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UNITED STATES GENERAL ACCOUNTING OFFICE

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DECEMBER 31, 1981

B-205652

The Honorable David F. Emery  
House of Representatives



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Dear Mr. Emery:

Subject: Alleged Fraud and Mismanagement in the Office of Industrial Security International, Brussels, Belgium (PLRD-82-28)

In your May 15, 1981, letter you asked us to review and comment on several allegations made by a constituent who, until recently, had been assigned to the Office of Industrial Security International, Brussels, Belgium. The allegations involved the activities of the constituent's supervisor and the overall operations of the Brussels office. In addition, the correspondence you furnished us showed that the constituent disputed the findings of the Inspector General of the Defense Logistics Agency who investigated the matter.

Our examination of pertinent records relating to this case showed that the Inspector General had generally made a comprehensive and objective investigation. The Agency's General Counsel later made an independent review of the investigative report and concluded that all of the allegations had been addressed to the fullest extent possible, given the resources available.

With regard to the supervisor's activities, the Inspector General's investigation failed to substantiate the majority of the allegations. Although some were confirmed, there was no evidence to support the allegation of fraud. Our followup inquiry established that the supervisor had been censured by his supervisors for judgment that was neither prudent nor in consonance with regulations. We also found that prompt action had been taken to recover the overpayments which resulted from errors in the supervisor's travel vouchers.

With respect to allegations concerning the overall operations of the Brussels office, the Inspector General's investigation substantiated some, but not others. Problem areas were developed and described fully in the investigative report. In checking, we found that the Agency had issued written directives to correct most of the deficiencies.

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In our opinion, the Inspector General's investigation was adequate and was of sufficient scope to address the constituent's allegations, and to ensure that the Government's overall interests were protected.

The corrective actions already taken or planned, as a result of the complaint, should result in significant improvements in the Agency's operations. We do, however, see a need for closer over-view of the Brussels office by the Executive Director, Industrial Security, and for periodic internal reviews by independent audit organizations, such as the Defense Audit Service.

#### BACKGROUND

The Office of Industrial Security International, located in Brussels, Belgium, is responsible for the administration of the Defense Security Program in its assigned geographical area. The Office serves as a central point for maintaining complete records of letters of consent on all contractor personnel assigned outside the United States. It also maintains a record of North Atlantic Treaty Organization (NATO) certificates of security clearance issued under Executive Order 11633. The Office provides advice and assistance on industrial security matters to U.S. contractors and military activities, foreign governments, and NATO. It also provides a repository for classified material which has been released by Government agencies for use by U.S. industrial representatives. In addition, it arranges secure mail channels for transmitting classified information. Upon request by the U.S. Mission to NATO, the Office processes requests for security clearances and provides security briefings for U.S. citizens employed directly by NATO.

At the time the allegations were made, the Office was under the management, direction, and control of the Executive Director, Industrial Security, Defense Logistics Agency. It was staffed by four persons--a GS-14 Chief, a GS-12, a GS-7, and a GS-5. On October 1, 1980, the Office was transferred to the Defense Investigative Service, Department of Defense.

#### CONSTITUENT'S ALLEGATIONS

During 1979, your constituent wrote several letters to the Deputy Director, Industrial Security, in which he alleged that the former Chief of the Brussels office

--was unstable and immature;

--was under the assumption that he was answerable only to the Executive Director of Industrial Security;

- had an uncontrollable temper and fits of anger;
- spent much of his time on personal business and on "make work projects";
- was an impulsive liar;
- manipulated official records and Government funds to suit personal desires;
- willingly and knowingly falsified time and attendance records, travel vouchers, and allowance certificates;
- submitted trip reports which were mostly fiction;
- made promises for privileges he did not have authority to grant;
- strained relations with other organizations;
- made frequent and unnecessary liaison trips;
- improperly claimed his parents as dependent;
- filed late trip reports; and
- was a common thief.

#### INSPECTOR GENERAL'S INQUIRY

After reviewing the nature of the allegations, the Inspector General directed that an inquiry be made. This inquiry, made in accordance with the provisions of DLAR 5600.1 and DLA-1 Policy and Procedures letter 2, was made from June 14 through July 9, 1979. The Inspector General himself participated in the actual onsite investigation.

As a result of the investigation, the Inspector General issued a report which consisted of 63 pages of findings, conclusions, and recommendations. In addition, the report contained 396 pages of exhibits, documents, letters, and statements. The report also contained sworn testimony of the constituent and the Chief of the Brussels office.

The Inspector General concluded that 11 of 14 allegations could not be substantiated. The allegation concerning knowingly and willfully falsifying time and attendance records, travel vouchers, and allowance certificates was partially substantiated. The Chief of the Brussels office admitted that he did not always sign the time and attendance records for some of the leave he had taken. He claimed that he was entitled to compensatory time earned

while on travel status and that such time would more than offset the few times he had come into work late or had a doctor's appointment. He, however, did not keep a record of his compensatory leave earned.

The matter of the parents' dependency could neither be substantiated nor disproved. A legal decision would be required. The only allegation fully substantiated concerned the late filing of trip reports.

The Inspector General recommended, among other things, that the Executive Director, Industrial Security, ensure that:

- Any monies due the U.S. Government from the Chief of the Brussels office resulting from overpaid travel vouchers are recouped promptly.
- All authorized absences from duty by Brussels office personnel are promptly recorded on prescribed records.
- Controls regarding approval authority for travel orders are strictly enforced.
- A legal determination is made concerning the dependency status of the parents of the Chief of the Brussels office and that any required follow-on action is promptly pursued.

#### AGENCY'S RESPONSE TO INQUIRY

In response to the Inspector General's report, the Executive Director acknowledged in a memorandum dated August 24, 1979, that the former Chief of the Brussels office lacked positive management constraints and that he had exercised considerable flexibility with respect to travel and time and attendance reporting requirements. The memorandum stated that at times the Chief's judgment was neither prudent nor in consonance with regulations. The memorandum concluded that the Chief of the Brussels office had earned some degree of censure and closer supervision from the Directorate.

On that same day, the Executive Director, in a memorandum to the Chief of the Brussels office, outlined administrative changes in procedures designed to strengthen controls over travel, trip reports, and leave. With respect to travel, additional information, such as the name and title of each official of a foreign government, the name of the international pact organization, or the name of U.S. activity to be contacted, is now required to be provided with the initial quarterly travel requirements. Also, trip reports must be submitted to Headquarters no later than 30 calendar days after completion of the travel. Regarding leave, all absences from the office

must be recorded on appropriate forms. In addition, the monthly management report should be modified to reflect all types of leave used by each person during the reporting month.

Regarding the status of the Chief's parents, at the time of our review in the summer of 1981, the Agency had taken no action to obtain a legal determination on this matter.

The Inspector General reinspected the office in February 1980 and found that it was performing its mission satisfactorily. However, the Inspector General's report stated that the lack of staff guidance and surveillance had failed to correct problems which had resulted in the office deteriorating since the last inspection. As a result of this inspection, corrective action either was planned or was taken by the Executive Director, Industrial Security.

On April 4, 1980, the Deputy Director of the Defense Logistics Agency advised your constituent of the results of the Inspector General's 1979 review. He told the constituent that each of his allegations had been reviewed in detail and no evidence of fraud or intentional deception had been found on the part of the Chief of the Brussels office. He also told the constituent that possible computational errors were found on several vouchers and appropriate action was being taken to resolve these questions. The Deputy Director did not mention that the Inspector General's report had resulted in corrective action being taken or that it had recommended that the dependency matter be reviewed. He also did not mention that the former Chief of the Brussels office had been censured for exercising poor judgment.

In a May 5, 1980, letter to the Deputy Director, the constituent disputed the Inspector General's findings and asked that his rebuttal comments be placed in the official record. Following receipt of the letter, the Deputy Director asked the Agency's General Counsel to review the report to ensure that all of the allegations had been addressed and that corrective action, where necessary, had been accomplished or initiated.

On the basis of its review, the General Counsel concluded that all of the constituent's allegations had been addressed to the fullest extent possible, given the resources available to the Inspector General and the Agency. Each allegation and sub-allegation was explored through sworn statements, by review of correspondence or other documents, and/or from information supplied by agency staff. Corroborative statements were obtained and used when available.

#### CONCLUSIONS

We believe that sufficient resources have been expended looking into the constituent's allegations and that appropriate

measures have been taken to correct the operational problems that surfaced. The individual who was the subject of the allegations has been relocated to a position which places him under closer supervision by the Directorate, so further exploration of his activities in Brussels is not warranted.

We suggest that the Brussels office be subjected to closer overview and that it be reviewed periodically by an independent audit agency, such as the Defense Audit Service. We also suggest that the Defense Logistics Agency follow through on its Inspector General's recommendation concerning the reconsideration of the status of the parents of the former Chief of the Brussels office.

As agreed with your Office, we did not obtain written comments from the Defense Logistics Agency. However, we did discuss the report's contents with Agency officials.

Also, as arranged with your Office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. Then, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



Donald J. Horan  
Director