



**NATIONAL RECONNAISSANCE OFFICE**

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



15 August 2011

MEMORANDUM FOR DIRECTOR, NATIONAL RECONNAISSANCE OFFICE  
PRINCIPAL DEPUTY DIRECTOR, NATIONAL RECONNAISSANCE  
OFFICE  
DEPUTY DIRECTOR, NATIONAL RECONNAISSANCE OFFICE  
DIRECTOR, BUSINESS PLANS AND OPERATIONS  
DIRECTOR, COMMUNICATIONS SYSTEMS DIRECTORATE  
DIRECTOR, OFFICE OF CONTRACTS  
OFFICE OF GENERAL COUNSEL  
DIRECTOR, OFFICE OF SECURITY AND  
COUNTERINTELLIGENCE

SUBJECT: (U//~~FOUO~~) Investigative Summary: Embezzlement  
(Case Number 2007-069 I)

(U//~~FOUO~~) The National Reconnaissance Office (NRO) Office of Inspector General (OIG) completed an investigation regarding false claims by an employee of Multimax Corporation, a subcontractor to the Harris IT Services Corporation on the Communications Systems Acquisition and Operations Directorate Patriot contract. The OIG referred the case to the United States Attorney's Office for the Eastern District of Virginia, which declined prosecution. Subsequently, the OIG referred the case to the Virginia Commonwealth Attorney, who accepted the case as a violation of state law for embezzlement against a company. Please see the attached investigative summary for details regarding the case.

(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 database. All other copies are for informational purposes only 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 the OIG specifically authorizes their release. If there are other persons who you believe require access to this report as part of

SUBJECT: (U//~~FOUO~~) Investigative Summary: Embezzlement  
(Case Number 2007-069 I)

their official duties, please let us know and we will promptly review your request.

(U//~~FOUO~~) Please direct any questions on this summary to Special Agent [redacted] at [redacted] (secure), or to [redacted] [redacted], Assistant Inspector General for Investigations, at [redacted] (secure).

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[redacted]

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Deputy Inspector General

Attachment:

(U//~~FOUO~~) Investigative Summary (2007-069 I)

SUBJECT: (U//~~FOUO~~) Investigative Summary: Embezzlement  
(Case Number 2007-069 I)

OIG, [redacted] 15 Aug 2011

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DISTRIBUTION:

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

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

Embezzlement - [redacted]

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(Case Number 2007-069 I)

**(U) EXECUTIVE SUMMARY**

~~(U//FOUO)~~ The National Reconnaissance Office (NRO) Office of Inspector General (OIG) completed an investigation regarding allegations of cost mischarging and subsequent embezzlement by [redacted], a former employee of Multimax Corporation<sup>1</sup> and a subcontractor to Harris IT Services Corporation as a systems engineer under the NRO Patriot program in the Communications Systems Acquisition and Operations Directorate (COMM). From [redacted] charged 1,747 hours to an NRO contract without actually working those hours. The financial value of these hours amounted to \$96,447.20 when fully burdened with \$70,412.16 paid directly to [redacted] as salary. This cost was charged to Harris IT Services by Multimax; however, it was never incurred by the NRO as this was part of a fixed price contract. Under the circumstances, the Department of Justice (DOJ) chose not to prosecute [redacted]. Nevertheless, the OIG subsequently presented this case to the Virginia Commonwealth Attorney with Harris IT Services as the victim. Subsequently, the case was prosecuted in Fairfax County Circuit Court where [redacted] was found guilty of felony embezzlement against the company.

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**(U) BACKGROUND**

~~(U//FOUO)~~ On 14 March 2007, the OIG initiated a joint investigation with the Defense Criminal Investigative Service (DCIS) for alleged cost mischarging by [redacted], an employee of Multimax. The OIG became aware of [redacted] actions during a similar investigation of [redacted] coworker, who was alleged to have committed the same criminal activity (see the Investigative Summary for Case 2007-043 I). An initial review of [redacted] timecard submissions when compared against facility badge reader data indicated that he rarely reported for work as required under the contract. At the time that this case was initiated, [redacted] had resigned from his position with Multimax and was no longer working on an NRO program.

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**(U) INVESTIGATIVE FINDINGS**

~~(U//FOUO)~~ The joint investigation concluded that from [redacted] [redacted] claimed a total of 1,817 hours worked as an employee of Multimax. These hours were subsequently charged to Harris IT Services as part of its fixed price contract on the NRO Patriot program. [redacted] was not present at his workplace for 1,747 of those hours he charged. As a result, Harris IT Services paid Multimax \$96,447.20 for labor that [redacted] never provided. All of [redacted] duties during that period should have been accomplished within the NRO Westfields facility or the Harris New Patriot Headquarters building.

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<sup>1</sup>(U) Multimax was acquired by Harris IT Services Corporation in June 2007.

The investigation determined that [redacted] had never worked in the New Patriot Headquarters; therefore, all the hours charged when he was not inside the Westfields building were considered fraudulent. [redacted] admitted to the OIG that he was not reporting to work, nor had he discussed his actions with a supervisor for permission to work outside of his assigned location.

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(U//~~FOUO~~) DOJ declined prosecution in this matter given that Harris IT Services was able to meet its requirement to the NRO without [redacted] labor under the terms of a fixed price contract structure. While the NRO was not directly injured monetarily, Harris IT Services in Virginia was a victim since it paid for services that were never rendered. The OIG worked this as a joint investigation with Fairfax County Police Department (FCPD) and subsequently presented the case to an attorney for the Commonwealth of Virginia who agreed to prosecute the case on a felony charge under *Virginia Code § 18.2-111, Embezzlement*.

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### (U) INVESTIGATIVE DETAILS

(U//~~FOUO~~) [redacted] worked for Multimax as a subcontract employee to Harris IT Services on the COMM Patriot program, [redacted] when he resigned from Multimax for a position unrelated to the NRO. From [redacted] [redacted] was assigned to a facility where no badge records were available; therefore, the investigative timeframe narrowed to [redacted]. During that period, [redacted] appointed place of duty was either at the NRO Westfields facility in Chantilly, Virginia or the Harris New Patriot Headquarters Building, in Herndon, Virginia. By comparing [redacted] timesheets to his NRO badge entry/exit data, the OIG determined that during this period, [redacted] charged 1,817 hours of direct labor to the contract; however, he was not at his appointed place of duty for 1,747 of those hours.

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(U//~~FOUO~~) [redacted] services as a subcontractor were charged to Harris IT Services on a fixed price portion of the Patriot contract. As such, the NRO was unable to claim that it had been injured by [redacted] false claims or that it was due any reimbursement. The prime contractor, Harris IT Services, which had paid Multimax for [redacted] false hours, was harmed because the contract arrangement between the two companies was a cost-reimbursement arrangement. When Harris IT Services was informed of the scope of the fraud, it negotiated with Multimax for damages in an amount equal to Multimax's billing for the entire amount of [redacted] services charged against the Patriot contract beginning in January 2005. The damages amounted to \$132,617.12 (fully burdened) and were credited to Harris IT Services. However, Harris IT acquired Multimax during the early stages of the OIG investigation. As a result, any potential restitution would be returned to Harris IT.

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(U//~~FOUO~~) When interviewed by the OIG about his absence from his place of duty, [redacted] admitted that he had stopped going to work, had not told any of his supervisors that he had stopped going to work, and had not been directed by any of his supervisors to leave his place of duty. [redacted] also provided a written statement wherein he admitted to not reporting to his assigned place of duty. When combined with an analysis of the time cards and badge reader data, the results of the investigation were sufficient to support a conclusion that

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[redacted] had committed fraud against an NRO contract by making entries on his company timecards which he knew to be false.

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(U//~~FOUO~~) The OIG investigation revealed that Multimax's time and attendance reporting system utilized the Internet. When [redacted] filled out his bi-weekly time and attendance reports on a computer, he transmitted the reports through electronic wire to computer servers in Tysons Corner, Virginia. The data was further transmitted electronically to a Multimax account at a Wells Fargo bank in Minnesota. [redacted] salary was then electronically transferred from that Multimax account and deposited into his personal account at the Bank of America branch office at the Pentagon in Arlington, Virginia. This information was sufficient to support a conclusion that [redacted] actions in using electronic means to commit the fraud constituted a violation of federal criminal wire fraud statutes, *18 U.S.C. § 1343, Fraud by Wire, Radio or Television*.

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(U//~~FOUO~~) Because [redacted] assigned places of employment (NRO Westfields and Harris New Patriot Headquarters) were in Virginia, and the monies fraudulently obtained were deposited into a bank in Virginia, the OIG initially presented the case to the United States Attorney's Office for the Eastern District of Virginia (EDVA). In March 2007, the EDVA agreed to pursue criminal prosecution on charges of wire fraud. However, in February 2009, the EDVA declined the case due to limited resources and because NRO had not been financially injured.

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(U//~~FOUO~~) The OIG believed that the case still warranted criminal prosecution and entered into a joint investigation with FCPD, Major Crimes Division. Subsequently, the Virginia Commonwealth Attorney in Fairfax County agreed to prosecute [redacted] on a felony charge of embezzlement. Given that the NRO was not harmed, the victim in this case was Harris IT Services, a business entity located in Virginia. Harris IT Services agreed to stand as the victim and cooperate in the state's case.

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(U//~~FOUO~~) Although [redacted] admitted to investigators that he had mischarged his hours and had provided a written statement acknowledging he was not present for work as required, he refused to enter into plea-bargaining. Upon indictment of [redacted] by a grand jury, the case went to trial in Fairfax County Circuit Court and [redacted] was convicted of *Virginia Code § 18.2-111, Embezzlement* on 22 December 2010. On 24 February 2011, he was sentenced to 30 days of incarceration with three years of supervised release and required to make restitution for \$70,412.16.<sup>2</sup>

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## (U) CONCLUSION

(U//~~FOUO~~) [redacted] committed fraud as a subcontractor within the NRO Patriot contract by making false entries on his company timecards which allowed him to receive payment for 1,747 hours that he did not work. The case was not prosecuted by DOJ due to a lack of tangible injury to the NRO. As a result, the case was presented to the Virginia

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<sup>2</sup>(U//~~FOUO~~) The restitution was calculated as [redacted] straight salary rather than the burdened rate. Payment will be made to Harris IT Services Corporation because it acquired Multimax Corporation during the course of this investigation.

Commonwealth Attorney and resulted in a trial in Fairfax County Circuit Court. [redacted] was convicted of violating *Virginia Code § 18.2-111, Embezzlement*. He was sentenced to 30 days confinement, three years of probation, and required to make restitution to Harris IT Services. Additionally, [redacted] security records have been indexed with this adverse information in the event that he should reapply for a clearance. The OIG considers this investigation closed.

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