



U.S Department of Defense Standards of Conduct Office

2016 ENCYCLOPEDIA OF ETHICAL FAILURES UPDATE*

How Much is Enough? (Credit Card Abuse)

A former Drug Enforcement Administration (DEA) employee, was sentenced to two years in prison for defrauding JPMorgan Chase & Co. out of more than \$113,000 using fraudulently issued government credit cards.

How did she get access to these cards? She was a program manager, and was responsible for the approval and issuance of government credit cards for DEA employees. The employee admitted that, while in that role, she submitted dozens of fake credit card applications to JPMorgan Chase for fictitious DEA employees. Ultimately, she obtained 32 fraudulent credit cards withdrawing \$113,000 from ATMs in Maryland and Virginia. She agreed to forfeit the cash and pay full restitution.

Do I Own It, or Don't I Own It? (Fraud)

A former National Geospatial-Intelligence Agency (NGA) official pled guilty for making false statements regarding his financial interest in a company.

The former employee worked at NGA from 2011-2015. During that period, he also co-founded a private company for the purpose of developing and commercializing a certain type of automated detection system. He used his position at NGA to promote the company. When confronted with the fact that he was prohibited from representing the company before the

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Government, he advised that he was merely a founder of the company, and had no legal or financial connections to the company. His defense failed when investigators discovered that he was, indeed, a co-founder of the company with ongoing legal and financial connections.

He incurred a monetary penalty and is subject to court supervision for three years.

Does It Really Matter What I Write in My Application for a Job? (Fraud)

The Department of Interior hired an individual into a temporary position with the National Park Service. To obtain a clearance and become a permanent employee, he had to complete the Form OF 306, Declaration of Federal Employment. Question 12 of the form asks if he has been fired during the last 5 years, or left an employer because of problems, or was debarred from Federal employment by the Office of Personnel Management. The individual answered “no.” Unfortunately for him, investigators learned that his private sector employer terminated him for excessive absences. The Interior Department would not hire him permanently, and he appealed to the Merit Systems Protection Board (MSPB). The MSPB not only sided with Interior, but advised the individual to redo the Form so it was correct. The individual did not redo the form. As a matter of fact, after appealing to the MSPB, and losing, the individual appealed the case before the U.S. Court of Appeals for the Federal Circuit. The individual’s same defense was that answering the question incorrectly was merely an oversight and a mistake. The Federal Court of Appeals disagreed and denied the appeal. The individual lost his Federal position because he was not truthful about question 12 of his Form OF 306.

Once I Get a Post-Government Employment Letter, I Don’t Have to Actually Read or Comply with It . . . (Post-Government Employment)

A former Captain in the U.S. Air Force who served in Afghanistan in 2010 was sentenced to two concurrent three-year terms of probation for violating the post-Government employment law and making false statements to investigators.

Specifically, the Captain oversaw major US Government contracts in Afghanistan that, among other things, procured clothing and footwear. The Captain also served on a source selection team for a boot supply contract. Upon retirement, that Captain entered into negotiations with the company that supplied the boots as well as clothing and footwear and accepted employment. He even obtained an official post-Government employment letter

specifically stating that he could not represent the Afghan company, his new employer, before the US Government on the same contracts he worked on with the Air Force.

Undaunted, the retired Captain repeatedly lobbied U.S. Government officials in person and via email on behalf of his Afghan employer about those same Air Force contracts and was due to receive a \$250,000 bonus.

Unfortunately for the Captain, the Air Force Office of Special Investigation, the Defense Criminal Investigation Service, the Army Criminal Investigation Command, the Special Inspector General for Afghanistan Reconstruction and the FBI discovered what he was doing.

His initial defense was to indicate that his post-Government employment letter gave him a safe harbor. He subsequently reviewed the opinion and admitted he ignored the legal advice.

In his plea agreement, he forfeited his home in the United States along with 3 Afghan rugs all the result of purchases by ill-gotten gains.

Casinos and Gentlemen's Clubs are Legitimate Expenses (Credit Card Abuse)

The DoD Inspector General recently investigated use (and misuse) of Government-issued credit cards by DoD personnel. The IG reported that a Navy sailor, during a trip to El Paso, spent \$1,116 on adult entertainment at two Gentlemen's Clubs. The charges were substantiated and disciplinary action was taken against the sailor. According to the Washington Post, other proper expenses that the sailor incurred included official business events such as dinners at casino restaurants. The Post states that the Pentagon's travel management office is contemplating blocking use of the cards at such establishments completely even for dinner. Casinos have argued they are a legitimate locale for business outings. Strip Club owners argue that visiting their club is a constitutional freedom.

Emails End Three-Star General's Career (Abuse of Position)

A three-star officer left the Air Force after an investigation found he exchanged "sexually suggestive" emails with a female officer when both were married to other people. Examples of the emails included the following statements: "thinking of you often here in Waikiki"; "we would love it, and you would be in perpetual trouble"; and "My dear and so beautiful, please know I am thinking of you, and I miss you." The female officer ultimately divorced her husband. The investigator concluded that, as a result of the three-star officer's activities, he

adversely affected the Air Force, helped dissolve a marriage, and eroded good order, discipline and respect for authority.

Federal Reserve Documents End Up at Goldman Sachs (Fraud)

A former Federal Reserve Bank of New York employee was fined \$2,000, and sentenced to a year of probation with community service after pleading guilty to stealing Government documents. The former Bank employee provided the stolen documents to his former supervisor from the Bank, who worked at Goldman Sachs. Some of the stolen documents included examinations of a bank that Goldman was currently advising.

What's Your Price? (Bribery)

A Naval Officer was sentenced to more than three years in Federal prison for a sex-for-secrets scandal. The Navy Lieutenant Commander admitted to delivering classified documents to a foreign defense contractor in exchange for a night out with a prostitute at a Malaysian karaoke club, envelopes of cash and overseas hotel stays. The value of the bribes was \$15,000. He was fined \$15,000, and ordered to pay the Navy an additional \$15,000 in restitution.

A Side Benefit Billing the Federal Employees Health Benefit Program (Fraud)

A now retired State Department worker and his husband submitted \$257,000 in claims for pharmaceutical and medical services obtained in Germany. Sounds fair, right? However, there was a small problem. The men had not been to Germany. Instead, they used the money to pay for foreign travel and extended stays at spas. After pleading guilty to health care fraud, the two were sentenced to 15 months in prison and ordered to repay the \$257,000 for falsely billing the Federal Employees Health Benefits Program.

Don't Tell on Me, Or Else! (Abuse of Position)

The Navy denied promotion to an Admiral after Pentagon investigators found that he illegally demoted or punished three subordinates he thought had reported him for a minor travel-policy infraction. According to the Washington Post, the Senate put a hold on a civilian Presidential appointee to be confirmed by the Senate until the Navy agreed that the Admiral

would not be promoted. The Admiral argued that his employees were poor performers, but the DoD Inspector General was not persuaded. The Admiral retired in the grade of 1-star once he learned he could not be promoted.

These cases are also part of a larger investigation.

Are My Parents Alive or Not? (Fraud)

The daughter of two deceased Federal workers pled guilty to a charge of theft and agreed to return \$703,000 in pension benefits received after her parents' deaths. The Office of Personnel Management was not informed of the parents' deaths, and continued to pay the benefits for an additional 14 years.

Beware of Gifts (Gift Violations)

Three admirals were censured for accepting dinners and gifts from the contractor, Leonard Glenn Francis, a Singapore-based businessman widely known in maritime circles as "Fat Leonard." Violations included improper solicitation and acceptance of gifts from a prohibited source and improper endorsement of a commercial business. This is part of a larger investigation that has resulted in the arrests of a number of other naval personnel.

Drinking, Sex and Free Trips (Gift Violations, Bribery and Conduct Unbecoming)

The Navy reprimanded a two-star admiral for getting drunk and wandering naked around a Florida beachfront hotel while attending a conference with defense contractors. Also, a one-star admiral was reprimanded and relieved of his command after an investigation found that he had spent hours watching pornography on a Government computer while at sea.

And finally, there was the Commander who traded military secrets about ship movements in exchange for cash, plane tickets, prostitutes, and a Lady Gaga concert. To add insult to injury, the Commander's immediate relatives also received gifts such as free airfare. The Commander pled guilty to bribery charges, and, worst of all, his wife divorced him.

These cases are also part of a larger investigation.