



Department of Defense Office of Inspector General



RECOVERY ACT

*Preventing & Reporting
Fraud, Waste, Abuse, & Corruption*



An Overview



- **American Reinvestment & Recovery Act of 2009 (Recovery Act)**
- **Department of Defense and the Recovery Act**
 - **Total Funding & Goals**
 - **Defense-Related Appropriation**
 - **Military Components**
 - **U.S. Army Corps of Engineers**
- **DoD OIG Recovery Act Role**
 - **Audit**
 - **Defense Criminal Investigative Service**
- **Recovery Act Resources**



Recovery Act



- **President Barack Obama signed the Recovery Act on February 17, 2009, to provide supplemental appropriations to:**
 - **Preserve and create jobs**
 - **Promote economic recovery**
 - **Assist those most impacted by the recession**
 - **Provide investments to increase economic efficiency**
 - **Invest in transportation, environmental protection, and other infrastructures that will provide long-term economic benefits**
- **Every taxpayer dollar spent on our economic recovery is subject to unprecedented levels of transparency and accountability.**
- **Federal agencies receiving Recovery Act funds are to establish rigorous internal controls, oversight mechanisms, and other approaches to meet the accountability objectives of the Act.**



Recovery Act



- **Created the Recovery Accountability and Transparency Board (RATB) to serve as the watchdog for the American public on the use of Recovery Act Funds.**
 - **Has a chairman, appointed by the President.**
 - **Includes 12 Inspectors General from various government agencies. Mr. Gordon Heddell, DoD IG, is a member of the RATB.**
- **Two principal goals of the RATB:**
 - **To prevent and detect waste, fraud and mismanagement; and**
 - **To provide the American people with extraordinary transparency on how Recovery Act funds are being used by states, local government, and private recipients.**
- **Maintains a Web site, recovery.gov, that provides information for the public to monitor the progress of the stimulus package.**



Department of Defense



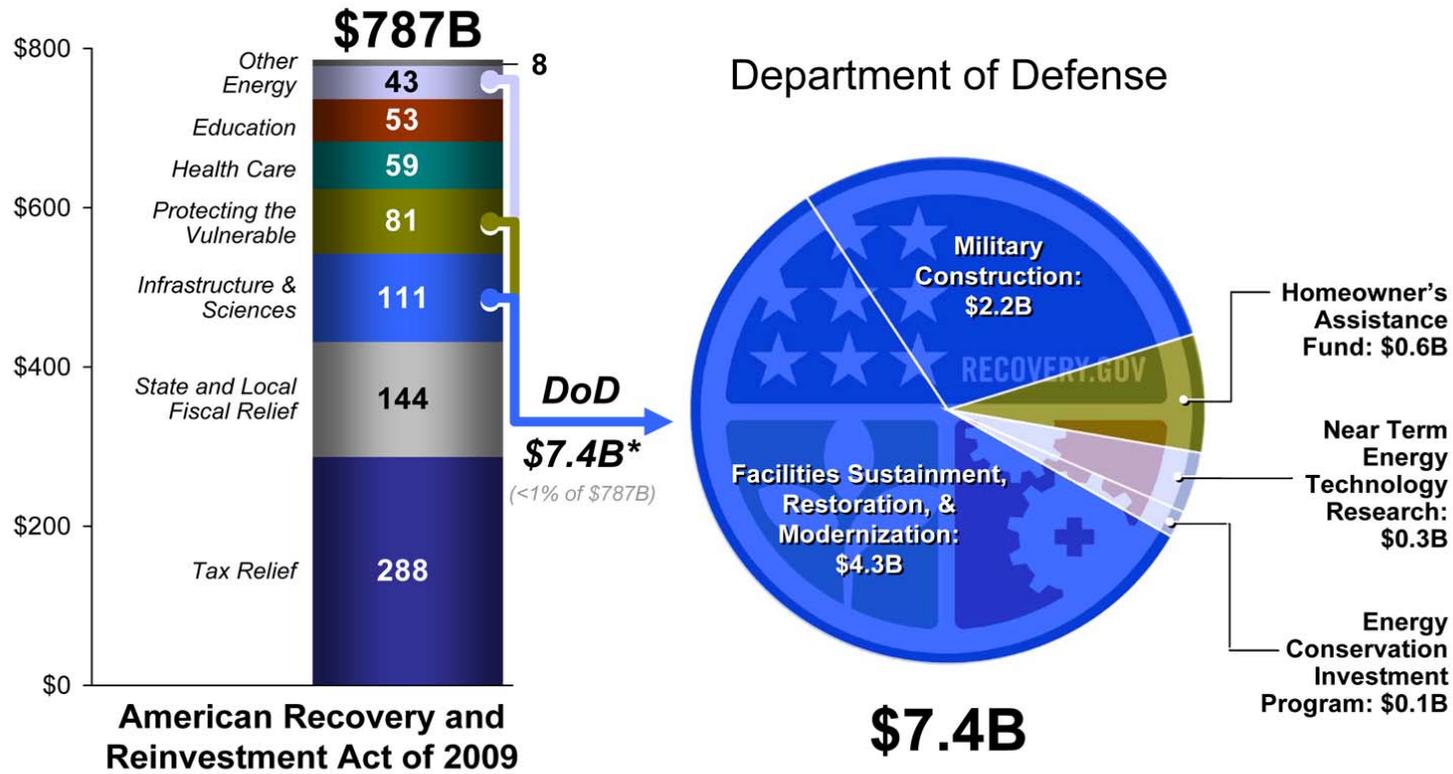
- **Received a total of \$12 billion in Recovery Act appropriations.**
 - **DoD (military component) - \$7.4 billion**
 - **U.S. Army Corps of Engineers (USACE) - \$4.6 billion**
- **DoD (military component)**
 - **Three broad goals:**
 - **Preserve and create American jobs,**
 - **Care for U.S. Service members and their families, and**
 - **Improve DoD energy efficiency.**
 - **Intends to execute the \$7.4B in the following areas:**
 - **Facilities Sustainment, Restoration, and Modernization**
 - **Military Construction**
 - **Energy Conservation Investment**
 - **Near Term Energy Efficiency Technology**
 - **Homeowners Assistance**



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Defense Is Moving Swiftly on Recovery Act

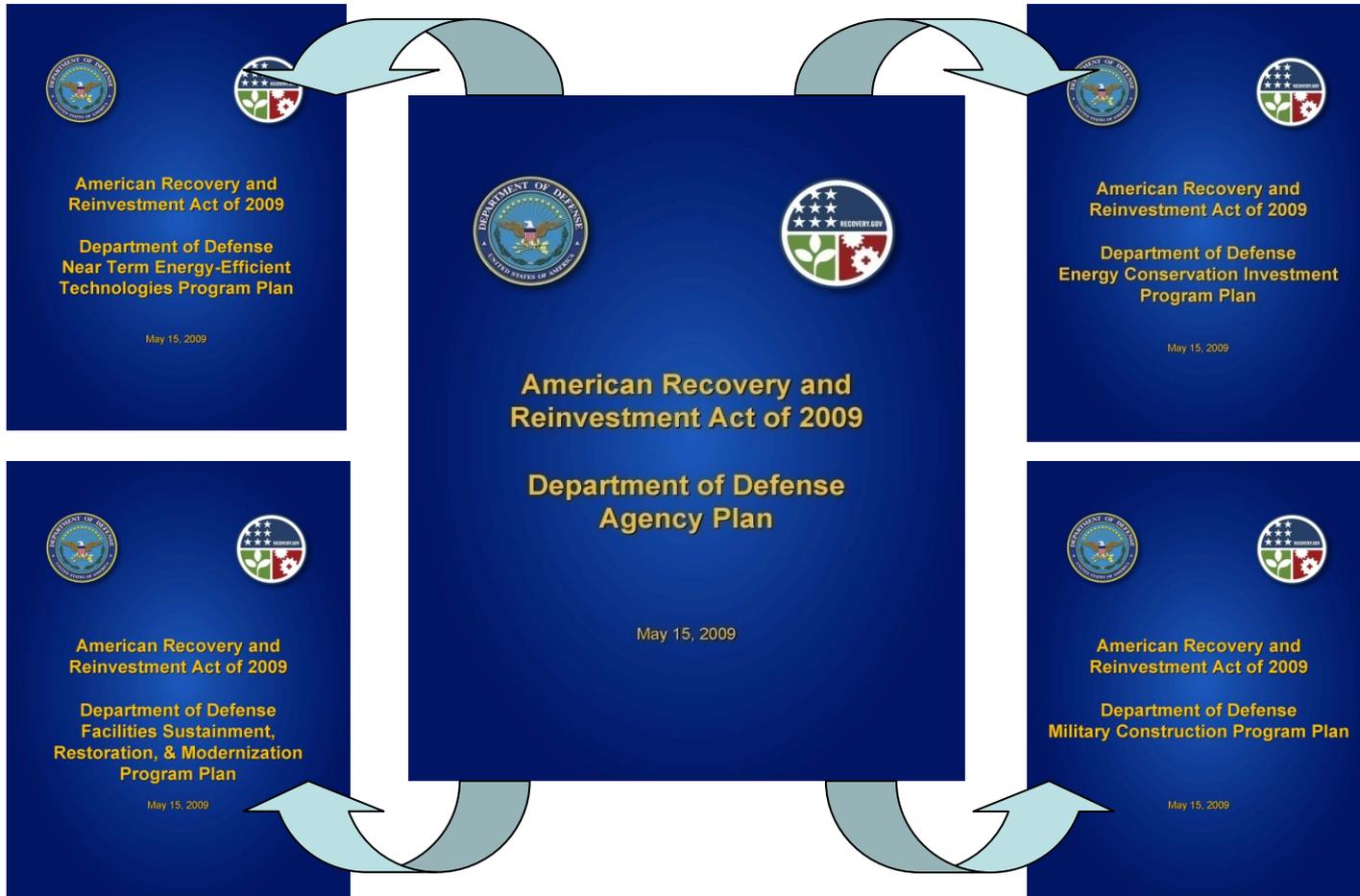
(Dollars in Billions)



*\$7.4B includes appropriations from 3 categories: Energy, Infrastructure & Sciences, and Protecting the Vulnerable
 Source: Recovery.gov, American Recovery and Reinvestment Act of 2009



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U.S. Corps of Engineers



- **Directly appropriated \$4.6 billion for its Civil Works program.**
- **Distributed in the following program accounts:**
 - **Operation and Maintenance (\$2.075B)**
 - **Construction (\$2B)**
 - **Mississippi River and Tributaries (\$375M)**
 - **Formerly Utilized Sites Remedial Action Program (\$83.3M)**
 - **Investigations (\$23.5M)**
- **Recovery Act Funds are available for obligation until September 30, 2010, and until September 30, 2013, for military constructions.**



Department of Defense Office of Inspector General



- **An independent, objective agency within the DoD.**
- **Created by the IG Act of 1978, as amended.**
- **Promote integrity, accountability, and improvement of DoD personnel, programs, and operations to support the Department's mission and serve the public interest.**
 - **Through audits, investigations, and inspections.**
- **Conduct vigorous oversight of DoD programs.**
 - **Detect and prevent fraud, waste, and abuse.**
 - **Promote economy, effectiveness, and efficiency in Government-wide implementation of the Recovery Act.**
- **Designated as the executive agency to provide oversight on DoD's execution of the Recovery Act funds under the Recovery Act.**



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- **Collaborative Efforts:**
 - **Internal (OIG Components)**
 - **Audit**
 - **Defense Criminal Investigative Service**
 - **Office of Communications and Congressional Liaison**
 - **Defense Hotline**
 - **Contractor Disclosure Program**
 - **Military Reprisal Investigations**
 - **Investigations of Senior Officials**
 - **External**
 - **Services' audit agencies (Army Audit Agency, Naval Audit Service, and the Air Force Audit Agency)**
 - **Military criminal investigative agencies (U.S. Army Criminal Investigative Command, Naval Criminal Investigative Service, and the U.S. Air Force Office of Special Investigations)**



DoD IG Audit



- **On February 18, 2009, the Office of Management and Budget (OMB) issued guidance, to include critical accountability objectives regarding the:**
 - **Distribution of funds, transparency of agency efforts to the public, and achievement of program goals.**
- **Aligns key audit steps with OMB's accountability objectives:**
 - **Funds are awarded and distributed in a prompt, fair, and reasonable manner.**
 - **The recipients and uses of funds are transparent to the public and the benefits of the funds are clearly, accurately, and timely reported.**
 - **Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated.**
 - **Projects funded avoided unnecessary delays and cost overruns.**
 - **Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.**



DoD IG Audit



- **Assess the planning, funding, project execution, and tracking and reporting of Recovery Act projects to ensure Military Services and Defense Agencies facilitate accountability and transparency.**
- **Utilize a two-phase approach.**
 - **Phase I – Planning**
 - Reviewed DoD expenditure plans.
 - Concluded that DoD's program-specific plans addressed the 12 required elements outlined in OMB M-09-15 and generally incorporated earlier observations. (Memorandum No. D-2009-RAM-001, June 23, 2009)
 - **Phase II – Implementation**
 - Conduct reviews and assessments on project requirements; contract awards; and the execution of the projects/contracts.
 - Select projects based on predictive analytics.
 - Issue reports using an accelerated reporting process to deliver message timely and post reports on the DoD OIG Recovery Act Web page.
 - Coordinate with Services' audit agencies.



Defense Criminal Investigative Service



- **Mission: Protect America's Warfighters by conducting investigations in support of crucial National Defense priorities.**
- **Is the law enforcement arm of the DoD IG**
 - **Has statutory law enforcement authority.**
 - **Investigates allegations of criminal violations under Title 10, Title 18, and other Federal statutes.**
 - **Derives its authority from the IG Act of 1978 as amended, Title 10 U.S.C. Sections 1585 and 1585a, and DoD Directive 5106.1.**
- **Partners with the military criminal investigative organizations (MCIOs): U.S. Army Criminal Investigative Command, Naval Criminal Investigative Service, and the U.S. Air Force Office of Special Investigations.**
- **Conducts joint investigations with the MCIOs, other OIGs, and Federal law enforcement agencies.**



Defense Criminal Investigative Service



Common Types of Cases Investigated by DCIS:

- Terrorism
- Product Substitution/
Defective Parts *
- Cyber Crimes
- Computer Intrusion
- Technology Transfer
- E-Commerce *

- Public Corruption *
- Kickbacks *
- Financial Fraud *
- Major Theft *
- Environmental/Fuel
Programs
- Health Care Fraud

* Recovery Act funds are most likely to fall under these case categories.



Defense Criminal Investigative Service



Common Federal Statutes Investigated by DCIS:

- **31 U.S.C. 3729
False Claims Act**
- **18 U.S.C. 287
False Claims**
- **18 U.S.C. 201
Bribery**
- **18 U.S.C. 371
Conspiracy**

- **18 U.S.C. 1341
Mail Fraud**
- **18 U.S.C. 1343
Wire Fraud**
- **18 U.S.C. 1031
Major Fraud Act**
- **18 U.S.C. 1001
False Statements**



Defense Criminal Investigative Service



- **Fraud can occur at any stage of the contracting process:**
 - **Appropriation of Funds**
 - Bribery, Conflict of Interest, Conspiracy
 - **Development of the Statement of Work**
 - Bribery, Conflict of Interest, Conspiracy
 - **Solicitation/Pre-award**
 - Bid Rigging, Price Fixing, Kickback, Bribery, Conflict of Interest, Conspiracy
 - **Award**
 - False Statements, Kickback, Bribery, Conflict of Interest, Conspiracy
 - **Post Award**
 - Defective Pricing, False Claims, False Statements, Mail Fraud, Wire Fraud, Kickback, Bribery, Conflict of Interest, Conspiracy



Defense Criminal Investigative Service



- **Examples of Potential Fraud Indicators:**
 - **Bribery and Conflict of Interest**
 - **Close and/or personal relationship between a procurement or Government official and a contractor or vendor.**
 - **Contract was awarded without competition while there are other vendors who offer the same product/service.**
 - **Government official directs the prime contract to use a particular subcontractor on a contract.**
 - **Contractor gives items of value to the Government employee(s).**
 - **Government employee has a personal financial interest in the matter.**
 - **Government employee has discussed or expressed an interest in obtaining future employment with the contractor.**
 - **Government employee lives beyond his/her means without a reasonable explanation.**



Defense Criminal Investigative Service



- **Examples of Potential Fraud Indicators:**
 - **False Statements and False Claims**
 - Refusal or inability to provide supporting documentation.
 - Discrepancies found in the supporting documentation.
 - Documents are altered or appeared to be almost identical to previously submitted records, such as testing certifications.
 - Signatures appeared to be forged or signed by someone other than the individual whose name appeared on the document.
 - Goods cannot be accounted for as billed.
 - **Bid Rigging**
 - Bids are submitted by the same group of contractors and they appear to take turn “winning” the Government contracts.
 - Bidders who lost the contract then are hired as subcontractors under that contract.
 - Bid documents are similar, if not almost identical, between the companies
 - The same individual drops off bid packages for two or more competing contractors.



Defense Criminal Investigative Service



- **Investigative results include criminal, civil, and administrative judgments, seizures, and forfeitures.**
 - **In May 2007, DCIS was accepted into the Department of Justice Asset Forfeiture Program, which provides DCIS the means to punish and deter criminal activities by depriving criminals of property used or acquired through illegal activities.**
- **Examples of recent investigative results:**
 - **August 13, 2009 – Dynamics Research Corporation agreed to pay the U.S. \$15 million plus interest to settle allegations that two of its former executives engaged in a fraudulent kickback scheme in connection with two technical services contracts with the U.S. Air Force.** *(U.S. Attorney's Office, District of Massachusetts and Department of Justice, Civil Division)*
 - **August 13, 2009 – The Boeing Company agreed to pay the U.S. \$25 million to resolve allegations that the company performed defective work on the entire KC-10 Extender fleet. The KC-10 Extender is a mainstay of the U.S. Air Force's aerial refueling fleet in the Iraq and Afghanistan war theaters.** *(U.S. Attorney's Office, Western District of Texas and Department of Justice, Civil Division)*



Defense Criminal Investigative Service



- **Examples of recent investigative results (cont'd):**
 - **August 4, 2009 - William Chi-Wai Tsu and Tah Wei Chao were sentenced to 40 months and 20 months, respectively, for attempting to transport sensitive and advanced U.S. technology to the People's Republic of China. Chao's co-defendant Zhi Yong Guo was sentenced on July 27, 2009, to 5 years in federal prison for his involvement. (U.S. Attorney's Office, Central District of California)**
 - **June 18, 2009 – William Raymond Miller was sentenced to 10 years and 1 month in federal prison for mail fraud and wire fraud for selling surety bonds on construction projects throughout the U.S. Some of the construction projects were for the U.S. Navy and the U.S. Army Corps of Engineers. Miller was ordered a personal money judgment of \$22 million, and to forfeit to the U.S. \$22.5 million, several pieces of real estate, computer equipment, and funds from various seized bank accounts. (U.S. Attorney's Office, Middle District of Florida)**



Defense Criminal Investigative Service



If You Suspect Fraudulent Activity, Waste, Abuse, and Corruption, Contact the Defense Hotline at 800-424-9098 or hotline@dodig.mil.

e-mail: hotline@dodig.mil

Abuse of authority,
Mismanagement,
Fraud, &
Waste

(800) 424 9098

hotLINE

defense
department of defense

www.dodig.mil/hotline

The Pentagon
Washington, D.C.
20301-1900



Recovery Act Resources



- www.recovery.gov
- www.defenselink.mil/recovery
 - DoD Expenditure Plans
 - Program Plans
- www.usace.army.mil
 - Agency Plans and Reports
 - Civil Works Project Lists
 - Interactive Project Location Maps
 - Home Assistance Program
- www.dodig.mil/recovery
 - DoD IG Monthly Reports
 - Training Information
- www.dojgov/atr/public/criminal/economic_recovery.htm
 - Red Flags of Collusion
 - Training on Collusion and Fraud Awareness