Department of Defense
Office of the Inspector General

Department of Defense Inspector General Growth Plan
for Increasing Audit and Investigative Capabilities
Fiscal Years 2008 – 2015

March 31, 2008

This report was prepared for the defense committees as directed by the Committee on Armed Services, United States Senate, in the language of Senate Report 110-77, to accompany S. 1547, the National Defense Authorization Act for Fiscal Year 2008.
BACKGROUND

Senate Report 110-77, to accompany the National Defense Authorization Act (NDAA) for Fiscal Year 2008, addresses funding for the Office of the Inspector General, Department of Defense (DoD IG) stating that, “The committee is concerned that funding levels for this important independent audit and investigative function is not keeping pace with the demands for Inspectors’ General services in the global war on terror.”

The report also directs the IG to, “provide to the defense committees, by March 31, 2008, an analysis of the current and future personnel, organization, technology, and funding requirements of the OIG” to include, “a comprehensive and detailed master plan, with annual objectives and funding requirements, that provides the fastest possible increase in audit and investigative capabilities.”

In addition, Section 842, “Investigation of Waste, Fraud, and Abuse in Wartime Contracts and Contracting Processes in Iraq and Afghanistan,” of the Act (P.L. 110-181) requires the DoD IG to conduct, “thorough audits…to identify potential waste, fraud, and abuse in the performance of – Department of Defense contracts, subcontracts, and task and delivery orders for the logistical support of coalition forces in Iraq and Afghanistan.”

As a result of these concerns and due to the complex operational environment in Southwest Asia, we are establishing an Office for Strategic Plans and Operations for GWOT. The new component will focus on the Global War on Terror (GWOT) and other high value, high visibility assessment missions as assigned. Our Principal Deputy Inspector General will take on the additional responsibility of serving as the Special Deputy Inspector General for Strategic Plans and Operations for GWOT, and the current Director of the DoD IG Office of Strategic Initiatives will be appointed as the Assistant Inspector General for this new office.

Strategic Plans and Operations for GWOT will have component status with its own budget, personnel, and work space. Staffing for this office will be drawn from DoD IG personnel who will participate in integrated IG and interagency teams. These teams will address priority DoD and IG issues, such as the Global War on Terror and our presence in Southwest Asia. The establishment of this new office will supplement the efforts currently being undertaken by DoD IG components. This initiative is part of an ongoing Organizational Development Project that was initiated in January 2008 to assess corporate-level strategies, organizational alignments, geographical locations, personnel development, business practices, culture, and performance to best position the DoD IG to execute current, emerging and future missions.

Another initiative addressing the above-mentioned concerns was the realignment of internal core mission assets within the Office of the Deputy Inspector General for Auditing to form the Joint and Overseas Operations Directorate to support Southwest Asia audit operations. This expeditionary audit directorate was formed in November 2007 to address corruption, fraud, waste, and abuse in Southwest Asia; combat illegal and improper expenditures; and improve accountability of DoD resources that support
operations in Southwest Asia. To accomplish this mission, we expanded our presence in Qatar, Afghanistan, and Iraq; established a field office in Korea; and are establishing field offices in Germany and Hawaii.

The committee report also notes that within the last three years there has been “exponential growth in the number and cost of Department contracts for operations, procurement, research, and construction within the United States and around the world.” DoD contracts have increased from $241B in FY 2004 to $316B in FY 2007, increasing by $75 billion (31%) in the last three years.

The report further states that, “the nation’s annual defense costs have crossed the $500 billion mark, well beyond the annual budgets of just over $200 billion before the start of the GWOT in 2001. Despite this growth, the personnel strength of the OIG has remained nearly constant. The committee is concerned that the capabilities of the OIG are not keeping pace, in terms of qualified personnel, with the growth in the size of the defense budget and the numbers of contracts.”

As a result, the SASC recommended an increase of $10 million for FY 2008 for the DoD IG to start and accelerate the growth of the DoD IG. The DoD IG subsequently was provided additional funding in the amount of $24.0 million in the FY 2008 Department of Defense Appropriations Act (P.L. 110-116) to improve contract management oversight.

SUMMARY

This report contains the analysis of DoD IG future requirements to increase personnel by 481 full time equivalents (FTEs) above FY 2008 levels by FY 2015. This level of growth will increase FTEs from the current level of 1,437 to 1,918, and allow the DoD IG to increase audit and investigative capabilities to better keep pace with the growth of the DoD budget and number of contracts, and the increased demand for IG oversight related to the GWOT. This includes increasing FTEs by 235 in auditing, 125 in investigations, 19 in intelligence, 50 in policy and oversight, and 52 in administrative and support functions.

Based on our analysis, the funding requirement for the DoD IG for FY 2009 is $25.24 million above the level provided in the President’s Budget for FY09. That $25.24 million is directly linked to requests by Congress to increase both audit and investigative efforts regarding Southwest Asia and the Global War on Terror.

In FY 2009, we estimate that the President’s Budget will allow for an increase to 1,474 FTEs. This would account for 37 of the 481 FTEs outlined in our DoD IG growth plan through FY 2015, closing the gap for the desired end state to 444 FTEs, but falling 134 short of the 1,608 FTEs that we require for FY 2009 in order to provide the fastest possible increase in our audit and investigative capabilities. Additional FY 2009 funding will allow us to continue to increase our oversight efforts related to GWOT, contract
management and acquisitions; and would support DoD IG audits conducted in response to Sec. 842 of the FY 2008 NDAA, as mentioned above.

The majority of the total increase in FTEs identified in this report, 360 out of 481, will be for audit and investigative personnel to insure the fastest possible increase in audit and investigative capabilities as directed by the committee in the language of S. Rept. 110-77. The remaining 121 positions largely consist of personnel in areas that support the audit, investigative, and oversight functions, such as inspections, assessments, evaluations, policy, procurement, quantitative analysis, human resources, logistics, information technology, and training.

The $24.0 million in additional funding that was provided to the DoD IG in the Fiscal Year 2008 Department of Defense Appropriations Act has allowed us to begin working towards our goals to increase our oversight capabilities by increasing our FTEs from 1,387 in FY 2007 to 1,437 in FY 2008. This has enabled us to dedicate more audit and investigative resources to provide oversight related to GWOT and acquisitions, and expand our presence in Southwest Asia. We have expanded our presence in Qatar, Afghanistan, and Iraq; and are establishing new field offices in Germany, Korea and Hawaii.

The table below depicts our projected future personnel requirements in terms of full time equivalents (FTEs) for Fiscal Years 2009 through 2015, as well as the current FTE level based on the FY 2009 President’s Budget.

**Total Full Time Equivalents (FTEs)**
FY 2009 President’s Budget and FY 2009-2015 FTEs Requested

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<thead>
<tr>
<th></th>
<th>FY09 PB</th>
<th>FY09 IG Request</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
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<tbody>
<tr>
<td>DoD IG FTEs</td>
<td>1,474</td>
<td>1,608</td>
<td>1,703</td>
<td>1,782</td>
<td>1,856</td>
<td>1,887</td>
<td>1,903</td>
<td>1,918</td>
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</tbody>
</table>

Functional breakouts of our analysis of future requirements, including FTE’s, are addressed in separate sections of this report and include: Auditing; Investigations; Intelligence; Policy & Oversight; and Administration & Management/Other.

This growth will enable us to perform our statutory duties and to provide additional coverage of the high risk and high impact areas of DoD contracting, major weapons system acquisitions, information technology, information security, human capital, charge cards, personnel and medical readiness, financial management, and homeland security. It will also allow for enhanced investigative support to Joint Terrorism Task Forces (JTTFs) located throughout the United States; establishment of new offices in geographic locations that have been previously neglected due to limited staffing; enhanced investigative support to the GWOT; and increased emphasis on investigating crimes in areas that have dropped in priority and have been largely neglected because of the new demands of today’s environment.
The rapid growth of the DoD budget since FY 2000 leaves the Department increasingly more vulnerable to the fraud, waste, and abuse that undermines the Department’s mission. At the same time, our ability to adequately cover high-risk areas and Defense priorities has become strained due to the fact that our staffing levels have remained nearly constant during this period while the nation’s annual defense costs have grown from less than $300 billion to more than $600 billion. Furthermore, the demand for IG services to support the GWOT and the ongoing operations in Southwest Asia has forced us to adjust priorities, resulting in gaps in coverage in important areas, such as major weapon systems acquisition, health care fraud, product substitution, and Defense intelligence agencies. As the delta between the resources of the Department and the DoD IG grows, it will continue to stretch our resources and affect our ability to be an effective oversight function and control for the Department of Defense, and could ultimately impact our ability to provide adequate coverage of services related to the GWOT.

Our analysis of current and future personnel, organization, technology, and funding requirements for the DoD IG included a review of our current staffing level and structure, our current funding level, and our current workload. We identified areas that we believe lack critical coverage and identified areas where we believe additional coverage would be of greatest value to the Department.

We developed a comprehensive plan, with annual objectives and funding requirements that provides the fastest possible increase in audit and investigative capabilities. The plan considers our ability to recruit, train, and retain qualified personnel, and the time and resources necessary to obtain infrastructure at new locations or add infrastructure to existing locations.

**Growth of DoD Budget**

![Growth of DoD Budget Chart](chart.png)

We share the committee’s concerns that the capabilities of the DoD IG are not keeping pace, in terms of qualified personnel, with the growth in the size of the defense
budget and the numbers of contracts. DoD’s total budget authority has increased from $290 billion in FY 2000 to $602 billion in FY 2007, including GWOT supplemental funding. Despite this growth in the DoD’s budget and the demand for IG services in the GWOT, DoD IG strength has only increased moderately during this same period, as depicted in the preceding chart. Expressed as a ratio in inflation adjusted constant dollars, the DoD budget authority per DoD IG personnel has increased by $113M, from $320M to one in FY 2000 to $433M to one in FY 2007. This trend shows an increasing gap between resources and oversight which results in a corresponding increase in risk for fraud, waste, and abuse to occur. The proposed increases in FTEs outlined in this plan are intended to provide the necessary coverage to mitigate these risks.

Return on Investment

Auditors and investigators add value by helping to manage and control risk, and detect and deter fraud, waste, and abuse. The right number and mix of controls decreases the likelihood of fraud, waste and abuse in the Department. The DoD IG also promotes change and reform in DoD processes, programs and operations resulting in greater economies and efficiencies.

During the period of October 1, 2004 through September 30, 2007, DoD IG auditors identified $3.476 billion in monetary benefits, an average of $5.2 million per auditor. Achievement of monetary benefits is largely unpredictable, and predictions of future achievements should not be based on prior accomplishments. However, it is reasonable to expect that there are greater chances of achieving monetary benefits if more resources are dedicated to conducting audits.

In FY 2006 and FY 2007, Defense Criminal Investigative Service (DCIS) investigations resulted in 770 criminal indictments, 644 convictions, and over $3.14 billion in criminal, civil, and administrative recoveries. Excluding headquarters and field managers, this is an average of $6.24 million per agent, per year. Since its creation, DCIS has participated in cases that have resulted in over $12.4 billion in criminal, civil, and administrative recoveries.

DoD IG auditors issued 359 audit reports from October 1, 2004, through September 30, 2007, and DoD Managers concurred with 98% of the recommendations made by DoD IG auditors in reports issued during this period.

DoD IG auditors also provide audit coverage of congressionally requested projects and projects required by statute. Further, DoD IG auditors improve DoD business operations, promote compliance with laws and regulations, improve national security, and improve the effectiveness of the care and safety of service members.
Growth of the DoD IG

The requested increase through 2015 will enable us to continue to support congressional and DoD management requests while expanding coverage of DoD contracting, major acquisition programs, contracts and operations associated with the GWOT, information technology acquisition, and DoD’s efforts to improve its financial management, to include audits that we plan to conduct regarding DoD financial statements in support of the Department’s financial improvement and audit readiness (FIAR) plan. Increased coverage of these areas also supports the President’s Management Agenda and GAO high risk areas. A discussion of coverage for GWOT, along with an analysis by functional area of projected future requirements for expanded coverage follows.

Global War on Terror and Joint and Overseas Operations

As stated previously, we are establishing an Office for Strategic Plans for GWOT and Operations that will focus on the Global War on Terror and other high value, high visibility assessment missions as assigned. Our Principal Deputy Inspector General will take on the additional responsibility of serving as the Special Deputy Inspector General for Strategic Plans and Operations for GWOT, and the current Director of the DoD IG Office of Strategic Initiatives will be appointed as the component’s Assistant Inspector General.

Strategic Plans and Operations for GWOT will have component status with its own budget, personnel, and work space. Staffing for this office will be drawn from DoD IG personnel who will participate in integrated IG and interagency teams. These teams will address priority DoD and IG issues, such as the Global War on Terror and our presence in Southwest Asia. The establishment of this new office will supplement the efforts currently being undertaken by DoD IG components. This initiative is part of an ongoing Organizational Development Project that was initiated in January 2008 to assess corporate-level strategies, organizational alignments, geographical locations, personnel development, business practices, culture, and performance to best position the DoD IG to execute current, emerging and future missions.

We also have plans to enhance investigative support to GWOT through investigations of fraudulent activity and corruption related to DoD operations in Southwest Asia, to include Operation Iraqi Freedom and Operation Enduring Freedom. DCIS currently deploys 2 agents for six months to each Southwest Asia location: Bagdad, Kuwait City, Bagram Airfield, Afghanistan. Additional staffing would allow for the creation of a permanent Southwest Asia Field Office with expanded staff to meet personnel requirements as the mission demands.

In November 2007, The Office of the Deputy Inspector General for Auditing realigned internal core mission assets to form the Joint and Overseas Operations Directorate to support Southwest Asia audit operations. This expeditionary audit
The directorate is comprised of approximately 30 people to address corruption, fraud, waste, and abuse in Southwest Asia; combat illegal and improper expenditures; and improve accountability of DoD resources that support operations in Southwest Asia. To accomplish this mission, we expanded our presence in Qatar, Afghanistan, and Iraq, and are establishing field offices in Germany, Korea and Hawaii.

We have adopted a strategy that is based on maintaining a presence in-theater but which also recognizes that much of our work can be done out of Iraq. An important part of our oversight effort is to improve inter-service and interagency coordination and collaboration to minimize duplication of effort and ensure that we have only the staff needed in-theater to accomplish the mission.

We have also adopted an expeditionary workforce model to support efforts throughout all of Southwest Asia. We have core staff forward deployed at all times. The core contingent is comprised of individuals serving between 6 and 12 month deployments. Expeditionary team members will deploy for as long as needed, but no longer. The actual number of auditors, investigators, and inspectors in Southwest Asia and Iraq fluctuates on a daily basis depending on requirements.

We will continue to increase our presence in Southwest Asia in 2009. Thanks to congressional support, we are now dedicating more audit and investigative resources to provide oversight on munitions control and accountability, acquisition, corruption, waste, fraud, abuse, and expanding our footprint in all of Southwest Asia. We are requesting additional FTEs in FY 2009 which will enable us to further expand our coverage.

In FY 2009 we plan to increase the audit staff in Korea, Germany, Hawaii and Florida. Our efforts in Korea will be focused on the major restructuring of the current force structure. Our Germany office is being staffed to provide audit support regarding EUCOM’s transition as it restructures and shifts some responsibilities and resources to AFRICOM, and to support our efforts in Southwest Asia. Our focus in Hawaii will be to provide oversight of planned force restructure of the Marines from Japan to Guam and in strengthening and rebalancing US forces in the Pacific.

Our plan to staff a Florida office in Tampa is to co-locate with SOCOM and CENTCOM HQ command element to provide oversight and support to CENTCOM for its efforts in Southwest Asia. We will also support SOCOM in their efforts in the GWOT by providing oversight of their increased funding (from $3.8 billion in FY 2001 to $6.02 billion in FY 2008) to support an expanded mission and increased size of forces.

Additional resources would enable us to increase coverage of:

- Contract surveillance
- Service contracts and multiple award schedule contracts
- Military construction requirements
- Contracts in support of the GWOT
- Logistics audits
• Equipment status
• Foreign military sales administration
• Collection, analysis, and dissemination of tactical intelligence to combatant field commanders
• Combat engineer support in the Iraqi and Afghani theaters of operations
• Ammunition resupply operations in the U.S. Central Command
• Cost controls over the movement of cargo
• Controls over hazardous and fissile materials
• Direct and general support maintenance operations in a field environment
• Sustainment planning for military operations
SUMMARY OF FUTURE PERSONNEL AND BUDGET REQUIREMENTS

DoD IG Full-Time Equivalents (FTEs) and Projected Budget

<table>
<thead>
<tr>
<th>Functional Area</th>
<th>FY09 PB</th>
<th>FY09 IG Request</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
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<td>Audit</td>
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<tr>
<td>DoD IG Total</td>
<td>1,474</td>
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<td>1,703</td>
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<td>1,887</td>
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<td>1,918</td>
</tr>
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</table>

*Functional transfer under review

The table above depicts our projected future personnel requirements in terms of full time equivalents (FTEs) for Fiscal Years 2009 through 2015, as well as the current FTE level based on the FY 2009 President’s Budget. FTE requirements are broken out by functional areas and shown in total, along with tallies of annual and cumulative growth and the estimated annual budget amounts required to achieve the desired level of growth based on future requirements.

Functional breakouts of our analysis of future requirements, including FTEs, are addressed in the following pages of this report and include: Auditing; Investigations; Intelligence; Policy & Oversight; and Administration & Management/Other. This analysis includes a risk assessment, objectives, return on investment, and summary of future requirements for each functional area.
AUDITING

Future Personnel Requirements

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<tr>
<td>Total FTEs</td>
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<td>731</td>
<td>796</td>
<td>844</td>
<td>873</td>
<td>888</td>
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<td>Cumulative Growth</td>
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Risk Assessment:

- Capabilities of the DoD IG auditors are not keeping pace, in terms of qualified personnel, with the growth in the size of the defense budget and the numbers of contracts.

- The continual degradation of audit resources that is occurring at a time when the DoD budget is growing larger leaves the Department more vulnerable to fraud, waste, and, abuse and undermines the Department’s mission. Our coverage of high-risk areas and Defense priorities is weakened and will continue to be weakened by insufficient personnel to accomplish our statutory duties. Consequently, this weakened state affects our ability to be an effective oversight function and control for the Department.

- DoD’s total obligation authority was $287 billion in FY 2000 and had risen to $439.5 billion in 2007, an increase of $152.5 billion. Despite this growth, DoD IG audit strength had modestly grown.

- The ratio of DoD IG auditors to the Defense budget has declined significantly. In FY 2000, the DoD IG had 615 auditors and DoD obligation authority was $287.5 billion. Expressed as a ratio, there was one DoD IG auditor for each $467 million of the defense budget. In FY 2007, the ratio grew even larger. There was one DoD IG auditor for each $657 million of the Defense budget.

- We currently are not able to provide sufficient audit coverage of DoD acquisition programs given the dollars expended by the Department. The current estimated value of DoD major weapon system acquisitions is $2.3 trillion, including research, development, testing and evaluation (RDT&E); and the Department’s total spending for all contracts in FY 2007 was $316 billion. Our current resources enabled us to provide audit coverage on 58 acquisition programs during FY 2007, totaling $164 billion in value, including RDT&E.
Objectives:

- Expand coverage of DoD contracting, major acquisition programs, contracts and DoD operations associated with the GWOT, information technology acquisition, and audits in support of DoD financial statements. Many of these areas also support the President’s Management Agenda and GAO high risk areas.
- Continue to increase our presence in Southwest Asia, dedicating more resources to provide oversight on munitions control and accountability, acquisition, corruption, fraud, waste, and abuse; expanding our footprint in all of Southwest Asia.
- Increase GWOT contracting reviews and support the Wartime Commission on Contracting.

Return on Investment:

- During the period of October 1, 2005 through September 30, 2007, DoD IG auditors identified $1.362 Billion in monetary benefits, an average of $2.2 million per auditor.
- DoD IG auditors issued 247 audit reports from October 1, 2005, through September 30, 2007, and DoD Managers concurred with 98% of the recommendations made by DoD IG auditors in reports issued during this period.
- DoD IG auditors improve DoD business operations, promote compliance with laws and regulations, improve national security, and improve the effectiveness of the care and safety of service members.

Summary of Future Requirements:

The DoD IG prepares an annual audit plan at the beginning of each fiscal year and provides coverage of all DoD organizations, programs, activities, and functions as an integral part of the DoD management system, taking into consideration available resources, the President’s Management Agenda, DoD top priorities, and GAO high-risk areas. Audit topics are determined by law, requests from the Secretary of Defense and other DoD leadership, Hotline allegations, congressional requests, and DoD IG risk analysis of DoD programs. We place a significant focus on projects related to the Department’s continued operations associated with the GWOT. We provide audit coverage over many DoD programs, processes, and operations to include such areas as:

- Acquisition and Support of Weapon Systems
- Research, Development, Test, and Evaluation Programs and Activities
- Award and Administration of DoD Contracts
- Acquisition of Information Technology Systems
- Military Construction (including BRAC efforts)
- IT Security, Privacy and Information Assurance
- GWOT Funding and Operations
- Forces Management
Our ability to provide discretionary (risk-based) coverage is reduced, however, by the amount of work we are required to perform by statute and other management requests. In FY 2007, about 31% of the reports that we issued were mandated and another 18% were requested by Congress or DoD managers, as is illustrated in the following graph.

![FY 2007 Audit Reports](image)

_Less than half of the audit workload in FY 2007 was discretionary (risk-based)._  

Additional audit coverage is needed in the following areas given the large dollar values of the programs and inherent associated risks. Our plans to provide additional coverage in these areas are highlighted in this report:

- Major Weapon System Acquisitions (estimated acquisition value of $2.3 Trillion)
- DoD Contracting (Information Technology, RDT&E, Contracting Quality Control/Assurance, Services Contracting, Contract Administration, Contract Performance Based Logistics, Small Business, Logistics Support, Health Care)
- BRAC MILCON – Implementation of BRAC Recommendations
- Information Assurance and Information Security
- Supply Chain Management, Transportation, and Equipment Maintenance
- Human Capital, Health Care, and Quality of Life Issues
We currently are not able to provide adequate audit coverage of DoD acquisition programs given the dollars expended by the Department. The current estimated value of DoD major weapon system acquisitions is $2.3 trillion, including research, development, testing and evaluation (RDT&E); and the Department’s total spending for all contracts in FY 2007 was $316 billion. Our current resources enabled us to provide audit coverage on 58 acquisition programs during FY 2007, totaling $164 billion in value, including RDT&E.

The major weapon system acquisition audits we conducted from 2005 through 2007 resulted in $2.5 billion being put to better use. Additional resources would allow us to expand our coverage of such programs and potentially identify significant savings.

Oversight of DoD contracts needs to be strengthened. The number of DoD IG auditors conducting contract audits has not kept pace with the value of DoD contracts. The following graph shows the increase in contract dollars compared to the decrease in DoD IG auditors performing oversight of DoD contracts.

\[
\text{DoD Contract Dollars vs. DoD IG Contract Auditors}
\]

In FY 97, there was 1 DoD IG auditor for each $642 million in DoD contracts. By 2007, the ratio had declined to 1 DoD IG auditor for each $2.03 billion in DoD contracts.
Additional resources would also promote support for additional GWOT contracting reviews and audits in support of Section 842 of the NDAA for FY 2008. Since 2005, the Office of the Deputy Inspector General for Auditing has realized about $45 million in benefits per acquisition and contracting auditor.

Additional resources are also required to fund the hiring of an additional 45 staff members in the Defense Financial Auditing Service in support of audits related to DoD’s efforts to improve its financial management operations and related internal controls. We plan to add 6 staff members in support of financial management operations at DoD intelligence organizations. Auditors hired to perform work in this area must be cleared to perform work in intelligence areas. The demand for cleared personnel will increase as other agencies with classified information assert audit readiness.

We also plan to staff our Cleveland audit office with 15 additional auditors to focus primarily on systems transformation and systems acquisition. Increased support on contracts associated with the GWOT is also a priority and we plan to add 7 auditors to focus on fraud auditing in this area. The additional staff would be assigned to the Columbus field office, in close proximity to the DoD center where the majority of DoD contract payments originate.

We also intend to hire 2 additional auditors for our headquarters operation to oversee the multiple award contract for independent public accounting firms to conduct DoD financial statement work. After the new contract is awarded, the staff will focus on the increasing contracting workload—especially the financial management segment attestation engagements. Another 15 auditors will be hired to audit the financial management operations and related internal controls at the Other Defense Organizations. There are approximately 50 DoD entities that comprise Other Defense Organizations and our workload will increase as they assert audit readiness. In addition, we plan on expanding our fraud auditing capabilities by adding an additional team to augment our contract payments division. We plan to locate these auditors in our Columbus office.

Our growth plan in the area of financial management and the audits that we plan to conduct in support of DoD financial statements are in concert with the Department’s financial improvement and audit readiness plan (FIAR). The FIAR is a roadmap to fix internal controls and correct financial processes to provide reliable, timely, and auditable information to decision makers and prepare for financial statement audits. Improvements in DoD financial management including internal controls and processes will ultimately lead to DoD producing Financial Statements that are auditable. At this time DoD IG Defense Financial Auditing Service is devoting a significant portion of its resources to auditing DoD’s internal control and financial processes. We also are conducting SAS 70 audits of the systems at various service providers. The weaknesses that affect the ability to audit the financial statements also impact other DoD programs and operations and contribute to waste, mismanagement, and inefficient use of DoD resources.

At this time less than 15 percent of our resources are spent on the audits of the Financial Statements. Some of the examples of the audits involving internal controls and
financial processes include: Cash and Other Monetary Assets, Military Equipment, Inventory, and Real Property. We also have compliance with laws and regulations audits that we must conduct and report out to Congress. The audits have a direct impact to DoD moving forward with its FIAR plan and include such areas as Improper Payments and Government Purchase Cards.

We also plan to expand our audits of the systems. We will need to continue SAS 70 work including FISCAM; however we need to ensure that the development, testing, and implementation of systems are going to meet the requirements of DoD. We would start to look at the acquisition process of systems including both planning and implementation. Unless the financial management systems contain appropriate internal controls, and produce reliable, timely, and usable information for various decision makers that is auditable, sustaining these efforts will become unaffordable in the Department. We are using the FIAR Plan to focus on the systems that we will conduct our audits over the coming years.

Additional resources would also support the hiring of an additional 25 auditors to enhance coverage of DoD readiness and logistics initiatives. We intend to provide increased oversight of policies and procedures for material readiness; sustainment support of major weapon systems; and support of combat support equipment. Additional coverage is also needed in the area of maintenance of DoD equipment. DoD spends about $27 billion annually at the depot level for maintenance and about $54 billion at the field level.

Coverage of human capital and quality of life issues would also be increased. With pending workforce retirements, it is critical that DoD properly plan for the future and provide viable transition services. Healthcare contracts, fraud detection and information assurance/technology are also areas that pose considerable risk to the Department. We also intend to enhance coverage of the Department’s $12 billion a year in sales to foreign militaries.
INVESTIGATIONS

Future Personnel Requirements

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<th>FY09 PB</th>
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The Office of the Deputy Inspector General for Investigations (INV) is comprised of the investigative components of the DoD IG -- the Defense Criminal Investigative Service (DCIS) and the Office of the Assistant Inspector General for Administrative Investigations.

Administrative Investigations (AI) is comprised of three directorates: Investigations of Senior Officials (ISO), Military Reprisal Investigations (MRI), and Civilian Reprisal Investigations (CRI)

Risk Assessment:

Defense Criminal Investigative Service

- Inability to obtain additional resources and to establish additional offices will result in undetected or inadequately investigated criminal activity and significant financial loss to the DoD, as follows:
  - Failing to adequately staff Joint Terrorism Task Forces (JTTFs) means that DoD personnel, facilities, and assets are more vulnerable to terrorist activities because insufficient DCIS agents are assigned to focus JTTF activities and resources on DoD interests.
  - Technology/Munitions theft and diversion crimes cannot be adequately investigated allowing these items to fall into the hands of those that would do the United States harm. Undercover operations (UCOs) to detect these crimes are manpower intensive and leave offices short-handed when agents are dedicated to UCOs.
- Inadequate coverage of health care fraud (not currently a DCIS priority) because of deficient staffing puts service members and their families at risk and allows millions of dollars to be stolen.
- Increased attacks on the Global Information Grid cannot be adequately investigated and deterred.
- Preventative measures cannot be adequately performed, such as facilities security assessments, mission and fraud indicators briefings, and development of sources.

Administrative Investigations

- While allegations against senior officials and whistleblower reprisal complaints have greatly increase over the past years, staffing levels for ISO, MRI and CRI have remained static or decreased, which has directly impacted the DoD IG’s mission for resolving complaints in a timely manner. Without additional FTEs, case cycle times will continue to increase for ISO, MRI and CRI to resolve whistleblower reprisal allegations and complaints against senior officials. For example, military whistleblower reprisal complaints have increased 68% in 10 years (315 to 528) but MRI staffing has decreased from 22 to 19 during that same period.

Objectives:

Defense Criminal Investigative Service

- Enhance investigative support to Joint Terrorism Task Forces – now over 100 JTTFs located through the country. Currently DCIS can only support approximately 42, often on a part-time basis.
- Open offices in South Korea (co-locate with Audit-not previously identified as requirement); Puerto Rico; Louisville, Kentucky; Detroit, Michigan; Boise, Idaho; and San Jose, California.
- Enhance investigative support to GWOT through investigations of fraudulent activity and corruption related to DoD operations in Southwest Asia, to include Operation Iraqi Freedom and Operation Enduring Freedom. DCIS deploys 2 agents for six months to each Southwest Asia location: Bagdad, Kuwait City, Bagram Airfield, Afghanistan. Additional staffing would allow the creation of a permanent Southwest Asia Field Office with agents, analysts, and administrative employees.
- Enhanced emphasis on investigative areas: health care fraud, defective pricing, product substitution, and other economic crimes; environmental crimes, identity protection, and thefts, DRMO-related crimes and facilities security.
Administrative Investigations

- **Investigations of Senior Officials:** The most critical objective for ISO is to expeditiously investigate allegations against the most senior DoD officials and also oversight Service IG investigations of other senior officials.

- **Military Reprisal Investigations:** A key objective for MRI is to decrease case cycle time for resolving reprisal complaint submitted by members of the Armed Forces, non-appropriated fund employees (NAF) and Defense contractor employees. In addition, MRI is the DoD component responsible for establishing policies and procedures for investigating and approving all whistleblower reprisal statutes submitted for members of the Armed Forces.

- **Civilian Reprisal Investigations:** The DoD IG established CRI in 2004 in response to congressional concern that DoD civilian appropriated fund employees to increase whistleblower protection for civilian appropriated-fund employees, particularly accepted-service employees not covered under Title 5 protections. The goal of CRI is to increase its assistance to DoD civilian whistleblowers, conduct investigations and educate DoD Components on whistleblower rights.

**Return on Investment:**

**Defense Criminal Investigative Service**

- DCIS uses several methods to evaluate performance. The most significant of which is the importance of the matter under investigation, for example, stopping the attempt to export aircraft parts that may be used by adversaries against American warfighters, preventing infiltration of military installations by suspected terrorists, or stopping a doctor from prescribing and conducting unnecessary surgeries on DoD family members.

- DCIS also monitors indictments, convictions, fines, recoveries, restitution, and the percentage of cases accepted for prosecution to ensure consistency in effort and historical output and the resourceful use of assets. In FY 2006 and FY 2007, DCIS investigations resulted in 770 criminal indictments, 644 convictions; and over $3.14 billion in criminal, civil, and administrative recoveries (excluding headquarters and field managers, an average of $6.24 million per agent, per year). These investigative results exceeded all previous accomplishments.

- Since its creation, DCIS has participated in cases that have resulted in over $12.4 billion in criminal, civil, and administrative recoveries.

**Administrative Investigations:**

- **Investigations of Senior Officials:** Twenty-eight percent of investigations conducted by the ISO in FY 2006 had significant media, SECDEF, or congressional interest, with results provided directly to the SECDEF or members of Congress. Although
ISO is widely praised for the thoroughness of its investigative work and superior quality of reports, lengthy case cycle time has been a persistent challenge. With an additional investigator, ISO average case cycle time will shrink below the current 7 months average. Improved case completion time will result in increased DoD and congressional confidence in the DoD IG capabilities, and more expeditious resolution for the individuals involved. The importance of ISO’s capability to ensure a timely resolution of complaints against senior officials cannot be overemphasized. For example, ISO reported that over 18 percent of substantiated allegations against senior officials resulted in immediate removal from command, reprimands, reductions in rank, and reimbursement to the Government. Further, 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, ISO conducted over 10,000 name checks on DoD senior officials in the past year.

- Military Reprisal Investigations: With additional FTEs MRI can ensure the intent of Congress is met: that all whistleblower reprisal complaints are resolved thoroughly, objectively and expeditiously. The additional staffing will give MRI the opportunity to revitalize the DoD IG’s whistleblower protection program by expanding its preliminary inquiry process that has significantly decreased MRI case cycle time over the past 2 years. The next phase of the plan for MRI will be to expand this process by conducting preliminary inquiries for reprisal complaints submitted to Service IGs, beginning with the Army and eventually phasing in the Air Force, Navy and USMC. MRI then will refer only those complaints that warrant full investigation.

- Civilian Reprisal Investigations: Over the past year CRI counseled numerous complainants and opened 20 investigations, but had to refer many more complainants to the Office of Special Counsel without the benefit of CRI advice and assistance. Additional FTEs will enable CRI to expand its assistance and investigation of whistleblower reprisal complaints made directly to DoD by civilian appropriated fund employees.

Summary of Future Requirements:

INV’s mission has evolved and escalated as a result of the terrorist attacks of September 11, 2001 and the resulting Operation Enduring Freedom; the inception of Operation Iraqi Freedom; the increasing sophistication of criminal enterprises; and new and developing statutory requirements. DCIS’ traditional areas of concentration (major procurement fraud, substitution of substandard and defective products, healthcare fraud, and public corruption) were expanded to include anti-terrorism operations and technology transfer investigations (illegal transfer, theft, or diversion of DoD technologies and U.S. Munitions List items to proscribed nations and persons).

DCIS requires additional personnel to detect, investigate, prosecute, and deter criminal activity impacting DoD. Our out-year growth requirement that is detailed in the table above will enable us to enhance investigative support to Joint Terrorism Task Forces (JTTFs) located throughout the United States. DCIS supports JTTFs in an effort to reduce the threat of terrorist attacks against DoD personnel, programs, systems, and
facilities. Prior to September 11, 2001, there were 35 JTTFs. Shortly after the September 11th attacks, FBI Director Robert Mueller instructed all FBI field offices to establish task forces. Although there are now over 100 JTTFs located throughout the country, DCIS is only capable of supporting approximately 42 - many of which we staff only on a part-time basis.

Additionally, DCIS anticipates establishing new offices in geographic locations that have been previously neglected due to limited staffing. In order to adequately investigate criminal activity impacting DoD, DCIS requires additional offices in:

- South Korea
- Puerto Rico
- Louisville, KY
- Detroit, MI
- Boise, ID
- San José, CA

Additional resources will also be utilized to enhance investigative support to the GWOT through investigation of fraudulent activity and corruption related to DoD operations in Southwest Asia, to include Operation Iraqi Freedom, and Operation Enduring Freedom. DCIS will continue to staff offices in Baghdad, Iraq; Kuwait City, Kuwait; and Bagram Airfield, Afghanistan, for the foreseeable future. At present, DCIS deploys two special agents to each location for a period of six months per deployment. Hiring additional personnel will allow DCIS to assign additional special agents to Southwest Asia. Additional personnel would also allow DCIS to establish a permanent, fully-staffed, independent Southwest Asia Field Office with agents, analysts, and administrative employees.

In addition to staffing regions and operations, additional personnel would allow DCIS to place enhanced emphasis on investigating crimes in areas that have dropped in priority and have been largely neglected because of the new demands of today’s environment, e.g., terrorism, technology protection, cyber crimes, deployments.

The following is a sampling of areas in need of additional DCIS commitment:

- Health care fraud allegations which result in significant losses to the DoD TRICARE Management Activity and may endanger patients
- Defective pricing, cost and labor mischarging, product substitution, and other economic crimes that threaten DoD’s financial well-being and endanger lives
- Environmental crimes
- Identity protection
- Thefts, DRMO-related crimes, and facilities security.
ISO requires additional FTEs to successfully carry out its mission responsibilities for conducting investigations and oversight reviews of investigations into allegations against the most senior DoD officials, which often have the direct interest of the Secretary of Defense, Members of Congress, and the media. Because of widespread interest in these investigations, ISO performance has a significant impact on the DoD IG’s reputation for integrity and efficiency. However, over the past year, the DoD IG has been criticized for the excessive time to complete investigations, which has weakened congressional and public confidence in commanders and other senior officials under investigation. In addition, extended investigations often result in delays in promotions, reassignments, retirements. Such delays cause personal turmoil, seriously impact on individuals and families, impact military leadership continuity at the highest levels, and increase personnel costs pending completion of an investigation.

Additional FTEs will enable MRI to revitalize the DoD whistleblower protection program for members of the Armed Forces, NAF and Defense Contractor employees. Lengthy investigations often result in additional harm to whistleblowers that cannot compete for promotion or be assigned to a more responsible position until the investigation is complete. The additional FTEs will enable MRI to respond to whistleblower complaints in a timelier manner. Overall, increased FTEs will allow the DoD IG and MRI finally resolve its most illusive goal: completing reprisal complaints submitted by members of the Armed Forces within 180 days as provided by Statute.

With minimal staffing, CRI has created a strong program that includes advising and assisting DoD civilian appropriated fund employees who believe they have been the victims of reprisal for their whistleblowing activity. If the DoD IG is to reach full potential for protecting civilian whistleblowers as Congress has mandated, CRI requires additional FTEs to ensure adequate staffing for this important mission.
POLICY & OVERSIGHT

Future Personnel Requirements

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Risk Assessment:
- Without these increases, we risk failing to meet critical IG strategic goal and critical oversight responsibilities. Specifically, oversight of the DoD hotlines and joint service inspectors general will be significantly delayed; timely updates and issuance of DoD policy statements related to law enforcement procedures and practices will not occur; and initiatives to improve the ability to identify fraud and other high risk areas for IG audit, evaluation, and investigation will be missed.

Objectives:
- Audit Policy & Oversight (APO) – increase oversight/guidance reviews and reports
- Investigative Policy & Oversight (IPO) – increase workload in Southwest Asia case-based evaluations, the Voluntary Disclosure Program, and subpoena requests
- Inspections and Evaluations (I&E) – provide more timely inspections and evaluations and support high visibility assessments
- Ensure that Quantitative Methods, Reports Follow-up, and Technical Assessment capabilities increase in order to continue to provide adequate levels of support

Return on Investment:
- Continued and enhanced ability to provide audit technical advice and assistance to audit and related communities, procurement officials, and government and non-government managers – APO provides oversight and policy support to approximately 6,000 auditors in over 20 DoD audit organizations
- Improved data mining support to investigations and DoD program managers
- More timely requested/mandated inspections and evaluations and the ability to simultaneously take on high visibility, unplanned assessments
- Ability of IPO to cover expected increases in case-based evaluations stemming from the wars in Iraq and Afghanistan
- Ability of IPO to conduct case-based evaluations stemming from the operations in Iraq and Afghanistan

Summary of Future Requirements:

The Office of the Deputy Inspector General for Policy and Oversight (P&O) was established by DoD IG in 2002. P&O serves as the primary advisor to the IG on DoD policy matters and makes recommendations that are designed to prevent fraud, waste, and abuse consistent with statutory responsibilities of the Inspector General Act of 1978, as amended.

P&O is comprised of the Offices of the Assistant Inspectors General for Audit Policy and Oversight (APO), Investigative Policy and Oversight (IPO), and Inspections & Evaluations (IE); and the Data Mining Directorate (DMD), Quantitative Methods Directorate (QMD), Report Follow-up and GAO Liaison (RF/GL), and the Technical Assessment Directorate (TAD).

The mission of P&O is to facilitate change in the form of greater Departmental efficiency and program effectiveness by providing policy and direction as necessary to auditors, investigators, and inspectors within the DoD. As such, P&O, via its oversight reviews and technical expertise, ensures program quality control and statutory and regulatory compliance by conducting investigations, evaluations, and assessments on matters of interest to the Department, the IG, and the Congress.

Increasing Audit Policy & Oversight staffing by nine work years will increase the number of oversight and guidance reports of key performance and quality areas from the current average of eight reports. APO currently provides oversight and policy support to approximately 6,000 auditors in over 20 DoD audit organizations as well as to other audits by non-government audit organizations. Additional oversight and guidance reviews will enable APO to address critical areas such as corporate governance, unallowable costs; fraud indicators and scenarios; and the ability to keep current on single audit reviews of DoD and other Federal agency funds provided to non-for profit organizations (e.g., Federal Research & Development Centers, states, local governments, and universities). The increase in workyears would also facilitate the timeliness of the APO reports by mitigating the staffing impact on APO projects in support of APO's role to provide audit technical advice and assistance to audit and related communities, procurement officials, and government and non-government managers.

Increasing Data Mining Division staff is needed in order to provide an additional core of multi-disciplinary analysts, including those with a broad knowledge of DoD programs, data systems, computer aided audit techniques and software, internal controls,
and audit and investigative standards and processes. This technical expertise will provide timely support to investigations and DoD program managers. Each additional workyear will provide the DoD IG the ability to increase its support and oversight of the ever growing/expanding information systems in such critical areas as finance, personnel, acquisition, and logistics. In addition, DMD, in conjunction with other DoD IG assets, is key to addressing future information/data challenges and to maintaining the IG's short term and long term ability to analyze key information systems and data to identify high levels of risk for fraud and abuse.

Inspections and Evaluations is often tapped to provide staff to special high visibility assessments such as IG designated projects and joint Federal agency projects. The planned increase of 15 will bring the organization to 34 civilians, with a plan to supplement with four military officers. This size organization will allow for I&E core teams to provide more timely congressional/DoD requested/mandated inspections and evaluations and simultaneously continue to take on high visibility, unplanned assessments.

Investigative Policy & Oversight foresees a need to increase its strength due to an increase in case-based evaluations stemming from the wars in Iraq and Afghanistan. In addition, the DoD IG subpoena program will increase over the next few years due to the increase in the size of the DoD budget.

The Quantitative Methods Division anticipates an increase for QMD services as the DoD increases the use of large information systems and due to the increased use of surveys as a planning tool for audits, evaluations, inspections, and assessments. Thus, QMD, in conjunction with other DoD IG assets, must position itself for these changes. These increases are critical to both the short and long term ability of the DoD IG to analyze key information systems and other information to identify fraud and abuse risk levels for strategic planning purposes.

Report Follow-up and GAO Liaison projects increases in DoD IG reports as the IG increases its staffing, thereby increasing the number of report recommendations to follow-up on and to mediate. Also, beginning in FY 2007, there has been an increase in reports referred for mediation and assistance in obtaining management comments, this trend is expected to continue. Additional personnel will allow for continued timely support to IG, DoD, and GAO management.

Finally, an increase of one FTE is needed to for Technical Assessment Support due to the projected increase in DoD IG workload which will result in more evaluations, assessments, and investigations that will require technical assessment support. In addition, there has been an increase in TAD engineers performing oversight reviews.
INTELLIGENCE

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**Risk Assessment:**

- Without requested additional resources, the Deputy Inspector General for Intelligence (Intel) will not be able to increase our ability to perform planned audits and evaluations in key intelligence disciplines where coverage has been lacking and/or increase in team size to enable us to complete projects more timely and/or increase the scope of our reviews. We have not been able to perform planned audits and evaluations in key intelligence disciplines such as Imagery Intelligence, Measurement and Signature Intelligence and Open Source Intelligence. With requested increases, we will be able to increase our production from 15 to 24 reports. These reports will provide invaluable recommendations for improving Defense intelligence, Special Access Programs, Nuclear Surety, and Research Technology Protection/Critical National Assets.

- Historically, about 60 percent of Intel efforts have been driven by congressional and management requests. Congress has been particularly interested in various intelligence issues leading up to the war in Iraq. Without additional resources we will not be able to address those congressional and DoD management requests and meet our responsibility to address key issues affecting the DoD intelligence community, including addressing the SECDEF priority of improving military intelligence capabilities. Our oversight of nuclear surety issues, special access programs, and research technology protection/critical national assets will also be limited.

**Objectives:**

- Increase capacity to address Defense intelligence priorities
- Increase coverage of key intelligence disciplines such as Imagery Intelligence, Measurement and Signature Intelligence, Open Source Intelligence, and Nuclear Surety
• Increase auditing of intelligence acquisitions and contracts
• Replace GWOT hires with core mission hires

Return on Investment:
• Improved effectiveness and efficiency of DoD intelligence, nuclear, and Special Access Programs, to include coverage of GWOT issues, ways to improve business operations, compliance with statute & regulations, and ways to improve national security

Summary of Future Requirements:

Additional resources are needed in order for the Office of the Deputy Inspector General for Intelligence to effectively accomplish its mission and oversee the breadth and depth of Defense intelligence, Special Access Programs, and nuclear surety issues. Additional resources will increase our ability to perform planned audits and evaluations in key intelligence disciplines where coverage has been lacking and allow for an increase in team size to enable us to complete projects more timely and/or increase the scope of our reviews of key national security, nuclear, special access programs and intelligence issues, including intelligence acquisition programs, research technology protection and personnel security issues.

Although our limited resources have been applied to key intelligence issues, historically, about 60 percent of our report production has been reactive rather than proactive based on requests from DoD management and Congress. These requests divert resources to these high priority efforts thereby diminishing our capacity to provide timely and comprehensive oversight of the other mission areas. As a result, we have not been able to perform planned audits and evaluations in key intelligence disciplines such as Imagery Intelligence, Measurement and Signature Intelligence and Open Source Intelligence. In addition, the following are key areas where oversight has been reduced:

• National Reconnaissance Office activities, especially major acquisitions
• National Security Agency Operations Security and Information Security Programs
• National Geospatial-Intelligence Agency programs
• National Intelligence Program/Military Intelligence Program funding
• Service Intelligence Component activities
• Operations and Support Special Access Programs
• DoD Counterintelligence Field Activity Programs
• Research Technology Protection/Critical National Assets
- Defense Security Service issues, especially well-documented personnel security deficiencies

To allow us to better meet these requirements, the following additional resources are required:

- The current staffing level of 48 reflects recent increases in end strength approved by the Inspector General, including reemployed annuitants for GWOT projects. Our FY 2010 request for 51 civilian FTE’s reflects this sustained level of staffing assuming replacing our GWOT hires with core mission hires and an increase of 3 FTE’s to provide additional resources for intelligence oversight reviews.

- An additional request for 3 FTE’s each in FY’s 2011 through 2013, are needed to increase our capacity and capability to perform our mission and address key Defense intelligence priorities. These additional resources will enable us to perform more projects and issue more reports. As of January 2008, we had 16 ongoing projects with an available staff of 30 auditors and evaluators. Using this ratio, we project that these additional resources will result in 1 to 2 more reports each year.
ADMINISTRATION & MANAGEMENT / OTHER
Other includes: Communications, Congressional Liaison, Defense Hotline, FOIA, Legal Counsel, Front Office, and EEO.

Future Personnel Requirements

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*FY09 Request of +31 includes conversion of 10 IT contractor positions

Risk Assessment:
- If the agency grows there will be increased demands for important administration and management support functions, such as information technology, human resources, logistics, security, procurement, budget, and training. Failure to meet those demands will impact the ability of our auditors, investigators, and other personnel to effectively and efficiently perform their duties in deterring fraud, waste and abuse and promoting integrity, accountability, and improvement of DoD personnel, programs and operations.

Objectives:
- Provide optimal administrative support to operational components
- Increase support staff commensurate with organizational growth

Return on Investment:
- Enhanced professional development, administrative support, safety, and security for DoD IG personnel
- Adequate administrative support allows operational components to focus resources on the accomplishment of the DoD IG mission to promote integrity, accountability, and improvement of Department of Defense personnel, programs and operations to support the Department’s mission and to serve the public interest
NATIONAL DEFENSE AUTHORIZATION
ACT FOR FISCAL YEAR 2008

REPORT

[TO ACCOMPANY S. 1547]

TO AUTHORIZE APPROPRIATIONS FOR FISCAL YEAR 2008 FOR MILITARY ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILITARY CONSTRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DEPARTMENT OF ENERGY, TO PRESCRIBE PERSONNEL STREGNGTHS FOR SUCH FISCAL YEAR, AND FOR OTHER PURPOSES

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

JUNE 5, 2007.—Ordered to be printed
Department of Defense Inspector General

The budget request included $214.9 million in Operation and Maintenance, Defense-wide (OMDW) for the Office of the Inspector General (OIG). This is slightly less than the $216.3 million requested and the $218.0 million provided for fiscal year 2007. The committee is concerned that funding levels for this important independent audit and investigative function is not keeping pace with the demands for the Inspectors' General services in the global war on terror.

The OIG audits, investigates, inspects, and evaluates the programs and operations of the Department of Defense (DOD), and recommends policies and process improvements that promote economy, efficiency, effectiveness, and integrity in DOD programs and operations. For the last 3 years, the OIG has achieved $27.5 billion in savings and $1.7 billion in recovery for the nation. The committee notes that in that same 3 years the exponential growth in the number and cost of Department contracts for operations, procurement, research, and construction within the United States and around the world. The nation's annual defense costs have crossed the $500.0 billion mark, well beyond the annual budgets of just over $200.0 billion before the start of the global war on terror in 2001. Despite this growth, the personnel strength of the OIG has remained nearly constant. The committee is concerned that the capabilities of the OIG are not keeping pace, in terms of qualified personnel, with the growth in the size of the defense budget and the numbers of contracts.

Therefore, the committee recommends an increase of $10.0 million in OMDW for the OIG to start and accelerate the growth of the OIG. The committee directs the Inspector General to provide to the defense committees, by March 31, 2008, an analysis of the current and future personnel, organization, technology, and funding requirements of the OIG. This report shall also include a comprehensive and detailed master plan, with annual objectives and funding requirements, that will provide the fastest possible increase in audit and investigative capabilities.