



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

OCT 25 2016

The Honorable Claire McCaskill
Ranking Member
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate
Washington, DC 20510-6250

Dear Senator McCaskill:

This is in response to your letter dated September 27, 2016, requesting a review of allegations that a senior Army National Guard general officer improperly accepted a gift from a prohibited source by "living rent-free in a home of a military contractor, Peduzzi Associates, Ltd., that was doing business with the Department of Defense." You asked that we determine whether an investigation into this matter is warranted. You also asked that we review "whether any contracts were solicited or awarded in violation of the Defense Federal Acquisition Regulations due to this relationship."

In response to your letter, we determined that on April 29, 2016, the DoD Joint Staff Inspector General's (IG) office had received a complaint which included the allegation outlined above. The Joint Staff IG had notified the DoD OIG, Investigations of Senior Officials Directorate (ISO) about the complaint. ISO then requested that the Joint Staff IG conduct an investigation and submit a Report of Investigation (ROI) for ISO's oversight review.

On September 13, 2016, the Joint Staff IG forwarded its ROI to ISO for review. Officials within the ISO Oversight Branch reviewed the ROI and concurred with the determination that the improper gift acceptance allegation was not substantiated.

The ROI reported that the contractor home in question belonged to the Executive Vice President for Peduzzi Associates, Ltd. (PAL). The investigation determined that the Army National Guard general officer and the Executive Vice President have a long-standing personal friendship of over 30 years. The Executive Vice President offered the general officer a temporary place to stay while the officer was going through his marital separation and divorce. Accordingly, the investigation determined that the Executive Vice President's hospitality was not a gift from a prohibited source. The hospitality provided was determined to fall under an exception to the general gift prohibition, as outlined by DoD 5500.07-R, "Joint Ethics Regulation (JER)," Section 2635.204(b), which states, "Gifts based on a personal relationship. An employee may accept a gift given under circumstances which make it clear that the gift is motivated by a family relationship or personal friendship rather than the position of the employee."

In addition, the Joint Staff IG identified no contract actions between Peduzzi Associates, Ltd., and the Joint Staff. The Joint Staff IG identified one contract action involving Peduzzi Associates, Ltd., and the National Guard Bureau (NGB). Peduzzi Associates, Ltd., is teamed

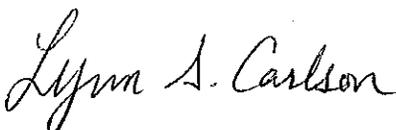
with Management and Training Consultants, Inc., on an NGB Professional Support Services Blanket Purchase Agreement. The investigation determined that the general officer was not involved in this contract action.

ISO oversight officials also reviewed and concurred with the Joint Staff IG conclusions regarding two other allegations. The allegation that the general officer engaged in an adulterous relationship while married was substantiated. The allegation that the general officer improperly arranged government travel to facilitate personal gain was not substantiated. All of the general officer's government travel during the relevant months was for official and authorized purposes in furtherance of Joint Staff missions. As reported in a September 23, 2016, USA Today article, the senior official was removed from his position on the Joint Staff "following an extramarital affair."

For additional information regarding other corrective actions in response to the investigative findings, we recommend that you contact the Department of the Army for a direct reply.

Should you have questions, please contact me at 703-604-8324.

Sincerely,



for Kathie R. Scarrah
Director

Legislative Affairs & Communications

cc:
The Honorable Rob Portman
Chairman