



**NATIONAL RECONNAISSANCE OFFICE**

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



27 March 2012

MEMORANDUM FOR DIRECTOR, NATIONAL RECONNAISSANCE OFFICE  
PRINCIPAL DEPUTY DIRECTOR, NATIONAL RECONNAISSANCE  
OFFICE  
DEPUTY DIRECTOR, NATIONAL RECONNAISSANCE OFFICE  
DIRECTOR, OFFICE OF CONTRACTS  
GENERAL COUNSEL  
DIRECTOR, OFFICE OF SECURITY AND COUNTERINTELLIGENCE

SUBJECT: (U//~~FOUO~~) Investigative Summary: Mail Fraud  
(Case Number 2006-089 I)

(U//~~FOUO~~) On 28 February 2011, the National Reconnaissance Office (NRO) Office of Inspector General (OIG), in partnership with the Defense Criminal Investigative Service and the United States Attorney's Office, Central District of California, completed a five-year investigation of a former Raytheon Space and Airborne Systems (Raytheon) employee for mail fraud related to the embezzlement of funds from Raytheon related to NRO programs. The attached NRO OIG investigative summary report 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 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 the OIG provides them, or to whom the 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 [redacted] (secure), or to [redacted], Assistant Inspector General for Investigation, at [redacted] (secure).

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Lanie D'Alessandro  
Inspector General

Attachment:  
(U//~~FOUO~~) Investigative Summary

SUBJECT: (U//~~FOUO~~) Investigative Summary: Mail Fraud  
(Case Number 2006-089 I)

OIG [redacted] /27 March 2012

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DISTRIBUTION:

Director, National Reconnaissance Office  
Principal Deputy Director, National Reconnaissance Office  
Deputy Director, National Reconnaissance Office  
Director, Office of Contracts  
General Counsel  
Director, Office of Security and Counterintelligence  
Lead Special Agent - [redacted]

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**INVESTIGATIVE SUMMARY**

**Mail Fraud - [REDACTED]**  
(Case Number 2006-089 I)

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**(U) EXECUTIVE SUMMARY**

(U//~~FOUO~~) The National Reconnaissance Office (NRO) Office of Inspector General (OIG), in partnership with the Defense Criminal Investigative Service (DCIS) and the United States Attorney's Office (USAO), Central District of California, completed a five-year investigation into allegations that [REDACTED], a former employee of Raytheon Space and Airborne Systems (Raytheon), engaged in fraudulent financial activity. [REDACTED] was solely responsible for a financial scheme perpetrated via the US Postal Service between [REDACTED] [REDACTED] in which he billed Raytheon on multiple occasions for the same cellular telephone (cell phone) invoices related to an NRO program. As a consequence, [REDACTED] illegally obtained payments indirectly from the Government by submitting fraudulent invoices to Raytheon.

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(U//~~FOUO~~) [REDACTED] was indicted for violating 18 U.S.C. § 1341, which makes it illegal to engage in fraud via the U.S. Postal Service or a private or commercial interstate carrier. He pled guilty on 30 November 2010 and was subsequently sentenced to nine months imprisonment followed by six months home confinement. [REDACTED] was also ordered to pay [REDACTED] in restitution to Raytheon. These funds were ultimately credited back to NRO.

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**INVESTIGATIVE SUMMARY**

**Mail Fraud - [redacted]**  
(Case Number 2006-089 I)

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**(U) BACKGROUND**

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(U//~~FOUO~~) On 17 July 2006, [redacted], the Raytheon Ethics Director, contacted the  
OIG to disclose suspicious financial activity on the part of [redacted] and to advise that  
Raytheon could not proceed further with its investigation due to a lack of access to records.  
Raytheon requested OIG assistance in furthering the investigation. The OIG opened an  
investigation into the matter on 18 July 2006.

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(U//~~FOUO~~) [redacted] was a manager in the Security Department within Raytheon.  
As such he was responsible for overseeing the special security requirements for classified  
programs. From [redacted] acquired cell phones for use by Raytheon  
employees assigned to these classified programs. All cell phone bills addressed to the individual  
Raytheon employees were sent to [redacted] home address. [redacted] paid the bills  
for the cell phones from both his personal funds and on his corporate credit card and then  
requested and received reimbursement from Raytheon for the paid cell phone bills. In [redacted]  
when the program began, the cell phones were acquired and billed in this way to maintain  
confidentiality of the relationship between Raytheon and the NRO at a time when the NRO was  
an unacknowledged organization. Although the program began with one or two phones,  
eventually it grew to 49 phones. [redacted] retained complete and sole cognizance over the  
cell phone program. [redacted] received all billings, paid the invoices, and received  
reimbursement with no oversight from Raytheon or the NRO. These expenses were ultimately  
billed to the NRO as an indirect charge over multiple contracts.

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**(U) INVESTIGATIVE FINDINGS**

(U//~~FOUO~~) The investigation revealed that from [redacted]  
unilaterally administered the cell phone program in support of an NRO program under  
contract with Raytheon. Upon making payment on cell phone invoices from an account in  
his name, [redacted] would then seek reimbursement from Raytheon; as the sole  
control point, he was able to repeatedly file multiple reimbursement requests on single  
invoices. As a result, the fraudulent claims for payment allowed him to receive money from  
Raytheon to which he was not legally entitled. These expenses were unknowingly billed by  
Raytheon to the NRO. These transactions typically involved the mailing of invoices and  
checks between the cell phone providers, [redacted], and Raytheon.

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**(U) INVESTIGATIVE DETAILS**

(U//~~FOUO~~) The OIG began its investigation by reviewing the investigative work  
that the Raytheon Corporate Office of Business Ethics and Compliance had completed.  
The OIG found that Raytheon became suspicious when their auditors performed a routine  
audit of a petty cash fund in [redacted] The audit covered the period from [redacted]

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[redacted] and revealed large amounts of reimbursement payments for cell phone bills without supporting documentation attached to the accounting copy. The reimbursements were paid by Raytheon to [redacted].

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(U//~~FOUO~~) Based on the audit findings, Raytheon's Corporate Office of Business Ethics and Compliance immediately began an investigation into the matter. That investigation included an expanded review of all petty cash requests, check requests, and expense reports processed for payment to [redacted].

[redacted] To the extent that supporting documentation was available, cell phone bills were charted to identify amounts, employees to whom the phones were assigned, and approvers of the reimbursement documents. Raytheon also interviewed personnel who processed or approved the payment documents, and then interviewed [redacted]. Upon completion of the review, Raytheon believed the total of reimbursements paid to [redacted] with no supporting documentation was [redacted].

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(U//~~FOUO~~) During the course of Raytheon's investigation, [redacted] made several oral and written statements regarding the matter. These statements presented conflicting information about the program, his reimbursement requests, documentation notes, and retention statements. The investigation concluded at the end of [redacted] Raytheon terminated [redacted] employment on [redacted] for being unable to account for company monies paid to him, for violating company policy regarding the destruction of documents, and for making contradictory/misleading statements during the investigation of this matter.

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(U//~~FOUO~~) In order to support a request for subpoenas for full cell phone records from the service providers, the OIG conducted analysis of available Raytheon records to determine the range for reasonable reimbursement for 49 cell phones during [redacted]. The OIG estimated the proper costs, given the average bill, capital equipment costs, and termination fees, would have been between [redacted]. This estimate was consistent with the [redacted] had been reimbursed via checks. However, the total amount received by [redacted]. This was paid through three separate reimbursement methods (checks, petty cash disbursements, and payment of expense reports). In sum, [redacted] was overpaid for the cell phone costs by [redacted].

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(U//~~FOUO~~) In examining the data provided from the company investigation, the OIG determined that [redacted] had engaged in a fraud scheme against the NRO by requesting multiple reimbursements from Raytheon for many of the cell phone invoices. In addition to receiving proper reimbursement to cover his valid expenses under the terms of the program, [redacted] resubmitted these invoices through other company reimbursement mechanisms, such as petty cash disbursements and expense voucher claims, for the purpose of receiving payment again for charges he had already been reimbursed by Raytheon. Both the legitimate and illegitimate payments made to [redacted] were unwittingly passed as an indirect charge to NRO contracts.

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(U//~~FOUO~~) On 3 May 2007, the OIG briefed the USAO for the Central District of California on the nature of [redacted] suspected fraud scheme and presented the summary overbilling illustrated by the evidence to date. The USAO agreed in principle with the merits of the case and concurred with moving forward with grand jury subpoenas to further develop evidence. A grand jury subpoena was served to Raytheon for work papers, interviews, reports, and notes from its internal investigation of [redacted]. The subpoena included a request for documents, vouchers, expense reports, and receipts, illustrating the different company mechanisms used by [redacted] to request and receive multiple reimbursements from the company. Throughout the fall of 2007, the subpoenaed materials were reviewed and additional subpoenas were prepared for the cell phone providers under the advisement of the USAO.

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(U//~~FOUO~~) In early 2008, extensive grand jury subpoenas were served on T-Mobile, AT&T, and Verizon for records related to [redacted]. The investigative team also requested information associated with 39 individuals known to have received cell phones from [redacted], and information associated with 51 cell phone numbers and 48 accounts associated with cell phones issued by [redacted].

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(U//~~FOUO~~) Throughout the remainder of 2008 and into 2009, the investigation continued with a detailed review of the boxes of subpoenaed materials. Based on the newly gathered data, investigators and supporting auditors conducted another extensive review and financial analysis incorporating the new information. In addition, numerous interviews were conducted of persons with knowledge of the cell phone program, as well as with company financial officers involved in the reimbursements. During the analysis, the OIG identified a total amount of [redacted] of fraudulent claim.<sup>1</sup> The OIG was ultimately able to identify seven distinct duplicate and triplicate reimbursements that became the basis for the case. Each of these represented a false claim.

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(U//~~FOUO~~) The OIG analysis was supported by a litigation consulting firm hired independently by Raytheon to support their basis for termination of [redacted]. This firm found the same seven instances of multiple reimbursements.

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(U//~~FOUO~~) In the fall of 2009, the USAO began a pre-indictment review of the evidence and prepared to take the case before the grand jury. The USAO was concerned that the charges of false claims would be difficult to prosecute because the charges had been indirect. Since the OIG had sufficient evidence to illustrate multiple instances where [redacted] utilized the U.S. Postal Service to perpetrate his false claims of reimbursement, the USAO chose to focus on the associated mail fraud for each of the seven fully supported false claims. On 27 April 2010, the lead OIG agent testified before a Federal grand jury and a seven-count indictment for mail fraud was returned against [redacted].

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(U//~~FOUO~~) [redacted] pleaded not guilty to the charges and refused to consider a plea agreement during a reverse proffer meeting conducted by the USAO and supported by the OIG. Following this meeting, a lengthy trial preparation ensued. The NRO OIG remained fully

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<sup>1</sup> (U//~~FOUO~~) This amount is higher than the [redacted] previously identified by Raytheon because the OIG expanded the period of review beyond the time period of the Raytheon audit.

engaged, supporting production of evidence and exhibits and preparing for testimony. On 30 November 2010, only days before the scheduled trial, [redacted] pled guilty to one count of mail fraud and agreed to pay restitution.

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**(U) CONCLUSION**

(U//~~FOUO~~) The investigation revealed that [redacted] committed mail fraud in violation of 18 U.S.C. § 1341. On 28 February 2011, a federal judge sentenced [redacted] to nine months imprisonment, followed by six months of house arrest. [redacted] was also ordered to pay restitution in the amount of [redacted] to Raytheon. In turn, Raytheon made the government whole by returning the funds that [redacted] had misappropriated by making adjustments to the appropriate indirect accounts. There is no further investigative action required. The OIG considers this investigation closed.

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