

Fiscal Year (FY) 2004/FY 2005 Biennial
Budget Estimates
Office of the Inspector General (OIG)
Appropriation



February 2003

OFFICE OF THE INSPECTOR GENERAL
 Fiscal Year (FY) 2004/FY 2005 Biennial Budget Estimates
APPROPRIATION HIGHLIGHTS

(Dollars in Millions)

<u>Appropriation Summary</u>	<u>FY 2002</u> <u>Actual</u>	<u>Price</u> <u>Growth</u>	<u>Program</u> <u>Growth</u>	<u>FY 2003</u> <u>Estimate</u>	<u>Price</u> <u>Growth</u>	<u>Program</u> <u>Growth</u>	<u>FY 2004</u> <u>Estimate</u>	<u>Price</u> <u>Growth</u>	<u>Program</u> <u>Growth</u>	<u>FY 2005</u> <u>Estimate</u>
Office of the Inspector General	149.957	+4.914	+5.214	160.085	+3.564	-1.200	162.449	+4.462	-0.456	166.455

Description of Operations Financed:

The Office of Inspector General (OIG) audits, inspects, and investigates the programs and operations of the Department of Defense (DoD). Additionally, the OIG recommends policies and conducts activities to promote economy, efficiency, and effectiveness in the DoD programs and operations by preventing and detecting fraud, waste and abuse. The OIG also informs the DoD management and Congress about the problems and deficiencies in programs and operations and the progress of corrective actions to overcome the identified problems and deficiencies. The OIG will continue transforming initiatives to target achieving: "One professional team of Inspectors, Auditors, and Investigators, inspiring by paradigm a culture of both accountability and intelligent risk-taking throughout the Department of Defense."

(Dollars in Millions)

<u>Appropriation Summary</u>	<u>FY 2002</u> <u>Actual</u>	<u>Price</u> <u>Growth</u>	<u>Program</u> <u>Growth</u>	<u>FY 2003</u> <u>Estimate</u>	<u>Price</u> <u>Growth</u>	<u>Program</u> <u>Growth</u>	<u>FY 2004</u> <u>Estimate</u>	<u>Price</u> <u>Growth</u>	<u>Program</u> <u>Growth</u>	<u>FY 2005</u> <u>Estimate</u>
Budget Activity 4: Administration and Servicewide Activities	149.957	+4.914	+5.214	160.085	+3.564	-1.200	162.449	+4.462	-.456	166.455

Narrative Explanation of Changes:

The budget includes \$162.4 million in FY 2004 for the OIG, which reflects an increase of \$3.56 million for price growth and a net decrease of \$1.2 million in program. The total civilian full-time equivalents (FTEs) will be 1,217, an increase of 13 FTEs, from FY 2003 to FY 2004. The budget includes additional funds (\$1.1 million) to meet increased financial statement audit workload demands related to the DoD improvements in financial management and stewardship of resources as measured by the goal of achieving auditable financial statements, increased security costs (\$0.2 million), workplace improvement (\$0.4 million), the increase in one paid day (\$0.4 million) and other information technology and miscellaneous increases (\$0.6 million). These increases are offset by the reduction in investigative equipment replacement and completion of information technology upgrades, replacement, and implementation of the electronic workflow system (-\$3.9 million).

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 Summary of Increases and Decreases
 (Dollars in Thousands)

		BA 4 <u>Total</u>
1. FY 2003 President's Budget Request		165,440
2. Congressional Adjustments (General Provision)	-8,275	
CSRS and Health Health Benefit		-8,275
3. Congressional Adjustments		0
4. FY 2003 Appropriated Amount		157,165
5. Proposed Supplementals		0
6. Transfers In		0
7. Transfers Out	-7	
Billing for DPAS transferred to the DLA to achieve efficiencies		-7
8. Price Change		0
9. Program Increases	+2,927	
Carry over of prior year Procurement Funds		2,927
10. Total Increases		0
11. Program Decreases		0
12. Total Decreases		0
13. Revised FY 2003 Current Estimate		160,085
14. Price Change		3,564
15. Transfers In		0
16. Transfers Out		0
17. Program Increases		
a. Increase in 13 audit FTEs to meet increased financial statement audit workload demands related to DoD improvements in financial management and stewardship of resources as measured by the goal of achieving auditable financial statements.	+1,111	

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 SUMMARY OF INCREASES AND DECREASES
 (Dollars in Thousands)

		<u>BA4 Total</u>
b. Increase in 1 paid day (262 paid days).	+390	
c. Increase in GSA rent bill to enhance security: commercial parking in leased building limited to DoD personnel; funding to cover costs for parking revenue losses to the landlord.	+228	
d. Increase in systems furniture requirements; workplace quality of life issue.	+355	
e. Increase in access and maintenance fees for the intelligence system communication requirement.	+209	
f. Increase due to life cycle system review and upgrade of the Defense Audit Management.	+300	
g. Increase in permanent change of station moves upgrade of the Defense Audit Management.	+75	
h. Increase in workers compensation bill.	+42	
18. Total Increases		2,710

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 SUMMARY OF INCREASES AND DECREASES
 (Dollars in Thousands)

19. Program Decreases	
a. Reduction in Electronic Workflow System funding and shift to operating cost.	-1,600
b. Reduction in IT replacement (procurement carryover into FY 2003).	-1,127
c. Reduction due to completion of Computer Network defense, SIPRNET connectivity. In FY 2003, 24 sites completed and the FY 2004 fees are offset by a reduction in equipment purchases.	-395
d. Reduction in replacement of investigative and information technology software and equipment.	-788
20. Total Decreases	-3,910
21. FY 2004 Budget Request	162,449
22. Price Growth	4,462
23. Program Increases	156
24. Program Decreases	-612
25. FY 2005 Budget Request	166,455

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Personnel Summary

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Change FY 2003-FY 2004</u>	<u>Change FY 2004-FY 2005</u>
<u>Active Military End Strength (Total)</u>	24	29	29	29	0	0
Officer	24	29	29	29	0	0
<u>Civilian End Strength (Total)</u>	1,200	1,227	1,225	1,227	-2	+2
U.S Direct Hire	1,199	1,226	1,224	1,226	-2	+2
FN Indirect Hire	1	1	1	1	0	0
(Reimbursable Civilians Included Above)	(0)	(2)	(2)	(2)	0	0
<u>Active Military Average Strength (Total)</u>	24	29	29	29	0	0
Officer	24	29	29	29	0	0
<u>Civilian FTEs (Total)</u>	1,217	1,204	1,217	1,217	13	0
U.S. Direct Hire	1,216	1,203	1,216	1,216	13	0
FN Indirect Hire	1	1	1	1	0	0
(Reimbursable Civilians Included Above (Memo))	(1)	(2)	(2)	(2)	0	0

**OFFICE OF THE INSPECTOR GENERAL
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Budget Activity 4**

Summary:

(Dollars in Thousands)

FY 2002	Price	Program	FY 2003	Price	Program	FY 2004	Price	Program	FY 2005
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
149,957	4,914	5,214	160,085	3,564	-1,200	162,449	4,462	-456	166,455

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 Office of Inspector General (OIG), Department of Defense (DoD), was established in accordance with the Inspector General Act of 1978, as amended (5 USC Appendix 3):

- (1) to conduct and supervise audits and investigations relating to the programs and operations of the establishments listed in section 11(2);
- (2) to provide leadership and coordination and recommend policies for activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations; and
- (3) to provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

In addition to the other duties and responsibilities specified in the Act, the Inspector General shall:

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Budget Activity 4

- (1) be the principal adviser to the Secretary of Defense for matters relating to the prevention and detection of fraud, waste, and abuse in the programs and operations of the Department;

I. Description of Operations Financed (continued):

- (2) initiate, conduct, and supervise such audits and investigations in the Department of Defense (including the military departments) as the Inspector General considers appropriate;
- (3) provide policy direction for audits and investigations relating to fraud, waste, and abuse and program effectiveness;
- (4) investigate fraud, waste, and abuse uncovered as a result of other contract and internal audits, as the Inspector General considers appropriate;
- (5) develop policy, monitor and evaluate program performance, and provide guidance with respect to all Department activities relating to criminal investigation programs;
- (6) monitor and evaluate the adherence of Department auditors to internal audit, contract audit, and internal review principles, policies, and procedures;
- (7) develop policy, evaluate program performance, and monitor actions taken by all components of the Department in response to contract audits, internal audits, internal review reports, and audits conducted by the Comptroller General of the United States;
- (8) request assistance as needed from other audit, inspection, and investigative units of the Department of Defense (including military departments); and
- (9) give particular regard to the activities of the internal audit, inspection, and investigative units of the military departments with a view toward avoiding duplication and insuring effective coordination and cooperation.

This FY 2004 budget request will enable reasonably adequate coverage of the Department's major functions and high-risk areas while the agency continues transformation efforts to improve operational effectiveness and efficiency. The request includes additional resources to support financial statement audits to assist in the Department's efforts to improve financial management and stewardship of resources. The funding change

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is a net increase of \$2.4 million. This increase is due to price growth (\$3.6 million) offset by program changes (-\$1.2 million). Program increases which include the increase

I. Description of Operations Financed (continued):

in financial statement audit support, 13 full-time equivalent staffing, the change in the number of paid days, increased rent costs for security protection, workplace quality of life furniture funding, the audit management system review and upgrade, and an increase in system access fees - offset by the reduction in replacement of investigative and information technology software and equipment (-3.9 million).

II. Force Structure Summary:

The Office of the Inspector General is reorganizing to more effectively fulfill its mission requirements. To streamline management, the previous Deputy Inspector General position has been abolished and the Assistant IGs have been given the added responsibility of "Deputy." In FY 2003, a new component, the Assistant Inspector General for Inspections and Policy, was established bringing together the offices of Audit and Investigative Policy and Oversight and the DoD Hotline and the Director for Intelligence Review was changed to the Assistant Inspector General for Intelligence. Continuing transformation efforts will target achieving: "One professional team of Inspectors, Auditors, and Investigators, inspiring by paradigm a culture of both accountability and intelligent risk-taking throughout the Department of Defense."

Auditing

The Office of the Assistant Inspector General for Auditing (OAIG-AUD) 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 have a major role in assessing the Department's efforts to achieve the President's Management Agenda, especially for financial performance. The auditors are

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providing exceptional effort in financial audits that will help OMB and DoD achieve goals to obtain an opinion in FY 2004. This is especially apparent in the extraordinary audit

II. Force Structure Summary (continued):

effort on the Corps of Engineers financial statements that required 120 auditors. 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. The OAIG-AUD 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.

Investigations

The Office of the Assistant Inspector General for Investigations (OAIG-INV) consists of the criminal and administrative investigative components of the OIG. The criminal investigative component is also known as the Defense Criminal Investigative Service (DCIS). The DCIS 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, anti-trust violations, cost-mischarging violations, bribery, corruption, technology transfer, product substitution, environmental crime, large-scale thefts of Government property from the Defense Reutilization Management Office, and health care provider fraud. The DCIS also develops information related to criminal investigations, identifies fraudulent activity, and promotes awareness in all elements of the DoD regarding the impact of fraud on resources and programs. The DCIS headquarters provides administrative support, oversight and operational guidance to the operating field elements. Through establishment of the Computer Crimes Program and active participation in both the Joint Task Force - Computer Network Operations, Law Enforcement/Counter Intelligence Center (LECIC) and the National Infrastructure Protection Center, DCIS has expanded our capability in detecting and investigative computer fraud. Under the DoD Computer Network Defense directive, the DCIS is responsible for the establishment and operation of the law enforcement portion of the LECIC databases. As a direct result of the Terrorist Attacks of September 11, 2001, the DCIS is participating in the Joint Terrorism Task Forces (JTTF) with the FBI throughout the U.S. to protect DoD programs and operations, specifically the DoD procurement system, through reactive and

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proactive investigative efforts. Through the efforts of the DCIS Special Operations and Intelligence Liaison Program, the DCIS involvement in technology transfer investigations

II. Force Structure Summary (continued):

has greatly expanded, specifically through the U.S. Customs Service Shield America Program. A new program, entitled the E-Business Program, has been established within DCIS Headquarters to deal with investigations in the area of electronic business (E-Business), and the Government Purchase Card Program. The support to the JTTF and the Shield America Program were undertaken with no corresponding increase in personnel resources. The Office of Departmental Inquiries was recently moved under the Deputy and Assistant IG for Investigations as part of the OIG reorganization. This office conducts non-criminal investigations into allegations of waste, mismanagement, whistleblower reprisal and senior official misconduct, and performs oversight on similar types of investigations conducted by the DoD components.

Inspections and Policy

The Office of the Assistant Inspector General for Inspections and Policy conducts inspections, manages the Defense Hotline, and provides oversight and policy for Audit and Investigative activities. The Office of Audit Policy and Oversight (APO) provides policy direction and guidance to and oversight for the Service and other Defense activities' audit organizations including Defense Contract Audit Agency and public accounting firms under the Single Audit Act. The APO also follows up on actions taken as a result of contract audit report recommendations and reports the results as required to the Secretary of Defense. The Office of Investigative Policy and Oversight (IPO) evaluates the performance of and develops and implements policy for the DoD law enforcement community and for the non-criminal investigative offices for the DoD. The IPO also manages the IG Subpoena Program for the defense criminal investigative organizations and administers the DoD Voluntary Disclosure Program, which allows contractors a means to report potential civil or criminal fraud matters. The DoD Hotline receives reports from DoD personnel and the public of allegations of fraud, waste, abuse of authority, 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

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provides oversight with respect to hotlines operated by inspectors general of other DoD components.

II. Force Structure Summary (continued):

Intelligence

The Office of the Assistant Inspector General for Intelligence reviews, evaluates, and monitors the programs, policies, procedures, and functions of the DoD Intelligence Community, primarily at the DoD, Service, and Combatant Command levels, ensuring intelligence resources are properly, effectively, and efficiently managed. The Office also, when appropriate, jointly evaluates intelligence issues with other Executive Branch organizations outside of DoD. Personnel in this office also coordinate and oversee the functions of the Intelligence Community Inspectors General Forum, serve as issue area coordinator for the DoD Joint Intelligence Oversight Coordination Group, serve as the DoD coordinator on all classified Whistleblower Protection Act cases, and monitor Service and agency reviews of security and counterintelligence within all DoD test and laboratory facilities.

Other Components, Office of the Inspector General

The Office of Congressional Liaison and Public Affairs (OCL and PA) is a staff element of the immediate Office of the Inspector General. As part of the OIG reorganization, the Director of the former "OCL" is dual hatted as the OIG Public Affairs Officer. Personnel in this component review and analyze pending and proposed legislation affecting the Department and the Inspector General, provide support for Inspector General witnesses who testify at congressional hearings, process responses to congressional correspondence, coordinate meetings with congressional staff, and implement a communication plan regarding public affairs issues.

The Office of Administration and Information Management reports on administrative support matters to the Inspector General. The Director for Administration and

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Information Management oversees three directorates: the Human Resources 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 (Dollars in thousands)

A. Activity Group

	<u>FY 2003</u>					
	<u>FY 2002 ACTUAL</u>	<u>BUDGET REQUEST</u>	<u>APPROPRIATION</u>	<u>CURRENT ESTIMATE</u>	<u>FY 2004 ESTIMATE</u>	<u>FY 2005 STIMATE</u>
AUDITING	68,868	73,849	73,849	67,752	70,763	72,587
Civ Pay	52,007	56,427	56,427	50,337	52,932	54,464
Travel	2,497	3,185	3,185	2,432	2,501	2,540
Other	14,364	14,237	14,237	14,983	15,330	15,583
INVESTIGATIONS	60,753	68,118	68,118	63,305	64,412	66,181
Civ Pay	46,548	51,846	51,846	48,132	49,260	50,780
Travel	2,930	3,512	3,512	2,916	2,958	3,005
Other	11,275	12,760	12,760	12,257	12,194	12,396
INSPECTIONS/POLICY	0	0	0	7,700	8,006	8,215
Civ Pay	0	0	0	6,023	6,299	6,480
Travel	0	0	0	143	146	149
Other	0	0	0	1,534	1,561	1,586
OTHER OIG	19,389	21,473	21,473	16,401	16,868	17,272
Civ Pay	15,163	17,155	17,155	12,528	12,959	13,300
Travel	291	328	328	243	249	252
Other	3,935	3,990	3,990	3,630	3,660	3,720

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	FY 2002 <u>ACTUAL</u>	FY 2003		CURRENT <u>ESTIMATE</u>	FY 2004 <u>ESTIMATE</u>	FY 2005 <u>STIMATE</u>
		<u>BUDGET REQUEST</u>	<u>APPROPRIATION</u>			
OPERATIONS TOTAL	149,010	163,440	163,440	155,158	160,049	164,255
Civ Pay	113,718	125,428	125,428	117,020	121,450	125,024
Travel	5,718	7,025	7,025	5,734	5,854	5,946
Other	29,574	30,987	30,987	32,404	32,745	33,285
PROCUREMENT	947	2,000	2,000	4,927	2,100	2,100
RDT&E					300	100
TOTAL	149,957	165,440	165,440	160,085	162,449	166,455

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III. Financial Summary (Dollars in thousands):

B. Reconciliation Summary:

	<u>Change</u> <u>FY 2003/2003</u>	<u>Change</u> <u>FY 2003/2004</u>	<u>Change</u> <u>FY 2004/2005</u>
1. Baseline Funding	165,440	160,085	162,449
a. Congressional Adjustments (Distributed)			
b. Congressional Adjustments (Undistr.)			
c. Congressional Adjustments (General Provision) Civil Service Retirement System and Health Benefit retiree accrual increase not appropriated	-8,275		
d. Congressional Earmarks			
e. Congressional Earmark Billpayers			
2. Appropriated Amount (Subtotal)	157,165	160,085	162,449
a. Adjustments to Meet Congressional Intent			
b. Across-the-board Reduction/Rescission			
3. Functional Transfers-In			
4. Other Transfers Out	-7		
5. Price Change		3,564	4,462
6. Program Change	2,927	-1,200	-456
7. Current Estimate	160,085	162,449	166,455

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III. Financial Summary (Dollars in thousands) Continued:

<u>C. Reconciliation of Increases and Decreases:</u>	<u>Amount</u>	<u>Total</u>
1. FY 2003 President's Budget Request		165,440
2. Congressional Adjustments (Distributed)		0
3. Congressional Adjustments (Undistributed)		0
4. Congressional Adjustments (General Provisions) Civil Service Retirement System and Health Benefit Retiree accrual funds not appropriated.		-8,275
5. Congressional Earmarks		0
6. FY 2003 Appropriated Amount		157,165
7. FY 2003 Recission		0
8. Transfers In		0
9. Transfers Out Non-Functional Transfer of Defense Property Accountability System (DPAS) funding to the DPAS program management office to achieve management efficiencies.		-7
10. Price Growth		0
11. Program Increases	2,927	

Procurement Funds Carryover (\$1,800)
 for the Electronic Workflow Project and

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III. Financial Summary (Dollars in thousands) Continued:

<u>C. Reconciliation of Increases and Decreases:</u>	<u>Amount</u>	<u>Total</u>
<p>(\$1,127) for other information technology hardware and software upgrade/replacement. The Electronic Workflow System (EWS) implementation is delayed until process review and economic analysis validates project implementation.</p>		
12. Total Increases		2,927
13. Program Decreases		0
14. Total Decreases		0
15. Revised FY 2003 Current Budget		160,085
16. Price Growth		3,564
17. Transfers In		0
18. Transfers Out		0
19. Program Increases		
a. Increase in 13 audit FTEs to meet increased financial statement audit workload demands related to the DoD improvements in financial management and stewardship of resources as measured by the goal of achieving auditable financial statements.	1,111	

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III. Financial Summary (Dollars in thousands) Continued:

<u>C. Reconciliation of Increases and Decreases:</u>	<u>Amount</u>	<u>Total</u>
b. Increase in 1 paid day (262 paid days).	390	
c. Increase in GSA rent bill to enhance security: commercial parking in leased building limited to the DoD personnel and funding to cover costs for parking revenue losses to the landlord.	228	
d. Increase in systems furniture requirements - workplace quality of life issue.	355	
e. Increase in access and maintenance fees for the intelligence system communication requirement.	209	
f. Increase due to life cycle system review and upgrade of the Defense Audit Management Information System (DAMIS).	300	
g. Increase in permanent change of station moves.	75	
h. Increase in workers compensation bill.	42	
20. Total Increases		2,710
21. Program Decreases		
a. Reduction in EWS funding and shift to operating costs.	-1,600	

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III. Financial Summary (Dollars in thousands) Continued:

C. <u>Reconciliation of Increases and Decreases:</u>	<u>Amount</u>	<u>Total</u>
b. Reduction in IT replacement (carryover actions into FY 2003).	-1,127	
c. Reduction due to completion of Computer Network Defense SIPRNET connectivity. In FY 2003 24 sites completed and in FY 2004 fees are offset by a reduction in equipment purchases.	-395	
d. Reduction in replacement of investigative and information technology software and equipment.	-788	
22. Total Decreases		-3,910
23. FY 2004 Budget Request		162,449
24. Price Growth		4,462
25. Transfers In		0
26. Transfers Out		0
27. Program Increases		
a. Increase in permanent change of station moves.	140	
b. Increase in workers compensation bill.	16	
28. Total Increases		156

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III. Financial Summary (Dollars in thousands) Continued:

<u>C. Reconciliation of Increases and Decreases:</u>	<u>Amount</u>	<u>Total</u>
29. Program Decreases		
a. Decrease in 1 paid day (261 paid days).	-403	
b. Decrease in development costs; DAMIS upgrade completed in FY 2004.	-200	
c. Miscellaneous supply reductions.	-9	
30. Total Decreases		-612
31. FY 2005 Budget Request		166,455

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IV. Performance Criteria and Evaluation:

The OIG key strategic planning goal is to contribute to improving DoD operations in support of DoD mission objectives by promoting the efficient, effective, and economical operation of the Department. The Audit component performance should be assessed in terms of impact on DoD programs. Various metrics are used to determine if program goals of quality, responsiveness and timeliness are being met. In FY 2002, the Office of the Assistant Inspector General for Auditing produced 148 reports, which identified potential monetary benefits of \$1.15 billion. 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 the IG audit and evaluation reports on such significant matters as homeland security, information system projects, readiness, chemical and biological defense, acquisition processes, information assurance, maintenance, supply management, use of government credit cards, financial management, health care, and environmental issues. The estimated number of audit reports is slightly lower for FY 2003 because of the increase in staff resources dedicated to financial audit opinions. The OAIG-Auditing is targeting an increase by 6 percent in the number of audit reports in FY 2004. In FY 2003 the baseline goal to complete an audit (start to final report issued) of 310 days will be reviewed. The OIG has a goal of improving audit cycle time by 3 percent.

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 ongoing military operations; 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, we would like to focus additional audit effort on the high-risk areas like weapon and information systems acquisition, contract management, and inventory management. However, this is becoming increasingly difficult. The Chief Financial Officer's Act of 1990, as amended by the Federal Financial Management Act of 1994, necessitates a large recurring commitment of auditors. The Intelligence Authorization Act for FY 2002 requires the IG to audit the form and content of the financial statements of the National Security Agency, National

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IV. Performance Criteria and Evaluation (Continued)

Imagery and Mapping Agency, and Defense Intelligence Agency. About 70 percent of our reports are required or requested by Congress, requested by senior DoD officials and required reviews of Hotline allegations of waste or abuse of resources. These required reviews limit resources for high-risk areas. The auditors are currently supporting 34 efforts to improve DoD processes, which are very beneficial, but do not result in reports that can be reflected in IG productivity statistics. Also, supporting those efforts reduce the number of operational audits and evaluations. The budget request funds the mandatory financial statement auditing requirements, but the level of effort in other high risk areas will be increasingly limited.

The basic criteria for evaluating the investigative operations of the Office of the Inspector General are indictments, convictions, fines, the amount of recoveries and restitutions, and the number of administrative investigations conducted or oversights. Through September 30, 2002, fines, penalties, restitutions, and recoveries totaled \$445.5 million; indictments or charges against individuals or firms totaled 360 and convictions of persons or firms totaled 253. Many of these cases were worked jointly with other law enforcement agencies and it is difficult to apportion "credit" for the results.

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

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IV. Performance Criteria and Evaluation (Continued)

In FY 2002, the Office of Departmental Inquiries completed 142 investigations and performed oversight on 646 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 the 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 using Government vehicles for unauthorized purposes, arranging official travel for personal benefit, taking official action to personally benefit a family member, wasting Government funds on quarters renovations, misusing enlisted aides, and failing to take action in a sexual harassment case. 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 2,678 name checks on DoD senior officials in the past year.

The basic criteria for evaluating the operations of the Inspections and Policy operations are the reviews conducted measured by the number of reports issued, the Hotline activities, voluntary disclosures processed, and subpoenas processed. The OIG conducts reviews to ensure the quality of the performance of other DoD audit agencies and outside public accounting firms and DoD law enforcement and criminal investigative agencies. In FY 2002, the OIG issued 7 reports that contained recommendations for overall improvements and efficiencies in the audit process and 7 criminal investigative policy and oversight reports. There were 6 voluntary disclosures admitted and 9 closed, and 45 subpoenas issued. In FY 2002, the DoD Hotline handled an average of 1,030 calls and letters per month.

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IV. Performance Criteria and Evaluation (Continued)

The Office of Assistant Inspector General for Intelligence 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 and national command authority. Reports are provided to DoD management and Congress on such critical issues as intelligence support to foreign material acquisition, combating terrorism, personnel recovery, and force protection for in-transit military forces. In FY 2002, 11 reports were issued.

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IV. Performance Criteria and Evaluation (Continued)

	<u>FY 2002 Actual</u>	<u>FY 2003 Estimate</u>	<u>FY 2004 Estimate</u>	<u>FY 2005 Estimate</u>
<u>AUDIT</u>				
Reports issued	148	132	140	140
Potential monetary benefits (\$ Millions)	1,152.8	*	*	*
Audit cycle time: goal 3% reduction in FY 2004				
GAO surveys and reviews processed	211	215	215	215
GAO draft and final reports processed	275	280	280	280
<u>CRIMINAL INVESTIGATIONS</u>				
Indictments and convictions	613	625	625	625
Fines/penalties/restitutions, etc. (\$ Millions)	455	350	350	350
<u>DEPARTMENTAL INQUIRIES:</u>				
Special inquiries opened	143	170	170	175
Special inquiries closed	80	100	110	115
Special inquiries oversight	248	260	265	270
Program integrity opened	67	70	70	75
Program integrity closed	62	70	70	75
Program integrity oversight	398	400	400	450
<u>INSPECTIONS/POLICY</u>				
Audit oversight reports	8	10	10	10
Criminal Investigative policy and oversight reports	6	5	5	5
Hotline calls/letters received	12,360	13,000	13,000	13,000
Substantive cases generated	2,000	2,200	2,000	2,000
Voluntary disclosures admitted	6	6	6	6
Voluntary disclosures closed	9	9	8	8
Annual monetary benefits from disclosures (\$ Millions)	4.3	2.5	2.5	2.5
Subpoenas issued	45	130	130	130
<u>INTELLIGENCE</u>				
Reports issued	11	12	12	12
Potential monetary benefits (\$ Millions)	0	0	0	*

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

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V. Personnel Summary:

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Change FY 2003/2004</u>	<u>Change FY 2004/2005</u>
<u>Active Military End Strength (Total)</u>	24	29	29	29	0	0
Officer	24	29	29	29	0	0
<u>Civilian End Strength (Total)</u>	1,200	1,227	1,225	1,227	-2	+2
U.S Direct Hire	1,199	1,226	1,224	1,226	-2	+2
Foreign National Indirect Hire	1	1	1	1	0	0
(Reimbursable Civilians Included Above (Memo))	(0)	(2)	(2)	(2)	0	0
<u>Active Military Average Strength (Total)</u>	24	29	29	29	0	0
Officer	24	29	29	29	0	0
<u>Civilian Workyears (Total)</u>	1,217	1,204	1,217	1,217	13	0
U.S. Direct Hire	1,216	1,203	1,216	1,216	13	0
Foreign National Indirect Hire	1	1	1	1	0	0
(Reimbursable Civilians Included Above (Memo))	(1)	(2)	(2)	(2)	0	0

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

	<u>FY 2002 ACTUAL</u>	<u>Change FY 2002/FY 2003</u>		<u>FY 2003 ESTIMATE</u>	<u>Change FY 2003/FY 2004</u>		<u>FY 2004 ESTIMATE</u>
		<u>PRICE GROWTH</u>	<u>PROGRAM GROWTH</u>		<u>PRICE GROWTH</u>	<u>PROGRAM GROWTH</u>	
Exec, General and Spec Schedule	113,280	4,410	-1,195	116,495	2,815	1,571	120,881
Wage Board	43	1	0	44	2	0	46
Benefits to Former Employees	0	0	0	0	0	0	0
Voluntary Separation Inc Pay	0	0	0	0	0	0	0
Disability Compensation	395	0	86	481	0	42	523
TOTAL CIVILIAN PERSONNEL COMPENSATION	113,718	4,411	-1,109	117,020	2,817	1,613	121,450
Travel	5,718	63	-47	5,734	86	34	5,854
GSA Managed Equipment	1,334	15	-769	580	9	355	944
Other Fund Purchases							
Defense Public & Printing	100	6	-5	101	-2	3	102
DISA Info Services	18	0	-6	12	0	0	12
DISA Communications Svcs	110	0	120	230	0	346	576
DFAS	602	-27	45	620	88	-81	627
Defense Security Service	307	24	34	365	11	-376	0
TOTAL OTHER FUND	1,137	3	188	1,328	97	-108	1317
Transport - Commercial Land	293	3	34	330	5	5	340
Other Purchases							

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	<u>Change</u> <u>FY 2002/FY 2003</u>			<u>Change</u> <u>FY 2003/FY 2004</u>			<u>FY 2004</u> <u>ESTIMATE</u>
	<u>FY 2002</u> <u>ACTUAL</u>	<u>PRICE</u> <u>GROWTH</u>	<u>PROGRAM</u> <u>GROWTH</u>	<u>FY 2003</u> <u>ESTIMATE</u>	<u>PRICE</u> <u>GROWTH</u>	<u>PROGRAM</u> <u>GROWTH</u>	
Foreign National Indirect	59	1	0	60	2	0	62
Rent Payments to GSA	11,368	239	-314	11,293	192	228	11,713
Purchased Communications (non-Fund)	2,236	25	121	2,382	36	1	2,419
Rents (non-GSA)	40	0	0	40	1	0	41
Postal Services (U.S.P.S)	18	0	0	18	0	0	18
Supplies & Materials	2,278	25	-103	2,200	33	-2	2,231
Printing & Reproduction	5	0	0	5	0	1	6
Equipment Maintenance	337	4	203	544	8	75	627
Facility Maintenance	425	5	270	700	10	0	710
Equipment Purch (Non-Fund)	3,806	42	5,588	9,436	142	-4,135	5,443
Mgt and Prof Spt Svcs	56	0	-56	0	0	0	0
Studies, Analysis & Eval	378	4	-132	250	4	0	254
Other Intra-govt Purchases	1,533	17	599	2,149	32	476	2,657
Other Contracts	5,218	57	741	6,016	90	257	6,363
TOTAL OTHER PURCHASES	27,757	419	6,917	35,093	550	-3099	32,544
TOTAL	149,957	4,914	5,214	160,085	3,564	-1,200	162,449

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	<u>Change</u> <u>FY 2004/FY 2005</u>			
	<u>FY 2004</u> <u>ESTIMATE</u>	<u>PRICE</u> <u>GROWTH</u>	<u>PROGRAM</u> <u>GROWTH</u>	<u>FY 2005</u> <u>ESTIMATE</u>
Exec, General and Spec Schedule	120,881	3,820	-263	124,438
Wage Board	46	1	0	47
Benefits to Former Employees	0	0	0	0
Voluntary Separation Inc Pay	0	0	0	0
Disability Compensation	523	0	16	539
TOTAL CIVILIAN PERSONNEL COMPENSATION	121,450	3,821	-247	125,024
Travel	5,854	94	-2	5,946
GSA Managed Equipment	944	15	-16	943
Other Fund Purchases				
Defense Public & Printing	102	0	1	103
DISA Info Services	12	0	0	12
DISA Communications Svcs	576	0	9	585
DFAS	627	27	-10	644
Defense Security Service	0	0	0	0
TOTAL OTHER FUND	1,317	27	0	1,344
Transport - Commercial Land	340	5	18	363
Other Purchases				
Foreign National Indirect Hire	62	2	0	64
Rent Payments to GSA	11,713	175	0	11,888
Purchased Communications (non-Fund)	2,419	39	-3	2,455

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	Change <u>FY 2004/FY 2005</u>			
	<u>FY 2004 ESTIMATE</u>	PRICE <u>GROWTH</u>	PROGRAM <u>GROWTH</u>	
Rents (non-GSA)	41	1	0	42
Postal Services (U.S.P.S)	18	0	0	18
Supplies & Materials	2,231	36	-29	2,238
Printing & Reproduction	6	0	0	6
Equipment Maintenance	627	10	-2	635
Facility Maintenance	710	11	0	721
Equipment Purch (Non-Fund)	5,443	87	3	5,533
Mgt and Prof Spt Svcs	0	0	0	0
Studies, Analysis & Eval	254	0	4	258
Other Intra-govt Purchases	2,657	37	11	2,705
Other Contracts	6,363	102	-193	6,272
TOTAL OTHER PURCHASES	32,544	500	-209	32,835
TOTAL	162,449	4,462	-456	166,455