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THE OFFICE OF THE INSPECTOR GENERAL AND SENIOR OFFICIAL INVESTIGATIONS

Remarks as prepared for delivery to the APEX Conference by Acting Inspector General Thomas F. Gimble, Arlington, Virginia, Tuesday, March 6, 2007

Good morning ladies and gentlemen. First, allow me to congratulate you on your appointments to the Senior Executive Service. That is quite an accomplishment based on all your hard work and dedication.

Second, thank you for allowing me the opportunity to speak to DoD's newest group of decision-makers, whose promising careers have reached a new level that relatively few have attained.

What I am going to do today is try to tell you about those areas that members of the SES should avoid to stay out of trouble as leaders by discussing examples of our senior official investigations. First, I'd like to take a couple of moments to give you a quick overview of the DoD Office of the Inspector General.

To get a better idea of that, let's take a look at our organization. The OIG has a staff of slightly over 1,400 people, who are divided among four basic mission elements:

- Auditing
- Intelligence
- Investigations
- Policy and Oversight

Auditing has the largest share of our staffing, with approximately 676 people, who are tasked with the responsibility of:

- Performing the primary internal audit functions of the OIG within the Office of the Secretary of Defense, Joint Chiefs of Staff, the Combatant Commands, Military Departments and the Defense agencies.
- Advising the Inspector General on policy direction and the performance of DoD audit activities.

Intelligence has 33 people. They are tasked with:

- Auditing, evaluating, monitoring, and reviewing the programs, policies, procedures and functions of Personnel Security, Nuclear Security, Special Access Programs, and the Intelligence Community within the Department of Defense.
- Responsibility for the oversight of the DoD Intelligence Oversight Community.

Investigations have 414 people of whom 330 are special agents. Their mission includes:

- Criminal law enforcement within DoD.
- The investigation of senior officials.
- Military and civilian reprisal investigations.

Policy and Oversight has a staff of approximately 120 people, who are responsible for:

- Inspecting and evaluating DoD-wide programs to facilitate change and improve management efficiency and effectiveness.
- Ensuring program quality control and statutory and regulatory compliance for investigators, inspectors, and auditors in DoD.
- Providing policy oversight to investigators, inspectors, auditors and hotline personnel within DoD.
- Overseeing non-federal auditors engaged in audits of DoD grants and contracts.
- Maintaining the Defense Hotline.

That, in short, is the Office of the Inspector General and its mission. We have handouts in the back and if you want to go into more organizational detail, please feel free to visit our website at www.dodig.mil.

Now let's get back to those areas that you should avoid to stay out of trouble as leaders. Over the years I've often been asked what makes seemingly intelligent, highly successful executives do things that result in losing their jobs, careers and, in some cases, their freedom.

I am sure many of you have read or heard about the guilty plea by former congressman Randy "Duke" Cunningham, and the criminal convictions of former senior Air Force official, Darleene Druyun, and former Boeing executive Michael Sears. Why, when they had so much to lose, did they risk it?

There are a host of law enforcement organizations, as well as oversight agencies, out there constantly scanning the landscape for potential violators. Our criminal investigative arm – DCIS – was involved in several well known senior official investigations including the Cunningham, and the Neal/Jones cases, which I will discuss today.

On November 28, 2005, former Congressman "Duke" Cunningham pleaded guilty to tax evasion, conspiracy to commit bribery, mail fraud, and wire fraud in federal court in San Diego. Among the many bribes Cunningham admitted receiving were the house sale at an inflated price, the free use of the yacht, a used Rolls-Royce, antique furniture, Persian rugs, jewelry, and a \$2,000 contribution for his daughter's college graduation party.

Agents from DCIS, the FBI, and the Internal Revenue Service determined that Cunningham had steered "ear marks" in Congressional appropriations to specific projects and Defense contractors with the knowledge he would be rewarded by the contractor for his actions. Cunningham's attorney said the government's evidence was so overwhelming that he had no choice but to recommend a guilty plea. With the plea bargain, Cunningham faced a maximum of 10 years; had he fought the charges, Cunningham risked spending the rest of his life in prison.

As part of his guilty plea, Cunningham forfeited his \$2.5 million dollar home in Rancho Santa Fe, which he bought with the proceeds of the sale of the Del Mar house. Cunningham initially tried to sell the Rancho Santa Fe house, but federal agents and prosecutors blocked the sale after finding evidence it was purchased with Defense contractor money. Cunningham also forfeited more than \$1.8 million in cash, antiques, rugs, and other items.

As part of the plea agreement, Cunningham agreed to cooperate with the government in its prosecution of others involved in the defense contractor bribery scandal. Cunningham announced his resignation from Congress immediately following the entering of his plea.

The Cunningham case is a prime example where, not only the senior official at the center of the investigation lost everything including his career, but where there has been a ripple effect with criminal investigations of several businessmen involved in transactions with him. Brent Wilkes and former high-ranking CIA official Kyle “Dusty” Foggo, friends of Cunningham who got entangled in the corruption scandal, were indicted recently by a federal grand jury. The jury returned 11 counts against Foggo and Wilkes that include conspiracy, wire fraud, conflict of interest and money laundering. The lesson here is that most of these senior officials believe that their dealings are a victimless crime, but the victims of these crimes are the American taxpayers and the warfighters who defend our nation as a result of the money that is lost due to greed and deceptive practices.

The Neal and Jones case is one of friends using their positions and conspiring to benefit financially. Let me read excerpts from a press release on a case issued January 24, 2003, by Paul J. McNulty, United States Attorney for the Eastern District of Virginia.

It announces the indictment – and I quote – “of two former high-level Pentagon officials, Robert Lee Neal, Jr., 50, of Bowie, Maryland, and Francis Delano Jones, Jr., 40, of Fort Washington, Maryland” on charges of;

- extortion;
- money laundering;
- false statements; and
- conspiracy to commit extortion, bribery, obstruction of justice, money laundering, and related offenses.

The indictment is 43 pages and includes 12 counts following the arrest of these two individuals at their homes on October 18, 2002. By the way, their homes were searched at the time of their arrest. Imaging trying to explain that to your wife and kids!

Here is a little background on the two:

- Neal was the Director of the Office of Small and Disadvantaged Business Utilization within the Department of Defense.
- Neal served in this position (a political appointment as a Senior Executive Service Level V) from June 1996 to June 2001.
- Jones was Neal’s executive assistant, and an SES level 1. Jones held this position from May 1999 to January 2001.

- Immediately prior to his employment at DoD, Jones was employed by the General Services Administration (GSA) as the Deputy Director for National Federal Acquisition Services for Technology.
- SADBUs were the office within DoD chiefly responsible for the administration of acquisition preference programs within DoD. Similarly, GSA also administered certain acquisition preference programs.
- By virtue of their respective official positions within both DoD and GSA, Neal and Jones exerted tremendous influence over certain individuals and companies seeking to participate in acquisition preference programs administered by DoD and GSA.

Now here is what they did:

- Neal and Jones conspired to extort, accept bribes, and gratuities from companies and individuals doing business with DoD and GSA.
- Among the items of value accepted by Neal and/or Jones were: at least \$70,000 in cash, Rolex watches, travel expenses, hotel rooms, and at least \$200,000 in payments to third parties, intended for the benefit of Neal and Jones.
- They also conspired to embezzle funds which belonged to the U.S. Government.
- Neal and Jones conspired to launder over \$800,000 in proceeds of specified unlawful activity. Neal, Jones, and their coconspirators used a complex maze of companies, bank accounts, and transactions to accomplish the objectives of the conspiracy.
- The primary hub of Neal and Jones's money laundering scheme was a company called Northpointe Telecom, in which Jones was an officer.
- Though Northpointe was supposedly a contracting company, Northpointe held no actual contracts. A Northpointe bank account was used to serve as a:
 - repository for SUA proceeds;
 - launching point for further money laundering, including the transfer of funds to offshore bank accounts located in Liechtenstein; and
 - "slush fund" from which large amounts of personal expenditures would be made for the benefit of Neal, Jones, and their coconspirators.
- The following are some of the items paid, for the benefit of Neal and Jones, out of the Northpointe account:
 - large amounts of cash;
 - personal credit card expenses; and
 - a real estate timeshare, and travel expenses for Neal, Jones, and companions.

Neal and Jones filed false Executive Branch Financial Disclosure Reports, wherein Neal and Jones failed to disclose their receipt of income in the form of cash payments made to them by representatives of private companies.

Further, in Jones's disclosure reports, Jones falsely represented that he had no position with any outside company when, in fact, Jones was an officer of Northpointe.

Finally, Neal and Jones conspired to:

- obstruct a grand jury investigation;
- commit witness tampering; and
- make false statements to investigating law enforcement agents.

Here is what United States Attorney Paul J. McNulty said about this case:

- “This indictment makes clear that Robert Neal and Francis Jones, in a repeated pattern of conduct stemming over six years, systematically abused their public offices for their own personal good. They stole, lied, and sold themselves and the power of their offices. They breached the trust of the public, the trust of our young men and women who serve in the armed forces, the trust of the very disadvantaged business persons whose interests they were supposed to protect. It was a simple choice of money over duty.”

Both were convicted and received 24 year prison sentences.

Now not every SES we catch is as dedicated to a life of crime as these two were, so let me give you some examples of lesser but still serious offenses that ended some promising careers.

- An SES Deputy Director for DFAS improperly used his government computer system to access Internet websites which contained pornographic material. When confronted, he admitted the violations and was subsequently administratively demoted to a GS position. Criminal remedies were not further pursued.
- An SES Division Director for TRICARE hired a contractor for the purpose of writing his SES application package and he allowed her work to be billed to the Government. He participated in the Pretrial Diversion Program in lieu of prosecution and was
 - ordered to reimburse the Government \$8,491 and perform 250 hours of community service, and
 - terminated from federal employment.

You have to ask yourself “Was it worth it?” The answer is obviously NO!

Generally, I don’t feel sorry for these people. There are, however, a few who for a variety of reasons – friendship, a misplaced sense of loyalty, or simple ignorance – get themselves into trouble they never imagined possible.

I’m talking about people who, for the most part, are good, upstanding members of the community who make the mistake of making that “one exception” or as a favor to a friend; “looking the other way” on something they thought was a minor issue but turned out to be a felony offense.

The bottom line is that it is still a crime – and even if it isn’t, it can still be serious enough to end your career. **You don’t have to commit a felony in order to lose your job.** There are a number of other infractions of a non-criminal nature that will do quite well when it comes to destroying what could have been a promising career. Here are some of the more common ways to commit professional suicide.

These examples cover the three leading categories of SES misconduct and are taken from **non-criminal senior official cases** over the past 2 years, in which substantiated misconduct against the senior SES involved.

1. Misuse of Government property/resources (JER violation).

a. Using subordinates to serve at private dinner parties and to perform personal services (bank, laundry, grocery errands).

b. Using Government computers, email for personal business. Some limited personal use is OK--but excessive use (for a real estate venture) or use that reflects adversely on DoD (graphic sexual email) is prohibited. Remember that all email is retrievable, even if you delete it.

c. Accepting bribery or compensation because of your position. An Air Force SES was recently investigated for accepting box Washington Redskins tickets. You can accept things that are given to all government employees but when you have a contractor that says, "here are some tickets, I can't use them" you can not accept them. If you really want something that is offered to you, the rule is do not take it.

2. Travel Improprieties

a. Arranging official travel for primary personal benefit. Examples: arranging official travel to: (1) attend a college reunion; (2) promote a romantic relationship with another government employee, (3) visit relatives, (4) check on a second/retirement residence. All travel had a stated "official purpose"--but we look behind that stated purpose to see whether it was a pretense to enable travel for personal purposes at Government expense. Senior officials have repaid the Government for travel costs so incurred.

b. Traveling in business or first class without proper authority. A senior official recently paid back over \$4000 (from personal funds) because he flew business class overseas without authority.

c. Taking leave in conjunction with official travel, but receiving per diem for the entire time on travel. If you arrive earlier or stay later at your official destination than necessary to complete official business, don't claim per diem for the extra time. A senior official was recently investigated for leaving on a Friday for a conference that began on a Monday to spend the weekend golfing.

3. Inappropriate Personal Relationships. *Note: Personal relationships are OK unless they cause a workplace problem. Examples:*

a. An SES engaged in sexual activity with a subordinate in his DoD office which adversely affected the workplace and which violated standards that apply to the conduct, performance, and ethics of DoD employees (The SES left Government service before disciplinary action was taken.).

b. An SES assisted in writing his girlfriend's resume for a position for which he was the selecting official. (She was selected. He left Government service with disciplinary action pending.)

c. An SES engaged in a sexual relationship with a contractor employee which was inconsistent with standards of conduct established for DoD employees. (The SES was removed from his position.)

d. An SES arranged travel, used Government computers/email/cell phones, and rearranged offices/equipment in an effort to promote a romantic relationship with a subordinate.

In my opinion, corruption is the greatest threat to our freedom and liberty. I want to stress to you the importance of behaving ethically and maintaining your integrity, it is you who will set the standards.

At this point, I will be glad to answer any questions.