Fraud Awareness Presentation

Special Inspector General for Afghanistan Reconstruction



Investigations Directorate

Mission Statements

SIGAR's Mission:

 Provide for the independent and objective conduct and supervision of audits <u>and investigations</u> relating to the programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

• Investigations Directorate Mission:

- Conducts criminal and civil investigations relating to programs and operations supported with U.S. reconstruction dollars. It prevents and detects waste, fraud, and abuse through criminal prosecutions, civil actions, forfeitures, monetary recoveries, and suspension/debarment actions.
- Section 1229(g)(1) of SIGAR's enabling legislation provides SIGAR with law enforcement powers pursuant to Section 6(e) of the Inspector General's Act of 1978, as amended.



Investigations Directorate Overview

Headquarters and Washington Field Office Personnel:

- 1 Assistant Inspector General
- 1 Deputy Assistant Inspector General
- 1 Assistant Special Agent in Charge
- 18 Special Agents
- 7 Investigative Analysts
- 1 Management Analyst
- 1 Investigations Senior Analyst/Data Manager
- 2 Attorneys (detailed from SIGAR/OGC)
- 3 Special Inspector General Prosecutors (SIGPROs)

Afghanistan Field Offices:

- 1 Special Agent in Charge
- 1 Assistant Special Agent in Charge
- 10 Special Agents;
- 3 Investigative Analysts
- 1 Forensic Examiner
- 2 Foreign Service National Investigators (Afghan Local Hire)



SIGAR Investigators Examining Fraudulent Claim for Installation of Culvert Denial System on Highway 1, Ghazni Province



SIGAR ID Office Locations



Investigations Directorate Overview

Investigations Current

Status: (March 2017)

- 267 ongoing criminal investigations
- 703 closed criminal investigations
- 105 arrests
- 142 criminal charges (Fed & GiROA)
- 108 criminal convictions
- 100 sentencings

Types of Cases:

- Fraudulent Claims for Payment
- Bribery and Kickbacks
- Poor or Non-Performance of Contracts
- Public Corruption
- Financial Fraud and Money Laundering
- Theft of Government Property

Sources of Information:

- Hotline Complaints
- Referrals from Other Agencies
- Audit/Inspection Reports
- Walk-in Reports of Witnesses to Crime
- Observations by Investigators
- Other Sources



Investigations Directorate Overview

- SIGAR is a member of the International Contract Corruption Task Force (ICCTF) the principal organization coordinating contract fraud and corruption cases involving U.S. Government spending in Southwest Asia.
- Provides a framework for joint investigations for U.S. federal law enforcement efforts in Afghanistan.
- DCIS, DoS IG, USAID, SIGAR, Air Force OSI, Army CID, NCIS, and FBI are members.
- Liaison office in Washington D.C., field office at Bagram Airfield.

Hotline & Complaints Management

- Complaints may be reported by phone, fax, e-mail, web form or in person.
 - Phones in HQ and Kabul are answered during business hours with 24/7 voicemail; voicemail in Kabul is in English, Dari and Pashtu.
 - Posters are distributed in Afghanistan at USG installations,
 Afghan ministries and, where practicable, job sites; in English,
 Dari and Pashtu.
- SIGAR refers matters not within its purview to appropriate IG or other agency.
- SIGAR receives on average 100 Hotline complaints per quarter 2545 to date (March 2017)
 - In FY2015 and 2016, approximately 4% resulted in the opening of a preliminary or full investigation.
 - The remainder are either referred internally, to other agencies or closed with no further action.



GAR





Examples of Recent ID Cases

On September 29, 2015, US Army Sergeant First Class Jeffery Edmondson, former US Army Sergeant Christopher Ciampa, former US Army Sergeant Enmanual Lugo, and former US Army Staff Sergeant Geoffery Montague were sentenced for conspiracy and bribery. Collectively, the sentences for all four conspirators was \$27,647,400 in court ordered restitutions, 27 years' incarceration in federal prison and 12 years supervised probation upon release. Additionally, the investigative team seized and forfeited \$150,000 in bulk cash, 22 single and semi-automatic weapons and 2 vehicles.

The investigation determined these military members falsified up to 114 transportation movement requests at Kandahar, AFG enabling the theft of fuel in 10,000 gallon jingle trucks by an Afghan contractor. The contractor sold the fuel on the black market and used the falsified documents to bill the US government for the fuel. The investigation involved over 25 interviews, the issuance of numerous Grand Jury subpoenas and review of voluminous documents before securing full confessions and subsequent guilty pleas in federal court by all four conspirators.

SIGAR AGENT SEIZES WEAPONS AND CASH







Examples of Recent ID Cases





An investigation was initiated in 2013 concerning matters associated with certain contracts handled by the Non-Standard Rotary Wing Aircraft (NSRWA) program office at Redstone Arsenal, a component of the Army's Program Executive Office Aviation. To date, the investigation has yielded the following results:

On April 20, 2015, former **Colonel Norbert Vergez pleaded guilty** to charges of false statements and conflict of interest in connection with a DODIG audit of the Mi-17 overhaul contract administered by NSRWA, of which Vergez was program manager.

On January 12, 2016, **Teresa Mayberry was sentenced after pleading guilty** to charges of obstruction of a federal audit. As contract officer for the Army Materiel Command at Redstone, Mayberry was responsible for the Mi-17 overhaul contracts. In response to the DODIG's Mi-17 contract audit, Mayberry prepared, and directed her subordinates to prepare, false documents.

On June 8, 2016, **Willis Epps was convicted** for making and signing a false 2013 income tax return. Epps was a former Army contract official who handled contract matters for NSRWA at Redstone Arsenal.

Examples of Recent ID Cases

• In August 2014, SIGAR initiated an investigation based on a complaint that contractors bidding on a nearly \$1 billion Afghan Ministry of Defense (MOD) fuel contract colluded to rig their bids and inflate prices for the fuel. The investigation determined that four colluding companies had fixed their prices, rigged their contract bids and prevented two competing companies on a list of six from submitting their bids on time. Additionally, the four colluding contractors paid bribes to MOD military members and contracting officials to ensure the contract was awarded to the colluding contractors exclusively.

In February 2015, SIGAR briefed the case to the Afghan President Ashraf Ghani, who immediately cancelled the MOD contract. All colluding contractors were excluded from competition. Because funding for the contract was provided by the U.S. Army, the cancellation of the MOD contract represents a savings to the U.S. government in excess of \$200 million.

Subsequently, President Ghani removed from office five high-ranking military members and one civilian advisor at the MOD.



Example of Poor Performance – Improperly Built Bridge Support





Example of Poor Performance – Non-Conforming Concrete Used in Retaining Wall



SIGAR Undercover Operation Arrest



What is Fraud?

Intentional misrepresentation causing damages and usually monetary losses

- Fraud is cheating for profit.
- Fraud is characterized by acts of:
 - Concealment or breach of confidence used to gain unfair or dishonest advantage involving money, property or services



Motivations for Fraud

- Dissatisfaction
 - Increases likelihood of fraud
 - i.e. perceived lack of appreciation may motivate an employee to commit fraud against his or her employer
- Opportunity
 - Inadequate internal controls
 - i.e. failure to ensure individual responsible for purchasing does not serve as the person responsible for receiving
- Rationalization
 - Fraudulent act is viewed as non-criminal
 - i.e. a sense of entitlement; "I work here therefore I'm entitled to take this action".

MONETARY GAIN



Common Offenses

- **Bribery** Giving or receiving something of value to influence a government official. Its not just about money.
- Kickback Is between a Prime Contractor and a Subcontractor
- False Statements- Falsifying or covering up a material fact by scheme or devise.
- False Claims- Preparing and/or submitting false documents.
- Product Substitution Permitting the use of inferior materials or processes in lieu of those specified.
- Conspiracy- Joining with others in committing illegal acts.
- Theft of U.S. Funds or Property- Bulk cash smuggling or wire / ship or mail.
- Conflict of Interest Providing insider information.

Money Laundering

Money laundering operations are designed to take the proceeds of illegal activity and disguise the existence, source, or application of those funds so the proceeds appear to come from a legitimate source. Money laundering is a common element in many fraud, corruption and terrorist-financing cases and has an economic impact on most businesses and government entities



SIGAR Special Inspector General for Afghanistan Reconstruction Judicial Actions

- Indictment and Conviction
 - Present investigations to Department of Justice for prosecutions
- Criminal and Civil Fines
 - Can exceed the amount of the fraud
- Suspension and Debarment Program
 - An administrative remedy that prevents non-responsible business entities from receiving U.S. Government contracts.
- **Uniformed Code of Military Justice (UCMJ)**
 - All military members are subject to prosecution within the military judicial system.
 - Non-judicial punishment may also be leveraged (Article 15)
- Afghanistan Attorney General (AAG) Agents work with the AAG when Afghan contractors and sub-contractors are subjects.
- Special Inspector General Prosecutors (SIGPRO's) / Asst.
 United States Attorney's (AUSA's)

The IMPORTANCE of SIGAR's work

- Promote the effectiveness of US reconstruction programs in Afghanistan
- Gain the trust and confidence of the Afghan people by ensuring programs are administered with integrity and fairness
- Protection of U.S. taxpayer dollars through audits and criminal investigations
- Recommend criminal and civil actions against those engaging is wrongful activity



Employee Orientation Program

Special Inspector General for Afghanistan Reconstruction



Suspension & Debarment

SIGAR Suspension and Debarment Program

Number of individuals and entities referred for suspension and/or debarment since 2008: 837

Number of final actions taken against individuals and entities based on SIGAR's referrals: 796

- Suspensions: 133
- Debarments/Special Entity Designations: 504
- Administrative Agreement (Settled): 14
- Terminated prior to final agency action: 145

Individuals and entities referred by SIGAR that are currently awaiting agency action: 43

2nd Quarter 2017 Totals:

- 28 Referrals for suspension or debarment/special entity designation
- 9 finalized Debarments/Special Entity Designations



Suspension and Debarment: Usefulness in Afghanistan and Contingency Contracting Cases

- Effect is the elimination of contractors from the ability to receive contract awards, task orders, purchase orders, grants, loans or other benefits of Government programs.
- Especially effective in addressing cases of misconduct and poor performance by foreign nationals who, for various reasons, are beyond the reach of criminal or civil remedies due to the negative impact on business reputation and future ability to obtain work financed by the Government.
 - Impacts potential subcontract awards due to the need for prime contractors to review their suppliers of goods and services as part of the vendor vetting process.
 - Can be applied to foreign nationals and foreign companies without regard to their location – the only criteria is being the beneficiary of a Government contract.
 - Excluded Parties are listed on the System for Award Management, <u>www.sam.gov</u>, a publically accessible database listing all parties excluded from contracting, regardless of the agency taking action.

Suspension and Debarment: Differences Between the Remedies

- Suspension Used when "Immediate Action" is necessary to protect Government interests.
 - Temporary measure pending the completion of an investigation or legal proceeding
 - Shall not exceed 12 months unless legal proceedings initiated
- Debarment Exclusion from Government contracting for a set period of time based on a finding of non-responsibility.
 - The Government may debar a contractor based upon a preponderance of the evidence of:
 - Serious contract performance shortfalls
 - Illegal activity
 - Any other cause of so serious or compelling a nature impacting present responsibility
 - Duration of Debarment period is at least 3 years



SIGAR Suspension and Debarment Program

- Designed to improve contractor accountability and ensure the integrity of procurements.
- Necessary adjunct to its investigative and audit responsibilities, especially in instances where non-U.S. nationals are concerned
 - Every SIGAR investigative case is considered for suspension and/or debarment action in conjunction with civil and criminal actions by the Department of Justice.
- Program will:
 - Review and evaluate <u>every</u> case for potential action;
 - Track each case
 - Assess progress and verify action prior to closing,
 - Target contractors are alleged to be engaged in fraud or have performed questionably on reconstruction projects; and
 - Provide information in a package to the appropriate Suspension and Debarment Official for action.
- S&D actions send a clear message to contractor community that fraud and poor performance will not be an acceptable way of doing business on Afghanistan reconstruction contracts.

Performance-Based Debarment Example:



Properly installed culvert denial system in a concrete lined culvert. Wing walls have been properly installed of poured concrete, rebar is embedded in concrete wing walls on all sides, rebar is properly spaced and is installed at an angle to prevent blockage by trash and debris.

Performance-Based Debarment Example:



Improper installation of a culvert denial system in a concrete lined culvert. Note the use of two short pieces of rebar on each side and one on top used as the only anchors for rebar grill to the culvert wing walls. Also, note the lack of any concrete work and the presence of gaps on each side of the culvert denial system.



Questions?



