

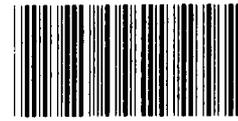
GAO

Fact Sheet for the Chairman,  
Subcommittee on Administrative  
Practice and Procedure, Committee on  
the Judiciary, United States Senate

September 1986

# DEFENSE PROCUREMENT FRAUD

## Cases Sent to the Department of Justice's Defense Procurement Fraud Unit



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United States  
General Accounting Office  
Washington, D.C. 20548

General Government Division

B-216322

September 17, 1986

The Honorable Charles E. Grassley  
Chairman, Subcommittee on Administrative  
Practice and Procedure  
Committee on the Judiciary  
United States Senate

Dear Mr. Chairman:

Your January 7, 1986, letter requested that we review the operations of the Defense Procurement Fraud Unit (Unit), which is part of the Department of Justice's Fraud Section. The Unit was established in August 1982 to help concentrate and coordinate Justice's and the Department of Defense's (DOD) resources on investigating and prosecuting defense procurement fraud.

Your office asked that we provide the number of cases, types of fraud involved, extent of top 100 defense contractor involvement, estimated dollar losses, and the status/disposition of the cases sent to the Unit. Appendixes I through IV of this fact sheet respond to that request.

In addition, on April 11, 1986, we provided your office with information we obtained from the Unit on the personnel assigned to the Unit between October 1, 1982, and March 26, 1986, including a discussion of the roles, responsibilities, and experiences of the DOD personnel assigned to the Unit. That information is shown in appendix V.

#### BACKGROUND

The Unit's current Chief established the following categories of cases that are to be referred to the Unit for investigative advice and/or prosecutorial decisions:

--All Defense Contract Audit Agency audits which identify potential cost or labor mischarging, defective pricing, false claims, fraudulent progress payments, or accounting fraud and which subsequently result in a DOD investigation;

- Investigations by DOD's investigative agencies<sup>1</sup> of the above types of fraud, defective or substituted products, and false testing certifications when the government's estimated loss exceeds \$100,000;
- Corruption investigations involving high ranking officials (civilians of grades GS/GM-15 and above or military employees with the rank of colonel or its equivalent and above); and
- Investigations involving a widespread fraud pattern at a single facility.

After the Unit receives a case, the Unit Chief determines whether to (1) accept the case for investigation/prosecution by Unit or other Fraud Section attorneys; (2) decline to prosecute; (3) refer it to a U.S. attorney; or (4) return it to the DOD agency for further investigation.

DOD also sends cases to the Unit for information purposes. These are cases that (1) have been referred directly to U.S. attorneys; (2) are in the early stages of investigation and not ready for referral to the Unit; or (3) may be of general interest to the Unit, such as cases involving gratuities provided to government employees.

The Unit did not have complete information on every case that had been sent to it. We therefore requested that the DOD investigators assigned to the Unit<sup>2</sup> compile information about the cases sent to the Unit by their agencies. They compiled this information from Unit records and supplemented it with data they obtained from their respective agencies.

The investigators were not certain that they had identified all cases sent to the Unit because (1) they did not know how completely their predecessors had maintained records and (2) Unit records were not available for every case. Also, the records did not always contain all of the information we requested. We supplemented the information compiled by the investigators with data we obtained directly from DOD and the Unit. We had the Unit Chief and the DOD Assistant Inspector General for Criminal Investigations, Policy, and Oversight, review the information we obtained. The Unit Chief said that, to the best of his

---

<sup>1</sup>DOD's investigative agencies are the Defense Criminal Investigative Service (DCIS), the Naval Security and Investigative Command, the Air Force Office of Special Investigations, and the Army Criminal Investigation Command.

<sup>2</sup>As of March 26, 1986, the Unit's staffing was comprised of 1 investigator from each of DOD's four investigative agencies, 10 Justice attorneys, 5 DOD attorneys, 1 Federal Bureau of Investigation Special Agent, 1 paralegal, and 2 support staff.

knowledge, the information he provided was accurate although it may not be complete, especially with regard to actions on cases referred to U.S. attorneys' offices. The Assistant Inspector General said that he had no basis to question the accuracy of the data provided by DOD. To meet the reporting deadline, we did not obtain additional data or verify the data's accuracy or completeness from case files, U.S. attorneys' offices, or field agents of the investigative agencies.

#### OVERVIEW

A total of 702 cases were sent to the Unit from October 1982 through December 1985; 486 (69 percent) for Unit action, 158 (23 percent) for information purposes, and 58 (8 percent) for which the Unit Chief and DOD investigators did not know the reason for referral or what action, if any, the Unit had taken. A total of 156 of the 486 cases sent to the Unit for investigative advice and/or prosecutorial decisions involved top 100 defense contractors or their subsidiaries based on the value of fiscal year 1985 prime contract awards. The principal types of fraud involved in the 486 cases were cost or labor mischarging, defective pricing, product substitution or nonconforming products, and conflict of interest. As of July 23, 1986, 64 (13 percent) of the 486 cases resulted in one or more criminal, civil, and/or administrative actions against the individual(s) and/or company(ies) involved. According to the Unit Chief, the Unit participated in 36 of the 64 cases resulting in 45 individuals or companies pleading guilty or being convicted and another 11 being indicted. One individual had been tried and acquitted.

As of July 23, 1986, 46 (29 percent) of the 158 cases sent to the Unit for information purposes had resulted in one or more criminal, civil, and/or administrative actions against the individual(s) and/or company(ies) involved. None of the 58 cases sent to the Unit for reasons undetermined had resulted in criminal actions, suspensions, and/or debarments; however, 3 of these cases had resulted in civil fines and/or recoveries.

Detailed information on cases sent to the Unit is included in the appendixes. We hope you find the enclosed information useful in your oversight activities. As arranged with your office, we plan no further distribution until 30 days from the date of this fact sheet unless you publicly announce its contents earlier. At that time, we will send copies to the agencies contacted during our

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review and make copies available to others upon request. If there are any questions regarding the content of this document, please call me at (202) 275-8389.

Sincerely yours,

A handwritten signature in cursive script that reads "Arnold P. Jones". The signature is written in black ink and is positioned above the typed name.

Arnold P. Jones  
Senior Associate Director

C o n t e n t s

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#### ABBREVIATIONS

DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DLA	Defense Logistics Agency
DOD	Department of Defense



APPENDIX I:

NUMBER OF CASES SENT TO THE FRAUD UNIT  
FOR INVESTIGATIVE ADVICE  
AND/OR PROSECUTORIAL DECISIONS

Table I.1:  
 -----  
 Referrals To Fraud Unit  
 -----  
 Through December 31, 1985  
 -----

Calendar year	Referring agency					Total
	DCIS	Air Force	Navy	Army	Joint a/	
1982						
number	0	2	0	0	1	3
(percent)	(0)	(2)	(0)	(0)	(3)	(1)
1983						
number	14	14	7	8	3	46
(percent)	(8)	(12)	(8)	(11)	(9)	(9)
1984						
number	52	74	51	20	11	208
(percent)	(30)	(64)	(57)	(27)	(31)	(43)
1985						
number	96	24	29	47	20	216
(percent)	(56)	(21)	(33)	(63)	(57)	(44)
Unknown						
number	10	1	2	0	0	13
(percent)	(6)	(1)	(2)	(0)	(0)	(3)
-----						
Total	172	115	89	75	35	486
(percent) b/	(100)	(100)	(100)	(100)	(100)	(100)
-----						

a/ Joint cases were investigated and referred to the Unit by more than one DOD agency.

b/ Percentages may not add to 100 due to rounding.

Table I.2:  
 -----  
 Fraud Unit Action and Case Status a/  
 -----

Action/Status	DCIS	Air Force	Navy	Army	Joint	Total
<b>Accepted</b>						
number	54	16	23	13	19	125
(percent)	(31)	(14)	(26)	(17)	(54)	(26)
<b>Declined</b>						
number	14	63	10	33	3	123
(percent)	(8)	(55)	(11)	(44)	(9)	(25)
<b>Referred to U.S. attorney</b>						
number	64	25	15	23	9	136
(percent)	(37)	(22)	(17)	(31)	(26)	(28)
<b>Returned to DOD for more investigative work b/</b>						
number	40	11	41	6	4	102
(percent)	(23)	(10)	(46)	(8)	(11)	(21)
<b>Total</b>						
(percent) c/	172	115	89	75	35	486
	(100)	(100)	(100)	(100)	(100)	(100)
<b>Open d/</b>						
number	117	27	49	29	28	250
(percent)	(68)	(23)	(55)	(39)	(80)	(51)
<b>Closed</b>						
number	54	88	40	46	7	235
(percent)	(31)	(77)	(45)	(61)	(20)	(48)
<b>No status information</b>						
number	1	0	0	0	0	1
(percent)	(1)	(0)	(0)	(0)	(0)	(0)
<b>Total</b>						
(percent)	172	115	89	75	35	486
	(100)	(100)	(100)	(100)	(100)	(100)
<b>Convictions e/</b>						
	28	6	6	2	0	42
<b>Indictments e/</b>						
	4	0	1	2	2	9
<b>Total</b>						
	32	6	7	4	2	51

a/ Fraud Unit action is as of July 14, 1986. Case status and indictment/conviction data are as of July 23, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Percentages may not add to 100 due to rounding.

d/ Cases categorized as "open" by DOD include cases that are open in the Unit, U.S. attorneys' offices, and DOD. The Unit was involved with 45 of these cases.

e/ Includes indictments and convictions by the Fraud Unit, Fraud Section, and U.S. attorneys.

Table I.3:  
 -----  
 Cases by Amount of Estimated  
 -----  
 Dollar Loss to the Government a/  
 -----

	DCIS	Air Force	Navy	Army	Joint	Total
-----						
Cases involving losses of \$1 million or more						
number	30	7	12	12	17	78
(percent)	(17)	(6)	(13)	(16)	(49)	(16)
Cases involving losses of \$100,000 to \$999,999						
number	35	13	10	19	8	85
(percent)	(20)	(11)	(11)	(25)	(23)	(17)
Cases involving losses of less than \$100,000						
number	35	24	5	13	2	79
(percent)	(20)	(21)	(6)	(17)	(6)	(16)
Cases involving no loss						
number	31	43	17	15	4	110
(percent)	(18)	(37)	(19)	(20)	(11)	(23)
Cases where loss is unknown						
number	41	28	45	16	4	134
(percent)	(24)	(24)	(51)	(21)	(11)	(28)
-----						
Total	172	115	89	75	35	486
(percent) b/	(100)	(100)	(100)	(100)	(100)	(100)
-----						

a/ According to the Fraud Unit's Chief, the estimated dollar losses may not be accurate because they were based on initial estimates which were not always revised by DOD as the investigation progressed.

b/ Percentages may not add to 100 due to rounding.

Table I.4:  
-----  
Unit Action for All Cases Shown by  
-----  
Estimated Dollar Loss to the Government a/  
-----

	Unit action				Total
	Accepted	Declined	Referred to U.S. attorney	Returned for more investi- gation b/	
-----					
Cases involving losses of \$1 mil- lion or more					
number	47	5	16	10	78
(percent)	(38)	(4)	(12)	(10)	(16)
Cases involving losses of \$100,000 to \$999,999					
number	19	11	32	23	85
(percent)	(15)	(9)	(24)	(23)	(17)
Cases involving losses of less than \$100,000					
number	10	25	27	17	79
(percent)	(8)	(20)	(20)	(17)	(16)
Cases involving no loss					
number	15	50	22	23	110
(percent)	(12)	(41)	(16)	(23)	(23)
Cases where loss is unknown					
number	34	32	39	29	134
(percent)	(27)	(26)	(29)	(28)	(28)
-----					
Total	125	123	136	102	486
(percent) c/	(100)	(100)	(100)	(100)	(100)
-----					

a/ Fraud Unit action is as of July 14, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Percentages may not add to 100 due to rounding.

Table I.5:  
-----  
Unit Action for DCIS Cases Shown by  
-----  
Estimated Dollar Loss to the Government a/  
-----

	Unit action				Total
	Accepted	Declined	Referred to U.S. attorney	Returned for more investi- gation b/	
-----					
Cases involving losses of \$1 mil- lion or more					
number	17	1	7	5	30
(percent)	(31)	(7)	(11)	(13)	(17)
Cases involving losses of \$100,000 to \$999,999					
number	6	2	16	11	35
(percent)	(11)	(14)	(25)	(28)	(20)
Cases involving losses of less than \$100,000					
number	4	4	16	11	35
(percent)	(7)	(29)	(25)	(28)	(20)
Cases involving no loss					
number	6	2	15	8	31
(percent)	(11)	(14)	(23)	(20)	(18)
Cases where loss is unknown					
number	21	5	10	5	41
(percent)	(39)	(36)	(16)	(13)	(24)
-----					
Total	54	14	64	40	172
(percent) c/	(100)	(100)	(100)	(100)	(100)
-----					

a/ Fraud Unit action is as of July 14, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Percentages may not add to 100 due to rounding.

Table I.6:  
 -----  
 Unit Action for Air Force Cases Shown by  
 -----  
 Estimated Dollar Loss to the Government a/  
 -----

	Unit action				Total
	Accepted	Declined	Referred to U.S. attorney	Returned for more investi- gation b/	
Cases involving losses of \$1 mil- lion or more					
number	4	0	2	1	7
(percent)	(25)	(0)	(8)	(9)	(6)
Cases involving losses of \$100,000 to \$999,999					
number	4	3	3	3	13
(percent)	(25)	(5)	(12)	(27)	(11)
Cases involving losses of less than \$100,000					
number	2	15	6	1	24
(percent)	(13)	(24)	(24)	(9)	(21)
Cases involving no loss					
number	3	34	2	4	43
(percent)	(19)	(54)	(8)	(36)	(37)
Cases where loss is unknown					
number	3	11	12	2	28
(percent)	(19)	(17)	(48)	(18)	(24)
<b>Total</b>	<b>16</b>	<b>63</b>	<b>25</b>	<b>11</b>	<b>115</b>
(percent) c/	(100)	(100)	(100)	(100)	(100)

a/ Fraud Unit action is as of July 14, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Percentages may not add to 100 due to rounding.

Table I.7:  
 -----  
 Unit Action for Navy Cases Shown by  
 -----  
 Estimated Dollar Loss to the Government a/  
 -----

	Unit action				Total
	Accepted	Declined	Referred to U.S. attorney	Returned for more investi- gation b/	
-----					
Cases involving losses of \$1 mil- lion or more					
number	8	0	1	3	12
(percent)	(35)	(0)	(7)	(7)	(13)
Cases involving losses of \$100,000 to \$999,999					
number	5	0	0	5	10
(percent)	(22)	(0)	(0)	(12)	(11)
Cases involving losses of less than \$100,000					
number	3	0	0	2	5
(percent)	(13)	(0)	(0)	(5)	(6)
Cases involving no loss					
number	2	3	2	10	17
(percent)	(9)	(30)	(13)	(24)	(19)
Cases where loss is unknown					
number	5	7	12	21	45
(percent)	(22)	(70)	(80)	(51)	(51)
-----					
Total	23	10	15	41	89
(percent) c/	(100)	(100)	(100)	(100)	(100)
=====					

a/ Fraud Unit action is as of July 14, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Percentages may not add to 100 due to rounding.

Table I.8:  
 -----  
 Unit Action for Army Cases Shown by  
 -----  
 Estimated Dollar Loss to the Government a/  
 -----

	Unit action				Total
	Accepted	Declined	Referred to U.S. attorney	Returned for more investi- gation b/	
-----					
Cases involving losses of \$1 million or more					
number	7	2	3	0	12
(percent)	(54)	(6)	(13)	(0)	(16)
Cases involving losses of \$100,000 to \$999,999					
number	2	6	8	3	19
(percent)	(15)	(18)	(35)	(50)	(25)
Cases involving losses of less than \$100,000					
number	0	6	5	2	13
(percent)	(0)	(18)	(22)	(33)	(17)
Cases involving no loss					
number	2	10	2	1	15
(percent)	(15)	(30)	(9)	(17)	(20)
Cases where loss is unknown					
number	2	9	5	0	16
(percent)	(15)	(27)	(22)	(0)	(21)
-----					
Total	13	33	23	6	75
(percent) c/	(100)	(100)	(100)	(100)	(100)
-----					

a/ Fraud Unit action is as of July 14, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Percentages may not add to 100 due to rounding.

Table I.9:  
 -----  
 Unit Action for Joint Cases Shown by  
 -----  
 Estimated Dollar Loss to the Government a/  
 -----

	Unit action				Total
	Accepted	Declined	Referred to U.S. attorney	Returned for more investi- gation b/	
<hr/>					
Cases involving losses of \$1 million or more					
number	11	2	3	1	17
(percent)	(58)	(67)	(33)	(25)	(49)
Cases involving losses of \$100,000 to \$999,999					
number	2	0	5	1	8
(percent)	(11)	(0)	(56)	(25)	(23)
Cases involving losses of less than \$100,000					
number	1	0	0	1	2
(percent)	(5)	(0)	(0)	(25)	(6)
Cases involving no loss					
number	2	1	1	0	4
(percent)	(11)	(33)	(11)	(0)	(11)
Cases where loss is unknown					
number	3	0	0	1	4
(percent)	(16)	(0)	(0)	(25)	(11)
<hr/>					
Total	19	3	9	4	35
(percent) c/	(100)	(100)	(100)	(100)	(100)
<hr/>					

a/ Fraud Unit action is as of July 14, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Percentages may not add to 100 due to rounding.

Table I.10:

-----  
 Cases Shown by Amount of Estimated  
 Dollar Loss of \$1 Million or More  
 -----

	DCIS	Air Force	Navy	Army	Joint	Total
-----						
Cases involving losses between \$1,000,000 and \$25,000,000						
number	29	7	10	12	15	73
(percent)	(97)	(100)	(83)	(100)	(88)	(94)
Cases involving losses between \$25,000,001 and \$50,000,000						
number	1	0	1	0	1	3
(percent)	(3)	(0)	(8)	(0)	(6)	(4)
Cases involving losses between \$50,000,001 and \$75,000,000						
number	0	0	1	0	0	1
(percent)	(0)	(0)	(8)	(0)	(0)	(1)
Cases involving losses of \$75,000,001 or more a/						
number	0	0	0	0	1	1
(percent)	(0)	(0)	(0)	(0)	(6)	(1)
-----						
Total	30	7	12	12	17	78
(percent) b/	(100)	(100)	(100)	(100)	(100)	(100)
-----						

a/ Largest estimated dollar loss was \$99,000,000.

b/ Percentages may not add to 100 due to rounding.

Table I.11:  
Cases By Type of Fraud

Fraud type	Air					Total
	DCIS	Force	Navy	Army	Joint	
<b>Cost/labor mischarging</b>						
number	57	25	34	11	17	144
(percent)	(33)	(22)	(38)	(15)	(49)	(30)
<b>Substitution/nonconforming product</b>						
number	16	10	9	5	2	42
(percent)	(9)	(9)	(10)	(7)	(6)	(9)
<b>Defective pricing</b>						
number	24	11	8	3	6	52
(percent)	(14)	(10)	(9)	(4)	(17)	(11)
<b>Contractor/subcontractor kickbacks</b>						
number	4	0	0	0	0	4
(percent)	(2)	(0)	(0)	(0)	(0)	(1)
<b>Conflict of interest</b>						
number	8	21	12	0	0	41
(percent)	(5)	(18)	(13)	(0)	(0)	(8)
<b>Antitrust</b>						
number	3	1	4	0	2	10
(percent)	(2)	(1)	(4)	(0)	(6)	(2)
<b>Pay &amp; allowance and/or personnel</b>						
number	0	0	1	0	0	1
(percent)	(0)	(0)	(1)	(0)	(0)	(0)
<b>Government theft/embezzlement</b>						
number	1	1	2	0	0	4
(percent)	(1)	(1)	(2)	(0)	(0)	(1)
<b>Subversion of contract award process</b>						
number	3	0	8	0	0	11
(percent)	(2)	(0)	(9)	(0)	(0)	(2)
<b>Other a/</b>						
number	54	39	4	14	6	117
(percent)	(31)	(34)	(4)	(19)	(17)	(24)
<b>Multiple types</b>						
number	2	4	7	0	2	15
(percent)	(1)	(3)	(8)	(0)	(6)	(3)
<b>Type unknown</b>						
number	0	3	0	42	0	45
(percent)	(0)	(3)	(0)	(56)	(0)	(9)
<b>Total</b>						
number	172	115	89	75	35	486
(percent) b/	(100)	(100)	(100)	(100)	(100)	(100)

a/ Includes undelivered products, progress payment claims, and other types of fraud.

b/ Percentages may not add to 100 due to rounding.

Table I.12:  
 Unit Action for All Cases  
 Shown by Type of Fraud a/  
 -----

Fraud type	Unit action				Total
	Accepted	Declined	Referred to U.S. attorney	Returned for more investigation b/	
<b>Cost/labor mischarging</b>					
number	43	26	43	32	144
(percent)	(34)	(21)	(32)	(31)	(30)
<b>Substitution/nonconforming product</b>					
number	11	9	16	6	42
(percent)	(9)	(7)	(12)	(6)	(9)
<b>Defective pricing</b>					
number	11	7	18	16	52
(percent)	(9)	(6)	(13)	(16)	(11)
<b>Contractor/subcontractor kickbacks</b>					
number	0	0	1	3	4
(percent)	(0)	(0)	(1)	(3)	(1)
<b>Conflict of interest</b>					
number	5	20	6	10	41
(percent)	(4)	(16)	(4)	(10)	(8)
<b>Antitrust</b>					
number	5	0	2	3	10
(percent)	(4)	(0)	(1)	(3)	(2)
<b>Pay &amp; allowance and/or personnel</b>					
number	0	1	0	0	1
(percent)	(0)	(1)	(0)	(0)	(0)
<b>Government theft/embezzlement</b>					
number	0	2	0	2	4
(percent)	(0)	(2)	(0)	(2)	(1)
<b>Subversion of contract award process</b>					
number	2	1	4	4	11
(percent)	(2)	(1)	(3)	(4)	(2)
<b>Other c/</b>					
number	37	37	27	16	117
(percent)	(30)	(30)	(20)	(16)	(24)
<b>Multiple types</b>					
number	4	1	4	6	15
(percent)	(3)	(1)	(3)	(6)	(3)
<b>Type unknown</b>					
number	7	19	15	4	45
(percent)	(6)	(15)	(11)	(4)	(9)
<b>Total</b>	<b>125</b>	<b>123</b>	<b>136</b>	<b>102</b>	<b>486</b>
(percent) d/	(100)	(100)	(100)	(100)	(100)

a/ Fraud Unit action is as of July 14, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Includes undelivered products, progress payment claims, and other types of fraud.

d/ Percentages may not add to 100 due to rounding.

Table I.13:  
 -----  
 Unit Action for DCIS Cases  
 -----  
 Shown by Type of Fraud a/  
 -----

Fraud type	Unit action				Total
	Accepted	Declined	Referred to U.S. attorney	Returned for more investigation b/	
<b>Cost/labor mischarging</b>					
number	17	3	25	12	57
(percent)	(31)	(21)	(39)	(30)	(33)
<b>Substitution/nonconforming product</b>					
number	5	0	9	2	16
(percent)	(9)	(0)	(14)	(5)	(9)
<b>Defective pricing</b>					
number	3	3	11	7	24
(percent)	(6)	(21)	(17)	(18)	(14)
<b>Contractor/subcontractor kickbacks</b>					
number	0	0	1	3	4
(percent)	(0)	(0)	(2)	(8)	(2)
<b>Conflict of interest</b>					
number	2	2	3	1	8
(percent)	(4)	(14)	(5)	(3)	(5)
<b>Antitrust</b>					
number	2	0	0	1	3
(percent)	(4)	(0)	(0)	(3)	(2)
<b>Government theft/embezzlement</b>					
number	0	0	0	1	1
(percent)	(0)	(0)	(0)	(3)	(1)
<b>Subversion of contract award process</b>					
number	1	0	2	0	3
(percent)	(2)	(0)	(3)	(0)	(2)
<b>Other c/</b>					
number	22	6	13	13	54
(percent)	(41)	(43)	(20)	(33)	(31)
<b>Multiple types</b>					
number	2	0	0	0	2
(percent)	(4)	(0)	(0)	(0)	(1)
<b>Total</b>	<b>54</b>	<b>14</b>	<b>64</b>	<b>40</b>	<b>172</b>
(percent) d/	(100)	(100)	(100)	(100)	(100)

a/ Fraud Unit action is as of July 14, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Includes progress payment claims and other types of fraud.

d/ Percentages may not add to 100 due to rounding.

Table I.14:  
-----  
Unit Action for Air Force Cases  
-----  
Shown by Type of Fraud a/  
-----

Fraud type	Unit action				Total
	Accepted	Declined	Referred to U.S. attorney	Returned for more investigation b/	
<b>Cost/labor mischarging</b>					
number	3	12	7	3	25
(percent)	(19)	(19)	(28)	(27)	(22)
<b>Substitution/ nonconforming product</b>					
number	2	7	1	0	10
(percent)	(13)	(11)	(4)	(0)	(9)
<b>Defective pricing</b>					
number	2	2	4	3	11
(percent)	(13)	(3)	(16)	(27)	(10)
<b>Conflict of interest</b>					
number	1	17	2	1	21
(percent)	(6)	(27)	(8)	(9)	(18)
<b>Antitrust</b>					
number	1	0	0	0	1
(percent)	(6)	(0)	(0)	(0)	(1)
<b>Government theft/ embezzlement</b>					
number	0	0	0	1	1
(percent)	(0)	(0)	(0)	(9)	(1)
<b>Other c/</b>					
number	5	22	9	3	39
(percent)	(31)	(35)	(36)	(27)	(34)
<b>Multiple types</b>					
number	1	1	2	0	4
(percent)	(6)	(2)	(8)	(0)	(3)
<b>Type unknown</b>					
number	1	2	0	0	3
(percent)	(6)	(3)	(0)	(0)	(3)
<b>Total</b>	<b>16</b>	<b>63</b>	<b>25</b>	<b>11</b>	<b>115</b>
(percent) d/	(100)	(100)	(100)	(100)	(100)

a/ Fraud Unit action is as of July 14, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Includes progress payment claims and other types of fraud.

d/ Percentages may not add to 100 due to rounding.

Table I.15:  
 -----  
 Unit Action for Navy Cases  
 -----  
 Shown by Type of Fraud a/  
 -----

Fraud type	Unit action				Total
	Accepted	Declined	Referred to U.S. attorney	Returned for more investigation b/	
<b>Cost/labor mischarging</b>					
number	13	3	5	13	34
(percent)	(57)	(30)	(33)	(32)	(38)
<b>Substitution/nonconforming product</b>					
number	2	1	2	4	9
(percent)	(9)	(10)	(13)	(10)	(10)
<b>Defective pricing</b>					
number	2	1	1	4	8
(percent)	(9)	(10)	(7)	(10)	(9)
<b>Conflict of interest</b>					
number	2	1	1	8	12
(percent)	(9)	(10)	(7)	(20)	(13)
<b>Antitrust</b>					
number	0	0	2	2	4
(percent)	(0)	(0)	(13)	(5)	(4)
<b>Pay &amp; allowance and/or personnel</b>					
number	0	1	0	0	1
(percent)	(0)	(10)	(0)	(0)	(1)
<b>Government theft/embezzlement</b>					
number	0	2	0	0	2
(percent)	(0)	(20)	(0)	(0)	(2)
<b>Subversion of contract award process</b>					
number	1	1	2	4	8
(percent)	(4)	(10)	(13)	(10)	(9)
<b>Other c/</b>					
number	3	0	1	0	4
(percent)	(13)	(0)	(7)	(0)	(4)
<b>Multiple types</b>					
number	0	0	1	6	7
(percent)	(0)	(0)	(7)	(15)	(8)
<b>Total</b>	<b>23</b>	<b>10</b>	<b>15</b>	<b>41</b>	<b>89</b>
(percent) d/	(100)	(100)	(100)	(100)	(100)

a/ Fraud Unit action is as of July 14, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Includes progress payment claims and other types of fraud.

d/ Percentages may not add to 100 due to rounding.

Table I.16:  
-----  
Unit Action for Army Cases  
-----  
Shown by Type of Fraud a/  
-----

Fraud type	Unit action				Total
	Accepted	Declined	Referred to U.S. attorney	Returned for more investigation b/	
Cost/labor mischarging					
number	2	6	1	2	11
(percent)	(15)	(18)	(4)	(33)	(15)
Substitution/ nonconforming product					
number	2	1	2	0	5
(percent)	(15)	(3)	(9)	(0)	(7)
Defective pricing					
number	0	1	2	0	3
(percent)	(0)	(3)	(9)	(0)	(4)
Other c/					
number	3	8	3	0	14
(percent)	(23)	(24)	(13)	(0)	(19)
Type unknown					
number	6	17	15	4	42
(percent)	(46)	(52)	(65)	(67)	(56)
Total	13	33	23	6	75
(percent) d/	(100)	(100)	(100)	(100)	(100)

a/ Fraud Unit action is as of July 14, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Includes undelivered products, progress payment claims, and other types of fraud.

d/ Percentages may not add to 100 due to rounding.

Table I.17:  
 -----  
 Unit Action for Joint Cases  
 -----  
 Shown by Type of Fraud a/  
 -----

Fraud type	Unit action				Total
	Accepted	Declined	Referred to U.S. attorney	Returned for more investigation b/	
Cost/labor mischarging					
number	8	2	5	2	17
(percent)	(42)	(67)	(56)	(50)	(49)
Substitution/ nonconforming product					
number	0	0	2	0	2
(percent)	(0)	(0)	(22)	(0)	(6)
Defective pricing					
number	4	0	0	2	6
(percent)	(21)	(0)	(0)	(50)	(17)
Antitrust					
number	2	0	0	0	2
(percent)	(11)	(0)	(0)	(0)	(6)
Other c/					
number	4	1	1	0	6
(percent)	(21)	(33)	(11)	(0)	(17)
Multiple types					
number	1	0	1	0	2
(percent)	(5)	(0)	(11)	(0)	(6)
Total	19	3	9	4	35
(percent) d/	(100)	(100)	(100)	(100)	(100)

a/ Fraud Unit action is as of July 14, 1986.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Includes progress payment claims and other types of fraud.

d/ Percentages may not add to 100 due to rounding.

Table I.18:  
Cases Shown by Estimated  
Dollar Loss and Type of Fraud a/

Fraud type	Estimated loss					Total
	\$1 million or more	\$100,000 to \$999,000	Less than \$100,000	No loss	Loss unknown	
<b>Cost/labor mischarging</b>						
number	32	30	22	24	36	144
(percent)	(41)	(35)	(28)	(22)	(27)	(30)
<b>Substitution/nonconforming product</b>						
number	8	7	8	7	12	42
(percent)	(10)	(8)	(10)	(6)	(9)	(9)
<b>Defective pricing</b>						
number	18	14	8	6	8	52
(percent)	(21)	(18)	(10)	(5)	(6)	(11)
<b>Contractor/subcontractor kickbacks</b>						
number	0	0	2	2	0	4
(percent)	(0)	(0)	(3)	(2)	(0)	(1)
<b>Conflict of interest</b>						
number	1	5	5	18	12	41
(percent)	(1)	(6)	(6)	(16)	(9)	(8)
<b>Antitrust</b>						
number	1	0	2	3	4	10
(percent)	(1)	(0)	(3)	(3)	(3)	(2)
<b>Pay &amp; allowance and/or personnel</b>						
number	0	0	0	0	1	1
(percent)	(0)	(0)	(0)	(0)	(1)	(0)
<b>Government theft/embezzlement</b>						
number	0	2	0	0	2	4
(percent)	(0)	(2)	(0)	(0)	(1)	(1)
<b>Subversion of contract award process</b>						
number	0	0	0	8	3	11
(percent)	(0)	(0)	(0)	(7)	(2)	(2)
<b>Other b/</b>						
number	15	14	27	29	32	117
(percent)	(19)	(18)	(34)	(28)	(24)	(24)
<b>Multiple types</b>						
number	3	1	0	2	9	15
(percent)	(4)	(1)	(0)	(2)	(7)	(3)
<b>Type unknown</b>						
number	2	12	5	11	15	45
(percent)	(3)	(14)	(6)	(10)	(11)	(9)
<b>Total</b>	<b>78</b>	<b>85</b>	<b>79</b>	<b>110</b>	<b>134</b>	<b>486</b>
(percent) c/	(100)	(100)	(100)	(100)	(100)	(100)

a/ According to the Fraud Unit's Chief, the estimated dollar losses may not be accurate because they were based on initial estimates which were not always revised by DOD as the investigations progressed.

b/ Includes undelivered products, progress payment claims, and other types of fraud.

c/ Percentages may not add to 100 due to rounding.

Table I.19:  
 -----  
 Cases Involving Top 100 Defense Contractors a/  
 -----

	DCIS	Air Force	Navy	Army	Joint	Total
-----						
Cases involving top 25 contractors						
number	36	b/ 25	14	12	18	105
(percent)	(21)	(22)	(16)	(16)	(51)	(22)
Cases involving top 26-50 contractors						
number	14	2	5	2	0	23
(percent)	(8)	(2)	(6)	(3)	(0)	(5)
Cases involving top 51-100 contractors						
number	13	8	2	4	1	28
(percent)	(8)	(7)	(2)	(5)	(3)	(6)
-----						
Subtotal	63	35	21	18	19	156
(percent) c/	(37)	(30)	(24)	(24)	(54)	(32)
Cases not involving top 100 contractors						
number	109	80	68	57	16	330
(percent)	(63)	(70)	(76)	(76)	(46)	(68)
-----						
Total	172	115	89	75	35	486
(percent)	(100)	(100)	(100)	(100)	(100)	(100)
-----						
Number of different top 100 contractors involved d/	32	21	13	13	9	50
Number of top 100 contractors which were the subject of multiple cases d/	15	7	5	3	3	28
-----						

a/ This table is based on the 100 parent companies (including subsidiaries) which received the largest dollar volume of defense prime contract awards in fiscal year 1985.

b/ Includes one case which involves two top 100 contractors, one in the top 25 and one in the top 51-100.

c/ Percentages may not add due to rounding.

d/ Does not add across because a contractor may be involved in more than one investigation by two or more agencies.

Table I.20:

-----  
 Fraud Unit Action Shown by Ranking  
 -----

of Top 100 Contractors a/  
 -----

Ranking	Accepted	Declined	Referred to U.S. attorney	Returned for more investi- gation b/	Total
-----					
Top 25					
number	39	21 c/	29	16	105
(percent)	(31)	(17)	(21)	(16)	(22)
Top 26-50					
number	9	1	10	3	23
(percent)	(7)	(1)	(7)	(3)	(5)
Top 51-100					
number	6	6	10	6	28
(percent)	(5)	(5)	(7)	(6)	(6)
-----					
Subtotal	54	28	49	25	156
(percent)	(43)	(23)	(36)	(25)	(32)
Cases not involving top 100 contractors					
number	71	95	87	77	330
(percent)	(57)	(77)	(64)	(75)	(68)
-----					
Total	125	123	136	102	486
(percent) d/	(100)	(100)	(100)	(100)	(100)
=====					

a/ Fraud Unit action is as of July 14, 1986. Top 100 contractors are based on the 100 parent companies (including subsidiaries) which received the largest dollar volume of defense prime contract awards in fiscal year 1985.

b/ Cases returned to DOD for more investigative work may subsequently be referred to a U.S. attorney's office or returned to the Fraud Unit.

c/ Includes one case which involves two top 100 contractors, one in the top 25 and one in the top 51-100.

d/ Percentages may not add to 100 due to rounding.

Table I.21:  
-----  
Status of Cases Shown by  
-----  
Ranking of Top 100 Contractors  
-----  
as of July 23, 1986 a/  
-----

	Open-no indictment	Open- indictment	Closed-no conviction	Closed- conviction	No status information	Total
-----						
Top 1-25						
number	65	5 b/	31	4	0	105
(percent)	(27)	(56)	(16)	(10)	(0)	(22)
Top 26-50						
number	18	0	3	1	1	23
(percent)	(7)	(0)	(2)	(2)	(100)	(5)
Top 51-100						
number	13	0	11	4	0	28
(percent)	(5)	(0)	(6)	(10)	(0)	(6)
Not top 100						
number	145	4	148	33	0	330
(percent)	(60)	(44)	(76)	(79)	(0)	(68)
-----						
Total	241	9	193	42	1	486
(percent) c/	(100)	(100)	(100)	(100)	(100)	(100)
=====						

a/ This table is based on the 100 parent companies (including subsidiaries) which received the largest dollar volume of defense prime contract awards in fiscal year 1985.

b/ Includes one case which involves two top 100 contractors, one in the top 25 and one in the top 51-100.

## Table I.22:

-----  
 Indictments and Convictions in which  
 -----  
 the Fraud Unit Participated  
 -----  
 as of July 14, 1986 a/  
 -----

Person/contractor (federal district court)	Type of fraud	Disposition/sentence
Chester J. Karpowicz b/ (E. Michigan)	Embezzlement and tax evasion in connection with tuitions in DOD overseas school system	Plea agreement - 2 years prison, \$51,000 criminal fine and \$550,000 civil recovery.
Richard V. Marsak (E. Wisconsin)	Concealing and failing to pass on discounts for repair parts	Plea agreement - 1 year probation and restitution of \$14,240.
Fred D. Hawley and Gary Edward Fleming c/ (N. California)	Falsely certifying test results	Plea agreement - each received 2 years prison and \$10,000 fine.
Neil Halloran c/ (N. California)	Falsely certifying test results	Plea agreement - 6 months prison and 500 hours community service.
Michael H. Lupo c/ (N. California)	Falsely certifying test results	Plea agreement - 6 months prison and 5 years probation.
Judith Ward c/ (N. California)	Product substitution	Plea agreement - 2 years proba- tion.
General Dynamics, James M. Beggs, Ralph E. Hawes, Jr., David L. McPherson, and James C. Hansen, Jr. (C. California)	Cost mischarging	Indictment.
Louis Wernovsky and Philadelphia Hardware and Supply, Inc. d/ (E. Pennsylvania)	Bribing a Defense Industrial Supply Center buyer in exchange for bid information	Plea agreement - not yet sentenced.
Sydney W. Weiss d/ (E. Pennsylvania)	Acceptance of bribes by a govern- ment contracting official	Indictment.
Joseph M. Creedon d (E. Pennsylvania)	Acceptance of bribes by a govern- ment contracting official	Indictment.
Charles Elitz d/ (E. Pennsylvania)	Acceptance of bribes by a govern- ment contracting official	Plea agreement - 3 years proba- tion and \$2,000 fine.

Arthur Applebaum d/ (E. Pennsylvania)	Acceptance of bribes by a govern- ment contracting official	Plea agreement - 5 years proba- tion, \$26,000 criminal fine, 300 hours community service within 2 years and prior civil settlement of \$26,000.
Jack Kligman d/ (E. Pennsylvania)	Acceptance of bribes and gratuities by a government contracting official	Plea agreement - 5 years probation, \$11,000 fine, 200 hours community service and \$1,425 restitution.
Richard E. Davis d/ (E. Pennsylvania)	Acceptance of bribes and gratuities by a government contracting official	Plea agreement - 5 years proba- tion, \$1,500 fine, 300 hours community service and \$2,500 restitution.
Booker T. Raynor, Jr. d/ (E. Pennsylvania)	Acceptance of bribes and gratuities by a government contracting official	Conviction after trial - 1 year and 1 day prison and 4 years probation.
Herman Blank and Imperial Air Parts, Inc. d/ (E. Pennsylvania)	Bribing a Defense Industrial Supply Center buyer in exchange for bid information	Plea agreement - Blank (Vice- President) received 5 years probation, \$10,000 fine. Company received suspended sentence.
Francis C. White, Jr. d/ (E. Pennsylvania)	Acceptance of bribes by a govern- ment contracting official	Plea agreement - 5 years proba- tion and \$2,000 fine.
Leone Giannitti and Indus- trial Tech, Inc. d/ (E. Pennsylvania)	Bribing a Defense Industrial Supply Center buyer in exchange for bid information	Plea agreement - Giannitti (Corporate Officer) received 5 years probation, \$5,000 fine and 400 hours community service. Corporation received \$12,500 fine.
Amedeo A. DiFrancesco, Bruce E. Ream, L. Anthony Iocono, and Delsea Fasteners d/ (E. Pennsylvania)	Bribing a Defense Industrial Supply Center buyers in exchange for bid information	Plea agreement - DiFrancesco (President) 6 months prison, 4-1/2 years probation and \$10,000 fine. Ream (Vice- President) 6 months prison, 4-1/2 years probation and \$10,000 fine. Iocono (Sales Manager) and company not yet sentenced.
Hugh J. Connelly, Jr d/ (E. Pennsylvania)	Bribery of Defense Industrial Supply Center buyer in exchange for bid information	Plea agreement - 5 years proba- tion, \$10,000 fine and 200 hours community service.
Roger Holland d/ (E. Pennsylvania)	Accepting a bribe from a government contractor in exchange for bid information	Plea agreement - 6 months work release and 2 years probation.
John R. Hemberger d/ (E. Pennsylvania)	Accepting a bribe from a government contractor in exchange for bid information	Plea agreement - 3 years proba- tion and \$2,000 fine.

Thomas Pescatore d/ (E. Pennsylvania)	False statement before grand jury (information charged accepting bribes from government contractors in exchange for bid information)	Plea agreement - 3 years probation and 50 hours each month community service.
Thomas Lofgren d/ (E. Pennsylvania)	Acceptance of bribes by a government buyer in exchange for bid information	Plea agreement - 1 year and 1 day prison.
Robert Lambert and Standard Air Parts d/ (C. California)	Bribing public officials and mail fraud	Conviction after trial - Lambert (President) 4 years prison and \$208,000 in criminal fines. Company fined \$159,000.
William J. Solar e/ (N. Ohio)	Falsifying time cards and preparing fraudulent work authorizations resulting in overbilling on Navy contracts	Acquittal.
Gould Defense Systems e/ (N. Ohio)	False statements in connection with progress payments on Navy contracts	Plea agreement - \$50,000 criminal fine and \$2,228,741 in civil damages and penalties.
GTE Government Systems Corp. f/ (E. Virginia)	Conspiracy to defraud federal procurement process - conversion of government documents containing classified and proprietary information	Plea agreement - \$10,000 fine and civil recovery of \$580,000 which includes costs of investigation.
Zettl, Carter, and Edgington f/ (E. Virginia)	Conspiracy to defraud federal procurement process - conversion of government documents containing classified and proprietary information	Indictment - Trial postponed until Classified Information Procedures Act issues are resolved by Court of Appeals.
Harold R. Heeszel (N. California)	Acceptance of bribes and gratuities by a government contracting official	Plea agreement - 2 years prison and \$10,000 fine.
Automation Services, Inc. (N. New York)	Labor mischarging	Plea agreement - \$11,000 in criminal fines and \$180,000 civil settlement.
Barry W. Knox (E. Virginia)	Fast pay (mail fraud)	Plea agreement - 3 years probation with 100 hours community service and \$78,194 civil settlement.
Sperry Corp. (Minnesota)	Labor mischarging	Plea agreement - \$650,000 in civil double damages plus \$167,741 in interest and \$30,000 in criminal fines.

John Falso and Davy Compressor (S. Ohio)	Defective pricing of spare parts	Plea agreement - Falso 2 years prison. Corporation \$3,000,000 in criminal fines, civil damages and penalties.
George S. Pan, Karen Pan, and Systems Architects, Inc. (Massachusetts)	Labor mischarging	Conviction after trial - George Pan (President) 1 year prison with all but 30 days suspended and 3 years probation with 20 hours community service a week. Karen Pan (Assistant Treasurer) 2 years probation. Corporation fined \$65,000.
Dickinson T. Brent (District of Columbia)	Forging the signature of a naval officer and submitting false claims for progress payments	Conviction after trial - \$5,000 fine, 3 years suspended sentence, 3 years probation, 250 hours community service and \$58,000 restitution.
Michael Milinoff (E. Michigan)	Paying a gratuity to a public official	Plea agreement - 2 years probation and \$7,500 fine.
Shirley Frank Hall g/ (S. Texas)	Forging commissary order forms	Conviction after trial - 3 years suspended sentence, 5 years probation, \$3,000 fine and 1400 hours community service.
Nicholas Lynch g/ (S. Texas)	Forging commissary order forms	Indictment - Defendant is a fugitive.
Charles E. Parker (N. Georgia)	Violating antikickback statute	Plea agreement - 2 years probation plus payment of certain costs.

a/ These indictments and convictions are the result of 36 cases referred to the Fraud Unit.

b/ This case is not procurement-related. It was referred to the Unit by the Army's Criminal Investigation Command. According to the Unit's Chief, the case is included because it was defense-related and handled by a Fraud Unit attorney.

c/ These cases are related and involve the provision of critical material used in nuclear submarines. They are collectively referred to as the "Golden Gate Flange" case.

d/ These cases are related to a series of investigations on corruption involving government employees and contractors at the Defense Industrial Supply Center in Philadelphia, Pennsylvania. They have been prosecuted by the Unit in conjunction with the Philadelphia U.S. Attorney's office. Giannitti, Industrial Tech, Inc., and White are included because they are related. However, these cases were primarily handled by the U.S. Attorney's office.

e/ These are related cases. Mr. Solar was employed by Gould Defense Systems.

f/ These are related cases with Zetti being a GTE consultant, Carter a former GTE employee and Edgington a present GTE employee.

g/ These are related cases involving forged invoices at U.S. Army commissaries overseas.

Table I.23:  
 -----  
 Referring Agency and Key Dates for  
 -----  
 Fraud Unit Indictments and Convictions  
 -----  
 as of July 14, 1986  
 -----

Person/contractor	Referring agency(ies)	Referral date	Indictment date	Conviction/ acquittal date
Chester J. Karpowicz	Army	01/01/85	12/18/85	12/18/85
Richard V. Marsak	Air Force	02/00/84	05/05/86	05/05/86
Fred D. Hawley and Gary Edward Fleming	Navy	02/00/85	12/06/85	01/14/86
Neil Halloran	Navy	02/00/85	12/03/85	01/14/86
Michael H. Lupo	Navy	02/00/85	10/10/85	10/10/85
Judith Ward	Navy	02/00/85	08/21/85	8/21/85
General Dynamics, James M. Beggs, Ralph E. Hawes, Jr., David L. McPherson, and James C. Hansen, Jr.	DCIS Army Navy	06/00/83	12/02/85	pending
Louis Wernovsky and Philadelphia Hardware and Supply, Inc.	DCIS	Undetermined	11/02/85	11/02/85
Sydney W. Weiss	DCIS	08/03/83	05/08/86	09/02/86
Joseph M. Creedon	DCIS	08/03/83	05/08/86	07/31/86
Charles Ellzy	DCIS	11/16/84	10/09/85	01/27/86
Arthur Applebaum	DCIS	11/08/83	10/09/85	01/06/86
Jack Kligman	DCIS	10/01/83	06/24/85	07/08/85
Richard E. Davis	DCIS	11/16/84	04/25/85	08/19/85
Booker T. Raynor, Jr.	DCIS	10/01/83	04/25/85	06/19/85
Herman Blank and Imperial Air Parts, Inc.	DCIS	07/21/83	03/27/85	04/18/85
Francis C. White, Jr.	DCIS	Undetermined	07/20/85	07/20/85
Leone Giannitti and Industrial Tech, Inc.	DCIS	Undetermined	02/15/85	02/15/85
Amedeo A. DiFrancesco a/ Bruce E. Ream a/ L. Anthony Iacono a/	DCIS DCIS DCIS	10/01/83 10/01/83 10/01/83	01/30/85 01/30/85 08/30/84	02/05/85 02/05/85 10/30/84

## APPENDIX I

## APPENDIX I

Delsea Fasteners a/	DCIS	10/01/83	08/30/84	10/30/84
Hugh J. Connelly, Jr	DCIS	07/21/83	08/30/84	10/29/84
Roger Holland	DCIS	01/06/84	07/10/84	07/10/84
John R. Hemberger	DCIS	Undetermined	11/22/83	12/22/83
Thomas Pescatore	DCIS	Undetermined	11/22/83	12/22/83
Thomas Lofgren	DCIS	Undetermined	07/07/83	08/22/83
Robert Lambert and Standard Air Parts	DCIS	Undetermined	11/01/83	03/23/84
William J. Solar	DCIS Navy	11/01/83	10/04/85	02/20/86
Gould Defense Systems	DCIS Navy	11/01/83	10/03/85	10/04/85
GTE Government Systems Corp.	DCIS Navy	11/01/83	09/10/85	09/12/85
Zettl, Carter, and Edgington	DCIS	07/09/84	09/10/85	pending
Harold R. Heeszel	Navy	06/00/84	02/06/85	09/16/85
Automation Services, Inc.	Air Force	06/00/84	04/30/84	04/30/84
Barry W. Knox	DCIS	Undetermined	12/19/83	05/02/84
Sperry Corp.	DCIS Air Force	12/00/83	12/00/83	05/22/84
John Falso and Davy Compressor	DCIS	Undetermined	10/07/83	10/07/83
George S. Pan, Karen Pan, and Systems Architects, Inc.	DCIS	01/01/83	09/28/83	05/23/84
Dickinson T. Brent	Navy	03/00/83	09/20/83	03/07/84
Michael Millnoff	DCIS	Undetermined	08/29/83	08/29/83
Shirley Frank Hall	Army	03/23/83	03/23/83	05/17/83
Nicholas Lynch	Army	03/23/83	03/23/83	pending
Charles E. Parker	DCIS	Undetermined	03/01/83	03/01/83

a/ DiFrancesco, Ream, Iacono, and Delsea Fasteners were related cases but involved two indictment dates and two conviction dates.

Table I.24:

## Suspensions, Debarments,

## Fines, and Recoveries

as of July 23, 1986 a/

	DCIS	Air Force	Navy	Army	Joint	Total
Cases where contractor was suspended	4	0	0	0	1	5
Cases where contractor was debarred	15	0	2	0	0	17
Cases where contractor was suspended and debarred	1	0	0	0	0	1
Cases where criminal fines were levied	19	2	3	2	0	26 b/
Total amount of fines	\$1,052,500	\$466,000	\$35,000	\$56,000	-0-	\$1,609,500
Cases where civil fines were levied or recoveries were made	16	4	3	1	1	25 c/
Total amount of fines and recoveries	\$25,644,244	\$394,756	\$43,481,000	\$550,000	\$9,465,897	\$79,535,897

a/ Of the 486 cases sent to the Unit for investigative advice and/or prosecutorial decisions, a total of 64 resulted in one or more criminal, civil, and/or administrative actions against the individual(s) and/or company(ies) involved. These actions include indictments, convictions, fines, recoveries, suspensions, and debarments.

b/ The Unit participated in 22 of these cases which resulted in \$983,500 in criminal fines.

c/ The Unit participated in 12 of these cases which resulted in \$7,286,841 in civil fines or recoveries.



**APPENDIX II:**

**NUMBER OF CASES SENT TO THE FRAUD UNIT  
FOR INFORMATION PURPOSES**

Table II.1:  
-----  
Referrals To Fraud Unit  
-----  
Through December 31, 1985  
-----

Calendar year	DCIS	Air Force	Navy	Army	Joint	Total
<b>1982</b>						
number	0	0	0	0	0	0
(percent)	(0)	(0)	(0)	(0)	(0)	(0)
<b>1983</b>						
number	3	0	0	0	0	3
(percent)	(2)	(0)	(0)	(0)	(0)	(2)
<b>1984</b>						
number	108	5	3	0	0	116
(percent)	(73)	(71)	(100)	(0)	(0)	(73)
<b>1985</b>						
number	37	2	0	0	0	39
(percent)	(25)	(29)	(0)	(0)	(0)	(25)
Total	148	7	3	0	0	158
(percent)	(100)	(100)	(100)	(100)	(100)	(100)

Table II.2:  
-----  
Status of Cases  
-----

	DCIS	Air Force	Navy	Army	Joint	Total
-----						
Open a/						
number	107	4	1	0	0	112
(percent)	(72)	(57)	(33)	(0)	(0)	(71)
Closed						
number	41	3	2	0	0	46
(percent)	(28)	(43)	(67)	(0)	(0)	(29)
-----						
Total	148	7	3	0	0	158
(percent)	(100)	(100)	(100)	(100)	(100)	(100)
=====						
Convictions b/	28	0	0	0	0	28
Indictments b/	12	1	0	0	0	13
-----						
Total	40	1	0	0	0	41
=====						

a/ Cases categorized as "open" by the DOD investigative agencies include cases that were open in U.S. attorneys' offices and DOD as of July 23, 1986.

b/ Includes convictions and indictments by U.S. attorneys as of July 23, 1986.

Table II.3:  
 -----  
 Cases by Amount of Estimated  
 -----  
 Dollar Loss to the Government a/  
 -----

	DCIS	Air Force	Navy	Army	Joint	Total
-----						
Cases involving losses of \$1 million or more						
number	21	0	1	0	0	22
(percent)	(14)	(0)	(33)	(0)	(0)	(14)
Cases involving losses of \$100,000 to \$999,999						
number	52	1	0	0	0	53
(percent)	(35)	(14)	(0)	(0)	(0)	(34)
Cases involving losses of less than \$100,000						
number	37	1	0	0	0	38
(percent)	(25)	(14)	(0)	(0)	(0)	(24)
Cases involving no loss						
number	18	2	2	0	0	22
(percent)	(12)	(29)	(67)	(0)	(0)	(14)
Cases where loss is unknown						
number	20	3	0	0	0	23
(percent)	(14)	(43)	(0)	(0)	(0)	(15)
-----						
Total	148	7	3	0	0	158
(percent) b/	(100)	(100)	(100)	(100)	(100)	(100)
=====						

a/ According to the Fraud Unit's Chief, the estimated dollar losses may not be accurate because they were based on initial estimates which were not always revised by DOD as the investigations progressed.

b/ Percentages may not add to 100 due to rounding.

Table II.4:  
 -----  
 Cases shown by Amount of Estimated  
 -----  
 Dollar Loss of \$1 Million or More  
 -----

	DCIS	Air Force	Navy	Army	Joint	Total
Cases involving losses between \$1,000,000 and \$25,000,000						
number	21	0	1	0	0	22
(percent)	(100)	(0)	(100)	(0)	(0)	(100)
Cases involving losses exceeding \$25,000,000						
number	0	0	0	0	0	0
(percent)	(0)	(0)	(0)	(0)	(0)	(0)
-----						
Total	21	0	1	0	0	22
(percent)	(100)	(100)	(100)	(100)	(100)	(100)
=====						

Table II.5:  
 -----  
 Cases By Type Of Fraud  
 -----

Fraud type	DCIS	Air Force	Navy	Army	Joint	Total
<b>Cost/labor mischarging</b>						
number	30	0	1	0	0	31
(percent)	(20)	(0)	(33)	(0)	(0)	(20)
<b>Substitution/nonconforming product</b>						
number	45	2	0	0	0	47
(percent)	(30)	(29)	(0)	(0)	(0)	(30)
<b>Defective pricing</b>						
number	7	0	0	0	0	7
(percent)	(5)	(0)	(0)	(0)	(0)	(4)
<b>Contractor/subcontractor kickbacks</b>						
number	1	0	1	0	0	2
(percent)	(1)	(0)	(33)	(0)	(0)	(1)
<b>Conflict of interest</b>						
number	9	0	0	0	0	9
(percent)	(6)	(0)	(0)	(0)	(0)	(6)
<b>Antitrust</b>						
number	1	1	0	0	0	2
(percent)	(1)	(14)	(0)	(0)	(0)	(1)
<b>Pay &amp; allowance and/or personnel</b>						
number	1	0	0	0	0	1
(percent)	(1)	(0)	(0)	(0)	(0)	(1)
<b>Other a/</b>						
number	52	4	0	0	0	56
(percent)	(35)	(57)	(0)	(0)	(0)	(35)
<b>Multiple types</b>						
number	2	0	1	0	0	3
(percent)	(1)	(0)	(33)	(0)	(0)	(2)
-----						
Total	148	7	3	0	0	158
(percent) b/	(100)	(100)	(100)	(100)	(100)	(100)
=====						

a/ Includes undelivered products, progress payment claims, misuse or diversion of government furnished materials, and other types of fraud.

b/ Percentages may not add to 100 due to rounding.

Table II.6:  
 -----  
 Cases Shown by Estimated  
 -----  
 Dollar Loss and Type of Fraud a/  
 -----

Fraud type	Estimated loss					Total
	\$1 million or more	\$100,000 to \$999,000	Less than \$100,000	No loss	Loss unknown	
<b>Cost/labor mischarging</b>						
number	3	12	8	4	4	31
(percent)	(14)	(23)	(21)	(18)	(17)	(20)
<b>Substitution/nonconforming product</b>						
number	11	18	11	3	4	47
(percent)	(50)	(34)	(29)	(14)	(18)	(30)
<b>Defective pricing</b>						
number	1	1	2	1	2	7
(percent)	(5)	(2)	(5)	(5)	(9)	(4)
<b>Contractor/subcontractor kickbacks</b>						
number	0	0	0	2	0	2
(percent)	(0)	(0)	(0)	(8)	(0)	(1)
<b>Conflict of interest</b>						
number	1	0	1	6	1	9
(percent)	(5)	(0)	(3)	(27)	(4)	(6)
<b>Antitrust</b>						
number	0	0	0	1	1	2
(percent)	(0)	(0)	(0)	(5)	(4)	(1)
<b>Pay &amp; allowance and/or personnel</b>						
number	0	0	1	0	0	1
(percent)	(0)	(0)	(3)	(0)	(0)	(1)
<b>Other b/</b>						
number	4	22	14	5	11	56
(percent)	(18)	(42)	(37)	(23)	(48)	(35)
<b>Multiple types</b>						
number	2	0	1	0	0	3
(percent)	(9)	(0)	(3)	(0)	(0)	(2)
<b>Total</b>	<b>22</b>	<b>53</b>	<b>38</b>	<b>22</b>	<b>23</b>	<b>158</b>
(percent) c/	(100)	(100)	(100)	(100)	(100)	(100)

a/ According to the Fraud Unit's Chief, the estimated dollar losses may not be accurate because they were based on initial estimates which were not always revised by DOD as the investigations progressed.

b/ Includes undelivered products, progress payment claims, misuse or diversion of government furnished materials, and other types of fraud.

c/ Percentages may not add to 100 due to rounding.

Table II.7:  
 -----  
 Cases Involving Top 100 Defense Contractors a/  
 -----

	Air DCIS	Force	Navy	Army	Joint	Total
Cases involving top 25 contractors						
number	25	2	0	0	0	27
(percent)	(17)	(29)	(0)	(0)	(0)	(17)
Cases involving top 26-50 contractors						
number	7	0	0	0	0	7
(percent)	(5)	(0)	(0)	(0)	(0)	(4)
Cases involving top 51-100 contractors						
number	2	0	1	0	0	3
(percent)	(1)	(0)	(33)	(0)	(0)	(2)
-----						
Subtotal	34	2	1	0	0	37
(percent)	(23)	(29)	(33)	(0)	(0)	(23)
Cases not involving top 100 contractors						
number	114	5	2	0	0	121
(percent)	(77)	(71)	(67)	(0)	(0)	(77)
-----						
Total	148	7	3	0	0	158
(percent)	(100)	(100)	(100)	(100)	(100)	(100)
=====						
Number of different top 100 contractors involved b/						
	21	2	1	0	0	22
Number of top 100 contractors which were the subject of multiple cases b/						
	9	0	0	0	0	10
-----						

a/ This table is based on the 100 parent companies (including subsidiaries) which received the largest dollar volume of defense prime contract awards in fiscal year 1985.

b/ Does not add across because a contractor may be involved in more than one investigation by two or more agencies.

Table II.8:  
-----  
Status of Cases shown by  
-----  
Ranking of Top 100 Contractors  
-----  
as of July 23, 1986 a/  
-----

	Open-no indictment	Open- indictment	Closed-no conviction	Closed- conviction	Total
<b>Top 25</b>					
number	17	0	8	2	27
(percent)	(17)	(0)	(44)	(7)	(17)
<b>Top 26-50</b>					
number	6	0	1	0	7
(percent)	(6)	(0)	(6)	(0)	(4)
<b>Top 51-100</b>					
number	2	0	1	0	3
(percent)	(2)	(0)	(6)	(0)	(2)
<b>Not top 100</b>					
number	74	13	8	26	121
(percent)	(75)	(100)	(44)	(93)	(77)
<b>Total</b>					
number	99	13	18	28	158
(percent) b/	(100)	(100)	(100)	(100)	(100)

a/ This table is based on the 100 parent companies (including subsidiaries) which received the largest dollar volume of defense prime contract awards in fiscal year 1985.

b/ Percentages may not add to 100 due to rounding.

Table II.9:

## Suspensions, Debarments,

## Fines, and Recoveries

as of July 23, 1986 a/

	DCIS	Air Force	Navy	Army	Joint	Total
Cases where contractor was suspended	7	1	0	0	0	8
Cases where contractor was debarred	9	0	0	0	0	9
Cases where contractor was suspended and debarred	1	0	0	0	0	1
Cases where criminal fines were levied	13	0	0	0	0	13
Total amount of fines	\$580,000	0	0	0	0	\$580,000
Cases where civil fines were levied or recoveries were made	10	0	0	0	0	10
Total amount of fines and recoveries	\$8,298,817	0	0	0	0	\$8,298,817

a/ Of the 158 cases sent to the Unit for information purposes, a total of 46 resulted in one or more criminal, civil, and/or administrative actions against the individual(s) and/or company(ies) involved. These actions include indictments, convictions, fines, recoveries, suspensions, and debarments. The Fraud Unit did not participate in any of these 46 cases.

**APPENDIX III:**

**NUMBER OF CASES SENT TO THE FRAUD UNIT  
FOR UNDETERMINED REASONS**

Table III.1:  
 -----  
 Referrals To Fraud Unit  
 -----  
 Through December 31, 1985  
 -----

Calendar year	DCIS	Air Force	Navy	Army	Joint	Total
<b>1982</b>						
number	0	0	0	0	0	0
(percent)	(0)	(0)	(0)	(0)	(0)	(0)
<b>1983</b>						
number	3	0	4	0	0	7
(percent)	(8)	(0)	(25)	(0)	(0)	(12)
<b>1984</b>						
number	16	1	11	0	0	28
(percent)	(40)	(100)	(69)	(0)	(0)	(48)
<b>1985</b>						
number	21	0	1	0	1	23
(percent)	(53)	(0)	(6)	(0)	(100)	(40)
<b>Total</b>						
number	40	1	16	0	1	58
(percent) a/	(100)	(100)	(100)	(100)	(100)	(100)

a/ Percentages may not add to 100 due to rounding.

Table III.2:  
-----  
Status of Cases  
-----

Status	DCIS	Air Force	Navy	Army	Joint	Total
Open a/						
number	24	0	3	0	1	28
(percent)	(60)	(0)	(19)	(0)	(100)	(48)
Closed						
number	16	1	13	0	0	30
(percent)	(40)	(100)	(81)	(0)	(0)	(52)
Total	40	1	16	0	1	58
(percent)	(100)	(100)	(100)	(100)	(100)	(100)

a/ Cases categorized as "open" by DOD include cases that were open in U.S. attorneys' offices and DOD, as of July 23, 1986. The Unit was not participating in any of these open cases.

Table III.3:  
 -----  
 Cases by Amount of Estimated  
 -----  
 Dollar Loss to the Government a/  
 -----

	Air DCIS Force	Navy	Army	Joint	Total
-----					
Cases involving losses of \$1 million or more					
number	7	0	2	0	9
(percent)	(18)	(0)	(13)	(0)	(16)
Cases involving losses of \$100,000 to \$999,999					
number	4	1	1	0	6
(percent)	(10)	(100)	(6)	(0)	(10)
Cases involving losses of less than \$100,000					
number	6	0	0	0	1
(percent)	(15)	(0)	(0)	(0)	(100)
Cases involving no loss					
number	11	0	8	0	0
(percent)	(28)	(0)	(50)	(0)	(0)
Cases where loss is unknown					
number	12	0	5	0	0
(percent)	(30)	(0)	(31)	(0)	(0)
-----					
Total	40	1	16	0	1
(percent) b/	(100)	(100)	(100)	(100)	(100)
=====					

a/ According to the Fraud Unit's Chief, the estimated dollar losses may not be accurate because they were based on initial estimates which were not always revised by DOD as the investigation progressed.

b/ Percentages may not add to 100 due to rounding.

Table III.4:  
 -----  
 Cases Shown by Amount of Estimated  
 -----  
 Dollar Loss of \$1 Million or More  
 -----

	DCIS	Air Force	Navy	Army	Joint	Total
-----						
Cases involving losses between \$1,000,000 and \$25,000,000						
number	7	0	2	0	0	9
(percent)	(100)	(0)	(100)	(0)	(0)	(100)
Cases involving losses exceeding \$25,000,000						
number	0	0	0	0	0	0
(percent)	(0)	(0)	(0)	(0)	(0)	(0)
-----						
Total	7	0	2	0	0	9
(percent)	(100)	(100)	(100)	(100)	(100)	(100)
=====						

Table III.5:  
Cases By Type of Fraud

Fraud type	DCIS	Air Force	Navy	Army	Joint	Total
<b>Cost/labor mischarging</b>						
number	15	0	6	0	1	22
(percent)	(38)	(0)	(38)	(0)	(100)	(38)
<b>Substitution/nonconforming product</b>						
number	1	0	1	0	0	2
(percent)	(3)	(0)	(6)	(0)	(0)	(3)
<b>Defective pricing</b>						
number	3	0	2	0	0	5
(percent)	(8)	(0)	(13)	(0)	(0)	(9)
<b>Contractor/subcontractor kickbacks</b>						
number	2	0	0	0	0	2
(percent)	(5)	(0)	(0)	(0)	(0)	(3)
<b>Conflict of interest</b>						
number	4	0	4	0	0	8
(percent)	(10)	(0)	(25)	(0)	(0)	(14)
<b>Pay &amp; allowance and/or personnel</b>						
number	2	0	0	0	0	2
(percent)	(5)	(0)	(0)	(0)	(0)	(3)
<b>Government theft/embezzlement</b>						
number	1	0	1	0	0	2
(percent)	(3)	(0)	(6)	(0)	(0)	(3)
<b>Subversion of contract award process</b>						
number	1	0	0	0	0	1
(percent)	(3)	(0)	(0)	(0)	(0)	(2)
<b>Other a/</b>						
number	9	1	2	0	0	12
(percent)	(23)	(100)	(13)	(0)	(0)	(21)
<b>Type unknown</b>						
number	2	0	0	0	0	2
(percent)	(5)	(0)	(0)	(0)	(0)	(3)
<b>Total</b>						
(percent) b/	40 (100)	1 (100)	16 (100)	0 (100)	1 (100)	58 (100)

a/ Includes undelivered products, progress payment claims, and other types of fraud.

b/ Percentages may not add to 100 due to rounding.

Table III.6:  
Cases Shown by Estimated  
Dollar Loss and Type of Fraud a/

Fraud type	Estimated loss					Total
	\$1 million or more	\$100,000 to \$999,000	Less than \$100,000	No loss	Loss unknown	
Cost/door mischarging						
number	5	3	3	7	4	22
(percent)	(56)	(50)	(43)	(37)	(24)	(33)
Substitution/nonconforming product						
number	0	0	0	1	1	2
(percent)	(0)	(0)	(0)	(5)	(6)	(3)
Defective pricing						
number	1	1	0	3	0	5
(percent)	(11)	(17)	(0)	(16)	(0)	(9)
Contractor/subcontractor kickbacks						
number	0	1	0	1	0	2
(percent)	(0)	(17)	(0)	(5)	(0)	(3)
Conflict of interest						
number	0	0	1	3	4	8
(percent)	(0)	(0)	(14)	(16)	(24)	(14)
Pay & allowance and/or personnel						
number	0	0	1	1	0	2
(percent)	(0)	(0)	(14)	(5)	(0)	(3)
Government theft/embezzlement						
number	0	0	0	1	1	2
(percent)	(0)	(0)	(0)	(5)	(6)	(3)
Subversion of contract award process						
number	1	0	0	0	0	1
(percent)	(11)	(0)	(0)	(0)	(0)	(2)
Other b/						
number	2	1	2	2	5	12
(percent)	(22)	(17)	(29)	(11)	(29)	(21)
Type unknown						
number	0	0	0	0	2	2
(percent)	(0)	(0)	(0)	(0)	(12)	(3)
Total	9	6	7	19	17	58
(percent) c/	(100)	(100)	(100)	(100)	(100)	(100)

a/ According to the Fraud Unit's Chief, the estimated dollar losses may not be accurate because they were based on initial estimates which were not always revised by DOD as the investigation progressed.

b/ Includes undelivered products, progress payment claims, and other types of fraud.

c/ Percentages may not add to 100 due to rounding.

Table III.7:  
 -----  
 Cases Involving Top 100 Defense Contractors a/  
 -----

	DCIS	Air Force	Navy	Army	Joint	Total
Cases involving top 25 contractors						
number	13	0	0	0	1	14
(percent)	(33)	(0)	(0)	(0)	(100)	(24)
Cases involving top 26-50 contractors						
number	6	0	0	0	0	6
(percent)	(15)	(0)	(0)	(0)	(0)	(10)
Cases involving top 51-100 contractors						
number	2	0	1	0	0	3
(percent)	(5)	(0)	(6)	(0)	(0)	(5)
-----						
Subtotal	21	0	1	0	1	23
(percent) b/	(53)	(0)	(6)	(0)	(100)	(40)
Cases not involving top 100 contractors						
number	19	1	15	0	0	35
(percent)	(48)	(100)	(94)	(0)	(0)	(60)
-----						
Total	40	1	16	0	1	58
(percent) b/	(100)	(100)	(100)	(100)	(100)	(100)
=====						
Number of different top 100 contractors involved	16	0	1	0	1	18
Number of top 100 contractors which were the subject of multiple cases	4	0	0	0	0	4
-----						

a/ This table is based on the 100 parent companies (including subsidiaries) which received the largest dollar volume of defense prime contract awards in fiscal year 1985.

b/ Percentages may not add due to rounding.

Table III.8:  
-----  
Status of Cases Shown by  
-----  
Ranking of Top 100 Contractors  
-----  
as of July 23, 1986 a/  
-----

	Open-no indictment b/	Open- indictment	Closed-no conviction c/	Closed- conviction	Total
-----					
Top 25					
number	9	0	5	0	14
(percent)	(32)	(0)	(17)	(0)	(24)
Top 26-50					
number	4	0	2	0	6
(percent)	(14)	(0)	(7)	(0)	(10)
Top 51-100					
number	3	0	0	0	3
(percent)	(11)	(0)	(0)	(0)	(5)
Not top 100					
number	12	0	23	0	35
(percent)	(43)	(0)	(77)	(0)	(60)
-----					
Total	28	0	30	0	58
(percent) d/	(100)	(100)	(100)	(100)	(100)
=====					

a/ This table is based on the 100 parent companies (including subsidiaries) which received the largest dollar volume of defense prime contract awards in fiscal year 1985.

b/ Includes cases that were open in U.S. attorneys' offices and/or DOD.

c/ Closed cases may still be open in DOD for administrative or contractual remedies.

d/ Percentages may not add to 100 due to rounding.

Table III.9:  
 -----  
 Fines and Recoveries  
 -----  
 as of July 23, 1986 a/  
 -----

	DCIS	Air Force	Navy	Army	Joint	Total
Cases where civil fines were levied or recoveries were made	1	1	1	0	0	3
Total amount of fines and recoveries	\$50,000	\$330,000	\$3,820,000	-0-	-0-	\$4,200,000

a/ The Fraud Unit did not participate in any of these cases.

**APPENDIX IV:**  
**TOP 100 DEFENSE CONTRACTORS**

**Table IV.1:**

One Hundred Parent Companies Which  
Received The Largest Dollar Volume Of Defense Prime  
Contract Awards In Fiscal Year 1985<sup>a</sup>

<u>Rank</u>	<u>Parent Company</u>	<u>Rank</u>	<u>Parent Company</u>
1	McDonnell Douglas Corp.	52	Massachusetts Institute of Technology
2	General Dynamics Corp.		Charles Stark Draper Lab.
3	Rockwell International Corp.	53	Loral Corp.
4	General Electric Co.	54	Atlantic Richfield Co.
5	The Boeing Company	55	Morton Thiokol Inc.
6	Lockheed Corp.	56	The Coastal Corp.
7	United Technologies Corp.	57	Johns Hopkins University
8	Howard Hughes Medical Inst.	58	The Aerospace Corp.
9	Raytheon Company	59	British Petroleum Co.
10	Grumman Corp.	60	Control Data Corp.
11	Martin Marietta Corp.	61	Gould Inc.
12	Westinghouse Electric Corp.	62	Burroughs Corp.
13	Textron Inc.	63	Soberbio Inc.
14	Honeywell Inc.	64	Computer Sciences Corp.
15	International Business Machines	65	Todd Shipyards Corp.
16	Sperry Corp.	66	The Mitre Corp.
17	General Motors Corp.	67	Sun Company Inc.
18	The LTV Corp.	68	Mobil Corp.
19	Litton Industries Inc.	69	Caltex Petroleum Corp.
20	ITT Corp.	70	The Penn Central Corp.
21	Texas Instruments Inc.	71	Capital Marine Corp.
22	Allied Signal Corp.	72	Science Applications International
23	RCA Corp.	73	Ashland Oil Inc.
24	Tenneco Inc.	74	DuPont E. I. DeNemours & Co.
25	Northrop Corp.	75	Texaco Inc.
26	Ogden Corp.	76	Lear Siegler Inc.
27	TRW Inc.	77	Phibro-Salomon Inc.
28	Ford Motor Company	78	Kuwait National Petroleum Co.
29	Eaton Corp.	79	Tracor Inc.
30	Royal Dutch Shell Group	80	United Industrial Corp.
31	CFM International Inc.	81	ICI American Holdings Inc.
32	FMC Corp.	82	Sam Whan Corp.
33	Congoleum Corp.	83	Duchossois Industries Inc.
34	The Singer Company	84	Transworld Oil Ltd.
35	Teledyne Inc.	85	Hewlett-Packard Co.
36	Harris Corp.	86	Marine Transport Lines Inc.
37	American Telephone & Telegraph Co.	87	Dynalectron Corp.
38	United States Philips Trust	88	Fairchild Industries Inc.
39	GTE Corp.	89	BDM International Inc.
40	Gencorp Inc.	90	Amoco Corp.
41	Hercules Inc.	91	Figgie International Holdings Inc.
42	Goodyear Tire & Rubber Co.	92	Eastman Kodak Co.
43	Pan American World Airways Inc.	93	Motor Oil Hellas Corinth Refinery
44	Chevron Corp.	94	Logicon Inc.
45	Amerada Hess Corp.	95	Rolls-Royce Inc.
46	Sanders Associates Inc.	96	Day & Zimmermann Inc.
47	Motorola Inc.	97	Mason & Hanger - Silas Mason Company
48	Oshkosh Truck Corp.	98	Sundstrand Corp.
49	Exxon Corp.	99	Pace Industries Inc.
50	Emerson Electric Co.		
51	E-Systems Inc.	100	

<sup>a</sup>Source: 100 Companies Receiving the Largest Dollar Volume of Prime Contract Awards, Fiscal Year 1985 (Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports), p. 7.

APPENDIX V:  
INFORMATION ON PERSONNEL ASSIGNED  
TO THE DEPARTMENT OF JUSTICE'S  
DEFENSE PROCUREMENT FRAUD UNIT

INFORMATION ON PERSONNEL ASSIGNED  
TO THE DEPARTMENT OF JUSTICE'S DEFENSE  
PROCUREMENT FRAUD UNIT

The Chief of the Fraud Unit provided us with information concerning personnel that have been assigned to the Unit. As of March 26, 1986, 20 attorneys and investigators were assigned, 11 from the Department of Justice and 9 from the Department of Defense (DOD). Fifteen were attorneys and five were investigators. As shown in table V.1, 36 people<sup>1</sup> (23 attorneys, 2 auditors, and 11 investigators) had been assigned to the Unit between October 1, 1982, and March 26, 1986, 15 from Justice and 21 from DOD. Details on the personnel's assignment dates, lengths of assignments, and reasons for leaving the Unit are shown in table V.2.

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<sup>1</sup>One Army attorney transferred to Justice and continued to work in the Unit so that the total number of different people assigned to the Unit was 35.

Table V.1:  
Number of Personnel Assigned to the Fraud Unit  
October 1, 1982, to March 26, 1986<sup>a/</sup>

	<u>Number of</u> <u>attorneys</u>	<u>Number of</u> <u>investigators</u>	<u>Number of</u> <u>auditors</u>	<u>Total</u>
<b>Department of Justice</b>				
Criminal Division	10	0	0	10
Civil Division	3	0	0	3
U.S. attorney's office	1	0	0	1
FBI	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
Subtotal	<u>14</u>	<u>1</u>	<u>0</u>	<u>15</u>
<b>Department of Defense</b>				
Defense Contract Audit Agency	0	0	2	2
Air Force				
Office of Special Investigations	0	2	0	2
Judge Advocate General	2	0	0	2
Army				
Criminal Investigation Command	0	2	0	2
Judge Advocate General	2	0	0	2
Navy				
Naval Security and Investigative Command	0	3	0	3
General Counsel	2	0	0	2
Defense Logistics Agency	3	0	0	3
Defense Criminal Investigative Service	<u>0</u>	<u>3</u>	<u>0</u>	<u>3</u>
Subtotal	<u>9</u>	<u>10</u>	<u>2</u>	<u>21</u>
<b>Total</b>	<u>23</u>	<u>11</u>	<u>2</u>	<u>36</u>

<sup>a</sup>Excludes support staff and paralegals.

Table V.2:  
Information on Fraud Unit Staff

<u>Individual assigned</u>	<u>Dates assigned<sup>a</sup></u>	<u>Approximate length of assignment (months)</u>	<u>Reason for leaving</u>
<u>Department of Justice</u>			
<u>Criminal Division</u>			
Attorney 1	10/82-7/84	22	Private law practice
Attorney 2	10/82-9/84	24	Private law practice
Attorney 3	10/82-4/85	31	Accepted attorney position with Civil Division
Attorney 4	10/83-present	30	Present staff
Attorney 5	3/85-present	13	Present staff <sup>b</sup>
Attorney 6	7/84-present	21	Present staff
Attorney 7	11/85-present	5	Present staff
Attorney 8	5/85-present (4-month detail to U.S. attorney's office - June to September 1985)	11	Present staff
Attorney 9	11/85-present	5	Present staff
Attorney 10	2/85-present	14	Present staff-on maternity leave
<u>Civil Division</u>			
Attorney 11	10/82-present	42	Present staff
Attorney 12	1/84-12/84 (part-time)	12	Private law practice
Attorney 13	12/84-present (6-month detail to President's Commission on Defense Management 9/85-present)	16	Present staff

<sup>a</sup>Present means as of March 26, 1986.

<sup>b</sup>This individual was originally assigned to the Fraud Unit (October 1982 through February 1985) from the Army's Judge Advocate General staff. He presently works at the Unit as a Justice employee. His total time with the Unit has been approximately 42 months.

U.S. Attorney's  
Office-Eastern  
District of Virginia

Attorney 14                      10/82-present                      42                      Present staff

FBI

Investigator 1                      6/85-present  
(became full-  
time 9/85)                      10                      Present staff

Department of Defense

Defense Contract  
Audit Agency

Auditor 1                      2/84-8/84                      7                      Promotion at  
headquarters

Auditor 2                      8/84-1/86                      18                      Retired

Air Force-Office of  
Special Investigations

Investigator 2                      10/82-2/85                      29                      Retired

Investigator 3                      12/84-present                      15                      Present staff

Air Force-Judge  
Advocate General

Attorney 15                      10/82-6/85                      33                      Reassigned to  
new tour of duty

Attorney 16                      5/85-present                      11                      Present staff

Army-Criminal Investi-  
gation Command

Investigator 4                      10/82-5/85                      32                      Retired

Investigator 5                      4/85-present                      12                      Present staff

Army-Judge Advocate  
General

Attorney 17                      10/82-2/85                      29                      (See note b,  
p. 64.)

Attorney 18                      7/85-present                      9                      Present staff

Navy-Naval Security  
and Investigative  
Command

Investigator 6	10/82-7/83	10	Reassigned to headquarters
Investigator 7	7/83-12/83	6	Resigned
Investigator 8	4/84-present	24	Present staff

Navy-General Counsel

Attorney 19	10/82-6/84	21	Reassigned to Navy Litigation Office
Attorney 20	6/84-present	22	Present staff

Defense Logistics  
Agency

Attorney 21	10/83-7/85	22	Private law practice
Attorney 22	3/85-present	13	Present staff
Attorney 23	11/85-present	5	Present staff

Defense Criminal  
Investigative Service

Investigator 9	10/82-11/84	26	Reassigned to headquarters
Investigator 10	11/84-10/85	12	Resigned
Investigator 11	10/85-present	6	Present staff

Source: Defense Procurement Fraud Unit

DOD PERSONNEL ASSIGNED  
TO THE UNIT

DOD investigators assigned to the Unit serve as liaisons between their respective organizations and the Unit. DOD attorneys assigned to the Unit participate in or provide advice on criminal investigations and/or prosecutions undertaken by the Unit or U.S. attorneys. Between October 1982 and March 26, 1986, 9 attorneys and 10 investigators from DOD were assigned to the Unit. Three of the attorneys and six of the investigators were no longer with the Unit because they were reassigned within their home agencies, resigned, or retired. One former DOD attorney who was assigned to the Unit transferred to Justice and remained in the Unit.

Between January 22 and April 1, 1986, we interviewed the Unit's Chief and 10 DOD personnel (4 attorneys and 6 investigators) who were assigned or had formerly been assigned to the Unit. The following summarizes the information obtained as a result of those interviews.

Attorneys

The Air Force and Army attorneys we interviewed were military officers subject to rotation about every 2 years. The two Defense Logistics Agency (DLA) attorneys (one present and one former) were civilian employees and not subject to formal periodic rotation to other jobs. Three of the four attorneys had either requested or applied for assignments to the Unit. They told us that they wanted to work at the Unit for career advancement reasons or because the work appeared to be attractive. The fourth attorney was assigned to the Unit as a result of normal military rotation.

Three of the four attorneys had experience in the DOD contract fraud area of about 1, 2, and 9 years. The attorney with 9 years of experience had also taught fraud seminars sponsored by the DOD Inspector General's office. The fourth attorney had experience as a criminal prosecutor but no contract-related experience.

The military attorneys told us that, along with Unit investigators, they analyze cases sent to the Unit including those resulting from Defense Contract Audit Agency (DCAA) audits that involve only one military service. In doing so, they may request additional information from field investigators who are working on the cases. Once the attorneys/investigators have analyzed a case, they discuss it with the Unit Chief. The Chief then decides whether to accept the case for investigation and/or prosecution by the Unit or other Fraud Section attorneys, decline the case, refer it to a U.S. attorney, or return it to the DOD agency for further investigation. This process is referred to as "screening".

The DLA attorneys told us they analyze cases resulting from DCAA audits of multiservice contracts administered by the DLA. These cases are also submitted to the Unit Chief for a decision on how they should be handled.

DOD attorneys said they advise field investigators and/or assistant U.S. attorneys on how to handle specific cases. For example, one attorney was participating in about 10 cases. Another had participated in four cases in a 1-year period. These attorneys worked with assistant U.S. attorneys but were not the lead attorneys on these cases. The DOD attorneys told us that they could also be named as special assistant U.S. attorneys if needed to formally assist in the cases.

The attorneys said they sometimes traveled in performing Unit activities. One of them made about three trips in a 1-year period. Two others traveled about 25 percent of the time. The remaining attorney said that he traveled between 35 and 50 percent of the time. The purposes of the trips were to assist in cases and provide advice to field investigators and/or assistant U.S. attorneys.

### Investigators

Two of the four DOD investigators we interviewed were assigned to the Unit as part of their agencies' normal rotation policies. One of these said that he expected to remain with the Unit for 2 years and the other expected to remain for 3 years. The other two investigators said they were assigned to the Unit for unspecified periods.

The amount of prior experience investigating fraudulent activities at DOD varied for the current investigators we interviewed. For example, one individual had investigated procurement related cases sporadically during his 10 years as an investigator. Another individual had investigated contract fraud as well as other types of crimes for about 2 years prior to joining the Unit. One individual with no prior procurement fraud experience stated that experience was not necessary to perform his job.

The amount of fraud training provided to the investigators varied. For example, the individual with 10 years experience had received his formal training when he first began working in the area 10 years before. He had not received any formal training since joining the Unit. The investigator with no prior experience had attended five formal training programs since beginning work in the Unit.

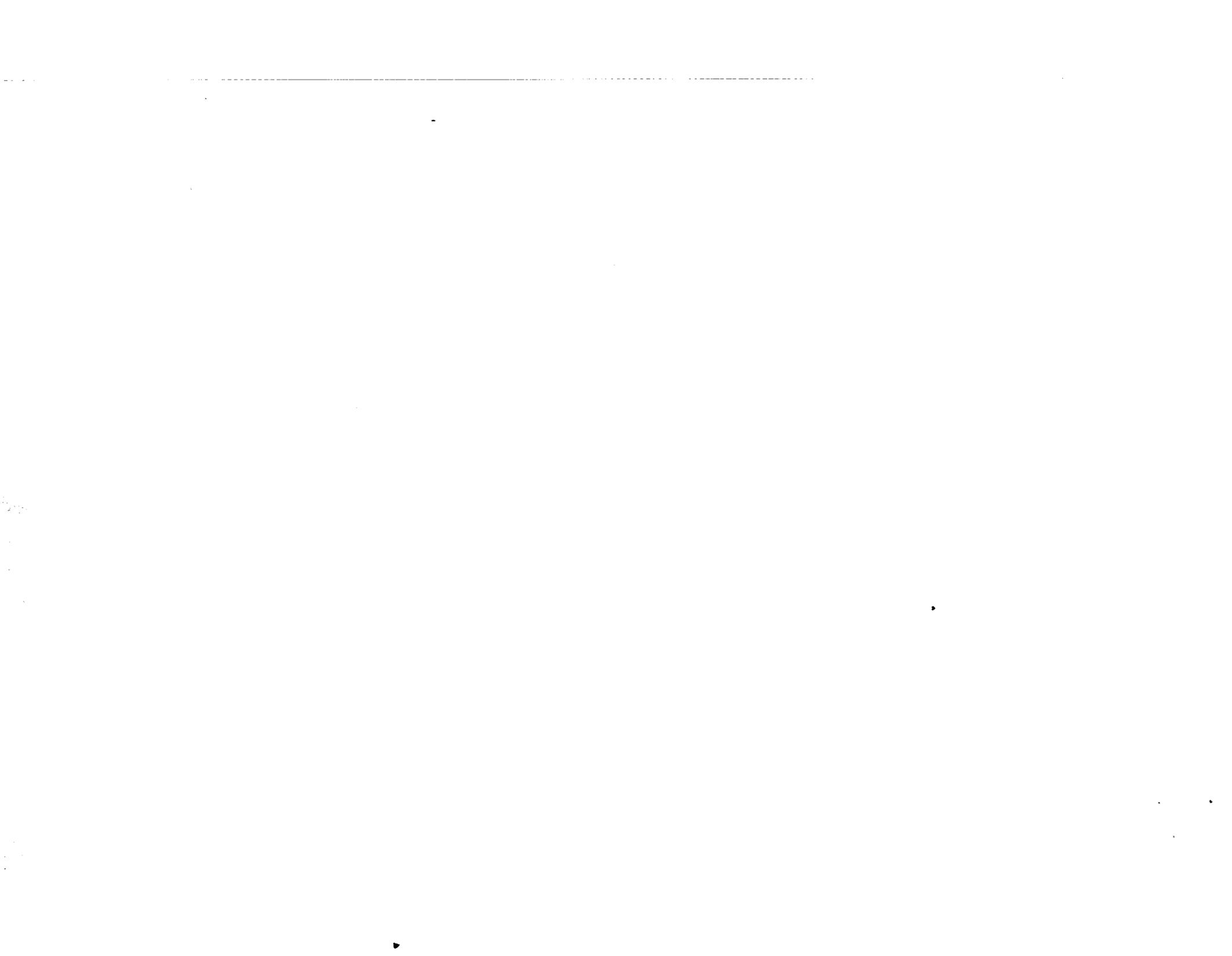
Two of the four military service investigators we interviewed were actively involved in conducting investigations. The other two monitored but did not actively participate in such

investigations. The investigators who were actively involved in cases discussed them with investigators in the field who were either beginning an investigation or needed advice on how to proceed with an investigation. They also discussed cases with assistant U.S. attorneys in the field. They told us that they traveled frequently (between 25 and 50 percent), often with the Unit attorney from their respective services.

The two investigators who monitored investigations told us that they obtained information on the cases from other investigators or attorneys who were working on the cases. One of these investigators did not travel in fulfilling the monitoring role. The other one told us that his travel had recently been stopped due to Gramm-Rudman-Hollings budget reductions.

The Unit's DCIS investigators we interviewed reviewed potential procurement fraud cases and served as liaisons between the Unit and DCIS. They monitored cases referred to the Unit and informed DCIS of the Unit's decisions regarding how the cases would be handled. The two DCIS investigators most recently assigned to the Unit did not work on ongoing investigations that had been referred to the Unit. The DCIS investigators told us that they rarely traveled.

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