

OFFICE OF THE INSPECTOR GENERAL
FY 2000/2001 Biennial Budget Estimates

I. Description of Operations Financed{PRIVATE }:

Section 1117 of the FY 1983 Department of Defense Authorization Act (Public Law 97-252) established an Inspector General for the Department of Defense by amending Public Law 95-454, the Inspector General Act of 1978.

The Inspectors General for the Federal Government are independent offices within their agencies which: (1) audit and investigate their agency's programs and operations; (2) recommend policies for and coordinate activities to promote economy, efficiency, and effectiveness in their programs and operations by preventing and detecting fraud and abuse; and (3) keep the heads of the establishment and the Congress fully informed about the problems and deficiencies in their programs and operations and the necessity for and progress of corrective action.

In addition to the duties and responsibilities shared with other Federal Inspectors General, the Inspector General, Department of Defense: (1) is the principal advisor to the Secretary of Defense for preventing and detecting fraud, waste, abuse, and mismanagement in the programs and operations of the Department which includes the Military Departments, Defense Agencies, and other Department of Defense components; (2) initiates, conducts, and supervises audits, evaluations, and investigations in the Department of Defense which the Inspector General, Department of Defense considers appropriate; (3) provides policy direction for audits and investigations on fraud, waste, abuse, mismanagement, and program effectiveness; (4) investigates fraud, waste, abuse, and mismanagement; (5) develops policy, monitors and evaluates program performance, and provides guidance to all Department activities on criminal investigation programs; (6) monitors and evaluates the adherence of Department auditors to internal audit, contract audit, and internal review principles, policies, and procedures; (7) develops policy, evaluates program performance, and monitors actions taken by Department of Defense components in response to contract audits, internal audits, and internal review reports, and General Accounting Office reviews and reports; (8) oversees Department of Defense audit followup programs and provides liaison services with the General Accounting Office; and (9) coordinates with the internal audit, inspection, and investigative units of the Military Departments to avoid duplication of efforts and to ensure effective coverage.

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II. Force Structure Summary:

Audit

The Office of the Assistant Inspector General for Auditing conducts audits and evaluations on all facets of DoD operations. The work results in recommendations for reducing costs, improving performance, strengthening internal controls and achieving compliance with laws and regulations. Audit and evaluation topics are determined by law, requests from the Secretary of Defense and other managers, Hotline allegations, congressional requests, and analyses of risk in DoD programs. There is particular emphasis on acquisition, logistics and financial management. The IG auditors and evaluators also assist in investigations and litigation, lead DoD-wide audits, and participate at DoD management request in numerous internal task forces, process actions teams and studies that may not result in reports per se. In addition, the office provides the oversight and policy for activities of the Service Audit organizations and the Defense Contract Audit Agency. It is also the focal point for General Accounting Office activity in the DoD and performs follow up tracking on General Accounting Office and Office of Inspector General reports.

Criminal Investigations

The Office of the Assistant Inspector General for Investigations consists of its headquarters office, and operating field locations. The operating field elements, as the criminal investigation arm of the IG, initiate and conduct investigations of suspected criminal violations, primarily contract and procurement fraud, computer fraud, antitrust violations, cost-mischarging violations, bribery, corruption, large-scale thefts of Government property from the Defense Reutilization Management Office, and health care provider fraud; develop information related to criminal investigations, detect fraud where it currently exists, and promote awareness in all elements of the DoD regarding the impact of fraud on resources and programs. The headquarters provides administrative support, oversight, and operational guidance to the operating field elements. Recently, a Computer Intrusion Investigation Team was developed to expand current investigative capability in detecting and combating computer fraud. Pursuant to Section 1185 of the DoD Authorization Act of FY 1994 the headquarters activity reviews certain death investigations of members of the Armed Forces that may have resulted from self-inflicted causes. The DoD Hotline receives reports from DoD personnel and the public of allegations of fraud, waste and mismanagement. The DoD Hotline conducts inquiries as well as tracks cases referred to

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other DoD investigative, audit, and operational organizations resulting from DoD Hotline contacts. The DoD Hotline provides oversight with respect to hotlines operated by inspectors general of other DoD components. The Office of Criminal Investigative Policy and Oversight provides oversight and develops criminal investigative policy for the DoD investigative community, manages the DoD voluntary disclosure program and the IG subpoena program.

Other Office of the Inspector General

The Inspector General and Deputy Inspector General provide general management and supervision of the activities of the Inspector General organization. They participate in all major policy, planning and operational decisions. The Deputy Inspector General assumes the duties of the Inspector General in the absence of the latter.

The Office of Congressional Liaison is a staff element of the immediate Office of the Inspector General. It reviews and analyzes pending and proposed legislation affecting the Department and the Inspector General; provides support for Inspector General witnesses who testify at congressional hearings; processes responses to congressional correspondence and coordinates meetings with congressional staff.

The Office of Departmental Inquiries reports to the Deputy Inspector General. This office conducts non-criminal investigations into allegations of waste, mismanagement, whistleblower reprisal, and senior official misconduct and performs oversight on similar types of investigations conducted by the DoD components.

The Office of Intelligence Review reports to the Deputy Inspector General. This office evaluates, monitors, and reviews the programs, policies, procedures, and functions of the intelligence community within the Department of Defense, ensuring intelligence resources are properly managed.

The Assistant Inspector General for Administration and Information Management is the principal assistant and advisor to the Inspector General on administrative support matters. The Assistant Inspector General for Administration and Information Management oversees five directorates: the Financial Management Directorate; the Personnel and Security Directorate; the Information Systems Directorate; the Administration and

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Logistics Services Directorate; and, the Equal Employment Opportunity Office. Each supervise and carry out administrative and logistical functions in support of the day-to-day operations of the Office of Inspector General.

III. Financial Summary (\$ in thousands)

A. Activity Group

{PRIVATE }

	FY 1998 <u>ACTUAL</u>	FY 1999			FY 2000 <u>ESTIMATE</u>
		<u>BUDGET REQUEST</u>	<u>APPROPRIATION</u>	<u>CURRENT ESTIMATE</u>	
AUDIT	62,533	61,649	61,649	60,110	66,964
Civ Pay	48,335	48,809	48,809	47,375	52,635
Travel	3,030	3,230	3,230	2,904	3,105
Other	11,168	9,610	9,610	9,831	11,224
INVESTIGATIONS	55,310	50,980	50,980	53,099	54,879
Civ Pay	42,268	41,195	41,195	42,192	42,637
Travel	2,703	2,510	2,510	2,707	2,654
Other	10,339	7,275	7,275	8,200	9,588
OTHER OIG	18,152	18,135	18,135	17,555	16,901
Civ Pay	14,418	14,405	14,405	14,168	13,600
Travel	320	370	370	307	278
Other	3,414	3,360	3,360	3,080	3,023
OPERATIONS TOTAL	135,995	130,764	130,764	130,764	138,744
PROCUREMENT	1,800	1,300	1,300	1,300	2,100
TOTAL	137,795	132,064	132,064	132,064	140,844

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III. Financial Summary (\$ in thousands)

B. Reconciliation Summary:

{PRIVATE }	<u>Change</u> <u>FY 1999/1999</u>	<u>Change</u> <u>FY 1999/2000</u>
Baseline Funding	132,064	132,064
Congressional Adjustments	0	0
Supplemental Request	0	0
Price Change	1,130	4,543
Functional Transfer	0	0
Program Changes	-1,130	4,237
Current Estimate	132,064	140,844

C. Reconciliation of Increases and Decreases:

1. FY 1999 President's Budget	132,064
2. Congressional Adjustments	0
3. FY 1999 Appropriation Enacted	132,064
4. Proposed Supplementals	0
5. Transfers In	0
6. Transfers Out	0
7. Price Growth	+1,130
8. Program Increases	
a. Increased use of contracted support for information technology support for help center and administrative support	+375

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III. Financial Summary (\$ in thousands) (Cont.)

C. Reconciliation of Increases and Decreases:

9. Total Increases		+375
10. Program Decreases		
a. Reduction in 18 programmed workyears due to greater attrition in FY 1998 resulting in lower starting level than anticipated.	-1,505	
11. Total Decreases		-1,505
12. Revised FY 1999 Budget Estimate		132,064
13. Price Growth		4,543
14. Transfers In		0
15. Transfers Out		0
16. Program Increases		
a. Sustained workforce level and related support cost(increase of 18 FTE) for mandatory IG missions, particularly financial statement audit and high risk area coverage and computer intrusion and financial investigative requirements.	+1,536	
b. Contracted support for computer intrusion investigations	+1,000	
c. Increase contracted information systems support	+800	
d. Hardware requirements to implement the Defense Audit Management Information System	+400	
e. Increase in workers' compensation bill	+35	
f. Increase in criminal investigative operations requiring emergency and extraordinary expense funding	+200	
g. Replacement requirements for equipment (notebooks and computer workstations) and the network operating system	+600	

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III. Financial Summary (\$ in thousands) (Cont.)

C. Reconciliation of Increases and Decreases:

17. Total Increases		+4,571
18. Program Decreases		
a. No planned voluntary separation payments	-250	
b. Reduction in Defense Finance and Accounting Service charges	-84	
19. Total Decrease		-334
20. FY 2000 Budget Request		140,844

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IV. Performance Criteria and Evaluation:

Audit performance should be assessed in terms of impact on DoD programs. In FY 1998, the Office of the Assistant Inspector General for Auditing produced 231 reports, which identified potential monetary benefits of \$2.56 billion. In addition, several hundred recommendations were made and about 96 percent were implemented to improve the Department's operational effectiveness and protect assets from misuse. The Congress and senior DoD officials requested and used IG audit and evaluation reports on such significant matters as Year 2000 computer conversion, other information system projects, chemical and biological defense, contract pricing, maintenance, supply management, special acquisition programs, outsourcing decisions, communications, financial management, health care, environmental compliance, base closures, special operations, and construction.

The Department of Defense is confronting a period of higher than normal risks throughout its operations. Those risks are elevated by the disruptions caused by continued downsizing and restructuring; ever-increasing reliance on automated information systems and a history of developmental problems, security vulnerabilities and now Year 2000 computing problems with such systems; and the introduction of numerous new processes, many of which are untried in DoD settings and not well understood by the workforce. Given those risks, the bulk of the audit effort is focused on the high risk areas like contract management, the Year 2000 computing problem, and inventory management. This is becoming increasingly difficult. The Chief Financial Officer Act of 1990, as amended by the Federal Financial Management Act of 1994, necessitates the largest recurring commitment of auditors ever to a single purpose. In addition, the IG has been called on increasingly to participate in joint efforts like a task force on computer security, acquisition reform studies, and process action teams to revamp DoD travel, transportation and bill paying processes. The auditors are currently supporting over 40 such efforts. The combination of those commitments and overall staffing reductions, especially the latter, significantly reduces the number of operational audits and evaluations. The budget request fully funds the mandatory financial statement auditing requirements, but the level of effort in other high risk areas remains considerably reduced.

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IV. Performance Criteria and Evaluation (Cont.)

The OIG also conducts reviews to ensure the quality of the performance of other DoD audit agencies and outside public accounting firms. In FY 1998, the OIG issued 16 reports that contained recommendations for overall improvements and efficiencies of the audit process.

The basic criteria for evaluating the investigative operations of the Office of the Inspector General are indictments, convictions, fines, the amount of recoveries and restitutions; Hotline activities; policy and oversight reports issued; voluntary disclosures processed; subpoenas processed; and number of reviews of death investigations of members of the Armed Forces that may have resulted from self-inflicted death causes. In FY 1998, fines, penalties, restitutions, and recoveries totalled \$345 million; indictments or charges against individuals or firms totalled 300 and convictions of persons or firms totalled 232. In FY 1998, the DoD Hotline handled an average of 1,395 calls and letters per month. As of September 30, 1998, the Office of the Assistant Inspector General for Investigations, with 12 percent of the total DoD criminal investigative resources, was involved in over 90 percent of the total recoveries, fines, penalties and restitutions involving procurement fraud and major health care area investigations reported by all DoD investigative components. There were 10 evaluation reports issued, 12 voluntary disclosures opened and 30 closed, and 333 subpoenas processed.

It is difficult to quantify the results of criminal investigative operations. For example, in bribery and kickback cases, the dollar impact on the cost of a major contract is not readily identifiable, yet it is recognized that bribes and kickbacks undermine the integrity and efficiency of departmental programs and operations. The OIG also identifies areas of criminal vulnerability regarding Department of Defense activities and ensures that corrective actions are taken when deficiencies are detected. Another valuable by-product of criminal investigative activities is the deterrent effect which results from an awareness that violations of the law are being vigorously pursued. The Office of the Inspector General, Department of Defense, attempts to ensure that appropriate administrative action is taken by the Department regardless of whether or not prosecutions

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IV. Performance Criteria and Evaluation (Cont.)

are obtained. The IG seeks to have disreputable contractors suspended or debarred and to recover totally whatever monies are due the Department.

The basic criteria for evaluating the operations of the Office of Departmental Inquiries are the number of investigations conducted or oversights. In FY 1998, the office completed 447 investigations and performed oversight on 579 investigations by DoD components. Whistleblower protection for DoD service members remains a major focus of the organization, as well as the investigation of allegations against senior officials within the Department. To further the oversight role, the office hosted training workshops on the conduct of military whistleblower reprisal investigations for representatives of the Military Services, the Joint Chiefs of Staff, the Office of the Under Secretary of Defense for Personnel and Readiness, and six defense agencies. It also revised and published the "Guide to Investigating Reprisal and Improper Referrals for Mental Health Evaluations." Recent examples in the area of senior official inquiries include substantiated allegations of sexual harassment by a Pentagon official, inappropriate workplace conduct by an Army attorney, misuse of Government resources by the director of a senior service school, and improper relationships by an Army general. As part of its responsibility to fully inform the President and Senate of adverse information concerning senior officials being nominated for advancement or other action, the office conducted 3,000 name checks on DoD senior officials in the past year. In addition, the office issued a comprehensive report to the Senate regarding the quality of senior official investigations being conducted by the Service IGs.

The Office of Intelligence Review now reports directly to the Deputy Inspector General ensuring enhanced visibility of intelligence review activities of the OIG. The oversight and review functions are focused on assessing the efficient, effective and appropriate use of intelligence personnel and resources with emphasis on support to the warfighter. Reports are provided to DoD management and Congress on such critical issues as the shutdown of Brothers to the Rescue aircraft by Cuban MIGs in February 1996, the Zona Rosa massacre in El Salvador, and intelligence-related training provided to Latin American military personnel. In FY 1998, 10 reports were issued which identified potential monetary benefits of \$1.3 million.

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IV. Performance Criteria and Evaluation (Cont.)

{PRIVATE }	FY 1998	FY 1999	FY 2000
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
<u>AUDIT</u>			
Reports issued	231	235	240
Potential monetary benefits (\$ Billions)	2.56	*	*
GAO surveys and reviews processed	210	240	240
GAO draft and final reports processed	413	380	380
Audit oversight reports	16	15	15
<u>CRIMINAL INVESTIGATIONS</u>			
Indictments and convictions	532	550	570
Fines/penalties/restitutions, etc. (\$ Millions)	\$345	\$375	\$400
Self-inflicted death cases	10	5	0
Hotline calls/letters received	16,739	17,000	18,000
Substantive cases generated	2,400	2,300	2,400
Policy and Oversight Reports Issued	10	5	5
Voluntary disclosures opened	12	10	10
Voluntary disclosures closed	30	25	25
Annual monetary benefits from disclosures (\$ Millions)	\$10.8	\$10	\$10
Subpoenas processed	333	250	250
<u>DEPARTMENTAL INQUIRIES</u>			
Special inquiries opened	256	260	280
Special inquiries closed	395	320	300
Special inquiries oversight	237	175	150
Program integrity opened	28	40	40
Program integrity closed	52	60	60
Program integrity oversight	342	350	375
<u>INTELLIGENCE REVIEW</u>			
Reports issued	10	10	10
Potential monetary benefits (\$ Millions)	\$1.3	*	*

*In some cases, the outputs cannot be reliably estimated.

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V. Personnel Summary:

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>Change</u> <u>FY 1999-FY 2000</u>
<u>Active Military End</u> <u>Strength (Total)</u>	39	29	29	0
Officer	39	29	29	0
<u>Civilian End Strength</u> <u>(Total)</u>	1,226	1,243	1,237	-6
U.S Direct Hire	1,225	1,242	1,236	-6
FN Indirect Hire	1	1	1	0
(Reimbursable Civilians Included Above)	(2)	(0)	(0)	(0)
<u>Active Military Average</u> <u>Strength (Total)</u>	38	34	29	0
Officer	38	34	29	0
<u>Civilian Workyears</u> <u>(Total)</u>	1,270	1,225	1,243	+18
U.S. Direct Hire	1,269	1,224	1,242	+18
FN Indirect Hire	1	1	1	0
(Reimbursable Civilians Included Above (Memo))	(1)	(2)	(0)	(-2)

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VI. OP 32 Line Items as Applicable (Dollars in Thousands)

{PRIVATE }

	<u>FY 1998 ACTUAL</u>	<u>Change FY 1998/FY 1999</u>		<u>FY 1999 ESTIMATE</u>	<u>Change FY 1999/FY 2000</u>		<u>FY 2000 ESTIMATE</u>
		<u>PRICE GROWTH</u>	<u>PROGRAM GROWTH</u>		<u>PRICE GROWTH</u>	<u>PROGRAM GROWTH</u>	
Exec, General and Spec	103,701	3,550	-4,144	103,107	4,130	1,221	108,458
Wage Board	37	1	0	38	1	0	39
Voluntary Separation Inc Pay	977	0	-727	250	0	-250	0
Disability Compensation	306	0	34	340	0	35	375
TOTAL CIVILIAN PERSONNEL	105,021	3,551	-4,837	103,735	4,131	1,006	108,872
Travel	6,053	67	-202	5,918	89	30	6,037
GSA Managed Supplies	15	0	-15	0	0	0	0
GSA Managed Equipment	11	0	0	11	0	0	11
Other Fund Purchases							
Defense Public & Printing	101	6	-5	102	-1	22	123
DISA Info Services	246	-27	-43	176	-17	-32	127
Communications Svcs (DISA)	63	0	0	63	10	36	109
DFAS	553	20	38	611	9	-84	536
TOTAL OTHER FUND	963	-1	-10	952	1	-58	895
Transport - Commercial Land	282	3	-25	260	4	20	284
Other Purchases							
Foreign National Indirect	70	2	0	72	3	0	75
Rent Payments to GSA	9,315	279	-394	9,200	138	-38	9,300
Purchased Communications	2,394	26	-7	2,413	36	35	2,484
Rents (non-GSA)	143	2	-4	141	2	2	145
Postal Services (U.S.P.S)	74	0	1	75	0	0	75
Supplies & Materials (non-	1,648	18	-49	1,617	24	24	1,665
Printing & Reproduction	90	1	-1	90	1	-18	73
Equipment Maintenance	675	7	-13	695	10	1	706
Facility Maintenance	371	4	-125	250	4	-74	180
Equipment Purchases (non-	6,252	69	-3,935	2,386	36	1,053	3,475

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	FY 1998 <u>ACTUAL</u>	Change <u>FY 1998/FY 1999</u>		FY 1999 <u>ESTIMATE</u>	Change <u>FY 1999/FY 2000</u>		FY 2000 <u>ESTIMATE</u>
		<u>PRICE GROWTH</u>	<u>PROGRAM GROWTH</u>		<u>PRICE GROWTH</u>	<u>PROGRAM GROWTH</u>	
Mgt and Prof Spt Svcs	65	1	50	116	2	-15	103
Other Contracts	4,353	48	-268	4,133	62	-141	6,464
TOTAL OTHER PURCHASES	25,450	458	-4,720	21,188	319	1,093	24,745
TOTAL	137,795	4,077	-9,808	132,064	4,543	4,237	140,844