support.

Procedures for Managing Overage Repairable Items Lists in the High-Mobility Multipurpose Wheeled Vehicle (HMMWV) Refurbishment Program:

AAA is evaluating the contractor's management of repair parts at the Tactical Wheeled Vehicle Refurbishment Center in Kuwait.

ARMY CRIMINAL INVESTIGATION COMMAND



U.S. Army Criminal Investigation Command (CID) agents and support personnel are providing crucial investigative, intelligence and protective services to the U.S. Army personnel and assets

worldwide in support of the GWOT. Over 120 agents, currently deployed to Iraq, Afghanistan, and elsewhere in the world in support of the GWOT and the U.S. Army, are committed to that mission.

Almost 95 percent of all reserve CID soldiers – over 330 – as well as about 75 percent or 600 of all active duty CID soldiers in the field have been deployed since 9/11. These agents have conducted sensitive site exploitations of suspected terrorist habitations in Afghanistan and Iraq, have investigated and interviewed suspected terrorists in preparation of judicial proceedings, and collected and preserved evidence to help ensure successful prosecutions.

CID agents have also joined with other federal and DoD agencies in supporting the Federal Bureau of Investigation's (FBI) regional and national JTTFs, to combat terrorism in the continental United

States. CID agents ensure that vital Army law enforcement information and sources are fused with other intelligence to provide a comprehensive picture of the domestic terrorist threats. CID agents assist the FBI and other agencies in the conduct of criminal investigations against terrorist targets to eliminate their threat to DoD assets and resources.

Army CID, along with NCIS and OSI, actively participates on the Criminal Investigation Task Force (CITF), a joint enterprise of criminal investigators, attorneys, and support personnel whose major task is to investigate war crimes and develop prosecutable trial reports against terrorist suspects held at Guantanamo Bay Cuba. The Army's CID provides leadership to the task force, with a deputy from NCIS. CITF agents in Iraq are actively supporting the Central Criminal Court of Iraq by investigating and assisting in the prosecution of terrorists under the Iraqi judicial system. There have been over 106 successful prosecutions, 4 of which resulted in death sentences and 51 resulted in life confinement sentences.

Similarly, the CID has joined with U.S. Army military intelligence community in closing gaps and seams that existed between foreign and counterintelligence information and law enforcement and domestic intelligence. In order to further bolster the integration of law enforcement information into the fight against terrorism, CID is expanding its criminal intelligence capabilities to better provide commanders with the force protection information they need to protect and defend the personnel and vital assets under their commands.

As an outgrowth of the need to better fuse criminal intelligence with foreign intelligence, CID has joined DoD's Joint Improvised Explosive Device (IED) Defeat Organization to combat the threat IEDs pose to coalition forces in Iraq and Afghanistan, to identify the perpetrators, the manufacturing points, the supply routes, and the financing used to fund these efforts. The CID criminal intelligence efforts will be similar to those used to combat organized crime.

Because of the increased threat from terrorists, the number of DoD officials being protected by the CID, in the United States and abroad, has almost doubled. Further, because of the need for increased and more in-depth protection, protective service personnel assigned to the various principals has dramatically increased. These protective service agents perform a vital mission in safeguarding those DoD leaders who are directing the GWOT, from the Pentagon to field commands in Afghanistan and Iraq.

ARMY INSPECTOR GENERAL

The U. S. Army Inspector General Agency (USAIGA) has conducted numerous inspections in support of GWOT as follows:

- USAIGA conducted two inspections on Detainee Operations, visiting 14 CONUS and 16 OCONUS locations and interviewing in excess 1,000 soldiers involved in detainee operations. Additionally, USAIGA conducted inspections on the Army's Physical Disability Evaluation System and a special Inspection on Deployment Mental Health Screening. Both of these inspections are ongoing and focus primarily on soldier health issues to include compliance with DoD and Army policies, the execution of the Medical Hold System, the impact of other administrative areas on the Army Physical Disability Evaluation System, the Army Suicide Prevention Program, soldier awareness of and willingness to use Army Mental Health programs, and Command Mental Health Evaluation referral processes.
- The USAIGA Technical Inspections Division conducts inspections of the Army's Nuclear, Biological, and Chemical Surety programs. The purpose of these inspections is to ensure facilities are complying with stringent safety and security requirements and that the employees working therein meet the highest standards of personnel reliability. Facilities inspected include the Army's nuclear reactor; government and civilian laboratories working with DoD-provided biological select agents and toxins; munitions storage depots; chemical weapons demilitarization facilities; government and civilian laboratories performing chemical defense research with DoD-provided

chemical surety agents; and Army schools using Army-provided chemical surety materials to train soldiers. The division conducted 2 biological and 10 chemical surety inspections.

NAVY AND MARINE CORPS



NAVAL AUDIT SERVICE

The Naval Audit Service (NAS) supports GWOT goals for the DoN. It does that by auditing selected policies, procedures, and activities to assure they achieve the stated objectives and maximize efficiencies. The Naval Inspector General publishes a DoN Risk Assessment each year. NAS includes in its audit plan topics based on the risks and areas of vulnerability identified in the risk assessment with respect to GWOT.

In the past few years, NAS audited Emergency Action/Continuity of Operations Planning in the intelligence community, fund control in classified programs, oversight of intelligence, compartmented programs, sensitive activities, and controls over communication security equipment. In addition to those audits, NAS is conducting a series of audits on antiterrorism and force protection as well as auditing intelligence related contracting and classified financial reporting.

NAVAL CRIMINAL INVESTIGATIVE SERVICE



The Naval Criminal Investigative Service (NCIS), through its Combating Terrorism Directorate, directs its support for efforts aimed at detecting, deterring, and disrupting terrorism against the DoN personnel and assets worldwide. The

Combating Terrorism Directorate brings a wide array of offensive and defensive capabilities to the mission of combating terrorism. Offensively (counterterrorism), NCIS conducts investigations and operations aimed at interdicting terrorist activities. Defensively (antiterrorism), NCIS supports key DoN leaders with protective services and performs vulnerability assessments of military installations and related facilities—including ports, airfields, and exercise areas to which naval expeditionary forces deploy.

NCIS special agents have deployed around the globe to support counterterrorism efforts. For instance, during this reporting period:

- Twenty-one special agents supported Strategic Counterintelligence Directorate – Afghanistan, conducting operational and strategic Counterintelligence (CI) missions and providing CI support to unified and specified commands within that area of operation.
- Thirty-nine special agents supported the Strategic Counterintelligence Directorate – Iraq, fulfilling operational and strategic CI requirements and providing CI support to the unified and specified commands within that area of operation.
- Forty special agents were deployed to Iraq to provide a criminal investigative support element for the Marine Expeditionary Forces/Marine Expeditionary Forces Special Counterintelligence Officers (I MEF and II MEF). Seven NCIS special agents served as Special Counterintelligence Officers on I MEF and II MEF staffs in the Iraqi theatre of operations.

- Nine special agents supported the specially created Joint Criminal Investigations Task Force – High Value Individuals (JIATF – HVI) – Iraq, comprised of agents from the FBI, Bureau of Alcohol, Tobacco, and Firearms, Drug Enforcement Administration (DEA), Air Force Office of Special Investigations, the Department of Homeland Security, and the U.S. Marine Corps Criminal Investigation Division. The JIATF- HVI collects case facts and evidence on individuals deemed as high value targets so this information can be utilized for prosecution of those individuals by the Central Criminal Court of Iraq.

- Twelve NCIS special agents deployed with Navy Special Warfare (SPECWAR) Units within the Iraqi theater of operations where they provided assistance with sensitive site exploitations, collection of evidence, interrogations of detainees, and other counterintelligence related matters.



NCIS special agents in Haditha, Iraq, as part of an investigation.

- Seventy special agents conducted GWOT support missions to war fighters in Iraq, the Horn of Africa and Maritime Interdiction Operations in the Gulf, following investigative leads; and conducting Protective Service Operations in Singapore and Nicaragua and Force Protection vessel support visits in Jamaica and Venezuela.

Through various programs and activities, NCIS agents and analysts provide valuable support to the GWOT. Some examples follow:

- The Directorate of Intelligence watch conducted 24-hour monitoring of classified threat streams related mainly to terrorism concerns. As a result, seven reports were issued to the Navy and Marine Corps forwarding indications and warnings that were general in nature, but at locations where DoN assets have operational interest. Additionally, 425 Daily Threat Summary articles were issued during this time period.
- Intelligence analysts and special agents supported several ship deployments and exercises. As a result of multi-source analysis of port locations throughout the world in support of Navy and Marine Corps deployments, 512 Threat Assessments were transmitted directly to the deployed assets and Combatant Commands to assist in force protection planning.
- Intelligence analysts provided support for several investigations of subjects believed to have ties to international Islamic extremist terrorism. They also completed the annual Foreign Terrorist and the Foreign Intelligence Threats reports for the DoN.
- NCIS provides technical surveillance and investigative equipment support, armory services, and wireless/radio communications capabilities for the GWOT effort. Deployed personnel have also upgraded field reporting communications networks, allowing agents to conduct real-time data and voice communications from remote areas under tactical conditions.
- Biometrics and forensics personnel supported the II Marine Expeditionary Force (II MEF) after it recognized that a vast amount of information was being lost that could potentially reduce the detainee “catch and release” phenomenon. Additionally, the NCIS partnered with the Joint Chiefs of Staff and the Biometric Fusion Center to create a “pilot project” forensic Latent Print Laboratory at Camp Fallujah, Iraq. The laboratory receives, examines, and recovers latent prints from commonly submitted items, such as, small arms and rocket launchers from caches,

suspected sniper events, and sites of attacks; recovered documents; and improvised explosive devices. These efforts have identified hundreds of individuals as scientifically linked with the item and event in question, thereby establishing an absolute connection that can be used for criminal prosecution, intelligence targeting, or both.

- NCIS psychologists provide direct consultations on behavior-based assessments of terrorist activity to the Singapore Home Team. These consultations greatly enhance the partnership with the Singapore Police and Security Service, having a direct impact on the overall level of force protection to Navy assets in Singapore and throughout Southeast Asia.
- Meeting the mandate of the Intelligence Reform and Terrorism Prevention Act of 2004, a state of the art law enforcement information sharing system, LInX, was successfully implemented. With over 40 million structured and free text law enforcement records incorporated into regional data warehouses, LInX is the only information sharing capability in the U.S. that has successfully bridged the gap between federal and local law enforcement agencies seeking to share information related to the GWOT.

MARINE CORPS INSPECTOR GENERAL



Officially designated the Deputy Naval Inspector for Marine Corps Matters, the Inspector General of the Marine Corps (IGMC) answers directly to the Commandant of the Marine Corps and promotes Marine Corps combat readiness, integrity, efficiency, effectiveness, and credibility through

impartial and independent inspections, assessments, inquiries, and investigations. This mission has never been of greater importance than in today’s challenging

environment of multiple, continuous overseas combat deployments. Confronted with an operational tempo the likes of which has not been seen in decades, the Marine Corps relies on the IGMC to provide oversight and recommendations on the multitude of challenges, both home and abroad, brought on by the GWOT.



Mr. Thomas F. Gimble, Acting Inspector General, presided over the Sunset Parade at the Iwo Jima Memorial at the request of Major General David F. Bice, Inspector General of the United States Marine Corps

When the marines were ordered back to Iraq for Operation Iraqi Freedom II, the equipment used in the original thrust to Baghdad had barely made it back to their home station units. Maintenance and reconstitution efforts were in the midst of being implemented. The Maritime Propositioning Squadron equipment was in the process of being evaluated and reconditioned. Much of the same equipment used in Operation Iraqi Freedom I was redeployed with I Marine Expeditionary Force in support of Operation Iraqi Freedom II in the fall of 2003. With the impending deployment of II Marine Expeditionary Force in early 2005, questions arose in regard to equipment accountability and sustainability in the harsh combat environment.

The Commandant dispatched an assessment team led by IGMC in April 2005 to determine; (1) if the Equipment Density List was adequate to meet the OIF strategy and concept of operations; (2) if the current condition of equipment will support the long term operational requirements; (3) if the

in-place and planned equipment support structures are adequate to provide repairs and replacements due to combat losses and expected usage factors.; (4) if the equipment is properly accounted for; and (5) if the equipment readiness reporting system is sufficient to facilitate service level decisions. The report to the Commandant, completed in May 2005, was instrumental in facilitating a variety of changes that have had a direct impact on the long term sustainability of Marine forces and equipment in Iraq in support of the GWOT.

IGMC followed up the May 2005 report with a Ground Equipment in Iraq assessment completed in May 2006. While the primary objective was to document and evaluate the implementation of the prior year's recommendations, the assessment was expanded to assess the support provided to Marine units assigned to support the training of Iraqi forces. IGMC recommendations provided a way ahead to improve the process for disposing of damaged, destroyed and excess equipment and improve parts requisition, stockage, and distribution processes.

Equipment overseas is not the only area of readiness IGMC has impacted in support of GWOT. Due to the inordinate amount of equipment needed to support Marine forces overseas, particularly in communication and mobility, home station challenges in respect to training and personnel readiness became evident. A January 2006 report made detailed recommendations in respect to the distribution, tracking and reporting of home station equipment shortfalls. Additionally, the report supported the Marine Air-Ground Task Force Training Center position that the exercises Mojave Viper and Desert Talon be fully outfitted with the latest equipment marines would be expected to operate with overseas. This recommendation has now been implemented with the resultant being marines deploying to GWOT with knowledge and experience on the latest high-speed equipment available for the fight.

The GWOT has exposed other areas of concern in which IGMC has taken an active role in resolving. Both combat medical support and combat and noncombat casualty tracking are two specific areas of operations which have not been significantly

challenged since the Vietnam War. A February 2006 report reviewed the functionality and ability of current systems to effectively track and treat marines and sailors evacuated from overseas. The strain due to heavy patient load and the absence of a comprehensive, universal tracking system led to significant challenges for individual marines and their commands. IGMC recommendations have resulted in better coordination between Health Services Division and Manpower and Reserve Affairs to ensure the proper care, tracking and disposition of every marine, whether a combat or non-combat evacuee.

IGMC has also influenced the quality of combat care received by casualties in the precious immediate minutes following an injury. A May 2006 report detailed the capabilities of Level I and Level II treatment facilities in Iraq. The report concluded that the care and capabilities were sufficient for that level of medical care. However, recommendations were made for improving the diagnosis and treatment of head and neck trauma, specifically brain injury and neurosurgical treatment. Additionally, the report recommends improving and upgrading medical facilities and establishing Al Asad as a direct transfer base for patient movement to Landstuhl, Germany.

Training, equipment, and personnel readiness remain the focus of the IGMC in support of the GWOT. The office is uniquely qualified to inspect, monitor and assess the varied and distributed measures of effectiveness throughout the readiness spectrum. Providing the Commandant of the Marine Corps and the Secretary of the Navy an objective view of the issues and challenges faced by the operating forces, the IG is able to make specific recommendations that have had, and will continue to have, a profound impact on the Marine Corps ability to prosecute the GWOT.

U.S. AIR FORCE



AIR FORCE AUDIT AGENCY

During the 6-month period that ended September 30, 2006, the Air Force Audit Agency (AFAA) completed three audits supporting GWOT. The United States Central Command Air Forces (CENTAF) requested two audits—one on blanket purchase agreements (BPAs) and one on cash and cash equivalents in the CENTAF. In the audit on BPAs, AFAA audited 120 BPAs valued at nearly \$64 million and determined that CENTAF AOR officials did not properly record, support, or validate BPA funds, purchases, and payments.

In the second audit, AFAA evaluated cash and cash equivalents in the CENTAF AOR. The audit revealed that while personnel properly accounted for cash, they could strengthen physical controls and improve procedures for computing cash requirements. As a result, about \$24.2 million was at increased risk of theft or mismanagement. Also, cash on hand averaged \$23.9 million more than requirements for the six AOR locations. Unannounced cash counts of approximately \$24.2 million conducted at six air bases in the AOR disclosed no material overages or shortages, but personnel did not always have required controls in place to protect cash. More specifically, personnel did not always install and test intrusion equipment, conduct self-inspections of office security measures, properly identify cash areas, maintain lists of authorized individuals to handle cash, and perform required surprise cash counts.

Another AFAA audit not in the AOR reviewed Weapons of Mass Destruction (WMD) Emergency Medical Response Capabilities and concluded that officials at a Military Treatment Facility did not train the minimum number of detection team personnel for Bioenvironmental Engineering on key equipment. Without an adequate number of trained personnel on specialized equipment, management has no assurance emergency response teams will be able to effectively respond to and properly support WMD emergencies. Also, WMD emergency medical response teams were not properly equipped. Without the required equipment and supplies, emergency response teams may be unable to effectively respond to WMD emergencies.

An additional 14 GWOT-related AFAA audit efforts are either ongoing or planned, 8 in the CENTAF AOR (Contract Management, Ground Fuel Management, Readiness Training for Deployable Communication Packages, Intra-Theatre Airlift, Small Arms Weapons, Patient Movement Items [PMI] Program, Predator Asset Accountability and Maintenance, and Prepositioned Mobility Bags) and 6 outside the AOR (Civilian Deployments, Contingency Contracting Effectiveness, Air National Guard (ANG) Emergency Response Teams, Civil Air Patrol Support, Follow-up Audit, Individual Deployment Process, and Deployed Aircrew Training).

AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS



Air Force Office of Special Investigations (OSI) conducts complex felony-level investigations and provides military commanders and agencies with vital intelligence needed to successfully conduct and sustain military

operations in support of the GWOT. During this period, 298 personnel, representing 21 percent of OSI's total deployable force, were deployed or assigned to various positions located in the Gulf region. The vast majority of these personnel generate real-time intelligence used by battlefield commanders to successfully execute all-Service military operations in support of Operations Iraqi Freedom and Enduring Freedom. Here are some examples of OSI GWOT efforts:

- Executed 45 separate operations in Southwest Asia in support of OIF and OEF, resulting in the following:

- 1.) Identification of 2,729 potential threats— groups, or intelligence services who represent a threat to military installations and/or resources;
- 2.) Compilation of 169 Target Packages— comprehensive packets of tactical-level counterintelligence targeting information provided for

follow-on action by OSI to, among others, the Army, special operations forces, host nation police; and

3.) Capture or neutralization of 186 individuals.

- Supported the Joint Interrogation and Debriefing Center, Abu Ghraib, Iraq, in its search for Sgt Keith Maupin, a U.S. Army member missing after an attack on a convoy. Information developed by OSI during this effort included the identification of individuals that participated in the attack, as well as individuals responsible for planning the attack.
- Obtained and verified information that led to the arrest of individuals involved in the highly publicized kidnapping of Christian Science reporter Jill Carroll.
- Stood-up and led an analytical cell supporting the Strategic Counterintelligence Directorate – Afghanistan activities. Shared vital intelligence with multiple national level agencies, ensured timely dissemination of information, and eliminated numerous intelligence gaps identified by CENTCOM.
- Completed a Mara Salvatrucha (MS-13) gang threat assessment, determining that MS-13 had only peripheral impact on the Air Force. The assessment provides commanders with information on warning signs of gang activity and the ability head off emerging problems. FBI headquarters lauded the assessment and sent it to FBI field offices as required reading.
- Published a threat assessment regarding homemade explosives, detailing information pertaining to threat posed from IEDs containing Triacetone Triperoxide (TATP) and Hexamethylene Triperoxide Diamine (HMTD), also known as “poor man’s TNT.” This is the same material used in the London subway bombings, Madrid rail bombings, and others. The assessment provided senior-level military leadership with the requisite information needed to determine the threat posed by TATP/HMTD against the U.S. Air Force, as well as the ability to properly determine the need for additional force protection measures.
- Provided pre-exercise support and 10 comprehensive threat assessments detailing the criminal, counterintelligence and terrorism threats

facing U.S. Air Force personnel participating in joint military exercises in Malaysia, Ghana, Turkey, Bolivia, Bosnia-Herzegovina, and other locations. The threat assessments enabled supporting OSI agents to provide current situational awareness to deploying Air Force personnel and allowed the deployed commander to take appropriate force protection measures once on the ground.

- Published 37 Integrated Threat Assessments (ITA) responsive to Air Force program and technology protection planning to concerning acquisition systems and RDT&E initiatives and facilities. Each ITA detailed foreign intelligence threats to developing technologies, threats to research, and threats to systems, and were used by system program managers and technology directors in conjunction with OSI, Air Force Intelligence, and Air Force security, to build defensive countermeasures for program protection under research and technology protection.

- Supported RED EYE, an interagency task force that has significantly mitigated the efforts of foreign adversaries to illegally acquire critical U.S. and DoD technology. Investigative and analytical efforts have led to arrests and indictments. The interagency task force has been successful because of the real-time information sharing between law enforcement and counterintelligence agencies.

- Conducted two cyber operations designed to identify, report, and assess how terrorists use the internet to recruit jihadists, solicit funding, spread propaganda, and influence beliefs. The information discovered during these operations allow the intelligence community and military commanders to formulate strategies designed to combat the radical beliefs by many U.S. adversaries in the GWOT.

- Participated in a major task force operation credited with foiling a domestic terrorism plot to attack military facilities and other targets in the greater Los Angeles area. As a result of task force efforts, four men have been indicted by a federal grand jury in Santa Ana, CA for their alleged roles in the plot.

- Polygraph examiners from NCIS and OSI worked together to support the Naval Special Warfare Task Group (NSWTG) Iraq while presenting their case to the Iraqi Criminal Courts. These examiners conducted polygraph examinations during detainee interrogations and provided polygraph support to special missions.

AIR FORCE INSPECTOR GENERAL

In 2006 the Air Force continued to focus on readiness evaluations of its units and its airmen. Currently, over 85 percent of active duty airmen are postured to deploy in our expeditionary Air Force, with nearly 30,000 Airmen currently deployed in support of the GWOT and support to contingency operations. This requires the Air Force to be at peak readiness, and a key component of readiness is timely evaluations.



The Air Force requires that all units undergo a readiness inspection a minimum of every 60 months. Each major command (MAJCOM) IG team tailors the readiness exercises to the mission of their command. The inspection is weighted for a unit to perform their wartime mission in a deployed theater, so relevant GWOT-supporting skills can be evaluated. During the past 12 months, 63 readiness evaluations were conducted, across 9 MAJCOMs, with over 98 percent of units meeting or exceeding readiness standards.

“During the past 12 months, over 81 compliance inspections were conducted, throughout 9 MAJCOMs, with over 99 percent meeting or exceeding standards.”

The Air Force also exercised and evaluated the ability of units to respond to simulated stateside emergency scenarios, allowing the relevant GWOT-supporting skills of airmen to be evaluated.

Air Force units also undergo a compliance inspection a minimum of every 60 months. Compliance inspections are conducted to assess areas mandated by law, as well as mission areas identified by senior Air Force and MAJCOM leadership as critical or important to assess/assure the health and performance of organizations. During the past 12 months, over 81 compliance inspections were conducted, throughout 9 MAJCOMs, with over 99 percent meeting or exceeding standards.

Additionally, the Air Force also conducts Special Interest Inspections (SII) during 2006 to focus management attention, gather data, and /or evaluate the status of specific programs and conditions in the field. From October 1, 2005 to September 30, 2006, an SII was conducted on Unit Air and Space Expeditionary Forces (AEF) Management to place special emphasis on unit management of Air and Space Expeditionary Forces processes and guidance. During the year, 68 units were assessed, across 9 MAJCOMs, on their ability to manage the AEF process and prepare their Airmen for deployments. The results of this SII showed that the AEF process was well managed and understood.

COMBATANT COMMANDS

UNITED STATES CENTRAL COMMAND



The United States Central Command (USCENTCOM) has a small IG staff that performs all traditional IG functions: inspections, investigations, and assistance. The FY 2006 Command Inspection program focused on assessing the operational readiness of nine security assistance organizations (SAOs) within the USCENTCOM AOR, as well as the Special Operations Command Central (SOCCENT). The Command Inspection results were further incorporated into the Command's annual Manager's Internal Control Program findings. The SAO Command Inspections assess how each office is performing traditional security assistance functions such as commercial and foreign military sales case management, end use monitoring and third party transfers, and host nation training program management. The IG inspection teams also assess administrative, security, logistics, force protection, communications, fiscal, legal and medical programs, as well as review plans and policy unique to the SAO.

During FY 2006, USCENTCOM inspected Security Assistance Offices in Bahrain, United Arab Emirates, Egypt, Jordan, Oman, Qatar, Yemen, Ethiopia, and Djibouti. It also conducted a Command Inspection at Headquarters, SOCCENT (Tampa, Florida) in coordination with United States Special Operations Command. In FY 2007, they will lead 10 SAO Command Inspections, as well as conduct Intelligence Oversight Inspections within our Command Headquarters and SOCCENT, and any special inspections directed by the CENTCOM Commander. USCENTCOM's subordinate joint task

forces also conducted special inspections during FY 2006.

- The Inspector General, Combined Forces Command–Afghanistan (CFC-A), inspected local national service and construction contracts to assess compensation to local nationals (LN) who were killed or injured, as applicable to the Defense Base Act (DBA) and the War Hazards Compensation Act (WHCA). During this inspection, CFC-A reviewed local national contracts to determine whether the DBA clause was included in LN contracts, and reviewed the compensation process to determine application of the DBA and WHCA.

- The Inspector General, Multi-National Force–Iraq (MNF-I) conducted two special inspections. The MNF-I Trafficking in Persons Inspection addressed hiring and employment practices, as well as the condition of worker life support areas operated by contractors/subcontractors supporting DoD contracts in Iraq. The inspection focused on the “Third Country National” workforce, to ensure fair and ethical treatment by employers, and inspect for evidence of human trafficking activity. The MNF-I IG also conducted an Access Control Inspection, looking at badge vetting, issuance and control procedures at forward operating bases in Iraq. The focus of this inspection was to: evaluate the adequacies of policies, procedures and the use of technologies; to determine if force protection and badge issuing personnel understood access control requirements and processes; and to determine if existing procedures were adequate or overly restricted the movement of contract workers.

UNITED STATES SOUTHERN COMMAND



United States Southern Command Inspector General (USSOUTHCOM IG) staff and personnel from the Office of the Assistant to the Secretary of Defense (Intelligence Oversight) conducted Joint Intelligence Oversight Inspections of JTF-Bravo, Soto, Honduras (June 2006) and JTF-GTMO (August

2006). Both joint task forces are direct reporting units to USSOUTHCOM. Here is a summary of USSOUTHCOM’s activities during this reporting period:

- Attended the Joint Interagency Conference at USSOUTHCOM on GWOT efforts within USSOUTHCOM AOR.
- Daily contact with JTF-GTMO in conduct of GWOT efforts include follow up efforts to ensure property accountability and replacement of IT equipment. Command directed Annual Joint IG inspections conducted of JTF-GTMO, every year since 2004. IG oversight and monitoring of DoD IG reports on Detainee issues continue. Oversight of Trafficking in Person issues occurring.
- For FY 2007 Joint IG inspections of units within USSOUTHCOM’s AOR, USSOUTHCOM IG is conducting coordination with DoD IG personnel for participation of DoD personnel in the conduct of the Intelligence Oversight inspections.

UNITED STATES SPECIAL OPERATIONS COMMAND



The United States Special Operations Command (USSOCOM) maintained high standards for the Special Operations Forces (SOF) through rigorous and continuous verification of command policies and procedures, such as:

- Ensured training and equipment needs were adequate for theater Special Operators as they prosecuted the GWOT.
- Implemented an aggressive joint inspection program at all Theater Special Operations Commands under the Unified Combatant Commanders. Recent inspections of Special Operations Command Central, Europe, and Korea ensured training and equipment needs were adequate. for theater Special Operators as they prosecute the GWOT.

OTHER DOD ELEMENTS

DEFENSE COMMISSARY AGENCY

The Defense Commissary Agency (DeCA) OIG has expanded its current inspections since the GWOT started to include the following areas:

- Level I Anti-terrorism Awareness Training
- Information Assurance Vulnerability Assurance (IAVA) alerts
- Security Awareness Training
- IA Officers Training
- Review for ALLFOODACT compliance at DeCA facilities (food defense issue)
- Visitor logs to limited access areas
- Defense Information Technology Portfolio Register as reviewed for JCS

The following is scheduled for future inspections/evaluations:

- DeCA facilities' participation in anti-terrorism/force protection (AT/FP) emergency and related exercises.
- Review of vulnerability assessments for DeCA facilities.
- Review of personnel conducting IA functions supporting the DoD Global Information Grid.

NATIONAL GUARD BUREAU

The National Guard has active component officers assigned to all 54 states and territories as inspectors general. These colonels and lieutenant colonels have staffs made up of National Guard officers and noncommissioned officers. Their responsibilities include conducting inspections/assessments of the readiness and training of National Guard Units who are mobilized in support of the GWOT. They also do the same for units that support Homeland Security and Homeland Defense, which also supports the GWOT. These IGs provide oversight for the Army/National Guard Organizational Inspection Program which is inspections done by the Command.



- 1 DCIS special agents and Iraqi police.
- 2 DoD OIG and DoS personnel deployed on a joint assessment of police training in Afghanistan.
- 3 OIG personnel at the Combined Forces Command Afghanistan.

NATIONAL SECURITY PERSONNEL SYSTEM

DOD INSPECTOR GENERAL OVERVIEW

The Department of Defense (DoD) began implementing its new civilian human resources management system, the National Security Personnel System (NSPS), through a spiral deployment. Effective April 30, 2006, some 11,000 civilian employees assigned to Spiral 1.1 activities moved into NSPS. Between October 1, 2006, and February 2007, some 66,000 more DoD civilians will come under NSPS. The DoD Office of Inspector General (OIG) is among the Spiral 1.2 organizations and is preparing to deploy NSPS effective January 21, 2007 to all of its approximately 1,400 civilian employees who are not members of the Senior Executive Service.

NSPS is a performance-based, market-sensitive personnel system. A cornerstone of NSPS is performance management. Under NSPS employees and supervisors are compensated and retained based on their performance and contribution to mission. Therefore, job objectives and performance expectations must be defined clearly and must align with the organization's and component's strategic plans and goals, which in turn align with the Department's strategic plan and mission requirements.

As a first step in preparing for NSPS, the DoD OIG undertook a comprehensive revision of its overarching strategic plan. Each DoD OIG Component then revised its strategic plan to align it with the new DoD OIG plan. After the revised plans were in place, the DoD OIG, through the Office of Personnel Management's Training and Management Assistance program, contracted for support in: developing straw man performance plan templates for 16 DoD OIG occupations, conducting coaching workshops to support DoD OIG supervisors and managers in identifying job objectives and defining performance expectations, and providing a quality review of employee performance plans. All DoD OIG civilian employees will receive new written performance plans that are results-oriented, mission-focused, and aligned with organization mission and goals before the DoD OIG comes under NSPS.

The changes that NSPS brings to the DoD for civilian compensation and classification, staffing and employment, workforce shaping, and performance management are the most extensive to civilian human resources management in the Federal Government in decades. Given the importance and magnitude of the NSPS initiative, the Acting DoD Inspector General designated three groups to move the DoD OIG toward NSPS: the OIG NSPS Project Management Team, the OIG NSPS Executive Steering Committee, and the OIG NSPS Component Implementation Team Representatives.



NSPS Project Management Team

TEAMS AND COMMITTEES

- The Project Management Team is comprised of representatives from the five largest components of the DoD OIG and has responsibility for planning, organizing, guiding, overseeing, and advising the Executive Steering Committee on the design and deployment of NSPS throughout the DoD OIG. Recommendations are based on NSPS requirements and flexibilities found in statute, the DoD implementing issuances, and the DoD Fourth

Estate¹ volumes. The chair of the Project Management Team is a direct report to the Acting Principal Deputy Inspector General and serves as the DoD OIG NSPS Program Manager.

- The Executive Steering Committee is the decision-making body. The Chair and members (respectively, the Acting Principal Deputy Inspector General, and the Deputy Inspectors General and the Assistant Inspectors General who report to the Acting Principal Deputy or Acting Inspector General) decide DoD OIG NSPS policy and design issues presented by the Project Management Team. The Executive Steering Committee also assigns action items to the DoD OIG Components to accomplish NSPS implementation.
- The Implementation Team representatives liaison with the Project Management Team, Executive Steering Committee, and their respective components.

IMPLEMENTATION AND TRAINING



NSPS Implementation Team Representatives

The DoD OIG took the following steps to inform its managers, supervisors, employees, and assigned military members about NSPS. All DoD OIG personnel were encouraged to complete NSPS 101, a web-based introduction to the new personnel system. Informational e-mails were sent to all DoD OIG personnel, and a page on the DoD OIG Intranet was dedicated to NSPS. NSPS At-A-Glance on the DoD OIG Intranet was developed as an internal tool that lists tasks, events, and milestones for implementing NSPS at the DoD OIG, and is updated weekly.

Numerous briefings and presentations on NSPS were conducted for DoD OIG managers, supervisors, and employees at DoD OIG headquarters and field locations. DoD OIG senior leaders received regular updates and

formal briefings on NSPS. The DoD NSPS Deputy Program Executive Officer and the DoD Director of Administration and Management recently spoke on NSPS issues at the DoD OIG Senior Leader Offsite. Topics included the challenges of implementing NSPS and the importance of senior leader involvement in ensuring the successful implementation of NSPS in the DoD OIG. Attendees at the offsite included Senior Executive Service members and GS-15 managers and supervisors assigned to the DoD OIG.

A lesson learned from the Department's 25 years of experience with personnel demonstration projects was the value of training. The DoD OIG began formal training on NSPS in mid-April 2006. NSPS Transition/Change Management was mandatory for all civilian employees and military members assigned to the DoD OIG. This course enabled participants to identify major elements of NSPS, discuss the potential impact of NSPS changes on themselves and their work unit, and identify strategies to assist them with the transition to NSPS. The second formal training initiative, NSPS Soft Skills Supervisory Training, began in May. All DoD OIG civilian supervisors and military members who supervise civilian DoD OIG employees must complete this training before being qualified as a rating official under NSPS. As of September 30, 2006, 1,396 DoD OIG personnel completed NSPS Transition/Change Management training, and 281 supervisors completed the NSPS Soft Skills Supervisory Training.

¹ The DoD Fourth Estate comprises all organizational entities in the Department of Defense that are not in the Military Departments or the Combatant Commands and includes the DoD OIG.

Training DoD OIG personnel in the operational aspects of NSPS was another requirement. The DoD OIG NSPS Project Management Team and Implementation Team Representatives looked into several options for delivering the NSPS human resources elements and performance management curricula (“NSPS functional training”) to DoD OIG personnel. The DoD OIG NSPS Executive Steering Committee approved the recommendation to hire an NSPS Training Manager. Responsibilities of the incumbent include to oversee the delivery of all functional training before the DoD OIG converts into NSPS in January 2007, train a cadre of DoD OIG component staff in NSPS, partner with the trained trainers in delivering the NSPS functional training, develop a plan to sustain the DoD OIG NSPS training program after implementation, and present other NSPS training (e.g., pay pool management), as required. The DoD OIG NSPS Training Manager instructed 34 DoD OIG component trainers in the NSPS human resources elements and performance management for managers and supervisors courses. DoD OIG component trainers scheduled NSPS functional training sessions at headquarters and field locations to begin the first week in October and continue through November 2006.

To ensure that DoD OIG human resources and general counsel staff became knowledgeable and valued advisors on NSPS, the DoD OIG sent its civilian personnel management and labor law practitioners to formal training offered by the DoD NSPS Program Executive Office. The classes covered human resources elements, performance management, and pay pool management under NSPS.

NSPS, the Department’s new human resources management system, does not come without a price. The DoD OIG is tracking and reporting actual costs and obligations associated with NSPS consistent with DoD requirements. During the period April 1 through September 30, 2006, the DoD OIG obligated \$584,386 on NSPS for training (including course delivery and travel to attend training), contractor support, and program operations.



Department of Defense Office of the Inspector General employees attend NSPS training.



SIGNIFICANT ACCOMPLISHMENTS

This chapter highlights significant accomplishments of the Office of Inspector General (OIG) as well as the Department of Defense (DoD) audit, investigative, and inspections communities. Accomplishments are discussed by the DoD management challenge areas identified by the OIG. The OIG annually assesses the most serious management and performance challenges faced by the DoD based on the findings and recommendations of audits, inspections, and investigations conducted during the year. The Inspector General Summary of Management Challenges is included in the DoD Performance and Accountability Report. For the Fiscal Year 2006 Performance and Accountability Report, the following challenges were identified:

- Joint Warfighting and Readiness
- Human Capital
- Information Security and Privacy
- Acquisition Process and Contract Management
- Financial Management
- Health Care

JOINT WARFIGHTING AND READINESS

The challenge of joint warfighting and readiness is to provide the right force, personnel, equipment, and supplies in the right place at the right time, and in the right quantity, across the full range of military operations. To meet this challenge, the Department is transforming its logistics capabilities to support fully integrated, expeditionary, networked, decentralized, and adaptable forces. The Department is also transforming its infrastructure through base realignment and closures to an efficient, cost-effective structure. In making recommendations for realignment and closure, the Department gave priority consideration to military value, particularly mission capability and the impact on operational readiness, joint warfighting, and training.

AUDIT

In addition to the joint warfighting and readiness audits previously discussed in the GWOT chapter, the Department of Defense Audit community issued other reports on joint warfighting and readiness, logistics, and base realignment and closure. Some of those reports are discussed below.

The DoD OIG issued a report that discusses implementation of performance-based logistics (PBL) for the Joint Surveillance Target Attack Radar System (STARS). The System Program Manager for Joint STARS had not fully implemented PBL initiatives for the Joint STARS weapon system so the System Program Manager could not support that the Joint STARS weapon system achieved desired outcomes of PBL, such as reducing life-cycle costs and increasing system availability.

The DoD OIG also issued a report on the H-60 SeaHawk helicopter PBL Program and the benefits the Department derived from teaming with industry for PBL support. Because the Navy aggressively adopted and implemented a well-developed, sound H-60 SeaHawk PBL strategy, the Program Office realized benefits from the strategy, which included reported increases in availability and reliability, training opportunities, Navy depot workload, and product improvements. The Program Office and Naval Inventory Control Point could

improve their effectiveness in managing the PBL contracts by documenting contract activity and efforts to demonstrate whether H-60 SeaHawk PBL contract incentive payments were accurate and reduced total ownership costs



DoD OIG auditors inspect minesweeping equipment.

DoD OIG focused significant resources on several efforts related to oversight of implementation of the recommendations for Base Realignment and Closure (BRAC) 2005. One project focused on the BRAC requirement that the DoD Inspector General certify to the President and Congress by June 1, 2006, whether the Commonwealth of Virginia and the municipal governments of Virginia Beach and Chesapeake, Virginia, had taken six specified actions that would reduce or eliminate encroachment around Naval Air Station Oceana, Virginia. The Commonwealth of Virginia and municipal government actions were part of the BRAC-directed process to potentially realign Navy East Coast Master Jet Base functions. In a report to the President dated May 24, 2006, the DoD IG states that while the Commonwealth of Virginia and the municipal governments implemented a number of commendable actions, he could not certify Commonwealth or municipal compliance with BRAC criteria because the actions did not satisfy the criterion to establish a program to condemn and purchase all the incompatible use property located within the Accident Potential Zone 1 areas surrounding the Naval Air Station Oceana.

AAA reported that U.S. Army, Europe and Seventh Army (USAREUR) needed to improve the processes it used for identifying and monitoring program execution and costs associated with its General Support Reconstitution Maintenance Program. Although it identified General Support maintenance requirements, USAREUR did not develop a process that could identify the actual costs of its reconstitution maintenance activities. USAREUR received inaccurate cost data from lower command levels for organic and contracted maintenance. In addition, the 21st Theater Support Command had not effectively executed maintenance operations at organic maintenance facilities because the command repaired equipment to a higher standard than the Department of the Army (DA) and USAREUR directed for reconstitution efforts.

AAA also reported that of the six operational projects identified for Army Pre-positioned Stocks (APS) in Europe, two would not effectively support responsibilities in the European theater and Army transformation goals. Each of the existing projects had insufficient quantities of equipment on hand, and much of the equipment on hand was in an unserviceable condition. During the audit, Headquarters DA canceled unneeded operational projects, directed subordinate activities to perform required reviews and revalidations of valid projects, and initiated action to redistribute excess stocks to fill \$4.4 million of requirements in other APS. In that same report, AAA also states that the Army had in place effective processes in place for identifying and disposing of excess major equipment and supplies.

NAS reported that the Antiterrorism Risk Assessment Management Approach for Navy Region Hawaii discloses the following problems—required assessments were not always performed, critical asset lists were not developed uniformly, justification for funding requirements was not adequately documented, and local emergency management plans were not comprehensive and updated. A second report on the same subject at Navy Region Gulf Coast also discloses that required assessments were not always performed; justification for funding requirements were not adequately documented; local emergency management plans were not comprehensive and updated; chemical,

biological, radiological, nuclear, and high yield explosives exercises were not conducted annually; an emergency disaster planning officer was not designated in writing; and antiterrorism working groups were not always established.

In an audit on Department of the Navy Antiterrorism Management at Facilities in Korea, Japan, Singapore, and Guam, NAS reported that the Navy did not always: perform required assessments, develop uniform critical asset lists, update and review antiterrorism plans, establish antiterrorism working groups, and describe in the plan of action and milestones identified during risk assessments.

NAS also reported that while Department of the Navy established controls in the system for managing development of BRAC Military Construction (MILCON) projects, isolated cases still occurred in which those controls did not achieve proper scoping on all projects. Of 10 projects, the Commander for the Navy Mid-Atlantic Region canceled 3 because the BRAC Commission did not approve the recommended closure or realignment of the bases involved; requirements were valid and properly scoped for 1 project; and 6 projects had a valid need but did not have sufficient documentation for determining the proper scope of the projects.

The Air Force Audit Agency (AFAA) reported that controls over Air Force support to civil authorities needed improving. Although 4 of 15 installations reviewed Full Spectrum Threat Reduction plans, the plans did not contain elements that helped deliver support to civil authorities because the plans were not always current and properly executed. The Air Force could have recouped \$16 million in the cost for emergency support but did not seek reimbursement during 2002 through July 30, 2005. Effective reimbursement control measures would mean a potential monetary benefit of at least \$41.8 million over the 6 year Future Years Defense Plan.

An AFAA report on Foreign National Access to Air Force Information and Facilities states that Air Force foreign disclosure officers did not always effectively identify or control foreign national visitor access. At two of seven locations the Air Force

reviewed, base personnel could not identify or account for foreign visitor entry to unit installations. Base personnel also could not provide the Air Force Office of Special Investigations the appropriate information on foreign visitors. Air Force officials also did not always correctly monitor the activities of assigned foreign military personnel.

AFAA determined that logistics personnel within the Air Force Materiel Command established inaccurate or invalid condemnation percentages for spare parts reviewed. Those inaccurate or invalid condemnation percentages contributed to misstatements of the requirements for spare parts that totaled \$917 million (\$905 million in overestimates and \$12 million in underestimates). Auditors identified opportunities for saving \$893 million.

Another AFAA product reports that Air Force logistics personnel did not always ensure that additive requirements for unserviceable spare parts were valid when calculating the requirements for spare parts. By reducing overstated requirements, the Air Force could have put \$32.8 million to better use. Logistics personnel established and retained invalid Credit Due In From Maintenance records. That action resulted in 1,635 invalid unserviceable spare parts additives and resulted in \$20.4 million in overstated buy and repair requirements. In addition, logistics personnel improperly adjusted unserviceable spare parts additives, resulting in buy and repair requirement errors totaling \$15.7 million (\$12.4 million in overstatements and \$3.3 million in understatements).

INVESTIGATIONS

The Defense Criminal Investigative Organizations (DCIOs), comprised of the Defense Criminal Investigative Service (DCIS), a component of the OIG DoD; the U.S. Army Criminal Investigation Command (CID); the Naval Criminal Investigative Service (NCIS); and the Air Force Office of Special Investigations (AFOSI), support each of the Secretary of Defense Management Challenges. Highly trained special agents, forensic experts, analysts, and support personnel protect the military and civilian men and women of the Department by combating crimes, both domestic and overseas.



DCIS, SIGIR, and Army CID special agents participate in joint investigations in Iraq.

Examples of the DCIOs' mission initiatives and investigative accomplishments are detailed under the nine management challenges.

The four DCIOs provide investigative support and special agents lend their assistance in humanitarian efforts around the world. The DCIOs actively participate in worldwide joint terrorism task forces, sharing and acting on information, and relying on the unique skills and investigative specialties of the participating organizations to ensure no potential threat goes unchecked.

The DCIOs conduct investigations into fraud, waste, and abuse in logistics support operations for supplies, transportation and maintenance. DCIS continues to focus significant resources to investigate fraud, theft, and other criminal activities that potentially threaten the integrity of DoD logistics systems, involving the Defense Reutilization and Marketing Service (DRMS). DRMS is the entity within DoD that is primarily responsible for disposing of military equipment and supplies that are no longer required. Of particular concern to DCIS is the illegal sale or release of items with inherent

military characteristics to the general public, such as weapon systems and associated materials, prior to the demilitarization (i.e., rendering the equipment useless for its originally intended purpose)

Examples follow.

- An example of a joint warfighting and readiness case is Eagle Global Logistics (EGL), a Defense subcontractor, agreed to pay the U.S. Government \$4 million as a result of a civil settlement to resolve allegations that Christopher Joseph Cahill, a former EGL vice president, submitted false claims to prime DoD contractor Kellogg, Brown, and Root. He was sentenced to 30 months in prison, 2 years supervised release, and a \$10,000 criminal penalty. Mr. Cahill inflated 379 transportation invoices for a total of \$1.1 million by including a non-existent "war-risk" surcharge for items transported for EGL-Dubai to Iraq. EGL had earlier been suspended from further contracting with any agency of the U.S. Government.

- To promote interagency cooperation and the exchange of criminal intelligence, DCIS formed its own National Security Program. Agents assigned to the program provide oversight technology protection and homeland security/terrorism-related efforts and conduct liaison with other agencies that share investigative jurisdiction over these matters.

- The DCIS participated in investigations related to Hurricanes Katrina and Rita. During this period, they received 22 criminal allegations and opened 8 cases dealing with bribery, kickbacks, false claims, and possible product substitution related to hurricane damage. The DCIS serves as the law enforcement liaison with the Hurricane Katrina Fraud Task Force and briefs its members on their investigative efforts. DCIS also has conducted over 40 mission and fraud awareness briefings at the U. S. Army Corps of Engineers debris collection and Blue Roof distribution sites. DCIS provided awareness briefings to Corps and contractor employees on potential fraud, bribery, and kickback schemes.

- In a joint investigation with other Federal Agencies, information obtained from a proffer by the defendant of an unrelated joint investigation disclosed that Teng Fang Li, president of UNITEK International Corporation, aka Universal Technologies Inc.(UTI), and others in his corporation, were illegally exporting controlled commodities to a research institute in the People's Republic of China (PRC). Teng Fang Li pled guilty to charges of false statements and was sentenced to 12 months probation. Xu Weibo, president of Manten Electronics – a corporation established to circumvent export control regulations – was sentenced to 44 months in prison, and 24 months of supervised release. Hao Lin Chen, Manten's vice president, was sentenced to 30 months in prison, and 24 months

of supervised release; Xiu Ling Chen, Manten's purchasing manager, was sentenced to 18 months in prison, and 24 months supervised release; and Kwan Chun Chan, Manten's comptroller, was sentenced to 6 months in prison, and 24 months probation.

- Kal Nelson Aviation, Inc., a DoD subcontractor, pled guilty to violations of the Arms Export Control Act and was fined \$1 million. A joint investigation revealed that Kal Nelson shipped International Trafficking in Arms Regulations controlled F-5 Tiger fighter aircraft components, F-14 fighter aircraft, and Hawk military missile parts to a company located in Southeast Asia without the required export licenses.

- Ko-Suen "Bill" Moo, a Taiwanese national, pled guilty to charges of conspiracy to violate the Arms Export Control Act and the Foreign Agent Registration Act and attempted bribery of a public official. He was sentenced to 78 months imprisonment and 36 months of supervised release, fined \$1 million, and ordered to forfeit \$350,000 seized during the investigation. Moo was attempting to acquire and trans-ship export controlled U.S. military technology to the People's Republic of China (PRC). The investigation determined that Moo was a covert People's Republic of China agent who was negotiating for the acquisition and delivery of various export controlled U.S. military articles to the People's Republic of China. He also attempted to bribe a U.S. Attorney in a bid to be released from incarceration.

- ABL Aerospace, Inc., a DoD subcontractor, pled guilty to violating the Arms Export Control Act and the International Trafficking in Arms Regulations (ITAR). The company president, Alicia Hed-Ram, also pled guilty to conspiracy to violate the ITAR. ABL and Hed-Ram were sentenced to 5 years probation each and the company was fined \$500,000.



Mr. Thomas F. Gimble, Department of Defense Acting Inspector General (DoD IG), participated in the Hurricane Katrina Fraud Task Force (HKFTF) Conference.

During a joint investigation, ABL Aerospace was identified as selling, without the required export licenses, export controlled U.S. Military (Munitions) List items, including F-4, F-5, C-130 and HAWK missile components, to the People's Republic of China.

- A joint investigation, Operation High Bidder, surfaced an eBay auction site that was selling stolen U.S. military items. The investigation uncovered a theft ring involving Staff Sergeant Arthur Smith the eBay auctioneer, and other soldiers stationed at Fort Lewis, Washington, and found that Staff Sergeant Smith intentionally and knowingly conspired with military co-conspirators to obtain large quantities of stolen military items, and subsequently re-sold the stolen DoD property for personal profit. Staff Sergeant Smith and the other co-conspirators were subsequently apprehended. Staff Sergeant Smith was subsequently sentenced to 8 years military confinement, a fine of \$150,000, forfeiture of all pay and allowances, reduction in rank from E-6 to E-1, and a Bad Conduct Discharge for conspiracy to defraud, and theft of government property. The co-conspirators were sentenced to military confinement, reduction in rank, and forfeiture of pay.

- A qui-tam civil suit alleged that Swepco Tube Corporation was providing substandard pipe to the Department of Defense and was not performing the required contractual quality testing, welding, and inspection procedures. Swepco agreed to pay a civil settlement and fine totaling \$762,750 to resolve allegations of submission of false claims and conspiracy to defraud the United States with respect to claims. Swepco and its former President, Alfred Ridella, were debarred from Government contracting until May 2008.

- Honeywell International, Inc., a major DoD contractor, entered into a settlement agreement to pay the U.S. \$2.6 million in response to allegations contained in a qui tam suit. A joint investigation found that National Metallizing, a company acquired by Allied Signal which was then acquired by Honeywell, produced defective heat-sealable, electrostatic protective, flexible barrier packaging. The product was found to expose sensitive equipment to static electricity.

INSPECTIONS

The DoD IG's Office of Policy and Oversight (P&O) continues to be involved in a number of projects that have a direct impact on the welfare and safety of DoD personnel. Here are some examples from this reporting period:

- **DoD Standards for Inspector General Operations in Combatant Commands.** The DoD IG completed this project with the publication of DoD Directive 5106.04 "Inspectors General of the Combatant Commands," June 19, 2006, and DoD Instruction 5106.05 "Inspectors General of the Combatant Commands—Implementing Instructions." These publications fill a long-term need for comprehensive policy, guidance, and training in the roles, missions, functions, and relationships of Combatant Commands.

The directive and instruction standardize policy and guidance to ensure consistent standards of COCOM IG support to their commands. An integral part of this project was the establishment of the Joint/COCOM IG course at the U.S. Army's Inspector General University at Fort Belvoir, Virginia. During this report period, the third class for this course was held from July 31 to August 4, 2006. The DoD IG will continue its commitment to supervise and support the program and sustain the quality of instruction and curriculum.



DoD OIG Policy and Oversight personnel arriving in Kandahar, Afghanistan.

• **DoD Safety Program Evaluation.** Accidents not only impact readiness through lost man-hours and the unavailability of personnel but are estimated to cost the Department approximately \$25 billion a year. In May 2003, the Secretary of Defense challenged senior leaders within the Department to reduce in two years the accident mishap rate by 50 percent. In March 2004, the Secretary challenged DoD managers to reduce accidents 75 percent by 2008.

Overall responsibility for efforts to reduce preventable accidents was tasked to the Under Secretary of Defense for Personnel and Readiness, who chairs the Defense Safety Oversight Council (DSOC). In November 2004, the OIG announced an evaluation plan that addresses all aspects of the safety program-climate, leadership, policies, organizational structure, resources, exceptional practices, and lessons learned.

“DoD employs more than 3.38 million civilian and military personnel and has a large contractor presence.”

In March 2006, the Assistant Inspector General for Inspections and Evaluations presented an interim progress report to the DSOC and provided preliminary recommendations for the “Way Ahead.” The DoD IG is using constructive engagement techniques and interim progress reviews with DoD management to provide information, preliminary findings, and recommendations to stimulate continuous, ongoing corporate actions and safety program improvements, rather than waiting for the final report.

• **Evaluation of Defense Installation Vulnerability Assessments.** This report, issued on May 23, 2006, was requested by the Assistant Secretary of Defense for Homeland Defense (ASD(HD)). We found that doctrine and organization changes driven by the Global War on Terror were incomplete. Protection and assurance concepts were disjointed, and coordination of associated programs could be improved. We recommended that the ASD(HD) clearly decouple unique Defense Critical Infrastructure Protection efforts from Full Spectrum Integrated Vulnerability Assessment development.

HUMAN CAPITAL

DoD employs more than 3.38 million civilian and military personnel and has a large contractor presence. Challenges for its Human Capital area include making sure that the military and civilian workforce are appropriately sized, well trained, well supported operationally, and capable of supporting current and future needs. Another more prevailing challenge is implementing the National Security Personnel System (NSPS), with a more flexible pay-for-performance program. NSPS changes how DoD hires, evaluates, pays, rewards, and disciplines its civilian workforce to more closely resemble private

sector personnel practices. Human Capital challenges also include the continuing backlog of security clearances and deficiencies handling and processing security clearances, and an acquisition force

that has declined by 25 percent while the dollars spent increased by 78 percent and the number of procurement actions increased by 14 percent (from 5.8 million to 6.6 million).

AUDIT

The DoD OIG has an audit team dedicated to human capital issues and that team participates with the military service audit agencies and the Government Accountability Office (GAO) on the Human Capital Joint Audit Planning Group.

Annually DoD counts personnel in the acquisition workforce to support DoD acquisition workforce planning, estimating expenditures for workforce training and development, and reporting to Congress. A DoD OIG-audit reported that the FY 2004 and previous acquisition workforce counts were unverifiable. As a result, DoD acquisition workforce planning risks could increase because annual workforce support and expenditures may be based on unreliable data and may not accurately reflect the true DoD acquisition workforce.

In another audit, the DoD OIG identified that numerous activities have had difficulty processing requests for personnel security investigations. The activities experienced delays in the security clearance process. The delays are likely to continue and could easily impact national security, completion of critical DoD missions, and support of the warfighter. The management controls over the DoD Personnel Security Clearance Program were not sufficient and did not ensure that requesting activities could efficiently and effectively process security clearance requests. The DoD OIG reported that activities initiating requests for personnel security investigations could not rely on the Joint Personnel Adjudication System for accurate and complete personnel data. Further complicating the situation, the Office of Personnel Management was rejecting personnel security investigation requests and security personnel did not always know about the process or systems for personnel security.

The Secretary of the Army and the Chief of Staff, Army directed 17 realignment actions for consolidation of human resources organizations and processes of the Active, Reserve, National Guard, and civilian Components of the Army. An AAA audit of those 17 consolidating actions showed that the Army successfully implemented 6, were processing 7, and were recommending rescinding 4. After the Army began the consolidation, the established infrastructure and necessary emphasis from Army leadership was significantly reduced. Consequently, actions for some of the inprocess consolidations were delayed.

An NAS audit on Acquisition Workforce Position Accountability determined that Department of the Navy positions in the acquisition workforce were not always consistently or properly designated across the Navy. Such inconsistency could prevent the Director for Acquisition Career Management from effectively using training funds and from making informed decisions about the acquisition workforce.

An AFAA audit of Workman's Compensation concluded that although Injury Compensation Program Administrators (ICPAs) and supervisors effectively used programs for rehabilitating and returning injured civilian employees to work,

ICPAs and employee supervisors did not encourage employees injured on the job to use Air Force Medical Treatment Facilities to minimize the costs. The Air Force incurred an additional \$3.4 million in medical costs for workman's compensation during FY 2004 and FY 2005 at the 12 locations reviewed. A 50-percent use rate throughout the Air Force achieved over the 6-year Future Years Defense Plan would allow the Air Force to put almost \$18.4 million to better use. Also, Air Force ICPAs did not maintain support for more than \$30.5 million in workman's compensation costs and could not validate whether 178 employees remained eligible for workman's compensation benefits. The Air Force spent an estimated \$48 million on unsupported reimbursements during FY 2004.

An AFAA audit determined that their Affirmative Employment Program did not achieve minority and female representation in the Air Force civilian workforce. An effective Affirmative Employment Program is essential for Air Force personnel to comply with the self-assessment requirements for Equal Employment Opportunity Commission Management Directive 715. Air Force civilian workforce demographic data show that the number of minorities and females in grades General Schedule (GS) 13 and above were below the National Civilian Labor Force composition at each of the 12 locations reviewed. Effective hiring efforts and career progression would minimize under representation and help the Air Force achieve its human capital goals and objectives.

INVESTIGATIONS

The DCIOs have undertaken several initiatives to raise community awareness of fraud, waste, and abuse against the DoD, and take proactive approaches to detect public corruption, internal weaknesses, and systemic failures in an effort to combat corruption in the Department. They also investigate crimes against persons. Examples of their ongoing investigative efforts are illustrated below:

A Navy Petty Officer received 54 months confinement, forfeiture of all pay and allowances, reduction in rank, and a bad conduct discharge, after being convicted at a general court-martial of assault.

During interrogation, he admitted to violently shaking his 3-1/2 month son on four separate occasions.

In a general court martial, a Marine Corps gunnery sergeant, was sentenced to life without parole, reduced to E-1, ordered to forfeit all pay and allowances, and received a dishonorable discharge for the murder of his former girlfriend.

A Navy seaman was sentenced to life in prison after he admitted culpability in the bludgeoning death of a 56-year-old Japanese woman. He also admitted to stealing a 10,000 yen note (approximately \$86.00) from the victim. The joint investigation resulted in trial at a Yokohama District Court.

A Navy petty officer, was convicted by general court martial of child sexual abuse and disorderly conduct for forcing a 15 year old to have sex with him. He was sentenced to seven years of confinement, ordered to forfeit all pay and allowances, reduced in rank to E-1, given a dishonorable discharge and required to register as a sex offender.

A Navy petty officer, was found guilty by a general court martial, sentenced to 10 years confinement, ordered to forfeit all pay and allowances, reduced in rank to E-1, and given a bad conduct discharge for child pornography. He admitted to subscribing to child pornography websites.

A Marine Corps private, was convicted by a special court martial, sentenced to 12 months confinement, ordered to forfeit \$10,176, and given a bad conduct discharge for indecent assault.

A Navy petty officer was sentenced to three years confinement and given a bad-conduct discharge after being convicted of rape by a general court martial.

An Air Force lieutenant was sentenced to 50-years confinement, capped by pretrial agreement to 25 years, ordered to forfeit all pay and allowance, and dishonorably discharged from the military, after pleading guilty to charges of homicide in the beating death of his 5-week-old child.

An Air Force senior airman was sentenced to life in prison and discharged from the military under other than honorable conditions after being convicted of homicide in the death of a 1-year-old child for whom he was babysitting

INSPECTIONS

• **Revolving Door-Post Government Service Employment Project.** Compliance with restrictions on post-government employment activities is a challenge the Department faces as it strives to maintain a high standard of integrity and public confidence. Disclosure of a Pentagon acquisition official's violation of post-employment guidelines prompted members of Congress and senior level DoD officials to question whether current training and information provided to employees are sufficient to prevent similar irregularities. The Government Accountability Office issued an April 2005 report on the "Defense Ethics Program: Opportunities Exist to Strengthen Safeguards for Procurement Integrity," which stated the DoD lacks information to evaluate the DoD training and counseling process. The DoD OIG, in partnership with a civilian contractor, completed a Web based survey to measure the awareness and attitudes of DoD senior officials and acquisition force regarding post-Government service employment restrictions. The survey data has been analyzed and briefed to the DoD Standards of Conduct Office. The DoD OIG will publish the final report in November 2006.

• **Follow-up Evaluation of the DoD Chaplain Program.** We closed outstanding recommendations from a previous evaluation requested by Congress. Subsequent to our follow-up requests, the Deputy Under Secretary of Defense for Military Personnel Policy responded on July 19, 2006, that the Armed Forces Chaplains Board had approved criteria and provisions for the removal or rejection of any individual or organization from participation in the DoD Chaplain program if indicted or convicted of terrorist-related activities or affiliated with entities on the State Department List of Foreign Terror Organizations. The provisions satisfy the intent of recommendation in the "Evaluation Report on the DoD Chaplain Program," November 10, 2004.

INFORMATION SECURITY AND PRIVACY



Ensuring that the Department has a robust information security program continues to be a challenge. A robust information security program includes periodic risk assessments; security awareness training; effective security policies, procedures, and practices; and tests of effectiveness. A program should also include procedures that address handling deficiencies and detecting, reporting, and responding to security incidents. The Department also faces the challenge of ensuring that advances in technology do not eclipse our efforts in protecting the privacy of departmental employees. One major challenge that the DoD OIG identified last year was implementation of the Health Insurance Portability and Accountability Act (HIPAA). Challenges continue for protecting sensitive personal and medical information as DoD and the health care industry move toward health care records that are electronic.

The Department did not make much progress during FY 2006 in improving its posture for information security. Recent losses of privacy data by various Federal agencies—including components of the Department—and the lack of a clear DoD policy from the Assistant Secretary of Defense for Networks and Information Integration (ASD[NII]) on protection of privacy data tends to exacerbate unresolved issues. The Department is, however, making progress implementing HIPAA. The Federal Government is working to use encryption capabilities more effectively. Once that happens, the challenge should be eased. The Administrative Simplification Enforcement final rule, effective in March 2006, covers civil penalties for violations of administrative simplification provisions of HIPAA.

AUDIT

Between August 1, 2005, and July 31, 2006, GAO and the DoD audit community issued 28 reports that discuss information assurance (IA) weaknesses persisting throughout DoD systems and networks. If those reported weaknesses continue, they will impede DoD ability to mitigate risks associated with a shared information technology (IT) environment. The risks that DoD needs to mitigate include harm resulting from loss, misuse, unauthorized access, and modification of information or information systems. The reports most frequently cite weaknesses in the following areas: access controls; certification and accreditation; security awareness, training and education; and security policies and procedures. In the seven IA summary reports published from FY 1999 through FY 2005, the DoD OIG identified 45 reports that were older than 12 months with final management action pending to correct agreed-upon IA weaknesses.

The DoD OIG identified that the DoD Chief Information Officer (CIO) began a major IT acquisition initiative but did not adequately consider IA implications for DoD of the technology being procured. As a consequence, sensitive information in DoD was potentially vulnerable to unauthorized access. Two additional audits reported that the Missile Defense Agency (MDA) did not properly or consistently certify and accredit the Command and Control Battle Management Communications System and the Ground-Based Midcourse Defense Communications Network. Also, MDA officials for the system and the network did not implement IA controls that would protect the integrity, availability, and confidentiality of the system's information. As a result, MDA may not be able to reduce the risk and magnitude of harm from misuse or unauthorized access to or modification of the system's information or ensure the continuity of the system.

The DoD OIG determined that the Defense Logistics Agency (DLA) Chief Information Officer (CIO) did not fully implement information security operational controls at DLA. It was, therefore, operating the system with vulnerabilities that could present potential risks to DLA and DoD. The

DLA CIO did not ensure the Business Systems Modernization-Energy (Fuels Automated System) was fully certified and accredited. The CIO also did not address in the plans of action and milestones the weaknesses for system security. Further, the CIO did not ensure that adequate access controls for users were in place, did not consistently train users in annual security awareness, and did not complete and test system-wide continuity of operations plans.

NAS reported that tenant activities at Naval Air Station Pensacola, Florida, did not properly recycle documents containing protected personal information—putting individuals at risk for identity theft. Auditors recommended establishing controls that would render protected personal information unrecognizable prior to disposal.

In another security-related audit, AFAA concluded that the Air Force should improve processes for addressing security in systems acquisition and development. Managers were not always sure how to mitigate risk associated with software development and the Air Force commands and field operating agencies did not effectively incorporate security requirements into software development. Also, Air Force management did not adequately mitigate risks associated with contractors and subcontractors developing and sustaining Air Force software. Consequently, Air Force systems were increasingly vulnerable and could be exploited. Auditors also identified instances where Air Force officials did not effectively comply with appropriation laws when purchasing IT services through non-Air Force activities. Air Force managers improperly used \$1.29 million to cover subsequent costs, and \$4.88 million remained available for management to reclaim and put to better use. In addition to not adequately mitigating risks and not effectively complying with appropriations law, management did not effectively ensure that the systems the major commands and field operating agencies operate on the Global Information Grid.

INVESTIGATIONS

The DCIO agents regularly coordinate and train with other national intelligence and law enforcement agencies involving counterintelligence,

criminal and fraud computer-evidence processing, analysis, and diagnosis in computer investigations and computer forensics. Various information technology programs are depicted below:

In conjunction with its responsibility to protect the integrity of the DoD procurement and acquisition process, DCIS increased its focus on investigating the illegal transfer and/or theft of DoD-related technologies, weapons systems, components and information as early as the mid-1990s. The DCIS Technology Protection Program oversees investigations of the illegal diversion, theft, or movement of strategic technologies and U.S. Munitions List items to proscribed nations, and to terrorist organizations that pose a threat to national security. Technology Protection-related investigations have grown to encompass approximately 20 percent of DCIS' active caseload. DCIS is currently recognized by the Department of Homeland Security, the Department of Commerce, the FBI, and various members of the Intelligence Community as the primary DoD criminal investigative element supporting the on-going battle against counter-proliferation and illicit technology transfer.



DCIS special agents conduct computer investigations training.

DCIS provides a full-time representative to the Joint Task Force for Global Network Operations (JTF-GNO) and the Law Enforcement and Counterintelligence Center (LECIC). The JTF-GNO is tasked with defending the DoD's Global Information Grid, while the LECIC works to deconflict criminal and counterintelligence computer intrusion investigations among the DCIOs

Additionally, 39 DCIS Special Agents have earned professional certifications from the Defense Computer Investigations Training Program (DCITP). Current DCIS proficiency and continuing education guidelines meet or exceed DCITP's annual re-certification requirements.

During this reporting period, action was taken on two "botnet" or computer hacking cases. A "botnet" comprises a collection of cracked machines running programs, usually referred to as worms, Trojan Horses or backdoors, under a command and control infrastructure. "Botnets" serve various purposes, including Distributed Denial of Service attacks, creation or misuse of Simple Mail Transfer Protocol email relays for spam, click fraud, and the theft of application serial numbers, login IDs, and financial information such as credit card numbers.

In the first ever prosecution of a "botnet" case, Jeanson Ancheta was sentenced to 57 months confinement following a conviction on charges conspiring to violate the Computer Fraud Abuse Act and the CAN-SPAM Act. He also was ordered to forfeit three of his computers, his BMW automobile and \$335,000 previously seized from his bank account. After confinement, Mr. Ancheta was ordered to serve 3 years of supervised probation and is not allowed to use a computer or connect to the Internet without his parole officer's approval. A joint investigation found that Mr. Ancheta wrote malicious computer code, spread that code to infected computers, and sold access to the infected computers for the purpose of launching distributed denial of service attacks and sending spam emails. He used the programs to infect computers at various Defense locations.

In another computer hacking case, Christopher Maxwell was sentenced to 37 months confinement following conviction on charges for conspiring to intentionally cause damage to a protected US Government computer and computer fraud. He was

also ordered to pay \$138,000 in restitution to the Department of Defense. A joint investigation found that Mr. Maxwell used "botnets" to launch destructive attacks, to send large quantities of spam across the internet, and to receive covert installations of adware. His actions damaged computer systems operated by the Department of Defense and civilian organizations.

ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

The Department's Acquisition and Contracting management challenge is to provide to the Services materiel and services that are superior in performance, high in quality, sufficient in quantity, and reasonable in cost despite the ever increasing volume and complexity of purchases. Each acquisition dollar that is not prudently spent results in the unavailability of that dollar to fund the top priorities of the Secretary of Defense and wastes valuable taxpayer dollars.

"Each acquisition dollar that is not prudently spent results in the unavailability of that dollar to fund the top priorities of the Secretary of Defense and wastes valuable taxpayer dollars."

During FY 2006, the Department experienced continued shortcomings in complying with the DoD 5000 series of guidance and the Federal Acquisition Regulation (FAR). The DoD OIG identified instances where

Army acquisition officials misused appropriated funds because they had not complied with that guidance. The Department also has significant challenges regarding purchases made for the Department through other agencies. Last year, Military Interdepartmental Purchase Requests valued at about \$406 million used to make purchases through other agencies did not comply with the appropriations law and the FAR.

The Department should continue with its vigilant investigations of allegations of corrupt criminal and administrative acquisition. Undoubtedly, the work of a few to undermine the integrity of the acquisition process can set back the success of millions of acquisition actions within the Department. The Department also needs to strike a proper balance between reducing the time for awarding procurements

and maintaining adequate controls for safeguarding scarce departmental resources. Use of initiatives for streamlining acquisitions such as buying commercial items makes sense.

AUDIT

A DoD OIG audit of procurement procedures for the Next Generation Small Loader disclosed that Air Force procurement officials used improper procurement procedures. The then-Principal Deputy Assistant Secretary of the Air Force for Acquisition and Management decided to use an aggressive strategy to procure the Next Generation Small Loaders as commercial items. Air Force test results indicated that the Small Loaders could not meet Air Force operational requirements for reliability and that a contract should not have been awarded. Between 2000 and 2005, the Air Force procured 345 Small Loader vehicles under a commercial item contract at a cost of \$151.5 million.

Another DoD OIG acquisition audit showed that internal control weaknesses existed in the program management of the Objective Individual Combat Weapon (OICW) Increment I. The OICW Program Office awarded contracts for the XM8 Program (which later became the OICW Increment I) before having an approved warfighter requirement, and it did not obtain appropriate milestone decision approval before initiating the acquisition. The OICW Program Office continued to develop the OICW Increment I even though the Joint Requirements Oversight Council had not approved warfighter requirements for Increment I. Thus, the OICW Program Office had no assurance that Increment I would satisfy warfighter requirements. In addition, OICW contracting officials did not comply with contracting requirements prior to awarding contract modifications to the overall OICW. Further, the then-Program Executive Officer Soldier issued an acquisition decision memorandum, without evident authority, that started an acquisition program for the XM8 carbine and authorized entry of the program into the system development and demonstration phase of the acquisition process.

DoD is challenged to contract for IT that includes IA and all contracting clauses that Federal and DoD regulations require for safeguarding its IT infrastructure. Although the Department developed five priorities for IA (protecting information, defending systems and networks, providing situational awareness, improving the capabilities of IA, and creating a professional IA workforce), a plan did not exist for assessing the effectiveness of initiatives.

The Department made little progress during FY 2006 to improve its IA posture and address key policy issues pertaining to that posture. On November 8, 2005, DoD assured the Director of the Office of Management and Budget (OMB) that the Department would resolve issues such as applicability of National Institute of Standards and Technology standards and guidelines to the Department, yet the lack of standard definitions for reporting and inventory of information systems remain unresolved. The DoD OIG reported in April 2006 that DoD issued a request for proposal for an IT indefinite delivery/indefinite quantity contract with a \$13 billion ceiling without including IA and required contracting clauses Federal and DoD acquisition policies require.

An AAA audit of Contracts for the Hurricane Protection System in New Orleans showed that the U.S. Army Corps of Engineers (USACE) awarded contracts to technically qualified businesses. The audit also found that the Government paid reasonable prices for the work—averaging only 4 percent higher than the independent Government estimate. USACE excelled at awarding contracts to small and local businesses located in hurricane-affected areas—awarding about 85 percent of contract dollars to Louisiana businesses and about 31 percent to small or disadvantaged businesses. Because of the stringent demand for quality, contractors needed to provide more comprehensive contractor quality control plans and be more diligent in the daily reporting of quality control issues.

An AAA audit determined that during the 18 month period ending June 30, 2006, Army activities disbursed more than \$1 billion for items ordered using offline purchase systems of DLA and the General Services Administration. Disbursements totaling

\$627.8 million were posted without prior obligations in financial systems. Fund control and materiel managers didn't know about the requisitions until bills were processed against financial records. Activities that delayed recording obligations understated execution and could not accurately track remaining available funds. In addition, weaknesses in the overall control environment and breakdowns in management control activity left the Army vulnerable to fraudulent, improper, and abusive purchases.

An AFAA audit concluded that while some Air Force levels implemented the Quarterly Enterprise Buy (QEB) program to purchase desktops, laptop computers, and monitors, the Air Force as a whole did not achieve the objectives of the QEB program. Increasing QEB program participation would mean that the Air Force could put \$326 million to better use over the Future Years Defense Plan. In addition, Air Force personnel did not adequately manage waivers when deviating from the approved Infrastructure Technology Reference Model standards.

AFAA also reported that although Air Force personnel were aware of and complied with the Competition in Contracting Act and related FAR requirements, they could improve some processes. Program officials allowed the Theater Battle Management Core System development contract to increase in cost and in performance period without benefit of a Justification and Approval.

The contract increased by more than \$450 million, and the contract performance period exceeded the basic contract scope. Program management personnel took corrective actions during the audit to address some internal control issues by revising procedures. Air Force guidance on applicability of Justification and Approvals required clarification to reduce the risk of contractor protest, embarrassment to the Air Force, and the need to ratify future contracting actions.

“Financial statements in DoD remain large, complex, diverse and problematic.”

FINANCIAL MANAGEMENT

Financial statements in DoD remain large, complex, diverse and problematic. The DoD OIG issued reports on four DoD systems. The auditors tested the design and operating effectiveness of the controls in operation. The controls in place to ensure compliance with DoD IA policies appeared to be suitably designed, but tests of the design and operating effectiveness indicated inconsistencies in adherence to DoD policies. Design control weaknesses existed regarding access controls for user and access rights, physical and logical controls to detect unauthorized access, and audit trails. Additionally, tests of operating effectiveness identified primary deficiencies in authorization, completeness, change controls, and configuration management.

AUDIT

Along with the reports on internal control and compliance with laws and regulations, the DoD OIG issued individual audit reports on the Department's compliance with specific laws and regulations, financial management processes, and the Department's compliance with the Prompt Payment Act of 1998. In one audit, the DoD OIG reported that the Defense Finance and Accounting Service (DFAS) Columbus did not comply with the Prompt Payment Act and recommended correcting errors that resulted in incorrect interest payments and lost Federal interest in FY 2004 projected at \$850,000 and \$919,000 respectively. The Central Site Deputy Director, DFAS Columbus commented that the deficiencies would be corrected by changing the Mechanization of Contract Administration Service process and providing refresher training to DFAS personnel.

The DoD OIG also issued a report about \$21.3 billion in unexplained abnormal balances in the trial balance submissions DFAS Indianapolis used to prepare the third quarter FY 2005 Other Defense Organizations Financial Statements. The DoD OIG recommended that DFAS Indianapolis revise and improve guidance to the accounting offices

supporting the Other Defense Organizations that require them to provide explanations in the footnotes on the quarterly trial balance submissions; establish and implement a process for identifying abnormal balances in the financial data supporting the Other Defense Organizations financial statements; and disclose the financial statement disposition of those anomalies. The Director of DFAS Indianapolis agreed to revise the existing year-end guidance and establish separate quarterly guidance to specifically require accounting offices to provide explanatory footnotes for all abnormal balances in the quarterly trial balance submissions.

The Senate Select Committee on Intelligence wanted audit opinions on the FY 2007 financial statements for the Defense Intelligence Agency, the National Security Agency, and the National Geospatial-Intelligence Agency. In anticipation of that requirement, the DoD OIG issued classified reports with recommendations for improving the financial management and internal controls at the agencies to prepare for the FY 2007 financial statement audits. Throughout FY 2006, the DoD OIG followed up on previous recommendations and conducted additional financial-related audits and reviews of internal controls of those intelligence agencies.

AAA reported that the U.S. Army Chemical Materials Agency (CMA) network that hosts the Integrated Planning and Management System was not re-accredited in accordance with DoD and Army guidance because key agency personnel believed it was unnecessary. CMA could manage funding for the chemical stockpile storage mission—about \$110 million for FY 2005—more efficiently if the chemical depots and demilitarization activities didn't have decentralized business management systems to maintain funds. Also, the Army should still document the process it uses when allocating base operations requirements for chemical depots and shared headquarters costs.

An AAA audit on the financial management structure for the Army Morale, Welfare, and Recreation (MWR) Program concluded that an Army-wide One Fund is the appropriate alternative

for managing the financial resources of the MWR Program. Transfer to a One Fund setup would be the best alternative for the Army to mitigate enterprise risk; centralize treasury management; consolidate the fund structure; and align the financial management structure with the Army mission, vision, and other initiatives. Opportunities also existed for reducing overhead and supporting costs, and increasing financial transparency by centralizing the accounting functions and consolidating the fund structure.

NAS reported that the Navy's process for reviewing unliquidated obligations (ULO) needed to improve for the Navy to conduct efficient and effective reviews consistent with DoD guidance. Auditors recommended that the Assistant Secretary of the Navy for Financial Management and Comptroller seek relief from the Office of the Under Secretary of Defense Comptroller from reviewing low-dollar ULO transactions (specifically, transactions of \$1,000 or less) and eliminate firm-fixed price contracts and ULO transactions with delivery dates outside the review cycle. Auditors further recommended that the Budget Submitting Offices recover excess ULO funds and put them to other use, and maintain a list of firm-fixed price contracts and ULO transactions with delivery dates outside the review cycle excluded from the review process.

An AFAA audit concluded that DFAS and Air Force personnel did not effectively perform the General Fund triannual review. Personnel did not correctly identify or adequately validate accuracy for 110 of 225 (49 percent) selected ULOs, valued at \$2.8 billion. By the end of the audit, DFAS and Air Force management located support for all but 25 (\$1.35 billion) obligations. Management deobligated or reapplied ULO funds totaling more than \$5 million during the audit and will deobligate remaining funds as determined necessary upon completing obligation research.

Another AFAA audit revealed that property managers did not always adequately support, accurately record, or timely process real property adjustments to the financial statements. Without accurate real property data, Air Force Financial Statements cannot be relied on, and senior officials cannot effectively

make critical real property management decisions such as funding acquisitions and maintenance requirements.

INVESTIGATIONS

The DoD loses millions of dollars annually because of financial crime, public corruption, and major thefts. Through the investigative efforts of DCIO special agents, abuses in the procurement process, such as the substitution of inferior products, overcharges, bribes, kickbacks, and cost mischarging, are exposed. Additionally, the DCIOs have partnered with acquisition and financial agencies to proactively identify areas of vulnerability. Some DCIO efforts to combat financial threats to DoD follow.

In August 2006, DCIS hosted an Interagency Public Corruption Conference in Baltimore, Maryland, attended by 150 Federal investigators, attorneys, and senior law enforcement officials from over 30 Federal agencies from all over the country. The conference promoted the exchange of information, ideas and concepts that enhance efforts to investigate and prosecute public corruption cases. Speakers included Deputy Attorney General Paul McNulty, U.S. Attorney for the Middle District of Louisiana David Dugas, U.S. Attorney for Maryland Rod Rosenstein, and other senior officials from various Federal agencies. The conference focused on topics relating to conflict of interest violations, bribery, and contingency/emergency contracting.



A DCIS special agent speaks at the Interagency Public Corruption Conference hosted by DCIS in Baltimore.

A joint investigation revealed that Precision Machining Inc. (PMI), a major contractor, conspired with National Materials Limited and Taber Metals, Defense subcontractors, to defraud the U.S. government by making false claims and statements to receive progress payments. Taber Metals, through National Materials Limited, claimed incurred costs of \$1.9 million for non-existent aluminum extrusions. PMI subsequently sought bankruptcy protection, and committed bankruptcy fraud by selling and hiding assets and submitting false documents. Principals of PMI (et al) were convicted of Federal Tax Evasion, Fraud Against the United States, and Obstruction of Audit; sentenced to serve 24 to 29 months confinement; and ordered to pay the Federal government \$10.2 million in restitution. National Materials Limited and Taber Metals, as a result of a civil settlement, agreed to pay the Federal Government \$930,000. All firms were debarred from Defense contracting.

Force Protection, Inc., a major contractor, reached a civil agreement agreeing to pay \$1.8 in restitution to the Federal government to resolve allegations of submitting false claims and violations of the Anti-Kickback Act. An investigation, based on multiple qui tam complaints, found that Force Protection Inc. submitted false claims and statements involving the manufacture of the U.S. Army Buffalo Mine Resistant Vehicle and U.S. Marine Corps Mine Resistant Vehicle (Cougar). The joint investigation identified non-conformance in ballistic qualities, gunport assembly, metal consistency, vehicular body and body components.

Under a Civil Agreement, KPMG Limited Liability Partnership and Bearingpoint, Incorporated, agreed in a civil settlement to pay \$2.7 million and \$15 million respectively to the US Government to resolve charges of submitting false claims and making false statements. An investigation, based on a qui tam complaint, revealed that KPMG entered into working agreements with various travel service providers and credit card companies, whereby KPMG would receive all rebates thus reducing operating costs without providing cost reductions to U.S. Government clients. Bearingpoint subsequently entered into a working agreement with the KPMG Travel Program to receive

rebates and reduce operating costs, with both firms knowingly submitting false claims to the government for inflated costs.

In a combined settlement agreement for two cases, The Boeing Company, a major Defense contractor, agreed to a \$565 million civil settlement and a \$50 million criminal fine. The first case involved Boeing's use of sensitive bid information from a competitor to win rocket launch contracts. The sensitive bid information was provided by an engineer formerly employed by the competitor. The second case involved conflict of interest on the part of Darleen Druyun, former Principle Deputy Assistant Secretary of the Air Force for Acquisition and Management, and Michael Sears, a Boeing official. The conflict occurred when Boeing hired Mrs. Druyun's daughter and (future) son-in-law while Mrs. Druyun was actively involved in major procurement negotiations that influenced contracts awarded to Boeing. As a part of the settlement, Boeing's Launch Systems, Launch Services, and Delta Program were suspended from government contracting for 20 months.

Age Refining, Incorporated, a major Defense contractor, entered a civil agreement, agreeing to pay the Federal Government \$9 million to resolve allegations of violating the False Claims Act. A joint investigation found that Age Refining falsely certified its compliance with the provisions of the Historically Underutilized Business Zone (HUBZone) program in order to be entitled to a price evaluation preference when bidding for jet fuel and other contracts with the Department of Defense. Age Refining was also decertified for a specified period as a HUBZone company.

As a result of a civil settlement, American Amicable Life Insurance Company, a major DoD contractor, agreed to pay the Federal Government \$70 million to settle allegations that they engaged in misleading business practices in the sale of life insurance to members of the United States Armed Forces. The company promoted products during

"financial education" training as "savings plans" when in reality they were expensive insurance policies. The U.S. Government filed a civil action and injunction against the company to settle the matter, which resulted in 57,000 military members sharing a cash payment of \$10 million from which 53,000 individuals (military and non-military) will see an increased value in their policies upwards of \$60 million. The company also agreed to change its future marketing conduct.

Based on a civil settlement, Clark Atlanta University agreed to pay \$5 million, \$3.9 to the Federal Government and \$1.1 to a qui tam relator, to resolve allegations that it submitted false claims to the Government. A joint investigation revealed that Clark Atlanta spent Federal monies, awarded as part of an agreement to assist other Historically Black Colleges

"The audit team referred approximately \$2.4 million of claims to DCIS for possible investigation."

and Universities, to develop curriculum and pursue other activities that would enhance the overall goal of increasing the number of minority students in environmental

technology and waste management. As part of the settlement, Clark ensured that future Federal funds will be managed properly.

WEDJ Three C's Inc., a Defense contractor, entered a civil settlement agreement and agreed to pay \$840,000 to the Federal Government to resolve allegations of product substitution and submitting false claims. An investigation, based on a qui tam suit filed by a former employee, found that WEDJ utilized used and reconditioned components in air conditioning units used on the Landing Craft Air-Cushioned ships and environmental control units developed for the Patriot Missile Shelters, as well as alleged falsification of test data on the environmental control units. The company, which was debarred for three years, additionally agreed to transfer possession and title of \$170,000 in environmental control unit parts to the US Army. The qui tam relator received a payment of \$188,602.

Seven government and contractor employees at the Norfolk Naval Shipyard (NNSY), Portsmouth, Virginia, were convicted of various offenses

including bribery and receiving and conspiracy to pay illegal gratuities. A transportation officer at the NNSY received concurrent 44 and 24 month jail sentences and 3 years probation, in addition to making restitution in the amount of \$543,055. An investigation found that the transportation officer and three other government employees were accepting money and gifts from three contractors in exchange for government business. One of the contractors was sentenced to 8 months in jail, 3 years probation, and 180 days of home detention, and required to pay \$543,055 in restitution. Another was given 3 years probation and 150 hours home detention, and required to pay \$84,163 in restitution. The third contractor was sentenced to 6 months home detention, 200 hours community service, and 3 years probation, and required to pay \$75,000 in restitution. One of the government employees received 21 months in jail, 3 years probation, and was required to pay \$329,209 in restitution. Another government employee was sentenced to 12 months in jail and 3 years probation, and was required to pay \$84,163 in restitution. The third government employee was sentenced to 3 years probation. All were debarred from government contracting.

General Electric Company (GE), on behalf of itself and subcontractors ALCOA and Precision Castparts, entered into a settlement agreement to resolve allegations of product substitution, false claims, false statements, and major fraud, agreeing to pay a \$11.5 million restitution. An investigation, based on a qui tam suit, found that GE conspired with the subcontractors to supply the DoD with turbine engines containing turbine blades and vanes non-conforming to contract requirements.

Pratt & Whitney Aircraft Division (PWAD) of United Technologies entered into an agreement with the Department of Defense to pay \$283 million in restitution to settle allegations of false certifications. A Defense audit found that PWAD excluded significant financial information required during contract negotiations for Military contracts which resulted in overpayments to PWAD of several hundred million dollars in indirect costs. Criminal and civil prosecutions were both declined in 1996, and the case was referred for administrative action.

HEALTH CARE



A major challenge to the Department is sufficient oversight of the growing cost of health care for military members. The increased frequency and duration of military deployment further stresses the Military Health System (MHS) in both the Active and Reserve components. The DoD budget for health care costs in 2006 was \$38.4 billion, including \$20.4 billion in the Defense Health Program appropriation, \$6.9 billion in the Military Departments' military personnel appropriations, \$0.3 billion for military construction, and \$10.8 billion for contributions to the DoD Medicare-Eligible Retiree Health Care Fund to cover future costs of health care for Medicare eligible retirees, retiree family members and survivors. Part of the challenge in delivering health care is combating fraud. As of June 30, 2006, health care fraud constituted 8 percent of the 1,595 DCIS open cases.

A challenge related to medical readiness remains completion of a Medical Readiness Review (MRR), which is overseen by a steering group that the Under Secretary of Defense for Personnel and Readiness and the Director for Program Analysis and Evaluation co-chair. The MRR continues to identify medical readiness and personnel management capabilities that the National Security Strategy and related warfighting transformation efforts require. Readiness of the medical staff and units includes ensuring that medical staff can perform at all echelons of operation and that the units have the right mix of skills, equipment sets, logistics support, and evacuation and support capabilities. MHS continues to face the challenge of increased joint operations/management.

AUDIT

DoD OIG resources focused on projects relating to cost and quality challenges. The DoD OIG continued audits of the Controls Over the TRICARE Overseas Program, Third Party Collection Program, and Quality Assurance Review Procedures in the DoD Health System.

Phase one of the TRICARE Overseas Program project identified improper payments in one country. The phase one audit concluded that the TRICARE Management Activity should implement additional controls that would hold providers accountable for claims submitted themselves or on their behalf, and to ensure that supplemental health insurance plans do not waive beneficiary co-payments and deductibles. The audit team referred approximately \$2.4 million of claims to DCIS for possible investigation. The ongoing phase two project will expand the phase one effort to cover additional countries and evaluate the need for additional controls such as price caps.

The Assistant Secretary of Defense for Health Affairs requested an audit of the Third Party Collection Program. The DoD OIG is conducting the audit jointly with AAA. A statistical sample of outpatient billings that MHS administrators processed will determine whether DoD is maximizing its collections for health care provided to beneficiaries with health insurance other than TRICARE.

The Deputy Assistant Secretary of Defense for Clinical and Program Policy asked the DoD OIG to audit the Quality Assurance Review Procedures in the DoD Health System. Consistent with the Deputy Assistant Secretary's concerns, the ongoing audit focuses on whether healthcare managers have visibility over medical incidents that occur.

AAA issued a report on Information Assurance for Medical Communications for Combat Casualty Care (MC4). In response to a 1997 public law mandating that the Military Services electronically document healthcare services soldiers receive before or during deployment, DoD developed the Theater Medical Information Program and the Army

developed the Medical Communications for Combat Casualty Care (MC4) infrastructure program. The Product Manager for MC4 had difficulty finding many of the key documents articulating changes to the program's baseline configuration, and many documents on file lacked key information about the proposed changes. The Office of the Product Manager had not established a system development library to enhance its configuration management. A library and the preservation of the program's baseline documentation are critical for life-cycle management.

An AFAA audit disclosed that opportunities exist for Air Force optometrists to increase the number of patients treated each day. Increasing optometrist productivity to treat an additional 9,465 patients at the 18 locations would let DoD put approximately \$2.8 million to better use each year. Statistically projecting results throughout the Air Force, auditors estimated increased provider productivity could allow MTFs to provide greater quantities of care in-house. In addition, the Air Force could avoid purchasing private sector medical care costing approximately \$45 million over the 6-year Future Years Defense Plan.

An AFAA audit concluded that the Air Force effectively achieved the goal of protecting human health and the environment. However, opportunities existed for reducing groundwater cleanup cost. Installation environmental engineers continued groundwater monitoring at 477 of 1,987 (24 percent) wells reviewed after meeting groundwater cleanup standards. Groundwater monitoring of the 477 wells that were dry, uncontaminated, or that met Environmental Protection Agency standards cost the Air Force \$1.1 million each year or \$6.5 million over the 6-year Future Years Defense Plan. Although continued monitoring at some wells may be required to ensure protection of human health and the environment, savings would be obtained by reducing the monitoring frequency.

INVESTIGATIONS

To ensure that DoD provides quality patient care to DoD beneficiaries, the DCIOs have aggressively pursued health care investigations involving "harm to patient," corruption, kickbacks, and

allegations with significant TRICARE impact. Some investigations highlighting their success follow.

In the largest single settlement in the nearly 150-year history of the False Claims Act, Tenet Healthcare Corporation (Tenet), operator of the nation's second largest hospital chain, agreed to pay the Federal Government \$900 million plus applicable interest to settle allegations that it submitted false claims to TRICARE, Medicare, and other Federal health insurance programs. The joint investigation was the result of a qui tam suit.

Dr. Thomas Gower Merrill, a TRICARE provider, was sentenced to life imprisonment, and was ordered to pay \$115,071 in restitution and a special assessment of \$9,800, after conviction of wire fraud, health care fraud and distribution of controlled substances. An investigation found that Dr. Merrill prescribed excessive and inappropriate quantities of controlled substances to his TRICARE patients. Five patients died as a result of Dr. Merrill's actions.

2006 PCIE AWARDS

Each year, the President's Council on Integrity and Efficiency (PCIE) honors outstanding government employees for their contributions and achievements. Several DoD OIG employees and projects received recognition when the 2006 awards were announced in September.

Acting DoD Inspector Thomas F. Gimble is the recipient of the 2006 Alexander Hamilton Award, the highest honor bestowed by the PCIE. The Alexander Hamilton Award is given to an office, group or individual who "Demonstrates outstanding achievement in improving the integrity, efficiency or effectiveness of Executive Branch agency operations."

At a ceremony on October 24, 2006, Mr. Clay Johnson III, Deputy Director of Management for the Office of Management and Budget, acting in his role as Chair of the President's Council on Integrity and Efficiency (PCIE), presented the award. Mr. Gimble was cited for his leadership in focusing DoD IG resources on issues of "paramount

national interest" that include: the Global War on Terrorism; Hurricane Katrina; and multi-billion dollar acquisition systems. Specific examples include: opening an IG field office in Qatar; placing full-time DCIS agents in over 50 FBI-led Joint Terrorism Task Forces and Anti-Terrorism Task Forces; dispatching an emergency IG response team to New Orleans to provide on-scene assistance to local and state law enforcement authorities; and leading the Management Accountability Review of the KC-767A tanker aircraft.

Other awards were presented to the DoD OIG as follows:

- Award for Excellence for Administrative Support: in recognition of exceptional support in the areas of financial and human capital management within the Office of the Deputy Inspector General for Auditing.
- Award for Excellence, Audit: in recognition of exceptional performance during the audit of the "DoD Purchases Made Through the General Service Administration."
- Award for Excellence, Audit: in recognition of exceptional performance during the audit of the "Acquisition of the Objective Individual Combat Weapon."
- Award for Excellence, Audit: in recognition of Exceptional Performance by the Puget Sound Naval Shipyard Mission-funded Prototype Audit Team.
- Award for Excellence, Audit: in recognition of exceptional performance during the Audit of "Controls Over Exports to the People's Republic of China."
- Award for Excellence, Employee Protections: presented to Ms. Jane Deese, Director, Military Reprisals Investigations, in recognition of outstanding service and dynamic leadership in strengthening and expanding the DoD Whistleblower Protection Program.
- Award for Excellence, Evaluation: in recognition of exceptional performance during the Interagency Evaluation of the Export Licensing Process for Chemical and Biological Commodities.

- Award for Excellence, Evaluation: in recognition of exemplary performance by the Ana Belen Montes Evaluation Team in identifying shortcomings in counterespionage information sharing and investigations.
- Award for Excellence, Information Technology: in recognition of the exceptional its performance during the audit of the “Defense Information Systems Agency Encore II Information Technology Solutions Contract.”
- Award for Excellence, Investigation: in recognition of investigative excellence and superior performance by the San Diego Arms Strategic Technology Investigations Group on the Multicore investigation.
- Award for Excellence, Investigation: presented to Resident Agent-in-Charge John F. Kihn in recognition of investigative excellence and superior performance in support of the Defense Criminal Investigative Service.
- Award for Excellence, Investigation: in recognition of investigative excellence and superior performance by the United Aircraft & Electronics Investigative Group.
- Award for Excellence, Investigation: in recognition of investigative excellence and superior performance on the Akeed Trading investigation.
- Award for Excellence, Management: presented to Ms. Judith I. Padgett, Quality Assurance, Policy and Electronics Documentation Branch, in recognition of outstanding efforts in furthering the understanding of the Managers’ Internal Control Program throughout the Department of Defense.
- Award for Excellence, Multiple Disciplines: in recognition of exceptional performance during the Department of Defense and Department of State Inspectors General Interagency Assessment of the Iraq Police Training Program.
- Award for Excellence, Special Act: in recognition of the Department of Defense Hotline Staff for their exemplary work and contributions to the successful standup of the Hurricane Relief Fraud Hotline.

- Award for Excellence, Joint: presented to the Social Security Administration Philadelphia Earnings Integrity Team in recognition of inter-agency cooperation to ensure the integrity of earnings related programs and operations at the Social Security Administration, the Department of Defense (DOD), and the Internal Revenue Service (IRS)



- 1 Mr. Clay Johnson III presents Acting DoD Inspector General Thomas F. Gimble, at left, the PCIE's Alexander Hamilton Award.
2. Ms. Judy Padgett, Quality Assurance, Policy and Electronics Documentation Branch, receives the Award for Excellence, Management.



DoD OIG COMPONENTS

DEPUTY INSPECTOR GENERAL FOR AUDITING

The Office of the Deputy Inspector General for Auditing (ODIG-AUD) conducts audits on all facets of Department of Defense (DoD) operations. The work results in recommendations for reducing costs, eliminating fraud, waste, and abuse of authority, improving performance, strengthening internal controls, and achieving compliance with laws, regulations, and policies. Audit topics are determined by law, by requests from the Secretary of Defense and other DoD leadership, by Hotline allegations, congressional requests, and internal analyses of risk in DoD programs.

DOD AUDIT COMMUNITY

The defense audit community consists of the DoD Office of the Inspector General (OIG), the Army Audit Agency, the Naval Audit Service, and the Air Force Audit Agency. As a whole, the organizations issued 282 reports, which identified the opportunity for almost \$1.47 billion in monetary benefits. Appendix A lists reports issued by central DoD internal audit organizations. Appendix B lists DoD OIG reports with potential monetary benefits, and Appendix C statistically summarizes audit follow-up activity.

The Defense Contract Audit Agency (DCAA) provided financial advice to contracting officers in 19,656 reports during the period. The contract audits resulted in more than \$ 7.2 billion in questioned costs and funds that could be put to better use. Appendix D contains the details of the audits performed. Contracting officers disallowed \$102.9 million (13.5 percent) of the \$764.7 million questioned as a result of significant post-award contract audits. The contracting officer disallowance rate of 13.5 percent represents a significant decrease from the average disallowance of 39.8 percent from the last reporting period. Additional details of the amounts disallowed are found in Appendix E.

SIGNIFICANT OPEN RECOMMENDATIONS

Managers accepted or proposed acceptable alternatives for 99 percent of the 384 DoD OIG audit recommendations rendered in the last 6 months of FY 2006. Many recommendations require complex and time-consuming actions, but managers are expected to make reasonable efforts to comply with agreed upon implementation schedules. Although most of the 984 open actions on DoD OIG audit reports being tracked in the follow-up system are on track for timely implementation, there were 203 reports more than 12 months old, dating back as far as 1994, for which management has not completed actions to implement the recommended improvements. Significant open recommendations that have yet to be implemented follow.

- Recommendations made in 1997 and subsequent years to make numerous revisions to the DoD Financial Management Regulations; clarify accounting policy and guidance; improve accounting processes, internal controls over financial reporting, and related financial systems compliance; and develop a plan for performance characteristics and training requirements for the DoD financial management workforce have resulted in initiatives that are underway to correct financial systems deficiencies and enable the Department to provide accurate, timely, and reliable financial statements. In addition, a recent (June 2006) audit report states that implementation of Army accounting systems needed to eliminate more than \$71 billion in unsupported

accounting adjustments and \$1.2 trillion in unresolved abnormal balances has been delayed for the second year. Originally scheduled for January 2005, the implementation of the Business Enterprise Information Services (formerly the Defense Corporate Information Infrastructure) for Army General Fund reporting is now scheduled for January 2007.

- Recommendations from multiple reports in the high-risk area of personnel security. Some of the most significant of these include: development of a prioritization process for investigations; establishment of minimum training and experience requirements and a certification program for personnel granting security clearances; issuance of policy on the access by all contractors, including foreign nationals, to unclassified but sensitive DoD IT systems; establishment of policy on access reciprocity and a single, integrated database for Special Access Programs; implementation of steps to match the size of the investigative and adjudicative workforces to the clearance workload; development of DoD-wide backlog definitions and measures; monitoring the backlog using the DoD-wide measures; and improvement of the projections of clearance requirements for industrial personnel. Progress on the unprecedented transformation of the personnel security program is slow but steady. Issues are being actively addressed by interagency working groups.

- Recommendations made in 2004 to define network centric warfare and its associated concepts; formalize roles, responsibilities, and processes for the overall development, coordination, and oversight of DoD network centric warfare efforts; and develop a strategic plan to guide network centric warfare efforts and monitor progress. DoD guidance has been updated to reflect relevant definitions that have been developed. Revisions to the applicable DoD directive and instruction are in process.

- Recommendations were made in 2004 to clarify guidance on the differences between force protection and antiterrorism in DoD policies and procedures and to ensure that a force protection program has been established throughout the U.S. Pacific Command. Issuance of DoD guidance has been delayed.

- Recommendations made in 2003, 2004 and 2005 to address issues regarding information systems security including completion of the information security certification and accreditation process for various DoD systems and development of an adequate Plan of Action and Milestones to resolve critical security weaknesses. These actions need to be completed to address requirements of the Federal Information Security Management Act (FISMA) and related OMB guidance. Although some actions have been initiated, they are not adequate to correct the identified deficiencies.

- Recommendations made in a 2004 report to develop and deliver a contract compliant C-130J aircraft and to increase amounts withheld to motivate the contractor to deliver an aircraft that meets contractual requirements. Currently awaiting definitization of C-130J contract, which is expected in October 2006.

- Recommendations made in 2004 in the Health Care issue area. These include improvements in the acquisition of direct care medical services such as: reviewing potential solutions to barriers of DoD and Department of Veterans Affairs sharing; and establishment of a pilot program and an oversight process for acquiring direct care services; and improved implementation of requirements regarding Federal Insurance Contributions Act taxes. Also, a pharmaceutical returns contract is being developed that will ensure the costs for services provided are reasonable and the credits received are complete, and trends are analyzed to determine whether to modify inventory levels or ordering practices. Implementation of the improvements is ongoing.

- Recommendations made in 2004 regarding the Performance-Based Logistics Program that include: establishing guidance that defines the requirements, process and procedures for developing a business case analysis to determine potential performance-based candidates; finalizing a standardized data collection format that contains all of the data fields determined necessary to accurately track the status of performance-based logistics efforts; and establishing requirements for quarterly reports or updates to all required fields of the standardized data collection format.

DEPUTY INSPECTOR GENERAL FOR INVESTIGATIONS

The Office of the Deputy Inspector General for Investigations (ODIG-INV) comprises the criminal and the administrative investigative components of the DoD OIG. The Defense Criminal Investigative Service (DCIS) is the criminal investigative component of the DoD OIG. The non-criminal investigative units include the Directorate for Investigations of Senior Officials (ISO), the Directorate for Military Reprisal Investigations (MRI), and the Directorate for Civilian Reprisal Investigations (CRI).

DEFENSE CRIMINAL INVESTIGATIVE SERVICE

DCIS is tasked with the mission to protect America's warfighters by conducting investigations in support of crucial national defense priorities. DCIS conducts investigations of suspected major criminal violations focusing mainly on terrorism, product substitution/defective parts, cyber crimes/computer intrusion, illegal technology transfer, and other crimes involving public integrity including bribery, corruption, and major theft. DCIS activity in the Middle East theater is discussed in Chapter 1. DCIS also promotes training and awareness in all elements of the DoD regarding the impact of fraud on resources and programs by providing fraud awareness presentations.

During this reporting period, investigations conducted by the Defense Criminal Investigative Service returned just over \$1.9 billion to the U.S. Government through criminal, civil, and administrative judgments and seizures. Civil judgments accounted for over \$1.6 billion of the total. Criminal and administrative judgments and seizures accounted for over \$356.5 million. Seizures and recoveries totaled \$.6 million.

The adjudications and recoveries reported for this period were arrayed through the DCIS functional program areas and resulted from twenty-seven separate investigations.

Health Care Fraud

Reportable judgments on health care investigations accounted for over \$977 Million. These judgments resulted from a total of six investigations involving individual health care providers, hospitals and health care systems, and pharmaceutical companies. One investigation was initiated in 1991, two were initiated in 1998, and three were initiated from 2002 to 2004. A single investigation initiated in 2004 accounted for almost ninety percent of the returned monies and was the largest single settlement in the near 150-year history of the False Claims Act, amounting to over \$873.4 Million. Of the total amount returned to the U.S. Government, just over \$15.9 Million was returned to the Department of Defense TRICARE Management Agency.

Public Corruption

Public corruption investigations accounted for over \$621 Million of the returned monies and represented judgment in three DCIS investigations. Of the three reported public corruption investigations, judgments against two major Department of Defense aerospace contractors accounted for over ninety-nine percent of the returned monies.

Financial Crimes

Investigations of non-conforming or defective products and financial crime investigations resulted in reportable adjudications totaling over \$316 Million from thirteen DCIS investigations. Homeland security and terrorism investigations resulted in reported adjudications and seizures of over \$3.6 Million from five investigations.

DIRECTORATE FOR INVESTIGATIONS OF SENIOR OFFICIALS

The IG DoD Directorate for Investigations of Senior Officials conducts investigations into allegations against senior military and civilian officials and performs oversight of senior official investigations conducted by the Military Departments.

Nature of Substantiated Allegations Against Senior Officials During 2nd Half FY 06

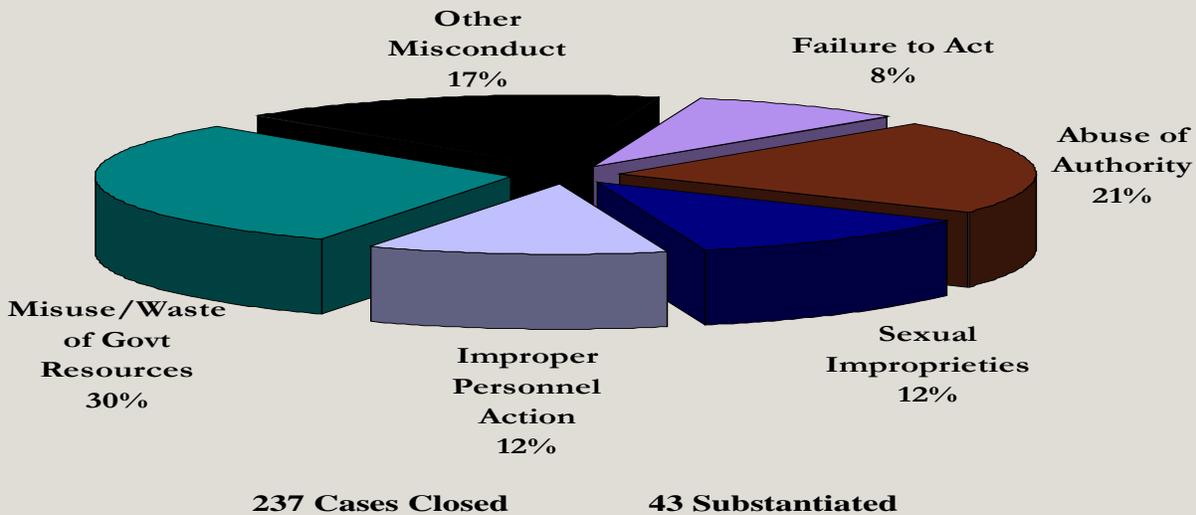


Figure 1

Figure 1 (above) shows results of activity on senior official cases during the last 6 months of FY 2006. Figure 2 (page 65) provides case statistics for the past 6 fiscal years. On September 30, 2006, there were 186 ongoing investigations into senior official misconduct throughout the Department, representing a decrease from March 31, 2006, when we reported 217 open investigations. Over the past 6 months, the Department closed 237 senior official cases, of which 43 (18 percent) contained substantiated allegations.

Whistleblower Reprisal Activity

During the reporting period, MRI and the Military IGs received 264 new complaints of whistleblower reprisal. We closed 282 reprisal cases during this period. Of those 282 cases, 172 were closed after preliminary analysis determined further investigation was not warranted and 110 were closed after investigation. Of the 110 cases investigated, 32 (29 percent) contained one or more substantiated allegations of whistleblower reprisal.

DIRECTORATE FOR MILITARY REPRISAL INVESTIGATIONS

The DoD OIG Directorate for Military Reprisal Investigations (MRI) investigates and conducts oversight reviews of investigations conducted by the Military Department and Defense Agency Inspectors General (IGs). The investigations pertain to the following:

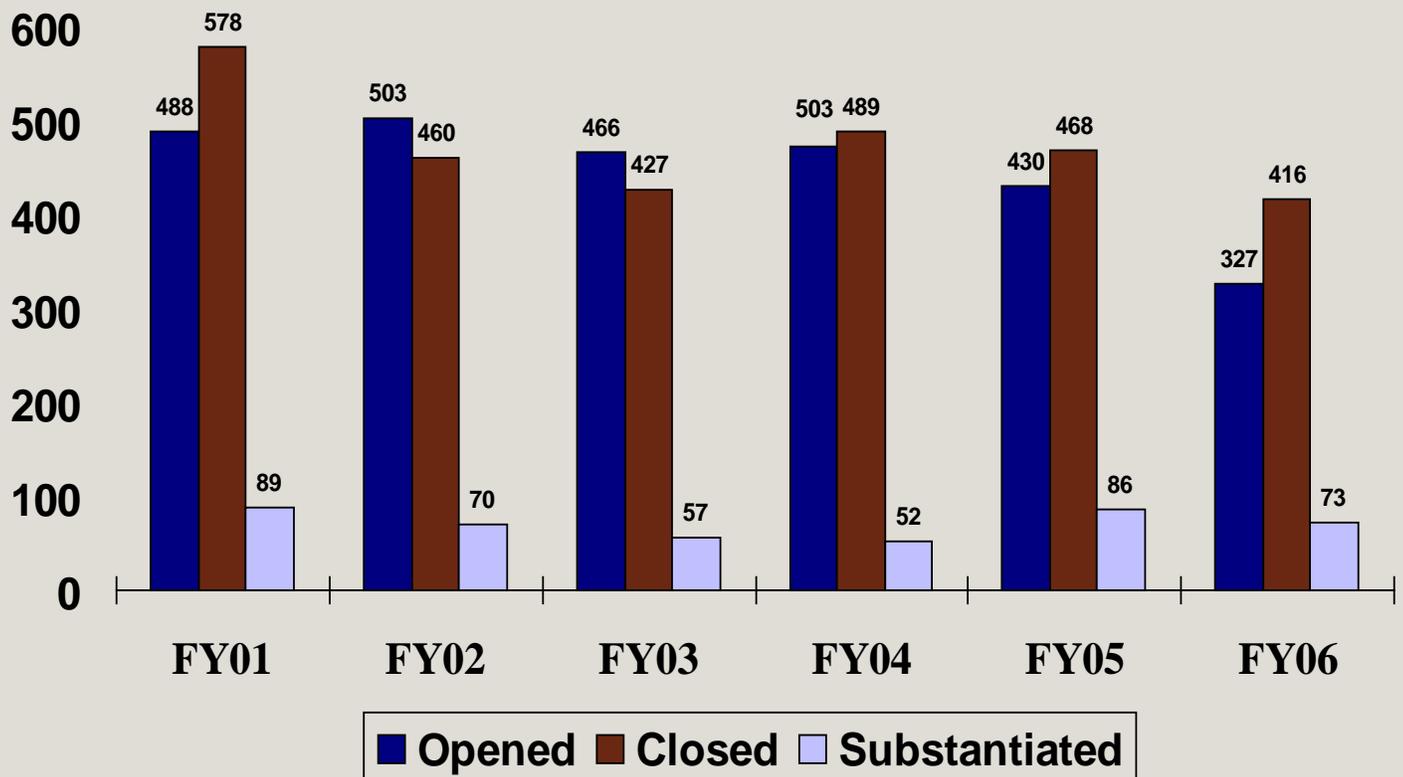
- Allegations that unfavorable actions were taken against members of the Armed Forces, non-appropriated fund employees, and Defense contractor employees in reprisal for making protected communications.
- Allegations that members of the Armed Forces were referred for involuntary mental health evaluations without being afforded the procedural rights prescribed in the DoD Directive and Instruction.

The MRI and the Military IGs currently have 429 open cases involving allegations of whistleblower reprisal. The following are examples of Substantiated Whistleblower Reprisal Cases:

An Air National Guard sergeant alleged her flight chief curtailed her active duty tour in reprisal for filing a gender discrimination complaint. The Air Force substantiated reprisal and the State Adjutant General issued a written counseling to the flight chief.

An Army staff sergeant alleged her supervisor relieved her of supervisory responsibilities in reprisal for filing an Equal Opportunity (EO) complaint against her supervisor. The Army substantiated that the supervisor relieved her in reprisal for filing the complaint. Corrective action is pending.

DOD TOTAL SENIOR OFFICIAL CASES FY 2001 - FY 2006



THIS CHART SHOWS THE TOTAL NUMBER OF SENIOR OFFICIAL INVESTIGATIONS CONDUCTED IN DOD OVER THE PAST SIX FISCAL YEARS.

Figure 2

A Navy petty officer alleged her senior chief issued her an unfavorable evaluation report in reprisal for reporting unfair treatment and a hostile work environment to an inspector general. The Navy investigation substantiated the reprisal allegations. Corrective action is pending.

A former defense contractor employee alleged she was suspended without pay and issued an unfavorable performance evaluation in reprisal for reporting contract mismanagement to a government official. MRI conducted an investigation and substantiated the allegation. Corrective action is pending.

Referrals for Involuntary Mental Health

Evaluations: MRI closed thirty four (34) cases involving allegations of improper referrals for mental health evaluations during the reporting period. In 14 (41 percent) of those cases, we substantiated that command officials and/or mental health care providers failed to follow the procedural requirements

for referring Service members for mental health evaluations under DoD Directive 6490.1, "Mental Health Evaluations of Members of the Armed Forces." We did not substantiate any allegations that a commander referred a service member for a mental health evaluation in reprisal for the service member's protected communications.

DIRECTORATE FOR CIVILIAN REPRISAL INVESTIGATIONS

Between January 1, 2006 and July 1, 2006 the Civilian Reprisal Investigations Directorate (CRI) accomplished two missions of note to the Congress. First, it took the lead in coordinating a DoD-wide initiative to provide the means to investigate security clearance decisions when they are alleged to be reprisal against whistleblowers; second, it applied this new protocol in an investigation of the former Army program known as "Able Danger."

DEPUTY INSPECTOR GENERAL FOR INTELLIGENCE

The Office of the Deputy Inspector General for Intelligence (ODIG-INTEL) audits, reviews, evaluates, and monitors the programs, policies, procedures, and functions of the DoD Intelligence Community and the intelligence-related activities within the DoD Components, primarily at the DoD, Service, and Combatant Command levels, ensuring that intelligence and intelligence-related resources are properly, effectively, and efficiently managed. The ODIG-INTEL also conducts oversight of Service and Defense agency reviews of security and counterintelligence within all DoD test and laboratory facilities.

The DoD OIG, the IGs of the Department of the Air Force, Defense Intelligence Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office, and National Security Agency/Central Security Service; the Army Audit Agency; the Naval Audit Service; the Air Force Audit Agency; the

Naval Criminal Investigative Service and the Defense Contract Audit Agency completed 122 intelligence-related and other classified and sensitive reports. The reports are categorized into the areas shown in Figure 3 (below). A listing and highlights of the 122 reports can be found in the Classified Annex to this report.

The Intelligence Community Inspectors and Auditors General continued to coordinate and share information to improve the effectiveness and efficiency of oversight of DoD intelligence activities. The Intelligence Community Inspectors General Forum serves as a mechanism for sharing information among inspectors general whose duties include audit, evaluation, inspection, or investigation of programs and operations of Intelligence Community elements. Within DoD, the Joint Intelligence Oversight Coordination Group comprises senior representatives from the Office of the Secretary of Defense, the inspectors general of the Defense intelligence agencies, and military department audit, evaluation, and inspection organizations. The objectives of this group are to improve the effectiveness and efficiency of DoD

INTELLIGENCE RELATED REPORTS

DoD Management Challenge Area	DoD OIG	Defense Agencies	Military Departments	Total
Joint Warfighting and Readiness	5	26	3	34
Human Capital	1	6	1	8
Information Security and Privacy	1	9	3	13
Acquisition Processes and Contract Management	3	9	5	17
Financial Management	1	9	1	11
Health Care	0	0	0	0
Other	2	28	9	39
Total	13	87	22	122

Figure 3

oversight of intelligence activities by identifying areas needing more emphasis and deconflicting oversight programs. See the Classified Annex to this report for information on meetings of these groups.

DEPUTY INSPECTOR GENERAL FOR POLICY AND OVERSIGHT

The Office of the Deputy Inspector General for Policy and Oversight provides oversight and policy for Audit and Investigative activities within DoD; manages the DoD Hotline; conducts inspections and evaluations; provides technical, statistical, and quantitative advice and support to OIG projects; conducts data mining; monitors corrective actions taken in response to OIG and Government Accountability Office (GAO) reports; and serves as DoD central liaison with GAO on reports and reviews regarding DoD programs and activities.

AUDIT POLICY AND OVERSIGHT

The Office of Assistant Inspector General for Audit Policy and Oversight (APO) provides policy direction and oversight for audits performed by over 6,500 DoD auditors in 24 DoD organizations, ensures appropriate use of non-federal auditors and their compliance with auditing standards and ensures that contracting officials comply with statutory and regulatory requirements when resolving contract audit reports. During the reporting period, APO completed two hotline reviews, two reviews to determine compliance with the Single Audit Act, and one contract audit follow-up review. The reviews completed are:

- Hotline Complaint Concerning Management Issues Regarding the Defense Contract Audit Agency New York Branch Office (D-2006-6-003, April 5, 2006)
- Review of FY 2004 Single Audit of the Civil Air Patrol, Inc. (D-2006-6-004, June 29, 2006)
- Hotline Completion Report on Allegations at Office of the Inspector General Denver Audit Office (August 1, 2006)

- Quality Control Review of the FY 2004 Single Audit of American Society for Engineering Education (D2006-6-005, August 10, 2006). (The Certified Public Accounting firm was referred to the American Institute of Certified Public Accountants for inadequate work.)

- Review of Contracting Official Corrective Actions at Defense Contract Management Agency, Santa Ana District Branch (September 14, 2006)

APO also participated on 13 DoD and Government-wide working groups that address significant issues impacting DoD audit and accountability professionals; provided significant DoD comments on 10 draft auditing and accounting standards and policy documents from government and professional organizations to ensure policy guidance for all DoD auditors and accountants focus on accountability and transparency; coordinated OIG review of 19 revisions to the procurement regulations, commenting on 3 to ensure the revisions do not adversely impact DoD; and provided a staff member to assist the Government Accountability Office on revisions to Government Auditing Standards to ensure an understanding of the changes to assist in proper and timely implementation by the over 6,500 DoD auditors.

AUDIT FOLLOWUP AND GAO AFFAIRS DIRECTORATE

The Audit Followup and GAO Affairs Directorate monitors the progress of agreed-upon corrective actions being taken by DoD managers in response to OIG and GAO report recommendations. The Directorate obtains and evaluates documentation of progress and completion and maintains a complete record of actions taken. During this 6-month period, final action was completed on 83 reports and 457 recommendations. The Directorate also oversees a process to facilitate mediation of disputes regarding OIG recommendations to achieve agreement. Through this process, agreement was reached on 7 reports with 17 disputed issues during the period.

The Directorate also serves as the DoD central liaison with GAO on matters concerning GAO reviews and reports regarding DoD programs and activities. This includes monitoring ongoing reviews to facilitate appropriate DoD actions. This also includes monitoring and facilitating the preparation of DoD responses to GAO reports to ensure the responses are appropriately coordinated before release. The Directorate also distributes information regarding GAO activities to DoD auditing and other oversight organizations to facilitate identifying unnecessary overlap or duplication. During this 6-month period, the Directorate processed 124 reviews and 219 draft and final reports.

DATA MINING DIRECTORATE

The Data Mining Directorate continues its primary mission of expanding and enhancing the use of data mining with computer assisted auditing techniques as analysis tools to combat fraud, waste and abuse in DoD programs. During this reporting period the Directorate worked jointly with:

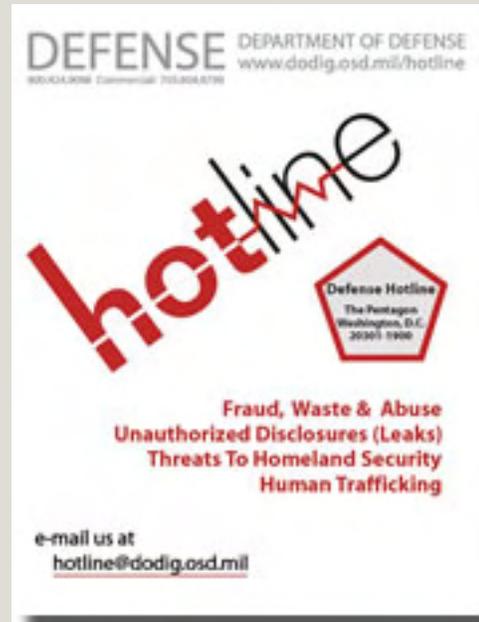
- DoD OIG and the Service Audit communities on 11 audit reports.
- DoD OIG and the Service MCIO communities on 38 investigations involving criminal activity.

In addition, the Data Mining Directorate supported 5 Federal OIGs in establishing selected data mining efforts.

DOD HOTLINE

The DoD Hotline continues its primary mission of providing a confidential and reliable means for DoD civilian and contractor employees, military service members, and the public to report fraud, waste, mismanagement, abuse of authority, threats to homeland security, and leaks of classified information to the Department of Defense. During this reporting period, the DoD Hotline received 7,455 contacts from the public and members of the DoD community, initiated 1,072 investigations, and closed 1,215 cases. Investigations initiated by the DoD Hotline returned

\$4.6 million to the Federal Government during this reporting period. The DoD Hotline received 37 Congressional inquiries and 81 investigative referrals from the Government Accountability Office. The DoD Hotline has also continued an aggressive marketing campaign that has included responding to 435 requests from DoD contractors and the military services for DoD Hotline fraud, waste and mismanagement posters.



INSPECTIONS AND EVALUATIONS DIRECTORATE

The Office of the Assistant Inspector General for Inspections and Evaluations promotes positive change by identifying opportunities for performance and efficiency improvements in DoD programs and operations. The Directorate conducts objective and independent customer-focused management and program inspections addressing areas of interest to Congress and the DoD.

INVESTIGATIVE POLICY AND OVERSIGHT DIRECTORATE

The Office of the Assistant Inspector General for Investigative Policy and Oversight evaluates the performance and develops/implements policy for the DoD investigative and law enforcement community. The Directorate also manages the IG Subpoena

Program for the DCIOs and administers the DoD Voluntary Disclosure Program, which allows contractors a means to report potential internal civil or criminal fraud matters.

QUANTITATIVE METHODS DIRECTORATE

The Quantitative Methods Directorate ensures that quantitative methods, analyses, and results used in DoD OIG products are defensible. The Directorate accomplishes this by providing expert statistical/quantitative support and advice to DoD OIG projects, and by assessing the quantitative aspects of DoD OIG products prior to their release. Quantitatively defensible products employ methodology that is technically sound and appropriate for the objectives of the project, employ analyses that are performed correctly and are consistent with the methodology, and appropriately present the quantitative results.

TECHNICAL ASSESSMENT DIRECTORATE

The Technical Assessment Directorate provides technical advice to the DoD and conducts assessments to improve the economy, efficiency, and effectiveness of Defense programs, operations, and oversight. The directorate focuses on acquisition, program management, engineering, and information technology issues. During the reporting period, the Directorate provided technical expertise and assessments that have expanded the audit coverage of systems engineering and information assurance. As a result, Defense programs for systems engineering and information security are improved in audited systems.

OFFICE OF COMMUNICATIONS AND CONGRESSIONAL LIAISON

The Office of Communications and Congressional Liaison (OCCL) supports the DoD OIG by serving as the contact for communications

to and from Congress, and by serving as the DoD OIG Public Affairs Office. The OCCL also includes the Freedom of Information Act Requester Service Center/Privacy Act (FOIA/PA) Office. In addition, the OCCL provides staff support and serves as the liaison for the DoD OIG to the President's Council on Integrity and Efficiency and the Defense Council on Integrity and Efficiency (DCIE). The DoD OIG established the DCIE in 2002 to ensure effective coordination and cooperation among oversight agencies within the DoD.

Comments on Legislation / Testimony

Section 4(a) of the Inspector General Act requires the Inspector General "to review existing and proposed legislation and regulations relating to the program and operations of [the Department of Defense]" and to make recommendations "concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by [the Department] or the prevention and detection of fraud and abuse in such programs and operations."

The DoD OIG is given the opportunity to provide information to Congress by participating in congressional hearings.

On August 3, 2006, Mr. Thomas F. Gimble, Acting Principal Deputy Inspector General Department of Defense testified before the Subcommittee on Federal Financial Management, Government Information and International Security Senate Committee on Homeland Security and Governmental Affairs regarding "Financial Management at the Department of Defense." Mr. Gimble discussed the financial management challenges that the Department of Defense faces; and the progress that the Department has made in addressing the challenges and achieving the goals established in the 2001 Quadrennial Defense Review.

On June 21, 2006, Mr. Thomas F. Gimble Principal Deputy Inspector General Department of Defense testified before the House Armed Services

Subcommittee on Military Personnel and House International Relations Subcommittee on Africa, Global Human Rights and International Operations regarding “Trafficking in Persons.” Mr. Gimble discussed past and ongoing efforts by the Office of Inspector General in the area of combating Trafficking in Persons.

On May 17, 2006, Mr. Thomas F. Gimble Principal Deputy Inspector General Department of Defense testified before the House Committee on Government Reform regarding “Department of Defense Personnel Security Clearance Process.” Mr. Gimble addressed how DSS could correct their current fiscal crisis and how to avoid similar scenarios in the future, and provided insights on ways to ensure that the working relationship between DoD and OPM is as efficient and effective as possible.

On May 10, 2006, Mr. Thomas F. Gimble, Principal Deputy Inspector General Department of Defense, before the Subcommittee on Government Management, Finance and Accountability House Committee on Government Reform regarding “After Katrina: The Role of the Department of Justice Katrina Fraud Task Force and Agency Inspectors General in Preventing Waste, Fraud, and Abuse.” Mr. Gimble detailed the DoD OIG ongoing oversight work regarding Hurricane Katrina and provided insight into planned projects.

On April 10, 2006, Mr. Thomas F. Gimble, Principal Deputy Inspector General Department of Defense, before the Subcommittee on Federal Financial Management, Government Information, and International Security Senate Committee on Homeland Security and Governmental Affairs regarding “Management and Oversight of Federal Disaster Recovery: Operation Blue Roof.” Mr. Gimble addressed the DoD OIG ongoing oversight work regarding the U.S. Army Corps of Engineers’ Operation Blue Roof Program. In addition, he described the ongoing close coordination with other Inspectors General through the President’s Council on Integrity and Efficiency (PCIE) Homeland Security Roundtable on Hurricane Katrina to ensure effective use of DoD oversight resources in the relief and recovery efforts.



Mr. Gimble testifies before the House Government Reform Committee on the Department of Defense Personnel Security Clearance Process

The DOD OIG holds monthly DCIE meetings. DCIE meetings are used as a forum to discuss issues related to the inspector general community. During the last reporting period the DCIE discussed many topics including draft DoD Directives and Instructions, military and civilian whistleblower protections, and the hotline process. In addition, at each meeting different member organizations provide mission briefings which enable the DCIE members to better understand how their oversight roles are related within the Department.

The DoD OIG also regularly reviews new and revised regulations proposed by the Department of Defense. During this reporting period, the DoD OIG reviewed 136 draft issuances or re-issuances of DoD directives, instructions, manuals, and policy guidance.

On March 1, 2006, in accordance with Presidential Executive Order (EO), 13392, “Improving Agency Disclosure of Information,” the Department of Defense, Office of the Inspector General (DoD, OIG) Freedom of Information Act and Privacy Act (FOIA/PA) Office was redesignated the FOIA Requester Service Center/Privacy Act Office (FRSC/PAO). The FRSC/PAO will serve as the first place that FOIA requesters can contact to seek information concerning the status of their FOIA request or to raise concerns about the service they have received. The FRSC/PAO will also work with requestors to reduce delays and resolve disputes.

APPENDIX A

REPORTS ISSUED BY CENTRAL DOD INTERNAL AUDIT ORGANIZATIONS

Excludes base level reports issued by the Air Force Audit Agency and memorandum reports and consulting reports issued by the Army Audit Agency.

Copies of reports may be obtained from the appropriate issuing office by calling:

DoD OIG
(703) 604-8937
<http://www.dodig.mil>

Army Audit Agency
(703) 681-9863
<http://www.hqda.army.mil/aaaweb>

Naval Audit Service
(202) 433-5525
<http://www.hq.navy.mil/NavalAudit>

Air Force Audit Agency
(703) 696-7904
www.afaaf.hq.af.mil

SUMMARY OF NUMBER OF REPORTS BY MANAGEMENT CHALLENGE AREA APRIL 1, 2006 - SEPTEMBER 30, 2006

	DoD OIG	Military Depts.	Total
Joint Warfighting and Readiness	4	64	68
Human Capital	3	19	22
Information Security and Privacy	8	7	15
Acquisition Processes/Contract Management	16	55	71
Financial Management	17	79	96
Health Care	-	8	8
Other	-	2	2
Total	48	234	282

For information on intelligence-related reports, including those issued by other Defense agencies, refer to the classified annex to this report.

* Partially fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(a)(6) (See Appendix B)

JOINT WARFIGHTING AND READINESS

DOD OIG

D-2006-091 Department of Defense Inspector General's Report on the 2005 Defense base Closure and Realignment Commission's Report Recommendation #193 Regarding Naval Air Station Oceana, Virginia (05/24/06)

D-2006-095 FY 2006 Military Identifier Data Within the Department of Defense (07/05/06)

D-2006-103 The H-60 Seahawk Performance-Based Logistics Program (FOR OFFICIAL USE ONLY) (08/01/06)

D-2006-105 Implementation of Performance-Based Logistics for the Joint Surveillance Target Attack Radar System (08/09/06)

ARMY AUDIT AGENCY

A-2006-0054-ALR Followup on Recommendations 1 and 2, Audit Report A-2003-0450-AMW, Anniston Army Depot (07/17/06)

A-2006-0077-ALE Reconstitution-General Support Maintenance Within U.S. Army, Europe and Seventh Army (06/02/06)

A-2006-0088-FFI Joint Network Node Cost Estimate Spirals 2-4 (04/13/06)

A-2006-0091-ALL Audit of Management of the Theater Transportation Mission (Task Order 88), Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom (04/04/06)

A-2006-0099-ALL Audit of Program Management in the Iraq Area of Operations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom (04/25/06)

A-2006-0117-ALL Humidity-Controlled Storage Facilities, U.S. Army Reserve Command, Fort McPherson, Georgia (05/16/06)

A-2006-0118-ALM Depot Level Maintenance for Secondary Items, Phase I - Repair Versus Procurement Decisions, U.S. Army Aviation and Missile Life Cycle Management Command (05/30/06)

A-2006-0120-FFE Followup Audit of Management of Active Army Reactor Facilities, U.S. Army Test and Evaluation Command (05/19/06)

A-2006-0122-FFP Followup Audit of Operational Project Stock Requirements, Fort Shafter, Hawaii (05/11/06)

A-2006-0124-ALE Contracting for Reconstitution Maintenance Support, U.S. Army, Europe and Seventh Army (05/19/06)

A-2006-0128-ALM Depot Level Maintenance for Secondary Items, Phase I - Repair Versus Procurement Decisions (06/05/06)

A-2006-0132-ALR Followup on Selected Stock Funded Depot Level Reparable Requisitions, Office of the Project Manager, Apache Attack Helicopter (06/08/06)

A-2006-0136-ALL Management Controls Over Offline Purchases, Office of the Deputy Chief of Staff, G-4 (06/13/06)

A-2006-0148-FFF The Army's Mobilization Station Process (06/28/06)

A-2006-0149-ALE Military Construction Projects Supporting Army Prepositioned Stocks in Europe (06/29/06)

A-2006-0154-ALR Project Manager Assets - Tracked and Wheeled Vehicles, Office of the Project Manager, Combat Systems, Abrams Tank (07/18/06)

A-2006-0155-ALR Project Manager Assets - Tracked and Wheeled Vehicles Office of the Project Manager, Combat Systems, Bradley Fighting Vehicles System (07/18/06)

A-2006-0158-ALL Report on Class IX (Aviation) Warehouse Staffing, Camp Anaconda, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom (07/11/06)

A-2006-0159-ALL Followup Audit of Selected Asset Holding Projects, U.S. Army Materiel Command (07/11/06)

A-2006-0168-ALL Report on the Subsistence Prime Vendor Contract, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom (08/04/06)

A-2006-0173-ALR Project Manager Assets - Tracked and Wheeled Vehicles, Office of the Project Manager, Force Projection, M9 Armored Combat Earthmover (08/10/06)

A-2006-0174-ALM National Maintenance Program Certificate Process, U.S. Army Materiel Command and U.S. Army Tank-automotive and Armaments Life Cycle Management Command (08/11/06)

A-2006-0188-ALL Asset Visibility in Support of Operation Iraqi Freedom and Operation Enduring Freedom, 10th Mountain Division (Light Infantry), Fort Drum, New York (08/11/06)

A-2006-0196-ALR Project Manager Assets - Tracked and Wheeled Vehicles, Office of the Project Manager, Combat Systems, Paladin (08/21/06)

A-2006-0197-ALE Army Prepositioned Stocks in Europe (08/30/06)

A-2006-0198-FFD Contracts for Hurricane Protection System in New Orleans, U.S. Army Corps of Engineers, New Orleans District--Task Force Guardian (08/22/06)

A-2006-0200-ALL Management of Army Pre-positioned Stocks, U.S. Army Materiel Command (08/23/06)

A-2006-0203-ALR Tracking Administrative Lead Time, U.S. Army Aviation and Missile Life Cycle Management Command (08/23/06)

A-2006-0207-ALL Offline Purchases, U.S. Army Special Operations Command, Fort Bragg, North Carolina (08/31/06)

A-2006-0209-ALR Followup Audit of Aviation Tracked Components, U.S. Army Aviation and Missile Life Cycle Management Command (08/29/06)

A-2006-0217-ALE Followup Audit of Consolidation of Maintenance Activities, U.S. Army Installation Management Agency, Europe Region (09/20/06)

A-2006-0227-ALM Public-Private Partnerships and Compliance with Depot Workload Reporting, Deputy Chief of Staff, G-4 (09/27/06)

A-2006-0233-ALL Clothing Issue Facilities, Audit of Logistics Civilian Augmentation Program Operations in Support of Operation Iraqi Freedom (09/22/06)

A-2006-0237-ALE Funding Reset of Aviation Assets in Europe, U.S. Army Aviation and Missile Command (09/29/06)

A-2006-0245-ALL Offline Purchases, XVIII Airborne Corps, U.S. Army Garrison, Fort Bragg, North Carolina (09/28/06)

A-2006-0246-ALL Audit of the Cost-Effectiveness of Transitioning Task Order 66 - Kuwait Naval Base Camp Support from Contingency to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom-Phase II (Kuwait) (09/27/06)

A-2006-0253-ALL Cost-Effectiveness of Transitioning the General Support Supply Support Activity (Task Order 87) From Contingency to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom (09/28/06)

A-2006-0254-ALL Procedures for Transferring Property During the Base Closure Process in Support of Operation Iraqi Freedom (09/29/06)

A-2006-0255-FFI Followup Audit of Federal Oversight of the National Guard (09/29/06)

NAVAL AUDIT SERVICE

N2006-0024 Department of the Navy Antiterrorism Risk Assessment Management Approach for Navy Region Hawaii (05/18/06)

N2006-0025 Department of the Navy Antiterrorism Risk Management at Korea, Japan, Singapore, and Guam Facilities (05/18/06)

N2006-0028 Selected Reserve Billet Assignments (05/26/06)

N2006-0033 Models Used by the Marine Corps to Determine Requirements and Budget for Ammunition (06/30/06)

Appendix A

N2006-0034 Emergency Action Plans Oversight (CLASSIFIED) (07/13/06)

N2006-0039 Naval Air Facility Atsugi Airfield Physical Security (CLASSIFIED) (08/15/06)

N2006-0041 Department of the Navy Antiterrorism Risk Management Approach at Navy Region Gulf Coast (08/22/06)

N2006-0043 Verification of Department of the Navy's Reporting of Depot Maintenance Workload Between Public and Private Sectors (08/30/06)

AIR FORCE AUDIT AGENCY

F-2006-0004-FC2000 Follow-up Audit, T-38 Avionics Upgrade Modification (04/12/2006)

F-2006-0005-FD3000 Air Force Unit Type Code Management (FOR OFFICIAL USE ONLY) (04/18/2006)

F-2006-0006-FC4000 Repairable Item Requirements - Condemnations (04/18/2006)

F-2006-0006-FC2000 Distribution of Depot Maintenance Workload, Fiscal Years 2004 - 2006 (05/10/2006)

F-2006-0007-FC2000 J69 Engine Management (05/30/2006)

F-2006-0008-FC2000 Follow-up Audit, C-130 Aircraft Logistics Support (06/21/2006)

F-2006-0007-FC4000 Air Force Vehicle and Equipment Repair Reimbursements (06/23/2006)

F-2006-0008-FC4000 Due Out to Maintenance Additives (08/22/2006)

F-2006-0009-FC2000 F110-GE-100/129 Engine Upgrades (08/23/2006)

F-2006-0009-FC4000 Expired Air Force Contractor Department of Defense Activity Address Code Management (09/05/2006)

F-2006-0010-FC4000 Adjusted Stock Levels (09/05/2006)

F-2006-0006-FC1000 Property Management - Foreign Military Sales (09/06/2006)

F-2006-0006-FD4000 Flight Training Ammunition (09/06/2006)

F-2006-0007-FC1000 Foreign National Access to Air Force Information and Facilities (09/12/2006)

F-2006-0011-FC4000 Logistics Support for Research, Development, Test, and Evaluation Activities (09/15/2006)

F-2006-0008-FD3000 Air Force Support to Civil Authorities (09/25/2006)

F-2006-0009-FD3000 Air Reserve Components Space Forces Readiness (CLASSIFIED) (09/25/2006)

HUMAN CAPITAL

DoD OIG

D-2006-073 DoD Acquisition Workforce Count (04/17/06)

D-2006-077 DoD Personnel Security Clearance Process at Requesting Activities (04/19/06)

D-2006-080 Use of Environmental Insurance by the Military Departments (4/27/06)

ARMY AUDIT AGENCY

A-2006-0050-FFF Followup Audit of Training-Base and First-Term Soldier Attrition (04/03/06)

A-2006-0084-FFF Followup Audit of Institutional Training of Reserve Component Soldiers to Meet Qualification Goals (05/02/06)

A-2006-0116-FFF Contract Recruiting, U.S. Army Recruiting Command, Fort Knox, Kentucky (06/06/06)

A-2006-0138-ALM Followup Audit of Staffing and Capacity of Tables of Distribution and Allowances Maintenance Activities (06/20/06)

A-2006-0142-FFF Trainees, Transients, Holders, and Students Account Business Rules, U.S. Army Reserve (06/20/06)

A-2006-0147-FFF Human Resources Realignment Actions, Director of the Army Staff (06/21/06)

A-2006-0157-FFF Followup Audit of Reserve Component Duty Military Occupational Specialty Qualification and Officer Basic Course Training Requirements (07/26/06)

A-2006-0225-FFF Followup Audit of Distance Learning Facilities and Hardware (09/19/06)

A-2006-0247-FFF Followup Audit of Individual Ready Reserve and Individual Mobilization Augmentee Soldiers (09/28/06)

NAVAL AUDIT SERVICE

N2006-0029 Acquisition Workforce Position Accountability (05/31/06)

N2006-0030 Proposed Fiscal Year 2006-2007 Department of the Navy Military Construction Projects Resulting from Fiscal Year 2005 Base Closure and Realignment (06/06/06)

N2006-0036 Acquisition Program Staffing and Management Control at Naval Air Systems Command (07/18/06)

AIR FORCE AUDIT AGENCY

F-2006-0005-FD4000 Affirmative Employment (08/03/2006)

F-2006-0006-FD1000 Air Force Reserve Command Base Realignment and Closure Requirements Planning (08/03/2006)

F-2006-0007-FD1000 Pacific Air Forces Base Realignment and Closure Requirements Planning (08/23/2006)

F-2006-0008-FD1000 Air Education and Training Command Base Realignment and Closure Requirements Planning (08/23/2006)

F-2006-0009-FD1000 Air Combat Command Base Realignment and Closure Requirements Planning (08/23/2006)

F-2006-0010-FD1000 Air National Guard Base Realignment and Closure Requirements Planning (08/23/2006)

F-2006-0007-FD4000 Workman's Compensation Program (09/11/2006)

INFORMATION SECURITY AND PRIVACY

DoD OIG

D-2006-074 Technical Report on the Defense Civilian Pay System General and Application Controls (FOR OFFICIAL USE ONLY) (04/12/06)

D-2006-078 Defense Information Systems Agency (DISA) Encore II Information Technology Solutions Contract (FOR OFFICIAL USE ONLY) (04/21/06)

D-2006-079 Review of the Information Security Operational Controls of the Defense Logistics Agency's Business Systems Modernization-Energy (04/24/06)

D-2006-084 Information Assurance of Commercially Managed Collaboration Services for the Global Information Grid (FOR OFFICIAL USE ONLY) (05/17/06)

D-2006-086 General and Application Controls at the Defense Information Systems Agency Center for Computing Services (FOR OFFICIAL USE ONLY) (05/18/06)

D-2006-096 Select Controls for the Information Security of the Command and Control Battle Management Communications System (FOR OFFICIAL USE ONLY) (07/14/06)

D-2006-107 Defense Departmental Reporting System and Related Financial Statement Compilation Process Controls Placed in Operation and Tests of Operating Effectiveness for the Period October 1, 2004, Through March 31, 2005 (FOR OFFICIAL USE ONLY) (08/18/06)

D-2006-110 Summary of Information Assurance Weaknesses Found in Audit Reports Issued From August 1, 2005, Through July 31, 2006 (09/14/06)

ARMY AUDIT AGENCY

A-2006-0152-FFH Information Assurance for Medical Communications for Combat Casualty Care, Product Manager, Medical Communications for Combat Casualty Care, Fort Detrick, Maryland (06/30/06)

A-2006-0213-FFI Information Assurance—Internal Control Management and Reporting Process (09/29/06)

NAVAL AUDIT SERVICE

N2006-0035 Communications Security Equipment (CLASSIFIED) (07/17/06)

N2006-0045 Disposal of Protected Personal Information at Naval Air Station Pensacola, FL (09/13/06)

Appendix A

N2006-0048 Disposal of Protected Personal Information at Naval Station Great Lakes, IL (09/27/06)

AIR FORCE AUDIT AGENCY

F-2006-0004-FB2000 Implementation of Selected Aspects of Security in Air Force Systems (04/17/2006)

F-2006-0007-FB4000 Security of Deployed Networks (CLASSIFIED) (06/30/2006)

ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

DOD OIG

D-2006-071 Capabilities Definition Process at the Missile Defense Agency (04/05/06)

D-2006-075 Acquisition of the Joint Primary Aircraft Training System (04/12/06)

D-2006-087 Acquisition of the Objective Individual Combat Weapon Increments II and III (FOR OFFICIAL USE ONLY) (05/15/06)

D-2006-088 Adjusting the Price and Restructuring the KC-135 Depot Maintenance Contract (Contract No. F42620-98-D-0054) (05/18/06)

D-2006-089 Acquisition of the Armed Forces Health Longitudinal Technology Application (05/18/06)

D-2006-090 Allegation Concerning the Mobile Detection Assessment Response System Program (05/18/06)

D-2006-093 Contracting and Funding for the C-130J Aircraft Program (06/21/06)

D-2006-097 Source Selection for the National Polar-Orbiting Operational Environmental Satellite System – Conical Microwave Imager/Sounder (07/10/06)

D-2006-099 Purchase Card Program Controls at Selected Army Locations (07/21/06)

D-2006-100 Procurement Procedures Used for Next Generation Small Loader Contracts (08/01/06)

D-2006-101 Procurement Procedures Used for C-17 Globemaster III Sustainment Partnership Total System Support (07/21/06)

D-2006-106 Allegations Concerning Mismanagement of the Aerial Targets Program (08/04/06)

D-2006-109 Response to Congressional Requests on the Water Delivery Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers (08/29/06)

D-2006-117 American Forces Network Radio Programming Decisions (09/27/06)

D-2006-020 Report on the Defense Civilian Pay System Controls Placed in Operation and Tests of Operating Effectiveness for the Period July 1, 2005, Through June 30, 2006 (09/28/06)

D-2006-023 Program Management of the Objective Individual Combat Weapon Increment I (FOR OFFICIAL USE ONLY) (09/29/06)

ARMY AUDIT AGENCY

A-2006-0085-ALA Funding and Fielding Training Software and Hardware for Army Battle Command System Components (04/10/06)

A-2006-0092-ALA Followup on the Audit of Requirements for Models and Simulations, Future Combat Systems, Office of the Program Manager, Future Combat Systems, Brigade Combat Teams (04/06/06)

A-2006-0096-FFD Army Military Construction Program, U.S. Army Garrison, Fort Bragg and U.S. Army Corps of Engineers Savannah District (05/19/06)

A-2006-0108-ALA Army Software Blocking Process (04/28/06)

A-2006-0110-ALE Followup Audit of Dental Services Contracting in Europe, Europe Regional Dental Command (06/08/06)

A-2006-0125-ALL Management Controls Over Contracts for Logistics Services, U.S. Army Reserve Command, Fort McPherson, Georgia (05/19/06)

A-2006-0133-FFP Corps of Engineers Contracting, Far East District, Corps of Engineers, Seoul, Korea (06/07/06)

A-2006-0134-ALO Garrison Utilities and Energy Services, Fort McCoy, Wisconsin (06/19/06)

A-2006-0139-ALO Programming, Administration, and Execution System DD Form 1391s, Assistant Chief of Staff for Installation Management (06/21/06)

A-2006-0140-ALI Contract Administration for the Directorate of Support Services Contract, Fort McCoy, Wisconsin (06/22/06)

A-2006-0144-FFP Review of U.S. Forces Korea--Contract Requirements (06/27/06)

A-2006-0151-ALA Followup Audit of the Simulation Based Acquisition Program, Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (06/30/06)

A-2006-0153-ALO Audit of Enterprise Resource Planning System, Picatinny Arsenal, New Jersey (07/05/06)

A-2006-0156-ALR Procurement Lead Times, U.S. Army Aviation and Missile Life Cycle Management Command (07/17/06)

A-2006-0160-FFD Boiler Refurbishment--Picatinny Arsenal (07/27/06)

A-2006-0161-ALO Barracks Improvement Program (07/19/06)

A-2006-0165-ALA Risk Management Program - Future Combat System, Office of the Program Manager, Future Combat System, Brigade Combat Team (07/27/06)

A-2006-0179-FFI Installation Campus Area Network Connectivity-Wireless Networks, U.S. Army Garrison, Fort Gordon, Georgia (09/15/06)

A-2006-0180-FFI Installation Campus Area Network Connectivity-Wireless Networks, U.S. Army Garrison, Fort Huachuca, Arizona (09/28/06)

A-2006-0181-FFI Installation Campus Area Network Connectivity-Wireless Networks, U.S. Army Garrison, Aberdeen Proving Ground, Maryland (09/28/06)

A-2006-0189-FFE Hazardous Waste Disposal Costs (08/15/06)

A-2006-0192-FFE Environmental Performance Assessment System, U.S. Army Environmental Center (08/16/06)

A-2006-0193-FFE Followup Audit of Alternative Fuel Vehicle Program, Office of the Assistant Chief of Staff for Installation Management (08/17/06)

A-2006-0194-FFP Public Works Requirements Contracts--Area I, Installation Management Agency, Korea Region Office (08/24/06)

A-2006-0199-FFI Installation Campus Area Network Connectivity-Wireless Networks, Terrestrial-Based Connections (09/29/06)

A-2006-0205-ALL Followup Audit of Small Purchases of Supplies and Equipment, South Carolina Army National Guard (08/29/06)

A-2006-0210-FFE Oversight for the Chemical Demilitarization Program (09/15/06)

A-2006-0214-FFH Capital Purchases and Minor Construction Projects, Fort Benning, Georgia (09/19/06)

A-2006-0216-ALE Followup Audit of the Army Communities of Excellence Program, U.S. Army Installation Management Agency, Europe Region (09/15/06)

A-2006-0220-ALA Followup Audit of Force XXI Battle Command, Brigade and Below, Fort Monmouth, New Jersey (09/20/06)

A-2006-0222-FFM Army Environmental Database--Restoration and Compliance Cleanup Federal Financial Management Improvement Act Compliance, Army Environmental Center, Aberdeen, Maryland (09/29/06)

A-2006-0223-FFI Information Technology Asset Authorizations for Tactical Units, Chief Information Officer/G-6 (09/18/06)

A-2006-0224-ALA Army's Capabilities Determination Process (09/27/06)

A-2006-0229-FFH Capital Purchases and Minor Construction Projects, Fort Lewis, Washington (09/26/06)

A-2006-0232-ALA Followup Audit of G-2 Foreign Intelligence Support to Acquisition (09/22/06)

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A-2006-0243-FFI Enterprise Software Agreements Using Unit Purchase Practices, Chief Information Office G-6 (09/29/06)

A-2006-0244-FFI Information Technology Contracts With the U.S. General Services Administration-- Contracting Process (09/29/06)

A-2006-0248-ALA Warfighter Information Network - Tactical, Fort Monmouth, New Jersey (09/29/06)

NAVAL AUDIT SERVICE

N2006-0046 National Security Agency Military Interdepartmental Purchase Request (CLASSIFIED) (09/21/06)

N2006-0050 H-1 Upgrades Program (09/28/06)

AIR FORCE AUDIT AGENCY

F-2006-0006-FB4000 Combat Communications Equipment (04/17/2006)

F-2006-0005-FC2000 C-17 Contract Maintenance (05/08/2006)

F-2006-0005-FB2000 Enterprise Environmental Safety and Occupational Health System Development (05/19/2006)

F-2006-0003-FC1000 Keesler AFB Little Base Operating Support (A-76 Cost Comparison) (06/21/2006)

F-2006-0004-FC1000 Keesler AFB Big Base Operating Support (A-76 Cost Comparison) (06/21/2006)

F-2006-0005-FC1000 Most Efficient Organization Performance Review (06/21/2006)

F-2006-0002-FC3000 Launch and Test Range System Modernization Program (08/03/2006)

F-2006-0007-FD3000 Central Command Air Forces Deployed Locations Blanket Purchase Agreements (08/21/2006)

F-2006-0003-FC3000 Theater Battle Management Core System Contract Management (08/22/2006)

F-2006-0004-FC3000 Implementation of the Fiscal Year 2003 National Defense Authorization Act, Major Range and Test Facility Base Funding Process (08/23/2006)

F-2006-0005-FC3000 Use of Prime Vendor Contracts (08/23/2006)

F-2006-0010-FB2000 Quarterly Enterprise Buy Program (08/23/2006)

F-2006-0008-FB4000 Follow-up Audit, Controls Over Access to Air Force Networks and Systems (FOR OFFICIAL USE ONLY) (09/11/2006)

F-2006-0006-FC3000 Justification and Approval for Non-Competitive Acquisitions (09/25/2006)

F-2006-0011-FB2000 Air Force Equipment Management System Controls (09/25/2006)

FINANCIAL MANAGEMENT

DOD OIG

D-2006-072 Internal Controls Related to Department of Defense Real Property (04/06/06)

D-2006-076 DoD Compliance with the Prompt Payment Act on Payments to Contractors (04/19/06)

D-2006-081 Recording and Reporting of Transactions by Others for the National Security Agency (CLASSIFIED) (04/26/06)

D-2006-082 Allegations to the Defense Hotline Concerning Funds "Parked" at the U.S. Special Operations Command (04/28/06)

D-2006-083 Information Operations in U.S. European Command (CLASSIFIED) (05/12/06)

D-2006-085 Vendor Pay Disbursement Cycle, Air Force General Fund: Funds Control (05/15/06)

D-2006-092 Controls Over Abnormal Balances in Financial Data Supporting Financial Statements for Other Defense Organizations (06/08/06)

D-2006-094 Improper Payments for Defense Fuel (06/29/06)

D-2006-098 Military Retirement Fund Processes Related to Deceased Former Military Spouses (07/17/06)

D-2006-102 Marine Corps Governmental Purchases (07/31/06)

D-2006-104 Contract Award Process for the Financial Information Resource System (08/03/06)

D-2006-108 Providing Interim Payments to Contractors in Accordance With the Prompt Payment Act (09/01/06)

D-2006-112 Selected Controls Over the Military Personnel, Army Appropriation (09/22/06)

D-2006-113 Consolidation of Northrop Grumman Pension Accounting Records for the Acquisition of TRW (09/22/06)

D-2006-114 Budget Execution Reporting at Defense Finance and Accounting Service Indianapolis (09/25/06)

D-2006-118 Financial Management of Hurricane Katrina Relief Efforts at Selected DoD Components (09/27/06)

D-2006-119 Civilian Payroll and Withholding Data for FY 2006 (09/27/06)

ARMY AUDIT AGENCY

A-2006-0001-FFI Audit Followup Tracking System, Assistant Secretary of the Army (Financial Management and Comptroller) (06/05/06)

A-2006-0067-FFM Military Pay for Operation Enduring Freedom/ Operation Iraqi Freedom--Active Component (04/05/06)

A-2006-0078-FFH Morale, Welfare, and Recreation and the Post Restaurant Funds, Red River Army Depot, Texarkana, Texas (09/08/06)

A-2006-0094-ALA Army Voyager Fleet Card Program, Saint Paul District, U.S. Army Corps of Engineers, Saint Paul, Minnesota (04/21/06)

A-2006-0100-FFH Attestation Review of Morale, Welfare, and Recreation Financial Statements--Hospitality Cash Management Fund, U.S. Army Community and Family Support Center (04/27/06)

A-2006-0101-FFH Attestation Review of Morale, Welfare, and Recreation Financial Statements--Army Morale, Welfare, and Recreation Fund, U.S. Army Community and Family Support Center (04/27/06)

A-2006-0102-FFH Attestation Review of Morale, Welfare, and Recreation Financial Statements--Army Recreation Machine Program, U.S. Army Community and Family Support Center (04/27/06)

A-2006-0103-FFH Attestation Review of Morale, Welfare, and Recreation Financial Statements--Army Special Purpose Funds, U.S. Army Community and Family Support Center (04/27/06)

A-2006-0105-FFH Attestation Review of Morale, Welfare, and Recreation Financial Statements--Army Lodging Fund, U.S. Army Community and Family Support Center (04/27/06)

A-2006-0106-ALO Attestation Examination of the Certified Financial Statements for the Period Ended June 30, 2004 for the Fort Ord Authority for Economic Development Conveyance (04/24/06)

A-2006-0109-FFM Defense Property Accountability System Material Weakness Closeout, Fort Gillem, Georgia (04/26/06)

A-2006-0113-ALO Family Housing Operations and Maintenance Funding, U.S. Army Garrison, Fort Bragg; Fort Bragg, North Carolina (05/11/06)

A-2006-0119-ALO Family Housing Operations and Maintenance Funding, U.S. Army Garrison, Fort Sill; Fort Sill, Oklahoma (05/11/06)

A-2006-0121-ALC Attestation Review of Army Ideas for Excellence Program Idea Number NEPA06004C (05/10/06)

A-2006-0123-FFM Defense Property Accountability System Material Weakness Closeout, Special Operations Command, Fort Bragg, North Carolina (05/30/06)

A-2006-0127-ALA Army Voyager Fleet Card Program, 88th Regional Readiness Command, Fort Snelling, Minnesota (05/30/06)

A-2006-0129-FFM The Army's Recovery Audit Initiative (06/09/06)

A-2006-0130-FFD Corps Balance Sheet--Corrective Actions, Headquarters, U.S. Army Corps of Engineers, (06/16/06)

A-2006-0131-ALO Review of Revenues and Expenses for the 2005 Army Birthday Ball (06/06/06)

A-2006-0135-ALR Followup on Unliquidated Obligations, Office of the Project Manager, Cargo Helicopters (06/16/06)

A-2006-0137-FFM Logistics Modernization Program System Federal Financial Management Improvement Act Compliance—Revalidation (06/20/06)

A-2006-0141-FFH Financial Management Structure for the Army Morale, Welfare, and Recreation Program, U.S. Army Installation Management Agency (06/22/06)

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- A-2006-0143-ALA Army Voyager Fleet Card Program, 101st Airborne Division, Fort Campbell, Kentucky (06/27/06)
- A-2006-0145-ALR Followup on Unliquidated Obligations, Office of the Project Manager, Apache Attack Helicopter (06/27/06)
- A-2006-0150-FFE Financial Controls for Chemical Agents and Munitions Destruction and Chemical Stockpile Storage Funding, U.S. Army Chemical Materials Agency (06/29/06)
- A-2006-0164-ALL Followup Audit of Use of Accommodation Checks, South Carolina Army National Guard (07/20/06)
- A-2006-0166-FFM Army Government Travel Card - Individual Pay, U.S. Army Reserve Command (08/01/06)
- A-2006-0169-ALA Army Voyager Fleet Card Program (07/27/06)
- A-2006-0172-FFM Defense Property Accountability System Material Weakness Closeout, U.S. Army Recruiting Command, Fort Knox, Kentucky (08/04/06)
- A-2006-0175-FFM Federal Financial Management Improvement Act Attestation of Funds Control Module, Colonial Heights, Virginia (08/03/06)
- A-2006-0183-FFM Joint Oil Analysis Program Technical Support Center, Pensacola, Florida (08/09/06)
- A-2006-0185-ALR Followup Audit of Validation of the Army's Fund Balance With Treasury, Accounting Services, Army (08/21/06)
- A-2006-0186-ALR Followup Audit of Disbursing Station Expenditure Operations, DOD Disbursing Station 5570, Accounting Services, Army (08/22/06)
- A-2006-0187-ALR Followup Audit of Acquisition and Financial File Reconciliations, Office of the Program Executive Officer, Aviation (08/11/06)
- A-2006-0190-ALO Expenditures for the 2005 National Scout Jamboree, Phase I--FY's 02-04, Fort A.P. Hill, Virginia (08/16/06)
- A-2006-0191-ALO Expenditures for the 2005 National Scout Jamboree, Phase II--FY 05, Fort A.P. Hill, Virginia (08/16/06)
- A-2006-0211-FFH Controls Over Overtime, Red River Army Depot, Texarkana, Texas (09/08/06)
- A-2006-0212-ALR Followup Audit of Accounts Receivable and Other Assets, U.S. Army Materiel Command (09/06/06)
- A-2006-0221-ALR Followup Audit of Accounts Receivable and Other Assets, Accounting Services, Army (09/13/06)
- A-2006-0226-FFM Army Government Travel Card - Individual Pay, U.S. Army National Guard (09/26/06)
- A-2006-0228-FFH Community Club Operations, Fort Hamilton, New York (09/29/06)
- A-2006-0231-FFH Followup Audit of Army Overhead Lodging Costs, Fort Bliss, Texas (09/28/06)
- A-2006-0234-FFM Attestation of Logistics Modernization Program, Federal Financial Management Improvement Act of 1996 - FY 06 Phase 1 Quality Assurance Environment Testing (09/21/06)
- A-2006-0236-FFM Review of the Army Management Control Process FY 06, U.S. Military Academy, West Point, New York (09/25/06)
- A-2006-0238-FFM Review of the Army Management Control Process FY 06, U.S. Army Developmental Test Command (09/25/06)
- A-2006-0239-FFM Review of the Army Management Control Process FY 06, U.S. Army Reserve Military Readiness Intelligence Command (09/26/06)
- A-2006-0240-FFM Review of the Army Management Control Process FY 06, U.S. Army Reserve 99th Regional Readiness Command (09/26/06)
- A-2006-0241-FFM Review of the Army Management Control Process FY 06, U.S. Army Operational Test Command (09/27/06)
- A-2006-0242-FFM Managerial Account DA Task Matrix (09/27/06)
- A-2006-0249-FFM Defense Property Accountability System Material Weakness Closeout-Summary Report (09/28/06)
- A-2006-0250-FFM Review of the Army Management Control Process FY 06, US Army Test and Evaluation Command (09/28/06)

A-2006-0251-FFM Review of the Army Management Control Process FY 06, US Army Reserve 87th Division-Training Support (09/29/06)

A-2006-0252-FFM Review of Army Management Control Process FY 06, Assistant Secretary of the Army for Acquisition, Logistics, and Technology (09/29/06)

NAVAL AUDIT SERVICE

N2006-0020 Independent Attestation Report – Agreed-Upon Procedures Attestation Engagement of Marine Corps General Fund Line Item, Fund Balance with Treasury (04/04/06)

N2006-0021 Fleet Forces Command Activities Government Purchase Card Program (04/05/06)

N2006-0023 Navy Fleet Credit Card (05/16/06)

N2006-0026 Marine Corps Implementation of the Prompt Payment Act (05/24/06)

N2006-0027 Government Purchase Card Program at Selected Commander, U.S. Pacific Fleet Activities (05/26/06)

N2006-0031 Performing Efficient and Effective Unliquidated Obligation Reviews (06/23/06)

N2006-0032 Government Purchase Card Program Controls at the Office of Naval Research and the Naval Research Laboratory (06/29/06)

N2006-0037 Interface Between Databases Supporting Marine Corps Military Pay (07/25/06)

N2006-0038 Auditor General Advisory – Office of Naval Research Free Electron Laser Special Property Review (08/04/06)

N2006-0042 Department of the Navy’s Government Commercial Purchase Cards used for Hurricane Relief Efforts (08/25/06)

N2006-0044 Naval Audit Service Opinion on the Fiscal Year 2006 Annual Statement of Assurance (09/12/06)

N2006-0047 Cash Accountability of Department of the Navy Disbursing Officers for Hurricane Katrina Relief Funds (09/22/06)

N2006-0049 Interagency Procurements at the Naval Sea Systems Command (09/27/06)

AIR FORCE AUDIT AGENCY

F-2006-0003-FB2000 Automated Civil Engineer System - Real Property Controls (04/12/2006)

F-2006-0004-FB3000 General Fund Obligations (05/04/2006)

F-2006-0005-FB3000 General Fund Real Property Valuation (05/04/2006)

F-2006-0006-FB3000 General Fund Tri-Annual Review (05/05/2006)

F-2006-0001-FB1000 Certified Invoice Procedures (05/10/2006)

F-2006-0006-FB2000 Controls for the Wholesale and Retail Receiving and Shipping System (05/19/2006)

F-2006-0003-FD2000 Public Accountant Contract Audits (05/30/2006)

F-2006-0007-FB2000 Missile Readiness Integrated Support Facility/Integrated Missile Database System Controls (05/30/2006)

F-2006-0008-FB2000 System Controls for Item Manager Wholesale Requisition Process System (06/21/2006)

F-2006-0006-FD3000 Central Command Air Forces Deployed Locations Cash Management (08/03/2006)

F-2006-0009-FB2000 Contract Writing System Controls (08/03/2006)

F-2006-0002-FB1000 Official Representation Funds (08/23/2006)

F-2006-0007-FB3000 General Fund and Working Capital Fund Real Property Adjustments (09/06/2006)

HEALTH CARE

ARMY AUDIT AGENCY

A-2006-0112-FFH Selected Aspects of Medical Modeling for the Total Army Analysis Process, U.S. Army Medical Department Center and School, Fort Sam Houston, Texas (06/02/06)

A-2006-0170-FFH Armed Forces Institute of Pathology (08/02/06)

A-2006-0171-FFH Contracting for Medical Goods and Services, Southeast Regional Medical Command (08/04/06)

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A-2006-0215-ALE Followup Audit
of Third Party Collection Program,
Europe Regional Medical Command
(09/19/06)

AIR FORCE AUDIT AGENCY

F-2006-0005-FD1000
Groundwater Cleanup Actions
(06/21/2006)

F-2006-0004-FD2000 Surgeon
General Modernization Programs
(08/03/2006)

F-2006-0005-FD2000 Weapons
of Mass Destruction Emergency
Medical Response Capabilities
(08/03/2006)

F-2006-0006-FD2000 Optometry
Productivity (09/06/2006)

OTHER

NAVAL AUDIT SERVICE

N2006-0022 Implementation of the
Department of the Navy Electronic
Business Strategic Plan (05/16/06)

N2006-0040 Department of the
Navy Hotline Program (08/17/06)

APPENDIX B

DOD OIG AUDIT REPORTS ISSUED CONTAINING QUANTIFIABLE POTENTIAL MONETARY BENEFIT

Audit Reports Issued	Potential Monetary Benefits	
	Disallowed Costs ¹	Funds Put to Better Use
D-2006-076 DoD Compliance with the Prompt Payment Act on Payments to Contractors (4/19/2006)	N/A	\$919,000
D-2006-087 Acquisition of the Objective Individual Combat Weapon Increments II and III (05/15/06)	N/A	\$9,100,000
D-2006-100 Procurement Procedures Used for Next Generation Small Loader Contracts (8/1/2006)	N/A	\$31,200,000
D-2006-108 Providing Interim Payments to Contractors in Compliance With the Prompt Payment Act (9/1/2006)	N/A	\$56,400,000
D-2006-122 Commercial Contract for Noncompetitive Spare Parts With Hamilton Sundstrand Corporation (9/29/2006)	N/A	\$22,300,000
D-2006-123 Program Management of the Objective Individual Combat Weapon Increment I 09/29/06	N/A	\$10,000,000
Totals		\$129,919,000

¹ There were no OIG audit reports during the period involving disallowed costs.

*Partially fulfills the requirement of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(a)(6) (See Appendix A).

**Additional work performed this reporting period relating to report number D-2006-051, "TRICARE Overseas Controls Over Third Party Billing Agencies and Supplemental Health Insurance Plans," February 10, 2006, resulted in potential monetary benefits of \$2.4 million not previously identified. The \$2.4 million is not included in the potential monetary benefits of \$129.9 million shown above since it is associated with a report issued prior to April 1, 2006.

FOLLOWUP STATUS REPORT*

STATUS OF ACTION ON CENTRAL INTERNAL AUDITS		
Period ending September30, 2006		
(\$ in thousands)		
Status	Number	Funds Put to Better Use ¹
OIG DoD		
Action in Progress - Beginning of Period	242	\$0
Action Initiated - During Period	62	57,432
Action Completed - During Period	55	20,998,171
Action in Progress - End of Period	249	2,100 ²
Military Departments		
Action in Progress - Beginning of Period	516	1,815,776
Action Initiated - During Period	254	689,170
Action Completed - During Period	138	624,722
Action in Progress - End of Period	632	1,691,999
<p>1 There were no OIG DoD audit reports issued during the period involving “questioned costs.”</p> <p>2 On certain reports (from prior periods) with audit estimated monetary benefits of \$6,750 million, we agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.</p>		

* Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(b)(2) & (3).

APPENDIX D

CONTRACT AUDIT REPORTS ISSUED¹ (\$ IN MILLIONS) APRIL 1, 2006 THROUGH SEPTEMBER 30, 2006

TYPE OF AUDIT ²	REPORTS ISSUED	EXAMINED	QUESTIONED COSTS ³	FUNDS PUT TO BETTER USE
Incurring Costs, Ops Audits, Special Audits	13,190	\$65,020.9	\$855.0	\$111.0 ⁴
Forward Pricing Proposals	4,744	\$121,444.2	---	\$6,129.3 ⁵
Cost Accounting Standards	1,411	\$138.7	\$42.4	---
Defective Pricing	311	(Note 6)	\$73.5	---
Totals	19,656	\$186,603.8	\$970.9	\$6,240.3

Note 1. This schedule represents Defense Contract Audit Agency (DCAA) contract audit reports issued during the 6 months ended September 30, 2006. This includes any audits that DCAA performed on a reimbursable basis for other government agencies and the associated statistics may also be reported in other OIGs' Semiannual Reports to Congress. Both "Questioned Costs" and "Funds Put to Better Use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication.

Note 2. This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as:

Incurring Costs – Audits of direct and indirect costs charged to Government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation, and provisions of the contract. Also included under incurred cost audits are Operations Audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy; and Special Audits, which include audits of terminations and claims.

Forward Pricing Proposals – Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts, and costs incurred but not yet covered by definitized contracts.

Cost Accounting Standards – A review of a contractor's cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice, or noncompliance with a CAS regulation.

Defective Pricing – A review to determine whether contracts are based on current, complete and accurate cost or pricing data (the Truth in Negotiations Act).

Note 3. Questioned costs represent costs that DCAA has questioned because they do not comply with rules, regulations, laws, and/or contractual terms.

Note 4. Represents recommendations associated with Operations Audits where DCAA has presented to a contractor that funds could be used more effectively if management took action to implement cost reduction recommendations.

Note 5. Represents potential cost reductions that may be realized during contract negotiations.

Note 6. Defective pricing dollars examined are not reported because the original value was included in the audits associated with the original forward pricing proposals.

APPENDIX E

STATUS OF ACTION ON SIGNIFICANT POST-AWARD CONTRACT AUDITS¹ PERIOD ENDING SEPTEMBER 30, 2006 (\$ IN MILLIONS)

	Number of Reports	Costs Questioned	Disallowed Costs ⁶
Open Reports:			
Within Guidelines²	238	\$359.6	N/A ⁷
Overage, greater than 6 months³	455	\$1,311.7	N/A
Overage, greater than 12 months⁴	324	\$639.5	N/A
In Litigation⁵	95	\$1,634.7	N/A
Total Open Reports	1,112	\$3,945.5	N/A
Closed Reports	225	\$764.7	\$102.9 (13.5%)
All Reports	1,337	\$4,710.2	N/A

1 This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by the Army, Navy, Air Force, Defense Contract Management Agency, and TRICARE. Contract audit follow-up is reported in accordance with DoD Directive 7640.2, "Policy for Follow-up on Contract Audit Reports." Because of limited time between availability of the data and reporting requirements, there is minimal opportunity to verify the accuracy of the reported data.

2 These reports are within the time frames established by OMB Circular A-50, "Audit Follow-up", and DoD Directive 7640.2 as described in footnotes 3 and 4 below.

3 OMB Circular A-50 requires that audit reports be resolved within 6 months after report issuance. Generally, an audit is resolved when the contracting officer determines a course of action which is documented and approved in accordance with agency policy.

4 DoD Directive 7640.2 states that audit reports are overage if not dispositioned within 12 months from date of issuance. Generally, disposition is achieved when the contractor implements audit recommendations, the contracting officer negotiates a settlement with the contractor, or the contracting officer issues a final decision pursuant to the Disputes Clause.

5 Of the 95 reports in litigation, 4 are under criminal investigation.

6 Disallowed costs are costs sustained by the contracting officer in negotiations with contractors.

7 N/A (not applicable)

APPENDIX F

STATUS OF DOD OIG REPORTS MORE THAN 12 MONTHS OLD WITH FINAL ACTION PENDING ^{1,2} (AS OF SEPTEMBER 30, 2006)

Report Number/Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
94-062, Financial Status of Air Force Expired Year Appropriations, 3/18/1994	Changes to policy guidance to include refunds receivable arising from matters in litigation.	Coordination issues within DoD continue to be addressed.	USD(C)
96-156, Implementation of the DoD Plan to Match Disbursement to Obligations Prior to Payment, 6/11/1996	Implement system changes to correct weaknesses in the automated prevalidation process.	Correction of this material weakness involves a long-term effort.	DFAS
97-112, Air Mobility Command (AMC) Financial Reporting of Property, Plant, and Equipment (PP&E), 3/19/1997	AMC is to develop a methodology for keeping PP&E current and providing accurate and useful information to DFAS for preparation of financial statements.	Competing management priorities.	USTRANSCOM DFAS
97-134, Disposal of Munitions List Items in the Possession of Defense Contractors, 4/22/1997	Change regulations to advance identification of munitions list items to the early stages of the acquisition process.	Personnel turnover has delayed implementation.	USD(AT&L), DLA
98-049, DoD Sensitive Support Focal Point System (U), 1/20/1998	Report is classified.	Corrective actions are on schedule.	USD(I)
98-052, Defense Logistics Agency Past Due Federal Accounts Receivable, 1/22/1998	Issue accounting and billing policy for requisitions under the Shelter for the Homeless Program. Chapter 5 of DoD FMR Volume 11B is being revised to implement the guidance.	Publication of the DoD FMR revision has been delayed pending the resolution of significant policy issues.	USD(C)
98-063, Defense Logistics Agency Product Quality Deficiency Program, 2/5/1998	Revisions to DLA Instruction 4155.24, "Quality Assurance Program for DLA Inventory Control Points."	A decision was made to combine the draft directive and instruction back into a single regulation format.	DLA
98-067, Access Reciprocity Between DoD Special Access Programs, 2/10/1998	Standardize Special Access Program (SAP) eligibility implementing criteria and develop a centralized SAP database.	Competing management priorities; however, some corrective actions are predicated upon actions by outside agencies.	USD(I), Army, Navy, AF

1 Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(b)(4).

2 For this reporting period, there are no disallowed costs on reports over 12 months old with final action pending.

98-100, Fund Balance With Treasury Account in the FY 1996 Financial Statements of the Defense Business Operations Fund, 4/2/1998	Issue Standard Operating Procedures to the DFAS centers for reporting undistributed balances in the monthly Accounting Report 1307.	Implementation strategy changes and unique reporting issues caused delays. DFAS revised the format for the report, but the related DoD FMR guidance is still being developed.	DFAS
98-116, Accounting for Defense Logistics Agency Supply Management Receivables, 4/20/1998	Revise procedures for handling accounts receivable. Implement standard general ledger in accounting systems.	Competing management priorities.	DFAS
98-124, Department of Defense Adjudication Program, 4/27/1998	Implement peer review program and establish continuing education standards and a program for the professional certification for adjudicators.	Competing management priorities and extended time needed to coordinate and issue DoD policy. Impacted by transformation of the personnel security program.	USD(I)
98-170, Army National Guard and U.S. Army Reserve Command Small Arms Indoor Firing Ranges, 6/30/1998	Revise and issue NGB Regulation 385-15 and NGB Pamphlet 385-15 that addresses identification and abatement of lead contamination for indoor ranges, including migration outside the immediate range area.	Lack of funding and personnel.	NGB
99-102, Chemical and Biological Warfare Defense Resources in the U.S. European Command (U), 3/4/1999	Report is classified.	Delays due to change in related Army guidance and extended time needed to coordinate and issue theater policy.	Army
99-159, Interservice Availability of Multiservice Used Items, 5/14/1999	Revise Joint Service Regulation to require consistent item management wherever economical and safe. Services provide training on disposal authority for multi-service used items and requirements related to excess assets quantities.	Delays have been experienced in coordinating and issuing policy.	Army
99-186, DoD Export Licensing Processes for Dual-Use Commodities and Munitions, 6/18/1999	Develop a process for identifying and establishing assessment priorities related to the cumulative effect of technology transfers.	Delays in coordinating and issuing policy.	USD(P)
99-191, Compilation of the FY 1998 Financial Statements for Other Defense Organizations, 6/24/1999	Explain material abnormal balances reported on the financial statements, and disclose and explain in the financial statement notes.	The Defense Financial Auditing Service is awaiting management's response to OIG Report No. D-2006-092.	DFAS
99-250, Construction and Rehabilitation of Reserve Component, 9/13/1999	Revise and issue NGB Regulation 385-15 and NGB Pamphlet 385-15 that addresses identification and abatement of lead contamination for indoor ranges, including migration outside the immediate range area.	Lack of funding and personnel.	NGB

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D-2000-075, Administration and Management of Civil Air Patrol, 2/15/2000	Improve administration and management of the Civil Air Patrol Program nonexpendable equipment items. Update regulations and Statement of Work to establish roles, responsibilities, policies and procedures.	Lack of personnel, and changes in property disposal requirements.	AF
D-2000-110, Export Licensing at DoD Research Facilities, 3/24/2000	Improve guidance regarding the determination of the need for "deemed" export licenses in the event of foreign national visits to, or assignments to, DoD research facilities.	Delays in coordinating and issuing policy.	USD(P), USD(AT&L)
D-2000-111, Security Clearance Investigative Priorities, 4/5/2000	Establishment of timeframes to expedite investigative priorities.	Corrective action delayed by the transfer of the personnel security investigative function from DSS to OPM. Impacted by transformation of the personnel security program.	USD(I), DSS
D-2000-134, Tracking Security Clearance Requests, 5/30/2000	The current database will be modified to retain all pertinent historical information (including dates/times for every occurrence -- e.g., deletions, case type, changes, cancellations, duplicates, conversions, reinstatements, etc.)	Extensive time/resources needed to modify an automated system. Impacted by transformation of the personnel security program.	DSS
D-2000-139, Controls Over the Integrated Accounts Payable System, 6/5/2000	Awaiting revisions to the Financial Management Regulation, Volume 10, Chapters 3 and 12.	Delays in coordinating and issuing policy.	USD(C)
D-2000-140, Compilation of the FY 1999 Department of the Navy Working Capital Fund Financial Statements, 6/7/2000	DFAS has initiated the Business Management Redesign to better integrate financial and business management data. DFAS is also working with the Navy to reconcile inventory-related general ledger account balances to supporting records.	Delays in coordinating and issuing policy, and extensive time needed for system changes.	DFAS
D-2000-153, Compilation of the FY 1999 Financial Statements for Other Defense Organizations (ODO) - General Funds, 6/23/2000	DFAS is implementing procedures to remove duplicate and abnormal balances. Any remaining abnormal balances are to be accompanied by footnotes that fully disclose the causes for these balances. DFAS is documenting the processes used to compile the ODO financial statements.	An audit found that uncorrected and unexplained abnormal balances continued to be submitted for the preparation of the ODO financial statements	DFAS
D-2000-177, Revaluation of Inventory for the FY 1999 Department of the Navy Working Capital Fund Financial Statements, 8/18/2000	USD(C) evaluating policy and systems changes to implement and support a latest acquisition cost valuation method and a direct cost historical valuation method. These would be long-term solutions for improving the financial presentation of net inventory.	Delays in coordinating and issuing policy.	USD(C)

D-2001-016, Security Controls Over Contractor Support for Year 2000 Renovation, 12/12/2000	Navy will assess the potential risks to the security baseline requirements for renovated systems for which risk assessments are lacking and accredit or reaccredit renovated systems in accordance with DoD guidance.	Personnel reductions have delayed implementation of corrective actions.	Navy
D-2001-018, Management and Oversight of the DoD Weather Program, 12/14/2000	Army assumed responsibility to update Joint Instruction AR 115-10/ AFI 15-157, to require coordination of meteorological, oceanographic, and space weather requirements across all Military Departments to promote interoperability and avoid duplication.	Delays in coordination and staffing issues.	Army
D-2001-037, Collection and Reporting of Patient Safety Data Within the Military Health System, 1/29/2001	Develop, test and deploy Patient Safety Reporting Program.	Additional time required to obtain operational capabilities.	ASD(HA)
D-2001-044, Accreditation Policies and Information Technology Control at the Enterprise Center Mechanicsburg, 2/9/2001	Issues such as Information Assurance Governance, metrics, and roles and responsibilities are addressed and covered by the new draft policy.	Delays continue in coordinating and issuing policy.	DISA
D-2001-059, Armed Service Blood Program Readiness, 2/23/2001	Actions are underway to improve the Defense Blood Standard System (DBSS) to ensure that the system meets all user and mission needs, ensures asset accountability and inventory accuracy. Also actions are underway to ensure consistent deployment and use of DBSS throughout DoD.	Extensive time needed to establish policy and implement other changes.	Army, Navy, AF
D-2001-065, DoD Adjudication of Contractor Security Clearances Granted by the Defense Security Service, 2/28/2001	Identify and process additional adjudicative resources for Defense Industrial Security Clearance Office (DISCO). Establishment of continuing education standards to facilitate the certification of professional adjudicators. Issue guidance on professional certification and continuous training program for all adjudicators.	Impacted by transformation of the personnel security program and BRAC decisions.	DSS, USD(I)
D-2001-071, Navy Financial Reporting of Government-Owned Material Held by Commercial Shipyard Contracts, 3/2/2001	Revise the Defense FAR Supplement to include the updated DoD property accountability procedures.	Delays in coordinating and issuing policy.	USD(AT&L)
D-2001-081, Financial Reporting at the Washington Headquarters Services, 3/15/2001	Modify the Washington Headquarters Services Allotment Accounting System to correctly post prior period adjustments. Also, develop query interfaces for each general ledger account that can be used to research detailed transactions supporting account balances.	Extensive time required for changes to financial policies.	WHS

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D-2001-099, Use of Contract Authority for Distribution Depots by the Defense Logistics Agency, 4/16/2001	Modify the Financial Management Regulation, Volume 11B, to include procedures that require that all use of contract authority is adequately posted and liquidated in the DoD working capital fund accounting records at the activity group level.	Extensive time required for changes to financial policies.	USD(C)
D-2001-109, DoD Payroll Withholding Data for FY 2000, 4/27/2001	Develop the capability to maintain, and query, historical payroll data.	Management stated that the recommended action was too costly. Alternative long-term action is being taken.	DFAS
D-2001-124, U.S. Special Operations Command Use of Alternative or Compensatory Control Measures (U), 5/18/2001	Report is classified.	Extensive time required for coordination and publication of DoD document.	JS
D-2001-129, Contracting Officer Determinations of Price Reasonableness When Cost or Pricing Data Were Not Obtained, 5/30/2001	Implement procedures to better assess price reasonableness and institute corrective actions for future contracts.	Funding shortages and a reassessment of the planned corrective actions.	DLA
D-2001-133, Deliberate Planning for Meteorological and Oceanographic Operations, 6/1/2001	EUCOM to update meteorological and oceanographic (METOC) operations portion of the U.S. European Command's deliberate plans.	Lack of management responsiveness.	EUCOM
D-2001-135, Prevalidation of Intergovernmental Transactions, 6/6/2001	Develop cost-effective automated methods to expand prevalidation.	Correction of this material weakness involves a long-term effort.	DFAS
D-2001-136, Defense Clearance and Investigations Index Database, 6/7/2001	Establish procedures to revise and maintain DCII user codes. Issue guidance to implement OPM policy on constructing pseudo social security numbers for foreign nationals require CAFs to determine the use of pseudo SSNs for payroll purposes and use these numbers in the DCII.	Additional time needed to develop and implement procedures. Impacted by transformation of the personnel security program.	USD(I)
D-2001-141, Allegations to the Defense Hotline on the Defense Security Assistance Management System, 6/19/2001	Amend DoD 5200.2-R to address security investigation requirements for foreign national contractor employees.	Delays in coordinating and issuing policy.	USD(I), DSCA
D-2001-148, Automated Transportation Payments, 6/22/2001	Issue policy to address information assurance requirements for commercial automated processes.	Personnel turnover has delayed issuing and implementing policy.	ASD(NII), USD(C)
D-2001-153, Pentagon Reservation Maintenance Revolving Fund, 7/2/2001	Forms are to be developed to identify the appropriate construction costs to be used in transferring completed projects from the construction in progress account to the real property accounts.	Implementation has been delayed by higher management priorities.	WHS

D-2001-155, Compilation of the FY 2000 Navy Working Capital Fund Financial Statements, 7/3/2001	Maintain standard operating procedures and documentation to provide an audit trail, and maintain complete documentation and audit trails for budgetary information.	Corrective actions are being verified during an on-going audit, and the status of the corrective actions should be known by December 2006.	DFAS
D-2001-158, Compilation of the FY 2000 Army General Fund Financial Statements at the Defense Finance and Accounting Service Indianapolis (Sustaining Forces), 7/13/2001	Management will establish an action plan to meet revised requirements for reconciling suspense accounts.	Management corrective actions on schedule.	DFAS
D-2001-163, Accounting Entries Made in Compiling the FY 2000 Financial Statements of the Working Capital Funds of the Air Force and Other Defense Organizations, 7/26/2001	Revise FMR, Volume 11B, Chapter 5 to reflect changes to inventory valuation and reporting; and revise DoD FMR, Volume 4, Chapter 3 to require the recoding of accounts receivable for credits due when DoD working capital fund supply activities return inventory items that do not conform to the purchase agreement or contract.	Publication of the DoD FMR revisions has been delayed due to significant policy issues.	USD(C)
D-2001-164, Implementation of a Cost-Accounting System for Visibility of Weapon Systems Life-Cycle Costs, 8/1/2001	USD(AT&L) define and build a financial architecture that incorporates cost accounting requirements for weapon system life cycle costs.	Organizational realignment of program has delayed actions.	USD(AT&L)
D-2001-170, U.S. Transportation Command's Reporting of Property, Plant, and Equipment Assets on the FY 2000 DoD Agency-wide Financial Statements, 8/3/2001	Develop system changes to differentiate among USTRANSCOM, Air Mobility Command (AMC), and Defense Courier Service (DCS) assets. Reconcile all system records for USTRANSCOM, AMC and DCS against actual assets, and make a prior period adjustment. Create electronic interfaces between the logistics and the accounting systems for transferring data.	Management corrective actions on schedule.	USTRANSCOM
D-2001-189, Multiple Award Contracts for Services, 9/30/2001	Reemphasize the need to ensure competition on multiple award tasks and delivery order contracts.	Management actions are delayed pending an audit of GSA contracts awarded for DoD.	USD(AT&L)
D-2002-004, Import Processing of DoD Cargo Arriving in the Republic of Korea, 10/4/2001	Revise USFK Regulation 55-72 to update requirements and implement a cost-efficient system for the automated processing of customs forms using an electronic data interchange.	Funding shortfalls in FY 2005, but USTRANSCOM received funding in July 2006.	USFK
D-2002-008, Controls Over the Computerized Accounts Payable System (CAPS) at Defense Finance and Accounting Service Kansas City (DFAS-KC), 10/19/2002	Improve guidance on criteria for proper and accurate receipt and invoice documentation; improve organizational structures to provide better internal controls.	Delays in coordinating and issuing policy.	USD(C)

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D-2002-010, Armed Services Blood Program Defense Blood Standard System, 10/22/2001	Establish a plan, controls, assessment requirements and training related to the Defense Blood Standard System (DBSS) upgrade. Also, establish procedures to ensure effective deployment of those DBSS upgrades.	Long-term actions on schedule.	Army, Navy, AF, ASD(HA)
D-2002-020, Audit Report on General Officer Quarters at Kaneohe Bay, Hawaii Camp Pendleton California, and Albany, Georgia, 12/5/2001	SECNAVINST 11101.73B has been revised. The Marine Corps will update their policies and a resident guide will be developed.	Extensive time needed to revise policies	Navy, MC
D-2002-024, Navy Fleet Hospital Requirements (U), 12/12/2001	Report is classified.	Corrective actions are on schedule.	Navy, PACOM
D-2002-035, Protection of Strategic Systems Against Radio Frequency Threats (U), 1/4/2002	Report is classified.	Long range corrective actions are on target.	ASD(NII)
D-2002-038, Financial Reporting for the Other Defense Organization General Funds at the Defense Finance and Accounting Service San Antonio, 1/14/2002	Review all abnormal general ledger accounts; identify and document the causes of net abnormal balances; and when possible correct the balances.	Corrective actions have not yet been verified. Due to the DFAS reorganization, DFAS San Antonio is scheduled to close.	DFAS
D-2002-056, Controls Over Vendor Payments Made for the Army and Defense Agencies Using the Computerized Accounting Payable System (CAPS), 3/6/2002	Revise the Financial Management Regulation to incorporate the requirements of 5 CFR 1315.	Delays in coordinating and issuing policy.	USD(C)
D-2002-060, Management of Terminal Items at the Defense Logistics Agency, 3/13/2002	Revise procedures to review terminal items with no registered users in the Defense Inactive Item Program (DIIP), for obsolescence, and quantify the number of terminal National Stock Numbers (NSNs) that are determined to be obsolete after NATO and foreign governments review the NSNs.	Original action is no longer the optimum solution, alternative action is being taken.	DLA
D-2002-071, DoD Management of the North Atlantic Treaty Organization Security Investment Program, 3/26/2002	Track each prefinanced project in the NATO Security Investment Program, including the likelihood of NATO Infrastructure Committee authorization, actions required to obtain NATO authorization, and an estimated recoupment date.	Extended time required to recover forecasted recoupments.	EUCOM

D-2002-073, Financial Management Ending Balance Adjustments to General Ledger Data for the Army General Fund, 3/27/2002	Use transactional data from a centralized database to populate general ledger accounts in the Defense Departmental Reporting System (DDRS) Budgetary and continue efforts to analyze and correct causes for current adjustments; Use transactional data to generate a general ledger data file for DDRS Budgetary.	Slow system development process.	DFAS
D-2002-075, Controls Over the DoD Purchase Card Program, 3/29/2002	Strengthen controls to modify contract with banks to prevent accounts from being reopened after notification to close, and provide reports on oversight reviews.	Corrective action requires long-term development of risk-assessment tools.	USD(AT&L)
D-2002-076, Funding Invoices to Expedite the Closure of Contracts Before Transitioning to A New DoD Payment System, 3/29/2002	Revise Financial Management Regulation, Chapter 10, Appendix B, number 7, "Accounting Requirements for Expired and Closed Accounts," to require that the DoD activity to which a program has transferred be responsible for providing current-year funding.	Lack of management emphasis.	USD(C)
D-2002-079, Delivery and Receipt of DoD Cargo Inbound to the Republic of Korea, 4/15/2002	USFK Regulation 55-355, "Korea Traffic Management" is being revised to include specific cargo delivery information. The Eighth U.S. Army Command Inspection Program (CIP) will include delivery information. A new checklist will be incorporated into the CIP schedule by the 4th Quarter FY 2002.	Extensive personnel turnover in Eighth U.S. Army G4.	USFK
D-2002-084, Guidance for the Global Command and Control System Common Operational Picture, 5/1/2002	Report is FOUO.	Delays caused by personnel turnover and extended time needed to coordinate and issue policy.	EUCOM
D-2002-088, Acquisition of the Joint Service Lightweight Standoff Chemical Agent Detector, 5/10/2002	Implement improvements in defining operational requirements, evaluating production readiness, and test planning.	Delays caused by successive program restructures and need to reevaluate technology maturity.	USD(AT&L)
D-2002-091, Accountability and Control of Materiel at the Corpus Christi Army Depot, 5/21/2002	Comply with guidance for storage of maintenance materiel and the preparation and submission of management reports for review; perform annual physical inventory and quarterly reviews of materiel.	Corrective action is ongoing, however, constrained by competing priorities.	Army
D-2002-095, Chemical and Biological Defense Individual Protective Equipment in Central Command and European Command Area (U), 5/30/2002	Report is classified.	Delays due to changes in related Army guidance and theater operations and to extended time needed to coordinate and issue policy.	Army

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D-2002-103, Certification of the Reserve Component Automation System (RCAS), 6/14/2002	Through a contractor/government teaming effort, establish functional performance measures to better assess both the initial and future impact of RCAS on supported functionalities.	Transition from a sustainment contract to a performance-based contract was delayed to allow the contractor to perform against the established performance criteria for a full 6-month period.	Army, NGB
D-2002-108, Standard Procurement System Certification and Accreditation Process, 6/19/2002	Report is FOUO.	Delays in coordinating and issuing policy.	ASD(NII)
D-2002-109, Army Claims Service Military Interdepartmental Purchase Requests, 6/19/2002	Modify Chapters 1 and 3 of DoD FMR Volume 11A to include specific guidance for congressionally enacted pilot programs that authorize interagency orders, other than those used in the performance of Economy Act orders and project orders.	Extended time required to develop and coordinate new guidance.	USD(C)
D-2002-117, Review of FY 2001 Financial Statement for the Defense Intelligence Agency (U), 6/25/2002	Report is classified.	Competing management priorities.	DIA
D-2002-122, Environmental Community Involvement Program at Test and Training Ranges, 6/28/2002	Develop a more detailed DoD instruction on Sustainable Ranges Outreach. Continue work on implementation of the new Directive and development of the new instruction.	Extended time required to develop and coordinate the new DoD Instruction.	USD(P&R)
D-2002-127, Audit Report on DoD Compliance with Internal Use Software Accounting Standards, 7/9/2002	Implement a system to capture material internal software costs; identify the appropriate actions needed to properly value and support all financial statement amounts and publish these actions in financial improvement plans; update DoD FMR Volume 4, Chapter 6; and develop a strategy and a Key Milestone Plan.	Long-term process to develop and implement guidance; and slow system development process.	DFAS
D-2002-131, Terminal Items Managed by the Defense Logistics Agency for the Navy, 7/22/2002	DLA will modify the existing stock retention policy to review terminal items that are excluded from the Defense Inactive Program (DIIP). In addition, plan to complete a new study to quantify the costs of inactive items.	Original action is no longer the optimum solution, alternative action is being taken.	DLA
D-2002-140, Measurement of Water Usage by DoD Components Serviced by the DC Water and Sewer Service, 8/20/2002	Establish and implement procedures to verify that the DCWASA routinely inspects and reports results of inspections for DoD-owned water meters; develop and implement effective controls and procedures to verify that the DCWASA accurately reads water meters; establish and implement a maintenance program.	Delays were caused by installation and program compatibility issues and other technical difficulties, and contract terminations.	Army, Navy, AF, WHS

D-2002-153, Reprocessed Medical Single-Use Devices in DoD, 9/30/2002	Issue policy and guidance on the reuse of single-use devices (SUD) and work with FDA to work toward clarifying SUD labeling requirements. The MILDEPs Surgeons General issue implementing guidance and ensure adequate awareness and training is provided.	Significant time required to address/resolve issues with FDA and Services.	ASD(HA), Army, Navy, AF
D-2003-001, DoD Integrated Natural Resource Management Plans, 10/1/2002	Develop integrated natural resource management plans for military installations and coordinate the plans with the other Federal and State agencies involved in the process.	The plans for two installations have been held up pending the resolution of litigation and coordination issues.	Army, Navy, AF
D-2003-003, Controls for the DoD Aviation Info-Plan Reimbursement Card, 10/3/2002	The DLA and the Services need to improve management controls and establish written policies that define the methods and responsibilities for using the Aviation Into-Plane Reimbursement Card.	Corrective actions are on schedule.	DLA, Navy, AF, MC
D-2003-018, Validity of Registration in the Central Contractor Registration (CCR) Database, 10/30/2002	Establish procedures to withhold payments to contractors and vendors until they are properly registered with a valid Tax Identification Number in the CCR database.	Management corrective actions on schedule.	DFAS
D-2003-021, Export Controls Over Biological Agents (U), 11/12/2002	Report is confidential.	Extensive time is needed to coordinate and issue policy guidance.	USD(P), USD(AT&L), DATSD(C/BD)
D-2003-030, Financial Reporting of Deferred Maintenance Information on Air Force Weapons Systems for FY 2002, 11/27/2002	Revise DoD FMR to allow the Air Force to present all material categories of deferred maintenance as major asset classes in accordance with Federal accounting requirements.	Publication of the DoD FMR revisions has been delayed due to significant policy changes resulting from OMB A-136 revisions.	USD(C)
D-2003-034, Adjustments to the Intergovernmental Payments Account, 12/10/2002	Revise the Financial Management Regulation to specify the documentation required to support adjustments from account F3885, 'Undistributed Intergovernmental Payments,' to closed appropriations. The guidance should describe the documentation required to identify the proper expenditure account, the responsible fund holder, and the payment date.	Management corrective actions on schedule.	USD(C)
D-2003-056, Public/Private Competition for the Defense Finance and Accounting Service Military Retired and Annuitant Pay Functions, 3/21/2003	AT&L is working with OMB to address any overhead ambiguities in OMB Circular A-76, proposing additional guidance to clarify costing policies, and providing definitions for direct and indirect costs as well as a revised definition for overhead.	Corrective actions are on schedule.	USD(AT&L)

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D-2003-057, Accountability and Control of Materiel at the Naval Air Depot, Jacksonville, 3/5/2003	Perform inventories and quarterly review of all materiel in storage, adjust records and return excess materiel to the supply system.	Office of the Navy Comptroller had provided approval in May 2006 for inventory capitalization.. Approval provided specific requirements for inventory capitalization and identification and subsequent disposal of excess inventory. Capitalization has not been completed.	Navy
D-2003-067, Recoveries of Prior Year Obligations, 3/21/2003	Revise the Financial Management Regulation to be consistent with recovery reporting guidance issued by the OMB and the Department of the Treasury; and program the DFAS accounting systems to properly capture, record, and report recoveries of prior year obligations.	Management corrective actions on schedule.	USD(C), DFAS
D-2003-0071, Acquisition of Marine Corps Aircraft Simulators (U), 4/2/2003	Report is classified.	Corrective actions are on schedule.	MC
D-2003-072, DoD Compliance with the Uniformed and Overseas Citizens Absentee Voting Act, 3/31/2003	AF is updating guidance to be consistent with DoD level guidance.	Publication was delayed to include any findings from the Federal Voting Assistance Program lessons learned report and 2004 Federal Post Election Survey results.	AF
D-2003-073, Reliability of the FY 2002 National Imagery and Mapping Agency Financial Statements and Adequacy of Related Procedures and Controls (U), 4/2/2003	Report is classified.	Corrective actions are on schedule.	NGA
D-2003-074, Reliability of the FY 2002 Defense Intelligence Agency Financial Statements and Adequacy of Related Procedures and Controls (U), 4/7/2003	Report is classified.	Competing management priorities.	DIA
D-2003-076, Document Automation and Production Service Public/Private Competition, 4/8/2003	Report is FOUO.	Corrective actions are on schedule.	DLA
D-2003-081, DoD Explosives Safety Program Oversight, 4/24/2003	Restructure the DoD Explosives Safety Board and revise DoD guidance to accurately reflect the Board's roles and responsibilities. Develop a safety management strategy that requires a comprehensive DoD explosives safety program.	Management corrective actions on schedule.	USD(AT&L)
D-2003-083, Acquisition of the Suite of Integrated Radio Frequency Countermeasures, 4/29/2003	Report is FOUO.	Awaiting finalization of DOT&E test report.	USSOCOM

D-2003-085, International DoD Air Freight Tenders, 4/30/2003	AMC International Publication (AITP) No. 1 developed to articulate the air transportation service needs of the DoD for movement of its international freight traffic.	Due to significant changes in the program, original action is not being continued. A more appropriate action is being pursued.	USTRANSCOM
D-2003-091, Reliability of the FY 2002 National Security Agency Financial Statement and Adequacy of Related Procedures and Controls (U), 5/14/2003	Report is classified.	Corrective actions are on schedule.	NSA
D-2003-095, Accounting for Reimbursable Work Orders at Defense Finance and Accounting Service Charleston, 6/4/2003	Develop business practices for Navy fund administrators to properly account for reimbursable work orders. Develop a methodology and provide guidance to prevent Navy fund administrators from over obligating at the segment level. Establish edit checks that align with the business practices of the Navy.	Long-term process to develop and implement improved business practices, methodologies, and guidance.	DFAS, Navy
D-2003-096, Protection of European Theater Systems Against Radio Frequency Threats (U), 6/4/2003	Report is classified.	Long-term corrective action on schedule.	Army, Navy, AF, JS, ASD(NII)
D-2003-098, Follow-Up Audit of Depot-Level Repairable Assets at Selected Army and Navy Organizations, 6/5/2003	Ensure that depot-level repair inventory at commercial contractors and at a DLA storage facility is properly accounted for.	Shortage of funding and lack of automated capability.	Army
D-2003-105, Management of Developmental and Operational Test Waivers for Defense System, 6/20/2003	Report is FOUO.	Extensive time required for approval process to update DoD Instructions.	USD(AT&L)
D-2003-106, Administration of Performance-Based Payments Made to Defense Contractors, 6/25/2003	The Director, Defense Procurement and Acquisition Policy (DPAP), will conduct an assessment of the benefits of expanded performance-based payments implementation. It will address contracting officer compliance with FAR Part 32.10, and whether any changes are needed to those policies, the Performance-Based Payments User's Guide, or training resources.	Corrective actions are on schedule. Normal time required to update the FAR and DFARS.	USD(AT&L)
D-2003-107, DoD Petroleum War Reserve Requirements (U), 6/26/2003	Report is classified.	Extensive time required to coordinate and issue procedural guidance.	AF
D-2003-110, Information Technology Management: Defense Civilian Personnel Data System Functionality and User Satisfaction, 7/27/2003	System enhancements to correct deficiencies are in process.	Normal time needed to develop system enhancements.	USD(P&R)

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D-2003-115, Allegations Concerning the Administration of Contracts for Electronic Flight Instruments, 6/30/2003	Air Force will prepare an acquisition strategy addressing logistics support for the 550-series Electronic Flight Instruments (EFI) that address sustainment and spare parts. DCMA (at Lockheed Martin, Fort Worth, TX) will perform a Contractor Purchasing System Review (CPSR).	Decision delayed due to the need for additional analysis.	AF, DCMA
D-2003-117, Systems Inventory to Support the Business Enterprise Architecture, 7/10/2003	Establish a single repository for business systems information, which includes all data elements necessary for architecture development and budget. Establish procedures to ensure that the data are kept current, consistent, and accurate.	Correction of this weakness involves a long-term effort.	USD(C)
D-2003-119, Controls Over DoD Medicare Eligible Retiree Health Care Fund Investments, 7/31/2003	Comply with DoD investment policy for the DoD Medicare Eligible Retiree Health Care Fund; issue oversight procedures to ensure that the DFAS complies with the investment policy for the DoD Medicare Eligible Retiree Health Care Fund.	Long-term corrective action on schedule.	USD(C)
D-2003-121, DoD Fire and Emergency Services Program, 8/12/2003	Revise DoDI 6055.6 to address staffing issues. Develop modernization plans for fire and emergency services apparatus.	Extended time needed to update directive and develop modernization plan.	USD(AT&L), Army, Navy
D-2003-122, Financial Management: Closing the Army's 1985 M1a1 Tank Contract (Contract DAAE07-85-C-A043), 8/13/2003	Issue guidance for unreconcilable contracts; update the DoD FMR to specifically address the requirement to maintain vouchers and supporting documentation to facilitate complete contract reconciliations.	Guidance delayed due to re-writing and coordination issues, and competing priorities.	USD(C)
D-2003-124, Financial Management: Certification of a DoD Payment for Telecommunications Services, 8/22/2003	Reconcile the approximately \$2.2 million of invoices that have not been researched to identify potential overpayments and require appropriate credit back to the Defense Information Technology Contracting Organization.	Management corrective actions on schedule.	DISA
D-2003-128, The Chemical Demilitarization Program: Increased Costs for Stockpile and Non-Stockpile Chemical Disposal Programs, 9/4/2003	As directed by USD(AT&L), Army develop and prioritize a plan for the disposal of buried chemical warfare materiel. Upon receipt of the Army plan, USD(AT&L) determine which DoD component should be assigned to implement the plan.	Extensive time needed to develop DoD-wide strategy for disposal of buried chemical warfare materiel.	USD(AT&L), Army
D-2003-132, Air Force Transaction of Advanced Technology Program to Military Applications, 9/12/2003	Establish integrated product teams and charters for advanced technology development efforts. Revise and implement Air Force Instruction 61-101 to ensure the status of technology transition plans are reviewed at the Applied Technology Councils.	Uncertainty of various transformation issues delayed completion of implementation actions.	AF

D-2003-133, Report on Controls Over DoD Closed Appropriations, 9/15/2003	Emphasize the importance of controls over the use of closed appropriations and monitor compliance with applicable laws and regulations. DFAS establish specific standard procedures to ensure that accounting personnel approve only legal and proper adjustments to closed appropriations, and validate the canceled balances and report any potential Antideficiency Act violations.	Management corrective actions on schedule.	USD(C), DFAS
D-2003-134, System Security of the Army Corps of Engineers Financial Management System, 9/15/2003	Report is FOUO	Competing management priorities.	Army
D-2004-002, Acquisition: Selected Purchase Card Transactions at Washington Headquarters Services and Civilian Personnel Management Service, 10/16/2003	Review conducted and new standard operating procedures developed and implemented. Administrative instructions are being rewritten.	Normal time to write, coordinate, approve, and implement guidance.	WHS
04-INTEL-02, DoD Security Clearance Adjudication and Appeals Process (U), 12/12/2003	Disparities between the contractor and military/civilian personnel adjudicative process will be eliminated with the pending revision to the DoD Regulation 5200.2-R.	Extensive time required to update DoD Regulations.	USD(I)
D-2004-003, Decontamination Operation Preparedness of Continental U.S. Based Navy and Air Force Units (U), 10/8/2003	Report is classified.	Extensive time needed to coordinate and issue policy.	Navy, AF
D-2004-006, Acquisition Management of the Army's Allsource Analysis System, 10/10/2003	Director, Operational Test and Evaluation will provide an assessment of operational effectiveness, survivability, and test the adequacy of the Allsource Analysis System (ASAS) Block II family of systems. USD(AT&L) will evaluate in accordance with the dollar thresholds to determine the appropriate Major Defense Acquisition Program (MDAP) level.	Extensive time required to update DoD Acquisition guidance.	Army, USD(AT&L)
D-2004-007, Force Protection in the Pacific Theater (U), 10/14/2003	Report is classified.	Army, Navy, AF actions are contingent on publication of pending USD (P) guidance. ECD on guidance is 10/30/06.	USD(P), Army, Navy, AF
04-INTEL-07, Audit of the Physical Security of Nuclear Weapons (U), 5/3/2004	Report is classified.	Extensive time required for coordination of DoD documents.	ATSD(NCB)

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<p>D-2004-008, Implementation of Interoperability and Information Assurance Policies for Acquisition of Army Systems, 10/15/2003</p>	<p>Update Army Regulations 70-1 and 71-9 to require combat developers to identify interoperability and supportability requirements in requirements documents and update the requirements throughout the life of the systems, as necessary, in accordance with DoD Directive 4630.5 and to require program managers to obtain the Joint Staff J6 certifications for interoperability in accordance with Chairman of the Joint Chiefs of Staff Instruction 6212.01B.</p>	<p>Coordination on issuance of numerous related guidance.</p>	<p>Army</p>
<p>D-2004-009, Allegations Concerning Controls Over DoD Transit Subsidies Within the National Capital Region, 10/14/2003</p>	<p>Develop policies and procedures requiring the reconciliation of all transit subsidy billings received from the Department of Transportation.</p>	<p>Delay in completion on the coordination of draft policy and procedures.</p>	<p>Army, AF</p>
<p>04-INTEL-10, Audit of the Nuclear Weapons Personnel Reliability Program (U), 6/21/2004</p>	<p>Assistant to the Secretary of Defense for Nuclear and Chemical and Biological Defense Programs [ATSD{NCB}] will assess policies, practices, and oversight to strengthen the reliability program and ensure the reliability of those working with and around nuclear weapons. Regulations and Directives will be updated.</p>	<p>Normal time required to update DoD Instructions.</p>	<p>ATSD(NCB)</p>
<p>D-2004-012, Sole-Source Spare Parts Procured From an Exclusive Distributor, 10/16/2003</p>	<p>Report is FOUO. Corrective actions are complete on all but 1 of the report's 8 recommendations.</p>	<p>Corrective actions are on schedule.</p>	<p>DLA, Army</p>
<p>D-2004-020, Allegations Concerning Improprieties In Awarding National Guard Contracts, 11/18/2003</p>	<p>Implement a formal acquisition policy that integrates the existing roles of various Army National Guard and Federal communication and IT groups. Develop a process with measurable IT standards and defined business processes. Coordinate the requirements for help desk support to eliminate duplicate contract costs.</p>	<p>Delay in obtaining legal approval.</p>	
<p>D-2004-023, Financial Management: Corps of Engineers Financial Management System Accounting Processes, 11/18/2003</p>	<p>USACE is to prepare an information paper to outline a plan to address account phase general ledger correlation related weaknesses and system deficiencies, including a monthly status report that shows the progress in correcting these problems.</p>	<p>Lack of management responsiveness.</p>	<p>Army</p>
<p>D-2004-034, Environment: Defense Hotline Allegations Regarding the Environmental Compliance Assessment Process at U.S. Army Corps of Engineers, Portland District, 12/4/2003</p>	<p>Clarify requirements for internal assessments.</p>	<p>The Corps of Engineers guidance update is on hold pending the revision of a higher level Army regulation.</p>	<p>Army</p>

D-2004-037, Logistics: Defense Reutilization and Marketing Services Commercial Venture Contracts for Privatization of the DoD Surplus Sales Program, 12/30/2003	Report is FOUO.	Corrective actions are on schedule.	DLA
D-2004-039, Cooperative Threat Reduction Construction Projects, 12/18/2003	Negotiate a transparency agreement that will allow US verification of the quantity and quality of the material stored in the fissile material storage facility. Undertake sufficient activities to come into compliance with Russian environmental requirements for water discharge rates.	Significant time is required for negotiations with sovereign nations.	USD(P), DTRA
D-2004-041, The Security of the Army Corps of Engineers Enterprise Infrastructure Services Wide-Area Network, 12/26/2003	Report is FOUO.	Competing management priorities.	Army
D-2004-042, Control Over Obligations at the National Geospatial-Intelligence Agency (U), 1/16/2004	Report is classified.	Corrective actions are on schedule.	NGA
D-2004-047, Implementation of the DoD Management Control Program for Army Category II and III Programs, 1/23/2004	Program Managers will be able to store acquisition documents in Virtual Insight (VIS) so the Milestone Decision Authority can review document status from development to document approval. Army Regulations will be updated to reflect new reporting procedures.	Corrective actions are on schedule.	Army
D-2004-050, Management Structure of the Cooperative Threat Reduction Program, 2/5/2004	Revised DoD guidance to clarify the roles of responsible offices for the Cooperative Threat Reduction Program.	Management corrective actions on schedule.	DAM
D-2004-053, Defense Threat Reduction Agency Relocation Costs, 2/19/2004	Develop detailed guidance on what should be considered when determining whether the relocation cost cap in section 8020 of the FY 2004 Appropriation Act has been, or will be, exceeded.	Management corrective actions on schedule.	WHS
D-2004-055, DoD Source Approval Process for Service & Sales, Inc., a Small Business Manufacturer, 2/25/2004	Develop guidance for the reevaluation of critical application item sources.	Change in strategy and extended time needed to coordinate and issue policy.	DLA
D-2004-057, Acquisition: Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington, 3/18/2004	Conduct a study on existing DoD post-war strategy and establish responsibilities, policies, and procedures for the rapid acquisition of necessary goods and services in support of any future post-war occupation or relief operations.	Management corrective actions on schedule.	USD(AT&L)
D-2004-059, Financial Management: Assets Depreciation Reported on the U.S. Army Corps of Engineers FY 2002 Financial Statements, 3/16/2004	Determine the appropriate useful life for all USACE-owned assets. Request a waiver from the DoD FMR based on USACE-unique mission requirements.	Long-term corrective action on schedule.	Army

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D-2004-060, Acquisition of the Joint Chemical Agent Detector, 3/30/2004	Report is FOUO.	Although required management actions are complete, followup continues to quantify monetary benefits.	USD(AT&L)
D-2004-061, Export Controls: Export Controlled Technology at Contractor, University and Federally Funded Research and Development Center Facilities, 3/25/2004	Expand DoD guidance to encompass all export-controlled technology and enumerate the roles and duties of responsible personnel. Ensure incorporation of appropriate export compliance clauses into solicitations and contracts.	Management corrective actions on schedule.	USD(P), USD(AT&L)
D-2004-063, Financial Management: Controls Over U.S. Army Corps of Engineers (USACE) Buildings and Other Structures, 3/26/2004	Improve the financial accountability for buildings and other structures owned by USACE.	Management corrective actions on schedule.	Army
D-2004-064, Acquisition: Acquisition of the Boeing KC-767A Tanker Aircraft, 3/29/2004	Report is FOUO.	Followup was held in abeyance until Analysis of Alternatives was completed. Now extended time will be needed to complete planning for a competitive acquisition.	USD(AT&L)
D-2004-065, DoD Implementation of the Voting Assistance Program, 3/31/2004	Revise Voting Assistance Program guidance to reflect recent changes to DoD guidance. Improve monitoring of voting assistance program and training of service members and spouses. Establish civilian position for Service Voting Action Officer.	AF publication was delayed to include any findings from the Federal Voting Assistance Program lessons learned report and 2004 Federal Post Election Survey results.	AF
D-2004-068, Global Command and Control System-Korea (U), 4/6/2004	Report is classified.	Long term corrective action on schedule.	USFK
D-2004-074, Reliability of the Automated Cost Estimating Integrated Tools Software Model, 4/23/2004	The Army and the Air Force agreed to jointly verify, validate, and accredit the next major release of software,	Long term corrective action on schedule.	Army, AF
D-2004-075, Reliability of the FY 2003 Financial Statements for the National Geospatial-Intelligence Agency (U), 4/23/2004	Report is classified.	Corrective actions are on schedule.	NGA
D-2004-078, Summary Report on the Military Departments' Transition of Advanced Technology Programs to Military Applications, 4/29/2004	The Director supports using technology transitioning as a performance rating criteria for science and technology personnel that manage technologies that are more advanced in development.	Changes to the Acquisition workforce on hold pending further implementation of the National Security Personnel System.	USD(AT&L)
D-2004-079, Reliability of the Defense Intelligence Agency FY 2003 Financial Statements (U), 4/29/2004	Report is classified.	Competing management priorities.	DIA

D-2004-080, Environmental Liabilities Required to be Reported on Annual Financial Statements, 5/5/2004	Implement guidance to improve the development, recording, and reporting of environmental liabilities. Establish a quality control program to assess environmental liability processes and controls. Issue guidance requiring that future environmental liability electronic cost estimating system efforts comply with Defense Environmental Restoration Program Management Guidance.	DoD guidance has been delayed due to unrelated issues; Navy implementing guidance is on hold as a result.	USD(AT&L), Navy
D-2004-082, DoD Installation Disaster Preparedness and Consequence Management in the U.S. European Command (U), 5/24/2004	Report is classified.	Long-term corrective actions on schedule (EUCOM). Extended time needed to coordinate and issue policy (Navy, AF). Other implementation action delayed by change in related guidance (Navy).	EUCOM, Navy, AF
D-2004-084, Antideficiency Act Investigation of the Research, Development, Test and Evaluation Defense-Wide, Appropriation Account 97 FY 1989/1990-0400, 5/28/2004	Allocate all undistributed disbursements to fund holders of DoD closed fixed-term appropriations at statutory time of closing or provide alternate procedures that will provide positive assurance against future potential violations.	Management corrective actions on schedule.	DFAS
D-2004-087, Health Care: DoD Management of Pharmaceutical Inventory and Processing of Returned Pharmaceuticals, 6/17/2004	ASD (HA), in coordination with the Military Surgeons General, develop standard policies and procedures for pharmaceutical inventory management at the Military Treatment Facilities (MTFs) and also require MTFs to use a pharmaceutical returns company.	Additional time needed for update of publications and award of contract.	Army, AF, ASD(HA)
D-2004-089, Acquisition of the MH-47G Helicopter Service Life Extension Program, 6/14/2004	The U.S. Army Special Operations Command (USASOC) will produce and Information Support Plan (ISP), in concurrence with the Joint Staff. In addition, USASOC will submit a request for a one-year Interim Certificate to Operate.	Corrective actions are on schedule.	Army
D-2004-091, Management of Network Centric Warfare Within the Department of Defense, 6/22/2004	Report is FOUO.	Delays in coordinating and issuing policy.	ASD(NII), JS
D-2004-093, Acquisition and Management of Specialized Shipping and Unit-Owned Containers and Related Accessories, 6/30/2004	The DLA will initiate a new fully competitive acquisition for the containers. The Army and the Air Force will improve controls over the acquisition and management of specialized shipping and unit-owned containers.	Normal time for implementation.	Army, AF, DLA

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D-2004-094, Acquisition: Direct Care Medical Services Contracts, 6/24/2004	Develop a joint strategy for acquiring direct care medical services and strengthen guidance and oversight for those acquisitions. If required, address the issue of required changes for withholding FICA and other payroll taxes for individual set aside contracts. Develop an oversight process for the acquisition of direct care.	Normal time for implementation.	USD(AT&L), USD(C), ASD(HA)
D-2004-095, Navy Controls Over Materiel Sent to Defense Reutilization and Marketing Offices, 6/24/2004	Ensure that Navy organizations either demilitarize materiel or provide demilitarization instructions to the depots, prior to requesting for disposal.	Remaining items needing demilitarization had to be consolidated.	Navy
D-2004-099, Reliability of National Security Agency FY 2003 Financial Statements (U), 7/15/2004	Report is classified.	Corrective actions are on schedule.	NSA
D-2004-102, Contracting for and Performance of the C-130J Aircraft, 7/23/2004	The C-130J Aircraft would go through operational testing and the Air Force expects to close out all known in-scope deficiencies prior to the start of future block upgrades. In addition, future block upgrade modifications would be performed under separate Federal Acquisition Regulation Part 15 contracts.	Awaiting new C-130J definitized contract.	AF
D-2004-103, Contract No. N00024-02-C-6165 for Consulting Services at the Naval Shipbuilding, Conversion, and Repair Facility, 8/2/2004	NAVSEA will revise its Contracts Handbook and conduct refresher training for its contracting officers to highlight key points in the justification and approval process.	Normal time to revise the Contracts Handbook.	Navy
D-2004-104, Purchase Card Use and Contracting Actions at the U.S. Army Corps of Engineers, Louisville District, 7/27/2004	Recommended actions are designed to provide guidance and strengthen controls over use of the Government Purchase Card at the Louisville District and at USACE Headquarters levels.	Corrective actions are on schedule.	Army
D-2004-106, Selected Controls Over Army Fund Balance With Treasury at Defense Finance & Accounting Service Indianapolis, 8/5/2004	Update the performance metric on suspense accounts to track the progress for reconciling the field accounting records of suspense account balances with the summary Fund Balance With Treasury balance.	Management corrective actions on schedule.	DFAS
D-2004-110, The Military Departments' Implementation of Performance-Based Logistics in Support of Weapon Systems, 8/23/2004	USD (AT&L) has undertaken several initiatives related to Performance Based Logistics (PBL). The Services will issue policies and procedures for implementation of PBL.	Normal time for implementation.	USD(AT&L), Army, Navy
D-2004-114, The Followup on the Government Accountability Office and U.S. Army Audit Agency Recommendations for the U.S. Army Corps of Engineers, 9/21/2004	Report is FOUO.	Competing management priorities.	Army

D-2004-115, The Followup on the Government Accountability Office and U.S. Army Audit Agency Recommendations for the U.S. Army Corps of Engineers, 9/21/2004	Report is FOUO.	Competing management priorities.	Army
D-2004-117, Defense Hotline Allegations Concerning the Collaborative Force-Building, Analysis, Sustainment, and Transportation System, 9/24/2004	Develop management control documentation for the Collaborative Force-Building, Analysis, Sustainment, and Transportation System (CFAST).	Corrective actions are on schedule.	JS
D-2004-118, Army General Fund Controls Over Abnormal Balances for Field Accounting Activities, 9/28/2004	Update the DoD FMR to require the disclosure of unresolved abnormal balances for all proprietary and budgetary general ledger accounts in the footnotes to the financial statements. Identify abnormal conditions impacting both budgetary and proprietary account balances; notify accounting activities of abnormal proprietary balances and require explanations of corrective actions; and resolve abnormal balances in the budgetary accounts.	Corrective actions are on schedule.	USD(C), DFAS
D-2005-003, Financial Management: DoD Antideficiency Act Reporting and Disciplinary Process, 10/14/2004	Review and revise the DoD FMR, Volume 14, Chapter 9 guidance on the administrative controls and requirements over Antideficiency Act appropriations and violations.	The DoD FMR is currently being revised and coordinated.	USD(C)
D-2005-009, Pueblo Chemical-Agent-Destruction Pilot Plant Project, 11/1/2004	Report is FOUO.	Extensive time required to complete facility redesign.	USD(AT&L), Army
05-INTEL-12, Defense Contract Management Agency Oversight of Contractor Information Technology Security Posture for Special Programs (U), 5/26/2005	Report is classified.	Report is classified.	Classified
05-INTEL-13, Incident Reporting and Forensic Capabilities (U), 5/27/2005	Report is classified.	Normal time needed for implementation.	ASD(NII)
D-2005-020, Defense Logistics Agency Processing of Special Program Requirements, 11/17/2004	DLA is identifying cost savings realized for the Special Program Requirements (SPR) Support Program.	Normal time needed for implementation.	DLA
D-2005-022, Financial Management: Contract Classified as Unreconcilable by the Defense Finance and Accounting Service, 12/2/2005	The contract has been logged and assigned to a contractor supporting the Commercial Pay Services Contract Reconciliation office for reconciliation. Based on the reconciliation, recovery actions will be initiated for any identified overpayments made to the contractor.	Reconciliation work continues.	DFAS
D-2005-023, Information Systems Security: Assessment of DoD Plan of Action and Milestones Process, 12/13/2004	Report is FOUO.	Lack of management responsiveness.	ASD(NII)

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D-2005-024, Management of Navy Senior Enlisted Personnel Assignments in Support of Operation Iraqi Freedom, 12/15/2004	Update Navy manpower and personnel guidance to clearly define acceptable senior enlisted manning levels by establishing a minimum senior enlisted manning level as the baseline for identifying senior enlisted manning deficiencies that would require immediate action.	Deployment of Total Force Authorization and Requirements System (TFARS) delayed due to large discrepancies reported during testing.	Navy
D-2005-026, Financial Management: Reliability of U.S. Army Corps of Engineers, Civil Works, Fund Balance With Treasury and Unexpended Appropriations, 12/28/2004	USACE is implementing system changes to improve the reliability or recording and reporting Fund Balance With Treasury and Unexpended Appropriations accounts.	Management corrective actions on schedule.	Army
D-2005-027, Contract With Reliant Energy Solutions East, 1/28/2005	Consider the audit findings before making a determination to proceed with suspension action against the contractor.	Corrective action deferred indefinitely until completion of criminal proceedings by Government against contractor.	DLA
D-2005-028, DoD Workforce Employed to Conduct Public Private Competitions Under the DoD Competitive Sourcing Program, 2/1/2005	Establish minimum training standards for competition officials and DoD functional and technical experts assigned to work on public-private competitions, and advise the DoD component competitive sourcing officials concerning defining and documenting minimum education and/or experience requirements.	Corrective actions are on schedule.	USD(AT&L)
D-2005-033, Acquisition: Implementation of Interoperability and Information Assurance Policies for Acquisition of Navy Systems, 2/2/2005	Report is FOUO.	Lack of management responsiveness.	ASD(NII)
D-2005-034, Implementation of Interoperability and Information Assurance Policies for Acquisition of Air Force Systems, 2/2/2005	Issue policy to require program managers to prepare information support plans and obtain supportability certifications before milestone decisions for system acquisition programs.	Extensive time needed for coordination and issuance of policy	AF
D-2005-035, Existence of U.S. Army Corps of Engineers Buildings and Other Structures, 2/15/2005	USACE-wide implementation of corrective actions regarding Buildings and Other Structures is being performed.	Management corrective actions on schedule.	Army
D-2005-037, Implementation of Performance Based Logistics for the Javelin Weapon System, 3/7/2005	Army is developing policy for Performance Based Agreements (PBAs).	Normal time for implementation.	Army
D-2005-045, FY 2004 Emergency Supplemental Funding for the Defense Logistics Agency, 5/9/2005	DLA establish and distribute standard operating procedures for calculating and reporting incremental cost information.	Normal time for implementation.	DLA

D-2005-046, Financial Management: Independent Examination of the Rights to U.S. Army Corps of Engineers Buildings and Other Structures, 3/25/2005	Correct the identified errors and perform a review of other leased and transferred structures for similar types of rights errors; review and update policies and procedures to prevent future errors; and provide and document training to consistently implement the new policies and procedures.	Correct the identified errors and perform a review of other leased and transferred structures for similar types of rights errors; review and update policies and procedures to prevent future errors; and provide and document training to consistently implement the new policies and procedures	Army
D-2005-051, Independent Examination of the Land Assets at the U.S. Army Corps of Engineers, Civil Works, 4/6/2005	USACE will establish an oversight process that provides periodic reviews by Civil Works headquarters of land asset transactions at the activity level.	Corrective actions are on schedule.	Army
D-2005-056, Reliability of the FY 2004 Financial Statements for the National Geospatial-Intelligence Agency (U) 4/29/2005	Report is classified.	Corrective actions are on schedule.	NGA
D-2005-069, Audit of the General and Application Controls of the Defense Civilian Pay System, 5/13/2005	Report is FOUO.	Corrective actions are on schedule.	DFAS
D-2005-074, Support for Reported Obligations for the National Security Agency (U), 6/28/2005	Report is classified.	Corrective actions are on schedule.	NSA
D-2005-078, Audit of the Extended Range Guided Munitions Program, 6/15/2005	Ensure that ERGM program provides for appropriate validation, testing, and funding of requirements. Revise guidance on munitions requirements approval authority to conform to U.S. statute.	Long-term corrective action on schedule.	Navy
D-2005-083, Reporting of DoD Capital Investments for Information Technology in Support of the FY 2006 Budget Submission Report, 6/10/2005	Implement the withhold process and submit a change to the Financial Management Regulation to require the Statement of Compliance for President's Budget submissions only	Lack of management responsiveness.	ASD(NII)
D-2005-091, Source Selection Decisions for the Air Force Small Diameter Bomb Program, 7/15/2005	The OUSD(AT&L) will review policy guidance and the Air Force will execute a revised acquisition strategy and strengthen guidance related to spiral or incremental development programs for critical products and technologies	Corrective actions are on schedule	USD(AT&L)
D-2005-096, DoD Purchases Made Through the General Services Administration, 7/29/2005	DoD is establishing new policies and revising the DoD FMR to improve intergovernmental transactions, the use of Military Departmental Purchase Requests (MIPR), and assisted acquisitions.	Corrective actions are being implemented	USD(AT&L), USD(C)
D-2005-097, Auditability Assessment of the Financial Statements for the Defense Intelligence Agency (U), 8/18/2005	Report is classified.	Competing management priorities.	DIA

Appendix F

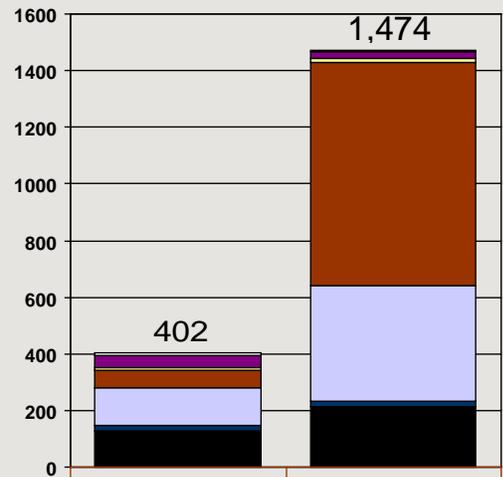
D-2005-100, Identification and Reporting of DoD Erroneous Payments, 8/17/2005	The USD(C) stated that DFAS will identify a lack of a statistically valid method of estimating improper payments for commercial payments as a material weakness in its FY 2005 Performance and Accountability Report. DFAS will develop a process for estimating improper commercial payments that will provide reasonable assurance that it represents the actual amount of such payments.	Corrective actions are on schedule.	USD(C)
D-2005-101, DoD Recovery Audit Program, 8/17/2005	The DFAS Director has designated the Program Manager for the DoD Recovery Audit Program, and an appointment memo will be drafted and coordinated for the Director's signature.	Corrective actions are on schedule.	USD(C)
D-2005-103, Development and Management of the Army Game Project, 8/24/2005	Develop new controls and fully implement existing controls to ensure that all resources are safeguarded; and revise Navy guidance on accountability over pilferable property to be consistent with the DoD guidance.	Corrective actions are on schedule.	Navy
D-2005-108, Review of the U.S. Army Corps of Engineers, Civil Works Balance Sheet Reporting and Financial Statement Compilation, 9/16/2005	The USACE is establishing a comprehensive correction action program to ensure that the instructions provided in the information papers are fully and consistently executed at all USACE activities.	Corrective actions are on schedule.	Army

APPENDIX G

DEFENSE CRIMINAL INVESTIGATIVE ORGANIZATIONS STATISTICS

The Defense Criminal Investigative Organizations (DCIOs), comprised of DCIS, the U.S. Army Criminal Investigation Command, the Naval Criminal Investigative Service, and the Air Force Office of Special Investigations, protect the military and civilian men and women of the Department by combating crimes, both domestic and overseas, with highly trained special agents, forensic experts, analysts, and support personnel. Examples of the DCIO's mission initiatives and investigative accomplishments are detailed in Chapter 3 under the nine management challenges.

Monetary recoveries of approximately \$1.948 billion resulted from the investigations by the DCIOs, and are displayed by major categories in Figure 1 (below). Figure 2 (right) displays the total companies and individuals indicted and convicted is 402 and 1,474 respectively. Figure 3 (bottom, right) displays the number of companies and individuals suspended or debarred for this period were 15 and 54, respectively.



	Indicted	Convicted
Terrorism	9	8
Procurement	43	24
Health Care Fraud	10	15
General Crimes	58	785
Drug Related	136	410
Public Corruption	18	18
Other	128	214

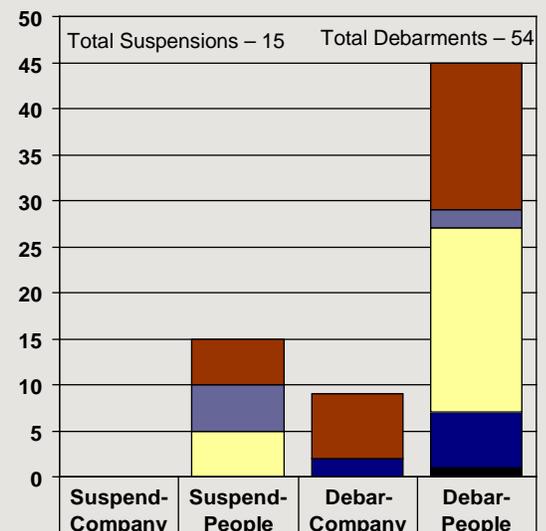
Figure 2

All dollars are in the \$1,000



	Criminal	Civil	Admin.	Seizures
Terrorism	\$1,006	\$0	\$0	\$0
Procurement	\$18,301	\$27,506	\$289,260	\$0
Health Care Fraud	\$772	\$981,179	\$0	\$0
General Crimes	\$3,889	\$54	\$189	\$3
Drug Related	\$988	\$25	\$166	\$0
Public Corruption	\$671	\$3,282	\$1	\$0
Other	\$4,772	\$565,015	\$50,063	\$797

Figure 1



	Suspend-Company	Suspend-People	Debar-Company	Debar-People
Terrorism	0	0	0	0
Procurement	0	5	7	16
Health Care Fraud	0	0	0	0
General Crimes	0	5	0	2
Drug Related	0	5	0	20
Public Corruption	0	0	2	6
Other	0	0	0	1

Figure 3

ACRONYMS

AF	Air Force
ASD(HA)	Assistant Secretary of Defense (Health Affairs)
ASD(NII)	Assistant Secretary of Defense (Networks Information Integration)
ATSD{NCB}	Assistant to the Secretary of Defense for Nuclear and Chemical and Biological Defense Programs
DAM	Director, Administration and Management
DATSD(C/BD)	Deputy Assistant to the Secretary of Defense for Chemical/Biological Defense
DCMA	Defense Contract Management Agency
DeCA	Defense Commissary Agency
DFAS	Defense Finance and Accounting Service
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DoDEA	Department of Defense Education Activity
DSS	Defense Security Service
DSCA	Defense Security Cooperation Agency
DTRA	Defense Threat Reduction Agency
EUCOM	European Command
JFCOM	Joint Forces Command
JS	Joint Staff
MC	Marine Corps
NGA	National Geospatial-Intelligence Agency
NGB	National Guard Bureau
NSA	National Security Agency
PACOM	Pacific Command
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology and Logistics
USD(C)	Under Secretary of Defense (Comptroller)
USD(I)	Under Secretary of Defense (Intelligence)
USD(P)	Under Secretary of Defense for Policy
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
USFJ	United States Forces - Japan
USFK	United States Forces – Korea
USSOCOM	United States Special Operations Command
USTRANSCOM	United States Transportation Command
WHS	Washington Headquarters Service



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