

FY 2002 Amended Budget Submission

Office of the Inspector General (OIG)

Appropriation



June 2001

**OFFICE OF THE INSPECTOR GENERAL
Fiscal Year (FY) 2002 Amended Budget Submission**

Summary:

(Dollars in Thousands)

FY 2000 <u>Actual</u>	<i>Price <u>Change</u></i>	<i>Program <u>Change</u></i>	FY 2001 <u>Estimate</u>	<i>Price <u>Change</u></i>	<i>Program <u>Change</u></i>	FY 2002 <u>Estimate</u>
136,478	+5,333	+5,620	147,431	+5,265	-675	152,021

I. Description of Operations Financed:

The Office of the Inspector General (OIG) is statutorily responsible for the conduct of audits and investigations for the Department of Defense (DoD). 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 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 agencies and the Congress fully informed about problems and deficiencies in programs and operations and the necessity for, and progress of, corrective action.

This budget request will enable reasonably adequate coverage of the Department's major functions and high risk areas, although there will be shortfalls of coverage in some areas. The funding change is a net increase of \$4.6 million. This increase is due to price growth (\$5.3 million) and additional funding for support costs related to operations and maintenance of the law enforcement database at the Computer Network Defense/Law Enforcement/Counterintelligence Center (\$1 million) and incremental implementation of process improvements by converting paper-based processing to electronic processing (\$400 thousand) offset by reduction in funding in very critical

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areas such as the public key infrastructure initiative and replacement of information technology and investigative equipment.

II. Force Structure Summary:

Audit

The Office of the Assistant Inspector General for Auditing conducts audits and evaluations on all facets of DoD operations. The work results in recommendations for reducing costs, improving performance, strengthening internal controls and achieving compliance with laws and regulations. Audit and evaluation topics are determined by law, requests from the Secretary of Defense and other managers, Hotline allegations, congressional requests and analyses of risk in DoD programs. There is particular emphasis on information assurance, acquisition, logistics and financial management. The IG auditors and evaluators also assist in investigations and litigation, lead DoD-wide audits, and participate as advisors, at DoD management request, in many task forces, process actions teams and studies. In addition, the office provides the oversight and policy for activities of the Service Audit organizations, Defense Contract Audit Agency and public accounting firms under the Single Audit Act. It is also the focal point for General Accounting Office activity in the DoD, and performs follow up on General Accounting Office and Office of Inspector General reports.

Criminal Investigations

The Office of the Assistant Inspector General for Investigations (OAIG-INV) 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. The OAIG-INV also develops information related to criminal investigations, detects fraud where it currently exists, and promotes awareness in all elements of the DoD regarding the impact of

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fraud on resources and programs. The headquarters provides administrative support, oversight and operational guidance to the operating field elements. The Computer Crimes Program has expanded the investigative capability in detecting and investigating computer fraud, and is an active participant in both the Joint Task Force - Computer Network Defense, Law Enforcement/Counter Intelligence Center and the National Infrastructure Protection Center. Under the DoD Computer Network Defense directive, the OAIG-INV is responsible for the establishment and operation of the law enforcement portion of the LECIC data bases. 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 (CIPO) provides and develops criminal investigative policy for the DoD law enforcement community. The CIPO also manages the DoD Voluntary Disclosure Program and the IG Subpoena Program for the military criminal investigative organizations.

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,

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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 DoD, ensuring intelligence resources are properly managed. This office coordinates and oversees the functions of the Interagency Intelligence Community Inspector General Forum, serves as issue coordinator for the DoD Joint Intelligence Oversight Coordination Group, is the DoD coordinator on all classified Whistleblower Protection cases and monitors service and agency reviews of security and counterintelligence within all DoD test and laboratory facilities.

The Office of Administration and Information Management reports on administrative support matters to the Deputy Inspector General. The Director for Administration and Information Management oversees four directorates: the Financial Management Directorate, the Personnel and Security Directorate, the Information Systems Directorate and the

Administration and Logistics Services Directorate. Each supervise and carry out administrative and logistical functions in support of the day-to-day operations of the OIG.

III. Financial Summary (\$ in thousands)

A. Activity Group

	FY 2000 <u>ACTUAL</u>	FY 2001			FY 2002 <u>ESTIMATE</u>
		<u>BUDGET REQUEST</u>	<u>APPROPRIATION</u>	<u>CURRENT ESTIMATE</u>	
AUDIT	62,570	68,533	68,533	65,959	68,674
Civ Pay	46,771	51,973	51,973	48,864	51,084

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Travel	3,144	2,950	2,950	3,234	3,290
Other	12,655	13,610	13,610	13,861	14,300
INVESTIGATIONS	56,276	58,073	58,073	59,720	62,652
Civ Pay	43,590	45,712	45,712	46,115	48,070
Travel	2,792	2,815	2,815	2,837	2,882
Other	9,894	9,546	9,546	10,768	11,700
OTHER OIG	16,500	17,639	17,639	18,249	18,895
Civ Pay	12,932	13,919	13,919	14,196	14,736
Travel	241	285	285	269	276
Other	3,327	3,435	3,435	3,784	3,883
			<u>FY 2001</u>		
	<u>FY 2000</u>	<u>BUDGET</u>		<u>CURRENT</u>	<u>FY 2002</u>
	<u>ACTUAL</u>	<u>REQUEST</u>	<u>APPROPRIATION</u>	<u>ESTIMATE</u>	<u>ESTIMATE</u>
OPERATIONS TOTAL	135,346	144,245	144,245	143,928	150,221
Civ Pay	103,293	111,604	111,604	109,175	113,890
Travel	6,177	6,050	6,050	6,340	6,448
Other	25,715	26,591	26,591	28,203	29,883
PROCUREMENT	1,293	3,300	3,300	3,293	1,800
TOTAL	136,478	147,545	147,545	147,431	152,021

III. Financial Summary (\$ in thousands)

B. Reconciliation Summary:

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	<u>Change FY 2001/2001</u>	<u>Change FY 2001/2002</u>
1. Baseline Funding	147,755	147,431
a. Congressional Adjustments (Distributed)	0	0
b. Congressional Adjustments (Undistributed)	0	0
c. Congressional Adjustments (General Provision)	0	0
d. Congressional Earmarks	0	0
e. Congressional Earmark Billpayers	0	0
	<u>Change FY 2001/2001</u>	<u>Change FY 2001/2002</u>
2. Appropriated Amount (Subtotal)	147,755	
a. Adjustments to Meet Congressional Intent	0	
b. Across-the-board Reduction (Recission)	-324	
3. Functional Transfer	0	-200
4. Price Change	0	5,265
5. Program Changes		-475
6. Current Estimate	147,431	152,021

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III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases:</u>	<u>Amount</u>	<u>Total</u>
1. FY 2001 President's Budget Request		147,755
2. Congressional Adjustments (Distributed)		0
3. Congressional Adjustments (Undistributed)		0
4. Congressional Earmarks		0
5. FY 2001 Appropriated Amount		147,755
6. FY 2001 Recission		-324
7. Transfers In		0

III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases:</u>	<u>Amount</u>	<u>Total</u>
8. Transfers Out		0
9. Price Growth		0
10. Program Increases		0
11. Total Increases		0

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12. Program Decreases	0
13. Total Decreases	0
14. Revised FY 2001 Budget	147,431
15. Price Growth	5,265
16. Transfers In	-
17. Transfers Out	-200

Requested transfer of \$200 thousand to the Office of the Under Secretary of Defense (Personnel and Readiness) account holder for the Military Retirement Trust Fund. The transfer realigns the funding for the contracted financial statement audit to the account holder. The OIG will retain oversight responsibility for the audit

III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases:</u>	<u>Amount</u>	<u>Total</u>
18. Program Increases		
a. Increase for support costs related to the operations and maintenance of the DoD Computer Network Defense law enforcement database. The increase funds contracted administrative, database and analytical support, maintenance of the system hardware and software and implementation of	1,000	

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phased dedicated line connectivity for OIG
investigative field locations.

b. Increase for phased implementation of electronic workflow initiative to automate the storage, flow, management, retrieval and final disposition of documents within the OIG. The increase funds additional software and contracted support for system indexing and digitizing records.	400
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c. Increase for 1 additional paid day (261 days)	385
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19. Total Increases		1,785
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20. Program Decreases

a. The OIG funding had been increased by \$900 thousand in FY 2001 for public key infrastructure requirements. Funding for maintenance requirements not provided in outyears.	-900
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b. Reduction of 1 full-time equivalent staff	-86
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c. Decrease in workers compensation bill from	-83
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III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases:</u>	<u>Amount</u>	<u>Total</u>
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d. Decrease in funding for miscellaneous contracted support for administrative and other support	-120
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e. Anticipated reductions in payments to Defense	-40
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Working Capital Fund (DSS) based on
workload and efficiencies

f. Decrease in funding for furniture and copier replacement	-410	
g. Decrease in permanent change of station moves/funding	-40	
h. Decrease in alteration funding for space changes	-50	
i. Reduction in replacement for investigative and information technology equipment.	-437	
j. Civilian workforce restructuring decrease: streamline organization and reduce high level managerial personnel costs through replacement with career development hiring.	-94	
21. Total Decreases		-2,260
22. FY 2002 Budget Request		152,021

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IV. Performance Criteria and Evaluation:

Audit performance should be assessed in terms of impact on DoD programs. In FY 2000, the Office of the Assistant Inspector General for Auditing produced 194 reports, which identified potential monetary benefits of \$931.1 million. Several hundred recommendations were made and over 96 percent were implemented to improve the Department's operational effectiveness and protect assets from misuse. The Congress and senior DoD officials requested and used IG audit and evaluation reports on such significant matters as Year 2000 computer conversion, other information system projects, chemical and biological defense, contract pricing, maintenance, supply management, special acquisition programs, outsourcing decisions, communications, financial management, health care, environmental compliance, 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, virtually all of the audit effort is focused on the high risk areas like weapon and information systems acquisition, 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 48 such efforts, which are very beneficial, but do not result in reports that can be reflected in IG productivity statistics. Also, supporting those efforts reduces the number of operational audits and evaluations. The budget request funds the mandatory

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IV. Performance Criteria and Evaluation (Continued)

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 2000, the OIG issued 10 reports that contained recommendations for overall improvements and efficiencies in the audit process.

The basic criteria for evaluating the investigative operations of the Office of the Inspector General are indictments, convictions, fines, the amount of recoveries and restitutions; Hotline activities; policy and oversight reports issued; voluntary disclosures processed; and subpoenas processed. In FY 2000, fines, penalties, restitutions, and recoveries totaled \$816 million; indictments or charges against individuals or firms totaled 353 and convictions of persons or firms totaled 314. In FY 2000, the DoD Hotline handled an average of 1,250 calls and letters per month. There were 4 evaluation reports issued, 10 voluntary disclosures admitted and 25 closed, and 139 subpoenas issued.

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

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

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IV. Performance Criteria and Evaluation (Continued)

The basic criteria for evaluating the operations of the Office of Departmental Inquiries are the number of investigations conducted or oversights. In FY 2000, the office completed 148 investigations and performed oversight on 582 investigations by DoD components. Whistleblower protection for DoD service members remains a major focus of the organization, as well as the investigation of allegations against senior officials within the Department. The October 1998 revision to the Defense Authorization Act made significant changes to Title 10, U.S. Code, Section 1034, "Military Whistleblower Protection Act," which has increased the number of oversight reviews of investigations conducted by DoD components. To further the oversight role, the office continues to host training workshops on the conduct of military whistleblower reprisal investigations for representatives of the Military Services, the Joint Chiefs of Staff, and other defense agencies. Recent examples in the area of senior official inquiries include substantiated allegations of failing to properly investigate allegations of sexual harassment, conducting Government travel for primarily personal purposes, using Government property for personal benefit, and reprisal against a Service member for making a protected communication. As part of its responsibility to fully inform the President and Senate of adverse information concerning senior officials being nominated for promotion, reassignment, or other action, the office conducted 2,500 name checks on DoD senior officials in the past year. At the request of Members of Congress, the office also investigated allegations that senior DoD officials made false and deceptive statements during a congressional hearing.

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 conversion programs in DoD intelligence community agencies, National Intelligence

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Estimates of Prisoner of War/Missing in Action issues, measures to protect against the illicit transfer of sensitive technology, and unofficial cover practices with DoD. In FY 2000, 13 reports were issued.

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
<u>AUDIT</u>			
Reports issued	194	192	196
Potential monetary benefits (\$ Millions)	\$931.1	*	*
GAO surveys and reviews processed	226	225	240
GAO draft and final reports processed	296	300	340
Audit oversight reports	10	10	10
<u>CRIMINAL INVESTIGATIONS</u>			
Indictments and convictions	667	620	600
Fines/penalties/restitutions, etc. (\$ Millions)	\$816	\$450	\$400
Hotline calls/letters received	15,000	15,000	15,000
Substantive cases generated	2,000	2,000	2,000
Policy and Oversight Reports Issued	4	5	5
Voluntary disclosures admitted	10	8	8
Voluntary disclosures closed	25	20	20
Annual monetary benefits from disclosures (\$ Millions)	\$11	\$8	\$8
Subpoenas issued	139	225	225
<u>DEPARTMENTAL INQUIRIES</u>			
Special inquiries opened	150	160	170
Special inquiries closed	82	95	100
Special inquiries oversight	246	250	260
Program integrity opened	74	70	70
Program integrity closed	66	70	70
Program integrity oversight	336	350	350
<u>INTELLIGENCE REVIEW</u>			
Reports issued	11	12	12
Potential monetary benefits (\$ Millions)		*	*

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

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Budget Activity 4
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V. Personnel Summary:

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>Change FY 2001/2002</u>
<u>Active Military End Strength (Total)</u>	30	29	29	0
Officer	30	29	29	0
<u>Civilian End Strength (Total)</u>	1,201	1,245	1,206	-39
U.S Direct Hire	1,200	1,244	1,205	-39
Foreign National Indirect Hire	1	1	1	0
(Reimbursable Civilians Included Above (Memo))	(3)	(4)	(4)	0
<u>Active Military Average Strength (Total)</u>	30	29	29	0
Officer	30	29	29	0
<u>Civilian Workyears (Total)</u>	1,193	1,213	1,212	-1
U.S. Direct Hire	1,192	1,212	1,211	-1
Foreign National Indirect Hire	1	1	1	0
(Reimbursable Civilians Included Above (Memo))	(3)	(4)	(4)	0

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

	Change <u>FY 2000/FY 2001</u>			Change <u>FY 2001/FY 2002</u>			<u>FY 2002 ESTIMATE</u>
	<u>FY 2000 ACTUAL</u>	<u>PRICE GROWTH</u>	<u>PROGRAM GROWTH</u>	<u>FY 2001 ESTIMATE</u>	<u>PRICE GROWTH</u>	<u>PROGRAM GROWTH</u>	
Exec, General and Spec	102,896	4,395	1,361	108,652	4,591	205	113,448
Wage Board	22	1	22	45	2	0	47
Benefits to Former Employees	0	0	0	0	0	0	0
Voluntary Separation Inc Pay	0	0	0	0	0	0	0
Disability Compensation	375	0	103	478	0	-83	395
TOTAL CIVILIAN PERSONNEL	103,293	4,396	1,486	109,175	4,593	122	113,890
Travel	6,177	99	64	6,340	108	0	6,448
GSA Managed Equipment	242	4	4	250	4	-127	127
Other Fund Purchases							
Defense Public & Printing	115	13	-11	117	-2	4	119
DISA Info Services	128	-8	-44	76	-12	12	76
Communications Svcs (DISA)	73	0	1	74	10	111	195
DFAS	597	29	19	645	-30	5	620
Defense Security Service	536	9	-97	448	8	-40	416
TOTAL OTHER FUND	1,449	43	-132	1,360	-26	92	1,426
Transport - Commercial Land	328	5	85	418	7	-14	411
Other Purchases							
Foreign National Indirect	73	2	0	75	3	0	78
Rent Payments to GSA	9,122	530	190	9,842	240	43	10,125
Purchased Communications	1,799	29	53	1,881	32	-2	1,911
Rents (non-GSA)	98	2	0	100	2	0	102
Postal Services (U.S.P.S)	67	0	0	67	0	0	67
Supplies & Materials	1,893	30	31	1,954	33	-2	1,985
Printing & Reproduction	95	2	-1	96	2	-1	97

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	<u>Change</u> <u>FY 2000/FY 2001</u>			<u>Change</u> <u>FY 2001/FY 2002</u>			<u>FY 2002</u> <u>ESTIMATE</u>
	<u>FY 2000</u> <u>ACTUAL</u>	<u>PRICE</u> <u>GROWTH</u>	<u>PROGRAM</u> <u>GROWTH</u>	<u>FY 2001</u> <u>ESTIMATE</u>	<u>PRICE</u> <u>GROWTH</u>	<u>PROGRAM</u> <u>GROWTH</u>	
Equipment Maintenance	397	6	0	403	7	160	570
Facility Maintenance	397	6	99	502	9	-58	453
Equipment Purch (Non-Fund)	4,778	76	2,329	7,183	122	-194	7,111
Mgt and Prof Spt Svcs	242	4	-116	130	2	0	132
Other Intra-qovt Purchases	1,438	23	64	1,525	26	0	1,551
Other Contracts	4,590	76	1,044	5,710	101	-274	5,537
TOTAL OTHER PURCHASES	25,150	786	3,742	29,678	579	-538	29,719
TOTAL	136,478	5,333	5,620	147,431	5,265	-675	152,021