



[REDACTED]

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SAAG-IEZ

3 October 2012

MEMORANDUM FOR

Director of the Army Staff

SUBJECT: Audit of Recruiting Assistance Programs – Active Component
(Project A-2012-IEF-0319.000), Report: A-2013-0001-IEF

1. **Introduction.** This report presents the results of our audit of the Recruiting Assistance Program in the Active Component. We performed the audit at the request of the Secretary of the Army and reviewed program payments made to recruiter assistants who mentored candidates to enlist in the Active Army or the U.S. Army Reserve. The enclosure has detailed results of this audit, which is the second in a series of audits we're doing on Recruiting Assistance Programs and related contracts. Audit Report A-2012-0115-IEF (Audit of Recruiting Assistance Programs – Reserve Components), dated 4 June 2012 presented our results of the program for U.S. Army Reserve Command and the Army National Guard.

2. **Audit Standards.** We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our finding and conclusion based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective.

3. **Background.**

a. After FY 05, the Army National Guard and Reserve Command were below their congressionally approved end strengths by 16,823 and 15,995, respectively. The Guard developed a Recruiting Assistance Program to meet end-strength goals. An adaptation of civilian contract recruiting, the Guard intended the program to leverage Soldiers, families, and military retirees to identify potential enlistees.

b. In 2005, the Guard's contracting office awarded a contract to Document and Packaging, Incorporated (DOCUPAK) to administer the program. The initial contract was an indefinite-delivery, indefinite-quantity task order awarded against an existing marketing contract. The Guard's program commenced during the first quarter of FY 06.

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c. Eligible individuals used DOCUPAK's online system to register as recruiter assistants. After completing training requirements, recruiter assistants became civilian subcontractors to DOCUPAK. These individuals were eligible to receive a payment for mentoring Soldiers who later enlisted in the Army. Recruiter assistants used the online system to enter names of potential enlistees. Using Army personnel systems, DOCUPAK verified the new Soldier's enlistment and accession (travel to basic training). Recruiter assistants received a program payment of \$2,000 for each potential enlistee. DOCUPAK made payments using two electronic funds transfers, paying half after enlistment and half after accession. DOCUPAK invoiced the Army monthly. In addition to reimbursement for the referral payment, DOCUPAK's fee included \$330 for processing each enlistment.

d. In March 2008, U.S. Army Mission and Installation Contracting Command, Fort Knox, Kentucky, awarded a task order against the Guard contract and started using the program in May 2008. The maximum referral payment that U.S. Army Recruiting Command authorized was \$2,000.

e. Beginning in 2007, U.S. Army Criminal Investigation Command (CID) began receiving complaints of fraud from DOCUPAK. After investigating several cases involving Guard and Army Reserve personnel, CID asked our Agency to do an Armywide audit to determine whether the conditions it identified were systemic and to evaluate whether there were weaknesses in the program's internal controls.

3. Objective and Conclusion.

a. **Objective.** To verify that the Recruiting Assistance Program had appropriate controls in place and operating to ensure that only legitimate program payments were made for enlistments.

b. **Conclusion.** Controls for the program weren't operating effectively or recruiting personnel circumvented controls. We conducted a fraud-risk assessment of all program payments made by electronic funds transfer for the Active Army (\$5.2 million in payments for 2,806 enlistments) and found:

- Thirteen recruiters were affiliated with potentially fraudulent recruiter assistant payments.

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- Nineteen recruiters were affiliated with suspicious recruiter assistant payments that warranted further investigation.
- Twenty-eight recruiter assistants were affiliated with program violations.

These conditions occurred primarily because:

- Internal controls weren't in place or operating as intended. In addition, no contracting officer's representative was assigned to the contract.
- Recruiters potentially stole the identity of personnel to circumvent controls or potentially colluded with recruiter assistants to bypass controls. As with any internal control system, individuals can use access to key information or engage in collusive activity to defeat controls.
- Contracts weren't written or overseen effectively. The contracts assigned responsibility for implementing and monitoring controls to the contractor and didn't require reports for potentially fraudulent transactions or individuals. Additionally, the Army didn't ensure that DOCUPAK established a quality assurance surveillance plan.

As a result, the Army didn't have assurance that program payments for enlistments were legitimate. In addition, because controls and oversight weren't sufficient, the Recruiting Assistance Program was susceptible to fraud and abuse.

The Army overpaid DOCUPAK by \$434,545. It paid \$6,575,260 for accessions (\$2,000 for each accession plus a contractor administration fee of 16.5 percent). However, it should have paid \$6,140,715 because, according to its system of record, DOCUPAK paid recruiter assistants \$5,271,000. This amount plus the 16.5-percent administration fee (\$869,715) yields \$6,140,715. Although the Army made the full payment at the enlistment contract date, it wasn't reimbursed by DOCUPAK as it should have been for Soldiers who didn't ship to basic training.

On 9 July 2012, we provided CID with information on 29 recruiters and affiliated recruiter assistants that our fraud-risk assessment identified as receiving potentially fraudulent payments. In addition, on 18 July 2012, we provided the Army with the names of an additional 28 individuals so it can conduct AR 15-6 (Procedures for Investigating Officers and Boards of Officers) investigations.

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4. **Recommendation.** This section summarizes the recommendation detailed in Enclosure 1. Recommendations addressing internal controls were included in the prior report. Also, we didn't make additional recommendations to correct internal controls because the Army's Recruiting Assistance Program is no longer active.

a. **For the Commander, U.S. Army Mission and Installation Contracting Command**

Recommendation 1. Collect the \$434,545 overpayment for canceled accessions.

Command Reply and Official Army Position. Concur. U.S. Army Recruiting Command anticipates validating the finding of overpayments for canceled accessions by 30 September 2012. Mission and Installation Contracting Command Fort Knox will issue a demand letter to DOCUPAK, in accordance with Federal Acquisition Regulation 52.212-4 within 10 business days of Recruiting Command's notification of the amount to recoup. In an e-mail received 2 October 2012, the Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) agreed with the audit observations, recommendation, and command comments. Verbatim comments from Mission and Installation Contracting Command are in Enclosure 2.

Agency Evaluation of Command Reply and Official Army Position.
Command's actions meet the intent of our recommendation.

6. **Remarks.** I appreciate the courtesies and cooperation extended to us during the audit. If you have questions, please contact Mr. Bruce B. Miller at DSN 328-6768 or email at bruce.b.miller.civ@mail.mil.

FOR THE AUDITOR GENERAL:



Encl

JOSEPH MIZZONI
Principal Deputy Auditor General

CF:

Assistant Secretary of the Army (Acquisition, Logistics & Technology)
Assistant Secretary of the Army (Financial Management & Comptroller)
General Counsel



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(Project A-2012-IEF-0319.000), Report: A-2013-0001-IEF

CF (Cont.):

Army Inspector General

Chief of Legislative Liaison

Chief of Public Affairs

Deputy Chief of Staff, G-1

Deputy Chief of Staff, G-8

Judge Advocate General

Director, Army National Guard

Deputy Assistant Secretary of the Army for Budget

Deputy Assistant Secretary of the Army (Cost and Economics)

Director, Program Analysis and Evaluation



Recruiting Assistance Programs—Active Component

Audit Report A-2013-0001-IEF

Project A-2012-IEF-0319.000

3 October 2012

Enclosure 1

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What We Audited



- We performed the audit at the request of the Secretary of the Army and U.S. Army Criminal Investigation Command (CID).
- Beginning in 2007, CID began receiving complaints of fraud referred by Document and Packaging, Inc. (DOCUPAK) concerning the Recruiting Assistance Program (RAP). After investigating several cases involving personnel from the Army National Guard (ARNG) and U.S. Army Reserve (USAR), CID asked us in February 2011 to conduct an audit of the Guard's Recruiting Assistance Program (G-RAP) and the Army Reserve's Recruiting Assistance Program (AR-RAP). The Secretary of the Army expanded the scope of our audit in a 9 February 2012 memorandum to include the Active Army's Recruiting Assistance Program (A-RAP).
- We conducted a fraud risk assessment for recruiting assistance payments made by electronic funds transfer (EFT) for the A-RAP from program inception in May 2008 through October 2010.
- This is the second in a series of audits we're doing on RAPs and related contracts.

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Other Matters



- In a 9 February 2012 memorandum, the Secretary of the Army tasked the Director of the Army Staff to establish and lead a task force to coordinate the efforts of the various Army organizations involved with investigating potential fraudulent activities under the RAP. The Director will serve as the liaison to the Office of the Secretary of Defense.
- This report has information related to potentially fraudulent or abusive activities.
- We omitted details of specific individuals potentially involved in suspicious transactions from this report.
- As with any audit, once we identify potential fraud, Army internal audit policies require us to refer the matter to CID for investigation.
- We don't investigate or confirm whether fraud or illegal acts occurred; that is a law enforcement responsibility. Instead, our audit provides information on whether sufficient and credible evidence exists to warrant investigation.

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Background

Program Intent



- After FY 05, the ARNG and USAR were short of their congressionally authorized end strengths by 16,823 and 15,995, respectively.
- This was a period of rapid end-strength growth and unfavorable recruiting conditions.
- RAP was intended to be an adaptation of civilian contract recruiting and infuse ARNG with new Soldiers to help meet end-strength requirements.
- The program was designed to leverage Soldiers, families, and military retirees to identify potential Soldier recruits.
- ARNG managed G-RAP and USAR managed AR-RAP.

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Background

Contract



- ARNG awarded the current base contract (W9133L-07-D-0007) to DOCUPAK as an indefinite-delivery, indefinite-quantity performance-based contract.
 - The period of performance for the contract was 28 June 2007 to 27 June 2008 with 4 option years available that enabled the Government to extend the contract until 27 June 2012.
 - The minimum contract cost was \$500,000; the maximum contract value was \$472.5 million.
- U.S. Army Accessions Command contracted for A-RAP using a task order awarded against the ARNG's base contract with DOCUPAK.
 - U.S. Army Mission and Installation Contracting Command (MICC), Fort Knox awarded Task Order 2E01 in March 2008 to create the A-RAP. The period of performance was from 1 May 2008 to 30 April 2009.
 - According to the U.S. Army Recruiting Command (USAREC) program manager, the Army started the recruiting program to meet the recruiting requirements during an increasingly difficult environment to enlist Soldiers.
- The value of A-RAP since March 2008 was about \$7.9 million.

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Background

Eligibility



USAREC established program requirements, including eligibility requirements for recruiter assistants (RAs).

- Program rules required face-to-face mentorship with potential enlistees.
- Recruiters weren't eligible to participate as RAs.

As of March 2009	A-RAP
Payment	\$2,000 for referrals.
Eligible Referrals	Non-prior service referrals for the Active Army.
Eligible RAs	Active Army enlisted Soldiers and Regular Army Future Soldiers enlisted under the Delayed Entry Program. Soldiers who wish to participate in A-RAP must follow local command policies and procedures concerning outside employment.
Ineligible RAs	Commissioned officers and warrant officers, Soldiers currently on deployment (until they are redeployed to CONUS), Soldiers serving in a recruiting or retention assignment to include those currently recruiting performing recruiting duty, Hometown Recruiting Assistance Program, Pilot Program, Special Recruiter Assistance Program, Chief of Staff Army-Special Recruiter Assistance Program, Active Duty for Special Work or Temporary Duty to support recruiting.
Payment	Upon a validated contract, the RA will receive an initial payment of \$1,000, with a second \$1,000 payment when the individual ships to initial entry training.

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RAP Process



- Eligible individuals signed up to be an RA using DOCUPAK's Web site.
 - DOCUPAK was responsible for verifying RA eligibility.
 - DOCUPAK hired RAs as civilian subcontractors (in other words, RA duties didn't correspond with an individual's military job assignment).
- DOCUPAK provided one-time, online training for the RA on program rules.
 - The training consisted of modules for responsibilities, eligibility requirements, program purpose and function, RA payment information, and ethics.
 - After completing each module, DOCUPAK required the RA to pass a short quiz.
- RAs would then identify potential enlistees, promote the benefits of service in the Army, work with recruiters to prepare their potential enlistees for processing, and mentor the potential enlistees.

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RAP Process

(Continued)



- Once an RA identified a potential enlistee, the RA entered the following into DOCUPAK's online system:
 - The potential enlistee's personal information to include name and social security number (SSN).
 - Their own SSN and bank account information.
- DOCUPAK made two payments to the RA using EFT:
 - The first-half of the payment occurred after the new Soldier signed an enlistment contract.
 - The second payment occurred after the Soldier's accession (travel to basic training).
- DOCUPAK billed the Army for reimbursement of the RAP payment and a \$330 administration fee for each accession.

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RAP Criteria



- The program established a list of prohibited conduct for RAs. These actions violated program rules and could result in DOCUPAK suspending or terminating the subcontractor relationship with the RA:
 - Recruiting on high school property without the presence of a locally assigned recruiter.
 - Initiating advertisements in newspapers and magazines.
 - Establishing Web sites to procure contract information.
 - Using a nominee's personal information without the informed consent of the nominee.
 - Allowing a third party to have access to a personal A-RAP account.
 - Entering pre-accession nominations (program rules prohibited an RA from inputting a potential enlistee on the same day as the Soldier's enlistment contract).
 - Sharing RAP payments with potential enlistees and/or recruiters.
 - Obtaining referrals for potential enlistees from recruiters.
- We used these program rules as part of our fraud-risk assessment.

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Audit Objective and Conclusion



- Objective: To verify that Recruiting Assistance Programs had appropriate controls in place and operating to ensure that only legitimate program payments were made for enlistments.
- Conclusion: Controls for the Recruiting Assistance Program weren't operating effectively or recruiting personnel circumvented controls. We conducted a fraud-risk assessment of all program payments made by EFT for the Active Army (\$5.2 million in payments for 2,806 enlistments) and found that:
 - 11 recruiters were affiliated with potentially fraudulent RAP payments.
 - 18 recruiters were affiliated with suspicious RAP payments that warranted further investigation.
 - 28 recruiter assistants were affiliated with program violations.

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Audit Objective and Conclusion

(Continued)



- These conditions occurred primarily because:
 - Internal controls weren't in place or operating as intended.
 - Recruiters potentially stole the identity of personnel to circumvent controls or potentially colluded with RAs to bypass controls.
 - Contracts weren't effectively written or overseen.
- As a result, the Army didn't have assurance that program payments for enlistments were legitimate. In addition, because controls and oversight of the RAP weren't sufficient, the opportunity for fraud, waste, and abuse was elevated.
- On 9 July 2012, we provided CID with information on 29 recruiters and affiliated RAs that our fraud-risk assessment identified as receiving potentially fraudulent recruiting assistance payments.
- On 18 July 2012, we provided the Office of the Judge Advocate General with the 28 RAs that our fraud-risk assessment identified as being associated with pre-accessions (nominating a potential Soldier within 24 hours of the enlistment contract date).

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Fraud-Risk Assessment Scope



- We assessed all RAP payments made by EFT for the Active Army from program inception through October 2010. The contractor provided the payment information, which included the RA's SSN and bank account number and the potential Soldier's SSN. USAREC provided the recruiters affiliated with the potential Soldier as documented in the Army Recruiting Information Support System.
- A-RAP had 2,806 enlistments totaling \$5,271,000 in payments to RAs.
- We didn't obtain or assess ARNG payments made via debit card during this audit. In March 2012, we initiated a separate audit of payments made using debit cards.

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Fraud Risk Assessment Methodology



- We assessed all RAP payments to identify high-risk recruiting personnel using tests designed to detect “red flags,” such as potential indicators of identity theft and collusion.
- We used a methodical approach to search for transactions and individuals to identify “red flags.” Specifically, we used data mining to search for transactions and individuals consistent with fraud schemes that CID identified in its initial investigations.
- To perform our tests, we used information from DOCUPAK’s automated system, the Army Recruiting Information Support System (ARISS), and Defense Finance and Accounting Service (DFAS) pay records.
- Using the fraud schemes CID identified and our understanding of the business system used to make payments, we developed specific criteria for categorizing transactions and individuals as high risk, medium risk, and low risk for potential fraudulent activity. We explain the specific criteria for these categories on the next few slides.

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High-Risk Criteria Strong Suspicion of Fraud



High Risk. Individuals and transactions in this category met one or more of four criteria indicating a high potential for fraud.

- Potential identity theft. In these cases, the bank account number in DOCUPAK's payment system associated with an RA matched a recruiter's bank account in the DFAS pay system. However, the SSNs in both systems differed, indicating the strong probability that the recruiter stole the RA's SSN and input it into DOCUPAK's system with an enlistment to receive a payment.
- Shared Bank Account. Some unrelated RAs had shared bank accounts. Those we identified, first nominated a future Soldier, who later became an RA and was identified as having the same bank account as the RA who nominated them. This could potentially be identity theft wherein one RA nominated multiple future Soldiers under the guise of other RAs without raising suspicion about the high number of nominations.
- Shared Addresses. The recruiter and the RA shared the same address. Recruiters could provide names of future Soldiers to an eligible RA with whom they lived to collect a payment.
- Terminated by DOCUPAK for fraud or collusion. CID's initial investigations resulted from tips from DOCUPAK associated with individuals the contractor terminated for fraud or collusion. The resulting investigations led to prosecutions and convictions, indicating a strong probability that other individuals DOCUPAK terminated may have engaged in fraud.

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Medium-Risk Criteria Suspicious Activities



Medium Risk. Individuals in this category met one or more criteria associated with suspicious transactions or activities indicating the potential they may have engaged in fraudulent activity. A suspicious transaction or activity contained unresolved “red flags.” These medium-risk transactions were based on RAs terminated by DOCUPAK or those associated with pre-accessions in which a payment was made.

- *Ineligibility.* DOCUPAK terminated accounts for eligibility violations when it identified individuals who were not authorized to be RAs (that is, the RA didn’t qualify to participate in the program).
- *Bad Contact Information.* DOCUPAK terminated accounts if it couldn’t reach the RA after several attempts.
- *Pre-Accession Nomination.* The program requires a nomination of a future Soldier to be 24 hours before the contract date. If a payment was made on a pre-accession, nomination within 24 hours of enlistment, the risk is elevated to medium.

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Low-Risk Criteria Program Violations



Low Risk. Individuals in this category were affiliated with a pre-accession, but did not receive a payment for the nomination; however, these individuals did receive payments for other nominations.

- Pre-Accession Nomination. The program requires nomination of a future Soldier to be 24 hours before the contract date.

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Fraud-Risk Assessment Results



- Based on the results of our assessment, the following number of recruiters were affiliated with potentially fraudulent or suspicious RAP payments:

Program	High-Risk Recruiters	Medium-Risk Recruiters
A-RAP	11	18
Numbers represent "red-flag" indicators; they are subject to change based on investigation results.		

In addition, the following number of RAs received RAP payments potentially in violation of program rules:

Program	Low-Risk RAs
A-RAP	28
Numbers represent "red-flag" indicators; they are subject to change based on investigation results.	

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U.S. Army Criminal Investigation Command Coordination



- On 9 July 2012, we provided CID with detailed information for the 29 high- and medium-risk recruiters.
- The fact sheets included:
 - Potential fraud scheme.
 - Recruiters affiliated with potentially fraudulent or suspicious payments.
 - All RAs & RAP payments affiliated with the recruiters.
 - Payment details.

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High-Risk Results

Strong Suspicion of Potential Fraud



High Risk

- We assessed RA payments to identify high-risk recruiting personnel using tests designed to detect identity theft and collusion. We identified 11 recruiters potentially participated in these fraud schemes. We tested for identity theft and collusion by: i) matching an RA's bank account number to a recruiter's and/or other RAs; and ii) identifying RAs and affiliated recruiters terminated by DOCUPAK for fraud or collusion.
- We classified these transactions and individuals as high-risk because, in our opinion, there were a limited number of feasible explanations for the "red flags" associated with them as described on the following chart.

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High-Risk Results

Strong Suspicion of Potential Fraud



- 2 recruiters shared a bank account with 2 RAs (potentially using the RA's bank accounts without the RA's knowledge):
 - *Potential Fraud Scheme.* Recruiters enrolled individuals as RAs without their knowledge in the RAP. Recruiters used their own bank information associated with the RA's SSN to divert RAP payments to the recruiters' personal bank accounts. The recruiters received payments from RAP for referring Soldiers (whom they never met) and shared the payments with other recruiters who actually recruited the Soldiers.
- 4 RAs affiliated with 2 recruiters used the same bank accounts to deposit RAP payments:
 - *Potential Fraud Scheme.* The RA stole the SSN of another Soldier and signed the Soldier up (without the Soldier's knowledge) to be an RA. The RA rotated payments among RA SSNs in an attempt to conceal the fraud. Another variation of this scheme involved collusion between a recruiter and several RAs. The recruiter shared enlistee information with RAs and colluded to inappropriately receive payments. The group used one bank account for payments. In both schemes, recruiters gathered information on enlistees in their role as a recruiter.
- 1 RA shared an address with 1 recruiter:
 - *Potential Fraud Scheme.* Suspicion of recruiter sharing future Soldier information with family member who is an RA.
- 5 RAs affiliated with 16 recruiters terminated by DOCUPAK for potential fraud or collusion:
 - DOCUPAK reported 2 of the 5 RAs to CID for investigation. These are part of the San Antonio case. These 2 RAs were affiliated with 10 recruiters already reported to CID; thus, these 10 recruiters and 2 RAs aren't included in the results we'll report to CID. This leaves 3 RAs affiliated with 6 recruiters.

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Medium-Risk Results Suspicious Activities



Medium Risk

- 18 recruiters were affiliated with 14 RAs that were associated with suspicious activities.
- Although transactions and individuals associated with these activities weren't at the highest risk based on potential explanations for the suspicious transactions, we believe they warrant further investigation.

Suspicious Activity	Number of RAs	Explanation of Suspicious Activity	Potential Feasible Explanations for Suspicious Transactions.
Bad Contact Information	4	RA terminated after DOCUPAK was unable to contact the RA with provided information. The RAs were affiliated with 6 recruiters.	Feasible that an RA moved or was deployed but didn't update info in DOCUPAK's system of record.
Ineligible	8	RA terminated after being found ineligible to participate in the RAP. The RAs were affiliated with 10 recruiters.	No payments occurred after termination. Feasible that a DEP Soldier nominated a PS & never shipped to basic.
Pre-Accession	2	RA nominated a future Soldier less than one day of the Soldier's enlistment contract date. The program required nomination 24-hours before the contract date. The RAs were affiliated with 3 recruiters.	Feasible RAs waited until they were assured the PS was going to enlist or just procrastinated entering information into the system of record.

Numbers represent "red-flag" indicators; they are subject to change based on investigation results.

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Low-Risk Results Program Violations



Low Risk

- 28 RAs were associated with a pre-accession nomination (nominated within 24 hours of enlistment contract date) as identified by DOCUPAK. There were 50 recruiters affiliated with these RAs.

The Army should conduct AR 15-6 (Procedures for Investigating Officers and Boards of Officers) investigations to assess whether there was potential fraud or a violation of program rules. If these investigations identify potential criminal activity, the Army should refer the individuals to CID. The Director of the Army Staff already directed AR 15-6 investigations for these individuals; therefore, we aren't making a recommendation to this effect.



Contract Oversight



- There was no contract officer's representative assigned for the A-RAP task order.
- The performance work statement required the contractor to provide the Army with a quality assurance surveillance plan.
- The Army overpaid the contractor by \$434,545. The Army paid the contractor a total of \$6,575,260 for accessions (\$2,000 for each accession plus a contractor administration fee of 16.5 percent). The Army should have paid \$6,140,715 because the contractor paid the RAs \$5,271,000. The Army made the full payment at the enlistment contract date and wasn't reimbursed by DOCUPAK for Soldiers who didn't ship to basic training.
- We identified a future Soldier who was nominated by two different RAs. Both of these RAs received payments for the future Soldier's contract and ship dates. However, the payment dates for the RAs were almost 2 months apart.
- The USAREC program manager tried to provide contract oversight by using reports from DOCUPAK, such as the RA report and the Future Soldier Report. However, the program manager wasn't given enough information to provide sufficient oversight or to prevent fraud in the program.

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Contract Oversight



- According to AR 70-13 (Management and Oversight of Service Acquisitions), sufficient contract oversight consists of creating a plan for surveillance and then performing surveillance efforts in accordance with the surveillance plan. A surveillance plan provides the foundation for comprehensive, systematic monitoring of contract performance and a standard against which actual surveillance efforts can be measured.
- Contracting officers are responsible for ensuring the performance of all necessary actions for effective contracting, ensuring compliance with contract terms, and safeguarding the interests of the United States in its contractual relationships.
- Contracting officer's representatives are responsible for quality assurance surveillance and for maintaining files based on the surveillance reviews.
- According to the Federal Acquisition Regulation, the contractor shall disclose, in writing, to the Office of the Inspector General, and with a copy to the contracting officer, that the contractor has credible evidence that a principal, employee, agent, or subcontractor of the contractor has committed a violation of Federal criminal law involving fraud or a conflict of interest.

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Recommendation



Recommendation 1 (To the Commander, U.S. Army Mission and Installation Contracting Command): Collect the \$434,545 overpayment to the contractor for canceled accessions.

Command Comments and Official Army Position. Concur. USAREC anticipates validating the findings of overpayments for canceled accessions by 30 September 2012. MICC Fort Knox will issue a demand letter to DOCUPAK, in accordance with Federal Acquisition Regulation 52.212-4, within 10 business days of USAREC's notification of the amount to recoup. The Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) provided the official Army position and agreed with the audit observations, recommendation, and MICC's comments.

Agency Evaluation of Command Actions Taken and Official Army Position. Command's actions meets the intent of our recommendation.

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Scope and Methodology



- We performed our audit of RAP for the Active Army from March 2012 to July 2012. We conducted interviews with key personnel at USAREC and at MICC, Fort Knox. We analyzed and reviewed RAP payments for A-RAP made using EFT from program inception through October 2011.
- We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusion based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective.
- We tested the reliability of computer-generated data and found it to be reliable for the purposes of this audit.

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Scope and Methodology



Using data-mining techniques, we performed a fraud-risk assessment of all EFT payments (2,806 enlistments affiliated with payments of about \$5.2 million). We developed the risk assessment in coordination with CID to identify recruiting personnel and payments at the highest risk for fraud. To perform our assessment, we obtained RAP payment data that included SSNs and bank account numbers from DOCUPAK. DOCUPAK maintained payment data for each program in its automated system. We compared payment data to recruiting data recorded in the Army Recruiting Information Support System provided by USAREC to identify affiliated recruiters. We also used exception data and RA termination records maintained and provided by DOCUPAK, contract cancellation records, and personnel data for military occupational specialty and deployment dates obtained from the Personnel Command to complete our assessment. Based on the “red flags” our assessment detected, we categorized recruiting personnel into one of three risk categories—high, medium, or low.

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Scope and Methodology



- To answer our objective we:
- Reviewed statutory and regulatory guidance pertaining to RAPs and contract oversight.
 - Interviewed key contracting and government personnel.
 - Obtained downloads of automated RAP payment data for Active Army from DOCUPAK.
 - Obtained downloads of automated data and hard-copy source documents from Army recruiting and personnel systems.
 - Obtained downloads from DFAS for RA and recruiter bank accounts.
 - Conducted a fraud-risk assessment over all RAP payment transactions using fraud schemes identified by CID and program rules and requirements.
 - Evaluated the sufficiency of internal controls over RAP processes.

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Abbreviations



- A-RAP – Army Recruiting Assistance Program
- ARNG – U.S. Army National Guard
- AR-RAP – Army Reserve Recruiting Assistance Program
- CID – U.S. Army Criminal Investigation Command
- DFAS – Defense Finance and Accounting Service
- DOCUPAK – Document and Packaging, Inc.
- EFT – Electronic Funds Transfer
- G-RAP – Guard Recruiting Assistance Program
- MICC – U.S. Army Mission and Installation Contracting Command
- RA – Recruiter Assistant
- RAP – Recruiting Assistance Program
- SSN – Social Security Number
- USAREC – U. S. Army Recruiting Command
- USAR – U. S. Army Reserve

Providing Solutions for Army Challenges

OFFICIAL ARMY POSITION AND VERBATIM COMMENTS BY COMMAND



REPLY TO
ATTENTION OF:

DEPARTMENT OF THE ARMY
U.S. ARMY MISSION AND INSTALLATION CONTRACTING COMMAND
2219 INFANTRY POST ROAD
FORT SAM HOUSTON, TX 78234-1361

SEP 13 2012

CCMI-DC

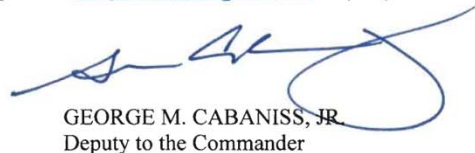
MEMORANDUM THRU Ms. Sonya Moman, Internal Review and Audit Compliance Office,
Army Contracting Command, 3334 Wells Road, Redstone Arsenal, AL 35898

FOR Department of Defense Office of Inspector General, 400 Army Navy Drive (Room 801),
Arlington, VA 22202-4704

SUBJECT: AAA Audit of Recruiting Assistance Program – Active Component
(Project No. A-1012-IEF-0319.000)

1. We appreciate the opportunity to comment on subject draft report. We concur with the recommendation. Detailed comments and corrective actions with implementation dates, where applicable, are enclosed.
2. The Mission and Installation Contracting Command point of contact is Dr. Betty Works, Director, Internal Review and Audit Compliance, betty.works.civ@mail.mil or (210) 466-2419.

Encl


GEORGE M. CABANISS, JR.
Deputy to the Commander

[Auditor's Note: the Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) provided the official Army position in an e-mail received 2 October 2012. The office agreed with the audit observations, recommendation, and command comments.]

Enclosure 2

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MISSION AND INSTALLATION CONTRACTING COMMAND COMMENTS
AAA Audit of Recruiting Assistance Program – Active Component
(Project No. A-1012-IEF-0319.000))

Recommendation: Collect the \$434,545 overpayment for canceled accessions.

Command Comments: Concur. USAREC anticipates validating the findings of overpayments for canceled accessions by 30 September 2012. MICC Fort Knox will issue a demand letter to DOCUPAK, in accordance with FAR 52.212-4, within ten business days of USARECs notification of the amount to recoup.



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