

RECORD VERSION

WRITTEN STATEMENT BY
LIEUTENANT GENERAL WILLIAM T. GRISOLI
DIRECTOR OF THE ARMY STAFF

BEFORE THE
SENATE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON FINANCIAL AND CONTRACTING OVERSIGHT
ON "FRAUD AND ABUSE IN ARMY RECRUITING CONTRACTS"

FEBRUARY 4, 2014

Chairman McCaskill, Ranking Member Johnson, and other distinguished members of the subcommittee, thank you for the opportunity to discuss the Army's Recruiting Assistance Program and the comprehensive Army efforts to detect, analyze, and investigate allegations of fraud. Accompanying me is Major General David E. Quantock, the Army Provost Marshal General and Commander of the United States Army Criminal Investigation Command as well as Mr. Joseph P. Bentz, the Principal Deputy to the Army Auditor General.

Before I discuss the particulars of the Recruiting Assistance Program, I wanted to let you all know that the accusations of fraud and other potentially criminal actions surrounding this program are as disturbing to us as I know they are to you. That is especially so given how within the past few years the Army has had to make some very difficult decisions in prioritizing the funds available to us. We have worked incredibly hard to squeeze every ounce of value from the funds Congress – all of you – provide. In this case, funds were lost due to systematic weaknesses, a general breakdown in sound business processes, and wrongdoing – none of which we will tolerate. So you have my commitment that we will do whatever it takes to put this right, and as you will hear today, we've already done a lot. We will also punish those who have broken the law, and recoup what we can.

The Recruiting Assistance Program, or RAP, was created in 2005 as an innovative way to bolster Army National Guard recruiting efforts in an unfavorable recruiting environment. At the time, tens of thousands of servicemen and women were required to serve extended tours of duty because of a shortfall in troops to relieve them.

The program offered “referral payments” to “recruiting assistants” that referred enlistees to the Guard, Reserve, or Active Component. The idea was to use "peer-to-peer" recruiting to increase the Army's recruiting footprint. This effort was coordinated by a contractor, Document and Packaging Broker Incorporated, or Docupak.

All components of the Army implemented a form of RAP for various periods of time: the Army National Guard from 2005 to 2012; the Army Reserve from 2007 to 2012; and the Active Army from 2008 to 2009. The total program cost was approximately \$459.4M: \$408.7M in the Army National Guard; \$42.6M in the Army Reserve; and \$7.9M in the Active Army. All told, the Army enlisted over 150,000 new recruits through this program. Although the Guard and Reserve met or exceeded recruiting goals soon after implementation, the program was continued without modification. The Active Army discontinued the program once recruiting goals were met in 2009.

In 2007, Docupak alerted the United States Army Criminal Investigation Command (CID) to possible fraud in the Recruiting Assistance Program. CID initiated several potential fraud case reviews. As the number of fraud cases associated with RAP grew over time, in 2011 CID requested the United States Army Audit Agency begin a Fraud Risk Assessment of the program. Upon learning the Army Audit Agency' preliminary results in February 2012, the Secretary of the Army immediately cancelled the Recruiting Assistance Program, directed the recovery of the remaining unexecuted RAP funds, and issued a comprehensive directive to aggressively examine and investigate this complex issue. This directive, issued on February 9, 2012, directed the necessary review and investigative action to determine ultimate responsibility and

accountability for the failures in the RAP, and to initiate appropriate corrective action and preventative measures. Among other things, the directive tasked:

- The United States Army Audit Agency (AAA) to provide a Fraud Risk Assessment and systematic review of the various (all Army components) RAP to include the contract vehicles;
- The Assistant Secretary of the Army for Acquisition, Logistics, and Technology (ASA (ALT)) to review contracting procedures;
- The Assistant Secretary of the Army for Financial Management and Comptroller (ASA (FMC)) to determine possible violations of the Anti-Deficiency Act; and
- The Army CID to investigate individual criminal accountability.

The Secretary was updated by my predecessor on July 1, 2013, and on September 24, 2013 I updated the Secretary of the Army on actions taken as a result of his February 9th directive. He subsequently signed another directive building upon his February 9, 2012 directive to establish corrective actions and ensure individual responsibility and accountability. Many of these actions are ongoing today. Here is a status summary:

- The Assistant Secretary of the Army for Manpower and Reserve Affairs (ASA (M&RA)). Completed providing copies of RAP era policy, guidance, memorandums, and regulations related to recruiting policy, as well as names of the individuals who had responsibility related to recruiting during that period to The Inspector General (TIG).
- ASA (ALT). Completed providing copies of policy, guidance, and regulations related to service contract policy, administration, and oversight of service contracts

in the RAP era to TIG. ASA (ALT) also reviewed the draft National Guard Bureau (NGB) and Mission and Installation Contracting Command Corrective Action Plans in response to the ASA (ALT) Program Management Review. Finally, ASA (ALT) concluded there had been a general breakdown in sound business practices from requirements definition through contract invoicing, and determined statutory, regulatory and policy requirements had been disregarded. ASA (ALT) issued a directive to all Army contracting activities requiring the inclusion of a Federal Acquisition Regulation Clause, Contractor Code of Business Ethics and Conduct, in full text in all contracts. ASA (ALT) is also working with the NGB to develop proper organizational structure, to include oversight, and execution plans for NGB procurement and contracting functions.

- ASA (FMC). Submitted the formal anti-deficiency act (ADA) report to the Army Office of General Counsel for review. The formal report lists the number of Army National Guard ADA violations at 280 with a potential associated dollar value of \$829M. The formal report encompassed all recruiting initiatives reviewed, not just the RAP. This report should be completed in October 2014.
- TIG. Continues to work assignment of accountability by interviewing personnel from ASA (ALT), ASA (M&RA), the United States Army Reserve Command (USARC), and NGB. TIG reviewed over 1000 documents and completed 27 interviews, with potentially 50+ interviews pending. TIG is actively attempting to determine whether there were any senior leader oversight failures, and if so, who was responsible for those failures. TIG investigations are expected to conclude in April 2014.

- NGB. Submitted their comprehensive Corrective Action Plan to ASA (ALT) addressing all their Program Management Review findings for approval. They are also exploring with ASA (ALT) the feasibility of recouping funds related to fraudulent activity. NGB cancelled the National Guard Federal Acquisition Regulation Supplement and issued the new National Guard Acquisition Manual in 2012. They replaced the Head of Contracting Activity and the Principal Assistant Responsible for Contracting.
- CID. Continues to investigate and coordinate prosecution of criminal activity; to date CID has initiated 559 criminal investigations involving 1219 individuals and has evidence to believe the individuals fraudulently received a total of over \$29M which is owed to the US Treasury. As of January 27, 2014, 104 individuals have been held accountable through either the courts or through administrative action by the Army. CID is also exploring the possibility of civil and administrative contractual remedies that may allow for recouping more of the fraudulent RAP payments. They will complete their preliminary assessment of the 12,106 recruiters and 94,329 recruiting assistants to determine criminality in the fall of 2016.
- AAA. Determined the NGB failed to satisfactorily perform acquisition planning, solicit and award contracts, administer contract actions, and oversee contractor performance. AAA provided the names of individuals found to have violated program rules (with no evidence of criminality) to the components for administrative action.

Again, the Army takes this issue very seriously and we are committed to working with Congress on this matter. Already we have responded to requests for information

and documents by your Subcommittee. In addition we have executed several briefings to oversight Committee Professional Staff Members. You have my assurance we will continue to keep you all informed.

In summary, the scope of the Recruiting Assistance Program investigations, reviews, and audits encompasses the entire United States Army. This issue is both complex and far-reaching. The Army has taken aggressive and comprehensive steps leading to corrective actions to prevent future occurrences. The Army is committed to fully determining how this situation developed and identifying individuals who should be held accountable. We are making good progress and I am confident the end result will be substantially improved recruiting and contracting processes in the National Guard Bureau and across the entire Army.

Ms Chairman, Mr. Johnson, and other members of the committee thank you for your time and interest in this matter. We are committed to working with Congress as we move forward on this matter. We look forward to your questions.