

1 FRAUD AND ABUSE IN ARMY RECRUITING CONTRACTS

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3 TUESDAY, FEBRUARY 4, 2014

4 United States Senate,
5 Subcommittee on Financial and Contracting Oversight,
6 Committee on Homeland Security and Governmental Affairs,
7 Washington, D.C.

8 The Subcommittee met, pursuant to notice, at 10:02
9 a.m., in Room SD-342, Dirksen Senate Office Building, Hon.
10 Claire McCaskill, Chairman of the Subcommittee, presiding.

11 Present: Senators McCaskill, Johnson, and Ayotte.

12 OPENING STATEMENT OF SENATOR McCASKILL

13 Senator McCaskill. Welcome, everyone. I know that my
14 colleague has a time crunch this morning and so I am going
15 to try to begin right away so we can hopefully get time for
16 both of us to have some questions before he has to go. Let
17 me begin with a very brief opening statement.

18 This hearing will now come to order.

19 The Recruiting Assistance Program was born in 2005 when
20 the Army National Guard was struggling to meet its
21 recruitment numbers due to the wars in Afghanistan and Iraq.
22 The National Guard's Recruiting Assistance Program, known as
23 G-RAP, would provide incentives to National Guard soldiers
24 and civilians to act as informal recruiters, or recruiting
25 assistants. These recruiting assistants would receive a

1 payment between \$2,000 and \$7,500 for every new recruit.
2 The contract was run out of the Army National Guard's
3 Strength Maintenance Division, known as ASM, and
4 administered by a contractor, Docupak. The recruiting
5 assistants were hired by Docupak as subcontractors. After
6 the program was put in place, the National Guard began to
7 meet its recruiting goals and the Active Army and Army
8 Reserve began their own similar programs.

9 In 2007, however, Docupak discovered instances of
10 potential fraud, which it referred to the Army. Four years
11 later, after suspecting a pattern of fraud, the Army
12 requested a program-wide audit, and what the audit found was
13 astounding--thousands of National Guard and Army Reserve
14 participants who are associated with payments that are at
15 high or medium risk for fraud, with an estimated total
16 amount of \$29 million paid fraudulently. This criminal
17 fraud investigation is one of the largest that the Army has
18 ever conducted, both in terms of sheer volume of fraud and
19 the number of participants.

20 Although recruiters were prohibited from participating
21 in the RAP program because recruiting was already part of
22 their job duties, investigators found that potentially over
23 1,200 recruiters fraudulently obtained payments. For
24 example, in Texas, a former member of the National Guard was
25 sentenced to four years and nine months in prison for

1 leading a conspiracy to obtain \$244,000 in fraudulent
2 recruiting bonuses. He did this by providing kickbacks to
3 National Guard recruiters in return for the names and Social
4 Security numbers of recruits who had, in fact, already been
5 recruited.

6 The fraud was not limited to service members. Because
7 anyone could sign up to be a recruiting assistant, there are
8 also cases of people unaffiliated with the Army stealing
9 names and Social Security numbers of potential recruits and
10 receiving referral payments that they were not entitled to.

11 Even one case of fraud would have been too many.
12 Instead, we now know that thousands of service members,
13 their families and friends may have participated in schemes
14 to defraud the Government they served and the taxpayers.
15 Worst of all, this program has the potential to become a
16 stain on thousands of recruiters and National Guard members
17 who do their jobs so well and so honorably.

18 And when I looked into how this could have happened,
19 the story just got worse. According to the auditors, the
20 National Guard made mistake after mistake in designing and
21 implementing the program that left it vulnerable to exactly
22 the kind of fraud that occurred. In addition, Army auditors
23 found that the contracts failed to comply with Government
24 contracting rules, including basic requirements to conduct
25 the kind of minimal oversight that could have detected and

1 prevented some of this fraud.

2 And as if all that was not bad enough, the Army has
3 determined in its investigation that the entire program was
4 illegal from the beginning. The payments did not fall in a
5 permissible category of bonus payments authorized by law.
6 The program also exceeded the limits that Congress had
7 placed on legal bonuses the Army could pay to encourage the
8 referral of new recruits. As a result, the Army concluded
9 that all of the money spent on the program, all \$386 million
10 of it, was illegal.

11 I cannot begin to express how disappointed and angry I
12 am to hear of such carelessness with taxpayer dollars. I
13 appreciate that recruiting is key to maintaining our
14 military strength and key to making sure that we have the
15 skills that our military needs, particularly in wartime.
16 But we have to make sure that we are going about it the
17 right way.

18 Congress and the American public have entrusted the
19 Army with taxpayer dollars and with upholding standards of
20 integrity. We cannot have programs fly in the face of law
21 and good government practice simply to meet recruiting
22 numbers, no matter how desperate the situation.

23 To its credit, the Army's leadership immediately
24 suspended the program back in 2012 when the auditors began
25 to expose these massive problems, and they began a variety

1 of investigations to determine how this could happen and who
2 was responsible. Some of those investigations are still
3 ongoing and I look forward to learning the results when they
4 are completed.

5 However, I am disappointed that it took a small story
6 in the Washington Post in 2012 for this Subcommittee to even
7 have an inkling about problems with this large contract, and
8 that it took almost two years and our repeated insistence
9 for the Army to inform the Subcommittee that the problems
10 that the Post reported were just the tip of the iceberg.
11 Since then, the Army has cooperated fully with our requests
12 and I thank them for that.

13 Today, I want to spend some time delving into exactly
14 what went wrong in the design and management of this program
15 and how so many mistakes were made. I also want to discuss
16 what the Army is doing to hold all the individuals involved
17 accountable. I will also ask questions about what concrete
18 steps the Army has taken to address all the deficiencies
19 uncovered so far.

20 I thank you all for being here today and I look forward
21 to your testimony.

22 Senator Johnson.

23 OPENING STATEMENT OF SENATOR JOHNSON

24 Senator Johnson. Thank you, Madam Chair, and let me
25 apologize for having to leave at about 10:25. I also want

1 to thank you for holding this hearing and your pursuit of
2 this particular issue in terms of oversight. I think it is
3 definitely an important issue. I want to thank the
4 witnesses who have taken time to meet with me in my office
5 and also provide me some of the information, because this
6 can be pretty detailed and pretty complex, exactly what
7 happened here.

8 From my standpoint, I think you did a pretty good job
9 laying out the issues, laying out what the problem was. I
10 basically have three questions. Did the National Guard have
11 the legal authority to do what it did? I think that is
12 still certainly a question in my mind. It sounded like they
13 sought legal counsel. I think the question is whether there
14 was undue pressure put to get basically those legal opinions
15 to allow them to do this. I think that is a question we
16 have to certainly ask.

17 Has there been accountability and will there be
18 accountability? Will there be accountability to those
19 individuals that basically took the authority to institute
20 this program, which obviously went awry? And then, do we
21 have proper corrective action so this does not happen in the
22 future? To me, those are the three big questions.

23 I think I am heartened by the fact, and I think you
24 would probably agree with this, that the Army did, once they
25 became aware of it, immediately suspend the program. I

1 think the investigation that is going on now is serious. I
2 think that there are criminal charges being filed and
3 pursued, and I think that has to be the case.

4 So, from my standpoint, the program has been ended. I
5 think this is very appropriate in terms of oversight. I
6 think the fact that you have pushed this oversight hearing
7 is certainly helping move this process along.

8 And, again, I just want to thank you. I wish I could
9 stay longer, because this is an important issue.

10 Senator McCaskill. Thank you.

11 Senator Johnson. Thank you.

12 Senator McCaskill. I want to introduce our witnesses.
13 Our first panel, Lieutenant General William Grisoli is
14 Director of the Army Staff at the Department of the Army
15 Headquarters, a position he has held since July of 2013. In
16 this capacity, he is responsible for ensuring the effective
17 integration and coordination of Army policy, positions, and
18 procedures across the functional areas of Army
19 responsibility. General Grisoli previously served as
20 Director of the Army Office of Business Transformation
21 within the Office of the Under Secretary of the Army.

22 Major General David Quantock is the Provost Marshal of
23 the Army and Commanding General, United States Army Criminal
24 Investigation Command and Army Corrections Command. He
25 serves as the Army's top law enforcement official, with

1 responsibility for investigations and incarcerations of Army
2 personnel. General Quantock previously served as Commanding
3 General of the U.S. Army Maneuvers Support Center of
4 Excellence in the most excellent Fort Leonard Wood in
5 Missouri.

6 Joseph Bentz is the Principal Deputy Auditor General
7 with the U.S. Army Audit Agency, with responsibility for
8 developing and overseeing the execution of the Army's
9 internal audit plan and coordinating with other
10 accountability organizations within the Federal Government.
11 Prior to becoming Principal Deputy Auditor General, Mr.
12 Bentz served as Deputy Auditor General for Acquisition,
13 Logistics, and Technology Audits. So, you went from LOGCAP
14 to recruiting fraud.

15 Okay. I want to thank you all for being here. It is
16 the custom of this Committee, if you would stand and take
17 the oath.

18 Do you swear that the testimony that you are about to
19 give will be the truth, the whole truth, and nothing but the
20 truth, so help you God?

21 General Grisoli. I do.

22 General Quantock. I do.

23 Mr. Bentz. I do.

24 Senator McCaskill. Thank you very much.

25 And, we will begin with you, Major General Quantock.

1 General Quantock. I think the opening statement will
2 be with General Grisoli.

3 Senator McCaskill. Oh, great. Okay.

1 TESTIMONY OF LIEUTENANT GENERAL WILLIAM T.
2 GRISOLI, DIRECTOR OF THE ARMY STAFF, U.S. ARMY;
3 ACCOMPANIED BY MAJOR GENERAL DAVID E. QUANTOCK,
4 PROVOST MARSHAL GENERAL OF THE ARMY, AND
5 COMMANDING GENERAL, U.S. ARMY CRIMINAL
6 INVESTIGATION COMMAND AND ARMY CORRECTIONS
7 COMMAND; AND JOSEPH P. BENTZ, PRINCIPAL DEPUTY
8 AUDITOR GENERAL, U.S. ARMY AUDIT AGENCY

9 General Grisoli. Good morning, Chairman McCaskill and
10 Ranking Member Johnson. Thank you for the opportunity to
11 discuss the Recruiting Assistance Program and the Army's
12 comprehensive efforts to detect, analyze, and investigate
13 allegations of fraud and mismanagement.

14 Before I discuss the particulars of the Recruiting
15 Assistance Program, I want you to know that the accusations
16 of fraud, mismanagement, and other potentially criminal
17 activities surrounding this program are as disturbing to us
18 as I know they are to you. You have my commitment that we
19 will do whatever it takes to put this right, and you will
20 hear today we have already done much, but there is more to
21 be done. We will also punish those who have broken the law
22 and recoup resources where we can.

23 The Recruiting Assistance Program, or RAP, was created
24 in 2005 to bolster Army National Guard recruiting efforts
25 during a period of increased demand coupled with the

1 difficult recruiting market. RAP provided payments to
2 recruiting assistants for each potential enlistee that
3 enlisted and entered basic training. This effort was
4 coordinated by a contractor, Docupak. All components of the
5 Army implemented a form of RAP for various periods of time:
6 The Army National Guard from 2005 to 2012; the Army Reserve
7 from 2007 to 2012; and the active duty from 2008 to 2009.
8 The total program was approximately 459 million.

9 In 2007, Docupak alerted the United States Army
10 Criminal Investigation Command, CID, to possible fraud in
11 the Recruiting Assistance Program. CID initiated several
12 potential fraud case reviews, and in 2011 requested the U.S.
13 Army Audit Agency begin a fraud risk assessment of the
14 program.

15 Upon learning of the preliminary results, in February
16 2012, the Secretary of the Army immediately canceled the
17 Recruiting Assistance Program and directed the recovery of
18 the remaining unexecuted RAP funds. He also issued a
19 comprehensive directive to determine ultimate responsibility
20 and accountability for the failures in the RAP program and
21 to initiate appropriate corrective action. The Army created
22 a task force to comprehensively and thoroughly review the
23 scope, contracting organizational structural, contracting
24 procedures, possible misuse of Army funds, and potential
25 criminal activity.

1 In September 2013, I updated the Secretary of the Army
2 on specific actions the Army had taken to determine ultimate
3 responsibility and accountability for the failures in RAP
4 and the corrective actions instituted. The Secretary of the
5 Army subsequently signed another directive focused on
6 additional corrective actions to ensure individual and
7 organizational responsibility and accountability.

8 Currently, the Assistant Secretary of the Army for
9 Acquisition, Logistics, and Technology is reviewing the
10 National Guard Bureau and the Mission Installation
11 Contracting Command Corrective Action Plans in response to
12 their program management reviews, which found that there had
13 been a general breakdown in sound business practices.

14 As indicated in my written testimony and by documents
15 previously provided to the Subcommittee, corrective actions
16 and investigations are still ongoing and with completion
17 dates ranging from Spring 2014 to the end of 2016. You have
18 my assurances we will continue to keep you informed as these
19 investigations proceed.

20 In summary, the scope of the Recruiting Assistance
21 Program investigations is complex and far-reaching. The
22 Army has taken aggressive and comprehensive steps leading to
23 corrective actions to prevent future occurrences and is
24 committed to working with Congress as we move forward in
25 this matter. Your focus helps us focus our oversight. The

1 Army will also identify and take action against individuals
2 who should be held accountable. I am confident the end
3 result will be substantially improved recruiting and
4 contracting processes in the National Guard Bureau and the
5 entire United States Army.

6 Chairman McCaskill, Ranking Member Johnson, thank you
7 for the time and interest in this matter. I look forward to
8 your questions.

9 [The prepared statement of General Grisoli follows:]

1 Senator McCaskill. Thank you so much.

2 I will just ask a couple of questions so there will
3 still be some time left for you to ask questions before we
4 leave.

5 Senator Johnson. Okay.

6 Senator McCaskill. The first one is, let me get a
7 sense of why it took four years from the time that Docupak
8 gave you some indication that there was a problem? Can you
9 lay out for us in a way that would make me feel more
10 comfortable why it took until 2011 for the audit to be
11 called for?

12 General Quantock. Chairman McCaskill, I can take a
13 shot at that question.

14 Senator McCaskill. Okay.

15 General Quantock. If you look at how the case came to
16 everybody's attention, first of all, there were only two
17 cases in 2007 that our CID investigation--that came through
18 a fraud hotline that was--

19 Senator McCaskill. Okay.

20 General Quantock. --directed. So, understand that
21 over this period of time, CID investigated over 43,000
22 felony criminal investigations.

23 Senator McCaskill. Right.

24 General Quantock. So, two cases in 2007 would not have
25 raised.

1 And then in 2008, there were five cases.

2 Senator McCaskill. Okay.

3 General Quantock. And then, of course, again, that
4 would not send a signal, either. And then two more cases in
5 2009.

6 It was not until 2010 when we had ten cases in one year
7 that one of our Huntsville agents in Huntsville, Alabama,
8 realized there is something that could be, you know,
9 misconstrued or cause some kind of systematic concern. So,
10 they raised it to us. We took a hard look at it. That is
11 when we, basically, went over to AAA and said, can you take
12 a hard look at this? There looks to be there could be some
13 systematic failures in this program. Could you do a deep
14 dive on this program and see if there is anything that we
15 need to be concerned about, other than the 19 cases that we
16 are doing.

17 In addition to that, Docupak came to us in 2010,
18 because they got the same ten cases we did, and they also
19 made us aware that they are seeing some irregularities, as
20 well. So, it was a combination of Docupak, our agents at
21 the Huntsville, Alabama, office, that really brought this to
22 light, and that is when we transferred it over to AAA to
23 take a hard look across the entire program.

24 Senator McCaskill. Well, make sure you convey to that
25 investigator, that law enforcement professional in

1 Huntsville, our appreciation that he raised the flag in
2 2010.

3 So, basically, what you are saying, General, is that up
4 until 2010, this appeared to be isolated incidents as
5 opposed to a pattern and a systemic fraud.

6 General Quantock. Yes, ma'am. I have I have got 150
7 fraud investigators, civilians, and we look at dozens of
8 fraud investigations. So, this was just another one of
9 those kind of dots on a map that cross the entire United
10 States. Not only that, the 19 cases were, again, across the
11 United States. So, there was really nothing that just
12 jumped to our attention that would have directed us--

13 Senator McCaskill. Okay.

14 General Quantock. --that we have got a major problem
15 here.

16 Senator McCaskill. General Grisoli, one of the things--
17 --and I will get to questions for the auditor after Senator
18 Johnson has a chance to question--but one of the things I am
19 worried about is holding people accountable, and this is
20 maybe a question for both you and General Quantock. I know
21 that two years ago, we identified 1,200 recruiters and over
22 2,000 recruiting assistants. I know we are looking at a
23 statute of limitations.

24 I am really concerned that there are going to be people
25 that wear our uniform that are going to beat this by virtue

1 of the statute of limitations, or they are only going to get
2 "titled," not going to lose benefits, be allowed to retire
3 and go their way. I mean, these are criminals that have
4 dishonored the uniform that we are all so proud of, and I
5 would like you to address that briefly, if you would, what
6 we need to be doing statutorily so that--either lengthening
7 the statute of limitations or making sure that if there is
8 some kind of procedure internally that you lose your
9 benefits, because I do not want to mess with anybody's
10 benefits who served our country honorably, but if you have
11 served dishonorably, I think you deserve more than the word
12 "titled" in your file.

13 General Grisoli. Madam Chairman, we have the same
14 concern you have on this particular issue, and as we
15 prioritize our efforts, we try to prioritize the ones of
16 greater risk as falling into that category of where the
17 statute of limitations.

18 As far as looking at some assistance from Congress, we
19 are okay now, but I think we may have to come back and ask
20 for some assistance, but we will let you know as we work
21 with you through these problem sets and we address the
22 highest priority first and the ones that are closest to the
23 statutory limits. We will work through that and communicate
24 with your staff.

25 Senator McCaskill. It is going to break my heart if

1 there are a lot of people that get away with this, on behalf
2 of all the amazingly brave and courageous people who step
3 across the line. It is just going to break my heart, and we
4 have got to figure out a way to hold every single one of
5 them accountable, if nothing else, just for the benefit of
6 all those, the vast, vast majority, that serve so well.

7 General Grisoli. Madam Chairman, I would--

8 General Quantock. I would agree. Go ahead, sir.

9 General Grisoli. Madam Chairman, I would just say that
10 that was one of our major points about prioritizing these
11 cases was based on age of the case, so we could get after
12 and do exactly that.

13 The other thing was going through--basically, we have
14 100,000 individuals that could be held accountable and
15 trying to figure out the high- and the medium- and the low-
16 risk, so we did not waste our time on the low-risk cases and
17 we went after the high- and the medium-risk, and also the
18 biggest dollar cost that was lost.

19 All of those things sort of were our focus, so we could
20 really focus in. And that is why, today, we have got 104
21 cases adjudicated, 16 individuals already in confinement,
22 and we, again, continue to go after this very aggressively
23 across the entire CID force.

24 Senator McCaskill. Great.

25 Senator Johnson.

1 Senator Johnson. Thank you, Madam Chair.

2 Let me just start out, because we discussed the history
3 a little bit of recruiting bonuses, does anybody think just
4 per se recruiting bonuses are a bad idea?

5 General Grisoli. No, Senator, I do not. I think that
6 there are certain times when the market is tough to recruit
7 that we have to have those incentives to bring young men and
8 women into the military. So, we need to have those tools to
9 be able to man the force.

10 Senator Johnson. Now, in my business, we also employed
11 recruiting bonuses, and they were most effectively paid out
12 to employees, you know, people that knew folks, understood
13 the operation. In the past, recruiting bonuses actually had
14 been legally paid out to members of the service, correct?

15 General Grisoli. Correct, Senator.

16 Senator Johnson. But in this case, paying those
17 bonuses to military personnel was illegal, improper?

18 General Grisoli. There are many different ways
19 something can be illegal. For example, the types of funds
20 that are used. When we look at our inefficiency concerns,
21 we look at the type of money, the purpose of the money that
22 Congress gives us, and the time we are supposed to spend
23 those dollars. And so that is what we took a look at, and
24 if those are not done properly, it is illegal.

25 Senator Johnson. Now, as a manufacturer, I am always

1 trying to drill down and find out what the root cause of
2 this problem was. So, we have a recruiting bonus program,
3 which on the surface makes sense and actually allowed you to
4 recruit the number of individuals we needed. But then
5 something went wrong. What was the breakdown? What was the
6 root cause that something that may have been a good idea, a
7 recruiting bonus, went across the line and resulted in fraud
8 and criminal activity?

9 General Grisoli. The breakdown, the fundamental
10 breakdown, was in how they established and then executed the
11 program. So, when you establish a large acquisition program
12 of this nature, first of all, you have to have the right
13 internal controls and processes in place. Some of the other
14 parts that were challenging for the National Guard Bureau
15 was their actual organizational structure that we found.
16 So, the structure was improper. They are working to correct
17 that and we have addressed that. The establishment and the
18 plan, the acquisition strategy, was improper, so, therefore,
19 that led to poor execution.

20 Senator Johnson. The last area I just want to explore
21 is the authority of the Guard to actually utilize funds from
22 this standpoint. Now, at least the previous recruitment
23 bonus program was actually passed as a law by Congress,
24 correct? And that was in what year?

25 General Grisoli. That was in 2006, that Congress had

1 the Bonus Referral Program.

2 Senator Johnson. And this program started the same
3 year, correct?

4 General Grisoli. It started prior to that.

5 Senator Johnson. It actually started prior to that.

6 General Grisoli. Yes, sir.

7 Senator Johnson. So, I guess, let me ask Mr. Bentz
8 here, have you looked at the legal counsel, the legal advice
9 that the Guard relied on to institute this program for their
10 authority?

11 Mr. Bentz. Senator, we did not audit the authority
12 under which the RAP program was established.

13 Senator Johnson. General Grisoli, have you looked at
14 that?

15 General Grisoli. Senator, the Guard--if I may, the
16 Guard relied on Section 10503 of Title X for our legal
17 basis, which was their authority and responsibility to
18 assist States. That particular area is ongoing review by us
19 right now. We wanted to have our legal counsel take a hard
20 look at that authority.

21 Senator Johnson. Now, at the time, did the legal
22 counsel look at that statute and express a legal opinion
23 that this was legal and authorized? Or was this something
24 that the command at the time just took upon themselves and
25 took a look at that statute and said, okay, we have got the

1 authority, and just moved forward?

2 General Grisoli. At that particular time, we believe
3 there was some legal counsel by the National Guard Bureau to
4 their contracting office. The question in mind right now,
5 was it the correct legal counsel to the Guard Bureau.

6 Senator Johnson. Well, is there documentation of that?
7 I mean, are there legal written opinions provided to the
8 procuring officer?

9 General Grisoli. We do not have a legal opinion or
10 opine of the situation at 2005, no, sir.

11 Senator Johnson. So that--if that legal opinion was
12 sought, it was just a verbal opinion?

13 General Grisoli. I would have to presume, Senator,
14 that that is what it was.

15 Senator Johnson. Okay. I would really dig into that.
16 I would want to find out exactly how this authority was
17 assumed, on the basis of what legal opinion. If it was
18 verbal, I would get testimony from the counsel that provided
19 that legal advice. I think it is a legitimate question. I
20 think it is kind of the heart of the issue here, too, just
21 in terms of ongoing oversight, to prevent this thing in the
22 future. So, certainly from my standpoint, I want that
23 question answered.

24 General Grisoli. Senator, we will do that, and as we
25 review the basic authority for that, that will be part of

1 our review.

2 Senator Johnson. Okay. Again, I want to thank the
3 witnesses for your service, for coming forward, and again,
4 thank you, Madam Chair, for this excellent hearing.

5 Senator McCaskill. Thank you.

6 Senator Johnson. Thank you.

7 Senator McCaskill. Let me follow up on that a little
8 bit. Is there--I believe there is--if there is a new
9 program undertaken in the military, I was under the
10 assumption that in the active branches, there was always the
11 requirement of a written legal opinion for a program to
12 begin, especially one that was embracing hundreds of
13 millions of dollars of expenditures.

14 General Grisoli. Madam Chairman, that is correct.
15 When you establish an acquisition strategy, the Contracting
16 Officer should always go and get a legal opinion on that
17 strategy.

18 Senator McCaskill. But that did not occur here.

19 General Grisoli. We do not have evidence of that
20 occurring.

21 Senator McCaskill. And, is that because there is not a
22 written requirement of that in the Guard as there is in the
23 active branches, or is that because that requirement was
24 disregarded?

25 Mr. Bentz. Sir, I can talk to the extent to which the

1 Guard Bureau, in their contracting process, sought legal
2 review or did not seek legal review. We concluded that
3 their efforts to seek legal review on the RAP contracts was
4 insufficient. In certain instances, they did not seek legal
5 review. In certain instances, they received a legal review
6 that was neither dated, fully commented on, and/or questions
7 or comments from the legal review fully resolved, ma'am.

8 Senator McCaskill. Is it unfair for me to characterize
9 this that, meaning well, and my friend from Missouri will be
10 on the next panel and there is no question that I know that
11 no one intended anything other than good to come out of
12 this. We needed recruits. We were in a very stressful
13 situation for command. We were, really, for one of the
14 first times in our history, beginning to use the Guard and
15 the Reserves in an operational capacity. They were being
16 asked to do what they had never been asked to do before.

17 And so I am sympathetic to the command pressure there
18 had to be, but I need to be clear here that it was, in fact,
19 command pressure that brought this about rather than a
20 thorough vetting of this program and the way it was going to
21 operate through normal channels of legal counsel and
22 acquisition policy. Is that a fair characterization?

23 Mr. Bentz. Senator, we did conclude that there was
24 pressure brought from the ASM folks on the contracting folks
25 to--essentially, to make RAP happen.

1 Senator McCaskill. Okay. Let me go back. Let us talk
2 about the contracting process, because this is one of these
3 that I just want to, [expressing frustration]. You know, I
4 worked on contracting for years and I keep thinking, okay,
5 we have really turned the corner, and then one of these
6 turns up. Now, admittedly, this was back in 2005, before we
7 really began focusing the entire military apparatus on basic
8 core competency on contracting.

9 Now, I do not need to spend much time. I have been in
10 briefings many times with your folks, General Quantock,
11 about the fraud that occurred and the theft that occurred in
12 the context of Iraq, and to a lesser extent in Afghanistan,
13 because we are doing better. We have actually got training
14 for CORS representatives. We have actually got--we stood up
15 a contracting command. I think the leadership of the
16 military now understands that you cannot have the attitude,
17 "I needed it yesterday, I do not care what it costs,"
18 because that is kind of what the attitude was.

19 But, talk to me a little bit about this contract and
20 how bad it was. Was there anything they did that met the
21 requirements of Federal procurement law as it related to the
22 way this contract came about?

23 Mr. Bentz. Our conclusion was, very little. There are
24 actually three contracts associated with the RAP.
25 Initially, the first Guard RAP contract was a task order

1 placed off an existing marketing services contract, so
2 outside the scope of that contract. As they moved forward,
3 there was little acquisition planning, as referred to. In
4 the award of the G-RAP base contract in 2007, there were
5 processes that favored the incumbent contractor, did not
6 actually account for full and open competition in that
7 award.

8 Senator McCaskill. You are being very careful because
9 you are an auditor, and I definitely understand, because
10 having been an auditor, you never want to shade anything.
11 But, let me state it plainly and see if you disagree with my
12 statement.

13 They task ordered off, Docupak, off an existing
14 marketing contract that really had nothing to do with this
15 particular function. Then, when it came time for
16 competition, Docupak had inside information that allowed
17 them to compete in a way that was totally unfair to the
18 other potential bidders on this particular contract, so, no
19 surprise, they got the contract.

20 Mr. Bentz. I agree, ma'am.

21 Senator McCaskill. Okay. Let us talk about leadership
22 and fraud in this instance. There is evidence that one
23 major general committed fraud, 18 full colonels, 11
24 lieutenant colonels, and dozens of other mid-level and
25 junior officers. I need to know, and if you cannot give me

1 specifically all of those today, I need to know for the
2 record what has occurred in all of those instances in terms
3 of holding them accountable. It is particularly egregious
4 when it is our leadership, and that is why I hope they have
5 gotten priority, and I would love you to speak to that,
6 General Quantock.

7 General Quantock. Yes, ma'am. Actually, that was our
8 first priority, is to look at all senior leader misconduct
9 up front. So, in addition to age, we also looked at senior
10 leader misconduct. I would have to take it for the record
11 to go back and break down all those cases. But, again, it
12 was dollar value, it was age of the case, and, of course,
13 our first priority was senior leader misconduct, before we
14 looked at anything else.

15 Senator McCaskill. To your knowledge, have any of them
16 gone to prison?

17 General Quantock. No, ma'am. To my knowledge, none
18 have gone to prison.

19 Senator McCaskill. Have any of them lost benefits, to
20 your knowledge?

21 General Quantock. No, ma'am, not to my knowledge.

22 Senator McCaskill. Have any of them been forced to
23 resign from their service?

24 General Quantock. I would have to take that one for
25 the record, ma'am.

1 Senator McCaskill. Okay. It is very important that we
2 know that.

3 General Quantock. Yes, ma'am. Absolutely.

4 Senator McCaskill. I think we have learned one thing
5 over the last six or seven years of contracting oversight,
6 and that is the way you really begin to change a culture
7 that would allow this to happen is to have everyone see that
8 the folks with all the stuff were held as accountable as a
9 young member of the Guard who figured out he could scam the
10 system and game this to make thousands of dollars he was not
11 entitled to, or she.

12 General Quantock. I will tell you that one of the
13 senior leaders, though, was--it was one case and it was for
14 \$7,500 because they brought in a doctor. In that particular
15 case, the statute of limitations did rise up and the
16 Assistant U.S. Attorney failed to go forward with the case
17 because--it was not that the statute of limitations had then
18 expired at that point, but by the time it went through the
19 courts, it would have. So, I think that is also.

20 And also, the small dollar amount. Although it makes--
21 although to us it is abhorrent--to the Congress, it is
22 abhorrent for senior misconduct, but for many Assistant U.S.
23 Attorneys, it is more dollar value and bang for your buck
24 than it is on actually who commits the offense.

25 Senator McCaskill. Well, the thing I am most concerned

1 about is I understand that there are very few U.S.
2 Attorneys, unless they work in the District of Columbia or
3 someplace where they have primary criminal jurisdiction,
4 that would bend over or pick up something off the floor for
5 a \$7,500 fraud because they typically are focused on much
6 bigger cases.

7 On the other hand, the worst thing that could happen
8 would be for senior leadership to go quietly into the night,
9 and that is why I want to know, what tools do you have to
10 make sure that everyone understands that there was
11 punishment here? I mean, even if they are not going to
12 prison, even if this criminal statute of limitations have
13 run, I need to know what else you can do.

14 General Quantock. Well, there are, of course, many
15 administrative tools in the Secretary's kit bag, to include
16 Promotion Review Boards at the very end of this chain to see
17 if--did they serve at that particular last rank honorably,
18 and it may impact, for example, what you talked about,
19 future retirement benefits.

20 Senator McCaskill. What about the UCMJ? Is it
21 applicable for any of these?

22 General Quantock. Yes, ma'am. However, most of them
23 were in the Guard and most of them are in Title XXXII, non-
24 Title X status. So, it would fall to the Guard to prosecute
25 many of these cases, or in many cases, it is going to even

1 fall to the civilian jurisdiction, civilian courts, to take
2 the majority of these--the vast majority of these cases.

3 Senator McCaskill. Well, for the leadership cases, I
4 am thinking. I would like to explore that further, and we
5 will do some questions for the record, because I have gotten
6 very familiar with the UCMJ on another subject matter and I
7 think it is really important that we utilize it aggressively
8 when we have had leadership that may fall outside of the
9 interests, I mean, because we have a lot of cases that have
10 dual jurisdiction, as you well know--

11 General Quantock. Yes, ma'am.

12 Senator McCaskill. --General. We have lots of cases
13 where the civilian prosecutor could take it or the military
14 could take it. And, frankly, when that occurs, many times,
15 the civilian does not want it, as we have learned in sexual
16 assault. Case after case, the civilian prosecutors say, "I
17 will not touch that," and the commanders have said, we are
18 going to go forward.

19 General Quantock. Roger.

20 Senator McCaskill. We know that has occurred,
21 literally--

22 General Quantock. Yes, ma'am. Of course--

23 Senator McCaskill. --a hundred times in the last few
24 years.

25 General Quantock. --the subject at that time is in

1 Title X--

2 Senator McCaskill. Right. So, you cannot--

3 General Quantock. So that is the Title X-Title XXXII
4 discussion that we always have when we want to take a case
5 that we cannot. So, I agree with you a hundred percent,
6 ma'am. We need to hold our senior leaders accountable, more
7 accountable than anyone else, and we will take for the
8 record where we are at on that.

9 Senator McCaskill. And that we may need to look at, in
10 the Defense Authorization next year, looking at the UCMJ,
11 because I know we are going to continue to be focusing on
12 making sure we have got it right there. It might be that we
13 could do some things that would help.

14 General Quantock. Yes, ma'am.

15 Senator McCaskill. Let us talk a little bit about
16 oversight. The recruiters--this is an interesting part of
17 this problem that I think is not immediately apparent to
18 anyone who happens along this story. That is, the
19 recruiters do not really work for the Army National Guard.
20 They work for each individual Adjutant General in every
21 State, is that correct?

22 General Grisoli. Chairman, that is correct.

23 Senator McCaskill. So, what authority does the
24 National Office of the National Guard have over these
25 recruiters, if any?

1 General Grisoli. Chairman, you are getting at some of
2 the crux of the problem, which is the decentralized
3 execution of this particular contract and not having special
4 management oversight or internal controls, and that, I
5 believe, and we have found, has caused many of the
6 challenges.

7 Senator McCaskill. So, the bottom line is the
8 recruiters in every State work for the Adjutant General in
9 every State who is appointed by that State's Governor and is
10 responsible for hiring the recruiters and overseeing the
11 recruiters.

12 General Grisoli. The States have that requirement, and
13 that is--the central National Guard Bureau or Army Guard
14 assists them.

15 Senator McCaskill. So, that is why we see a wide
16 disparity in some States and other States?

17 General Grisoli. I think that is--it is a training
18 issue, because some States are better than others, and I
19 think that causes a challenge in overall management.

20 Senator McCaskill. Could you speak to that, Mr. Bentz,
21 about the differences in terms of the patterns that you
22 might have seen in terms of--or maybe it is General
23 Quantock--because we have got some States that it looked
24 like a free for all, and then other States where it appeared
25 that there was not this rampant amount of fraud. Could you

1 give us any insight as to what was the difference in terms
2 of the management in the various States in terms of
3 oversight of this contract?

4 Mr. Bentz. I cannot. Our look at the oversight of the
5 contract was really at the Guard Bureau and the folks at the
6 headquarters level, oversight of the contractor. I cannot
7 speak to--

8 Senator McCaskill. Can you, General Quantock, speak to
9 the differences? We had a lot in Colorado. We had a bunch
10 in Texas. There were other States that you did not have as
11 much. I mean, it is almost like word got out and nobody was
12 paying attention, and all of a sudden everybody was, okay,
13 the bank is open. Let us go for it.

14 General Quantock. Ma'am, I have to take that for the
15 record. We looked at this in a holistic sense. We did not
16 really dive down into actually the interaction between the--
17 in each of the States and really make a comparison.

18 Senator McCaskill. Well, I think we need to do that,
19 because I think if we are going to hold people accountable,
20 I think it is very important that in each individual State,
21 the Adjutant General understands what happened under their
22 watch and that they have primary responsibility over these
23 recruiters to have oversight and controls, even though the
24 program was designed in a way that it was very hard to have
25 the adequate controls.

1 You know, people knew this was going on. I mean, there
2 is no way that there was not a culture of people saying,
3 hey, here is the deal. There is a bounty and we know these
4 people are signing up. I mean, my understanding, we even
5 had some high school counselors that were--knew that their
6 kids were interested in the Guard, so they went on and
7 signed up to take credit and get money for these, even
8 though these kids were going anyway. Is that true?

9 General Quantock. Yes, ma'am, that is true.

10 Senator McCaskill. Okay. Let us talk about the lack
11 of controls in the program itself. Mr. Bentz, were you able
12 to--could you, or would it be your responsibility, or did
13 your recommendations include ways that you could design a
14 recruiting program with a reward for a recruiting bonus
15 where you would have some control?

16 Mr. Bentz. We did talk to changes to the contract, to
17 the program, as far as the way the contract is set up and
18 the fee that would be paid related to the contract. We did,
19 obviously, look at the controls. The contractor, obviously,
20 is responsible for controls over execution of the contract,
21 and then the Government has a responsibility to do quality
22 assurance on the contract.

23 Senator McCaskill. How many investigators do you have
24 working this right now, General Quantock?

25 General Quantock. Ma'am, I have 60 full-time

1 investigators working on this. We have brought in from the
2 National Guard, from the Reserve, and some of our CID
3 retiree rolls have come on. So, this is a task force, 60
4 full-time. Now, I also will tell you, many of our agents,
5 or many of our other agents throughout the force are also
6 working it. A total force of about 200, but 60 full-time.

7 Senator McCaskill. And would you state for the record
8 what you believe the total amount of money you estimate the
9 Government has been defrauded under these programs.

10 General Quantock. Right now, it is \$29 million, but
11 the question is--we have cleared about \$203 million. There
12 is a delta of \$66 million that we still--and that is really
13 the further investigations as we go on. But there is, at
14 worst case, we believe, \$66 million as we do the rest of the
15 21,000 that we have to basically vet through and run the
16 criminal investigations, or run the investigations on. So,
17 I would say there is about \$66 million that are still out
18 there in addition to the \$29 million that we have already
19 identified, ma'am.

20 Senator McCaskill. Twenty-nine plus 66, or 66 total?

21 General Quantock. Twenty-nine plus 66.

22 Senator McCaskill. Okay.

23 General Quantock. That is worst case. Many of these
24 folks will have done nothing wrong. These are the medium-
25 and high-risk individuals that we talked about, and--

1 Senator McCaskill. So, it is every medium-risk--

2 General Quantock. It is every medium-, every high-
3 risk--

4 Senator McCaskill. --came into the corral, you would
5 end up--

6 General Quantock. --for all fraud--

7 Senator McCaskill. --with close to a total of \$100
8 million.

9 General Quantock. Yes, ma'am.

10 Senator McCaskill. Which is unlikely, all of the
11 medium-risk are fraud.

12 General Quantock. Yes, ma'am. I would call that very
13 unlikely.

14 Senator McCaskill. Right. So, we are probably talking
15 about, if we had to guess or die, around \$50 million with
16 all of--

17 General Quantock. Yes, ma'am. I think that is a good
18 estimate.

19 Senator McCaskill. Okay. What is the most that any
20 single recruiter defrauded that you have been able to
21 uncover at this point in time? What is the amount that
22 somebody pocketed that was fraudulent? What is the largest
23 amount?

24 General Quantock. I want to say it is around \$35,000,
25 but I will tell you, we have one case with five individuals

1 that is nearly a million, between five individuals.

2 Senator McCaskill. Okay. What percentage of the
3 medium- and high-risk that you have are at danger of running
4 the statute of limitations?

5 General Quantock. I have to take that one for the
6 record, ma'am.

7 Senator McCaskill. Okay. And I think before we have--
8 before I close this part of the panel, I think it is
9 important that we look at what one of these look like, and
10 it does not matter to me which of you take this, but if you
11 would give maybe two different examples of how this fraud
12 occurred so we would have it in the record, so people could
13 envision how this worked and how easy it was to pocket this
14 money fraudulently.

15 General Quantock. Well, ma'am, in your opening
16 statement, you laid out well how this could have happened.
17 Recruiters' assistants were basically anyone, and, of
18 course, if they had access to a great deal of personal
19 information--PII is what we refer to it--and if they were
20 either by themselves, or they could be in cahoots with a
21 recruiter--that is why we have to go through every single
22 recruiter--but they could create an account, register an
23 account, and then anybody that they thought may be able to--
24 and they would be unknowing. They could come into the Army,
25 or into the National Guard, and they would not--they never

1 knew they gave up their PII, their personal information.
2 And that recruiter assistant would basically register them
3 up.

4 And that is sort of how we go after the investigation
5 piece. We have to go back and look at all the people they
6 recruited and find out, you were registered under this
7 recruiter assistant. Did you give your personal
8 information? Did you know that he was registering you to
9 come into the National Guard? And, of course, the vast
10 majority of these individuals, as we go through them, did
11 not know that they had given their PII up to a recruiters'
12 assistant.

13 Now, in some cases, in the bigger cases, not only did
14 they do that, they also were in cahoots with the recruiter,
15 and that is the second type, where the recruiters'
16 assistants were in cahoots with the recruiter. And you
17 could tell that because many of the--when they went online
18 to put their names in the system--all had the same IP
19 address. So, this is not--so, they either had the high IP
20 address or they had many people using the same account
21 information to put the money into.

22 So, that is why you can quickly vet through the low-
23 and the medium- and the high-risk based on how those--how
24 the crime was expected to be--

25 Senator McCaskill. So, you go to the people that are

1 in the Guard and you say, someone recruited you and got paid
2 for it. Do you have any idea who that is? And they are
3 saying, no, I do not know who that is, and nobody recruited
4 me, and I did not give my information to this person.

5 General Quantock. That is correct, ma'am.

6 Senator McCaskill. How would they have gotten this
7 information other than from a recruiter? I mean, I get it,
8 like, maybe you could go hang out in the office and--

9 General Quantock. Well, another example--

10 Senator McCaskill. --who was walking in and then try
11 to claim that you recruited them--

12 General Quantock. Well, if you have a recruiter that
13 is in this, you go into the office, you want to recruit, you
14 give your personal information to the recruiter. The
15 recruiter has his recruiters' assistants out there, and what
16 they can do is give that personal information to the
17 recruiter assistant. He registers and they cut the \$2,000
18 in half.

19 Senator McCaskill. But were there cases--I get the
20 kickback part. I get that a recruiter could easily set up
21 15 recruiters' assistants that were all good friends of his
22 or family members and he could sign up all of--everybody he
23 recruited to get paid by his family members so he could get
24 a kickback. But what about the ones where the recruiters
25 were not enabling this? How would a recruiting assistant

1 get the personal information and get this money unless they
2 were a high school counselor or something like that?

3 General Quantock. Exactly the point. High school
4 counselor or high school principal with all the PII
5 available, knowing their seniors are getting ready to join,
6 want or are interested in joining the military, they already
7 have ready access to the Personal Identifying Information,
8 and that is usually how we saw it, and there are many ways,
9 and a lot of times, they would get the PII, and the person
10 unknowingly would give the PII to them, but did not know
11 what they were going to do with it.

12 Senator McCaskill. I see. I see. Is there anything--
13 so, we have got a number of things for the record, and one
14 of them is I do want to look at the highest rates of fraud
15 in terms of the State-by-State basis so that we can provide
16 some guidance and oversight to these Adjutant Generals,
17 because I am sure the Adjutant Generals are just as
18 mortified and embarrassed as anybody is that knows that we
19 have the best Army in the world and the finest National
20 Guard that anyone would hope for. I want to make sure that
21 we are not forgetting that there is a whole piece of this
22 that is not in Washington.

23 Is there anything else that I have not covered with you
24 or a question I have not answered that any of you want to
25 address before we dismiss you and hear from the next panel?

1 Yes, General Grisoli.

2 General Grisoli. Chairman, I just want to ensure you
3 that we look forward to working with the Subcommittee and
4 yourself as we continue to work through this very
5 complicated challenge. We are concerned, also, about the
6 fraud and the mismanagement and we will work with you openly
7 to make sure that we get this right.

8 Senator McCaskill. Well, and once we finally began to
9 open the spigot, you all have been very, very cooperative.
10 I think there was at the beginning a little bit of denial as
11 to the necessity that our Subcommittee felt like that we had
12 to get all of this out in the open, and it is painful, but
13 sometimes you have got to rip the band-aid off and that is
14 the only way you really get it fixed.

15 Oh, I did not see you here. I want to make sure you
16 get to ask questions.

17 Mr. Bentz, you had one more thing, and then I will turn
18 it over to Senator Ayotte to ask as many questions as she
19 would like.

20 Mr. Bentz. No, ma'am. I was just going to say there
21 was nothing further.

22 Senator McCaskill. Okay. Great. Thank you all for
23 your work, and Senator Ayotte, do you have some questions?

24 Senator Ayotte. I want to thank the Chair very much.
25 This is an incredibly important issue, and I know that you

1 have asked many of these questions.

2 I am really--I am trying to understand, and I think the
3 Chair already covered it--but why it took from CID so long,
4 from 2007 to 2011, to request the Army Audit Agency to begin
5 a fraud risk assessment. So, that is a long time when you
6 have got fraud going on.

7 General Quantock. Yes, Senator, and I will walk you
8 through that. Again, we have--in CID, we conduct 40--over
9 that same period of time, we conducted over 43,000 felony
10 investigations. If you look at how this started, in 2007,
11 we had two CID cases that were related to this, five in
12 2008, two in 2009, and then ten in 2010. So, you can see,
13 these are dots and they were across the United States. So,
14 they would not have been picked up systematically until
15 2010, when one of our agents in the Huntsville office
16 realized, you know, there is some vulnerability in this and
17 we are seeing a little bit more of this kind of problem.
18 So, we need to really take a systematic look at this whole
19 contract, and that is why it was referred to AAA in 2011.

20 Senator Ayotte. So, what about the command structure?
21 Where was the oversight of this? So, I know it is done by a
22 contractor, obviously, the--but when the funds started going
23 out the door much faster than you would have anticipated, as
24 I understood they did--

25 General Quantock. I would have not had oversight of

1 that particular--

2 Senator Ayotte. Yes, but I am talking--

3 General Quantock. We look at it from a criminal--

4 Senator Ayotte. --about in the command structure. You
5 know, one of the things I think we struggle with quite
6 frequently is things that are delegated to contractors, and
7 sometimes the contractors--and I am not being critical of
8 the contractor here. My point is that there are other
9 places where we can be quite critical of contractors across
10 the board, Snowden, other things that this Chair, I know,
11 has spent a lot of time on.

12 How are we conducting oversight of these contractors,
13 so not just your, you know, the transfer to looking at the
14 investigation of it, but there is an oversight function.
15 When the money starts going out the door a lot faster, how
16 is it within the command structure that we did not pick up
17 on that as a raw indicator right there, that something was
18 not quite right, as oversight within the system?

19 Mr. Bentz. Senator, you are correct. On behalf of the
20 Guard Bureau, the oversight of the contract insufficient.
21 The Contracting Officer's representatives that were
22 responsible for that oversight, they believed that the
23 contractor was responsible for the oversight and control of
24 the program.

25 Senator Ayotte. They thought the contractor. They did

1 not realize that they--that we had to oversee the programs--

2 Mr. Bentz. Correct.

3 Senator Ayotte. --because the contractor does not take
4 the same oath that all of you take in terms of overseeing
5 what the contractor does.

6 Mr. Bentz. Correct. Obviously, the contractor has a
7 responsibility to ensure that it has a system of quality
8 control to--

9 Senator Ayotte. Right. But they report to someone
10 within the agency, with the Guard Bureau.

11 Mr. Bentz. Exactly.

12 Senator Ayotte. Okay. One thing that, Lieutenant
13 General Grisoli, in your written statement, you wrote that,
14 quote, "funds were lost due to systematic weaknesses, a
15 general breakdown in sound business processes, and
16 wrongdoing." So, one is oversight within the system and
17 other weaknesses. Can you tell me a little bit about that,
18 and the one thing that I think about as we look at this
19 problem is if the problems are systematic, how can we have
20 confidence that the Army does not have similar problems in
21 other programs when we are talking about systematic
22 problems? So, if you can help me with that, I would
23 appreciate it.

24 General Grisoli. Senator, first, on the question
25 reference other issues, you talked a little about the

1 oversight and the structure. The structure, we found to be
2 not sound.

3 Then, when we took a look at how, and we spoke a little
4 bit about this, how there was oversight for each one of the
5 States, because it was kind of decentralized, what sort of
6 internal controls were placed on that, those were not where
7 they should have been.

8 And then the way we prevent something like this
9 happening in the future is we have what we call Program
10 Management Reviews. We had our Procurement Executive do a
11 Program Management Review on the overall contracting system
12 of the National Guard Bureau. We are working very closely
13 with them to implement that now. They have provided us a
14 corrective action plan. We have accepted that plan and now
15 they are implementing that plan. But we have directed that
16 and they are moving out. So the systematic, the systemic
17 ones that we are concerned about, we are working on fixing
18 those right now so we do not have another sort of--

19 Senator Ayotte. So, you are looking across systems--

20 General Grisoli. Exactly.

21 Senator Ayotte. --not just this particular issue.

22 General Grisoli. Yes, Senator.

23 Senator Ayotte. And, General Quantock, you talked
24 about how the rising rate of incidents really flagged, you
25 know, came to eventually flag this in terms of the criminal

1 investigation. Why is it, though, and maybe you answered
2 this but it would help me to understand, when the money
3 started going out the door on a faster rate and that was not
4 flagged, for example, in the Guard Bureau piece, why was it
5 not that somebody before it got to you all asked the
6 question, well, why is this money going out the door so much
7 faster than we thought it would last us? I am just trying
8 to understand that, because that would have been a question
9 that I would have had, had I been, or any of us, in that
10 situation, wondering, our money is supposed to last us this
11 long and it seems to be going a lot faster than, really, it
12 was supposed to.

13 General Grisoli. Senator, I believe you are getting at
14 another issue as far as internal controls and the feedback
15 loop and properly providing that oversight to track that,
16 and that was another weak area.

17 Senator Ayotte. So, someone just was not tracking
18 that, or how was it not flagged?

19 Mr. Bentz. Senator, part of the responsibility on the
20 Contracting Officer's representative, they did look to the
21 burn rates of how they were going through the funds. They
22 just did not call flags based on what they saw on the burn
23 rates.

24 Senator Ayotte. They just--that did not flag for them?

25 Mr. Bentz. That did not flag.

1 Senator Ayotte. But, this was burning the money much
2 faster than we thought, was it not, as I understood it?

3 Mr. Bentz. I do not believe that was an issue across
4 the program, that the funds were being used more than--more
5 quickly than anticipated.

6 Senator Ayotte. Maybe I misunderstood that, but--

7 General Quantock. I think there is also probably no
8 common flags on the cause, because if you look at--really,
9 when you look at the recruiters, Senator, and the
10 recruiters' assistants, about 105,000 estimate, 81,000 are
11 probably okay.

12 Senator Ayotte. Sure.

13 General Quantock. We have gone through and vetted
14 them. So, when you start looking at the totality of it,
15 there was not really--no red balloons that were up there for
16 us to identify until later on down the road. Even the burn
17 rate, because if the burn rate was below the authorization,
18 then it probably did not send any signals up, either.

19 Senator Ayotte. Thank you. I appreciate it.
20 Obviously, this is something that we need to make sure that
21 the systematic controls are put in place, but also that
22 within the command leadership that this becomes a priority
23 of oversight when we do have contractors.

24 And I think one of the bigger challenges we face, too,
25 is there is sort of this feeling, when the contractor is

1 doing it, they have got it covered, and it has created--
2 there have been multiple examples where--not just within
3 DOD, in other agencies, we have seen some pretty significant
4 problems with this. So, we have to create--if there is
5 going to be a contractor--I think we should ask ourselves,
6 do we need a contractor for this, number one. But, number
7 two, if there is going to be a contractor, so that the
8 leadership is clear what their oversight responsibilities
9 are with that contractor.

10 So, I want to thank the Chair for holding this hearing
11 and really bringing this topic to light, and thank you all
12 for what you do for us.

13 Senator McCaskill. Thank you.

14 Before you all--I want to make sure I clarify this for
15 the record. Mr. Bentz, there was a determination that the
16 whole program violated the Anti-Deficiency Act, correct?

17 Mr. Bentz. They are currently doing a review at our
18 ASA, or Assistant Secretary of the Army for Financial
19 Management and Comptroller, over potential Anti-Deficiency
20 Act violations--

21 Senator McCaskill. Okay.

22 Mr. Bentz. Yes, ma'am.

23 Senator McCaskill. So, that has not been determined
24 yet?

25 Mr. Bentz. That is in process. I believe the

1 completion time frame for that is October of this current
2 year.

3 Senator McCaskill. Okay. Do you want to add anything
4 to that, General?

5 General Grisoli. Chairman, it is a preliminary right
6 now. It is with OSD and the formal should come out on
7 October 14.

8 Senator McCaskill. October 14?

9 General Grisoli. Yes, ma'am.

10 Senator McCaskill. Okay. We will mark our calendar.
11 Thank you all very much. I appreciate your service, and to
12 have somebody in law enforcement and somebody, an auditor,
13 on the same panel makes my day anytime, so thank you very
14 much.

15 Senator Ayotte. Madam Chair, may I submit something
16 just for the record--

17 Senator McCaskill. Sure.

18 Senator Ayotte. --so that it is clear, because there
19 really was a problem with, as I recalled reading, with the
20 rate in which this contract was spent that was not flagged
21 sooner, and I have a document that I would like to submit
22 for the record.

23 [The information of Senator Ayotte follows:]

24 / SUBCOMMITTEE INSERT

1 Senator Ayotte. So, if you all could just address that
2 question for me again in light of this document, I would
3 appreciate it.

4 General Grisoli. Yes, Senator.

5 Senator Ayotte. In written answer.

6 General Grisoli. Yes, Senator.

7 Senator Ayotte. Thank you. I appreciate it.

8 Senator McCaskill. Thank you all very much.

9 We call our next panel of witnesses.

10 [Pause.]

11 Senator McCaskill. I will tell you what. Why do not
12 you all stay standing and we will do the oath first and then
13 I will introduce you and it will keep you from having to get
14 back up.

15 Do you swear that the testimony you are about to give
16 before the Subcommittee will be the truth, the whole truth,
17 and nothing but the truth, so help you God?

18 General Vaughn. I do.

19 Colonel Jones. I do.

20 Mr. Crane. I do.

21 Colonel Hensen. I do.

22 Senator McCaskill. Thank you all.

23 If you would be seated, let me introduce this
24 distinguished panel, first, beginning with Lieutenant
25 General Clyde Vaughn. He retired as the Director of Army

1 National Guard in June 2009 after 40 years of outstanding
2 service to the Guard and to the U.S. Army. As Director,
3 General Vaughn oversaw a force of 350,000 soldiers in 50
4 States, U.S. Territories, and the District of Columbia, and
5 developed and implemented all programs and policies
6 affecting the Army Guard. General Vaughn previously served
7 as Deputy Director of the Army Guard and Assistant to the
8 Chairman of the Joint Chiefs of Staff for National Guard
9 matters.

10 Colonel Michael Jones retired from the U.S. Army in
11 2012, after 27 years of service, and now works in the
12 civilian market to provide veterans, military spouses, and
13 wounded warriors with employment opportunities. Prior to
14 retiring, Colonel Jones served as Division Chief of the Army
15 National Guard Strength Maintenance Division and held
16 positions in the Office of the Secretary of Defense and the
17 National Guard Recruiting and Retention Office.

18 Philip Crane is the President and co-founder of
19 Docupak, a marketing company founded in 1998 with expertise
20 in program management, information technology, and the
21 development of promotional materials. Prior to forming
22 Docupak, Mr. Crane held several positions related to
23 marketing, advertising, sales, and logistics.

24 And Lieutenant Colonel Kay Hensen manages all Federal
25 contract compliance programs for Docupak and previously

1 served. She is retired from the military and previously
2 served in the United States Army Reserve, the Ohio Army
3 National Guard, the National Guard Bureau, and the Montana
4 Army National Guard. During her military service,
5 Lieutenant Colonel Hensen served as a Contracting Officer
6 and expert in contractual planning, proposal writing,
7 compliance, and budget forecasting.

8 I would like to thank all of you for appearing today.
9 We appreciate you being here. I know that you are anxious
10 to help us get to the bottom of this and make sure that we
11 keep this from ever occurring again, and why do we not begin
12 with you. I will take my home State privilege, General
13 Vaughn, and turn it over to the Missourian in the group.

1 TESTIMONY OF LIEUTENANT GENERAL CLYDE A. VAUGHN
2 (RET.), FORMER DIRECTOR, ARMY NATIONAL GUARD

3 General Vaughn. Chairman Senator McCaskill, it is a
4 pleasure to be here. I really mean that. I look forward to
5 testifying and I am proud that you have called this hearing.

6 As you know, I have talked with your staff quite a bit
7 last Tuesday. I had not seen any of the reports that were
8 out there. They got them for me. I had already turned in
9 my statement, so I really want to--I am going to cover some
10 of the things that were in the memorandum from your staff,
11 which are very helpful.

12 Okay. So, the idea for this comes from the States. We
13 were Arkansawing [phonetic] about January of 2006 and the
14 Adjutant Generals brought it to me and said, "You know, if
15 we could recruit from within, if you manage to get to be the
16 Director, then we could make a big difference." Now, what
17 were they talking about? In fact, that particular
18 individual was Major General Hank Cross out of Mississippi.
19 When I became the Director, we were 20,000 soldiers under
20 strength, and as you have said several times, they had a lot
21 of stuff going. To give you an idea, we had over 100,000
22 mobilized all over the world at one time. We had Katrina
23 and Rita hit and we put 50,000 more on the Southern coast.
24 And when we looked around, we only had 275,000 available out
25 of the whole thing. So, we had to get our strength up.

1 You know, we had thought about this comment from the
2 TAGs and we had set out to see if we could figure out how to
3 do that, because it--

4 Senator McCaskill. TAGs, just for the record, General,
5 are--I do not mean to interrupt you, but the TAG is the
6 acronym for the Adjutant Generals in each State.

7 General Vaughn. Exactly.

8 Senator McCaskill. Right.

9 General Vaughn. So, we put the plan together. A lot
10 of--and, again, I have not done any interviews on this, but,
11 you know, there was a PAT that was called in from the
12 States. It was led by my deputy, General Grass. It was
13 staffed very well. If you are asking about the legal and
14 contracting piece, they never worked for me.

15 But there were chops on a document someplace because
16 nothing could possibly come up that far from what you call
17 ASM through the G-1 through the Chief of Staff. You are
18 exactly right. There is always a summary sheet, you know,
19 that shows the chops on it. And the two chops, of course,
20 that you have got to have are contracting and legal, and the
21 authorities, you account for your people to do the right
22 work, you know, and have all that in place. And when it
23 finally gets to you, you have a back brief.

24 We cut an order off of that back brief, got it out to
25 the States. They were very excited about it. There were

1 some other events. I have seen some verbiage and some
2 reports that want to know why I accelerated. That would be
3 a good question to ask, maybe, you know, later on. I want
4 to get through my statement now.

5 But, we moved out and kind of the rest is history. It
6 was a great recruiting program and I do not think you will
7 find too many people that will not state that. We have a
8 recruiting commander in the back from one of the States that
9 is an expert on this program and I think he will tell you
10 exactly that. Some States did a wonderful job with this.

11 I did not know of the irregularities, and, of course,
12 you cannot blame me, because the CID, you know, the
13 Commander just told you how this occurred. We thought we
14 had a great program running. And, I tell you, I reviewed
15 documents on a daily basis, you know, what was happening in
16 the program, and I had a lot of things on my plate, no
17 excuse. Once a month, we had VTCs with all TAGs, with all
18 Adjutant Generals and all the recruiting staffs, and I told
19 them, I said, we have got to catch the first peckerwoods who
20 get out here and mess this thing up for everybody and we
21 have got to prosecute them quickly. And I did that 18
22 months in a row. And if I did not do it, Frank Grass did it
23 as my deputy, or a guy named Jim Nutall. You can find it,
24 exactly where that was done.

25 Now, you asked a question a while ago about the

1 relationships of the TAGs. Obviously, they have got command
2 and control. Well, how did that work? What could we have
3 done? We had done the same thing that Secretary McHugh did
4 with the entire program, you know, when he was alerted to a
5 real problem out there. If we would have known that there
6 was a real problem in this program during the time I was
7 there, we would have shut a State down, which would have
8 been a major embarrassment, because, you see, the power we
9 had where we were at was the power of the purse strings.

10 The burn rate was what it was. I mean, I think the
11 report says we got a soldier for every piece of money that
12 went out there. And, oh, by the way, the \$300,000 that is
13 referred to in your report, that recruited 130,000 soldiers,
14 if you look at that, that only comes up to about \$2,400 a
15 soldier.

16 So, what I am telling you is, at the end of the day, if
17 you are buying tanks and you wanted to buy a thousand tanks,
18 you know, if it had been tanks, we would have gotten a
19 thousand tanks for the money we put out there. I mean,
20 sometimes that case or that point is lost.

21 Now, there was fraud between people that really knew
22 there was fraud, and I do not think when they find them they
23 have any trouble prosecuting them, because, like you say,
24 the trail is there. I mean, it is just--but we did not have
25 a chance to make a mid-course correction because we did not

1 know.

2 Now, who else did not know? Well, if you think about
3 this, the Secretary of the whole Army rolled the same
4 program out along with USAREC over the top of the Army
5 Reserve. Now, last time I was around, the Army Reserve's
6 big program was under the control of the Army under USAREC.
7 You need to check that out, because I am not sure. I have
8 been retired for quite a while, but that is the way it was.

9 So, you ask yourself, how is it that the Director, and,
10 oh, by the way, the two deputies, and, oh, by the way, the
11 Chief of the Bureau and the Secretary of the Army Chief's
12 staff of the Army do not know about this in order to make a
13 mid-course correction?

14 The other thing, of course, you are going down the road
15 on is what were the authorities that they were operating
16 under with all their lawyers--and again, that is a legal and
17 contracting issue that belonged over with the National Guard
18 Bureau.

19 Now, to look at your report real quick, and I know I am
20 running short, but this is very important, especially for
21 some of the things that you covered a while ago. They
22 covered the fact that the CID learned about this in phases
23 all the way out and so it was hard to pick up. Here is an
24 amazing thing, and sometimes we lose sight of this, and I
25 think I have heard you talk about it a couple times and also

1 had the CID agent.

2 They open the cases up on everybody that received
3 payments, of 106,364 individuals, right out of your report.
4 And they also told you a few minutes ago that they had
5 cleared the cases with the exception of 20,000. There are
6 still 20,000 out. That leaves the figure of 1,219 that they
7 are now investigating or have been adjudicated, which means,
8 looking at it from another way around, which I do not see
9 anyplace, and based on what he said, it means approximately
10 84,800, which is 98.5 percent, of our great soldiers and
11 some of the greatest patriots in America did the right
12 things, and there were some dunderheads, you know, about 1.5
13 percent, that have caused us the problems. And by causing
14 us the problems, they shifted money around. And at the
15 center of this, for the most part, were full-time
16 recruiters.

17 But, we do not lose sight of the fact that it was a
18 tremendous recruiting program and we got the people. And we
19 reached 350,000 soldiers in May of 2007. I retired in 2009,
20 and I was dismayed to see that article in the Washington
21 Post, and I kept thinking, what is there that we missed?
22 How in the world did that happen?

23 And so I am pleased that you have had the hearing. I
24 would look forward to talking to anybody in great detail
25 about what occurred here, you know, so it can be sorted out.

1 The one thing, you know, I am not sure it would even
2 have made a difference, but one thing I guess I should have,
3 looking backwards at it, is had an informal relationship
4 with CID. Now, CID, of course, has a command line to the
5 Chief of Staff of the Army and Secretary of the Army. For
6 some reason, you know, I guess if I had to do it--and I know
7 they do not talk to anybody, because you have been in this
8 business, you know, where they are trying to prosecute
9 folks, but somehow, I probably, if I had done anything over
10 again, I would have probably done that, and I still do not
11 know if we would have been able to make course corrections
12 mid-term because of the way it occurred, and it looks like
13 it really peeled out a little later in the cycle past my
14 retirement.

15 That--

16 Senator McCaskill. Thank you.

17 General Vaughn. That concludes--

18 [The prepared statement of General Vaughn follows:]

1 Senator McCaskill. Thank you, General. We will have
2 some questions for you.

3 Colonel Jones.

1 TESTIMONY OF COLONEL MICHAEL L. JONES (RET.),
2 FORMER DIVISION CHIEF, ARMY NATIONAL GUARD
3 STRENGTH MAINTENANCE DIVISION

4 Colonel Jones. Chairwoman McCaskill, Ranking Member
5 Johnson, and members of the Subcommittee, thank you for
6 inviting me to testify before you today to help educate and
7 provide more context of the program.

8 First of all, my name is Michael Jones. I am a retired
9 Colonel from the Army National Guard. I had the honor to
10 work and lead the Army Strength Division between the years
11 of 2006 and 2009.

12 The G-RAP program, to me, I believe, was an excellent
13 program, and as I sit here today, as the General had talked
14 about, dollar for dollar, it was one of the best bang for
15 the buck, as you referred to earlier, ma'am, that the
16 taxpayers had.

17 In 2006, the Department of Defense released a report
18 that said that the Army was paying, on average, \$18,327 for
19 every new accession, and G-RAP reduced that down to
20 approximately \$2,400, a savings of \$15,927, roughly. Now,
21 if you were to say 130,000 accessions, as documented in your
22 staffers' memo yesterday, you can quickly do the math on
23 what that savings was. Well, it is well over a billion
24 dollars of potential savings and real savings for the
25 Government.

1 Despite these savings, and I just have recently heard,
2 when Jackson e-mailed me the notification last Friday, that
3 the Committee had heard or been told of alleged widespread
4 fraud, which, according to the numbers--and, ma'am, Jackson
5 did provide us, and I do not know why the Army did not have
6 it, we do have the State-by-State breakdowns of those
7 percentage of recruiters and those that are still to be
8 adjudicated. So, it is completely analyzed and I am sure
9 that the Army can be provided or will be--or I will provide
10 them what I have got on that State by State.

11 In my opinion, this was a very successful program,
12 perhaps one of the most effective peer-to-peer recruiting
13 programs. After all, these were not our full-time Guard
14 members. These were those citizen soldiers that worked and
15 lived and went to church and school exactly in the places
16 where we needed to be. And in 2005 and 2006 and then on
17 into the Afghanistan surge, recruiting was so difficult and
18 the ability to just pile on deeper and deeper with
19 advertising money and more direct mail, it just was not
20 working. And so the Adjutant Generals came up with a
21 program some have said was ill-conceived. Ma'am, I think it
22 was brilliantly conceived because it allowed us to use the
23 greatest resource we have to tell the Guard's story, and
24 that is that traditional Guard soldier.

25 All I have seen is a claim that there are roughly 100

1 adjudicated cases out of the 130,000. I did hear and
2 respect the general officers that testified, ma'am. I know
3 there is more to be done and it is a process that goes on
4 there. But, based upon what the staffers provided and
5 running the numbers by State, it shows that--and I think
6 General Vaughn talked about it--approximately one percent of
7 potential fraud there, and, ma'am, that is one percent too
8 many. One case is one case too many.

9 It was only yesterday that I realized, or received
10 information which informed that there was alleged direction
11 of the methods and pressure put on contracting. It has also
12 been alleged that there was undue influence and command
13 pressure. Ma'am, this is sheer nonsense, and here is why.

14 According to the reports I have read, those claiming
15 that this happened--these people claiming that had at least
16 seven options available to them if they felt some vague
17 pressure. Number one, they could have looked at me, Colonel
18 Jones, and said, "You are not our boss."

19 Number two, these warranted Contracting Officers could
20 have done the acquisition plan correctly.

21 Number three, these same warranted Contracting Officers
22 could have gone to their senior level of command, of which I
23 was not in. I was on the Army Guard side of command working
24 for my three-star, not on their side of command working for
25 their three-star.

1 Or, they could have gone to the NGB-IG. Or, ma'am,
2 they could have gone to the Army Inspector General. Or,
3 these warranted Contracting Officers could have simply not
4 done it because, ma'am, I had no authority, no control, no
5 supervision, no oversight, and no power to direct them or
6 make them do anything inappropriate.

7 In closing, ma'am, the few comments that have alleged
8 that the concept was not well conceived, I would like to be
9 able to--hopefully, that will come up and talk to you about
10 that.

11 In my opinion, ma'am, Senator, we have done a great job
12 of cooperating with your staff, Jackson and his team--I hope
13 he will corroborate that--and look forward to attempting to
14 address the value of G-RAP, address what I think are some
15 maybe misconceptions, address any issues of weakness.

16 Thank you, ma'am.

17 [The prepared statement of Colonel Jones follows:]

1 Senator McCaskill. Thank you so much.

2 Mr. Crane.

1 TESTIMONY OF PHILIP CRANE, PRESIDENT, DOCUPAK

2 Mr. Crane. Good morning, Chairman McCaskill, Ranking
3 Member Johnson, and Committee members. Thank you for
4 allowing me the opportunity to testify today. I am Philip
5 Crane, President of Docupak, an integrated marketing company
6 founded in 1998 that provides marketing and production
7 capabilities within a single firm to meet client needs with
8 program management design, packaging, production, inventory
9 control, warehousing, and distribution. Our company also
10 provides other services, including information technology,
11 print on demand, and development of promotional products.
12 Docupak does not sell prepackaged products, but tailors our
13 solutions to each individual client's needs.

14 Madam Chairman, at the outset, I would like to correct
15 the record to reflect that it has come to my attention in
16 preparation for my appearance today that we previously
17 stated that the staff that we contacted Army CID initially.
18 As a matter of fact, our review has indicated that an agent
19 within DCIS contacted us and focused on the program with
20 various investigative agencies. We have at all times
21 remained available and transparent to Government authority.

22 Today, I am here to discuss the program that we
23 provided to the National Guard Bureau for the Guard
24 Recruiting Assistance Program. Since the inception of G-
25 RAP, Docupak has established and informed Government and

1 contracting offices of internal controls used to mitigate
2 fraud, waste, and abuse, and through these efforts, we
3 identified and suspected--we identified and reported
4 suspected fraud cases to the Army CID for investigation and
5 potential prosecution.

6 While the contract was terminated for convenience in
7 2012, we have continued to assist Army CID and other
8 Government agencies in identifying potential fraudulent
9 activities. To date, we are aware of approximately 28
10 convicted RAs out of the more than 300,000 that participated
11 in the program. Since its inception, G-RAP has achieved in
12 excess of 149,000 total accessions and achieved a 92 percent
13 successful ship rate to basic combat training.

14 We have consistently made our program records available
15 for review and audits. As I have mentioned in my letter to
16 the Committee requesting the opportunity to testify, our
17 records and our employees remain available to the Committee
18 members at the staff's convenience.

19 Throughout the history of the contract, Ernst and Young
20 was retained to audit and to provide assurance that our
21 company's financial statements were precise, complete and
22 accurate. Those audits include an examination of evidence
23 supporting the amounts and disclosures in our financial
24 statements and an assessment of the accounting principles
25 used by our company.

1 I am truly grateful to the Committee to allow me to
2 testify today. Thank you.

3 [The prepared statement of Mr. Crane follows:]

1 Senator McCaskill. Thank you, Mr. Crane.

2 Colonel Hensen.

1 TESTIMONY OF LIEUTENANT COLONEL KAY HENSEN (RET.),
2 CORPORATE COMPLIANCE OFFICER, DOCUPAK, AND FORMER
3 CONTRACTING OFFICER, NATIONAL GUARD BUREAU

4 Colonel Hensen. Good morning, Chairman McCaskill. I
5 am Kay Hensen, former National Guard Bureau Contracting
6 Officer and now the Corporate Compliance Officer of Docupak.
7 I would like to take a brief moment to provide some
8 background on my experience directly related to my current
9 position at Docupak, where I am responsible for contract
10 procedures and ensuring compliance with applicable laws and
11 regulations.

12 Before my employment with Docupak, I served for 27
13 years in the military. During my tenure in the military, I
14 served various duties, including logistics, administration,
15 contracting, contract policy, and supervisory positions. My
16 last duty assignment was as the supervisory Contracting
17 Officer for the Montana National Guard. After receiving my
18 post-employment clearance from the Montana National Guard
19 Ethics Counselor, I accepted a position at Docupak
20 conducting contract audits, reviewing and updating
21 compliance requirements, and developing corporate policy
22 guides for Government purchasing.

23 I have more than a decade of experience in Government
24 procurement from both a Government and corporate
25 perspective. My areas of expertise include Federal

1 Acquisition Regulation, long-term contractual planning,
2 proposal writing, compliance, negotiations, and budget
3 forecasting. In addition, I have a Level III certification
4 in contracting from the Defense Acquisition University. I
5 received my Bachelor's of Science degree in sociology from
6 Regions College and a Master in Business Administration from
7 Touro University.

8 Today, I am here to discuss my duties as both a
9 Contracting Officer for the National Guard Bureau as well as
10 my current role at Docupak. Thank you for allowing me to
11 participate in this hearing.

12 [The prepared statement of Colonel Hensen follows:]

1 Senator McCaskill. Thank you.

2 I will go over your all's numbers and see the one
3 percent, but our numbers say the G-RAP program, in total,
4 was \$338 million. The Reserve RAP was \$28 million and the
5 Active Army was \$7 million. You add that up, it is just shy
6 of \$400 million. And you just heard the General in charge
7 of all criminal investigations in the Army say that his
8 estimate was this is going to be \$50 million. Well, I am
9 not mathematician, but \$50 million of less than \$400 million
10 is a hell of a lot more than one percent. I mean, that is
11 north of ten percent of the total amount of money spent on
12 this program has been identified as fraud. Now, I do not
13 think you guys think that is acceptable, that level of
14 fraud.

15 Colonel Jones. No, ma'am.

16 Senator McCaskill. Correct?

17 General Vaughn. Ma'am, I was talking about if you take
18 the total number, the 106,000, and you subtract out what
19 they have investigated, you get to a figure of 86,000. Of
20 that, they have cleared 84,800. What he said in here was
21 about 81,000 or 82,000 soldiers they have cleared. And what
22 that means, that 1,219 that is on your document is about 1.5
23 percent of that first tranche of 86,000 people.

24 Senator McCaskill. So, what you are saying is--

25 General Vaughn. I am talking--

1 Senator McCaskill. --the number of people who
2 participated in this--

3 General Vaughn. Yes, ma'am.

4 Senator McCaskill. --was small, but the amount they
5 ripped us off for was pretty darn big.

6 General Vaughn. It could be. It certainly could be,
7 and they could have shifted it around. I do not see the
8 numbers because I do not have access to that.

9 Senator McCaskill. Okay. I wanted to make sure I
10 understood that.

11 General Vaughn. No, I certainly was not claiming it
12 was one percent that was fraudulent.

13 Senator McCaskill. Yes. Okay.

14 General Vaughn. Okay.

15 Senator McCaskill. And, listen, I get it that you
16 incentivize people with money, you are going to get results.
17 I get that. There is no question that you got results with
18 this program. I do not think anybody is here to argue that.
19 What we are here to argue about is whether or not it was
20 designed in a way that would have prevented people making
21 money with not adding value.

22 General Vaughn. Right.

23 Senator McCaskill. It is one thing if somebody goes to
24 their church and recognizes that there is someone there that
25 is an engineer that we need in the Guard and they say to

1 them, hey, have you thought about the Guard, and they bring
2 them in. It is a whole another ballgame when the recruiter
3 is feeding them personal information so they can grab some
4 money off of it when that person was signing up and did not
5 even know who the recruiter was.

6 And the notion that--and I know you all are here, and I
7 am proud of you for being here and you have cooperated, but
8 we have got to realize that this could have been prevented.
9 We could have stopped this from the beginning. This did not
10 have to happen. All you had to do is when a recruiter came--
11 --when a recruit came in, they would be required to name
12 their recruiter, right.

13 General Vaughn. If you are asking the question, and
14 the responsibility for that happens to lay down at the
15 Adjutant General's Office through their command chain. Now,
16 you know, you asked--you hit a great point a while ago.
17 Many, many States are going to come out of this, in my view,
18 pretty good, and why? Because they had great leadership and
19 they had a lot of integrity and they continually talked
20 about the things that you have just addressed. And it all
21 hurts us to hear that, but that is exactly what the issue
22 is.

23 Senator McCaskill. Okay. So--and I have got to argue
24 with you a little bit, Colonel Jones. You said that it is
25 \$18,000 per recruit. Well, you do not do away with some of

1 that base cost if you go totally to a bounty system. In
2 that \$18,000 is the administrative costs of actually
3 processing people through the system, correct?

4 Colonel Jones. Chairwoman McCaskill, I did not mean to
5 argue with you and certainly would never try to argue with
6 you. I was just referring to the number that was put out as
7 the cost per recruit at the time in 2006 that was rising
8 steadily. All of the factors, whether that included the
9 manpower cost--

10 Senator McCaskill. Advertising--

11 Colonel Jones. Yes, ma'am.

12 Senator McCaskill. --marketing--

13 Colonel Jones. Yes, ma'am. But, I do--to the best of
14 my ability, it does not include the manpower cost. But,
15 yes, ma'am, with great respect, ma'am, \$2,400, there was
16 still some additional cost to process them. Yes, ma'am.

17 Senator McCaskill. Right. And, I guess, then, the
18 question is not was the \$2,400 nice and low, but is the
19 \$18,000 too high, and what I would love to do at the end of
20 this whole process is to come up with some recommendations
21 that would be adopted by the National Guard Bureau and by
22 the States and by the Army and the Army Reserves as to how
23 you could run a recruiting program with adequate controls.

24 Colonel Jones. Ma'am, may I address that, ma'am?

25 Senator McCaskill. Yes.

1 Colonel Jones. To echo what you had said, ma'am, the
2 one percent--I just wanted to clarify, because I did not
3 want to in any way mislead you or be disrespectful, ma'am--
4 was I meant the number of people that were involved.

5 Senator McCaskill. The bad apples.

6 Colonel Jones. Yes, ma'am. Ma'am, I am a soldier. I
7 sacrificed. My family sacrificed. And my buddy on the left
8 and right of me, they were not all bad, ma'am. That was
9 what I was trying to say.

10 Senator McCaskill. Of course.

11 Colonel Jones. And, yes, ma'am, a dollar misspent is a
12 dollar misspent, and I apologize for that.

13 Ma'am, back to your question about effectiveness and
14 cost effectiveness, we were converting three-to-one, so for
15 every three what were called potential soldiers, when a
16 recruiting assistant brought in someone, that was one. The
17 next two that came in, so we had three. For every three
18 that were brought in, one became an accession. On all of
19 our other advertising programs, ma'am, and I have enormous
20 documentations down to this particular direct mailing had
21 all of this metrics that I will provide to Jackson, we had
22 that on everything we did. The traditional advertising,
23 which Congress was so gracious--during these years, ma'am,
24 not you, but the Congress was giving us--

25 Senator McCaskill. A huge amount of money.

1 Colonel Jones. It was, what can we avoid to do to
2 avoid a draft, because that was beginning--because of all
3 that was happening, and all of the other traditional methods
4 that had worked, ma'am, honestly, for 20 years--

5 Senator McCaskill. Were not working.

6 Colonel Jones. They were not, and they converted at
7 18-to-one. And that was in General Schoomaker's 2007
8 posture statement. And so, ma'am, you know, this is called
9 a high-risk program. And, ma'am, in my heart, during this
10 period, my boss in the Army and the Congress, we believed--I
11 do not want to put words in the Congress' mouth, but I
12 believed that the highest-risk program was deploying our
13 combat units at 70 or 80 percent end strength, and that is
14 where we were. And that does not excuse anyone, as you
15 said, scheming the system.

16 And, ma'am, during this period, the General talked
17 about that during the time that I was there, that he found
18 out two, five, and two. So, CID only knew about two, five,
19 and two, and they were not even briefing us on what was
20 going on. Ma'am, if we had known that there was even two,
21 five, and two during the time that I was there, that would
22 have been enough to, I think you said, send up a red balloon
23 or flag to say, let us take a look at this and find out--

24 Senator McCaskill. Right.

25 Colonel Jones. --what--okay, where can we make this

1 better, so that what you said is so that the goodness of the
2 program is not shelved because the bad actors that are out
3 there.

4 Senator McCaskill. Right.

5 Colonel Jones. And, ma'am, honestly, we had recruiting
6 assistants that were--I mean, they were in college. They
7 were in the middle of the market. Our recruiters were not
8 there, but they were there.

9 Senator McCaskill. No, I understand. I mean, I--our
10 problem here is not whether or not the idea was a bad idea.

11 Colonel Jones. Yes, ma'am.

12 Senator McCaskill. It is whether or not the execution
13 of the program--

14 Colonel Jones. Yes, ma'am.

15 Senator McCaskill. --was done in a way to prevent
16 fraud. That is why we are here.

17 Colonel Jones. Yes, ma'am, and--

18 Senator McCaskill. And so let me move on--

19 Colonel Jones. Yes, ma'am.

20 Senator McCaskill. --and let me ask Colonel Hensen,
21 with your background, have you read the audit that Mr. Bentz
22 did?

23 Colonel Hensen. I did read it one time, ma'am.

24 Senator McCaskill. Okay. So, I am curious, since you
25 are an expert in FAR, the Federal Acquisition Regulations,

1 did you read that this program did not comply with almost
2 any of them?

3 Colonel Hensen. I left National Guard Bureau in 2006,
4 in January 2006, so all I can speak to is what was going on
5 in the office during my tenure, and I believe when I made my
6 decision to execute that first task order, that I was in
7 compliance with the FAR. And I did have legal and I had
8 policy and my division chief approval in writing prior to
9 making that award.

10 Senator McCaskill. So, you had legal in writing that
11 you could do Docupak on a task order to do this?

12 Colonel Hensen. That is correct.

13 Senator McCaskill. Well, you need to help us find
14 that.

15 Colonel Hensen. I have no access to it at this point.
16 I did call the Contracting Office to make--

17 Senator McCaskill. Because that lawyer is in trouble,
18 because there is no way you could task this off a marketing
19 contract.

20 Colonel Hensen. Under the terms that we were executing
21 that marketing contract to maintain maximum flexibility in
22 developing new programs, new initiatives in order to find a
23 way to recruit in a completely different environment, that
24 contract was used, basically, to investigate and conduct
25 contract research on different new initiatives, and this

1 started off as a lead generation initiative.

2 Senator McCaskill. Were you there when this contract
3 was competed after the task order?

4 Colonel Hensen. No, ma'am, I was not. I was in
5 Montana at that time.

6 Senator McCaskill. Mr. Crane, I want to thank you for
7 your cooperation and thank you for correcting and giving us
8 the information that it was, in fact, the criminal
9 investigation side of the Army that began this as opposed to
10 your company.

11 Having said that, you were here and you heard the
12 testimony from the first panel that you all got an insider
13 position on this competition. Would you--I want to give you
14 the opportunity to address that. Would you quarrel with
15 that, that you had information that no other bidder had?

16 Mr. Crane. Well, the bit of information that we did
17 have that no one else did was we were the incumbent and we
18 had past performance. But beyond that, that was all the
19 advantage we would have had.

20 Senator McCaskill. So, you are maintaining that the
21 only thing about the competition that was unfair was that
22 you were the incumbent?

23 Mr. Crane. Yes, ma'am.

24 Senator McCaskill. But, we have incumbents all the
25 time and the auditors do not find that there was an unfair

1 advantage, that there was information you had that was not
2 shared with the other bidders.

3 Mr. Crane. I am not aware of any information that we
4 would have had that would have been not made public during
5 the solicitation.

6 Senator McCaskill. Well, evidently, the auditors found
7 some that was, so we will hunt that down for you and make
8 sure that you have a chance.

9 And then, you know, I have got a bunch of other
10 questions I need to get to, but some of these just came off
11 your all's testimony. I am a little worried, frankly, and I
12 get the points you are making and you have made them very
13 well, that there are a lot of things about this program that
14 made sense. I get that. But, what worries me a little bit
15 is this--because it reminds me of what I heard around
16 contracting in Iraq from the generals. Not my problem. Not
17 in my command. Not my issue. The warranted Contracting
18 Officers, the notion that this was their problem--do you see
19 any problem with that, that we have got to figure out how
20 every commander in every situation realizes the contracts
21 that are being executed that impact their command have to be
22 their problem?

23 General Vaughn. No, I agree with you. You know, as I
24 discussed earlier, probably, there has to be a staffing
25 document to come all the way up. All our staffing documents

1 carried a chop, you know, from each one of the
2 organizations, whether it was outside of our organization or
3 not. And in this particular one, it was outside of our
4 organization. But it would have carried a chop from them.
5 And to hear Ms. Hensen talk about this thing that there has
6 got to be a document out there, I would say it is absolutely
7 right.

8 And not only that, it had to be coordinated with the
9 same Army that went down the same road in RAP. I mean, that
10 is why if you follow the bouncing ball, I do not quite
11 understand this. It was Army that stood side by side with
12 us and rolled out Army First when we used the G-RAP program,
13 me and the Secretary standing side by side. Now, how can
14 everybody, you know, with a national press conference, stand
15 there and look at that and then some years later say, well,
16 we got that all wrong authority-wise and on and on and on.
17 There is more questions that need to be asked--

18 Senator McCaskill. There is no question, and I agree--

19 General Vaughn. Yes, ma'am.

20 Senator McCaskill. --because the Army did roll it out,
21 although much later than you did, and obviously it was shut
22 down much more quickly. You all had been in operation for a
23 number of years and their time--I think I just said that the
24 amount they spent was \$7 million compared to \$338 million in
25 the Guard--

1 General Vaughn. Yes, ma'am.

2 Senator McCaskill. But, that does not change the fact
3 that they signed up and so there should have been those
4 legal authorizations there just as we are asking those
5 questions of you.

6 General Vaughn. That is exactly right, and I think
7 from a regular authority standpoint, the only they could use
8 was their DEP, I believe, and that was only, like, 500
9 soldiers. In other words, their DEP, Deployed Entry
10 Program. Those were young soldiers waiting to go to basic
11 training, and so they were not Title X soldiers yet and they
12 used them in the same program. But they only used it for
13 500. But, the fact of it is, the Army Reserve moved into
14 the same program, having to use the same authorities with
15 the same oversight.

16 And so as I look at this years later, and anybody that
17 has ever worked with me all the way through, we had never
18 done anything where we pressured someone to do something
19 wrong. And it is an integrity issue and we would not put up
20 with it.

21 Senator McCaskill. In a November of 2005 Operations
22 Order that you issued that established G-RAP, it identified
23 fraud as a potential problem in the contract. Who was in
24 charge? Who did you look to as being primarily responsible
25 for finding or detecting the fraud that you identified when

1 you rolled the program out?

2 General Vaughn. When we rolled the program out, as you
3 have said, we did a risk assessment. We did a hot wash, a
4 red teaming on that, brought all the States in. And, of
5 course, that is exactly where those pieces in the op order
6 came from, and they are all even today talking about how
7 that rolled out. We gave that to the individual States and
8 TAGs and then we set--I have spent one day a month all day
9 with all 54 States and Territories four regions explaining
10 the whole thing. And in every instance that we went through
11 one of these regions, I would say, okay, now, do not forget,
12 do not kill the goose that laid the golden egg here, you
13 know. Stay on top of it. I emphasized every piece of this.
14 And every recruiter out there understood that, and there
15 were States that took the direction on this and moved out
16 and did great things. And then there were other States, as
17 I discussed with you, that the really heartbreaking thing is
18 we did not have a--we did not have a place to make a mid-
19 course correction in this and shut down a program or go in
20 and do some real deep soul searching about what they were
21 doing. And you can only imagine the embarrassment in a
22 State if they were singled out and we had shut them down.
23 We would not have had a problem with that.

24 So, who do we hold responsible? We hold, as the CID
25 agent, or Commander, pointed out, the ultimate

1 responsibility is that TAG, and he has command
2 responsibility down through his recruiting commanders.

3 Senator McCaskill. So, Colonel Jones, did you disagree
4 with the audit finding that there was no effective internals
5 in the program?

6 Colonel Jones. I did, ma'am.

7 Senator McCaskill. You did disagree with that?

8 Colonel Jones. Yes, ma'am.

9 Senator McCaskill. And what were the effective
10 controls that were there?

11 Colonel Jones. Ma'am, the Operations Order clearly
12 spelled out, the FAQ sheets, the G-RAP document spelled out
13 in great detail. It went through and issued, or talked
14 about every question, scenario, level of responsibility,
15 tasked to be taken all the way down to the NCO-IC or the
16 non-commissioned officer. That is the E-8 who runs the
17 recruiters. I mean, it had specifically in there that they
18 were to conduct continuous fraud risk assessment, take
19 proper corrective actions, and notify chain of command, and
20 all the way up the chain of command to the Recruiting and
21 Retention--

Senator McCaskill. Well, it
22 is one thing to say you should not have fraud in the
23 program, but, I mean, an effective control would be
24 something that was required that would ferret out when
25 somebody was sharing personal information in order to get a

1 bounty on somebody that they had not recruited. Was there
2 any control like that at all in this program?

3 General Vaughn. Ma'am, the structural piece that is
4 built in is USP&FO in every State. That is a Title X
5 officer put out there that is owned by the Chief of the
6 National Guard Bureau and detailed out there for that. And
7 inside of his or her--

8 Senator McCaskill. That is a Fraud Prevention Officer
9 for those of us--

10 General Vaughn. Absolutely. He owns--well, you
11 probably know him well in Missouri, you know, but he owns
12 all of the pieces. Now, how is it possible that, for
13 instance, the center core of all these things revolved
14 around full-time recruiters? How is it possible as a front-
15 line supervisor that if there is an investigation going on,
16 or a commander, that he would not have known about the
17 investigation and come up on the other side to the Chiefs of
18 the National Guard Bureau, which you know my ex-boss,
19 General Blum, you know what that would have done over there
20 on that other side. That is an explosion. He did not know--
21 -I do not see how he knew it. I never talked to him.

22 But what I am telling you is, that chain did not work.
23 For what reason, I do not know. I do not know. Today, I
24 still do not know whether CID ever coordinated and talked to
25 the very officer--and I am not trying to push any bucks

1 anyplace. I am just telling you, there were redundant looks
2 and redundant places that we should have been able to get
3 the word and make a correction to this exercise. It did not
4 happen.

5 Now, they say they did not see it, either, and I am
6 telling you, when I left in 2009, it looked like a clean
7 program. They did not pick it up until 2011, obviously.

8 Colonel Jones. Chairwoman, there was one thing that we
9 talked about that we believed would have prevented this, one
10 system, one internal control check. Now, before I get to
11 that one, we had internal control checks within the
12 division. We used the Army's system of record called ARIS
13 [phonetic]. So, that was check number one. Was the
14 accession loaded in there? Did it correlate to recruiting
15 assistance, recruiter's SSI, I mean, Social Security number,
16 their accession load number?

17 Then we said, okay, that is not good enough for
18 payment. Let us wait until it is actually loaded into the
19 SID PERS database, which is the Army Guard's system of
20 record for personnel, because we wanted to say, what happens
21 if there is a system error and something dropped? A payment
22 would be made. That would have been a payment in fraud.
23 So, we waited, and that was approximately 30 days.

24 Senator McCaskill. Right.

25 Colonel Jones. And then we said, okay. Let us give it

1 another 30 days, because, you know, what we used to call it
2 in the recruiting world, buyer's remorse. A kid gets in
3 there, he is ready to go. Bad news on the--

4 Senator McCaskill. Colonel Jones, I get you explaining
5 all that. I get you had controls in there to make sure
6 nobody got paid until somebody actually joined. That is the
7 control you are talking about. We are not talking about
8 that kind of control that was needed.

9 We are talking about the kind of control that somebody
10 was going to join anyway and somebody made five-grand off
11 him joining. That is the fraud. It is not that somebody
12 did not go all the way through ascension and report to basic
13 and actually become a member. It is, in fact, that people
14 that were going to do that anyway, somebody got paid for
15 them doing it that did not deserve it. That was the fraud.

16 So, I get that you had that control in--

17 Colonel Jones. Okay, ma'am.

18 Senator McCaskill. --but nobody put a control in, and
19 did you realize at Docupak that there was no control for
20 that?

21 Mr. Crane. Well, may I take just a moment and walk you
22 through the controls that we did have in place?

23 Senator McCaskill. Sure.

24 Mr. Crane. The first primary function was to determine
25 whether an RA was eligible to participate in the program.

1 That fact was determined by Government supplied data which
2 would give us the duty status of an individual, and if they
3 could not participate, if there were certain programmatic
4 things that they were doing within the Guard, such as if
5 they were associated with a recruiting office, that would
6 eliminate them.

7 Senator McCaskill. Right. You had to eliminate the
8 recruiters.

9 Mr. Crane. Yes, ma'am. So, the first action was to
10 try to make sure that there is a separation off of ARIS
11 files.

12 And then, secondly, we would bounce last names versus
13 last names of recruiters to see if it was a spouse of a
14 recruiter or a sibling or a dependent of a recruiter. This
15 was community-based, so we did run across that. So, they
16 would be disqualified.

17 Secondly, when an RA nominated--

18 Senator McCaskill. And RA stands for recruiting
19 assistant--

20 Mr. Crane. Yes, ma'am.

21 Senator McCaskill. --which were essentially your
22 subcontractors.

23 Mr. Crane. Yes, ma'am. That is correct. So, in order
24 to nominate a potential soldier, you would have to be in an
25 eligible status--

1 Senator McCaskill. Right.

2 Mr. Crane. --and you would have to put in PII of that
3 individual.

4 Senator McCaskill. Right.

5 Mr. Crane. In addition to that information, we
6 required--in the beginning, it was a radio button, seven
7 questions, where you met them, how you met them, and a
8 series of questions. After the program was instituted, I do
9 not remember the exact date, but we did alter that to be
10 able to put in free typing which would require the RA to
11 fill out all of that information prior to it being
12 recognized in our system that it was a legitimate
13 nomination.

14 Senator McCaskill. Okay. So, let me make sure I
15 understand this. In the beginning, you had to answer
16 questions, where you met this person--what else besides
17 where you met them?

18 Mr. Crane. What is most likely their MOS they would be
19 interested in--

20 Senator McCaskill. Okay.

21 Mr. Crane. And I do not remember all seven, and I
22 apologize. What would be a likelihood of a timeframe of him
23 or her--

24 Senator McCaskill. Okay. And then you converted that
25 that they had to write some kind of summary as opposed to

1 answering questions.

2 Mr. Crane. Yes, ma'am.

3 Senator McCaskill. Okay. And what did the summary
4 have to contain?

5 Mr. Crane. It would have to--it would be those same
6 questions, but they would not be fixed questions. They
7 would have to free-type that information in.

8 Senator McCaskill. So, they could--and what kind of
9 check was there that what they put in was true?

10 Mr. Crane. Well, that leads me to where I was headed,
11 and you made mention of it just a few moments about, about
12 trying to recognize and identify things that could have
13 helped eliminate some of the potential fraud. In looking
14 backwards and thinking about this an awful lot over the last
15 week and a half, if we had created an automated response--it
16 could have been an e-mail, because we had to get the
17 potential soldiers' contact information--if we would have
18 sent out a verification e-mail to that potential soldier who
19 had been nominated basically restating the facts that had
20 been put into the system by whom it had been put in by,
21 where they would have to certify the information that we had
22 was legitimate, I think it would have gone a long ways,
23 because--

24 Senator McCaskill. And, you know, this is what kills
25 me about this, you guys. This is, like, basic. I mean, you

1 just assumed that whoever was typing this in was telling the
2 truth, and nobody ever checked to see if they were lying. I
3 mean, you are handing out millions of dollars, no questions
4 asked.

5 Mr. Crane. I would just like to clarify one thing. We
6 did have coordinators on our staff and those individuals
7 were making anywhere from 25,000 to 30,000 phone calls a
8 month, either reaching out to the recruiting assistants to
9 verify information that they had put into our system, and
10 also making attempts to contact the potential soldier.

11 Senator McCaskill. Well, it has got to be really hard
12 to find the soldier at that point in time.

13 Mr. Crane. That is correct.

14 Senator McCaskill. Calling them is going to be hard.

15 Mr. Crane. Yes, ma'am.

16 Senator McCaskill. And, if you are going to call a
17 liar and ask him, are you telling the truth, guess what they
18 are going to say? "Yeah." They are not going to say, "No,
19 I lied." Did it say on the form, after they typed this in,
20 was there anything on there, you can go to prison if you
21 lied here?

22 Mr. Crane. Yes, ma'am. That was in part of our--

23 Senator McCaskill. And that did not stop--that did not
24 stop.

25 Mr. Crane. No, ma'am.

1 Senator McCaskill. Well, I think that requiring some
2 kind of sign-off by the recruit, and, obviously, I think you
3 would need to figure out a kind of control that would not
4 require you to get hold of them in person in light of what
5 we were asking them to then do. I mean, they were in basic.
6 They have been--they are all over the country. But I guess
7 this is why I am frustrated--

8 Mr. Crane. Yes, ma'am.

9 Senator McCaskill. --that these kind of controls,
10 either through contracting at the beginning or through
11 oversight through the program, were never put in place. And
12 there did not appear to be--there was a lot of stovepiping
13 here, a lot of stovepiping.

14 General, you were looking at numbers, and you were
15 looking at your contract requirements, and there was an
16 assumption that Fraud Prevention Officers in the States were
17 aware of what they specifically needed to be looking after.
18 Frankly, they could have taken a random sample of the
19 recruits, and pretty quickly, they would have found out that
20 there was fraud going on. So, that is what is so
21 frustrating about this.

22 I think it is really important for me to point out this
23 quote that you have in your written testimony, Colonel
24 Jones. You said, "Potential wrongdoing on the part of
25 contracted individuals were not believed to be within our

1 authority."

2 Colonel Jones. Yes, ma'am. I should have said
3 subcontractors, because we were not allowed to talk to
4 subcontractors. It should have been subcontractors, and
5 that was a--if I--and what I was meaning that in a context,
6 ma'am, was that that was at the State level to do the Fraud
7 Mitigation Plan, the follow-up, the investigative work to
8 check on what was happening via the contractors.

9 The only way that we could have known for sure, ma'am,
10 was if we had had access to a recruiter's bank account, even
11 non-sequentially named, and could have had a list of bank
12 accounts, and then we could have monitored any transactions,
13 any deposits from a contractor. That would have been the
14 ultimate catch-all to say, okay, that is wrong because you
15 know you are not allowed to be in the program. When
16 discussed, we were told, you cannot have access to anything
17 like that without a court order with a known suspicion of
18 wrongdoing.

19 Senator McCaskill. Well, at that point, did you feel
20 comfortable contacting Criminal Investigation Division of
21 the Army for assistance?

22 Colonel Jones. Well, ma'am, we were told--or, we were
23 not told. They never--I never knew--again, when I was
24 there, the numbers that were available were two, five, and
25 two, that there were a total of nine incidents going on.

1 Senator McCaskill. So, you did not have any sense that
2 this was going on whatsoever, none.

3 Colonel Jones. Well, I had the--what I just told you.
4 It is the same knowledge that CID had, that in 2006, there
5 were two; in 2007, there were five; and in 2009, there were
6 two more. It was not until 2010 and 2011 where they started
7 to see it, and then it started to become more prevalent--

8 Senator McCaskill. Prevalent.

9 Colonel Jones. Prevalent, yes, ma'am. Thank you.
10 Sorry.

11 Senator McCaskill. Well, we have dozens and dozens of
12 pages of deficiencies that the auditors found in the
13 contract, and I--and we have a contractor that it does not
14 appear took as seriously the potential fraud problem here.
15 And I understand, it did not impact your bottom line, other
16 than the fact that it went away. I assume this was a
17 profitable contract for your company.

18 Mr. Crane. Yes, ma'am.

19 Senator McCaskill. So, is there anything that I have
20 not asked about that you feel like that has been
21 characterized unfairly here? I really do think that there
22 is a systematic failure along the way here of people to talk
23 to one another. I think the chain of command got in the way
24 on this one. I think that the decentralized nature of the
25 Guard contributed to the problem. There is a wide variety

1 of things that actually occurred here that allowed this
2 fraud to flourish, and we have got to figure out how to fix
3 it without blowing anything up that we do not want to blow
4 up, and that is where I need you all to give us input. I
5 need you to talk about how you have some kind of ability,
6 some kind of authority over contracting, how you take more
7 responsibility for fraud other than just saying it is the
8 TAGs, because it is not the TAGs' money. This money is all
9 coming out of the central budget, right? This money came
10 straight from Washington, did it not?

11 So, you know, should we not have some kind of fraud
12 oversight in the Guard Bureau here that has the specific
13 responsibility of going out and doing spot audits for
14 programs with this kind of money that is being paid out by
15 civilians who sign up online?

16 Colonel Jones. Yes, ma'am.

17 Senator McCaskill. And is--there is not that position
18 now, I assume.

19 Colonel Jones. I do not think so, not that I am aware
20 of.

21 General Vaughn. No, not that I am aware of. I do not
22 know how the Joint Staff is organized, because, you know, as
23 they deal down to touch the United States Property and
24 Fiscal Officers, for the most part, they mirror whatever is
25 out there. So, you know, I do not know if it exists over

1 there. It certainly did not exist with us other than
2 providing overall guidance, and I think we nailed it pretty
3 good in our op plan, in our op order. In fact, I read
4 somewhere in one of the reports, and I did not know what the
5 heck a QASP was, you know. I mean, we had lots of things.
6 We were dealing with the \$40 billion worth of equipment
7 upgrade and deploying lots of soldiers--

8 Senator McCaskill. No, you had--no, there is no
9 question, your plate was full. That is why I am saying, it
10 appeared that your fraud control was having a VTC with
11 Adjutant Generals every month saying, if you get caught with
12 fraud, you are going to screw this up. Well, with all due
13 respect, General, that is not really aggressive fraud
14 control. I think you were a powerful guy and you were in
15 charge of the Guard Bureau, and not that these TAGs did not
16 need--because you did have the power of the purse. But,
17 having a VTC once a month and saying, do not have any fraud,
18 did not appear to get it done in this instance. And I think
19 we probably need to have a more aggressive fraud structure
20 at the Guard Bureau.

21 General Vaughn. Well, I think that is an excellent
22 point. There is no doubt about it. We certainly would not
23 argue with it at all.

24 Senator McCaskill. Great.

25 General Vaughn. But, it still gets back to the issue,

1 you know, of some States did a remarkably good job, and that
2 is going to come out. And one of the things I look forward
3 to when you finally bring this to an end is what happened
4 out there in all the States.

5 Senator McCaskill. Well, we are going to continue to
6 work on that, and we will publish a ranking of the States
7 when they have gotten to the point that the criminal
8 investigations are completed by virtue of statute of
9 limitations or the investigations being complete. Now, that
10 may not be--they have got a lot of work still to do. In
11 fact, CID let us know that some of these investigations
12 might go all the way to 2016. So, it is going to be a while
13 before the dust settles and we really figure out how many
14 people we are going to put in jail on this. But, at the
15 point in time that it does, then we are going to--we will do
16 a report card and we will go after the States that did such
17 a poor job at this.

18 General Vaughn. You know, if you can really make a
19 difference--and I really hate to see, in spite of everything
20 that has been written about the program, I hate to see the
21 baby thrown out with the bathwater. You asked something of
22 Mike a while ago. I viewed the whole program as a test
23 program as to whether we could move in and cut down the
24 total number of recruiters in our force.

25 Now, when you do this math, you know, if we took, say,

1 the 4,000 recruiters and cut them to 200 and made them
2 general managers out there in the States--and I was working
3 this issue, but we had to make sure that we could pull the
4 whole load and recruit it with the G-RAP force and we
5 basically proved that. But, if you did that, and if you
6 were after 50,000 recruits and you paid them, just using
7 \$3,000 for the math, that is \$150 million, \$150 million.

8 If you took the same 4,000 recruiters and say--and do
9 not use the 18,000, take the other piece out of it, because
10 now I am giving you the admin load in there, and you save
11 the retired pay accrual and panel outs and the whole thing,
12 and just say it is 100,000, and you know as well as I do it
13 is much more than that, okay, that is \$400 million up
14 against 150 using this other system.

15 And then to get out the bigger issue, what if you took--
16 -what if you took all of the Army's stuff, for instance, and
17 just used one advertising system rather than three, and, oh,
18 by the way, what if you could move that over to where that
19 was the program to recruit folks, and that is what we were
20 doing with Active First with Secretary Geren and we proved
21 that we could do it--

22 Senator McCaskill. Well, listen, I think all those--

23 General Vaughn. So, the cost savings is in the
24 billions.

25 Senator McCaskill. Yes, and those are all good ideas,

1 and I hope, and I will convey to Guard leadership currently
2 and to the Joint Chiefs and to the Secretary of Defense and
3 all of them, I do think that there are better efficiencies
4 we can realize out of our recruiting system. I think we
5 have wasted a hell of a lot of money on a lot of things that
6 have not worked. And I am not saying that the premise of
7 this program is valuable. But I will guarantee you this. I
8 am going to yell at the top of my lungs if somebody tries to
9 roll out this program without fraud control in it again,
10 because that is what happened. This program got rolled out
11 and implemented without fraud control, and you cannot do
12 this kind of program without fraud control.

13 I know that we can sit here all day and talk about the
14 value of the premise, but execution is the problem here, and
15 the way it was drawn up and without the controls embedded in
16 it, whether it is more fraud prevention at the States,
17 whether it is oversight of fraud prevention at the Bureau,
18 whether it is requirements in the contract in terms of
19 recruits having to sign off as to who recruited them. There
20 are a variety of things that could be done. I think we need
21 to get to the bottom of all this and get it straightened out
22 before we even start talking about rolling out this program
23 again.

24 But, we are not going to end this hearing without
25 recognizing there is value to the premise. It is a lot more

1 efficient to send people into neighborhoods and to send
2 people into churches and to send people into college
3 campuses that are members of those communities that can sell
4 the Guard much more effectively than putting the name on a
5 video game ad. I am all for that. I am not big on the
6 video game ads, just so you know.

7 Is there anything else anybody wants to add for the
8 record before we conclude the hearing? I really appreciate
9 all of you being here. We will have follow-up questions for
10 the record and this will be a continuing area of focus of
11 investigation for the Subcommittee until we finally get to
12 the bottom of all the fraud that has occurred, and I
13 particularly want to reiterate on the record, until we find
14 out how many of these leaders, how many of these colonels,
15 the major general that has been implicated, how we make sure
16 that they are held accountable, as they have done great
17 disservice to the men and women they lead.

18 Thank you very much.

19 Colonel Jones. Thank you, ma'am.

20 [Whereupon, at 12:06 p.m., the Subcommittee was
21 adjourned.]