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NATIONAL RECONNAISSANCE OFFICE

Office of Inspector General
14675 Lee Road
Chantilly, VA 20151-1715



10 January 2011

MEMORANDUM FOR DIRECTOR, NATIONAL RECONNAISSANCE OFFICE
PRINCIPAL DEPUTY DIRECTOR, NATIONAL RECONNAISSANCE OFFICE
DEPUTY DIRECTOR, NATIONAL RECONNAISSANCE OFFICE
DIRECTOR, IMAGERY INTELLIGENCE SYSTEMS ACQUISITION
DIRECTORATE
DIRECTOR, OFFICE OF CONTRACTS
GENERAL COUNSEL
DIRECTOR, OFFICE OF SECURITY AND COUNTERINTELLIGENCE

SUBJECT: (U//~~FOUO~~) Investigative Summary: False Claims
(Case Number 2010-170 I)

(U//~~FOUO~~) The National Reconnaissance Office (NRO) Office of Inspector General (OIG) recently completed an investigation based on an allegation that a Lockheed Martin Space Systems Company (LMSSC) employee engaged in labor mischarging by charging hours to an NRO contract he did not actually work. 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, along with a notation in the appropriate security databases. All other copies of this report are for informational purposes and should be returned to the OIG.

(U//~~FOUO~~) The OIG investigative reports are to be read only by the individuals to whom OIG provides them, or to whom OIG specifically authorizes their release. If you believe other individuals require access to this report 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 summary to Special Agent [redacted] at secure [redacted] or to [redacted], Deputy Assistant Inspector General for Investigations, at secure [redacted].

(b)(3)

Lanie D'Alessandro
Inspector General

Attachment:
(S//~~TK//NF~~) Investigative Summary

DECL ON: 20610110 UNCLASSIFIED when separated from
DRV FROM: NRO CG 6.0, 21 May 2005 attachment

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SUBJECT: (U//~~FOUO~~) Investigative Summary: False Claims
(Case Number 2010-170 I)

OIG, [redacted] 10Jan11

(b)(3)

DISTRIBUTION:

Director, National Reconnaissance Office
Principal Deputy Director, National Reconnaissance Office
Deputy Director, National Reconnaissance Office
Director, Imagery Intelligence Systems Acquisition Directorate
Director, Office of Contracts
General Counsel
Director, Office of Security and Counterintelligence
Lead Investigator - [redacted]

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All redactions per (b) (3) and (b) (7) (c) unless otherwise indicated.

INVESTIGATIVE SUMMARY

False Claims - [REDACTED]

(Case Number 2010-170 [REDACTED]) (b)(3)

(b)(7)(c)

(U) INVESTIGATIVE FINDINGS

~~(S//TK//NF)~~ On 15 Sept 2010, the National Reconnaissance Office (NRO) Office of Inspector General (OIG) initiated an investigation after being notified by Lockheed Martin Space Systems Company (LMSSC) that a former employee allegedly engaged in labor mischarging. The General Counsel for LMSSC and [REDACTED] notified the OIG that [REDACTED] [REDACTED] charged time spent on his personal real estate business to an overhead account in LMSSC's system, mischarging a NRO contract. [REDACTED] was a Systems Engineering Senior Manager who worked for LMSSC on the [REDACTED] [REDACTED] Colorado.

(b)(3)

(b)(1)

(b)(3)

~~(S//TK//NF)~~ The investigation revealed sufficient evidence to support a conclusion that [REDACTED] actions violated *Title 18 United States Code, Section 287*, False, Fictitious, and Fraudulent Claims, which makes it unlawful for anyone to make a claim that is knowingly false to a department of the United States. [REDACTED] mischarged 395.5 hours between [REDACTED] [REDACTED] to an allowable overhead account that was later charged to NRO contract [REDACTED]. LMSSC rectified the excessive hours charged by removing the overhead charges and applying them towards an unallowable overhead account. LMSSC terminated [REDACTED] employment and reimbursed the government the full amount of [REDACTED]. The OIG presented the facts of this case to the United States Department of Justice, United States Attorney's Office, District of Colorado, which declined prosecution due to the amount of loss, restitution to the government, and lack of jury appeal. [REDACTED] employment was terminated on [REDACTED] and debriefed of his clearances. The OIG considers this investigation closed.

(b)(3)

(U) INVESTIGATIVE DETAILS

~~(U//FOUO)~~ LMSSC provided the OIG with a copy of its Investigation Report on [REDACTED], Case Number [REDACTED] Denver. The report reflected that the case was substantiated based in part on [REDACTED] own admissions that he charged time working on his personal real estate business to a Personal Time (PERS) charge code, an allowable overhead account intended for incidental absences.¹ [REDACTED] time charged to PERS overhead account was ultimately allocated to an NRO contract through the application of indirect rates. LMSSC also performed a forensic examination of [REDACTED] LMSSC issued computer and discovered that [REDACTED] saved several documents on his hard drive relating to his personal business. The documents were dated during the [REDACTED]. In addition, [REDACTED] used a LMSSC e-mail account to e-mail his business partners and clients. [REDACTED] said that from time to time, he would take phone calls relating to his personal business using his LMSSC desk phone.

¹ ~~(U//FOUO)~~ LMSSC labor policy defines PERS use for personal business that cannot reasonably be conducted outside of regular work hours and also includes illness, medical appointments and medical care for family members.

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(U//~~FOUO~~) On 25 March 2010, LMSSC interviewed [redacted] [redacted] became aware of problems with [redacted] charging practices after a [redacted] time card audit revealed [redacted] charged 262.5 hours to PERS. Additional time card data for [redacted] was pulled for [redacted]. The data revealed [redacted] charged 15 hours to PERS in [redacted] 95.5 hours in [redacted] and 35.5 hours through early [redacted] [redacted] and [redacted]. [redacted] spoke twice with [redacted] about his charging practices. On [redacted] [redacted] informed [redacted] that he may be laid off due to lack of funding for the program [redacted] supported. At that time, [redacted] related that he had been working a private international real estate business with foreign contacts that was "ready to take off." When asked if [redacted] was recording PERS to work on his business, he said yes. [redacted] informed [redacted] that working a private business and recording it as PERS violated company policies relating to charging practices. On 23 March 2010, [redacted] and [redacted] met again with [redacted] regarding his misuse of PERS and informed him that a formal investigation would be conducted as it appeared [redacted] had reaped almost [redacted] of improper personal benefit by recording personal business hours as PERS.

(b)(7)(c)
(b)(6)

(U//~~FOUO~~) On 25 March 2010, LMSSC interviewed [redacted] [redacted] stated that because [redacted] was a [redacted] he approved his own time card. [redacted] said he did a high-level cursory check of [redacted] time cards mainly to see if [redacted] was recording full-time hours, but did not specifically look at how he was charging his hours. [redacted] was not aware of any issues with [redacted] time charging practices until the [redacted] imecard audit highlighted the problem. [redacted] stated that [redacted] led him to believe that he was gainfully employed on [redacted] but after talking to [redacted] manager, [redacted] realized that [redacted] was only working between half time and three quarters time on his task. [redacted] said [redacted] never approached him for additional work. [redacted] relayed that he and [redacted] met with [redacted]. During this meeting, [redacted] admitted charging PERS to read books and work for approximately [redacted] on his international real estate business.

(b)(7)(c)
(b)(6)

(U//~~FOUO~~) On 6 April 2010, LMSSC interviewed [redacted] [redacted] supporting the [redacted] program in Denver. [redacted] was aware that [redacted] had a real estate business, but had not seen [redacted] working any real estate related matters in the office. [redacted] told [redacted] that he was charging PERS to operate a personal business, but that management told him that they did not mind². [redacted] told [redacted] that using PERS to operate a personal business was not acceptable.

(U//~~FOUO~~) On 6 April 2010, LMSSC interviewed [redacted] who admitted to not being fully engaged with his work and stated he told his managers, but did not feel they took his position to heart. [redacted] confirmed that he would charge six hours to his task and three hours to PERS each day. [redacted] denied working on his real estate business while at LMSSC, but said that one day a week or so he would go home early to work on his business and charged that time to PERS. [redacted] admitted to doing this throughout [redacted] and acknowledged that in [redacted] he charged approximately 290 hours to PERS. [redacted]

² (U//~~FOUO~~) No information was identified to support [redacted] statement that management approved or even knew he was working a personal business while recording time as worked.

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estimated the amount of personal time taken accounted for 10-20 percent of his hours and agreed this was excessive, but stated he raised his lack of work several times to management.

(U//~~FOUO~~) The OIG reviewed LMSSC's investigative work and found it satisfactory. Based on the results of the interviews, LMSSC concluded and OIG agreed that [redacted] mischarged approximately 395.5 hours of his time, with a fully burdened value of [redacted]. LMSSC terminated [redacted] employment, and reimbursed the government the full amount of [redacted].

(U) CONCLUSION

(U//~~FOUO~~) The OIG presented the facts of this case to Mr. Thomas O'Rourke, United States Department of Justice, United States Attorney's Office, Assistant U.S. Attorney, Chief, Economics Crime Division, District of Colorado, who declined prosecution due to the amount of loss, restitution to the government by LMSSC, and lack of jury appeal. Given the declination of prosecution and LMSSC's credit to the NRO for the mischarged hours, there is no further investigative action required including an interview of [redacted] by the OIG. The OIG considers this investigation closed.

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