

FY 2001 Budget Estimate
Office of the Inspector General (OIG)
Appropriation



**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

I. Description of Operations Financed:

The Office of the Inspector General is statutorily responsible for the conduct of audits and investigations for the Department of Defense. 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 programs and operations; (2) recommend policies for and coordinate activities to promote economy, efficiency, and effectiveness in 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.

The budget request will enable coverage of the Department financial audit scope requirements and audit and investigative coverage of high risk areas. Additional resources have been requested for information technology support to ensure the agency information systems are protected, to implement process improvement by converting paper-based processing to electronic processing, and provide needed life cycle replacement of hardware and software. This information technology support is critical to ensuring the OIG work force can efficiently and effectively conduct audits and investigations.

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

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

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. 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 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.

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

Other Components, 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. This office coordinates and oversees the functions of the Intelligence Community Inspector General Forum, serves as issue coordinator for the DoD Joint Intelligence Oversight Coordination Group, and is the DoD coordinator on all classified Whistleblower Protection cases.

The Office of Administration and Information Management General reports to the Deputy Inspector General on administrative support matters. The Director for Administration and Information Management oversees five directorates: the Financial Management Directorate; the Personnel and Security Directorate; the Information Systems Directorate; the Administration and Logistics Services Directorate; and, the Equal Employment Opportunity Office. Each supervise and carry out administrative and

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

logistical functions in support of the day-to-day operations of the Office of Inspector General.

Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates

III. Financial Summary (\$ in thousands)

A. Activity Group

	<u>FY 2000</u>				
	<u>FY 1999</u>	<u>BUDGET</u>		<u>CURRENT</u>	<u>FY 2001</u>
	<u>ACTUAL</u>	<u>REQUEST</u>	<u>APPROPRIATION</u>	<u>ESTIMATE</u>	<u>ESTIMATE</u>
AUDIT	59,212	66,964	63,934	63,573	68,533
Civ Pay	45,618	52,635	49,376	49,376	51,973
Travel	2,750	3,105	2,886	2,886	2,950
Other	10,844	11,224	11,672	11,311	13,610
INVESTIGATIONS	54,333	54,879	55,057	54,815	58,073
Civ Pay	42,970	42,637	43,986	43,986	45,712
Travel	2,743	2,654	2,786	2,786	2,815
Other	8,620	9,588	8,285	8,043	9,546
OTHER OIG	17,000	16,901	17,072	16,970	17,639
Civ Pay	13,570	13,600	13,709	13,709	13,919
Travel	290	278	289	289	285
Other	3,140	3,023	3,074	2,972	3,435
OPERATIONS TOTAL	130,545	138,744	136,063	135,358	144,245
PROCUREMENT	1,300	2,100	1,300	1,293	3,300
TOTAL	131,845	140,844	137,363	136,651	147,545

Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates

III. Financial Summary (\$ in thousands)

B. Reconciliation Summary:

	<u>Change</u> <u>FY 2000/2000</u>	<u>Change</u> <u>FY 2000/2001</u>
1. Baseline Funding	140,844	136,651
a. Congressional Adjustments (Distributed)	-3,300	
b. Congressional Adjustments (Undistributed)	-181	
c. Congressional Adjustments (General Provision)	0	
d. Congressional Earmarks	0	
e. Congressional Earmark Billpayers	0	
2. Appropriated Amount (Subtotal)	137,363	
Adjustments to Meet Congressional Intent		
Across-the-board Reduction (Rescission)	-712	
3. Functional Transfer	0	-1,027
4. Price Change	0	4,900
5. Program Changes	0	7,021
6. Current Estimate	136,651	147,545

C. Reconciliation of Increases and Decreases:

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

1.	FY 2000 President's Budget Request	140,844	
2.	Congressional Adjustments (Distributed)	-3,300	
III.	<u>Financial Summary (\$ in thousands) (Cont.)</u>		
C.	<u>Reconciliation of Increases and Decreases:</u>		
3.	Congressional Adjustments (Undistributed)		
	Headquarters and Management	-181	
	Total Congressional Adjustments (Undistributed)		-181
4.	Congressional Earmarks	0	
5.	FY 2000 Appropriated Amount	137,363	
6.	FY 2000 Rescission	-712	
7.	Functional Transfers - In	0	
8.	Other Transfers - In (Non-Functional)	0	
9.	Functional Transfers - Out	0	
10.	Other Functional Transfers - Out	0	
11.	Price Change	0	
12.	Program Increase	0	
13.	Program Decrease	0	
14.	Revised FY 2000 Estimate	136,651	

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

15.	Price Growth	4,900
III.	<u>Financial Summary (\$ in thousands) (Cont.)</u>	
16.	Transfers In	0
17.	Transfers Out	
	Transfer of funds and 10 FTE to the Washington Headquarters Services Human Resource Services Center for provision of centralized personnel support.	-1,027
18.	Program Increases	
	a. Increase in 10 operational audit and investigative FTEs and related support cost.	+1,225
	b. Increase for implementation of electronic workflow initiative to automate the storage, flow, management, retrieval and final disposition of documents within the OIG. Initial phase will include the Departmental Inquiries case record processing and other administrative activities. The increase funds the purchase of minicomputer hardware, software, and contracted support for system indexing and digitizing records. The audit and criminal investigative component project phases are planned for subsequent years. Preparation for the next phase of deployment for audit processes will begin in FY 2001.	+1,000
	c. Increase for enhanced information assurance: protecting agency information through	+900

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

implementation of standard Defense public key infrastructure requirements within OIG servers and applications. The increase funds the required hardware and software (cards,

Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates

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

D. Reconciliation of Increases and Decreases:

readers, registration authority, servers) and contracted support for implementation and administration.

- d. Increase for information technology requirements: +3,373
--\$1.2 million notebook computers replacement critically needed because of resource constraints in FY 2000 eliminated planned replacement. The OIG is incurring increased maintenance costs and inefficient operations due to replacement delays.
--\$1 million to provide increased information technology contracted support. The FY 2000 rescission resulted in contracted support cutbacks funding only 9 months worth of service instead of 12 months and a reduction of 7 planned equivalent contracted support workyears.
--\$773 thousand programmed upgrade of network operating and office application software
--\$400 thousand programmed for minicomputer hardware and software replacement
- e. Increase in criminal investigative operations +200
requiring emergency and extraordinary expense funding (increase in limitation authority approved in FY 2000 but funding constraints did not permit OIG to execute to the increased funding.)

Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

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

E. Reconciliation of Increases and Decreases:

f. Increase to fund replacement of criminal investigative equipment.	+201
g. Shared cost for the Defense communications Tier One costs that are due to military readiness requirements.	+257
h. Increase in worker's compensation bill.	+103
i. Increase in projected Defense Finance and Accounting Service charges.	+62
19. Total Increases	+7,321
20. Program Decreases	
a. Reduction for 1 fewer paid days (260 days)	-300
21. Total Decrease	-300
22. FY 2001 Budget Request	147,545

IV. Performance Criteria and Evaluation:

Audit performance should be assessed in terms of impact on DoD programs. In FY 1999, the Office of the Assistant Inspector General for Auditing produced 258 reports, which identified potential monetary benefits of \$2.7 billion. In addition, several hundred recommendations were made and about 96 percent were implemented to improve the

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

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 restructuring; ever-increasing reliance on automated information systems and a history of developmental problems; security vulnerabilities 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 weapon and information systems acquisition, information assurance, contract management, 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 acquisition reform studies, logistics reform studies and process action teams to revamp DoD travel, transportation and bill paying processes. The auditors are currently supporting over 30 such efforts, which are beneficial, but reduce the number of operational audits and evaluations. The budget request funds the mandatory financial statement auditing requirements, but the level of effort in other high risk areas will be increasingly limited.

The OIG also conducts reviews to ensure the quality of the performance of other DoD audit agencies and outside public accounting firms. In FY 1999, the OIG issued 8 reports that contained recommendations for overall improvements and efficiencies of the audit process.

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

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; and subpoenas processed. In FY 1999, fines, penalties, restitutions, and recoveries totaled \$300 million; indictments or charges against individuals or firms totaled 398 and convictions of persons or firms totaled 297. In

IV. Performance Criteria and Evaluation (Cont.)

FY 1999, the DoD Hotline handled an average of 1,176 calls and letters per month. There were 6 evaluation reports issued, 11 voluntary disclosures opened and 44 closed, and 240 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 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 1999, the office completed 182 investigations and performed oversight on 441 investigations by DoD

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

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. In October 1998, the Defense Authorization Act made significant changes to Title 10, U.S. Code, Section 1034, "Military Whistleblower Protection Act."

These changes are expected to affect the workload of this office in the future by increasing the number of oversight reviews of investigations conducted by DoD components. 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. Recent examples in the area of senior official inquiries include substantiated allegations of improper conduct during a Navy promotion

IV. Performance Criteria and Evaluation (Cont.)

board, improper use of Government resources by a Pentagon official, and violation of ethics regulations by the Director of a Defense agency. 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 2,860 name checks on DoD senior officials in the past year. In addition, the office conducted a comprehensive investigation into matters concerning the 174th Fighter Wing, New York Air National Guard, at the direction of the Congress.

The Office of Intelligence Review 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 intelligence support to joint counterproliferation operations, Year 2000

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

conversion programs in DoD intelligence community agencies, the DoD special passport program, and foreign liaison agreements. In FY 1999, 10 reports were issued.

	FY 1999	FY 2000	FY 2001
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
<u>AUDIT</u>			
Reports issued	258	220	220
Potential monetary benefits (\$ Billions)	2.7	*	*
GAO surveys and reviews processed	240	240	240
GAO draft and final reports processed	374	380	380
Audit oversight reports	8	10	10

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

CRIMINAL INVESTIGATIONS

Indictments and convictions	695	550	570
Fines/penalties/restitutions, etc. (\$ Millions)	\$300	\$310	\$320
Self-inflicted death cases	10	0	0
Hotline calls/letters received	14,112	16,000	16,500
Substantive cases generated	2,400	2,300	2,400

Policy and Oversight Reports Issued	6	5	5
Voluntary disclosures opened	11	10	10
Voluntary disclosures closed	44	25	25
Annual monetary benefits from disclosures (\$ Millions)	\$6	\$5	\$5

Subpoenas processed	240	250	250
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DEPARTMENTAL INQUIRIES

Special inquiries opened	319	325	330
Special inquiries closed	126	135	140
Special inquiries oversight	128	140	145
Program integrity opened	59	60	60
Program integrity closed	56	60	60
Program integrity oversight opened	241	250	275
Program integrity oversight closed	313	300	300

INTELLIGENCE REVIEW

Reports issued	10	10	10
Potential monetary benefits (\$ Millions)		*	*

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

Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates

V. Personnel Summary:

	<u>FY</u> <u>1999</u>	<u>FY 2000</u>	<u>FY</u> <u>2001</u>	<u>Change</u> <u>FY 2000-FY 2001</u>
<u>Active Military End</u> <u>Strength (Total)</u>	33	29	29	0
Officer	33	29	29	0
<u>Civilian End Strength</u> <u>(Total)</u>	1,236	1,228	1,224	-4
U.S Direct Hire	1,235	1,227	1,223	-4
FN Indirect Hire	1	1	1	0
(Reimbursable Civilians Included Above)	(1)	(2)	(2)	(0)
<u>Active Military</u> <u>Average Strength</u> <u>(Total)</u>	30	30	29	-1
Officer	30	30	29	-1
<u>Civilian FTEs (Total)</u>	1,191	1,213	1,213	0
U.S. Direct Hire	1,190	1,212	1,212	0
FN Indirect Hire	1	1	1	0
(Reimbursable Civilians Included Above (Memo))	(2)	(3)	(2)	(0)

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

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

	<u>Change</u> <u>FY 1999/FY 2000</u>			<u>Change</u> <u>FY 2000/FY 2001</u>			
	<u>FY 1999</u> <u>ACTUAL</u>	<u>PRICE</u> <u>GROWTH</u>	<u>PROGRAM</u> <u>GROWTH</u>	<u>FY 2000</u> <u>ESTIMATE</u>	<u>PRICE</u> <u>GROWTH</u>	<u>PROGRAM</u> <u>GROWTH</u>	
Exec, General and Spec	101,088	4,338	1,230	106,656	4,428	0	111,084
Wage Board	37	2	1	40	2	0	42
Benefits to Former Employees	243	0	-243	0	0	0	0
Voluntary Separation Inc Pay	450	0	-450	0	0	0	0
Disability Compensation	340	0	35	375	0	103	478
TOTAL CIVILIAN PERSONNEL	102,158	4,340	573	107,071	4,430	103	111,604
Travel	5,783	69	109	5,961	89	0	6,050
GSA Managed Equipment	0	0	0	15	0	0	15
Other Fund Purchases							
Defense Public & Printing	189	-1	0	188	22	-20	190
DISA Info Services	206	-20	-102	84	-5	6	85
Communications Svcs (DISA)	60	10	-9	61	0	0	61
DFAS	600	7	-51	556	27	62	645
Communications Svcs Tier One	0	0	0	0	0	257	257
Defense Security Service	0	0	200	200	0	-2	198
TOTAL OTHER FUND	1,055	-4	38	1,089	44	303	1,436
Transport - Commercial Land	388	5	-70	323	5	92	420
Other Purchases							
Foreign National Indirect	69	3	0	72	3	0	75
Rent Payments to GSA	9,594	115	-109	9,600	144	12	9,756
Purchased Communications	2,188	26	37	2,251	33	0	2,284
Rents (non-GSA)	100	1	1	102	1	0	103
Postal Services (U.S.P.S)	67	0	0	67	0	0	67
Supplies & Materials (non-	1,883	23	-169	1,737	26	123	1,886
Printing & Reproduction	111	1	1	113	2	0	115
Equipment Maintenance	415	5	2	422	6	0	428
Facility Maintenance	123	1	33	1,57	2	11	170

**Office of the Inspector General
Fiscal Year (FY) 2001 Budget Estimates**

	<u>Change FY 1999/FY 2000</u>			<u>Change FY 2000/FY 2001</u>			<u>FY 2001 ESTIMATE</u>
	<u>FY 1999 ACTUAL</u>	<u>PRICE GROWTH</u>	<u>PROGRAM GROWTH</u>	<u>FY 2000 ESTIMATE</u>	<u>PRICE GROWTH</u>	<u>PROGRAM GROWTH</u>	
Equipment Purch (Non-Fund)	3,413	41	-1,140	2,314	35	3,790	6,139
Mgt and Prof Spt Svcs	73	1	-39	35	0	0	35
Studies, Analysis & Eval	12	0	88	100	2	0	102
Other Contracts	4,413	53	756	5,222	78	1,560	6,860
TOTAL OTHER PURCHASES	22,461	270	-539	22,192	332	5,496	28,020
TOTAL	131,845	4,680	126	136,651	4,900	5,994	147,545