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Description of document: Final report and closing memo for closed National Reconnaissance Office (NRO) Office of Inspector General OIG investigations on travel-related issues, 2004-2010

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Source of document: National Reconnaissance Office  
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**NATIONAL RECONNAISSANCE OFFICE**

14675 Lee Road  
Chantilly, VA 20151-1715

31 August 2012

This is in response to your letter dated 3 March 2012, received in the Information Management Services Center of the National Reconnaissance Office (NRO) on 8 March 2012. Pursuant to the Freedom of Information Act (FOIA), you are requesting "a copy of each final report and closing memo for any closed NRO OIG investigations (not audits or inspections) on travel-related issues.... originated between January 1, 2006 and the present."

Your request has been processed in accordance with the FOIA, 5 U.S.C. § 552, as amended. A thorough search of our records and databases located 25 pages responsive to your request. These are being released to you in part.

Material redacted is denied pursuant to FOIA exemptions:

(b) (1) as properly classified information under Executive Order 13526, Section 1.4(c);

(b) (3) which applies to information specifically exempt by statutes, specifically 50 U.S.C. § 403-1, which protects intelligence sources and methods from unauthorized disclosure and 10 U.S.C. § 424 which states: "Except as required by the President or as provided in subsection (c), no provision of law shall be construed to require the disclosure of (1) The organization or any function ... (2) ... number of persons employed by or assigned or detailed to any such organization or the name, official title, occupational series, grade, or salary of any such person ... (b) Covered Organizations ... the National Reconnaissance Office";

(b) (6) which applies to records which, if released, would constitute a clearly unwarranted invasion of the personal privacy of individuals; and

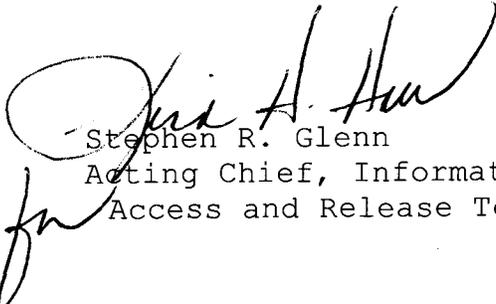
(b) (7) (c) which applies to information compiled for law enforcement purposes which, if released, could reasonably be expected to constitute an unwarranted invasion of personal privacy.

The FOIA authorizes federal agencies to assess fees for record services. Based upon the information provided, you have been placed in the "other" category of requesters, which means you are responsible for the cost of search time exceeding two hours (\$44.00/hour) and reproduction fees (.15 per page) exceeding 100 pages. In this case, no assessable fees were incurred in processing your request. Additional information about fees can be found on our website at [www.nro.gov](http://www.nro.gov).

You have the right to appeal this determination by addressing your appeal to the NRO Appeal Authority, 14675 Lee Road, Chantilly, VA 20151-1715 within 60 days of the date of this letter. Should you decide to do so, please explain the basis of your appeal.

If you have any questions, please call the Requester Service Center at (703) 227-9326 and reference case number F12-0062.

Sincerely,



Stephen R. Glenn  
Acting Chief, Information  
Access and Release Team

Enclosure: Responsive information, 25 pages

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**(U) Investigative Summary  
Cost Mischarging – Entegeee  
(Case Number 2004-006 I)**

**(U) Executive Summary**

~~(S//TK)~~ On 20 October 2003, SIGINT Systems Acquisition and Operations Directorate (SIGINT), Space Applications and Integration Office (SAIO), National Reconnaissance Office (NRO), informed the Office of Inspector General (OIG), NRO that <sup>b3 b6 b7(c)</sup> [REDACTED], an employee of Entegeee Incorporated, was suspected of filing numerous false invoices as a subcontractor on a Northrop Grumman Corporation (NGC) prime contract with NRO. More specifically, <sup>b3 b6 b7(c)</sup> [REDACTED] came under scrutiny by his company for possible false billing of travel and overtime expenses while working in support of “product exhibits” that were being performed around the United States. Their concern was based on what appeared to be charges submitted by <sup>b3 b6 b7(c)</sup> [REDACTED] which greatly exceeded those submitted by other employees traveling to the same exhibits. Entegeee notified managers within NGC who subsequently brought this to the attention of SAIO.

~~(U//FOUO)~~ A joint investigation led by OIG and conducted in partnership with an NGC senior legal counsel revealed that <sup>b3 b6 b7(c)</sup> [REDACTED] had inappropriately charged \$36,156.68 over a period of approximately 10 months between November 2002 and August 2003. Examples of this included cigarettes, gasoline for a personal vehicle, hotel expenses for a personal vacation with his family, and a number of expenses for personal items such as tools, DVDs, CDs, and various software applications. On two occasions in April 2003, <sup>b3 b6 b7(c)</sup> [REDACTED] submitted airline travel expenses, for approximately \$2,000 and \$1,000 respectively, which included personal side trips to locations that were not part of his official itinerary. One trip to Rhode Island was by way of North Carolina and the other trip was to Colorado by way of Georgia and Texas.

~~(U//FOUO)~~ In a similar incident in August 2003, <sup>b3 b6 b7(c)</sup> [REDACTED] had submitted an expense voucher for a \$2,000 airline “e-ticket” between Baltimore, Maryland, and Providence, Rhode Island. On the same voucher, <sup>b3 b6 b7(c)</sup> [REDACTED] had submitted two claims for a rental car; one acquired in Baltimore for a roundtrip to Rhode Island and a second used exclusively while on assignment in Rhode Island. <sup>b3 b6 b7(c)</sup> [REDACTED]’s true mode of transportation was by rental car while the airline ticket was purchased and immediately returned for credit. <sup>b3 b6 b7(c)</sup> [REDACTED] then used the documentation for the airline ticket purchase to support a false claim for reimbursement from NGC.

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~~(U//FOUO)~~ A review of financial records revealed that [b3 b6 b7(c)]'s labor and related expenses were either an indirect charge spread across multiple Entege contracts depending on the nature of the task, or as a direct charge to a specific SAIO contract. The joint investigation confirmed that [b3 b6 b7(c)]'s alleged mischarging affected the indirect charges billed to the NRO and other government agencies by NGC.

~~(U//FOUO)~~ In September 2003, NGC notified Entege to remove [b3 b6 b7(c)] from his support to the SAIO contract after a series of performance issues, not related to the concerns of mischarging developed. Contemporaneously, Entege terminated [b3 b6 b7(c)]'s employment and NRO administratively debriefed him from his security clearances. Soon after his termination, [b3 b6 b7(c)] left the Baltimore/Washington area for an undetermined location. Therefore, [b3 b6 b7(c)] could not be located and was not interviewed during the course of this investigation.

~~(U//FOUO)~~ The frequency of travel performed by [b3 b6 b7(c)] and the billing of his time and travel to the indirect cost centers complicated the calculations of damages, and continue to complicate the identification of affected contracts. However, Entege management concurred with the OIG that the fraudulent amount billed by [b3 b6 b7(c)] was \$36,156.68, and they also committed to audit and adjust each affected contract, including those belonging to the NRO. SAIO management and contracting officers were subsequently briefed by OIG regarding the outcome of this investigation. SAIO contracting officers will ensure affected SAIO contracts are properly adjusted to reflect the appropriate credit.

~~(U//FOUO)~~ The OIG presented this case to the Eastern District of Virginia, Department of Justice (DoJ), Alexandria, Virginia, for criminal prosecution in accordance with Executive Order 12333. The Assistant United States Attorney, Jack Hanley, declined action given that NGC had voluntarily credited the affected contracts for the full amount of the mischarging and because the fraudulent charges against the contracts were within the indirect cost centers, thereby complicating any possible criminal action. All logical investigative leads have been completed and this investigation is considered closed.

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~~SECRET//TK//25X1~~**(U) Background**

~~(S//TK)~~ Entegee Incorporated, a New Jersey based company that specializes in providing temporary employees with technical backgrounds, hired ~~(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c~~ in August 2002 as a field computer engineer. Upon receiving the appropriate government security clearances, he was placed on a subcontract with NGC ~~(b)(1) 4c, (b)(3) 50 U.S.C. 403-1~~ in support of SAIO's Tactical Exploitation Systems (TES) program, a program that encompassed four separate NRO contracts. In addition to providing hardware and software engineering support to SAIO's TES contracts, which he was allowed to directly bill his expenses, ~~(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c~~ also performed various product exhibits, which were designated as indirect costs and subsequently allocated to the general and administrative (G&A) cost centers. These G&A costs were disbursed to all affected NGC contracts including those within the NRO.

**(U) Investigative Findings**

~~(U//FOUO)~~ During the course of the investigation it was noted that ~~(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c~~ and other Entegee field engineers regularly charged overtime for product exhibit trips that they had to set up on Sunday. In addition to routine travel expenses, it was also common for the field engineers to have multiple expenses for computer parts and other incidental purchases used to address technical problems experienced while on the road. Typically, the overtime only added up to a few hours per trip, and the incidental expenses were commonly under \$100 in total.

~~(U//FOUO)~~ In the summer of 2003, ~~(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c~~'s supervisor noticed that ~~(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c~~ had submitted travel expenses for a business trip to set up a trade show a day earlier than necessary. The show was scheduled to open on a Monday, meaning that preparations normally would have been conducted on a Sunday afternoon or evening. In ~~(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c~~'s case, he traveled to the location on Saturday. Additionally, the supervisor received reports from other employees that ~~(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c~~ did not have the trade exhibit prepared on the opening day of the show. When the supervisor reviewed ~~(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c~~'s time cards, it included a claim for approximately 16 hours of overtime. Given these factors, ~~(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c~~'s supervisor initiated a complete review of all of ~~(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c~~'s submissions for reimbursement over the previous year.

~~(U//FOUO)~~ The supervisor's review revealed a number of questionable charges made by ~~(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c~~ on repeated occasions throughout the year since being hired. Many of the questionable items were in the form of unallowable expenses, items for which reimbursement would not normally be made. Examples included cigarettes, gasoline for a personal vehicle, and hotel expenses for a personal vacation with his family. There were also a number of expenses for personal items such as tools, DVDs,

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CDs, and various software applications. Documentation obtained from NGC indicated that <sup>b3 b6 b7(c)</sup> claimed in his expense vouchers that he had been directed by various NGC supervisors to acquire these items, but these claims were later proven to be false.

~~(U//FOUO)~~ On two occasions in April 2003, <sup>b3 b6 b7(c)</sup> submitted airline travel expenses, for approximately \$2,000 and \$1,000 respectively, which included personal side trips to locations that were not part of his official itinerary. One trip to Rhode Island was by way of North Carolina and the other trip was to Colorado by way of Georgia and Texas. In each case, the tickets would have been considerably less had the flights been direct and limited strictly to business.

~~(U//FOUO)~~ In a similar incident in August 2003, <sup>b3 b6 b7(c)</sup> had submitted an expense voucher for a \$2000 airline "e-ticket" between Baltimore, Maryland, and Providence, Rhode Island. This roundtrip was deliberately booked with multiple legs across the North Eastern United States in an effort to increase the price. On the same voucher, <sup>b3 b6 b7(c)</sup> had submitted two claims for a rental car; one acquired in Baltimore for a roundtrip to Rhode Island and a second used exclusively while on assignment in Rhode Island. <sup>b3 b6 b7(c)</sup>'s true mode of transportation was by rental car while the airline ticket was purchased and immediately returned for credit. <sup>b3 b6 b7(c)</sup> then used the documentation for the airline ticket purchase to support a false claim for reimbursement from NGC.

~~(U//FOUO)~~ It was also detected that <sup>b3 b6 b7(c)</sup> was expensing receipts for items for which he had already been reimbursed. This scheme as well as the aforementioned one involving the airfare had gone unchallenged at the time that <sup>b3 b6 b7(c)</sup> had made his expense submissions. In total, the review revealed \$36,156.98 in questionable charges made by <sup>b3 b6 b7(c)</sup> over a one-year period. There was no indication that Entege was involved in the false claims or that the company had any knowledge of the activity.

~~(U//FOUO)~~ The principal interviewee in this investigation was <sup>b3 b6 b7(c)</sup>'s immediate supervisor. The supervisor's suspicions were echoed by a number of <sup>b3 b6 b7(c)</sup>'s co-workers, several of whom had accompanied <sup>b3 b6 b7(c)</sup> on his business trips. When interviewed separately, the aggregate information regarding <sup>b3 b6 b7(c)</sup>'s behavior at work illustrated that he was in the habit of making questionable, if not completely false claims in his requests for travel reimbursement as well as for claims of overtime.

~~(U//FOUO)~~ At each step of the investigation, NGC provided OIG with copies of all available documentation. This included <sup>b3 b6 b7(c)</sup>'s electronic and hard copy timecards, travel expense reports with accompanying receipts, and an analysis of those expenses indicating which were either valid or invalid, based on NGC reimbursement policies. The NGC legal counsel also maintained regular communications regarding an ongoing NGC effort to recover funds from Entege.

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(U//~~FOUO~~) For its part, NGC admitted that it initially had done an inadequate job of scrutinizing <sup>b3 b6 b7(c)</sup> [REDACTED]'s general performance, his claims of overtime, and the details of his expense reports during the course of his employment. NGC took <sup>b3 b6 b7(c)</sup> [REDACTED]'s time and expense submissions at face value without additional validation for several months. No audit was conducted until the initial review conducted by <sup>b3 b6 b7(c)</sup> [REDACTED]'s supervisor after a number of suspicions was raised. After concluding that <sup>b3 b6 b7(c)</sup> [REDACTED] was engaged in filing false claims, he was summarily terminated and NGC made the appropriate notifications to NRO through program security channels.

### (U) Considerations

(U//~~FOUO~~) In November 2004, NGC's legal counsel submitted its summary documentation demonstrating that <sup>b3 b6 b7(c)</sup> [REDACTED] had been responsible for fraudulent claims between November 2002 and August 2003. <sup>b3 b6 b7(c)</sup> [REDACTED] had made false claims of overtime, airline tickets, rental cars, meals, incidentals, computer hardware, computer software, and peripherals that totaled \$36,156.98

(U//~~FOUO~~) SAIO management and contracting officers were subsequently briefed by OIG investigators regarding the outcome of NGC's review. SAIO contracting officers will ensure effected SAIO contracts are properly adjusted to reflect the credit because of the mischarging.

(U//~~FOUO~~) Upon detecting <sup>b3 b6 b7(c)</sup> [REDACTED]'s activities, NGC removed him from their subcontract with Entegee and began negotiations with Entegee for a settlement. <sup>b3 b6 b7(c)</sup> [REDACTED] was then terminated from Entegee and NRO Office of Security debriefed him of his clearances. Furthermore, NGC had initiated steps and safeguards to prevent similar mischarging in the future.

(U//~~FOUO~~) Under the circumstances, Department of Justice Assistant United States Attorney Jack Hanly, Chief of the Fraud Section for the Eastern District of Virginia, declined to take any prosecutorial interest in this case citing that the final financial harm was only a small percentage of the initial calculation and the fact that NGC had credited the NRO.

(U//~~FOUO~~) Based upon DOJ's declination for prosecution, and NGC's reimbursement to the NRO, the OIG will take no further investigative action relating to <sup>b3 b6 b7(c)</sup> [REDACTED]

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~~SECRET//TK//X1~~ - ROI DocLinkInvestigative Findings

~~(S//TK)~~ Review of emails indicate that ManTech's contracting officer ~~b6 b7(c)~~ had received direction from ~~b3 b6 b7(c)~~ GSO/CO, on 11 Dec 2003 that business class airfare was not reimbursable by the government for personnel flying from Sarasota, FL to ~~b1 b3~~. Further evidence indicates that on 15 Dec 2003, ~~b6 b7(c)~~ replied to the email and acknowledged ManTech's responsibility to be Federal Acquisition Regulation (FAR) compliant. However, despite acknowledging ~~b3 b6 b7(c)~~'s direction and their responsibility to follow the FAR, ManTech continued to fly premium class to ~~b1 b3~~ in support of their subcontract. These costs were submitted on invoices to their prime (ZETA) which were ultimately forwarded to the NRO for payment ~~b6 b7(c)~~

~~(U//FOUO)~~ During the course of the investigation, a review of the travel portions of the Cost Proposals for ManTech's contracts reveals that ManTech had been consistently proposing premium class airfares to the Government. Although we cannot prove that ManTech intended to submit fraudulent travel vouchers in connection with their travel, they did receive reimbursement for premium class airfare costs that are non-allowable under the FAR in connection with three separate NRO contracts since October 1998. ~~b3 b6 b7(c)~~ the former SIGINT/GSO/CO administering the ZETA contract (ManTech was a subcontractor to ZETA), resigned shortly after this case was opened to take a position in the commercial sector. Repeated attempts to contact him after he had left were unsuccessful

~~(U//FOUO)~~ As evidenced from the NRO contract folders' documentation as well as discussions with NRO/COs, there is confusion among NRO/COs regarding which regulations apply to contractors, the interpretation of the regulations, and the authority of NRO/COs to negotiate terms and conditions which are not FAR compliant. ManTech justified premium class travel based on a combination of applying "corporate policy", selective application of the JTR, and in some cases, the concurrence of NRO/COs. However, their corporate policy does not overrule the FAR, the JTR does not apply to contractors (except for lodging and M&IE), and NRO/COs do not have the authority to exempt contractors from FAR compliance. No evidence was found to indicate that ManTech's use of premium class travel fit any of the six exemptions authorized by the FAR in para. 31.205-46(b).

Conclusions

~~(U//FOUO)~~ On 1 Nov 2004, Assistant US Attorney Stephen Learned, US Dept. of Justice, E. District of VA, declined to

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prosecute the case.

(U//FOUO) In a meeting on 1 Dec 2005 between Deputy Assistant IG for Investigations [REDACTED] b3 b6 b7(c), Investigator [REDACTED] b3 b6 b7(c), the SIGINT Senior Contracting Officer [REDACTED] b3 b6 b7(c), the SIGINT/GSO/Contracts Team Chief [REDACTED] b3 b6 b7(c) and the SIGINT/GSO/Administrative Contracting Officer [REDACTED] b3 b6 b7(c), [REDACTED] b3 b6 b7(c) determined that since ManTech was a subcontractor, and NRO/OC does not have a direct relationship with subcontractors, that the email exchange directly between the former Admin CO [REDACTED] b3 b6 b7(c) and the subcontractor (ManTech) was inappropriate and therefore nonbinding. Further, she determined that "an email does not constitute official notification". [REDACTED] b3 b6 b7(c) had directed ZETA, the Prime Contractor, to no longer accept costs incurred by business class airfares from ManTech and as far as [REDACTED] b3 b6 b7(c) was concerned, the issue was closed.

(U//FOUO) Recommend that this case be closed. The greater issue of premium class air travel by NRO contractors will be addressed in a future OIG audit.

**Additional Information:**

**Justification Comments History**

Investigation Closure Justification: Per AIGI  
[REDACTED] b3 b6 b7(c) 10/19/2007 10:16:29 AM

**History**

[REDACTED] b3 b6 b7(c) 08/01/2007 10:27:00 AM

Except as noted herein, all (b)(3) citations invoke 10 U.S.C. 424.

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the (b)(1) 4c, (b)(3) 50 U.S.C. benefits (b)(3) 10 U.S.C. 424, (b)(6) explained that this was the way business was done in the industry, and there is no wrong doing.

The OIG found no wrong doing on the part of (b)(1) 4c, (b)(3) 50 U.S.C. for accepting benefits. Recommend closing this case.

Additional Information:

**Justification Comments History**

Investigation Closure Justification: Per AIGI  
(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c 10/19/2007 10:25:30 AM

**History**

(b)(3) 10 U.S.C. 424, (b)(6), (b)(7)c 09/06/2007 12:46:04 PM

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We reviewed records build entry/exit records and company billing records and verified the allegation regarding the contractors had merit. We therefore established separate cases for each the contractor subject.

Regarding [b3 b6 b7(c)] we reviewed badge, leave, travel and training records for the period 30 January 06 through 31 March 06. We found several blocks of time, generally in the afternoons, which were unaccounted for. [b3 b6 b7(c)(d)] who had reported to NECSE in January 06 replacing [b3 b6 b7(c)] was interviewed. [b3 b6 b7(c)(d)] was the new Det Chief for the NECSE as [b3 b6 b7(c)] was retiring from the USAF. [b3 b6 b7(c)(d)] informed investigators that [b3 b6 b7(c)] submitted retirement papers in February 06. Therefore, the military allows separating/retiring service members time during work hours to complete administrative actions prior to separation/retirement. [b3 b6 b7(c)] highlighted this as an illustration of the freedom [b3 b6 b7(c)] would have to come and go without accounting for his time away from the office. [b3 b6 b7(c)] was [b3 b6 b7(c)]s direct supervisor until [b3 b6 b7(c)]s retirement in May 06. [b3 b6 b7(c)] informed investigator that, in April 06, he counseled [b3 b6 b7(c)] about the amount of time he was away from his duty station. However, he further stated in general the military considers active duty members to work 24/7. Therefore, the services allow supervisors to grant members time away from duty station, without charge of leave, to take care of personal matters.

In light of the military's work duty policies and [b3 b6 b7(c)]s retirement insufficient evidence was collected to substantiate the allegation of UCMJ Article 86 Absence without Leave.

As for the allegation that [b3 b6 b7(c)] had traveled and not reported it; review of [b3 b6 b7(c)]s leave records, training records, and security file revealed [b3 b6 b7(c)] traveled to Nassau, Bahamas in Dec 05. There is no indication that [b3 b6 b7(c)] reported the foreign travel to security or received security's foreign travel briefing. However, [b3 b6 b7(c)] identified the foreign travel on his leave request. Given that [b3 b6 b7(c)] did take leave for the foreign travel to the Bahamas, the low threat level of the location, and no indications of other foreign travel, the probable failure to report foreign travel to security appears to be an oversight by [b3 b6 b7(c)] OS was notified by the OIG of this travel.

Based on the above, this case is recommended for closure.

**Additional Information:**

**Justification Comments History**

**Investigation Closure Justification:**

[b3 b6 b7(c)] 02/19/2008 10:49:01 AM

**History**

[b3 b6 b7(c)] 09/14/2007 10:48:25 AM

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NATIONAL RECONNAISSANCE OFFICE  
Office of Inspector General



16 January 2008

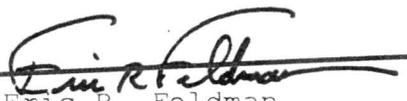
MEMORANDUM FOR DIRECTOR, NATIONAL RECONNAISSANCE OFFICE  
PRINCIPLE DEPUTY DIRECTOR, NATIONAL  
RECONNAISSANCE OFFICE  
DEPUTY DIRECTOR, NATIONAL RECONNAISSANCE OFFICE  
DIRECTOR, OFFICE OF CONTRACTS

SUBJECT: (U//~~FOUO~~) Investigative Summary: False Claims  
**b3 b6 b7(c)** (Case Number 2006-087 I)

(U//~~FOUO~~) On 27 June 2006, the National Reconnaissance Office (NRO), Office of Inspector General (OIG) initiated an investigation based on information provided by the U.S. Department of Justice (DoJ), Civil Division, regarding a December 2005 civil settlement with Booz Allen Hamilton (BAH), Inc. Court records reflected that BAH had agreed to reimburse the government \$3,365,664 for allegedly submitting false claims against multiple government contracts, including some with the NRO. Please see the attached NRO OIG investigative summary report which details the investigation results.

(U//~~FOUO~~) This report is being provided for information purposes only and therefore no response is required from any recipient. OIG investigation reports are to be read only by the individuals to whom OIG provides them, or to whom the OIG specifically authorizes their release, all copies of this report should be returned to the OIG. If there are other persons who you believe require access as part of their official duties, please let us know and we will promptly review your request.

(U//~~FOUO~~) Please direct any questions regarding this information to the investigator, **b3 b6 b7(c)** (secure), or to the Assistant Inspector General for Investigations, **b3 b6 b7(c)** (secure).

  
Eric R. Feldman  
Inspector General

Except as noted herein, all (b)(3) citations invoke 10 U.S.C. 424.

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~~(U//FOUO)~~ **Investigative Summary**  
**False Claims**  
(Case Number 2006-087 I)

**(U) BACKGROUND**

~~(U//FOUO)~~ The Office of Inspector General (OIG), National Reconnaissance Office (NRO), recently completed a civil false claims investigation on the company of Booz Allen Hamilton (BAH), Inc. The investigation was initiated on 27 June 2006 based on a notification from the Department of Justice (DoJ), Civil Division that a civil court case, which DoJ had been pursuing on behalf of government agencies, might affect the NRO. In December 2005, 11 companies, including BAH, had entered into a civil settlement agreement with the DoJ to pay reimbursement to the government for the companies' failure to credit federal contracts travel rebates the companies received while performing government contracts. The potential impact to the NRO was not known until June 2006 when BAH revealed its contractual relationship with the NRO to DoJ; shortly thereafter the OIG was notified by DoJ.

**(U) INVESTIGATIVE FINDING**

~~(U//FOUO)~~ Investigative efforts by the DoJ during the course of the litigation had revealed that in 1993 11 companies, including BAH, in an attempt to reduce their corporate costs for employee travel--initiated company-wide central management of their individual company's travel. As a result, these companies negotiated upfront volume discounts with several travel service providers. The discounts came in the form of rebates after the travel occurred; however, none of the companies, including BAH, appeared to properly account for the rebates and failed to properly credit any government contracts.

~~(U//FOUO)~~ DoJ's examination of the documents produced by the companies did not establish that BAH's actions constituted criminal violations, but did reveal that the company, in 1996, established an intermediate pool to account for its rebates. The pool was then applied to the BAH customer base. Initially, this resulted in the federal government as a whole receiving the proper credit for the rebates. However, sometime in 2000, BAH erroneously changed the treatment, causing incorrect accounting for the credits. BAH discovered the error prior to completing its Revised Incurred Costs Submission on government contracts, but failed to correct the error. As a result BAH allegedly presented, directly and indirectly, claims for payment pursuant to government contracts in which it sought reimbursement for travel expenses and charge card purchases that were in excess of the expenses actually incurred by BAH. The sums billed to the government exceeded costs BAH actually incurred because they did not reflect commissions, rebates, and incentives received by BAH from travel providers, travel service providers, and charge card companies.

~~(U//FOUO)~~ On 21 December 2005 BAH entered into a Settlement Agreement to pay the United States Government \$3,365,664, but the government reserved the ability to identify additional costs if other affected government contracts were identified. Since many NRO contracts are classified and therefore not openly affiliated to the NRO, the OIG conducted the investigation to ensure the NRO was properly credited. The OIG investigation examined all 11

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companies identified in the civil settlement, and revealed that only BAH impacted NRO contracts.

~~(U//FOUO)~~ The OIG determined that DoJ, in an attempt to fairly allocate the proper restitution for each of the 11 companies, used the incurred cost submissions provided by the companies from the years of 2000 to 2006 (restricted by the statute of limitations and available records). The restitution amounts by each year varied. Regarding BAH, there was very little excess charging prior to 2000 as the BAH accounting systems were sufficiently tracking rebates. From 2000 to 2002 BAH had the largest restitution amounts, and these were assignable to multiple government contracts, including one NRO contract. After 2002 each of the 11 companies were made aware of the DoJ investigations and each appeared to adjust their tracking systems; therefore the government was apparently receiving appropriate credit for rebates after that time.

~~(U//FOUO)~~ Allocation of restitution was based on the contract amount in the General & Administrative (G&A) overhead pool of each company. As a result, numerous contracts were to be allocated very small amounts (less than a dollar). Due to administrative costs of distributing and subsequent accounting for the restitution, the government decided to allocate the restitution to only the largest contracts. For 2001 and 2002, contracts with over \$5 million were allocated their share of the restitution. Based on the 2001 and 2002 BAH Incurred Cost Submissions, no NRO contracts incurred costs above \$5 million. However, the 2000 BAH Incurred Cost Submission, identified one NRO contract, NRO000-98-D-2112/017, that incurred costs near the "cut-off." This contract incurred slightly over \$4 million in the 2000 G&A overhead pool.

~~(U//FOUO)~~ To determine whether all NRO contracts with BAH, including classified contracts, were considered in the restitution amount, the OIG compared lists of contract costs incurred for 2000-2001, provided by BAH, against NRO data from IFMS, EPIX and the settlements office. Based on the period of performance and dollar amounts, it appears that all NRO contracts were considered in the allocation determination and the resulting proposed \$65,117 restitution was fair and equitable. On 18 September 2007, the NRO was provided payment of the full amount expected. Since no further action is required, the OIG considers this investigation closed.

Except as noted herein, all (b)(3) citations invoke 10 U.S.C. 424.

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~~SECRET//TK//NOFORN//25X1~~NATIONAL RECONNAISSANCE OFFICE  
*Office of Inspector General*

13 May 2008

MEMORANDUM FOR DIRECTOR, NATIONAL RECONNAISSANCE OFFICE  
 PRINCIPAL DEPUTY DIRECTOR, NATIONAL RECONNAISSANCE  
 OFFICE  
 DEPUTY DIRECTOR, NATIONAL RECONNAISSANCE OFFICE  
 DIRECTOR, MANAGEMENT SERVICES AND OPERATIONS  
 DIRECTOR, OFFICE OF SECURITY AND COUNTERINTELLIGENCE  
 GENERAL COUNSEL

SUBJECT: ~~(U//FOUO)~~ Investigative Summary, False Claims  
 (Case Number 2007-103 I)

~~(S//TK//NOFORN)~~ On 14 May 2007, the National Reconnaissance Office (NRO), Office of Inspector General (OIG) initiated an investigation based on allegations of false travel and false Basic Allowance for Housing claims by an Air Force employee assigned as a courier to the NRO Management Services and Operations (MS&O), Logistics and Facilities Support Group (LFSG) Field Services Center (FSC). Please see the attached NRO OIG investigative summary report which details the investigation results.

~~(U//FOUO)~~ We request that the Director, Office of Security and Counterintelligence place a copy of this report in the security file of the individual identified within. All other copies of this report are for informational purposes and should be returned to the OIG.

~~(U//FOUO)~~ The OIG investigation reports are to be read only by the individuals to whom OIG provides them, or to whom the OIG specifically authorizes their release. If there are other persons who you believe require access as part of their official duties, please let us know and we will promptly review your request.

~~(U//FOUO)~~ If you have any questions concerning this report, please contact ~~b3 b6 b7(c)~~ Investigator, at ~~b3 b6~~ (secure), or ~~b3 b6 b7(c)~~ Assistant Inspector General for Investigations at ~~b3 b6~~ (secure).

Eric R. Feldman  
 Inspector General

## Attachments:

1. ~~(S//TK//NOFORN)~~ Investigative Summary Report
2. (U) ~~b3 b6 b7(c)~~ Written Statement 27 June 2007
3. (U) Report of Result of Trial 13 February 2008

All (b)(3) citations in this document invoke 10 U.S.C. 424.

~~SECRET//TK//NOFORN//25X1~~

SUBJECT: (U//~~FOUO~~) Investigative Summary, False Claims  
(Case Number 2007-103 I)

OIG <sup>b3 b6 b7(c)</sup> [REDACTED] 13May08

DISTRIBUTION:

Director, National Reconnaissance Office (w/att)  
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Director, Office of Security and Counterintelligence (w/att)  
General Counsel (w/att)  
Lead Investigator - <sup>b3 b6 b7(c)</sup> [REDACTED] (w/att)

All (b)(3) citations in this document invoke 10 U.S.C. 424.

**Investigative Summary**  
**False Claims** <sup>b3 b6 b7(c)</sup>  
(Case Number 2007-103 I)

~~(S//TK//NOFORN)~~ EXECUTIVE SUMMARY

~~(S//TK//NOFORN)~~ An investigation conducted jointly by the National Reconnaissance Office (NRO), Office of Inspector General (OIG) and the United States Air Force (USAF) Office of Special Investigations (OSI) revealed that an active duty Air Force member assigned to the NRO engaged in false travel claims and false Basic Allowance for Housing (BAH) claims.

<sup>b3 b6 b7(c)</sup> assigned to the NRO Management Services and Operations (MS&O), Logistics and Facilities Support Group (LFSG) Field Services Center (FSC), pled guilty in a pre-trial agreement in lieu of a military court martial to stealing money in the form of military housing allowance payments of \$500 or more, and stealing money in the form of travel reimbursements of \$500 or more. <sup>b3 b6 b7(c)</sup> also pled guilty to falsely certifying that he used a Government Travel Card, and falsely certifying that his travel claims were true and correct on his Travel Certification Statements. <sup>b3 b6 b7(c)</sup> conducted the BAH fraud by failing to change his marital status to single following his divorce and over the course of approximately ten months, he wrongfully collected \$2,190. In order to conduct the false travel claims, <sup>b3 b6 b7(c)</sup> booked airline reservations at high fares, canceled them for lower fares (or no cost fares using frequent flier points), but claimed the higher fares that he canceled on his travel reimbursement claim. He collected approximately \$15,000 using this scheme from 2003 through 2007.

~~(S//TK//NOFORN)~~ <sup>b3 b6 b7(c)</sup> s sentence included reduction to the grade of E-1; confinement for nine months (suspended), a \$10,000 fine (if fine is not paid, he will serve an additional three months confinement); and a Bad Conduct Discharge. The OIG views this investigation as now closed.

**Investigative Summary****False Claims** <sup>b3 b6 b7(c)</sup>

(Case Number 2007-103 I)

~~(S//TK//NOFORN)~~ **Background**

~~(S//TK//NOFORN)~~ On 14 May 2007, the National Reconnaissance Office (NRO), Office of Inspector General (OIG) and the United States Air Force (USAF) Office of Special Investigations (OSI) initiated a joint investigation based on allegations that an Air Force member assigned to the NRO, Staff Sergeant <sup>b3 b6 b7(c)</sup> submitted false travel claims and false Basic Allowance for Housing (BAH) claims. <sup>b3 b6 b7(c)</sup> was assigned as a courier to the NRO Management Services and Operations (MS&O), Logistics and Facilities Support Group (LFSG) Field Services Center (FSC).

~~(S//TK//NOFORN)~~ The NRO OIG learned of U.S. Air Force (USAF) <sup>b3 b6 b7(c)</sup> alleged false claims when <sup>b3 b6 b7(c)(d)</sup> Office of Human Resources, NRO, received information that <sup>b3 b6 b7(c)</sup> did not change his "with dependant status" to single after his divorce, which was effective 17 August 2006. This dependant discrepancy was found when <sup>b3 b6 b7(c)</sup> s ex-wife married another military member and applied for a military identification card, which was denied because the Defense Enrollment Eligibility Reporting System (DEERS) showed she was married to <sup>b3 b6 b7(c)</sup> <sup>b3 b6 b7(c)</sup> s ex-wife's father. <sup>b6 b7c</sup> filed an IG complaint with the Air Force on 30 April 2007. The matter was referred to <sup>b3 b6 b7(c)(d)</sup> who contacted <sup>b3 b6</sup> s supervisor regarding his dependant status. <sup>b3 b6 b7(c)(d)</sup> learned that <sup>b3 b6 b7(c)</sup> was in fact divorced, but also learned of a concern regarding possible false travel claim submissions. <sup>b3 b6 b7(c)(d)</sup> immediately contacted the NRO OIG. The NRO OIG opened an investigation to determine if <sup>b3 b6 b7(c)</sup> s actions were in violation of *the Uniform Code of Military Justice, Article 121 "Larceny"*, which makes it unlawful for any service member to wrongfully, take, obtain, or withhold, with the intent to permanently deprive or de-fraud another of any item of value of any kind.

~~(S//TK//NOFORN)~~ **Investigative Details**

~~(S//TK//NOFORN)~~ The first step of the investigation included collecting all travel claims that <sup>b3 b6 b7(c)</sup> submitted over the past year from the NRO Travel Services Center (TSC), and collecting his available government credit card records from the NRO Office of Human Resources (OHR); OHR can access Air Force employee credit card records for the past six months. The NRO OIG analyzed the available records and found that over six months, on seven occasions, <sup>b3 b6 b7(c)</sup> used his government credit card to purchase airline tickets which he later canceled, and purchased cheaper tickets. He submitted the receipt for the higher priced ticket with his travel claim and the TSC reimbursed him accordingly. The NRO OIG also noticed that <sup>b3 b6 b7(c)</sup> s receipts often referenced a credit card number that did not match his government credit card number. This credit card appeared to be a personal credit card, for which the NRO OIG could not access records; therefore, many travel transactions could not be analyzed.

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~~b3 b6 b7(c)~~ signed the required Travel Certification Statement with each travel claim, falsely stating that his claims were accurate and that he used his government credit card.

~~(S//TK//NOFORN)~~ After analyzing the records, the NRO OIG determined that there was clear evidence of fraud and interviewed ~~b3 b6 b7(c)~~ on 27 June 2007. The interview began with the NRO OIG reading ~~b3 b6 b7(c)~~ the military rights advisement; ~~b3 b6 b7(c)~~ agreed to proceed with the interview and signed the form stating such. ~~b3 b6 b7(c)~~ readily admitted that he was turning in inaccurate receipts for financial profit. He also admitted that he did not change his marital status after his divorce, so that he would receive a higher BAH for having a dependant. He explained that after his divorce he struggled financially, and therefore began to turn in false airline receipts to make extra money; he wrote a statement (Attachment 1) which included these admissions, as well as an apology for his actions.

~~(S//TK//NOFORN)~~ After ~~b3 b6 b7(c)~~ confessed to his fraudulent acts, the NRO OIG briefed his supervisor and ~~b3 b6 b7(c)(d)~~ who both agreed to remove him from the facility that same day and told him to correct his BAH immediately. ~~b3 b6 b7(c)~~ changed his dependant status the next day, and reimbursed the USAF \$2,190—the full amount that he received for the overpaid BAH. The next week, ~~b3 b6 b7(c)~~ received orders to transfer to Travis Air Force Base. Also during this time, Air Force Judge Advocate General, Lieutenant Colonel (Lt Col) Kenneth Theurer, accepted the case for prosecution and immediately placed ~~b3 b6 b7(c)~~ on Administrative Hold for the duration of the investigation since he was due to separate from the Air Force within weeks.

~~(S//TK//NOFORN)~~ OSI collected and reviewed ~~b3 b6 b7(c)~~'s travel accountings and Southwest Airline records (the carrier normally used for West Coast courier missions) from the beginning of his assignment as a courier in 2003, until his transfer to Travis Air Force Base in 2007. The document review showed that ~~b3 b6 b7(c)~~ began submitting false airline receipts within months after working as a courier in 2003, and continued to do so until his departure from the courier service in June 2007. The original analysis revealed that on 41 occasions ~~b3 b6 b7(c)~~ submitted false travel claims, which totaled \$21,320.<sup>1</sup>

### ~~(S//TK//NOFORN)~~ Conclusion

~~(S//TK//NOFORN)~~ On 9 February 2008, ~~b3 b6 b7(c)~~ appeared for a pre-trial agreement in lieu of a military court martial. He pled guilty to stealing money in the form of military housing allowance payments of \$500 or more, and stealing money in the form of travel reimbursements of \$500 or more. ~~b3 b6 b7(c)~~ also pled guilty to falsely certifying that he used a Government Travel Card and falsely certifying that his travel claims were true and correct on his Travel Certification Statements. He was sentenced to a reduction to the grade of E-1; confinement for nine months (suspended); a \$10,000 fine (if fine is not paid, he will serve an additional three months confinement); and a Bad Conduct Discharge (Attachment 2 – Result of Trial). The NRO OIG considers this case closed.

~~(S//TK//NOFORN)~~ This amount was later reduced to \$15,000 (an agreed upon amount by ~~b3 b6 b7(c)~~ and the prosecution because the \$21,320 amount included the full cost of the airline ticket without reducing the legitimate cost of the ticket).



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traveler could stay the weekend if he claimed "annual leave" for the weekend when he initiated his travel. Ultimately the leave would not be charged to him and he would not receive per diem for the two weekend days. Initial review of [REDACTED] s 18 TDY trips between 18 October 2007 and 19 June 2008, showed that during 8 of the trips, [REDACTED] spent a weekend in Albuquerque NM.

An investigation was initiated upon the report from [REDACTED] of the National Reconnaissance Office (NRO) Travel Service Center (TSC), in that [REDACTED] was traveling frequently to or stopping in Albuquerque NM at the end of the work week, staying in the Albuquerque area over the weekend and traveling back to the District of Columbia (DC) area early the following week.

The investigation included a review of the NRO, TSC travel records, interviews with the Director of Advanced Systems and Technology (AS&T), [REDACTED] s supervisor, and [REDACTED]. The investigation revealed that [REDACTED] a government employee of the Central Intelligence Agency (CIA) began working at the NRO on or about 4 February 2007. Prior to working at the NRO, [REDACTED] worked at the Sandia Laboratories, Albuquerque, NM and lived in the Albuquerque area with his wife. [REDACTED] s work entailed a working relationship with several entities in the Albuquerque area. When interviewed, [REDACTED] related his wife who initially moved to the DC area with him, has since moved back to their home in Albuquerque, NM. [REDACTED] designed his travel schedule around the ability to spend the weekends with his wife in Albuquerque.

When interviewed, [REDACTED] adamantly denied intentionally submitting false travel vouchers, pointing out that at any time he was TDY in Albuquerque NM, he did not submit vouchers to be paid for lodging or for a rental vehicle for Saturday or Sundays because he stayed with his wife at their home. When questioned about M&IE he received, [REDACTED] responded that he was unfamiliar with the term and did not know M&IE is automatically given to the traveler unless the traveler refused it by placing himself in a leave status. [REDACTED] further related that on an unidentified date in the past, he spoke with an unknown person at TSC in an attempt not to be reimbursed for the parking fees of his personally owned vehicle at the Dulles Airport parking area, for the Saturday and Sundays of his TDY trips. [REDACTED] related that the person he spoke to told him he rated it and [REDACTED] did not question it since. [REDACTED] wished to reimburse the government for any money he did not legitimately deserve.

On 19 September 2008, after analysis by OIG and a final review

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of the 18 travel vouchers submitted by [b3 b6 b7(c)] for travel between 18 October 2007 and 19 June 2008, the Deputy Chief TSC determined: on 6 separate trips to Albuquerque, NM, [b3 b6 b7(c)] spent the weekend in Albuquerque, NM and returned to the DC area during the first part of the following work week. During these 6 trips, [b3 b6 b7(c)] was reimbursed by TSC for a total of 11 days (Saturday or Sunday) for full M&IE at a rate of \$49.00 per day and 11 days of airport parking fees at Dulles International Airport at various rates. The amount [b3 b6 b7(c)] received which he was not entitled to, totaled \$692.00 which [b3 b6 b7(c)] reimbursed the U.S. Treasury in full.

Due to the small amount of the loss, [b3 b6 b7(c)]'s explanation that he did not realize he was being overpaid and because it appeared that he was not intentionally trying to defraud the NRO, OIG does not believe that a crime occurred and consequently did not apprise the United States Attorney of this incident. Additionally, [b3 b6 b7(c)] repaid the USG the amount that he had been overpaid (\$692.00.)

On 21 October 2008, Mr. James Arnold, Director, AS&T and USN [b3 b6 b7(c)] Chief of staff, AS&T were apprised of the outcome of this investigation.

This investigation is recommended for closure.

Administrative Note: This investigation was previously reviewed and approved for closure but because it was written in the form of a closure memo and then converted to an investigation the Paisley System would not mechanically allow us to close it. Consequently [b3 b6 b7(c)] and [b3 b6 b7(c)] reconstructed the file and it is being closed again on 21 May 2009.

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#### Justification Comments History

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Investigation Closure Justification: All administrative actions have been completed and the investigation may now be closed.  
[b3 b6 b7(c)] 05/21/2009 12:58:36 PM

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#### History

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[b3 b6 b7(c)] 5/18/2009 01:31:13 PM

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Nevertheless, the investigation revealed that [REDACTED] b3 10 usc 424, b6, b7c had used his account on the Unclassified Management Information System (UMIS) to exchange sexually explicit emails with the woman via the Internet. Additionally, [REDACTED] b3 10 usc 424, b6, b7c received several pornographic images from the woman which she had attached to these emails.

(U//FOUO) The results of the OIG investigation were reported to [REDACTED] b3 10 usc 424, b6, b7c s immediate supervisor and to the Commander, Force Support Squadron on 26 October 2009. On 2 December 2009, the NRO Senior Air Force Officer initiated Article 15 proceedings against [REDACTED] b3 10 usc 424, b6, b7c under the Uniform Code of Military Justice (UCMJ). On 28 December 2009 [REDACTED] b3 10 usc 424, b6, b7c was found guilty of violating UCMJ Article 92, Failure to Obey Order or Regulation. This resulted in a \$2000.00 fine and an Unfavorable Information File. OIG has subsequently closed its case and is passing this information to Personnel Security Division for appropriate action



Acrobat Document

Memo to PSD

**Additional Information:**

On 8 March 2010, DAIG INV recommends closure since investigative work has been completed and action taken.

**Justification Comments History**

**Investigation Closure Justification:**

[REDACTED] b3 10 usc 424, b6, b7c 04/07/2010 01:53:26 PM

**History**

[REDACTED] b3 10 usc 424, b6, b7c 02/19/2010 01:27:13 PM

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