



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE**

SEMIANNUAL REPORT TO THE CONGRESS

October 1, 1998 - March 31, 1999

Mission Statement

The Department of Defense Inspector General promotes national security and integrity and credibility in Government by conducting objective and independent audits, investigations, evaluations and other activities to prevent, detect and help correct problems in DoD programs and to identify opportunities for improving efficiency and effectiveness.

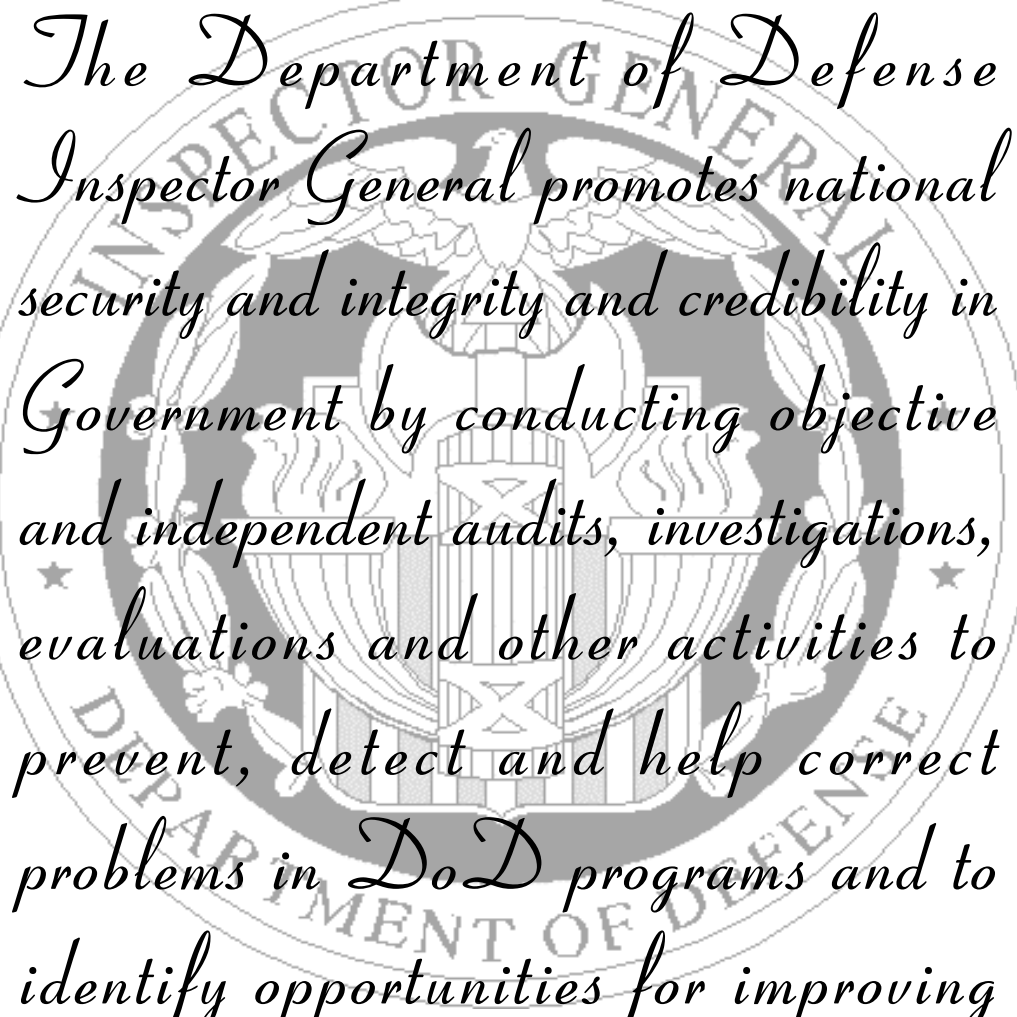
The seal of the Department of Defense Inspector General is a circular emblem. It features a central shield with a scale of justice, a sword, and a laurel wreath. Above the shield is an eagle with wings spread. The shield is flanked by two figures, possibly representing justice and truth. The words "INSPECTOR GENERAL" are written in a circular path around the top of the seal, and "DEPARTMENT OF DEFENSE" is written around the bottom. Two stars are positioned on the left and right sides of the seal.

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FOREWORD

It is my pleasure to report on the accomplishments of the Office of the Inspector General, Department of Defense, for the period October 1, 1998, through March 31, 1999. The report summarizes significant Department-wide audit and investigative efforts during this period. Oversight projects relating to the intelligence community are discussed in a separate classified annex.

The *Highlights* section provides a brief overview of the most significant issues discussed in the report. Chapter One contains brief updates on what we consider to be the Department's principal high risk areas. We have also included more detailed discussions of two special emphasis areas-- *Chemical and Biological Defense*, and *Bribery, Kickbacks and Corruption*. Chapter Two contains discussions of other important audit and investigative efforts that took place during the period, again resulting in significant criminal prosecutions and the identification of large dollar savings and recoveries.

This reporting period has been especially busy and productive. Supporting the Year 2000 conversion remains our top discretionary internal audit priority. We also continued to devote significant resources in working with the Department toward achieving unqualified opinions on critical financial statements. Although this goal is not yet at hand, progress is being made through cooperation among our office, the Department, the General Accounting Office and the Office of Management and Budget. We are also working closely with the Department in the areas of acquisition reform legislation and in the development of a strong computer intrusion investigation unit.

Also of note, we were successful in gaining support within the Department relative to our resource shortages and, absent unplanned reductions, we will be able to meet our statutory mission with respect to the audit and investigation of high risk programs within the Department in the coming years.

Finally, the close of this period also coincides with the departure of Inspector General Eleanor Hill who, after more than four years of outstanding service as Inspector General and more than 24 years of total Government service, has moved on to the private practice of law.

The men and women who comprise the Office of the Inspector General continue to maintain excellence and professionalism in their work and remain committed to helping make the Department of Defense a stronger, safer and more efficient organization.

Donald Mancuso
Acting Inspector General

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HIGHLIGHTS

INTRODUCTION

During the 6-month period ending March 31, 1999, the Office of the Inspector General, Department of Defense (OIG, DoD), continued to place considerable emphasis on the principal high risk areas in the Department: Acquisition, Financial Management, Infrastructure and Information Technology Management.

Acquisition

In fiscal year 1998, the DoD purchased over \$131 billion of goods and services, using more than 250,000 contracts, grants, cooperative agreements and other transactions. We have reported that progress is being made in some areas of Defense acquisition reform, specifically in administrative lead-time for procuring parts and supplies, which has decreased by an average of 14 percent since similar audits in 1995. Despite some progress, major challenges remain, especially in overpricing, acquisition cycle time and unit costs for weapon systems.

Financial Management

The DoD continues to lack systems capable of compiling financial reports that comply with Federal accounting standards and laws, nor will these systems be in place for several more years. Likewise, the labor intensive workarounds used to formulate the annual statements are fundamentally ineffective, but will not be replaced until efficient automated approaches are feasible. This year, financial statements were more untimely than ever, and a record \$1.7 trillion of unsupported adjustments were made in preparing the statements. More positively, there has been a continued and closely coordinated effort to develop sound action plans for implementing the new Federal accounting standards and addressing impediments to favorable audit opinions. Likewise, the DoD Biennial Financial Management Improvement Plan has the potential to develop into an excellent management tool for ensuring full visibility by senior DoD managers and the Congress into the crucial financial management system remediation projects.

Infrastructure

The results of recent audits indicate a need for supply depots to better use direct vendor delivery contracts and for program offices to better manage Government property provided to contractors. Also, if additional base closure rounds are approved by the Congress, it is highly advisable for the DoD to ensure strong management controls over the collection and reporting of comparative cost and workload data to the decision makers.

Information Technology

The DoD uses about 28,000 information systems and spends roughly \$14 billion annually on the systems' development, modification and upkeep.

The major challenges in the information technology area relate to system development management and oversight, information assurance and the Year 2000 (Y2K) problem. Based on a summary of 43 audit and inspection reports issued on Year 2000 Conversion, we agreed with the Department's reports of accelerated Y2K action and significant progress made during the first half of fiscal year 1999 on the Y2K issue. We are confident that with continued intensive management, the DoD will not suffer system failures significant enough to impair critical mission performance. Still, much work needs to be done to address risk related to the remaining noncompliant systems, host nation support, supplier outreach and mainframe computer compliance.

**CHEMICAL AND
BIOLOGICAL
DEFENSE**

Although the United States stands as the world's only superpower, the proliferation of chemical and biological warfare capabilities has significantly increased the probability that U.S. forces will face chemical or biological agent attack in a future conflict. Defending against chemical and biological weapons requires protective equipment and proper training in its use. Recent audits of protective masks found that there were numerous problems related to their testing and user training. Other audits of weapon systems found a lack of consideration for crew protection and system operability in a contaminated environment and inconsistency when planning maintenance or decontamination procedures.

**BRIBERY,
KICKBACKS AND
CORRUPTION**

Corruption within the procurement arena undermines the entire procurement process and jeopardizes the health and safety of our combat troops. It costs the American taxpayer millions of dollars and erodes the trust and confidence of the public. Corruption investigations have uncovered kickbacks and bribery at the core of the criminal activity involving Government and private industry personnel. Because kickbacks were so pervasive in subcontracting in the Defense industry and existing laws were inadequate to handle the problem, the Anti-Kickback Act of 1986 was passed to close the loophole relating to subcontracts and to broaden the coverage of existing legislation. As a result of the Act, the number of subcontractor kickback investigations has increased dramatically. The use of multiagency, multidisciplinary task forces; informants; polygraph examinations and undercover operations have been very successful in uncovering culpable DoD and contractor employees. Examples of some significant corruption cases are included in the special emphasis area of this report.

**PROCUREMENT AND
HEALTH CARE
FRAUD**

The DoD investigation community continued to place emphasis on major procurement and health care fraud. As a result of these efforts, the DoD investigators obtained 79 convictions and over \$61 million in monetary outcomes. Other significant investigations resulted in 176 convictions and monetary outcomes of over \$35 million. In addition, 95 suspensions and 71 debarments of companies and individuals resulted from criminal investigations.

OTHER ACTIVITIES

The OIG, DoD, also has a Departmental Inquiries Office, which conducts investigations of allegations of whistleblower reprisals and senior official misconduct. The case of a senior officer, which involved allegations of adultery and improper relationships, was referred to the cognizant Military Department for action. As part of a pre-trial agreement, the senior officer pled guilty to seven counts of conduct unbecoming an officer and one count of making a false official statement. The officer was only the third general or flag officer court-martialed since the enactment of the Uniform Code of Military Justice in 1950. Pursuant to the pre-trial agreement, he received a reprimand and fines and forfeitures totaling \$22,000. The sentence is pending action by the General Court-Martial Convening Authority.

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CHAPTER ONE – REDUCE HIGH RISK VULNERABILITIES

INTRODUCTION

The DoD audit, inspection and investigative communities act as agents of positive change in identifying better ways to accomplish the DoD mission by controlling risk, fighting fraud and reducing costs. By closely linking our oversight activities with the Department’s strategic goals and management improvement plans, as well as extensively participating in DoD team problem solving efforts, we provide objective, relevant, practical and timely advice to policy makers, managers and commanders.

HIGH RISK AND SPECIAL EMPHASIS AREAS

In previous semiannual reports, we discussed the principal high risk areas in the Department—Acquisition, Financial Management, Infrastructure and Information Technology Management. In addition, we discussed various focus areas where there were numerous significant audits and investigations—in the last report the focus areas were Year 2000 Conversion and Financial Management. In this report, we again provide updates on the main high risk areas. We also discuss two focus areas—Chemical and Biological Defense and Bribery, Kickbacks and Corruption in DoD Programs and Operations.

ACQUISITION

In fiscal year 1998, the DoD purchased over \$131 billion of goods and services, using more than 250,000 contracts, grants, cooperative agreements and other transactions. The Department is currently administering about \$800 billion in open contracts. During this semiannual period, the DoD audit agencies reported on a wide range of acquisition matters, issuing 37 internal audit and 18,372 contract audit reports. We also participated actively in over a dozen acquisition reform task forces and commented extensively on proposed acquisition legislation. The DoD criminal investigative agencies aggressively pursued cases involving bribery, kickbacks, mischarging, product substitution, false claims and other procurement matters, as discussed in Chapter Two.

“...progress...in some areas of Defense acquisition reform is encouraging.”

In a March 1999 statement for the record to the Subcommittee on Readiness and Management Support, Senate Armed Services Committee, the Inspector General (IG), DoD, stated that the progress being made in some areas of Defense acquisition reform is encouraging. For example, during this semiannual period we reported that the administrative lead-time for procuring parts and supplies decreased by an average of 14 percent since similar audits in 1995, with some activities achieving as much as 50 percent reductions.

Despite indications of progress in acquisition reform, major challenges remain. Although lead-times for procuring spare parts have been cut, audits continue to show overpricing, and there is little indication yet of significant improvements in acquisition cycle time and unit costs for weapon systems.

During the reporting period, the Defense Logistics Agency took responsive action to avoid excessive prices for spare parts, but the Office of the Under Secretary of Defense (Acquisition and Technology) failed

“...procedures still need to be developed... to address overpricing...of sole source contracts for aviation spare parts.”

to follow through on commitments to clarify guidance. Specifically, contracting officers need to be encouraged to require information (other than certified cost or pricing data) to the extent necessary to determine price reasonableness for commercial items. Likewise, procedures still need to be developed to implement the provisions in the Defense Authorization Act for Fiscal Year 1998 to address the overpricing problems identified in previous audits of sole source contracts for aviation spare parts.

Several audit reports issued during the period addressed problems in support service contracting. These problems include lack of competition, potential conflicts of interest and contract administration inadequacies in areas like multiple award contracting, which is intended to allow quick procurement while using competition between pre-qualified bidders to obtain best prices. The DoD awarded 636 multiple award contracts from fiscal years 1995 through 1998. Each multiple award contract could result in the issuance of numerous task orders. The audits examined orders awarded under 50 multiple award contracts with a total contract ceiling amount of \$2.6 billion. We found that contracting officers awarded 66 of 124 (53 percent) task orders for \$87.6 million on a sole-source basis, without adequate justification for denying other contractors a fair opportunity to be considered. During the audit, we encountered discouraged vendors who were afraid to challenge prospective awards because of concern about future dealings with the same contracting officer and program office. We recommended several actions to increase competition in the award of task orders for services under multiple award contracts. Because of reported problems in this area, the Office of Federal Procurement Policy issued guidance to stop program offices from designating preferred vendors and set a goal that 90 percent of the task orders should be competitive.

We continue to have concerns about the adequacy of DoD Acquisition Corps training during the present era of rapidly changing rules and

initiatives. We see the need for increased in-service training within the Acquisition Corps so that its members can remain abreast of these changes in policy.

The lack of cost accounting systems to enable managers to track life cycle costs, funding instability and flawed requirements determination processes add to acquisition risks. In addition, there has been considerable recent dialogue within the Department about suggestions to repeal or limit controls that have been proven effective over time, such as the False Claims Act, Truth in Negotiations Act, Cost Accounting Standards, the statute that prevents contractors from charging unallowable costs and the Defense Contract Audit Agency's (DCAA) activities. We believe that consolidating and evaluating the results of previous reform legislation should be a generally higher priority at this point rather than seeking radical changes. All proposed changes should be based on comprehensive research, have predictable results and entail specific metrics for assessing implementation progress and results.

FINANCIAL MANAGEMENT

The DoD is the largest holder of Government physical assets (\$1.3 trillion), pays 2.2 million employees and 1.7 million retirement or disability beneficiaries, administers the most complicated chart of accounts and manages a tremendously diverse mix of operating and support functions. Major efforts to achieve better integration of finance and accounting activities with DoD acquisition, logistics and personnel functions and to reengineer financial management practices and systems

"...financial audits are the top priority of the DoD internal audit community..."

have been underway for nearly 10 years. Several more years and much additional effort will be needed to achieve the DoD improvement goals. Because of the extensive mandatory requirements of the Chief Financial Officers Act and related statutes, financial audits are the top priority of the DoD internal audit community, which devoted over 600 work years to this area during fiscal year 1998. During the reporting period, 76 financial audit reports were issued, including opinion reports on the financial statements for 10 major funds and the overall Department.

"...audits of the DoD financial statements for fiscal year 1998...in terms of audit opinions, were identical to the poor results from previous years."

The results of the audits of the DoD financial statements for fiscal year 1998, when viewed solely in terms of audit opinions, were identical to the poor results from previous years. The Military Retirement Trust Fund received an unqualified audit opinion; however, disclaimers of opinion were necessary for the consolidated DoD statements and all other major fund

statements. The DoD continues to lack systems capable of compiling financial reports that comply with Federal accounting standards and laws, and these systems will not be in place for several more years. Likewise, the labor intensive workarounds currently used to formulate the annual statements are fundamentally ineffective, but will not be replaced until efficient automated approaches are feasible. This year, final statements were more untimely than ever and a record \$1.7 trillion of unsupported adjustments were made in preparing the statements.

On a more positive note, there have been continued, closely coordinated efforts by the Office of Management and Budget, General Accounting Office (GAO), DoD Chief Financial Officer and OIG, DoD, auditors to develop sound action plans for implementing the new Federal accounting standards and addressing impediments to favorable audit opinions. Although not all issues concerning how to interpret and implement the standards have been resolved, the degree of consensus is much broader now than ever before. Likewise, the DoD Biennial Financial Management Improvement Plan, which was required by the National Defense Authorization Act for 1998, has the potential for developing into an excellent management tool that will help ensure full visibility for senior DoD managers and Congress into the crucial financial management system remediation projects. We made numerous recommendations for improving future versions of the Biennial Plan. In addition, we strongly support developing a fully integrated management process that actively involves all DoD functional communities in the systems improvement effort, using the Year 2000 Conversion effort as a general model.

Combating fraud involving DoD finance activities, especially vendor pay, remains a high priority. As of March 1999, the Defense Criminal Investigative Service (DCIS) had 81 open financial fraud cases. Examples of recently closed cases and proactive initiatives are discussed in Chapter Two.

INFRASTRUCTURE

For purposes of this report, this category includes DoD activities related to supply, maintenance, transportation, health care, facilities, administration and other support functions. The DoD continues to press forward with over 200 separate initiatives to reduce support costs. These initiatives include seeking new base realignment and closure authority, continued efforts to attain total visibility over inventory to facilitate better redistribution and procurement decisions, evaluation of 250,000 more positions for

“The DoD continues to press forward with over 200 separate initiatives to reduce support costs.”

outsourcing potential and adoption of commercial “just in time” delivery practices.

Progress in this area is mixed and the lack of good cost baselines from which to measure results continues to be a problem. About 64 audit reports were issued during this semiannual period on this area. Findings included the need for supply depots to better use direct vendor delivery contracts and for program offices to better manage Government property provided to contractors. Internal audits also identified activities that were lagging in compliance with statutory requirements for replacing or renovating underground storage tanks by December 1998.

If one or more additional base closure rounds are approved by Congress, it will be highly advisable for DoD to ensure strong management controls over the collection and reporting of comparative cost and workload data to the decision makers. In the 1995 round, DoD internal auditors played a key role in validating information concerning the installations and facilities under review. Although another such effort would require considerable audit resources and therefore probably impact coverage of other high risk areas, the IG, DoD, strongly advocates an active audit role. In addition, the DoD needs to implement recent IG, DoD, recommendations to ensure more effective tracking of the costs and savings actually experienced after approved closures and realignments.

INFORMATION TECHNOLOGY MANAGEMENT

The DoD uses about 28,000 information systems and spends roughly \$14 billion annually on their development, modification and upkeep. The major challenges in this area relate primarily to system development, management and oversight, information assurance and the Year 2000 problem. During the reporting period, 55 information technology related audit reports were issued, most of which addressed Year 2000 Conversion issues.

“The Y2K problem has been the top discretionary internal DoD audit priority in fiscal years 1998 and 1999.”

The Y2K problem has been the top discretionary internal DoD audit priority in fiscal years 1998 and 1999. Some DoD components have also mobilized their inspection assets to help monitor and facilitate progress; for example, virtually all Naval Inspector General resources were committed to Y2K coverage during the period of this report.

In December 1998, we issued a summary of 142 DoD audit and inspection reports issued as of that date on Year 2000 Conversion. These reports supported the Secretary of Defense assertion in August 1998 that progress up to that point had been insufficient. The most troubling

shortfalls identified by audits and inspections related to inaccurate reporting of system status; inadequate contingency planning; lack of focus on Y2K compliance of mainframe platform domains; continued lack of management awareness and emphasis; and very little outreach to determine the status of allies, suppliers and data exchange partners.

In March 1999, we provided a second summary covering 43 reports issued between October 1998 and February 1999. In addition, on March 2, 1999, the Assistant Inspector General for Auditing testified at a joint hearing held by the House Subcommittees on Technology and Government Management Information and Technology. The second summary report and testimony agreed with the Department's reports of accelerated action and significant progress made during the first half of fiscal year 1999. As of February 1999, 72 percent of DoD mission critical systems were reported as Y2K compliant. Although the status reports are still not totally accurate, they are significantly improved, and remaining problems do not materially affect the portrayal of overall DoD status. By late 1998, senior managers and commanders in all functional areas and in the combatant commands were much more actively engaged in the conversion program and multi-system testing of unprecedented scope was scheduled.

The IG, DoD, is confident that, with continued intensive management through calendar year 1999, the DoD will not suffer system failures significant enough to impair critical mission performance. Pending the results of additional testing, it is premature to declare success. Likewise, due to belated starts and initially slow progress, much work needs to be done to address risk related to the remaining noncompliant systems, host nation support, supplier outreach and mainframe computer compliance. Much of our continued coverage will be on those risk areas, and we will closely monitor testing to ensure that it is sufficiently robust and well executed.

“The...emphasis on Y2K Program oversight has exacerbated the shortfall in audit coverage...especially the many hundred system development and modernization efforts.”

The necessarily heavy emphasis on Y2K Program oversight has exacerbated the shortfall in audit coverage of other important information technology issues, especially the many hundred system development and modernization efforts. We agree with GAO assessments that management controls in this area need strengthening, so

that sound investment decisions are made and interoperability is ensured. We are concerned that virtually every system audit indicates problems, such as the lack of sound cost, schedule and performance baselines or

ambiguous milestone exit criteria. During the period, for example, auditors reported similar problems for the Composite Health Care System II. To establish a more effective management framework, we support the concept of the new Information Technology Investment Portfolio oversight approach, which the Department plans to validate through pilot programs this year.

“Protecting DoD automated systems against intrusion by hackers and other security threats remains a significant concern.”

Protecting DoD automated systems against intrusion by hackers and other security threats remains a significant concern. During the period, we continued to identify lax security controls and practices. In a December 1998 summary of 75 information assurance audit reports issued since 1995, we identified specific deficiencies found in systems supporting all DoD functions. The most frequent finding, which was made in 59 reports, was failure to implement basic access controls. As discussed in Chapter Two, efforts also continued to augment the DoD criminal investigative capability to ensure prompt and effective reaction to computer system intrusions.

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CHEMICAL AND BIOLOGICAL DEFENSE

CHEMICAL AND BIOLOGICAL THREAT

With the demise of the Soviet Union and Warsaw Pact, the United States stands as the world's only superpower, and it is expected to remain so through at least 2015. However, this in no way portends that the United States will not face significant security challenges during this period. The U.S. dominance in the conventional military arena may encourage potential adversaries to use "asymmetrical" means to attack our forces and interests. Foremost among these asymmetrical means is the chemical and biological (CB) warfare threat.

"The proliferation of CB warfare capabilities has significantly increased the probability that U.S. forces will face chemical or biological agent attack in a future conflict."

The proliferation of CB warfare capabilities has significantly increased the probability that U.S. forces will face chemical or biological agent attack in a future conflict. Therefore, the DoD must prepare to confront this threat by ensuring that our forces are prepared to defend against a CB attack, quickly recover from the attack and continue mission-critical operations. Defending successfully against CB weapons requires that U.S. forces have equipment to protect them from the effects of these weapons and that they be properly trained in the use of the equipment in an operational environment. Over the past 5 years, the OIG, DoD, has issued 9 audit reports on CB defense.

PROTECTIVE MASKS

Three OIG, DoD, reports addressed protective masks and related equipment. Two classified audit reports were issued in response to an allegation to the DoD Hotline regarding problems with currently fielded protective masks, design and production deficiencies with replacement masks and inspection schedules that allowed warranties to expire before deficiencies were identified.

The allegations were substantiated, and other problems were identified. Most of the issues were addressed through corrective action, but it was agreed that a Joint Service Mask Technical Working Group would provide further analysis, including a determination on whether the M41 Protection Assessment Test System (PATs) was adequate for testing the fit of a mask in a static environment and its integrity under realistic operating conditions.



Despite the commendable efforts of the Working Group, the capabilities of the M41 PATS remained an open issue and a follow-on audit was performed. In December 1998, we reported that the M41 PATS did not test to operational conditions; the fit-factor criteria used by the Army may be insufficiently rigorous; the test equipment was not kept in proper calibration, which could result in erroneous test feedback; and users of the M41 PATS were insufficiently trained. The Assistant to the Secretary of Defense (Nuclear and Chemical and Biological Defense Programs) agreed with the report. At the close of the reporting period, good progress was being made in resolving open issues with the Army.

WEAPON SYSTEMS

Crew protection and system operability in a contaminated environment need to be considered during system design and also when planning maintenance or decontamination procedures. Two OIG, DoD, audits indicated that this was not consistently done. For example, the need for an air cooling unit for the Bradley Fighting Vehicle, to enable the crew to function well while wearing full protective gear, was not properly considered. Also, additional measures were needed to improve CB survivability of the Patriot Advanced Capability-3 System. Management agreed to reemphasize CB defense at acquisition milestones.

TRAINING

At 187 of 232 military units reviewed by the OIG, DoD, commanders in all Services were not fully integrating CB defense into unit mission training. Navy ships were the exception; in those units, well-integrated training was common. Unrealistic training was caused by lack of command emphasis, noncompliance with policy and excessive concern about the difficulties introduced into exercises by CB warfare scenarios. In addition, unit-level CB readiness assessment and reporting was inadequate.

“...commanders...were not fully integrating CB defense into unit mission training.”

Based on a 1992 OIG, DoD, report, the Joint Staff requires unit-level CB readiness reporting in the Global Status of Resources and Training System. Most units were not considering the adequacy of CB training when reporting readiness status. Management agreed with 13 recommendations and is taking corrective action.

CLASSIFIED FINDINGS

Overall assessments of CB warfare readiness and discussions of specific deficiencies are addressed in classified audit reports that are available to individuals with appropriate security clearances and need to know. The most significant of these reports are OIG, DoD, No. 99-102, *Chemical and Biological Warfare Defense Resources in the U.S. European Theater*, March 4, 1999, and No. 99-045, *Chemical and Biological Warfare Defense Resources in the U.S. Pacific Command*, December 3, 1998.

In summary, CB defense is a crucial aspect of overall military capability. We will follow up to ensure completion of the several dozen agreed-upon recommendations from the reports mentioned above. No additional audit coverage is planned for the near future, but the Pacific Air Force IG expanded the inspection criteria for Combat Employment Readiness Inspections for trial use in Korea in April 1999. The criteria include enhancements suggested by the Aerial Port of Debarkation Study performed by the Defense Threat Reduction Agency and may have wider applicability.

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BRIBERY, KICKBACKS AND CORRUPTION IN DOD PROGRAMS AND OPERATIONS

Corruption within the procurement arena undermines the entire procurement process and jeopardizes the health and safety of our combat troops, as well as those who support them. It costs the American taxpayer

“Corruption within the procurement arena undermines the...procurement process and jeopardizes the health and safety of our combat troops....”

millions of dollars and erodes the trust and confidence of the public when these criminal activities occur. Corruption, in terms of gratuities, bribes and kickbacks, is a serious crime and a major impediment to the proper administration of the DoD procurement process.

These crimes add to the costs of procuring weapon systems, spare parts and supplies, and result in funds not being available for other necessary equipment. They also lead the public to question the integrity of the procurement process and those who administer it. As a result, the OIG, DoD, places a high priority on investigating allegations of corruption within the Department and, along with the Department of Justice (DOJ), acknowledges the significance of prosecuting such cases. The continued pursuit of corruption cases is essential not only to deter such activity, but as a means to control costs and thus restore the public's confidence in the integrity of the procurement system.

Kickbacks and bribery have been identified in all types of fraud investigations within the DoD, including major thefts of Government property, product substitution, health care, procurement, research and development and property disposal.

The investigation of the Wedtech Corporation in the 1980s still remains one of the most egregious examples of public corruption involving a DoD contractor. The investigation uncovered a multitude of high level corporate and Government officials who committed a myriad of Federal violations including racketeering, bribery, public corruption, kickbacks and stock fraud. Wedtech officials used lobbyists, national politicians, Federal employees and military personnel to assist the company, which started as a small machine shop in the South Bronx, in receiving over \$250 million in military contracts, many of which were Small Business Administration (SBA) Small and/or Minority Business Set Aside 8(a) contracts. The investigation resulted in 18 indictments and convictions, 4 guilty pleas to criminal informations and over \$3.4 million in criminal and civil fines and penalties. The investigation also led to Congressional

hearings regarding the improper activities relative to the award of DoD contracts, specifically focusing on the SBA 8(a) Program.

**INVESTIGATIVE
RESPONSIBILITIES**

The DCIS and the military criminal investigative organizations conduct investigations of suspected criminal violations affecting DoD resources and programs. These investigations involve contract and procurement fraud, antitrust violations, bribery, corruption, large-scale thefts of Government property and health care fraud. The DCIS, as the investigative arm of the OIG, DoD, has primary jurisdictional responsibility for the investigation of allegations of kickbacks or bribery involving civilian employees of the Office of the Secretary of Defense, the Joint Chiefs of Staff and the Defense Agencies and their field activities, and is the OIG, DoD, representative for receiving all statutorily required notifications from contractors of suspected violations of the Anti-Kickback Act of 1986. The Department's investigative agencies work jointly with other Federal investigative organizations, including the Federal Bureau of Investigation (FBI) and the Internal Revenue Service (IRS).

**CONGRESSIONAL
SUPPORT**

In late 1985, the Senate Subcommittee on Oversight of Government Management initiated an investigation into the issue of subcontractor kickbacks in the Defense industry and the adequacy of the existing Anti-Kickback Act to handle the problem. As a result of this investigation, Congressional hearings were held in 1985 and 1986.

Subcontractor kickbacks have been condemned for distorting and weakening the Federal procurement system. Kickbacks destroy true competition for Government subcontractors, cause honest subcontractors to lose work and inflate the product prices charged to the DoD and paid for by the American taxpayer. Kickbacks foster corruption throughout the Federal procurement system by creating an environment in which unethical conduct is tolerated.

The goal of the Anti-Kickback Act of 1986 was to close the loophole and broaden the coverage of the Anti-Kickback Act to deter kickbacks relating to subcontracts under Federal Government contracts. Since the passage of the Act, the number of subcontractor kickback investigations in the DCIS inventory has increased dramatically. The initiation of this type of case and the use of multiagency, multidisciplinary task forces have resulted in exposure of bribery and kickbacks in DoD procurements, programs and activities. The use of informants, as well as polygraph examination and undercover operations, have been particularly successful in these cases and have uncovered culpable DoD and contractor employees.

Undercover operations have proven to be an effective investigative tool. Those operations have involved product substitution, including critical aircraft and weapon system parts, military health care under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), now referred to as TRICARE, fraudulent worker's compensation claims, large scale theft of Government property, illegal export of military technology and equipment, kickbacks and bribery.

FRAUD AWARENESS TRAINING

The DCIS and the military criminal investigative organizations conduct fraud awareness training for DoD employees and contractors throughout the country. They also maintain close coordination and communicate regularly on matters of mutual interest with the DoD procurement centers and the major DoD contractors within their geographical areas of responsibility.

CASE EXAMPLES

The following are examples of recent criminal, civil and administrative outcomes during this semiannual period relative to bribery, kickbacks and corruption involving DoD programs and operations.

- The former president and another executive of a New York based contractor pled guilty to paying kickbacks to their customers in return for the bid information they needed to be awarded DoD contracts. The former president was already serving a Federal sentence for conspiracy to making kickback payments, bankruptcy fraud and defrauding the IRS. Three additional individuals involved in this case were also sentenced. This ongoing joint DCIS-IRS investigation has resulted in 23 indictments, 19 convictions and criminal and civil fines and penalties totaling over \$114,000.
- A former port engineer for a Military Sealift Command (MSC) contractor pled guilty to soliciting and receiving an unlawful gratuity. As part of a national DCIS, FBI and Naval Criminal Investigative Service (NCIS) undercover initiative into allegations of fraud and the payment of kickbacks and bribes in the maritime industry, Federal law enforcement agencies set up a fictitious ship management and repair company with offices in five port cities that openly sought the award of Government contracts to repair Government-owned vessels. The former contract port engineer oversaw the maintenance and operation of an MSC vessel in Norfolk, Virginia. Also sentenced as a result of this undercover investigation was a former GS-15 ship operations and maintenance officer with the Department of

Transportation, Maritime Administration, who previously pled guilty to soliciting and receiving a gratuity.

- An undercover operation, code name "Operation Overdraw," established a medical business that dealt with dozens of health care related companies in Connecticut, New York and New Jersey suspected of engaging in fraudulent activities. As a result of this investigation, guilty pleas were entered by three medical supply company executives and the former director of internal medicine for a community health center, who received approximately \$78,130 in kickbacks. To date, this joint DCIS, IRS, FBI, and Health and Human Services investigation has resulted in 15 arrests, 27 indictments and 15 convictions.



Aerial view of the Norfolk Naval Shipyard

- A former GM-14 supervisory general engineer at the Norfolk Naval Shipyard pled guilty after an investigation disclosed that he secretly provided a contractor the complete Government estimate of construction costs on three contracts valued at \$1,035,988, for which the Government had solicited bids. This investigation was conducted jointly by the DCIS, FBI and NCIS.
- A former vice president of sales for a medical products company pled guilty to paying kickbacks and rebates to induce the referral of laboratory services. The value of the rebates and kickbacks paid to eight different facilities exceeded \$2 million.
- The owners of a Pennsylvania wholesale meat distribution company pled guilty as a result of an investigation that determined the company was involved in several illicit schemes that included bribery of public officials, kickback payments to commercial customers and mislabeling of meat products. In a civil settlement, they agreed to pay a total of \$450,000 in restitution. As a result of this investigation, eight additional contractor and Government employees pled guilty or were sentenced during this semiannual reporting period. This ongoing joint DCIS, IRS and FBI investigation has resulted in



Photo courtesy of Defense Commissary Agency,
Public Affairs Department

28 indictments, 14 convictions and over \$700,000 in criminal and civil fines and penalties.

- A former company president and the company that managed the acquisition and refurbishment of aircraft maintenance supplies for resale to the Government of Brazil, was sentenced for improperly paying a U.S. Government employee to assist in establishing his business and violating the Foreign Corrupt Practices Act. A

former U.S. Air Force employee who was also involved in this scheme was convicted of accepting a gratuity.

- A former Army employee pled guilty and was sentenced for accepting cash and machinery from a contractor in exchange for placing orders with the contractor. This investigation disclosed that some of the hardware products sold by the contractor to the DoD, destined for use in critical applications on submarines, nuclear reactors and aircraft, were made of unapproved and substandard materials not suitable for their intended use. The parts were located and removed from DoD inventories. In related cases, three Government employees were sentenced during this semiannual reporting period for similar offenses. This joint DCIS, Veterans Affairs and Postal Inspection Service investigation resulted in 8 indictments and 7 convictions.

SUMMARY

The procurement arena is highly vulnerable to public corruption because of the sheer volume of contracts awarded and significant procurement dollars expended daily to support the combat readiness of our Armed Forces. This requires a strong management commitment to identify and address potential problems. Congressional support is essential in making necessary legal changes when problems or vulnerabilities are identified that are pervasive to the procurement system. As a result, DoD investigative and audit resources will continue to focus in this area to aggressively investigate and refer for prosecution public corruption cases impacting DoD programs and operations.

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CHAPTER TWO - SIGNIFICANT ACTIVITIES

INTRODUCTION

This chapter summarizes the significant activities of the OIG, DoD, components and their work with other members of the DoD oversight community.

CRIMINAL INVESTIGATIONS

The four Defense Criminal Investigative Organizations (DCIOs) continue to combat crime affecting the DoD and the Military Departments. The DCIS, the criminal investigative arm of the OIG, DoD, focuses the bulk of its 331 civilian criminal investigators on the investigation of procurement fraud by Defense contractors and health care fraud by health care providers. The three Military Department criminal investigative organizations, the Army Criminal Investigation Command (CIDC), the NCIS and the Air Force Office of Special Investigations (AFOSI), also investigate procurement fraud, but focus the majority of their resources on other crimes against persons and property affecting their respective Military Departments. The AFOSI and NCIS also conduct counterintelligence investigations and operations. This section focuses on the procurement, health care and other major fraud investigations accomplished by the DCIOs.

Procurement and Health Care Fraud Investigative Results

Figure 1 (page 20) displays the investigative results achieved by the four organizations during the period in the areas of procurement fraud and health care provider fraud.

Examples of Major Procurement Fraud

The following are examples of some of the more significant fraud cases investigated during this semiannual period. It should be noted that in virtually all instances, the DCAA played a critical role in supplying needed audit support.

- Five employees of International Signal and Control Company (ISC), Lancaster, Pennsylvania, were given the following sentences for conspiracy and other counts, such as tax evasion, wire fraud and Arms Export Control Act violations:
 - » Lawrence Resch, former ISC business consultant, 3 months incarceration, 3 years supervised probation including 3 months home detention, \$10,000 restitution.

PROCUREMENT FRAUD AND HEALTH CARE PROVIDER FRAUD INVESTIGATIVE CASE RESULTS						
	DCIS	CIDC	NCIS	AFOSI	Joint DCIO	Total
Litigation Results - DOJ Only						
Indictments	96	5	8	2	25	136
Convictions	58	6	3	0	12	79
Civil Settlements/Judgments	26	0	6	2	23	57
Monetary Outcomes						
Do Only	\$11,928,732	\$588,562	\$3,977,657	\$8,442,892	\$27,689,990	\$52,627,833
DoD Administrative Recoveries ¹	1,987,766	120,055	0	60,576	6,242,000	8,410,397
Investigative Recoveries ²	0	0	68,558	4,251	0	72,809
Total	\$13,916,498	\$708,617	\$4,046,215	\$8,507,719	\$33,931,990	\$61,111,039
¹ Includes the results of military courts-martial. ² Includes Government properties seized or otherwise recovered during investigations. Those properties may include items previously transferred to a Defense Reutilization and Marketing Office. Government property recovered by investigation is valued at its original acquisition price, which may exceed the current fair market value.						

Figure 1

- » Anthony Stagg, former ISC international sales and program manager, 3 years probation including 3 months home detention, \$16,000 restitution.
- » Robert Shireman, former ISC financial officer, 3 years probation including 3 months home detention and a \$7,550 fine and assessment.
- » Wayne Radcliff, former ISC vice president of manufacturing, 3 years probation including 6 months home detention and a \$7,650 fine and assessment.
- » Gerald Schuler, former ISC freight forwarder, 3 months incarceration, 3 years supervised probation including 3 months home detention and a \$3,550 fine and assessment.
- The ISC engaged in the design, manufacture and sale of medium to high technology electronic military equipment for the DoD and commercial businesses. Resch and Shireman fraudulently inflated the sales, costs and profits of ISC to secure

financing and investors. Stagg was involved in evading the United Nations arms embargo against South Africa by selling and smuggling U.S.-made arms, munitions and weapons technology to Armscor, a South African corporation established to meet the armament needs of South Africa. Radcliffe and Schuler were involved in coordinating and illegally shipping various military and commercial components to South Africa, in violation of the Arms Export Control Act. (DCIS/FBI/IRS/U.S. Customs Service [USCS])

- A \$450,000 civil settlement was reached between the Government and Bell Helicopter Textron, Incorporated (BHTI), resulting from allegations that, between 1989 and 1994, BHTI used substandard, non-conforming and falsely certified raw materials in its manufacturing of Navy aircraft. (DCIS/NCIS/CIDC)

“The suit alleged the company installed nonconforming parts on military aircraft and falsely certified inspection checklists for military and civilian aircraft.”

- As the result of an investigation in connection with a Qui Tam suit, a \$500,000 civil settlement was reached between the Government and Northrop Grumman Corporation. The suit alleged the company installed nonconforming parts on military aircraft and falsely certified inspection checklists for military and civilian aircraft. (NCIS)

- A \$3.5 million civil settlement was reached between the Government and Packard Bell Electronics, Incorporated, in connection with a Qui Tam suit. The suit alleged the company had a general practice of disassembling computers returned by retail customers, repainting and refurbishing parts, then putting them into computers as new parts. Refurbished parts included power supplies, floppy disk drives and the computer chassis. The company allegedly sold computers containing refurbished parts to the Army-Air Force and Navy Exchange Services, certifying they were “new.” (AFOSI/NCIS)

“A \$3.5 million civil settlement was reached between the Government and Packard Bell Electronics, Incorporated, in connection with a Qui Tam suit.”

- As the result of an investigation in connection with a Qui Tam suit, a \$2.4 million civil settlement was reached between the Government and Teledyne Electronics Systems Company. The suit alleged the company had intentionally understated manufacturing test hour data submitted to the Government in

connection with a settlement arising out of a prior investigation involving the Identification Friend or Foe procurement program. (AFOSI)

- A \$300,000 civil settlement was reached between the Government and Garjak Research, Incorporated, and Garjak International, Incorporated. The contractor allegedly knowingly made falsely inflated labor cost claims in connection with the development of a computer simulation program. The program, known as the Combat Base Assessment Module, was contracted for by the U.S. Air Force, while the contractor also held contracts with the Defense Nuclear Agency. (DCIS/AFOSI/IRS)
- An investigation of a Qui Tam complaint made by a former employee of Hercules, Incorporated (HI), of alleged cost mischarging and false claims on DoD contracts led to a civil settlement of \$1.1 million by HI and Alliant Techsystems, Incorporated (ATS). HI was purchased by ATS after the initiation of the investigation. ATS manufactures rocket motors for the DoD and performs work on DoD missile and rocket programs. (DCIS/NCIS)
- Lockheed Martin Tactical Aircraft Systems (LMTAS) agreed to an administrative settlement of \$2 million. The agreement resolves all allegations of defective pricing and noncompliance with cost and pricing standards on DoD contracts. The settlement was a result of an investigation into allegations of overbilling to the Government by General Dynamics Fort Worth Division (GDFW) and LMTAS. Specifically, it was alleged that for 3 months before its sale to LMTAS, GDFW continually overbilled on Government contracts to maintain a certain cash flow position until the sale was consummated. (DCIS/DOJ/NCIS/AFOSI/DCAA)

“The Clark Equipment Company...paid a \$3 million civil settlement to resolve issues brought in a Qui Tam complaint.”

- The Clark Equipment Company (Clark) of South Bend, Indiana, a wholly owned subsidiary of Ingersoll-Rand Company, Woodcliff, New Jersey, paid a \$3 million civil settlement to resolve issues brought in a Qui Tam complaint. The Government received \$2.4 million of the settlement. Clark allegedly failed to disclose correct, accurate and complete discount scheduling and marketing data information to the



B1-B Bomber

Government. Clark allegedly defrauded the General Services Administration and its customers, including the Defense Logistics Agency, by concealing the cost and pricing data that would have resulted in lower prices for equipment purchased from Clark. (DCIS)

- Textron, Incorporated, and the Aerostructures Corporation, formerly Textron Aerostructures (TA), entered into a \$9.8 million civil settlement agreement with the Government. The agreement, previously sealed, settles allegations of fraud in the construction of wings for the Air Force B1-B bomber. The Federal lawsuit alleged that TA, a former Textron subsidiary in Nashville, Tennessee, defrauded the Government by inflating labor costs in its proposals for two subcontracts for the production of 82 wing sets for the B1-B bomber. The TA is alleged to have fraudulently withheld information from negotiators regarding significant reductions in projected labor costs for the production of the wings. The settlement was the result of a Qui Tam suit filed under the Civil False Claims Act by a retired TA employee. The relator in this case will receive more than \$1.7 million from the proceeds of the Government's recovery. (DCIS/AFOSI/DCAA)
- Thomas Kardos, former president of Broomer Research Corporation (Broomer), Islip, New York, a DoD contractor for the manufacture of optical equipment, and Broomer, were sentenced on charges relating to the illegal handling of hazardous waste. Kardos was sentenced to 4 months incarceration, 3 years probation including 4 months home detention (with electronic monitoring), and a \$10,200 fine and assessment. Broomer was sentenced to 3 years probation and a \$100,400 fine and assessment. Kardos and others were responsible for the illegal dumping of chemical waste resulting from the production process used to coat optical lenses. In addition to any punishment imposed by the court, Broomer agreed to pay for the cleanup of the property. Additionally, Kardos agreed to cease working for, or receive compensation from, any company engaged in the business of optical manufacturing and coating if such work involves, directly or indirectly, a contract or assignment of the Government or any agency of the Government for a

period of 3 years. (DCIS/FBI/Environmental Protection Agency/NCIS)

- The Hunt Building Corporation (Hunt) of El Paso, Texas, reportedly the largest builder of military family housing in the United States, paid an \$8 million civil settlement to resolve false claims issues in its design, construction and lease to the Air Force of 828 housing units constructed at Ellsworth Air Force Base, South Dakota. Hunt also agreed to make comprehensive repairs to the units and provide the Government

“The Hunt Building Corporation... paid an \$8 million civil settlement to resolve false claims issues....”

with a performance bond in the amount of \$18.5 million to protect the Government in the event Hunt does not repair or fails to complete the repairs as agreed. The structural and design defects include violations of the

fire safety requirements, flawed heating systems and improper design and construction that caused the units to twist and break apart in the high, sustained winds in western South Dakota. In some units, pipes were simply inserted into the ground to make it look like mandatory sewer clean-outs had been installed and in other units improperly vented plumbing caused sewer gases to back up. The Government attributed part of the problem to the hasty construction of the units. The contract allowed for 1,440 days of construction, but the buildings were completed in less than 500 days. (DCIS/AFOSI)

- As the result of an investigation in connection with a Qui Tam suit, a \$325,000 civil settlement was reached between the Government and SUNDICORP. The suit alleged SUNDICORP built 300 housing units in Guam that were not in compliance with construction contract specifications. As a result, all of the units had excessive and substantial construction defects. (NCIS)
- Mission Research Corporation (MRC) of Albuquerque, New Mexico, agreed to pay \$500,000 in a civil settlement to resolve issues relating to alleged inappropriate lease costs charged to the Government. This investigation was based on information received from the DCAA during an audit of lease costs incurred by MRC. The MRC performed DoD research related to electromagnetic pulse, nuclear efforts and plasma sciences. (DCIS/DCAA)

Examples of Health Care Fraud

- Dr. James E. McClendon, a psychiatrist from Atlanta, Georgia, was sentenced to 78 months incarceration and ordered to pay restitution of \$6.7 million for conspiracy and money laundering. He was also sentenced to 3 years probation after release from incarceration. From approximately January 1994 through July 1995, McClendon billed Medicare and TRICARE, formerly the CHAMPUS, for psychotherapy visits, when he was actually operating after-school programs for children in impoverished areas. Claims submitted to TRICARE were billed through the Medicaid program. (DCIS/FBI)
- Investigation of a Qui Tam complaint resulted in a \$4.5 million civil settlement by Quantum Health Resources, Incorporated (Quantum), of Riverside, California. The settlement was divided among the Government, the states of New York and Oklahoma and the relator, with the Government receiving \$2.8 million. The relator, a former Quantum employee, alleged that Quantum, a supplier of therapies for hemophiliacs and other persons suffering from chronic disorders, intentionally overbilled the Government through Medicare, Medicaid, Medical and TRICARE. Quantum allegedly used inflated acquisition costs for the purpose of billing and was reimbursed by the Government for more than it was entitled to receive. (DCIS)

Suspensions and Debarments Resulting from Investigations

The number of contractors and individuals suspended and debarred as a result of DoD criminal investigations are shown in Figure 2 (page 26).

SUSPENSIONS AND DEBARMENTS RESULTING FROM INVESTIGATIONS						
	Defense Criminal Investigative Organization (DCIO)					
	DCIS	CIDC	NCIS	AFOSI	Joint DCIO	Total
DoD CONTRACTOR ACTIONS						
Suspensions						
Companies	14	0	2	0	11	27
Individuals	30	0	11	2	25	68
Total	44	0	13	2	36	95
Debarments						
Companies	9	5	4	0	8	26
Individuals	9	9	10	4	13	45
Total	18	14	14	4	21	71

Figure 2

Other Criminal Investigative Results

In addition to the matters listed above, the DCIOs conducted various other significant investigations involving large-scale thefts and non-procurement related fraud. The results of these investigations are presented in Figure 3, page 27. As in previous reports, the statistics shown in the table do not include general crime investigations (other than large-scale thefts) or counterintelligence activities.

OTHER CRIMINAL INVESTIGATIVE RESULTS			
	Totals for Period		
	DOJ	State/Local/Foreign	Total
LITIGATION RESULTS			
Indictments			
DCIS	51	10	61
CIDC	11	14	25
NCIS	37	29	66
AFOSI	12	1	13
Joint DCIO	15	9	24
Total	126	63	189
Convictions			
DCIS	30	9	39
CIDC	14	14	28
NCIS	36	29	65
AFOSI	18	7	25
Joint DCIO	18	1	19
Total	116	60	176

	DOJ	DoD		State/ Local/ Foreign	Total
		1	2		
MONETARY OUTCOMES					
DCIS	\$2,506,118	\$71,267	\$4,544,297	\$1,632,438	\$8,754,120
CIDC	145,391	571,107	1,020,599	1,089,928	2,827,025
NCIS	915,364	1,082,016	753,520	141,344	2,892,244
OSI	459,117	147,632	203,133	75,074	884,956
Joint DCIO	8,428,442	8,005,326	3,271,326	0	19,705,094
Total	\$12,454,432	\$9,877,348	\$9,792,875	\$2,938,784	\$35,063,439

¹Administrative settlements and recoveries, and results of military courts-martial.

²Investigative seizures and recoveries. Includes Government properties seized or otherwise recovered during investigations and may include items previously transferred to a Defense Reutilization and Marketing Office. Government property recovered by investigation is valued at its original acquisition price, which may exceed the current fair market value.

Figure 3

Examples of Other Criminal Investigations

Theft

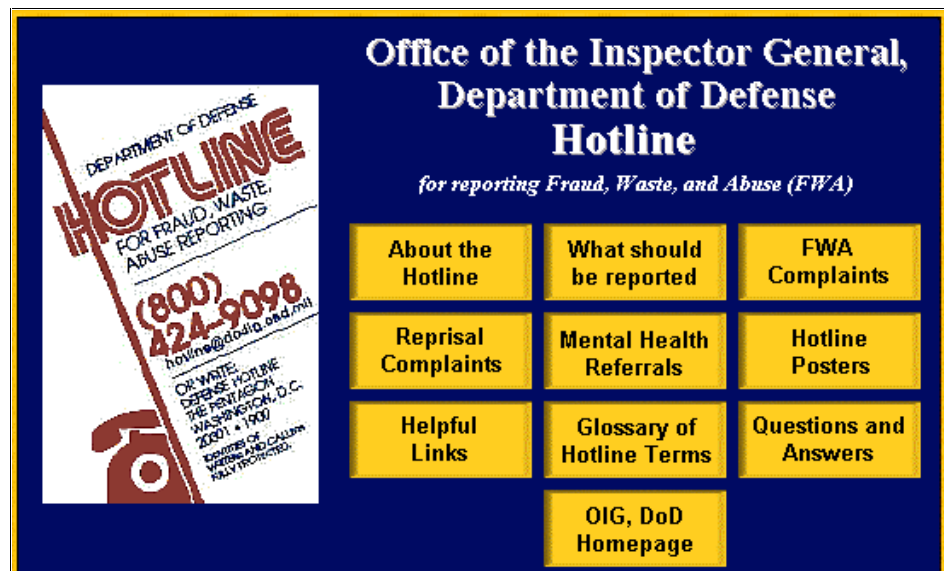
- An investigation was initiated regarding the alleged diversion of military equipment by military museums. Inspectors from the U.S. Army Tank-Automotive and Armament Command, Warren, Michigan, reported that they could not locate the Illinois Military Museum, Greenup, Illinois, nor military equipment provided to the museum under the Army's Conditional Deed of Gift Program. The Illinois Military Museum was issued an M60A1 tank, two M60A3TTS tanks, two M114 Armored Personnel Carriers, two M42 Dusters, two Iraqi cargo trucks, one 25mm Japanese gun, one mortar and one Mercedes truck. The investigation revealed that the museum did not exist and that the property had been diverted to private individuals over a three-state area. As a result, the deeds of gift were revoked and the military property, valued at more than \$1.9 million, was recovered and returned to the Government. (DCIS/CIDC)
- An M60A3TTS tank, valued at \$1.2 million, was seized from Randell Smith of Bloomington, Illinois. Smith, a member of Veterans of Foreign Wars (VFW) Post 454, Bloomington, Illinois, requested the tank on behalf of his organization through the DoD Conditional Deed of Gift Program for a World War II memorial. Subsequently, officials of VFW Post 454 decided not to acquire the tank. However, the DoD was not informed of this decision and Smith, using his own funds, arranged to have the undemilitarized tank transported directly to his Bloomington residence. (DCIS)
- Jet Reclamation Incorporated, its President and Chief Executive Officer and four Government employees pled guilty to criminal charges arising out of a major theft scheme. New and used, but serviceable, aircraft parts were stolen from the Defense Logistics Agency and Defense Reutilization Marketing Service warehouses on Kelly Air Force Base, Texas. The parts were then sold to aircraft surplus and parts dealers. All defendants await sentencing. (DCIS/AFOSI/FBI/USCS/IRS)

Redistribution and Marketing Fraud

- Donnell L. Beutel, former surplus property screener for the Port of Bandon, Bandon, Oregon, was sentenced to 1 year and 1 day

in prison, 3 years probation, 600 hours of community service and ordered to pay \$82,996 restitution and a \$75 assessment stemming from the illegal sale of Federal surplus property. Beutel previously pled guilty to theft of Government property and failure to file individual income tax returns. An investigation into the Port of Bandon's use of Federal surplus property determined Beutel unlawfully acquired, possessed and sold Federal surplus property obtained by Beutel from various Defense Reutilization and Marketing Offices. In addition to violating laws governing the Federal Surplus Property Program, Beutel personally profited from the sale of the property. (DCIS/IRS)

HOTLINE



During this reporting period, the Hotline received 7,016 telephone calls and letters resulting in the initiation of 898 cases. During the same period, the Hotline closed 1,013 cases. The Hotline distributed over 7,000 Hotline posters and other Hotline informational materials to various DoD activities and DoD contractors in a continuing effort to promote use of the DoD Hotline. Since the Hotline’s inception in 1982, over \$415 million has been recovered as a direct result of inquiries initiated in response to information provided to the Hotline.

Significant Hotline Complaints

- An ongoing DCIS Voluntary Disclosure investigation (supplemented by a subsequent Hotline referral) alleged that a Government contractor falsified ammunition test results, resulting in defective ammunition. The contractor agreed to a \$2.4 million civil settlement.

- In response to a Hotline complaint, the OIG, DoD, audited a defense contract involving maintenance and repair of the C-20 Aircraft. The audit identified \$887,000, which can be realized from recouping unreasonable costs for past purchases of new parts. In addition, the defense contractor is now purchasing new parts at a substantial reduction in price, with additional monetary savings of \$1.26 million over the life of the contract.
- As a result of a Hotline complaint, an investigation by the NCIS substantiated allegations that a U.S. Marine supply specialist was in possession of a helicopter blade valued at approximately \$9,000. The helicopter blade was subsequently seized by NCIS agents and returned to its appropriate command.

ADMINISTRATIVE INVESTIGATIONS

The OIG, DoD, Departmental Inquiries Office conducts investigations and also performs oversight of investigations conducted by the Military Departments. These investigations pertain to:

- Allegations of whistleblower reprisal against military members, Defense contractor employees and nonappropriated fund employees.
- Allegations that military members were referred for mental health evaluations without being afforded the rights prescribed in the DoD Directive and Instruction pertaining to mental health evaluations of members of the Armed Forces.
- Noncriminal allegations against senior military and civilian officials within the DoD.

Whistleblower Reprisal Activity

During the reporting period, the Special Inquiries Directorate received 200 complaints of whistleblower reprisal. Of these complaints, 47 did not meet the criteria for investigation. An additional 40 were closed after preliminary analysis determined that further investigation was not warranted. The remaining 113 cases are undergoing preliminary analysis or are being investigated by Special Inquiries staff or Military Department Inspectors General.

We closed 108 cases during the reporting period. Approximately 14 percent of the cases contained one or more substantiated allegations of whistleblower reprisal. Of the closed cases, 23 cases included alleged violations of the DoD Directive on referrals for mental health evaluation. We substantiated violations of the Directive in 6 of these cases. Figures 4

and 5 (page 32) illustrate results of whistleblower reprisal activity during the reporting period.

Implementing the Modifications to Title 10, United States Code, Section 1034

The National Defense Authorization Act for Fiscal Year 1999 included modifications to 10 U.S.C. 1034 to improve the timeliness of processing military whistleblower reprisal cases. Of greatest import, Inspectors General within the Military Departments now have the authority to immediately grant coverage under the statute to Service members who make reprisal allegations, thus allowing the investigative process to begin without first processing the complaint through the OIG, DoD.

During the reporting period, we issued interim procedural guidance to the Military Departments to implement the modifications to the statute, and we are currently revising the implementing DoD Directive. We also developed and presented a new training course for OIG investigators within the Military Departments to help facilitate their expanded responsibilities for receiving reprisal allegations and conducting investigations.

Examples of Substantiated Military Whistleblower Reprisal Cases

- An Air Force master sergeant assigned to a joint Defense Agency received an adverse enlisted performance report (EPR), his reassignment was canceled and his end-of-tour award was denied in reprisal for making protected communications about the improper use of Government vehicles by his chain of command. After the reprisal investigation, the master sergeant's reassignment was reinstated and he received a service medal. Further, the agency assisted the master sergeant in applying to the Board for Correction of Military Records to have the adverse EPR removed from his record.
- A lieutenant colonel in the Army Active Guard Reserve was relieved of his duties as an IG, received a Relief for Cause Officer Evaluation Report (OER) and a General Officer Letter of Reprimand (LOR) in reprisal for communicating with another IG relative to activities within his reserve unit. As a result of the reprisal investigation, Army officials placed an LOR in the official personnel file of the general officer responsible for the reprisal actions.
- A Marine Corps pilot was reassigned and received a negative fitness report in reprisal for complaining to his commanding general about safety violations and abuse of authority by a

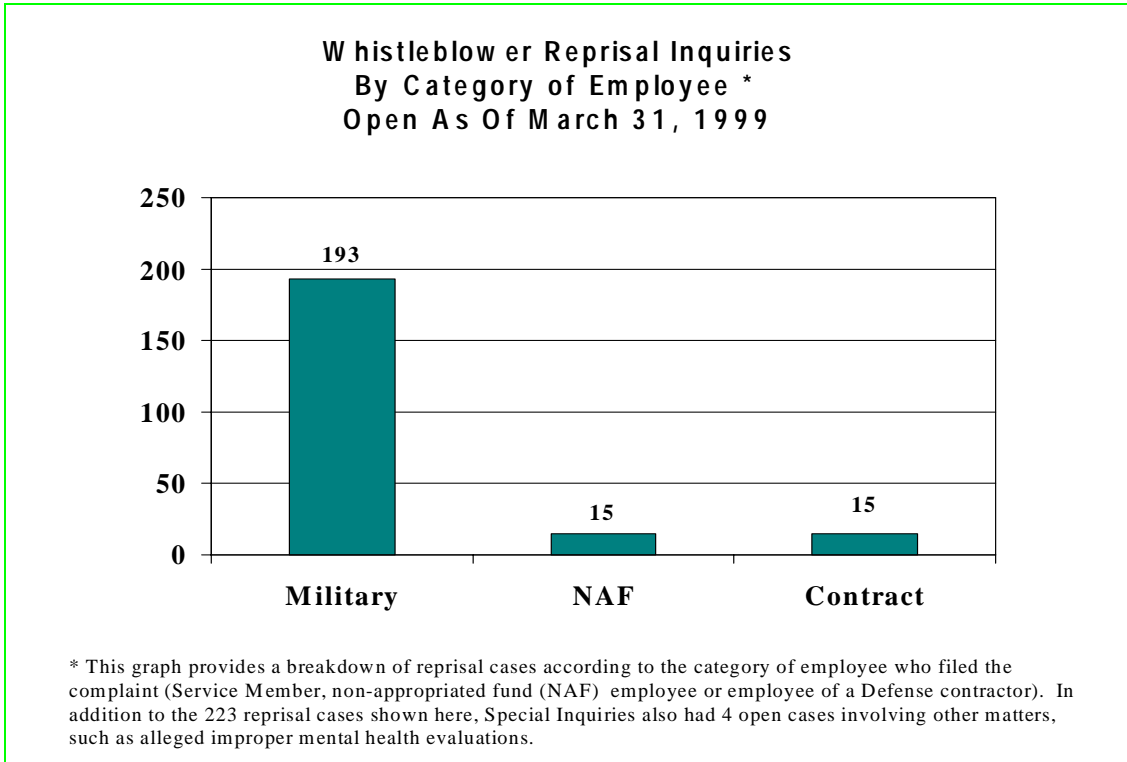


Figure 4

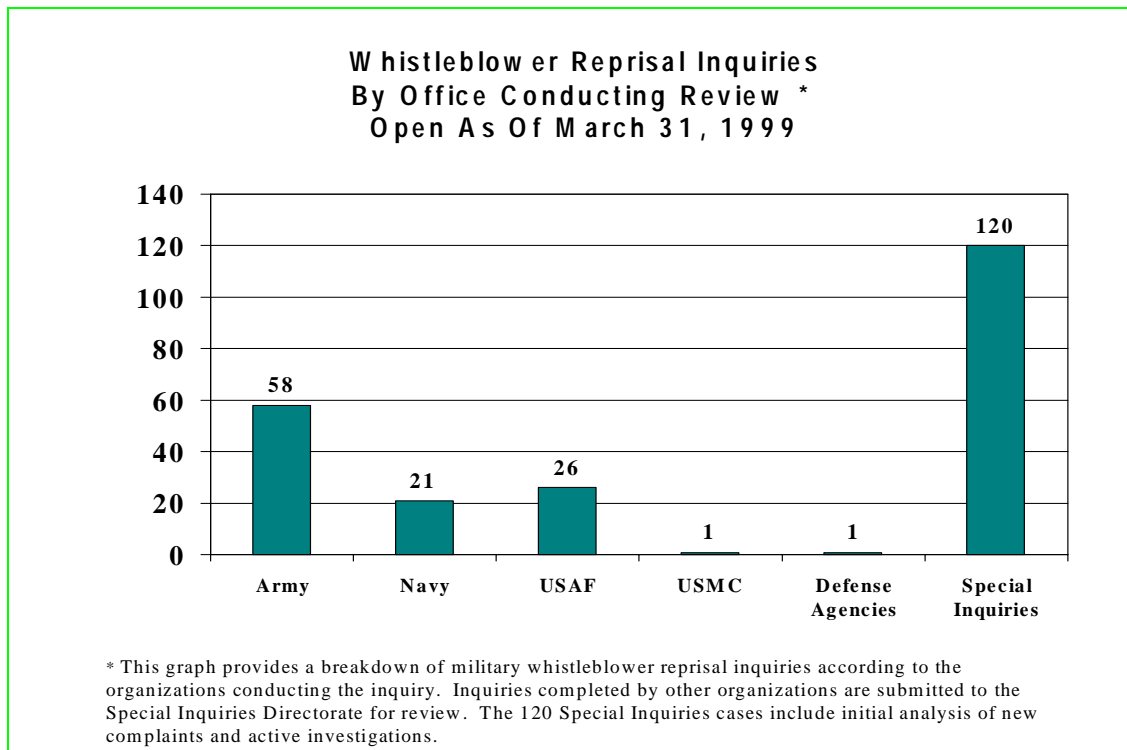


Figure 5

superior officer. The pilot's fitness report was later corrected to remove negative comments.

- An Army staff sergeant received an LOR, an adverse Non-Commissioned Officer Evaluation Report (NCOER), and an unfavorable counseling statement in reprisal for making protected communications to a National Guard IG. The LOR and adverse NCOER were removed from the staff sergeant's official personnel file. Responsible management officials were counseled formally. The battalion commander responsible for the LOR resigned his commission.
- The decision to terminate a bartender at the Whidbey Island Naval Air Station Officers Club was made in reprisal for the bartender's protected communications regarding improprieties by her supervisor. Based on the finding of reprisal, the Director for Administration and Management, Office of the Secretary of Defense, directed that the bartender receive monetary compensation for lost wages and be offered a comparable position.

Examples of Nonappropriated Fund Employee Whistleblower Reprisal Cases

Senior Official Inquiries

Figures 6 and 7 (page 34) show results of activity on senior official cases during the reporting period. On March 31, 1999, there were 250 ongoing investigations into alleged senior official misconduct throughout the Department, up slightly from the 233 cases that we reported open as of October 1, 1998. Over the past 6 months, we closed 171 senior official cases; 25 of the closed cases (15 percent) contained substantiated allegations.

Example of Substantiated Senior Official Cases

- At the request of several Members of Congress, we conducted an investigation to address allegations that religious discrimination and other improprieties in the conduct of two Navy Selection Boards for Chaplain Corps Commanders unfairly resulted in the nonselection of one eligible officer. We found insufficient evidence to support allegations that either board made selections based on denomination or that board members engaged in misconduct. With one exception, we concluded that the selection boards operated in conformance with laws and regulations that govern the selection board process. That exception involved a board member who made adverse comments regarding one eligible officer who was ultimately not selected for promotion by that board. Because the comments at issue were inadmissible during board proceedings,

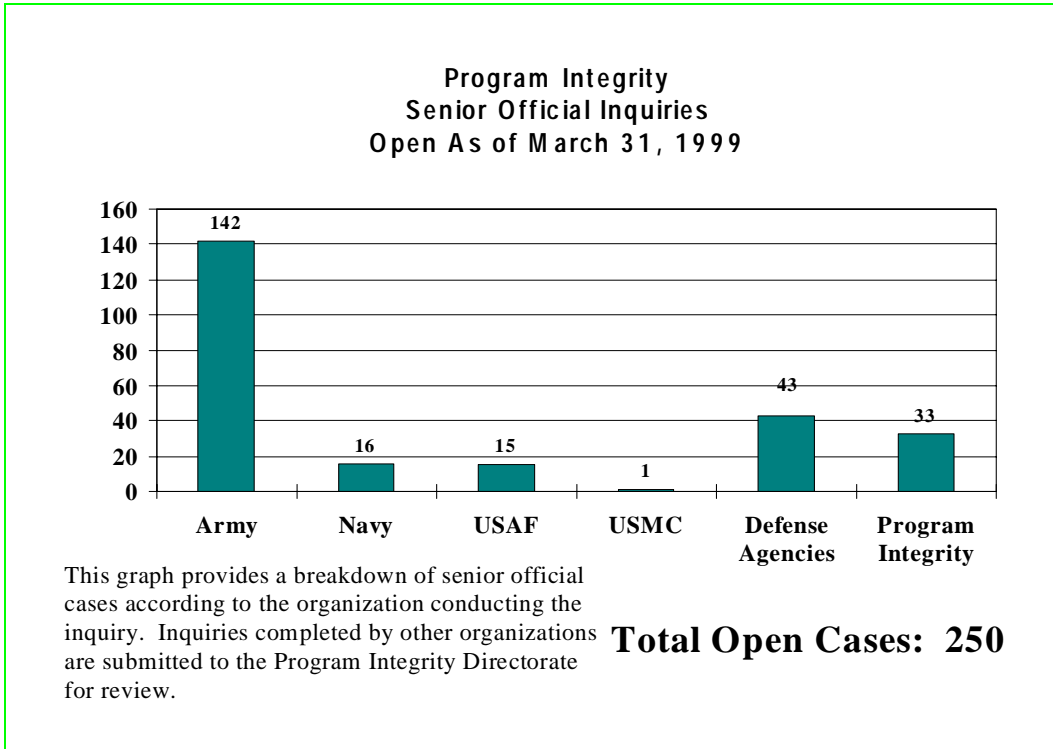


Figure 6

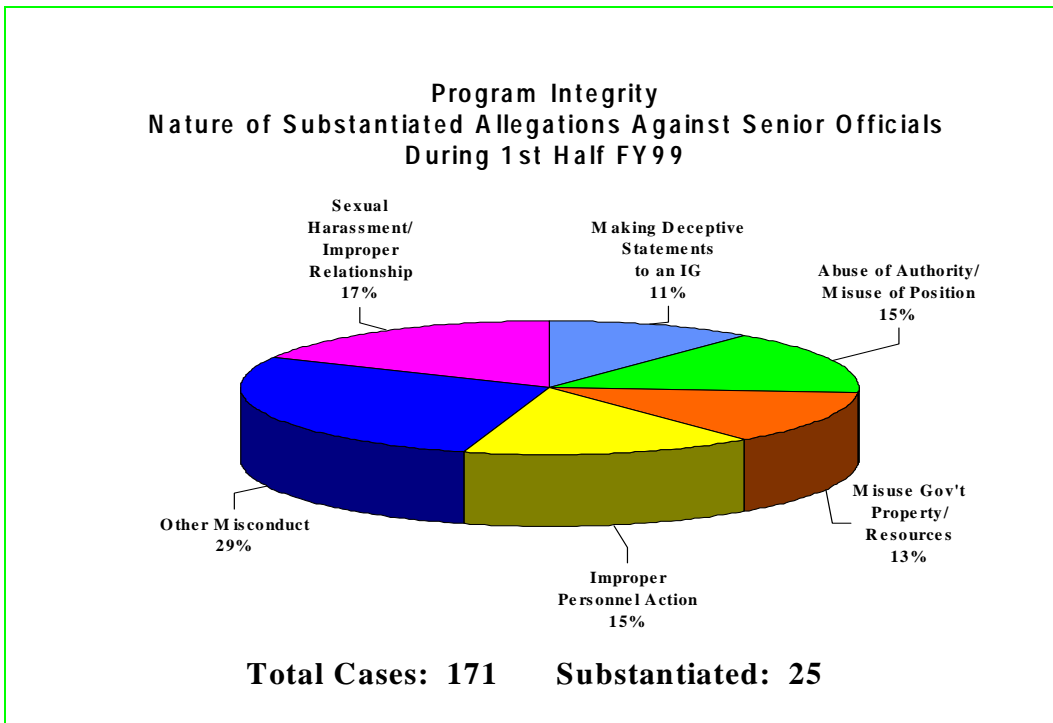


Figure 7

we determined that "material error" within the meaning of selection board statutes had occurred. At our recommendation, the Secretary of the Navy approved a special selection board for the affected officer.

- In another case, we found that a senior DoD official improperly directed that Government funds be obligated to obtain a limousine and chauffeur for his official travel from Williamsburg, Virginia, to Washington, D.C. The senior official has since reimbursed the Government for the cost incurred.

Update

In our previous semiannual report, we provided the results of an investigation that substantiated allegations that a senior officer engaged in a pattern of inappropriate conduct with the wives of subordinates during an overseas assignment and made false and misleading statements in an effort to deceive others concerning his conduct. We referred the matter to the cognizant Military Department for appropriate action. As part of a pre-trial agreement, the senior officer entered a plea of guilty to seven counts of conduct unbecoming an officer and one count of making a false official statement. The individual was only the third general or flag officer court-martialed since the enactment of the Uniform Code of Military Justice in 1950 and the first ever prosecuted after retirement. Pursuant to the pre-trial agreement, he received a reprimand and fines and forfeitures totaling \$22,000. The sentence is pending action by the General Court-Martial Convening Authority.

AUDITING

The OIG, DoD, auditors and those of the Military Departments issued 259 reports during the reporting period, identifying over \$3.3 billion in potential monetary benefits and recommending improvements across a wide spectrum of management activities, including the high risk areas discussed in Chapter One.

See Appendix A for a list of audit reports, sorted by major subject area. Appendices B and C list OIG, DoD, audit reports with quantifiable monetary benefits and DoD internal audit followup activities, respectively. The DCAA also continued providing essential financial advice to DoD contracting officers, as summarized in Appendix D.

Readiness Audits

In addition to the audits discussed in the focus area of Chemical and Biological Defense, we continued our assessments of factors that inhibit other warfighting capabilities. Two particularly significant reports related

to communications support in the two major regional conflicts strategic planning scenario.

This audit activity determined that more emphasis is needed on managing critical “long-haul” telecommunications. The DoD needs to clarify its requirements and match them more systematically against available leased commercial satellite bandwidth capacity. In addition, more intensive management is needed to ensure that reliable service is being provided at reasonable cost. For example, the Department lacks an inventory of its international maritime satellite terminals and does not know either the associated costs or when economies of scale could be achieved through combined purchasing. Because the \$11.4 billion DoD Commercial Satellite Communications Initiative has not provided adequate service, the combatant commands have been independently leasing commercial satellite communications. Management agreed with these findings and the numerous related recommendations. Comprehensive corrective actions will include establishing procedures for centralized procurements and a Joint Staff reassessment of the right mix of commercial and DoD-owned satellite communications capability to match requirements.

The Department also needs to confront the challenges posed by the increasing limitations on military use of the electromagnetic frequency spectrum. At least 89 military systems, including telecommunications and weapon systems, were deployed to the European, Pacific and Southwest Asian theaters without the proper frequency certification and host nation approval. In addition, the Military Exchange stores were selling products that were not covered by, or compliant with, host nation frequency agreements. As a result, communications equipment deployed without host nation approval and frequency assignments cannot be used to its full capability for training, exercises or operations without risking damage to host nation relations and degraded performance. Potential frequency spectrum conflicts should be considered during system design, when host nation agreements are negotiated and before systems are deployed.

“The DoD needs a more systematic process to update telecommunications agreements with other countries.”

The DoD needs a more systematic process to update telecommunications agreements with other countries, clarification of accountability for managing those agreements and more emphasis on compliance with them. The most recent register of telecommunications agreements is over 4 years old.

The Joint Staff generally agreed with our report, but emphasized that national policies to sell usage rights for portions of the frequency spectrum are the root problem and DoD cannot compensate fully through management action. More emerging technology demands worldwide, plus increasing international consensus for decreasing worldwide frequency spectrum set-asides for military use, will eventually negate the stated DoD goal of “spectrum supremacy.” Global commercial interests will have co-opted spectrum supremacy while eroding individual nations’ regulatory authority. Nevertheless, the Department is implementing our recommendations. For example, compliance with spectrum management policy will be emphasized at all acquisition milestones for new systems. The Army and Air Force Exchange Service and the Navy affirmed that actions would be taken to confirm frequency spectrum-dependent products are compatible with host nations, and to cease selling noncompliant products.

**OIG, DoD,
Testimony**

On February 25, 1999, the Inspector General testified before the House Subcommittee on National Security, Veterans Affairs and International Relations regarding the most serious Defense management issues. The testimony recapped the high risk areas confronting the Department. Many of the issues covered are addressed in Chapter One and have also been addressed as focus areas in previous Semiannual Reports to Congress.

On March 2, 1999, the Assistant Inspector General for Auditing testified before the House Subcommittees on Technology and on Government Management, Information and Technology concerning year 2000 conversion progress. The discussion of DoD Y2K issues in Chapter One covers the main points in the testimony. The text of all IG, DoD, written testimony is available on the internet at the OIG, DoD, Home Page at www.dodig.osd.mil.

**INTELLIGENCE
REVIEW**

For information regarding specific work performed, see the Classified Annex to this report.

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APPENDIX A*
REPORTS ISSUED BY CENTRAL DOD INTERNAL AUDIT ORGANIZATIONS

Excludes base level reports issued by the Air Force Audit Agency. Includes evaluation reports issued by the OIG, DoD.

Copies of reports may be obtained from the appropriate issuing office by calling:

OIG, DoD
(703) 604-8937

Army Audit Agency
(703) 681-9863

Naval Audit Service
(703) 681-9126

Air Force Audit Agency
(703) 696-8027

**Summary of Number of Reports by Issue Area
 October 1, 1998, through March 31, 1999**

	OIG, DoD	Military Depts.	Total
Finance and Accounting	26	50	76
Information Technology	43	12	55
Acquisition Oversight	20	17	37
Logistics	14	23	37
Quality of Life	3	18	21
Construction and Installation Support	4	12	16
Environment	3	3	6
Intelligence	2	4	6
Health Care	0	5	5
Total	115	144	259

The OIG, DoD, also issued 4 reports on audit and criminal investigative oversight reviews and three testimony reports (99-088, 99-105 and 99-117). In addition, the Naval Audit Service issued one report on an audit oversight review.

*Fulfills requirements of 5 U.S.C., Appendix 3, Section 5(a)(6).

ACQUISITION PROGRAM AND CONTRACTOR OVERSIGHT

IG, DoD

99-001 Defense Logistics Agency Procurements from Federal Prison Industries, Inc. (10/5/98)

99-002 Contracting for Defense Finance and Accounting Service Support (10/5/98)

99-011 Management of Contract Waivers and Deviations for Defense Systems (10/13/98)

99-012 Use of Funds Appropriated for Major Defense Systems (10/14/98)

99-019 DoD Special Access Program (CLASSIFIED) (10/22/98)

99-021 Acquisition Management of the Comanche Program (11/4/98)

99-023 Procurement of Military Clothing and Related Items by Military Organizations (10/29/98)

99-026 Commercial Spare Parts Purchased on a Corporate Contract (10/30/98)

99-037 Initiatives to Improve Acquisition Lead Time (11/23/98)

99-041 Ship Repair Contracts at Supervisor of Shipbuilding, Conversion and Repair, Jacksonville (11/27/98)

99-043 Navy Quantitative Requirements for Munitions (CLASSIFIED) (12/3/98)

99-048 Dispositioned Defective Pricing Reports at the Naval Air Systems Command (12/8/98)

99-051 Marine Corps Quantitative Munitions Requirements Process (12/10/98)

99-053 Audit of the Allegations on the AN/PRC-137 Radio Program (CLASSIFIED) (12/14/98)

99-054 Acquisition of the Advanced Amphibious Assault Vehicle (12/15/98)

99-057 Settlement of Contractor Incurred Indirect Cost Audits (12/21/98)

99-071 Cooperative Engagement Capability Program Office Use of Defense Contract Management Command Resources (1/27/99)

99-075 Acquisition of the SH-60R Light Airborne Multipurpose System Mark III Block II Upgrade (2/2/99)

99-077 Allegations to the DoD Hotline on Contract Maintenance for the C-20 Aircraft (FOR OFFICIAL USE ONLY) (2/4/99)

99-114 C-17 Program Serialization of Airframe Fracture-Critical and Landing-Gear Reliability-Critical Parts (3/24/99)

Army Audit Agency

AA99-1 Materiel Packaging and Preservation, U.S. Army Tank-Automotive and Armaments Command, Warren, Michigan (10/15/98)

AA99-12 Army and Air Force Exchange Service Transportation Charges in Support of Operation Joint Endeavor/Joint Guard, U.S. Army, Europe and Seventh Army, Heidleberg, Germany (11/13/98)

AA99-73 Overhead Management and Contractor Logistical Support, U.S. Army Simulation, Training and Instrumentation Command, Orlando, Florida (1/25/99)

AA99-81 Directorate of Logistics' Performance Work Statement, U.S. Army Garrison, Hawaii, Schofield Barracks, Hawaii (12/3/98)

AA99-85 Performance Work Statement, Fort Lee, Fort Lee, Virginia (12/21/98)

AA99-87 Global Command and Control System – Army Program (1/22/99)

AA99-99 Performance Work Statement, Fort Monroe, Fort Monroe, Virginia (12/13/98)

AA99-140 Performance Work Statement – Fort Eustis (2/12/99)

AA99-147 Digitization of the Battlefield: Tactical Internet (3/15/99)

Naval Audit Service

001-99 Auditor General Advisory: Program Executive Office Auditor Project (10/22/98)

009-99 Budget and Programming Estimates for the Trident II (D-5) Missile Program Contained in the Weapons Procurement, Navy Appropriation (11/25/98)

010-99 Commercial Credit Card Programs at Naval Air Warfare Center Aircraft Division (11/27/98)

030-99 Program Executive Office (Mine Warfare) Financial Management Process and the Explosive Ordnance Disposal Program Office (3/26/99)

Air Force Audit Agency

97064001 C-17 Flexible Sustainment Acquisition (12/18/98)

97064011 Electronic Data Interchange Procurement Transactions (12/24/98)

97064014 Flight Simulator Acquisition, Management, and Use (3/22/99)

97064015 USAF General-Purpose Vehicles (2/1/99)

CONSTRUCTION AND INSTALLATION SUPPORT

IG, DoD

99-007 Defense Base Realignment and Closure Budget Data for Realignment of the Defense Courier Service Station, South Weymouth Naval Air Station, Massachusetts, to McGuire Air Force Base, New Jersey (10/8/98)

99-018 Unaccompanied Enlisted Personnel Housing Requirements for Naval Air Station North Island, California (10/21/98)

99-078 Outsourcing of Defense Commissary Agency Operations (2/5/99)

99-084 Defense Base Realignment and Closure Budget Data for Projects at Naval Air Station Oceana, Virginia (2/22/99)

Army Audit Agency

AA99-4 Follow-up Audit of Corps Dredging, Headquarters, U.S. Army Corps of Engineers, Washington, DC (10/15/98)

AA99-8 Command Overhead Costs, U.S. Army Chemical and Biological Defense Command, Aberdeen Proving Ground, Maryland (11/9/98)

AA99-11 Public Works Construction Contracts, Eighth U.S. Army, Seoul, Korea (11/13/98)

AA99-49 Leased Family Housing Issues, Fort Drum, Fort Drum, New York (12/18/98)

AA99-98 Management of Commodity Licenses, U.S. Army Industrial Operations Command, Rock Island, Illinois (12/31/98)

AA99-138 Service Contracts, Eighth U.S. Army, Seoul (2/12/99)

AA99-172 Low-Level Radioactive Waste Disposal Program, U.S. Army Industrial Operations Command, Rock Island, Illinois (3/4/99)

Naval Audit Service

022-99 Military Construction, Navy Projects Proposed for Fiscal Year 2000 (10/14/98)

026-99 Base Operating Support Costs and Military Billets Associated with San Diego Regionalization (2/16/99)

Air Force Audit Agency

97052006 Personal Property at Closed and Realigned Bases (10/1/98)

98052004 Facility Projects at Closed Bases (11/4/98)

98052007 Dormitory Appliance Controls (1/29/99)

ENVIRONMENT

IG, DoD

99-008 Summary Report on DoD Management of Underground Storage Tanks (10/8/98)

99-020 Program Management Practices for the Installation Restoration Program at the Massachusetts Military Reservation (10/23/98)

99-040 Navy Hazardous Substance Management System Contract (11/25/98)

Army Audit Agency

AA99-88 Management of Underground Storage Tanks – Follow-up (12/14/98)

AA99-97 Recycling Contaminated Metal, Rock Island Arsenal, Rock Island, Illinois (12/31/98)

Air Force Audit Agency

98052005 Hazardous Waste Cost and Quantity Reduction (11/25/98)

FINANCE AND ACCOUNTING

IG, DoD

99-004 Compilation of FY 1997 Air Force General Funds Consolidated Financial Statements at the Defense Finance and Accounting Service Denver Center (10/5/98)

99-005 Compilation of the Navy Working Capital Fund FY 1997 Financial Statements at Defense Finance and Accounting Service Cleveland Center (10/5/98)

99-006 Consolidation Process for FY 1997 Financial Statements for Other Defense Organizations (10/6/98)

99-010 DoD Military Retirement Health Benefits Liability for FY 1997 (10/13/98)

99-013 Summary Report on Financial Reporting of Government Property in the Custody of Contractors (10/15/98)

99-014 Compilation of the FY 1997 Financial Statements for Other Defense Organizations (10/15/98)

99-016 National Security Agency Fund Balance with Treasury (CLASSIFIED) (10/19/98)

99-032 Reporting of DoD Inventory and Operating Materials and Supplies on the FY 1997 DoD Consolidated Financial Statements (11/5/98)

99-033 Department of Defense Use of Pseudo Social Security Numbers (11/12/98)

99-062 Major Deficiencies in the Compilation and Consolidation of the Financial Statements for Other Defense Organizations (12/29/98)

99-072 Cash Impact of the Consumable Item Transfer, Phase II, FY 1998 (1/27/99)

99-083 Application Controls Over the Retiree and Casualty Pay Subsystem at the Defense Finance and Accounting Service Cleveland Center (2/23/99)

99-087 Accounting Adjustments to the National Guard and Reserve Equipment Appropriation by the Army National Guard (2/24/99)

99-089 Internal Controls and Compliance with Laws and Regulations for the Defense Logistics Agency Working Capital Fund Financial Statements for FY 1998 (3/1/99)

99-090 Internal Controls and Compliance with Laws and Regulations for the Defense Finance and Accounting Service Working Capital Fund Financial Statements for FY 1998 (3/1/99)

99-091 Inspector General, DoD, Oversight of the Army Audit Agency Audit of the FY 1998 Army General Fund Financial Statements (3/1/99)

99-092 Inspector General, DoD, Oversight of the Naval Audit Service Audit of the Navy General Fund Financial Statements for FY 1998 (3/1/99)

99-093 Inspector General, DoD, Oversight of the Army Audit Agency Audit of the FY 1998 Army Working Capital Fund Financial Statements (3/1/99)

99-094 Inspector General, DoD, Oversight of the Army Audit Agency Audit of the FY 1998 Financial Statements of the U.S. Army Corps of Engineers, Civil Works Program (3/1/99)

99-095 Inspector General, DoD, Oversight of the Air Force Audit Agency Audit of the FY 1998 Air Force General Fund Financial Statements (3/1/99)

99-096 Inspector General, DoD, Oversight of the Air Force Audit Agency Audit of the FY 1998 Air Force Working Capital Fund Financial Statements (3/1/99)

99-097 Internal Controls and Compliance with Laws and Regulations for the DoD Agency-Wide Financial Statements (3/1/99)

99-099 Inspector General, DoD, Oversight of the Naval Audit Service Audit of the Navy Working Capital Fund Financial Statements for FY 1998 (3/1/99)

99-104 Inspector General, DoD, Oversight of the Audit of the Military Retirement Trust Fund Financial Statements for FY 1998 (3/5/99)

99-109 Defense Hotline Allegation on the Defense Commissary Agency Statement of Accountability (3/22/99)

99-120 Financial Reporting of Government Property in the Possession of Contractors for the National Reconnaissance Office (3/31/99)

Army Audit Agency

AA99-2 Program Objective Memorandum 98-03 Efficiencies–Management Control and Oversight (10/13/98)

AA99-3 Program Objective Memorandum 98-03 Efficiencies – Program Executive Office Reorganization (10/13/98)

AA99-18 Corps of Engineers Financial Management System (11/6/98)

AA99-23 Program Objective Memorandum 98-03 Efficiencies–Science and Technology (11/10/98)

AA99-35 Army Working Capital Fund FY 97 Financial Statements–Materiel Returns (12/3/98)

AA99-36 Army Working Capital Fund FY 97 Financial Statements (12/29/98)

AA99-37 Army Working Capital Fund FY 97 Financial Statements–Accounting Support (11/25/98)

AA99-44 Review of the Army Management Control Process (Fiscal Year 1998), Office of the Assistant Secretary of the Army for Financial Management and Comptroller (11/5/98)

AA99-66 National Science Center Special Fund Financial Statement, Fort Gordon, Georgia (12/14/98)

AA99-92 Program Objective Memorandum 98-03 Efficiencies, Office of the Director of Information Systems for Command, Control, Communications, and Computers, Pentagon (2/12/99)

AA99-100 Closeout Audit of Selected Inventory-Related Logistics Efficiencies, Deputy Chief of Staff for Logistics (12/23/98)

AA99-102 Tracking Efficiencies – Training Aids, Devices, Simulators and Simulations (TADS) (1/25/99)

AA99-107 Army’s Principal Financial Statements for Fiscal Year 1998 – Financial Reporting of Wholesale Ammunition (12/31/98)

AA99-108 Army’s Principal Financial Statements for Fiscal Years 1998 and 1997–Financial Reporting of Equipment, Reportable Item Control Codes (12/31/98)

AA99-109 Program Objective Memorandum 98-03 Efficiencies, Test and Evaluation (1/22/99)

AA99-112 Army’s Principal Financial Statements for Fiscal Year 1998–Financial Reporting Equipment, Follow-up Issues (1/15/99)

AA99-115 Army’s Principal Financial Statements for Fiscal Year 1998–Centralized Disbursing, Defense Finance and Accounting Service, Indianapolis Center (1/27/99)

AA99-120 Tracking Initiatives–Competitive Sourcing and U.S. Army Materiel Command Reshape (1/25/99)

AA99-125 Army’s Principal Financial Statements for Fiscal Year 1998–Financial Reporting of Budgetary Resources (2/3/99)

AA99-126 Tracking Efficiencies–Offset to Training Modernization (2/9/99)

AA99-131 Survey of Internal Controls over the Army Advertising (1/20/99)

AA99-157 FY 98 Financial Statements, U.S. Army Corps of Engineers, Civil Works, Washington, DC (2/8/99)

AA99-158 Army’s Principal Financial Statements for Fiscal Year 1998–Summary Audit Report (2/18/99)

AA99-160 Army Working Capital Fund Principal Financial Statements for Fiscal Year 1998–Auditors Opinion (2/19/99)

AA99-161 Army Working Capital Fund Principal Financial Statements for Fiscal Year 1998–Report on Internal Controls and Compliance with Laws and Regulations (2/12/99)

AA99-181 Program Objective Memorandum 98-03 Efficiencies–Utilities Modernization–Central Heating Plant, Fort Campbell, Kentucky (3/30/99)

AA99-188 Program Objective Memorandum 98-03 Efficiencies–Utilities Modernization–Central Heating Plant, Fort Lewis, Washington (3/31/99)

AA99-189 Program Objective Memorandum 98-03 Efficiencies–Utilities Modernization–Central Heating Plant, Fort Benning, Georgia (3/31/99)

AA99-191 Army's Principal Financial Statements for Fiscal Year 1998--Supplemental Stewardship Reporting of National Defense Equipment (3/26/99)

AA99-192 Army's Principal Financial Statements for Fiscal Year 1998 -- Financial Reporting of Army General (3/26/99)

Naval Audit Service

004-99 Auditor General Opinion: Department of the Navy Annual Statement of Assurance for Fiscal Year 1998 (11/16/98)

005-99 Department of the Navy Principal Statements for Fiscal Years 1997 and 1996: Selected Assets and Expenses (11/20/98)

006-99 Department of the Navy Principal Statements for Fiscal Years 1997 and 1996: Military Equipment (11/20/98)

007-99 Department of the Navy Principal Statements for Fiscal Years 1997 and 1996: Mission Assets Accountability (11/20/98)

015-99 Department of the Navy Principal Statements for Fiscal Years 1997 and 1996: Accounts Payable (12/14/98)

016-99 Quality Control Review of the Local Audit Function at Commander, U.S. Naval Forces Central Command, Manama, Bahrain (12/18/99)

017-99 United States/United Kingdom Polaris Trust Fund (12/22/98)

023-99 Management of Naval Air Reserve Force Base Operating Support Funds (1/29/99)

024-99 Department of the Navy Principal Statements for Fiscal Year 1998: Report on Auditor's Opinion (2/10/99)

025-99 Obligations Associated Primarily with Indefinite Delivery Contracts and Basic Ordering Agreements (2/18/99)

027-99 Fiscal Year 1998 Consolidated Financial Statements of the Department of the Navy Working Capital Fund (2/22/99)

028-99 Department of the Navy Principal Statements for Fiscal Year 1998: Report on Internal Controls and Compliance with Laws and Regulations (2/10/99)

Air Force Audit Agency

97053005 Accounting for Air Force Liabilities, Fiscal Year 1997 Air Force Consolidated Financial Statements (11/4/98)

97053006 Accounting for Property, Plant, and Equipment, Fiscal Year 1997 Air Force Consolidated Financial Statements (11/5/98)

97053010 Accounting for Budgetary Resources, Fiscal Year 1997 Air Force Consolidated Financial Statements (2/11/99)

97068018 Undistributed Disbursements, Air Force Working Capital Fund, Fiscal Year 1997 (12/11/98)

98053002 Opinion on Fiscal Year 1998 Air Force Consolidated Financial Statements (3/1/99)

98068006 Memorandum Audit Report, Depot Maintenance Activity Group, Air Force Working Capital Fund (3/12/99)

98068013 Opinion on Fiscal Year 1998 Air Force Working Capital Fund Financial Statements (3/1/99)

98068029 Cryptographic Equipment Financial Reporting (3/19/99)

HEALTH CARE

Army Audit Agency

AA99-69 Medical Facility Year 2000 Action Plans, U.S. Army Medical Command, Fort Sam Houston, Texas (12/9/98)

AA99-72 Emergency Room Operations, U.S. Army Medical Command, Fort Sam Houston, Texas (12/7/98)

Air Force Audit Agency

97051009 Advisory Report, Occupational Health Program Costs (10/1/98)

97051035 Emergency Medical Response Ambulance Services (11/23/98)

98051007 Immunization Management (2/11/99)

INFORMATION TECHNOLOGY RESOURCES

IG, DoD

99-003 Air Force Research Laboratory Preparation for Year 2000 (10/5/98)

99-009 Coordination of Electromagnetic Frequency Spectrum and International Telecommunications Agreements (10/9/98)

- 99-015** Joint Centers' Year 2000 Issues (FOR OFFICIAL USE ONLY) (10/16/98)
- 99-017** Year 2000 Conversion of the Airborne Warning and Control System (10/19/98)
- 99-022** Year 2000 Conversion at the Army Major Range and Test Facilities (10/29/98)
- 99-027** DoD Base Communications Systems Compliance with Year 2000 Requirements (10/30/98)
- 99-028** Management of the Defense Special Weapons Agency Year 2000 Program (10/30/98)
- 99-030** Management of the Defense Technology Security Administration Year 2000 Program (11/3/98)
- 99-031** U.S. Pacific Command Year 2000 Issues (11/3/98)
- 99-034** Management of the On-Site Inspection Agency Year 2000 Program (11/12/98)
- 99-035** Army Medical Research Institute of Infections Diseases Preparation for Year 2000 (11/13/98)
- 99-036** Army Research Laboratory Preparation for Year 2000 (11/13/98)
- 99-038** Year 2000 Initiatives at the Pacific Missile Range Facility (11/23/98)
- 99-039** 552nd Air Control Wing Year 2000 Infrastructure Program for the Airborne Warning and Control System (11/23/98)
- 99-046** Year 2000 Initiatives at the Army Kwajalein Missile Range (12/4/98)
- 99-049** Year 2000 Contingency Planning and Cost Reporting at the Defense Finance and Accounting Service (12/10/98)
- 99-050** Year 2000 Issues for the National Security Agency's General Accounting and Reporting Subsystem (CLASSIFIED) (12/10/98)
- 99-052** Year 2000 Conversion of Logistics and Maintenance Systems in Support of the Airborne Warning and Control System (12/11/98)
- 99-055** Year 2000 Computing Issues Related to Health Care in DoD (12/15/98)
- 99-056** Management of Defense Finance and Accounting Service Mid-Tier Systems (12/18/98)
- 99-058** Year 2000 Conversion for Defense Critical Suppliers (12/18/98)
- 99-059** Summary of DoD Year 2000 Conversion – Audit and Inspection Results (12/24/98)
- 99-060** Johnston Atoll Chemical Agent Disposal System Preparation for Year 2000 (12/24/98)
- 99-063** Global Positioning System Receiver Compliance with Year 2000 Requirements (12/31/98)
- 99-068** Acquisition Management of the Composite Health Care System II Automated Information System (1/21/99)
- 99-069** Summary of Audit Results–DoD Information Assurance Challenges (1/22/99)
- 99-070** Year 2000 Conversion Program at Hill, Patrick, Holloman, and Vandenberg Air Force Bases (1/22/99)
- 99-074** Year 2000 Conversion at the Atlantic Fleet Weapons Training Facility (1/29/99)
- 99-076** Year 2000 Posture of DoD Mid-Tier Computer Systems (2/3/99)
- 99-079** Year 2000 Conversion Program at the Dugway Proving Ground Major Range and Test Facility (2/9/99)
- 99-081** Tooele Chemical Agent Disposal Facility Preparation for Year 2000 (2/16/99)
- 99-082** Year 2000 Computing Issues Related to the Defense Automatic Addressing System Center (2/18/99)
- 99-085** Year 2000 Issues within the U.S. Pacific Command's Area of Responsibility: Hawaii Information Transfer System (2/22/99)
- 99-086** Year 2000 Issues within the U.S. Pacific Command's Area of Responsibility (2/22/99)
- 99-098** Year 2000 Conversion Programs of the Defense Intelligence Agency (3/4/99)
- 99-100** Year 2000 Computing Issues: Defense Logistics Agency Distribution Standard System (3/2/99)
- 99-103** DoD Efforts to Implement Year 2000 Compliance for Electronic Data Interchange (3/4/99)
- 99-107** Computer Security for the Defense Civilian Pay System (3/16/99)

99-110 Application Controls Over the Annuitant Pay Subsystem at the Defense Finance and Accounting Service Denver Center (3/23/99)

99-111 Commercial Satellite Leased Capacity (3/26/99)

99-112 Supercomputer Usage at the National Security Agency (CLASSIFIED) (3/24/99)

99-115 Summary of DoD Year 2000 Audit and Inspection Reports II (3/29/99)

99-118 Marine Forces Reserve Preparation for Year 2000 (3/31/99)

Army Audit Agency

AA99-5 Information Systems Security Program Phase II Follow-on Validation (10/15/98)

AA99-10 Information Systems Security, White Sands Missile Range, Las Cruces, New Mexico (10/2/98)

AA99-16 Information Systems Security–ASAS (10/9/98)

AA99-60 Year 2000 Compliance for Special Programs (CLASSIFIED) (11/19/98)

AA99-89 Information Systems Security, 513th Military Intelligence Brigade, Fort Gordon, Georgia (1/15/99)

AA99-90 Information Systems Security–National Ground Intelligence Center, U.S. Army Intelligence and Security Command, Fort Belvoir, Virginia (3/3/99)

AA99-159 Long Haul Communications–Defense Switched Network, U.S. Army, Pacific, Fort Shafter, Hawaii (3/4/99)

Air Force Audit Agency

97066031 Information Protection – Security Awareness, Training, and Education (1/29/99)

98058032 Long-Haul Telecommunications (3/10/99)

98066014 Information Protection–Implementing Controls Over Known Vulnerabilities in United States Air Forces in Europe Computers (FOR OFFICIAL USE ONLY) (3/26/99)

98066018 Information Protection–Implementing Controls Over Known Vulnerabilities in Air Education and Training Command Computers (FOR OFFICIAL USE ONLY) (3/8/99)

98066021 Implementing Controls Over Known Computer Vulnerabilities in Air Force Special Operations Command (FOR OFFICIAL USE ONLY) (11/4/98)

INTELLIGENCE

IG, DoD

99-066 Operations of the National Assessment Group (1/8/99)

99-073 Operations at the Office of Special Technology (CLASSIFIED) (1/29/99)

Naval Audit Service

003-99 Program 98C (CLASSIFIED) (11/23/98)

008-99 Cash Management of Potentially Sensitive Activities (CLASSIFIED) (11/23/98)

029-99 Program 98B (CLASSIFIED) (3/5/99)

Air Force Audit Agency

98058003 Intelligence Advisory and Assistance Services Program (3/12/99)

LOGISTICS

IG, DoD

99-024 Contract Terminations at Defense Industrial Supply Center and Defense Supply Center Philadelphia (10/29/98)

99-029 Property Disposal Management Concerns (11/3/98)

99-042 Chemical and Biological Collective Protection and Decontamination Defense Readiness (11/30/98)

99-044 Strategic and Critical Materials in the Defense National Stockpile (12/3/98)

99-045 Chemical and Biological Warfare Defense Resources in the U.S. Pacific Command (CLASSIFIED) (12/3/98)

99-047 DoD Execution of the Role Specialist Nation Mission in Bosnia (12/7/98)

99-061 M41 Protective Assessment Test System Capabilities (12/24/98)

99-065 Tactical Missile Maintenance Consolidation – Tube-Launched, Optically Tracked, Wire Command Missile Launcher for the Bradley Fighting Vehicle System (1/5/99)

99-067 Defense Medical Logistics Standard Support–Wholesale Program (1/12/99)

99-080 Status of the Defense Logistics Agency Plan to Measure Inventory Record Accuracy at the Distribution Depots Using Statistical Sampling (2/10/99)

99-101 Logistics Response Time for the Direct Vendor Delivery Process, Defense Supply Center, Columbus (3/4/99)

99-102 Chemical and Biological Warfare Defense Resources in the U.S. European Command (CLASSIFIED) (3/4/99)

99-108 Logistics Response Time for the Direct Vendor Delivery Process, Defense Supply Center, Richmond (3/17/99)

99-113 Nondeployable Naval Reserve Component Personnel (3/24/99)

Army Audit Agency

AA99-6 U.S. Army Materiel Command Efficiency–Integrated Sustainment Maintenance (10/15/98)

AA99-26 Lessons Learned–Chemical Stockpile Disposal Program, Aberdeen Proving Ground, Aberdeen, Maryland (11/9/98)

AA99-38 Distribution of Depot-Maintenance Workload (11/16/98)

AA99-46 Ammunition Management (CLASSIFIED) (12/22/98)

AA99-68 Security and Accountability of Small Arms, Ammunition and Explosives, U.S. Army Reserve Components (12/14/98)

AA99-155 Chemical Agent Inventory Controls, Aberdeen Proving Ground, Aberdeen, Maryland (2/17/99)

Naval Audit Service

011-99 Management of Family Housing Operations and Maintenance Resources (12/4/98)

012-99 Government Vehicle Usage at Naval Air Station Patuxent River, Maryland (12/4/98)

013-99 Requirements for Unfilled Stock Requisitions at the Naval Inventory Control Point (12/9/98)

014-99 Management of Government Furnished Aviation Material (12/10/98)

018-99 Management of Marine Corps Secondary Depot Repairables Scheduled for Rework (12/18/98)

020-99 Reliability of Information Used for Student Input Planning for Initial and Advanced Skills Training (1/8/99)

021-99 Management of Naval Selected Reserve Mobilization Billets (1/11/99)

022-99 Material Returns Program for Ships Parts (1/15/99)

031-99 Navy Program to Report Missing, Lost, Stolen, or Recovered Arms, Ammunition, and Explosives (3/26/99)

Air Force Audit Agency

97062001 Aerospace Ground Equipment Maintenance (3/29/99)

98051021 Active Duty Service Commitments for Advanced Flying Training (2/8/99)

98061001 Memorandum Report, Air Force Category B Travel Program (10/1/98)

98061008 C-130 Aircraft Repairable Spare Parts Funding (12/21/98)

98061009 High Priority Mission Support Kits (12/4/98)

98061024 Air Mobility Command Aviation Fuel Management (3/9/99)

98062001 C-130 Aircraft Propeller Accountability (12/18/98)

98062002 Aircraft Maintenance Training Within Active Duty Units (10/9/98)

QUALITY OF LIFE

IG, DoD

99-025 Purchasing Restrictions and State Taxation on Distilled Spirits (10/29/98)

99-064 Basis for Recent Policy Changes to the Drug Testing Rate for DoD Civilians (12/31/98)

99-106 Commercial Life Insurance Sales Procedures in DoD (3/10/99)

Army Audit Agency

AA99-9 Morale, Welfare and Recreation Activities, Fort Myer, Fort Myer, Virginia (10/15/98)

AA99-13 Morale, Welfare and Recreation Activities, Year 2000 Action Plans, U.S. Army Community and Family Support Center, Alexandria, Virginia (12/14/98)

AA99-15 Reengineering Overhead Support for Morale, Welfare and Recreation Activities, Fort Lewis, Fort Lewis, Washington (10/7/98)

AA99-17 Reengineering Overhead Support for Morale, Welfare and Recreation Activities, Fort Belvoir, Fort Belvoir, Virginia (10/8/98)

AA99-19 Reengineering Overhead Support for Morale, Welfare and Recreation Activities, Fort Benning, Fort Benning, Georgia (10/13/98)

AA99-20 Reengineering Overhead Support for Morale, Welfare and Recreation Activities, Fort Bragg, Fort Bragg, North Carolina (10/13/98)

AA99-24 Reengineering Overhead Support for Morale, Welfare and Recreation Activities, Fort Jackson, Fort Jackson, South Carolina (10/20/98)

AA99-25 Reengineering Overhead Support for Morale, Welfare and Recreation Activities, Fort Campbell, Fort Campbell, Kentucky (10/21/98)

AA99-31 FY 98 Semiannual Validation–Demonstration Project for Uniform Funding of Morale, Welfare and Recreation Activities (11/6/98)

AA99-32 Reengineering Overhead Support for Morale, Welfare and Recreation Activities, Fort Monmouth, Fort Monmouth, New Jersey (10/28/98)

AA99-33 Reengineering Overhead Support for Morale, Welfare and Recreation Activities, Picatinny Arsenal, Dover, New Jersey (11/19/98)

AA99-43 Secretary of Defense Mess Fund Financial Statements, Pentagon (11/20/98)

AA99-62 General Officers' Mess Fund Financial Statement (12/21/98)

AA99-104 Audit of European Region Payroll Operations, American Battle Monuments Commission, Arlington, Virginia (1/7/99)

AA99-154 Manpower Requirements Determination System, Assistant Secretary of the Army (Manpower and Reserve Affairs) (3/1/99)

AA99-193 FY 98 Annual Validation–Demonstration Project for Uniform Funding of Morale, Welfare and Recreation Activities (3/15/99)

Air Force Audit Agency

97051008 Support For Non-appropriated Fund Financial Reporting (3/19/99)

98051023 Punitive Discharge Appellate Review (11/4/98)

AUDIT OVERSIGHT REVIEWS

IG, DoD

Unnumbered Joint Quality Control Review of the Office of Inspector General at the National Reconnaissance Office (12/22/98)

99-6-001 Defense Contract Audit Agency Audits of Contractor Compliance with Cost Accounting Standards (1/11/99)

99-6-002 Evaluation of the Department of the Army Internal Review Organizations (3/23/99)

99-6-003 Quality Control Review of KPMG Pete Marwick, LLP, The University of Delaware, Fiscal Year Ended June 30, 1998 (3/26/99)

99-6-004 Defense Contract Audit Agency Compensation Audits (3/30/99)

Naval Audit Service

019-99 Quality Control Review of the Local Audit Office at the U.S. Naval Station, Roosevelt Roads, Puerto Rico (12/28/98)

Our report on the status of OIG, DoD, reports over 12 months old in which management decisions have been made but final action has not been taken has been provided to the Department and is available upon request.

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APPENDIX B* INSPECTOR GENERAL, DoD, AUDIT REPORTS ISSUED CONTAINING QUANTIFIABLE POTENTIAL MONETARY BENEFITS		
	Potential Monetary Benefits (\$ In thousands)	
Audit Reports Issued	Disallowed Costs¹	Funds Put to Better Use
99-007 Defense Base Realignment and Closure Budget Data for Realignment of the Defense Courier Service Station, South Weymouth Naval Air Station, Massachusetts, to McGuire Air Force Base, New Jersey (10/8/98)	N/A	\$850
99-024 Contract Termination at Defense Industrial Supply Center and Defense Supply Center Philadelphia (10/29/98)	N/A	1,900
99-026 Commercial Spare Parts Purchased on a Corporate Contract (10/30/98)	N/A	12,500
99-043 Navy Quantitative Requirements for Munitions (12/3/98)	N/A	2,300,000
99-064 Basis for Recent Policy Changes to the Drug Testing Rate for DoD Civilians (12/31/98)	N/A	7,900
99-071 Cooperative Engagement Capability Program Office Use of Defense Contract Management Command Resources (1/27/99)	N/A	51,600
99-077 Allegations to the DoD Hotline on Contract Maintenance for the C-20 Aircraft (2/4/99)	N/A	2,147
Totals	0	\$2,376,897
*Fulfills the requirement of 5 U.S.C., Appendix 3, Section 5(a)(6).		
¹ There were no OIG audit reports during the period involving disallowed costs.		

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APPENDIX C*
FOLLOWUP ACTIVITIES

DECISION STATUS OF INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE¹ (\$ in thousands)		
Status	Number	Funds Put to Better Use
A. For which no management decision had been made by the beginning of the reporting period.	41	\$270,900
B. Which were issued during the reporting period.	129	2,376,897
Subtotals (A+B)	170	2,647,797
C. For which a management decision was made during the reporting period.	141	339,897
(i) dollar value of recommendations that were agreed to by management		250,600
- based on proposed management action		250,600
- based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management		89,297
D. For which no management decision has been made by the end of the reporting period.	29	2,307,900
Reports for which no management decision was made within 6 months of issue (as of March 31, 1999). ²	1	0

¹There were no OIG audit reports during the period involving questioned costs.

²OIG Report No. 98-195, "Valuation and Presentation of Inactive Inventory on the FY 1997 Defense Logistics Agency Working Capital Fund Financial Statements, was issued August 27, 1998, and no management decision was made within 6 months of issuance. This report was successfully mediated and a management decision was reached April 9, 1999. Also, Army Audit Agency Report No. AAA98-211, "Army Working Capital Fund FY 1997 Financial Statements: Advances and Prepayments, Non-Federal," dated June 30, 1998, and four Navy Audit Service reports: No. 006-98, "Department of the Navy Fiscal Year 1996 Annual Financial Report: Accounts Payable and Accrued Payroll and Benefits," dated November 14, 1997; No. 015-98, "Department of the Navy Fiscal Year 1996 Annual Financial Report: Department of Defense Issues," dated December 12, 1997; No. 044-98, "Department of the Navy Principal Statements for Fiscal Years 1997 and 1996; War Reserves," dated September 3, 1998; and No. 052-98, "Department of the Navy Principal Statements for Fiscal Years 1997 and 1996: Fund Balance," dated September 30, 1998, have been issued for which no management decision was made within 6 months of issuance.

*Fulfills requirements of 5 U.S.C., Appendix 3, Section 5(a)(8)(9) and Section 5(b)(2)(3).

STATUS OF ACTION ON CENTRAL INTERNAL AUDITS (\$ in thousands)			
Status of Action	Number of Reports	Questioned Costs	Funds Put to Better Use
OIG, DoD			
Action in Progress - Beginning of Period	272		\$167,412
Action Initiated - During Period	141		250,600
Action Completed - During Period	118		518,402
Action in Progress - End of Period	295		147,794 ¹
Military Departments			
Action in Progress - Beginning of Period	373		8,358,114
Action Initiated - During Period	163		830,117
Action Completed - During Period	169		1,902,237
Action in Progress - End of Period	367		5,249,319
¹ On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$263 million, it has been agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.			

APPENDIX D CONTRACT AUDIT REPORTS ISSUED¹ (\$ in millions)				
Type of Audit	Reports Issued	Examined	Audit Exceptions	Funds Put to Better Use
Incurring Costs ²	12,240	\$43,383.4	\$656.7	\$178.4
Forward Pricing Proposals	4,438	21,735.7	--	1,319.7
Cost Accounting Standards	1,339	232.8	60.6	--
Defective Pricing ³	353	0	21.8	--
Other ⁴	2	0	--	--
Totals	18,372	\$65,351.9	\$739.1	\$1,498.1
<p>¹Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for the DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication.</p> <p>²Incurred cost funds put to better use are from the cost avoidance recommended in economy and efficiency audits of contractor operations.</p> <p>³Defective pricing dollars examined are not reported because they are considered a duplication of forward pricing dollars reported as examined.</p> <p>⁴Relates to suspected irregular conduct cases.</p>				

Waivers of Advisory and Assistance Service Contracts

A review of each waiver made by the Department to any person for contracts for advisory and assistance services with regard to the test and evaluation of a system if that person participated in (or is participating in) the development, production or testing of such system for a Military Department or Defense Agency (or for another contractor of the Department of Defense). This review is required by Section 802, Defense Authorization Act for Fiscal Year 1990.

The Department made no waivers during the period and therefore, no reviews were made by the OIG.

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**THE HONORABLE ELEANOR HILL
DEPARTS AS
INSPECTOR GENERAL
DEPARTMENT OF DEFENSE**



Appointed by the President on March 1, 1995, as the Department's fourth Inspector General, Ms. Eleanor Hill departed Government service on April 30, 1999. Ms. Hill was recognized for her many contributions to the Department of Defense when Secretary William Cohen presented her the Department of Defense Medal for Distinguished Public Service (second award). Ms. Hill completed more than 24 years of combined Government service, including various positions with the Department of Justice and as a General Counsel and Staff Director of the Senate Permanent Subcommittee on Investigations. On June 1, 1999, she will begin a new career with a private law firm in the Washington, D.C., area.