

**Fiscal Year 2018 President's Budget
Office of Inspector General (OIG)**



May 2017

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**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

**Operation and Maintenance, Defense-Wide Summary (\$ in thousands)
Budget Activity (BA) 01: Office of Inspector General (OIG)**

	FY 2016 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2017 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2018 <u>Estimate</u>
OIG	320,475	6,012	-4,452	322,035	6,280	8,572	336,887

* The FY 2016 Actual column includes \$10,262.0 thousand of FY 2016 Overseas Contingency Operations (OCO) Appropriations Funding (PL 114-113).

* The FY 2017 Estimate column excludes \$22,062.0 thousand of FY 2017 OCO Appropriations Funding.

* The FY 2018 Estimate column excludes \$24,157.0 thousand of FY 2018 OCO Appropriations funding.

I. Description of Operations Financed: The Department of Defense (DoD) Inspector General (IG) is the principal adviser to the Secretary of Defense (SecDef) for matters relating to the prevention and detection of fraud, waste, and abuse in DoD programs and operations. The DoD Office of Inspector General (OIG) audits, investigates, inspects, and evaluates the programs and operations of the DoD and, as a result, recommends policies and process improvements that promote economy, efficiency, and effectiveness in DoD programs and operations. The DoD OIG carries out its duties, mission, and responsibilities through the activities of eight Components: Audit, Defense Criminal Investigative Service, Administrative Investigations, Policy and Oversight, Intelligence and Special Program Assessments, Special Plans and Operations, Office of General Counsel, Oversight and Review Division, and Mission Support Team. Specifically:

1) Audit: Conducts independent, relevant, and timely audits that promote economy, efficiency, and effectiveness with sound actionable recommendations that, when effectively implemented, improve the Department's programs, operations, and stewardship of its resources.

2) Defense Criminal Investigative Service: Conducts criminal investigations of matters related to DoD programs and operations, focusing on procurement fraud and public

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

I. Description of Operations Financed (cont.)

corruption, product substitution, health care fraud, illegal technology transfer, and cybercrimes and computer intrusions.

- 3) Administrative Investigations (AI): Investigates allegations of misconduct by senior DoD officials and allegations of whistleblower reprisal and restriction from communication with an IG or Member of Congress. AI also provides a confidential DoD Hotline for reporting fraud, waste, and abuse, and for detecting and preventing threats and danger to the public health and safety of DoD. The director of the DoD Hotline is also the DoD Whistleblower Protection Ombudsman.
- 4) Special Plans and Operations: Conducts evaluations that address priority national security objectives and congressionally mandated projects in order to enable timely decision making by DoD and congressional leaders.
- 5) Policy and Oversight: Provides oversight and policy for DoD audit and investigative activities, conducts engineering assessments of DoD programs, provides technical advice and support to DoD OIG projects, and operates the DoD OIG subpoena and contractor disclosure programs.
- 6) Intelligence and Special Program Assessments: Provides oversight across the full spectrum of programs, policies, procedures, and functions of the intelligence and counterintelligence enterprises, special access programs, the nuclear enterprise, and related security issues within DoD.
- 7) Office of General Counsel: Provides legal advice and counsel on all matters relating to the missions, functions, responsibilities, and duties of the DoD OIG.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

I. Description of Operations Financed (cont.)

- 8) Oversight and Review Division: Conducts special reviews and investigations of sensitive issues identified by the IG and requested by the Secretary of Defense, Deputy Secretary of Defense, or Congress.

- 9) Mission Support: Provides mission essential services to the operational components, both at the DoD OIG headquarters and at field offices located throughout the world.

The aggregate FY 2018 budget request for the operations of the DoD OIG is \$344.2 million: \$334.1 million Operation and Maintenance, \$2.8 million RDT&E, and \$7.3 million Reimbursable Authority. The portion of Operation and Maintenance funding needed for DoD OIG training is \$3.4 million, and the amount needed to support the Council of Inspectors General on Integrity and Efficiency (CIGIE) is \$0.9 million.

Audit:

Audit conducts independent audits of all facets of DoD operations, focused particularly on areas identified in statutory requirements, the DoD Management Challenges, congressional and DoD Management interest areas, and various DoD strategy documents. Audit also conducts oversight that benefits DoD by addressing critical life and safety issues; improving operations and financial accountability; strengthening internal controls; identifying fraud, waste, and abuse; ensuring compliance with statutes and regulations; improving national security; and identifying potential savings. Audit determines project topics by law, requests from the SecDef and other DoD leaders; Defense Hotline allegations; congressional requests; and risk analyses of DoD programs. Audit topics encompass contract management, including contract pricing of spare parts, services

DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

I. Description of Operations Financed (cont.)

contracts, improper payments, and contractor overhead costs; major and non-major weapons and information technology systems acquisitions; financial management and audit readiness; business systems modernization; cyber operations; health care; and joint warfighting and readiness. Audit is comprised of four directorates:

- The Acquisition and Sustainment Management (ASM) Directorate performs audits of weapons systems and information technology acquisitions, spare parts procurement and pricing, and management of Government-owned inventory. ASM audits determine best value, fair and reasonable cost, and the adequacy of program planning and execution. Their audits also determine if program management's determination of program costs, scheduling, and performance during the acquisition planning process is valid for major and non-major weapons and information technology systems.
- The Contract Management and Payment (CMP) Directorate performs audits of contract awards and administration; energy contracts; fair and reasonable pricing; Government purchase and travel cards; improper payments; transportation, contract, and health care payments; Overseas Contingency Operations (OCOs); and construction and sustainment.
- The Financial Management and Reporting (FMR) Directorate performs audits of finance and accounting systems, and of DoD functions and activities established to carry out DoD's fiscal responsibilities. FMR audits also focus on DoD audit readiness efforts and DoD financial statements.
- The Readiness and Cyber Operations (RCO) Directorate performs audits of cyber operations, joint operations, force management, and readiness. RCO audits identify

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

I. Description of Operations Financed (cont.)

deficiencies that span all combatant commands to ensure that the warfighter is equipped and trained for the mission.

Defense Criminal Investigative Service (DCIS):

The Office of the Deputy Inspector General for Investigations is also known as the Defense Criminal Investigative Service (DCIS). DCIS focuses on fraud investigations, including health care, procurement, defective pricing, and substituted and counterfeit products; investigations of public corruption, including bribery, kickbacks, and theft; technology protection investigations, including illegal transfer, theft, or diversion of DoD technologies and U.S. Munitions List items to forbidden nations and persons; and cybercrime investigations.

Procurement fraud investigations comprise a major portion of DCIS's case inventory. Procurement fraud includes cost or labor mischarging, defective pricing, price fixing, bid rigging, and defective and counterfeit parts. Fraud poses a serious threat to DoD's ability to achieve its operational objectives, and it can negatively impact program implementation. DCIS places the highest priority on investigations impacting safety and operational readiness to protect the welfare of warfighters.

Public official corruption poses a fundamental threat to U.S. national security and undermines the public's trust in the Government. DCIS uses undercover operations, court-authorized electronic surveillance and forensic audit techniques to investigate those whose actions undermine the integrity of the DoD acquisition system.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

I. Description of Operations Financed (cont.)

DCIS conducts investigations of counterfeit, defective or substandard products, and substituted products that do not conform with contract specifications. Nonconforming products disrupt readiness, waste resources, and threaten military and end-user safety. Defective products can negatively impact critical processes and capabilities. DCIS works with Federal law enforcement partners, supply centers, and the defense industrial base to ensure that DoD contractors provide contractually agreed-upon components. DCIS actively participates in the Defense Supply Center-Columbus Counterfeit Material/Unauthorized Products Substitution Team and partners at the national level with the Intellectual Property Rights Coordination Center, to prevent the proliferation of counterfeit parts.

DCIS investigates allegations of theft and illegal export or diversion of strategic technologies and U.S. Munitions List items to banned nations, criminal enterprises, and terrorist organizations. These investigations include the illegal transfer or theft of sensitive defense technologies and weapon systems.

DCIS coordinates with the U.S. Immigration and Customs Enforcement's Homeland Security Investigations, Department of Commerce's Office of Export Enforcement and the Federal Bureau of Investigation to stem the illegal diversion of DoD technologies and weapon systems through criminal investigations and awareness training, which includes briefings to encourage DoD and contractor employees to report crimes. DCIS' criminal investigative effort includes undercover operations that target theft of critical technology; unlawful access to sensitive computer networks; and the substitution of counterfeit, substandard, or defective material. Undercover operations have proven to be effective, and directly support protecting DoD's technological edge and the Global Information Grid.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

I. Description of Operations Financed (cont.)

DCIS's investigations in health care have increased, and health care fraud is a significant investigative priority, particularly as it relates to military families. Investigations scrutinize corruption and kickback schemes involving health care providers, overcharging, marketing drugs for uses not approved by the Federal Drug Administration, and approving unauthorized individuals to receive TRICARE benefits. DCIS proactively targets health care fraud through coordination with other Federal agencies and participation in Federal and state task forces.

Administrative Investigations (AI):

Administrative Investigations performs oversight reviews of investigations conducted by the Military Services, Combatant Commands, and Defense Agency Inspectors General of allegations of senior official misconduct, whistleblower reprisal, and restriction of military members from contacting an Inspector General or Member of Congress.

Three directorates comprise AI: Whistleblower Reprisal Investigations (WRI), Investigations of Senior Officials (ISO), and the DoD Hotline.

WRI is responsible for the DoD Whistleblower Protection Program, which encourages personnel to report fraud, waste, and abuse to appropriate authorities. The DoD Whistleblower Protection Program provides methods to address complaints of reprisal and recommends remedies for whistleblowers who encounter reprisal, consistent with applicable laws, regulations, and policies. WRI conducts and provides oversight of investigations of allegations of whistleblower reprisal that involve military members, DoD contractor

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

I. Description of Operations Financed (cont.)

employees, non-appropriated fund employees, Intelligence Community personnel, and civilian employees.

ISO investigates allegations of misconduct against general and flag officers, members of the Senior Executive Service, and Presidential Appointees. Additionally, ISO conducts over 12,000 security background checks annually on senior DoD officials whose career actions are pending nomination by the President, and confirmation by the Senate.

The DoD Hotline provides a confidential, reliable means to report violations of law, rule, or regulation; fraud, waste, and abuse; mismanagement; trafficking in persons, and serious security incidents that involve the DoD. The detection and prevention of threats and dangers to the health and safety of DoD personnel and the United States are also an essential element of the DoD Hotline mission.

Special Plans and Operations (SPO):

Special Plans and Operations conducts assessments supporting national security objectives and in response to congressional requirements, including projects assessing operations in Southwest Asia (SWA), global security issues, and medical and health care challenges. For example, SPO assesses DoD's efforts to support counterterrorism and stability operations by foreign national security forces under programs such as Section 1206 and 2282 of recent NDAA's. In addition, SPO has conducted assessments of the Wounded Warrior Transition Program, the DoD Federal Voting Assistance Program, the DoD Prisoner of War/Missing in Action Accounting Community, Rights of Conscience Protections for Armed Forces Services Members and Their Chaplains, and the Armed Forces Retirement Home.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

I. Description of Operations Financed (cont.)

Policy and Oversight (P&O):

Policy and Oversight provides policy, guidance, and oversight for the audit and criminal investigative functions within the DoD. P&O also provides analysis and comments on all proposed draft DoD policy issuances, conducts technical assessments of DoD programs, and provides engineering support for other DoD OIG audits and assessments. P&O is comprised of three directorates:

- The Audit Policy and Oversight Directorate (APO) provides audit policy direction, guidance, and oversight for Audit, the Military Departments' audit organizations, the Defense Contract Audit Agency (DCAA), other Defense audit organizations, and for public accounting firms auditing DoD activities under the Single Audit Act. APO also conducts and oversees peer reviews of 21 DoD audit organizations. In addition, APO develops policy, evaluates program performance, and monitors actions taken by all DoD Components in response to DCAA audits. Recently, APO assumed responsibility for DoD-wide policy on performing inspections and evaluations (I&E). APO provides guidance for the I&E functions performed by 17 Defense agencies, the joint and combatant commands, and the Military Departments.

- The Investigative Policy and Oversight Directorate (IPO) evaluates the performance of and develops policy for the DoD criminal investigative and law enforcement community that consists of 63,000 law enforcement and security personnel and special agents. IPO also manages the DoD Subpoena and Contractor Disclosure programs. The Contractor Disclosure program requires DoD contractors to notify the DoD OIG when a Federal criminal law is violated or a violation of the False Claims Act occurs, including the reporting of electronic counterfeit parts. IPO evaluates sexual assault and other violent crime investigations, which includes reviewing related

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

I. Description of Operations Financed (cont.)

criminal investigative policies and related programs, and determining compliance with Federal law and investigative standards for the DoD and Military Services.

- The Technical Assessment Directorate (TAD) conducts independent technical engineering assessments to improve Defense system acquisitions, operations, and sustainment by proactively addressing issues of concern to Congress, DoD, and the public. Additionally, TAD provides a variety of engineering support functions for the DoD OIG's other components and other organizations in DoD as needed.

Intelligence and Special Program Assessments (ISPA):

Intelligence and Special Program Assessments conducts evaluations, inspections and assessments, including monitoring and reviewing various programs, policies, procedures, and functions of the DoD Intelligence, Counterintelligence, Security, Nuclear Enterprise, and Special Access Programs. ISPA reviews and evaluates topics determined by law, requests from the SecDef and other DoD leadership, DoD Hotline allegations, congressional requests, and ISPA's risk analysis. The Deputy Inspector General for ISPA chairs the Defense Intelligence and Special Programs Oversight Committee (DISPOC), which promotes and improves information sharing among DoD Auditors and Inspectors General. The DISPOC facilitates effective coordination and cooperation to minimize duplication.

The Office of General Counsel (OGC):

The Office of General Counsel (OGC) provides independent, objective and comprehensive advice and legal counsel to the DoD OIG on all matters related to the agency mission. The scope of advice and legal opinions from the OGC includes criminal and administrative investigations, procurement and fiscal law, personnel and equal employment advice and DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

I. Description of Operations Financed (cont.)

agency representation, ethics, international law and contingency operations, whistleblower protections, and intelligence matters. The OGC serves as the Designated Agency Ethics Official for the OIG and oversees the OIG Ethics Program. The OGC also has responsibility for the Freedom of Information Act, Privacy, and Civil Liberties Office.

Oversight and Review Division (ORD):

The Oversight and Review Division will blend the skills of attorneys, auditors, evaluators, administrative investigators, and paralegals to conduct special reviews and investigations of sensitive issues identified by the OIG and requested by the Secretary of Defense, Deputy Secretary of Defense, or Congress. The OIG regularly receives complex requests that involve legal, conduct, and program deficiencies that are not efficiently addressed within the current OIG structure. Establishment of this division would enable the OIG leadership to assign a dedicated team with clearly defined standards that is accustomed to working together to address a variety of issues rather than pulling staff from across the OIG to form ad hoc teams. This will fill a gap that currently exists within the OIG for a quick reaction division that is dedicated to working high priority, sensitive matters. This division will make us more responsive to the Department and the Congress on the most complex and high-visibility issues. This model has been used successfully by the Department of Justice Office of the Inspector General and the Special Inspector General for Afghanistan Reconstruction to provide timely review of complex issues.

Mission Support:

Mission Support provides mission essential services to the OIG operational Components, both at the DoD OIG headquarters and at 59 field offices located throughout the world.
DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

I. Description of Operations Financed (cont.)

These support services include financial management, human capital management, security program management, logistics management, information services, strategic planning, equal employment opportunity programs, legislative affairs and communications, and quality assurance and standards oversight.

II. Force Structure Summary:

N/A

Office of Inspector General
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2018 President's Budget

III. Financial Summary (\$ in thousands)

	FY 2017							FY 2018 Estimate
	FY 2016 Actual	Budget Request	Congressional Action			Current Estimate		
			Amount	Percent	Appropriated			
A. BA Subactivities								
1. Audit	74,243	78,442	0	0.0	0	78,442	92,477	
2. Defense Criminal Investigative Service/ Investigations	80,440	85,864	0	0.0	0	85,864	85,384	
3. Administrative Investigations	17,864	22,117	0	0.0	0	22,117	23,893	
4. Policy and Oversight	18,052	18,883	0	0.0	0	18,883	19,558	
5. Intelligence and Special Program Assessments	7,691	8,647	0	0.0	0	8,647	8,939	
6. Special Plans and Operations	7,604	8,442	0	0.0	0	8,442	8,502	
7. Oversight and Review Division	0	0	0	0.0	0	0	3,336	
8. Mission Support	104,319	99,640	0	0.0	0	99,640	94,798	
9. Overseas Contingency Operations	10,262	0	0	0.0	0	0	0	
Total	320,475	322,035	0	0.0	0	322,035	336,887	

* The FY 2016 Actual column includes \$10,262.0 thousand of FY 2016 Overseas Contingency Operations (OCO) Appropriations Funding (PL 114-113).

* The FY 2017 Estimate column excludes \$22,062.0 thousand of FY 2017 OCO Appropriations Funding.

* The FY 2018 Estimate column excludes \$24,157.0 thousand of FY 2018 OCO Appropriations funding.

Office of Inspector General
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2018 President's Budget

III. Financial Summary (\$ in thousands)

<u>B. Reconciliation Summary</u>	<u>Change</u> <u>FY 2017/FY 2017</u>	<u>Change</u> <u>FY 2017/FY 2018</u>
Baseline Funding	322,035	322,035
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	322,035	
Fact-of-Life Changes (2017 to 2017 Only)		
Subtotal Baseline Funding	322,035	
Supplemental	22,062	
Reprogrammings		
Price Changes		6,280
Functional Transfers		-5,269
Program Changes		13,841
Current Estimate	344,097	336,887
Less: Wartime Supplemental	-22,062	
Normalized Current Estimate	322,035	

Office of Inspector General
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2018 President's Budget

III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2017 President's Budget Request (Amended, if applicable)		322,035
1. Congressional Adjustments		
a. Distributed Adjustments		
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2017 Appropriated Amount		322,035
2. War-Related and Disaster Supplemental Appropriations		22,062
a. OCO Supplemental Funding		
1) FY 2017 Supplemental Budget Request	22,062	
3. Fact-of-Life Changes		
FY 2017 Baseline Funding		344,097
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2017 Estimate		344,097
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		-22,062
FY 2017 Normalized Current Estimate		322,035
6. Price Change		6,280
7. Functional Transfers		-5,269
a. Transfers In		
b. Transfers Out		
1) O&M: Joint Services Provider	-4,108	
Transfers funding for IT, rent, and internet connection costs for DoD networks to DISA. Funds were previously transferred to WHS during year of execution.		
(FY 2017 Baseline: \$21,622 thousand; +0 FTEs)		
2) O&M: GAO Audit Liaison and Report	-1,151	
Transfers 8 FTEs for GAO audit liaison and report		

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
follow-up functions to Washington Headquarters Services to properly align functional responsibility. (FY 2017 Baseline: \$241,830 thousand; -8 FTEs)		
3) O&M: OPM USAJobs Services	-10	
Funds transferred to WHS for the agency's portion of the USAJobs service costs. Funds were previously transferred to WHS during year of execution.		
(FY 2017 Baseline: \$185 thousand; +0 FTEs)		
8. Program Increases		23,264
a. Annualization of New FY 2017 Program		
b. One-Time FY 2018 Increases		
c. Program Growth in FY 2018		
1) O&M: Civilian Personnel changes:	16,770	
A) Increased Civilian Pay and benefits for an additional 45 FTEs to support enhanced oversight capabilities (+\$7,076, +45 FTEs)		
B) Higher costs for average FTE salaries due to previous under-estimation of average annual salary rates (+\$7,917, 0 FTE)		
C) FY 2018 impacts from the FY 2017 pay raise increase (+\$1,704, 0 FTE)		
D) Increase in disability compensation (+\$73, 0 FTE)		
(FY 2017 Baseline: \$244,280 thousand; +45 FTEs)		
2) O&M: Other Services	5,000	
Provides funding for public accounting firm support that the IG will require to render audit opinion for DoD-Wide Consolidated Audit		

**Office of Inspector General
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2018 President's Budget**

III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
(FY 2017 Baseline: \$0 thousand; +0 FTEs)		
3) RDT&E: Case Reporting and Information Management System (CRIMS) RDT&E funding is required to support the CRIMS v2 acquisition of commercial off the shelf products and the associated testing, design, and development to modify the COTS solutions (FY 2017 Baseline: \$250 thousand; +0 FTEs)	1,279	
4) O&M: Management Professional Support Services Increased support services for training (+\$215, 0 FTE) (FY 2017 Baseline: \$6,199 thousand; +0 FTEs)	215	
9. Program Decreases		-9,423
a. Annualization of FY 2017 Program Decreases		
b. One-Time FY 2017 Increases		
c. Program Decreases in FY 2018		
1) RDT&E: Defense Case Activity Tracking System-Enterprise (DCATSe) RDT&E: Reduced Engineering & Tech Services as the development phase is nearing completion(DCATSe) (FY 2017 Baseline: \$4,318 thousand; +0 FTEs)	-3,047	
2) O&M: MHA Reductions	-2,392	
A) Reduction of 7 FTEs (-\$1,246, -7 FTEs)		
B) SRRB reduction (-\$1,141, 0 FTE)		
C) Circuit Optimization (-\$5, 0 FTE)		
(FY 2017 Baseline: \$258,463 thousand; -7 FTEs)		
3) O&M: Reduce other Intra-Govt Purchases Efficiencies for Other Intra-Govt purchases (FY 2017	-1,288	

Office of Inspector General
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2018 President's Budget

III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
Baseline: \$8,877 thousand; +0 FTEs)		
4) O&M: IT Contract Support Services Efficiencies realized for other IT Support (FY 2017 Baseline: \$16,633 thousand; +0 FTEs)	-1,161	
5) O&M: Engineering & Tech Services and other Services Efficiencies realized in engineering and tech services (FY 2017 Baseline: \$5,005 thousand; +0 FTEs)	-847	
6) O&M: Efficiencies in Support Costs Efficiencies realized in support costs (FY 2017 Baseline: \$18,096 thousand; +0 FTEs)	-417	
7) O&M: PCS Reduced costs due to fewer anticipated PCS moves (FY 2017 Baseline: \$1,194 thousand; +0 FTEs)	-263	
8) O&M: Foreign National Indirect Hire Reduced due to prior-year over-estimation (FY 2017 Baseline: \$119 thousand; +0 FTEs)	-8	
FY 2018 Budget Request		336,887

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

Audit:

Audit conducts oversight to assess risks and weaknesses in the DoD, identify potential cost savings, and recommend actions to develop or strengthen management practices and internal controls. Audit measures its performance by ensuring compliance with professional standards and projects are relevant and performed in a timely manner. In FY 2016, the Office of Inspector General, U.S. Postal Service, completed an external peer review of the system of quality control for Audit and concluded that its quality control standards provide the DoD OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards, in all material respects. In FY 2016, Audit issued 102 reports identifying \$1.09 billion in funds that could be put to better use and \$1.84 billion in questioned costs. Additionally, these reports addressed non-financial benefits with critical areas such as quality assurance and testing of the equipment and parts; financial reporting and audit readiness; identifying protections needed against cyber threats; monitoring the redistribution and accountability of assets returned from the field; determining improvements needed in contingency contracting to reduce the potential for fraud, waste, and abuse; and addressing force readiness issues. For the 102 reports issued, the average days from project announcement to final report issuance was 316 days, a slight increase (9%) over the FY 2015 average of 289 days.

In FY 2016, the **Acquisition and Sustainment Management Directorate (ASM)** identified inefficiencies in managing weapon and information system acquisitions; determining fair and reasonable prices for spare parts; and managing and using excess Government-owned inventory. Oversight in these areas provided \$2.6 billion in savings and funds put to

DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

better use. For example, ASM identified that the Air Force awarded a service contract for sole-source engine sustainment without obtaining sufficient data and spent \$1.57 billion on aircraft engine parts without knowing whether it paid fair reasonable prices.

ASM identified that the DoD needed to improve its management of cost, schedule, and performance for major and non-major acquisition programs. For example, in an audit of the XM-25 weapon system, ASM identified that the Army could have managed the program more effectively. Specifically, because of weapon malfunctions and a lack of testing, the Army delayed the initial production and removed procurement money from the program budget, extending milestones. In addition, ASM reviewed a new electronic health care system to support the DoD. While the program had approved requirements and a documented strategy, the execution schedule was not realistic, and the program was at risk of not meeting the initial operational capability.

ASM further determined that, with increased program costs and schedule delays, the inefficient management of acquisition programs resulted in the purchase of equipment that did not meet performance requirements and posed life and safety risks. The Army initiated system fixes to address seven of nine performance deficiencies and updated test plans to evaluate vehicle performance before full-rate production. However, during vehicle production the Army continued to address deficiencies related in the rate-of-fire requirement and the automatic fire extinguisher system and, therefore, risked deploying vehicles that did not meet performance requirements and could endanger crews.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

Audit work in the area of spare parts and inventory identified inadequate processes for determining fair and reasonable prices and ineffective management of spare-part inventories. In an audit of Army spare-part purchases, ASM found that officials did not effectively manage the spare-part inventory for the Gray Eagle unmanned aircraft system. Specifically, officials did not report spare parts, on the annual Army financial statements; the inventory of spare parts contained excess and obsolete parts; and officials did not use inventory from the Defense Logistics Agency (DLA) before procuring spare parts from contractors.

The audits also emphasized ongoing problems related to the quality of spare parts issued through the supply chain, the process for reporting product deficiencies, and the process to obtain restitution for unacceptable parts. For example, ASM determined that DLA Aviation did not pursue and obtain appropriate restitution for a projected 269 stock numbers for which contractors supplied defective parts. DLA Aviation lacked controls and oversight to ensure that its logistics operations and acquisition personnel coordinated and pursued restitution from responsible contractors; identified and removed defective parts from DoD inventory; returned defective parts to the responsible contractors for replacement; and tracked the status of parts returned for replacement. ASM projected that DLA Aviation did not recover at least \$12.3 million in restitution. In addition, defective parts were left unaccounted for in the DoD supply system, which negatively impacts warfighter readiness and safety.

In FY 2017, ASM will continue to perform audits to improve how the DoD buys weapons and information technology systems and purchases and manages spare parts and inventory. ASM

DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

will remain focused on acquisition areas, such as determining requirements to include procurement quantities, program cost and schedule, and test planning and performance. ASM will engage in efforts to identify fair and reasonable prices for spare parts and reduce the amount of excess on-hand inventories. In addition, ASM will perform audits to assess the security of DoD supply chains and the effectiveness of purchase processes and civilian pay budget processes.

In FY 2018, ASM plans to continue its weapons and information technology acquisition work and ensure the effective use and accountability of Government-owned inventory. ASM will remain focused to address concerns regarding spare-part pricing; management and use of performance-based logistics contracts; and the efficient and effective management of the DoD supply chain.

In FY 2016, the **Contract Management and Payment Directorate (CMP)** identified significant problems in the oversight of Government travel charge cards, improper payments, and the establishment of effective internal controls. For example, CMP identified that DoD management did not take appropriate action, when notified by the DoD OIG, in a previous audit, that cardholders had potentially misused their travel card for personal use at casinos and adult entertainment establishments. DoD management and Defense Travel Management Office officials did not emphasize proper use of the travel card for the 30 non-statistically selected cardholders, and DoD policy did not sufficiently specify what actions DoD officials should take when misuse was identified. As a result, the travel card program remained vulnerable to continued misuse.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

In another audit, CMP identified that the DoD met five of the six requirements of the Improper Payments Elimination and Recovery Act of 2010; however, the improper payment estimates were not reliable because the DoD could not ensure that all required payments were reviewed. CMP determined that the DoD did not meet the reduction target for the DoD Travel Pay program for the fourth consecutive year due to administrative errors, traveler input errors, and inadequate reviews by approving officials.

CMP determined in another audit that 40 of the 47 compound drug claims reviewed, which had non-covered ingredients, were incorrectly paid, even after new controls for screening compound ingredients were implemented by Defense Health Agency personnel. The incorrect payments occurred because personnel from the DoD pharmacy benefit manager did not follow their standard operating procedures, and their claims adjustment system authorized payment for inappropriate claims. As a result, the Defense Health Agency, through the pharmacy benefit manager, made at least \$99,468 in potential improper payments for 40 of the 47 reviewed compound drug claims, valued at \$146,061, with excluded ingredients.

In another audit, CMP determined that the Combined Security Transition Command-Afghanistan and the Afghanistan Ministry of Interior (MoI) oversight of the MoI fuel contracts was not effective as officials did not coordinate their efforts or provide fuel consumption data consistently to the Afghanistan National Police. This occurred because roles and responsibilities for contract oversight were not well defined, the fuel reporting requirements outlined in the commitment letter were not enforced, and the MoI was not held accountable when it did not institute controls over the contract management process. As a result of the lack of contract oversight and insufficient reporting data,

DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

the Combined Security Transition Command-Afghanistan did not have reasonable assurance that the fuel ordered and delivered to the Afghanistan National Police supported its actual requirements and was used for its intended purpose.

For FY 2017, CMP will continue to focus on audits of contract award and administration of service contracts, Berry Amendment and Buy American purchases, energy contracts and facilities construction, and real property maintenance. Additionally, audits are planned on DoD payments, including contract payments; improper payments; the Government Travel and Purchase Card Programs; OCO; and military health care for active duty, reserve, and retired personnel and their families.

For FY 2018, CMP will focus on contract award and administration, facilities construction, and real property maintenance. Additionally, CMP plans to audit DoD payments, including energy contracts; improper payments; the Government Purchase Card Program; and military health care for active duty, reserve, and retired personnel and their families.

In FY 2016, **Financial Management and Reporting Directorate (FMR)** focused its audit work on DoD's material weaknesses for financial management as the DoD prepares for auditability in FY 2018. FMR conducted audits on the DoD plan to achieve audit readiness of all DoD financial statements by the end of FY 2017. Specifically, FMR issued findings and recommendations on the Army's inability to adequately support trillions of dollars in journal voucher adjustments on its FY 2015 financial statements and that it materially misstated its inventory by millions of dollars. FMR also issued findings and

DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

recommendations to the DoD on a series of audits of DoD suspense accounts. The suspense account audits highlighted that the DoD did not have sufficient controls to accurately record suspense account balances on its financial statements. In addition, some suspense accounts were not used for their intended purpose and transactions were not always resolved in a timely manner.

FMR examined the Service inventories, general equipment, and real property and determined that valuing, accounting for and locating DoD assets continues to be a significant challenge for DoD as it prepares its Balance Sheets for audit. FMR also began a review of the processes, systems, and controls that the DoD has implemented, or plans to implement, to report financial and payment data in accordance with Public Law 113-101, Digital Accountability and Transparency Act of 2014. The review was in response to a congressional request for assessing the DoD plans to comply with the Act.

FMR transmitted disclaimers of opinion on the FY 2015 Schedules of Budgetary Activity for the Army, Navy, and Air Force and provided oversight of the FY 2016 Schedules that continue to identify many areas of improvement for the DoD. FMR also issued disclaimers of opinion on the DoD agency-wide and Special Purpose FY 2015 financial statements and six of the DoD Components' statements supporting the agency-wide statements. FMR transmitted the unmodified opinion from the independent public accounting firm on the financial statements of the Army Corps of Engineers, the Military Retirement Fund, TRICARE Management Activity's Contract Resource Management, and a qualified opinion on the DoD Medicare Eligible Retiree Health Care Fund.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

In FY 2017, FMR will continue to conduct oversight of the DoD Schedules of Budgetary Activity and other financial statements determined to be ready for audit. In addition, FMR will provide oversight of the full financial statement audits of the Marine Corps, the Defense Information Systems Agency, and the DLA. FMR will also focus on audits of financial systems, internal controls, compliance, and other financial areas, to assist the DoD in improving its overall financial management operations and, as a result, prepare auditable financial statements. As the Office of the Secretary of Defense (OSD) and Service Components identify segments of financial statements that are ready for review, FMR will announce audits or attestation engagements, as appropriate.

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In FY 2018, FMR will expand its focus to the full financial statement audits planned for DoD that will include the Other Defense Organization's consolidated audit. FMR will provide the contract oversight of the independent public accounting firms conducting the full financial statement audits of the Army, Navy, Air Force, and Marine Corps, as well as the Defense Information Systems Agency and DLA. FMR plans to perform the DoD Agency Wide consolidated audit, because several public accounting firms have provided consulting services to the Department over the past several years and, as a result, are not independent. In addition, FMR will provide contract oversight of the firms performing audits of the U.S. Special Operations Command, the U.S. Transportation Command, and the Defense Health Program. FMR will continue to work with the DoD Components to identify deficiencies and recommend corrective actions so that the DoD can develop sustainable and repeatable processes to give decision makers and stakeholders the confidence that DoD financial information is reliable.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

In FY 2016, **Readiness and Cyber Operations Directorate (RCO)** focused on cyber security and operations, global logistics, military construction, workplace violence, and individual and unit readiness and training. For example, RCO identified consistent and systemic weaknesses that affected the security of the classified Secret Internet Protocol Router Network. RCO recommended specific physical security improvements and other cybersecurity-related actions to limit access points, account for all circuits, and manage general and privileged account access. In another audit, RCO concluded that the Services were independently developing cyber platforms and capabilities that could result in redundant capabilities which do not align with the mission needs of the Cyber Mission Force. RCO recommended that DoD develop a unified strategic plan to address capability development to meet Service-specific and joint-mission requirements.

Other audit reports identified that Army and Marine Corps units in Korea did not have sufficient, properly maintained chemical-biological personal protective equipment and that units were not on conducting training under appropriate threat conditions. In response to the report recommendations, Eighth Army and Marine Forces Korea began implementing corrective actions to integrate collective chemical-biological training into exercises, resolve chemical-biological-related deficiencies identified in command inspections, conducting annual inspections of collective chemical-biological training, and developing a verification process to ensure collective chemical-biological training is conducted by forces assigned to Marine Forces Korea.

In FY 2017, RCO will focus on projects in high-risk readiness areas, including personnel readiness reporting and aviation unit readiness; training; equipment accountability;

DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

foreign military sales; the rebalance of forces to Asia-Pacific; cyber security; and cyber operations. The projects include military readiness reporting, munitions storage, antiterrorism programs, U.S. Special Operations Command equipment, use of European Reassurance Initiative funds, and cyber security controls of Army electronic health records and the Navy afloat network infrastructure.

In FY 2018, RCO will continue to focus on cybersecurity and cyber operations, to include maintaining a skilled cyber workforce, developing and using cyber capabilities, integrating cyberspace operations into command plans, and emerging technology within the cyber domain that is critical to DoD operations. RCO will also continue its focus on military readiness as the DoD continues to support operations around the world.

Defense Criminal Investigative Service (DCIS)/Investigations:

Investigations, referred to as DCIS, uses several methods to evaluate performance. DCIS established a performance metric that 90 percent of investigations must be within its priority areas of fraud, public corruption, technology protection, health care, and cybercrimes. DCIS also monitors arrests, indictments and criminal charges, convictions, fines, recoveries, restitution, suspensions and debarments, to ensure consistency in effort and historical output and the effective use of its investigative resources.

In FY 2016, DCIS investigations resulted in investigative receivables and recoveries of \$1.049 billion for the U.S. Government (which includes recovered Government property,

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

civil judgments and settlements, criminal fines, penalties, and restitution ordered and administrative recoveries); 151 arrests, 246 criminal charges, 177 criminal convictions; and contributed to 136 suspensions and 148 contractor debarments. In FY 2016, major DCIS investigations were as follows: Novartis Pharmaceuticals Corporation (\$220.5 million Government recovery), Millennium Laboratories, Inc. (\$183.4 million Government recovery), Actavis, PLC (\$89.2 million government recovery), Accenture Federal Services, LLC (\$55.4 million Government recovery), and Genentech, Inc. (\$52.0 million Government recovery).

In FY 2017 and FY 2018, DCIS will: (1) maintain its focus on significant procurement and acquisition fraud investigations with emphasis on defective, substituted, and counterfeit products that impact the safety and mission-readiness of our warfighters; (2) continue uncovering and combating corruption involving DoD procurement fraud, which includes bribery, corruption, kickbacks, conflicts of interest, and major thefts; (3) sharpen concentration on investigations and awareness on illegal transfer of technology, systems, and equipment critical to DoD and if possessed by restricted nations; (4) continue focus on health care investigations and fraud schemes involving potential harm to military families; and (5) bolster defense against cyber-crimes and computer intrusions.

Administrative Investigations (AI):

AI uses various performance measures to focus on the timeliness of investigations and DoD Hotline referrals. The goal is to close ISO investigations within 210 days; WRI investigations within 180 days for military and contractor cases and 240 days for

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

civilian and NAFI employees; make priority 1 Hotline referrals in 1 business day; and review DoD Hotline completion reports in 45 business days.

In FY 2016, AI-ISO closed three investigations, of which one (33%) was closed in 210 days or less after receipt of case; WRI closed 20 military and contractor reprisal investigations of which one (5%) was closed in 180 days or less; and closed 23 civilian and NAFI investigations of which four (17%) were closed in 240 days or less after receipt of case; Hotline made 332 Priority 1 referrals related to life, death, safety concerns, 248 (75%) in one business day or less - a 31% increase in Priority 1 referrals for FY 2016; Hotline reviewed 596 Hotline Completion Reports, of which 524 (88%) were reviewed in 45 business days or less.

In FY 2016, AI developed and provided training to DoD OIG, Military Service IG, and Federal IG investigators; participated extensively in DoD and Federal IG working groups to identify and standardize best practices in investigative processes; implemented Government Accountability Office (GAO) and DoD Timeliness Task Force recommendations; and planned for the deployment of the Defense-Case Activity Tracking System Enterprise (D-CATSe) across the DoD.

During FY 2016, AI training and outreach initiatives included a semiannual training symposium, two DoD OIG Basic Whistleblower Reprisal Investigations Courses, and the DoD Hotline Worldwide Outreach and Observance of National Whistleblower Appreciation Day. AI also conducted Mobile Training Team courses at Fort Bragg, North Carolina; Fort Eustis, Virginia; Ramstein Air Force Base, Germany; and Schofield Barracks, Hawaii. Hundreds of DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

personnel from the DoD and Federal IG Community attended these training events. In addition, at the request of the U.S. Office of Special Counsel, AI provided interview training to 42 OSC attorneys and investigators.

In response to recommendations by the Judicial Proceedings Panel's "Report on Retaliation Related to Sexual Assault Offenses," AI is now handling all DoD reprisal cases resulting from reporting sexual assaults. WRI has established a dedicated investigative team for this purpose, and the team has been trained in sexual assault trauma by a Teaching Associate in Psychology, Harvard Medical School.

In addition to the programmatic initiatives accomplished in FY 2016, the DoD OIG invested significant resources to investigate allegations relating to intelligence reporting at the U.S. Central Command. A team of 30 personnel from AI, ISPA, DCIS, and Audit collected 15.35 terabytes of information and 17,164,386 million documents (2 million e-mails), and interviewed 150 personnel.

In FY 2017, AI will begin efforts to develop and deploy the Defense Case Activity Tracking System throughout the Department. Deployment of D-CATSe will: (1) improve the efficiency and timeliness of the transmittal of investigative documents to offices located at posts, camps, and stations around the world; (2) standardize business and investigative processes, resulting in improved efficiencies and timeliness; (3) standardize data, resulting in enhanced data integrity and facilitating reporting in semiannual reports to the Congress; (4) provide a common operational picture of the DoD-wide universe of complains and investigations, resulting in enhanced oversight and

DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

communications; and (5) create a paperless environment for the entire IG community in the DoD. It will also achieve savings by avoiding the unnecessary and duplicate investments by the Military Services and Defense agencies in information technology modernization of the legacy systems.

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In FY 2018, AI intends to dedicate additional resources to the DoD OIG Whistleblower Protection Program by allocating an additional 25 full-time equivalents (FTEs) to the program. These resources will be used to:

- establish an alternative dispute resolution program to resolve reprisal complaints in an expeditious manner without opening an investigation;
- add a team to perform oversight of investigations conducted by the Military Services and Defense agencies;
- add two more teams to perform reprisal complaint intakes and investigations; and
- add an Investigative Support Specialist to provide administrative support to the new teams.

Special Plans and Operations (SPO):

SPO performance measures focus primarily on the timeliness of final reports. The goal is to publish Tier 1 final reports in 290 calendar days. The majority of SPO reports are in the Tier 1 Category. The goal for Tier 2 final reports is 360 calendar days. In FY 2016, SPO published 5 reports. Three of the 5 reports met their respective timeliness goals.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

Southwest Asia: In FY 2016 SPO continued its series of assessments that focus on the training and equipping of the Afghan National Defense Security Forces by issuing a classified report on "U.S. and Coalition Efforts to Train, Advise, Assist, and Equip Iraqi Sunni Popular Mobilization Forces." SPO also published the classified report "Assessment of U.S./Coalition Efforts to Train, Advise, Assist, and Equip the Afghan National Army Special Operations Forces (ANASOF)."

SPO is currently working on three Southwest Asia reports that will carry over into FY 2017: "Assessment of U.S. and Coalition Plans and Efforts to Train, Advise, Assist, and Equip the Kurdish Security Forces," "Assessment of U.S. and Coalition Plans/Efforts to Train, Advise, Assist, and Equip Iraqi Counterterrorism Service and the Iraqi Special Operations Forces," and "Assessment of U.S./Coalition Efforts to Enable the Afghan Ministry of Defense to Develop its Oversight and Internal Control Capability."

As part of its FY 2017 Oversight Plan, SPO will begin performing the following series of command-requested assessments that focus on the train and equip mission in Southwest Asia:

- "Assessment of U.S. and Coalition Efforts to Train, Advise, and Assist the Afghan Ministry of Interior to Develop its Oversight and Internal Control Capability."
- "Assessment of U.S. and Coalition Efforts to Train, Advise, Assist, and Equip the Afghan Air Force (AAF)."

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

- "Assessment of U.S. and Coalition Train, Advise, Assist, and Equip Support to the Iraq Federal Police."

Global Security Concerns: In April 2016, SPO announced the "Assessment of the European Reassurance Initiative (ERI)" to determine, among other things, the extent to which the European Reassurance Initiative focused on the six Operation Atlantic Resolve countries (Poland, Bulgaria, Romania, Lithuania, Estonia, and Latvia) has increased responsiveness, interoperability, and sustainability through capacity building and increased U.S. military exercises and training activities. SPO plans to publish this report in the second quarter of FY 2017. SPO is also continuing its "Assessment of Department of Defense Efforts to Build Counterterrorism and Stability Operations Capacity of Foreign Military Forces with "Section 1206" Funding."

In FY 2017, SPO will conduct an "Assessment of Operations and Management of DoD Aspects of the Security Cooperation Program in the Philippines" to determine whether the DoD provision of military equipment and training supports the objectives in the Enhanced Defense Cooperation Agreement and whether DoD and Office of Security Cooperation oversight complies with all end-use monitoring requirements for security assistance to the Philippines' Armed Forces.

Medical: During FY 2016, SPO published a report on the "Evaluation of DoD Biological Safety and Security Implementation" and determined that DoD did not maintain biosafety and biosecurity program management, oversight, and inspections of its BSAT laboratories according to applicable Federal regulations; did not inspect BSAT laboratories in
DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

Military Services that operated according to different guidance, standards, and procedures, risking dangerous lapses in biosafety practices; and did not require that deficiencies identified by inspections were tracked and remained corrected after they were initially closed. SPO plans to publish two other reports in the medical area in FY 2017: "Assessment of Wounded Warrior Transition Program Oversight" and "Assessment of DoD's Response to the August 2014 Final Report to the Secretary of Defense, Military Health System Review, Quality of Care."

In FY 2017, SPO will initiate the "Assessment of DoD's Response to the August 2014 Final Report to the Secretary of Defense, Military Health System Review, Patient Safety." This assessment will be the second in a series of projects on DoD's Response to the August 2014 Final Report to the SecDef, MHS Review. The objective is to determine whether (1) DoD actions addressed patient safety findings in the August 2014 MHS Review Final Report to the SecDef against measurable goals; (2) DoD improved Patient Safety Indicator scores at military treatment facilities ; and (3) DoD's improved seven areas of the Hospital Survey on Patient Safety Culture.

Congressional/Other: As required by Congress, SPO published a report in March 2016 on "Section 847 Requirements for Senior Defense Officials Seeking Employment with Defense Contractors." SPO determined that not all DoD organizations and subordinate organizations and their agency ethics officials complied with the Deputy Secretary of Defense memorandum of September 19, 2011, and Army Office of General Council (OGC) guidance on issuing opinion letters and processing the necessary documents in the After Government Employment Advice Repository system. SPO also completed the assessment of the DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

Federal Voting Assistance Program for calendar year 2015, which found that the Service IGs lacked a standardized definition for voting assistance program compliance with Federal statutes and DoD policy, which made it difficult for stakeholders to verify or to assess compliance across the Services.

SPO is continuing its work on two other Congressional reports that were initiated in 2016: "Allegations of Child Sexual Abuse by Members of the Afghan National Defense and Security Forces" and "Assessment of the Tactical Explosive Detection Dog Program Adoption Process."

In FY 2017, SPO will continue its statutory requirement and conduct an "Assessment of DoD Voting Assistance Programs for Calendar Year 2016" and the "Inspection of the Armed Forces Retirement Home." SPO is also initiating the "Assessment of Operations and Management of Arlington National Cemetery and Other Selected U.S. Military Cemeteries" to assess the operations and management of Arlington National Cemetery and other U.S. military cemeteries.

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In FY 2018, SPO will continue its oversight scope to include a variety of non-Southwest Asia topics in FY 2017. Areas of interest include, but are not limited to:

- readiness of U.S. forces in Africa, the Pacific, and the Middle East;
- training and equipping foreign military forces;
- security cooperation and assistance programs worldwide;

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

- counter-terrorism operations; and
- emerging security threats

In FY 2018, SPO will also continue to assess critical health care topics, such as the transition of wounded service members to the Department of Veterans Affairs, military mental health programs, and medical research activities. SPO will also continue the mandated annual report of "The Federal Voting Assistance Program."

Policy and Oversight (P&O):

P&O measures its performance through the outcome of evaluating significant DoD programs and operations, number of subpoenas and contractor disclosures processed, timeliness and quality of oversight/support provided, and timeliness of draft DoD policy coordination's and currency of DoD audit/investigative policies issued. In FY 2016, P&O issued a total of 20 final oversight reports covering significant DoD programs and operations containing 81 recommendations; issued two Notices of Concern that required immediate corrective actions; issued 27 draft reports with a 93% on-time issuance rate; processed 862 subpoenas within the required timeframe; processed 245 contractor disclosures with \$17.2 million in potentially recoverable funds; provided technical support to nine DoD OIG audit or investigative projects; and managed the DoD OIG coordination process for 339 draft DoD policy issuances with 99 percent processed within the requested timeframe. P&O also updated and published seven DoD Issuances addressing audit or investigative policy.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

Audit Policy and Oversight: In FY 2016, APO issued 10 oversight reports; seven external quality control reviews of Defense organizations' audit operations; and three single audit quality control reviews. These reports contained 60 recommendations. APO performed 186 desk reviews of single audit reports covering \$7.6 billion in DoD funds and issued 111 memorandums that identified 232 findings and \$35.4 million in questioned costs. APO also administered peer reviews of four DoD audit organizations and provided oversight on contracting officers' actions related to 2,187 open and closed contract audit reports with more than \$13 billion in potential savings. Contracting officers disallowed \$469 million (22 percent) in response to \$2,140.2 million questioned costs from 458 significant DCAA post-award contract audit reports during the period.

In FY 2017, APO will focus on completing the Defense Contract Management Agency Peer review and continue monitoring DCAA, including contracting officers' use of DCAA audit reports. APO will also focus on policy and oversight of DoD audit organizations' efforts to identify and detect fraud, waste, and abuse, including support to the Contractor Disclosure Program, and internal control and fraud assessments, guidance, and training.

In FY 2017, APO will continue updating its DoD OIG fraud website, including adding more contract audit and other fraud scenarios, monitoring DCAA fraud referrals and efforts on contractor disclosures, and providing input to DCAA revisions to its fraud-related audit guidance. APO is also performing or overseeing the performance of peer reviews by DCAA, the Army Internal Review Office, DLA, Defense Finance and Accounting Service, Defense Information Systems Agency, Naval Exchange Command, Army and Air Force Exchange Service,

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

National Reconnaissance Office, Defense Intelligence Agency, and the Military Department Audit Agencies Round Robin peer reviews.

During FY 2017, APO is performing three single audit quality-control reviews and continues to review all single audit reports for audit findings that require follow-up actions from grant and contracting officers. APO will continue to review contracting officers' actions on DCAA contract audit reports by evaluating contracting officer actions on DCAA audits of incurred costs, Cost Accounting Standards, and forward pricing. For the contract audit monitoring area, APO will monitor the quality of contract audits within DoD and perform the Quality Control Review of DCAA. Additionally, APO will continue to refine the DoD-wide policy for performing I&Es through the Defense Council on Integrity and Efficiency and working with other IG components to increase coordination of I&Es, including increasing awareness of and best practices for I&Es.

In FY 2018, APO will continue its focus on oversight of DCAA; DoD Components' contracting officers' actions on DCAA audit report recommendations; peer reviews of DoD audit organizations; fraud related training, guidance, scenarios, and other tools to update APO's fraud website; liaison on the Contractor Disclosure Program, including related policy and oversight of DCAA; and quality control reviews on three or four single audit cognizant and oversight organizations. For I&E policy, APO will continue efforts to increase the quality of DoD I&Es; coordinate of I&E activities among IG organizations in the DoD; and increase training opportunities specific to I&Es and external review processes for I&E activities.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

Investigative Policy and Oversight Directorate: In FY 2016, IPO completed six reports evaluating an Army adult sexual assault investigation; compliance with the Military Criminal Investigative Organizations' (MCIOs) violent crime investigative compliance oversight management and inspection programs; compliance with the Lautenberg Amendment by law enforcement divisions in DoD; Air Force Office of Special Investigations roles and responsibilities for internet-based operations; separation of service members who made a report of sexual assault; and a complaint regarding the handling of sexual assault and drug investigations at the Air Force Academy.

During FY 2016, IPO also collaborated with the MCIOs to address National Defense Authorization Act requirements for evidence retention on sexual assault investigations and the development of special victim capability units. In addition, IPO participated with various DoD and other Government agencies, such as the Defense Enterprise-wide Working Group and the DoD Sexual Assault Prevention and Response Office, to develop criminal investigative policy.

During FY 2016, The Contractor Disclosure Program (CDP) office evaluated 245 disclosures with \$17.2 million in potentially recoverable funds submitted by Defense contractors and subcontractors, concerning violations of law and suspected counterfeit or non-conforming parts discovered during contractor self-policing activities. The CDP office oversaw and coordinated administrative, civil, and criminal actions for the disclosures with the DoJ Commercial Litigation Branch (Fraud Section), Defense Criminal Investigative Organizations (DCIOs), Defense and Service audit agencies, and the Services' Offices of Procurement Fraud Remedies and Acquisition Integrity. In addition, the CDP office

DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

evaluated 51 fraud referrals and consulted with the DoJ Commercial Litigation Branch (Fraud Section) and DCAA auditors to refer potential fraud cases to the DCIOs for criminal investigation determinations.

During FY 2016, IPO issued 865 subpoenas through the DoD OIG Subpoena Program. IPO also provided subpoena processing training to 661 DoD criminal investigators and attorneys through 21 classes. The IPO training was integrated into DoD and military service basic and advanced criminal investigative training courses, which instructs students on how to effectively use the subpoena as an investigative tool. IPO also hosted the Federal Law Enforcement Training Center's Continuing Legal Education Training Program Course for DoD and other Federal agency investigators and attorneys.

In FY 2017, IPO will complete an investigation regarding assertions made by former United Launch Alliance executive; an investigation into the accuracy of information DoD provided to Congress pertaining to Royal Air Force Station Croughton, United Kingdom, selection site for the Joint Intelligence Analyses Complex; and an evaluation of MCIO death investigations that concluded suicide as the manner of death. New IPO work will involve evaluations of criminal investigations conducted by the Pentagon Force Protection Agency; fingerprint collection requirements for Army law enforcement investigations; DNA collection requirements for criminal investigations; DoD and Military Services' response to active shooter incidents and workplace violence; compliance with the Prison Rape Elimination Act; implementation of policies and investigations of domestic violence; adjudication of child pornography investigations; and sexual assault investigations at service academies. IPO will continue to expedite subpoena processing time, and the CDP is

DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

working within the investigative constituent community to improve and manage the process of DCAA fraud referrals.

In FY 2018, IPO expects continued congressional interest concerning complaints about thoroughness of death investigations and oversight of sex crime investigations. IPO will continue oversight of MCIO criminal investigative programs and operations in both the general investigative and violent crime areas. Additionally, IPO will continue to provide oversight of the DoD law enforcement community's programs and operations. It is likely that IPO will evaluate aspects of closed adult or child sexual assault investigations due to continued DoD senior leadership and Congressional interest concerning sexual assault investigative quality.

Technical Assessment Directorate: In FY 2016, TAD issued three oversight reports addressing Military Housing Inspections at King Abdullah II Special Operations Training Center, Jordan, and Camp Buehring, Kuwait, and an evaluation of the reliability of DoD ammunition data cards. In addition, TAD published a DoD Hotline completion report that addressed a complaint concerning the safety of the F/A-18 E/F Engine Fuel Pump. TAD also issued two Notices of Concern that addressed immediate safety and environmental issues for military housing at the King Abdullah II Special Operations Training Center and Camp Lemonnier, Djibouti. The Notices of Concern required immediate attention by the Services responsible for environmental, safety, and occupational health of housing used by military personnel. In addition, TAD provided engineering support to nine DoD OIG projects.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

In FY 2017, TAD will perform technical assessments to address issues of concern to Congress, DoD, and the public and will give priority to concerns that affect life, health, and safety. The assessments will include a summary report on previously performed DoD housing projects; military housing inspections at Camp Lemonnier; an evaluation of recovered chemical warfare material; a quality management system inspection of the Evolved Expendable Launch Vehicle Program; and follow-up inspections of military housing in Korea and Japan. In support of the Lead IG for Overseas Contingency Operations, TAD will conduct two more facility inspections in Iraq and the United Arab Emirates. TAD is also supporting other DoD OIG audits and evaluations and analyzing several ACAT I programs for other potential FY 2017 projects.

In FY 2018, TAD will perform technical assessments that address issues of concern to Congress, DoD, and the public, and give priority to those that affect life, health, and safety. In addition, TAD will perform military housing inspections in the United States and overseas as new or follow-on inspections of previously conducted projects. TAD will also support DoD OIG components on their audit and evaluations and continue to provide engineering support to the Lead IG for Overseas Contingency Operations.

Intelligence and Special Program Assessments (ISPA):

The FY 2016 ISPA Annual Plan included ongoing projects and addressed emerging concerns from the SecDef, IG management, and Congress and emphasized projects supporting the SecDef's Management Challenges. In FY 2016 ISPA completed 11 reports. These reports covered intelligence, counterintelligence, security, nuclear enterprise, and sensitive DoD OIG OP-5 Exhibit

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

activities related issues, programs, policies and procedures across the Department of Defense. Additionally, ISPA currently has 14 ongoing projects that will be completed during FY 2017.

In FY 2017, ISPA will continue to conduct oversight of Defense Intelligence priorities including projects that support the Lead IG for Overseas Contingency Operations. ISPA will focus on cybersecurity, acquisitions, and contracting within the DoD Intelligence community, and intelligence and counterintelligence programs, systems, training, analysis and funding. FY 2017 reporting will also include updates to strategic DoD guidance and legislative requirements; updates in technology; changes in funding strategy; adaptations in acquisitions and programs; updates to intelligence law and DoD worldwide engagement and collaboration among different DoD agencies, commands, and coalition partners.

Intelligence: In FY 2016, ISPA continued to evaluate the effectiveness of current DoD policies, governance, procedures, and guidelines for sharing classified military information with coalition partners in support of Operation Inherent Resolve. As a result of heightened congressional interest, ISPA evaluated the management and oversight for operations supported by section 1208 of the National Defense Authorization Act. ISPA also evaluated the effectiveness of DoD's programmatic intelligence support to policy, planning, and implementation of countering weapons of mass destruction. ISPA reviewed the policies for pre-publication review of DoD classified or sensitive information to ensure that no DoD sensitive or classified information was released to the media.

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

In FY 2017, ISPA will focus on Office of the Under Secretary of Defense (Intelligence) programs that the intelligence agencies have responsibility to implement, as well as programmatic updates on their progress in implementing various initiatives. FY 2017 focus areas will include evaluations of the effectiveness of warfighter support to cover activities and the Combatant Command Joint Targeting Toolbox program.

In FY 2018, ISPA will continue to look at issues throughout the intelligence enterprise, including increased awareness and use of the Intelligence Community Whistleblower Protection Act.

Counterintelligence: In FY 2016, ISPA conducted a review of US Army counter-intelligence investigations and evidence handling procedures.

In FY 2017, ISPA will complete an evaluation of the Military Services' compliance with counterintelligence screening requirements, as well as an evaluation of oversight of privileged users within the Military Service's intelligence community. ISPA is also prepared to evaluate counterintelligence support to the DoD Munitions Support Squadrons in Europe.

In FY 2018, ISPA will continue its oversight efforts related to changes in critical counterintelligence technologies used to deter foreign intelligence adversaries. Key issues include counterintelligence support to cyberspace and forensics, changes in

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

counterintelligence funding and technical surveillance countermeasures, and supporting counterterrorism efforts related to Lead IG intelligence oversight requirements.

Security Enterprise: In FY 2016, ISPA conducted an evaluation of the effectiveness of the DoD Militarily Critical Technologies Program in accordance with applicable DoD policy.

For FY 2017, ISPA plans to conduct an evaluation of the intelligence support to foreign military sales determinations and an evaluation of the Combatant Command Insider Threat Programs' compliance with various DoD directives. ISPA will complete an ongoing follow-up evaluation of over-classification of national security information and an assessment of the effectiveness of the Defense Critical Infrastructure Program.

In FY 2018, ISPA will continue to look at critical issues throughout the security enterprise including implementation efforts from the Defense Security Enterprise related to insider threat initiatives including continuous monitoring, continuous evaluation, and information sharing.

Nuclear Enterprise: The Nuclear Enterprise continues to be one of DoD's management challenges. In FY 2016, ISPA issued reports on evaluations of the Integrated Tactical Warning and Attack Assessment Ground-Based Radar and DoD Nuclear Enterprise Governance. ISPA also issued a comprehensive oversight summary report of the DoD OIG work within the nuclear enterprise. In FY 2016, ISPA worked on evaluations of the National Airborne

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

Operations Center and Explosive Ordnance Disposal Support to the DoD Nuclear Weapons Mission.

In FY 2017, ISPA will continue to assess issues throughout the nuclear enterprise based on inputs from OSD leadership, U.S. Strategic Command, and the Joint Staff. Other oversight efforts will include a continued review of the National Airborne Operations Center mission sustainment and explosive ordnance support to the DoD nuclear mission.

In FY 2017 and FY 2018, ISPA will continue to assess strategies and programs related to nuclear surety, command and control, system sustainment, and nuclear operational readiness. Anticipated projects include evaluations of the Nuclear Detonation Detection System reliability, Ballistic Missile Submarine sustainment and U.S. Strategic Command's E-6B Airborne Command Post availability and reliability.

Special Access Programs: In FY 2016, ISPA performed evaluations that were either self-initiated or requested by the Director, DoD Special Access Programs Central Office. These evaluations provided oversight of major acquisition programs, information technology systems, intelligence, security, systemic issues, and organizational reviews to ensure compliance with DoD directives, policies, and guidance. In FY 2017 and FY 2018, ISPA plans to continue evaluating Special Access Programs.

Oversight and Review Division: The ORD is a new capability. The OIG intends to staff the ORD in FY18, blending the skills of attorneys, auditors, evaluators, administrative

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

investigators, and paralegals to conduct special reviews and investigations of sensitive issues identified by the OIG and requested by the Secretary of Defense, Deputy Secretary of Defense, or Congress. Performance criteria and evaluation will be case specific, determined by the requirements of each case; the principal goals are in-depth review and timely response to the Secretary of Defense, Deputy Secretary of Defense, or Congress.

	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate
<u>AUDIT</u>			
Reports issued			
Potential monetary benefits (in billions)			
Achieved monetary benefits (in billions)			
<u>DEFENSE CRIMINAL INVESTIGATIONS SERVICE</u>			
Indictments and Charges	246	279	288
Convictions	177	262	276
Fines, penalties, and restitutions (in millions)	\$1,049	\$1,593	\$1,673
<u>ADMINISTRATIVE INVESTIGATIONS</u>			
INVESTIGATIONS OF SENIOR OFFICIALS	11	12	13
Complaints Received	788	870	870
Complaints Closed	768	750	750
WHISTLEBLOWER REPRISAL INVESTIGATIONS	5	8	8
Complaints Received	1,594	1,950	1,950
Complaints Closed	1,492	1,820	1,820
DOD HOTLINE	8	9	9

**Office of Inspector General
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2018 President's Budget**

IV. Performance Criteria and Evaluation Summary:

Contacts Received	13,576	15,612	17,954
Cases Referred	6,346	7,298	8,393
 <u>SPECIAL PLANS AND OPERATIONS</u>			
SPO Reports	5	14	11
 <u>POLICY AND OVERSIGHT</u>			
Audit Policy and oversight reports	11	12	12
Hotline completion reports	1	1	1
Notices of concern	2	4	4
Investigative policy and oversight reports	6	8	8
Contractor disclosures submitted	245	245	245
Subpoenas issues	865	870	875
Technical assessment reports	3	4	4
Engineering support to other component projects	9	9	9
 <u>INTELLIGENCE AND SPECIAL PROGRAM ASSESSMENTS</u>			
ISPA Reports	11	14	
 <u>OVERSIGHT AND REVIEW DIVISION</u>			
	N/A	N/A	N/A

Office of Inspector General
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2018 President's Budget

<u>V. Personnel Summary</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>Change FY 2016/ FY 2017</u>	<u>Change FY 2017/ FY 2018</u>
<u>Active Military End Strength (E/S) (Total)</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>0</u>	<u>0</u>
Officer	20	20	20	0	0
Enlisted	1	1	1	0	0
<u>Civilian End Strength (Total)</u>	<u>1,537</u>	<u>1,681</u>	<u>1,719</u>	<u>144</u>	<u>38</u>
U.S. Direct Hire	1,536	1,680	1,718	144	38
Total Direct Hire	1,536	1,680	1,718	144	38
Foreign National Indirect Hire	1	1	1	0	0
<u>Active Military Average Strength (A/S) (Total)</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>0</u>	<u>0</u>
Officer	20	20	20	0	0
Enlisted	1	1	1	0	0
<u>Civilian FTEs (Total)</u>	<u>1,496</u>	<u>1,587</u>	<u>1,617</u>	<u>91</u>	<u>30</u>
U.S. Direct Hire	1,495	1,586	1,616	91	30
Total Direct Hire	1,495	1,586	1,616	91	30
Foreign National Indirect Hire	1	1	1	0	0
Average Annual Civilian Salary (\$ in thousands)	160.3	154.0	163.0	-6.3	9.0
<u>Contractor FTEs (Total)</u>	<u>117</u>	<u>102</u>	<u>102</u>	<u>-15</u>	<u>0</u>

**Office of Inspector General
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

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

<u>OP 32 Line</u>	<u>FY 2016</u> <u>Actual</u>	<u>Change</u>		<u>FY 2017</u> <u>Estimate</u>	<u>Change</u>		<u>FY 2018</u> <u>Estimate</u>
		<u>FY 2016/FY 2017</u> <u>Price</u>	<u>Program</u>		<u>FY 2017/FY 2018</u> <u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	237,576	4,478	-224	241,830	4,725	14,716	261,271
111 Disability Compensation	1,175	0	81	1,256	0	73	1,329
121 PCS Benefits	950	0	244	1,194	0	-263	931
199 Total Civ Compensation	239,701	4,478	101	244,280	4,725	14,526	263,531
308 Travel of Persons	6,065	115	-137	6,043	121	-404	5,760
399 Total Travel	6,065	115	-137	6,043	121	-404	5,760
677 DISA Telecomm Svcs - Reimbursable	1,439	27	-255	1,211	24	-91	1,144
699 Total DWCF Purchases	1,439	27	-255	1,211	24	-91	1,144
771 Commercial Transport	389	7	-287	109	2	-8	103
799 Total Transportation	389	7	-287	109	2	-8	103
901 Foreign National Indirect Hire (FNIH)	104	2	13	119	2	-8	113
912 Rental Payments to GSA (SLUC)	21,479	408	-265	21,622	432	-5,164	16,890
913 Purchased Utilities (Non-Fund)	72	1	3	76	2	-6	72
914 Purchased Communications (Non-Fund)	1,937	37	164	2,138	43	-160	2,021
917 Postal Services (U.S.P.S)	19	0	1	20	0	-1	19
920 Supplies & Materials (Non-Fund)	2,080	39	-165	1,954	39	-141	1,852
921 Printing & Reproduction	137	3	-10	130	3	-10	123
922 Equipment Maintenance By Contract	1,769	34	-44	1,759	35	-132	1,662
923 Facilities Sust, Rest, & Mod by Contract	4	0	-1	3	0	0	3
925 Equipment Purchases (Non-Fund)	3,336	63	-458	2,941	59	-264	2,736
932 Mgt Prof Support Svcs	7,578	144	-1,523	6,199	124	215	6,538
933 Studies, Analysis & Eval	343	7	-193	157	3	-12	148
934 Engineering & Tech Svcs	4,245	81	679	5,005	100	-2,724	2,381
957 Other Costs (Land and Structures)	1,561	30	-182	1,409	28	-452	985
960 Other Costs (Interest and DoD OIG OP-5 Exhibit	5	0	-5	0	0	0	0

**Office of Inspector General
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2018 President's Budget**

<u>OP 32 Line</u>	FY 2016 <u>Actual</u>	Change <u>FY 2016/FY 2017</u>		FY 2017 <u>Estimate</u>	Change <u>FY 2017/FY 2018</u>		FY 2018 <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
Dividends)							
985 Research & Development, Contracts	0	0	0	0	0	2,169	2,169
987 Other Intra-Govt Purch	9,059	172	-354	8,877	178	-1,298	7,757
989 Other Services	19,153	364	-18,167	1,350	27	4,839	6,216
990 IT Contract Support Services	0	0	16,633	16,633	333	-2,302	14,664
999 Total Other Purchases	72,881	1,385	-3,874	70,392	1,408	-5,451	66,349
Total	320,475	6,012	-4,452	322,035	6,280	8,572	336,887

* The FY 2016 Actual column includes \$10,262.0 thousand of FY 2016 Overseas Contingency Operations (OCO) Appropriations Funding (PL 114-113).

* The FY 2017 Estimate column excludes \$22,062.0 thousand of FY 2017 OCO Appropriations Funding.

* The FY 2018 Estimate column excludes \$24,157.0 thousand of FY 2018 OCO Appropriations funding.