

DARRELL E. ISSA, CALIFORNIA
CHAIRMAN

JOHN L. MICA, FLORIDA
MICHAEL R. TURNER, OHIO
JOHN J. DUNCAN, JR., TENNESSEE
PATRICK T. MCHESTRY, NORTH CAROLINA
JIM JORDAN, OHIO
JASON CHAFFETZ, UTAH
TIM WALBERG, MICHIGAN
JAMES LANKFORD, OKLAHOMA
JUSTIN AMASH, MICHIGAN
PAUL A. GOSAR, ARIZONA
PATRICK MEEHAN, PENNSYLVANIA
SCOTT DESJARLAIS, TENNESSEE
TREY GOWDY, SOUTH CAROLINA
BLAKE FARENTHOLD, TEXAS
DOC HASTINGS, WASHINGTON
CYNTHIA M. LUMMIS, WYOMING
ROB WOODALL, GEORGIA
THOMAS MASSIE, KENTUCKY
DOUG COLLINS, GEORGIA
MARK MEADOWS, NORTH CAROLINA
KERRY L. BENTIVOLIO, MICHIGAN
RON DESANTIS, FLORIDA

LAWRENCE J. BRADY
STAFF DIRECTOR

ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
FACSIMILE (202) 225-3974
MINORITY (202) 225-5051
<http://oversight.house.gov>

ELIJAH E. CUMMINGS, MARYLAND
RANKING MINORITY MEMBER

CAROLYN B. MALONEY, NEW YORK
ELEANOR HOLMES NORTON,
DISTRICT OF COLUMBIA
JOHN F. TIERNEY, MASSACHUSETTS
WM. LACY CLAY, MISSOURI
STEPHEN F. LYNCH, MASSACHUSETTS
JIM COOPER, TENNESSEE
GERALD E. CONNOLLY, VIRGINIA
JACKIE SPEIER, CALIFORNIA
MATTHEW A. CARTWRIGHT, PENNSYLVANIA
MARK POCAN, WISCONSIN
L. TAMMY DUCKWORTH, ILLINOIS
ROBIN L. KELLY, ILLINOIS
DANNY K. DAVIS, ILLINOIS
PETER WELCH, VERMONT
TONY CARDENAS, CALIFORNIA
STEVEN A. HORSFORD, NEVADA
MICHELLE LUJAN GRISHAM, NEW MEXICO

January 28, 2014

The Honorable Ray Mabus
Secretary of the Navy
Office of the Secretary of the Navy
2000 Navy Pentagon
Washington, D.C. 20350-2000

Dear Mr. Secretary:

Recent reports in the *New York Times* and the *Washington Post* have described a string of contracting scandals that have engulfed the U.S. Navy. These stories show that the Navy needs to strengthen oversight of its procurement process and implement policies to prevent the waste, fraud and mismanagement of millions of additional taxpayer dollars.

According to a September 2013, story in the *Washington Post*, Leonard “Fat Leonard” Francis, the President and CEO of Singapore-based Glenn Defense Marine Asia Ltd. (GDMA), was arrested after allegedly overbilling the Navy by more than \$20 million. Mr. Francis allegedly defrauded the Navy by increasing the costs of “husbanding” services provided by GDMA. Husbanding contracts, used to provide fresh food, fuel, and other necessities to Navy ships in port, are largely fixed-price contracts that provide some flexibility for contractors to increase the price of goods and services when necessary. GDMA, however, ruthlessly exploited these provisions by forging hundreds of invoices and other documents to overcharge for fuel, food, and port services.¹ The firm apparently submitted the same false invoices for reimbursement repeatedly. Despite its poor performance on previous contracts—and a criminal investigation that began in 2009—GDMA continued to be awarded contracts from the Navy.²

In addition to fraudulently inflating the price of goods and services provided under the husbanding contracts, Mr. Francis is also alleged to have received “inside” information including classified reports of ship movements and scheduled port visits. Several Navy officers illegally

¹ Craig Whitlock, *Navy Fraud Case Prosecutors: Contractor Got More Work Despite Poor Performance*, WASH. POST, Dec. 4, 2013, http://www.washingtonpost.com/world/national-security/contractor-bilked-navy-in-excess-of-20million-prosecutors-say-in-court-filing/2013/12/04/b3f0f86a-56b2-11e3-835d-e7173847c7cc_story.html?hpid=z4.

² *Id.*

funneled this information to Francis to give GDMA an advantage in bidding for contracts.³ In exchange, Francis allegedly provided female escorts, cash, paid travel, and other bribes to Navy officers and enlisted personnel. According to the *Washington Post*, two Navy Commanders have been arrested, and two Captains and two Admirals have been suspended pending the completion of an ongoing investigation.⁴

Mr. Francis appears to have avoided detection for years by bribing John Beliveau II, a supervisory special agent with the Naval Criminal Investigative Service. Agent Beliveau, who pleaded guilty last month, leaked information about NCIS investigations to Francis, allowing Francis and GDMA to avoid multiple criminal investigations.⁵ In return, Francis provided female escorts, cash, and “other favors” to Agent Beliveau.⁶ NCIS ultimately arrested Mr. Francis after a sting operation in which investigators planted false information in a case file that Agent Beliveau passed to Francis.⁷

Naval contracting problems, however, are not limited to GDMA. Nor is GDMA the only contractor taking advantage of Navy husbanding contracts. In November 2013, the Navy suspended Inchcape Shipping Services, one of its main supply firms in the Middle East and Africa, due to a civil fraud investigation by the Department of Justice based on allegations that the company repeatedly overbilled the Navy.⁸ In addition, on January 15, 2014, Acting Under Secretary Robert Martinage, the Navy’s second-ranking civilian, resigned due to his role in approving a “mysterious” operation to acquire firearm silencers from an auto mechanic.⁹ Three senior Navy intelligence officials involved in that operation—including the mechanic’s brother—are under investigation for charging the military \$1.6 million for homemade silencers that cost only \$8,000 to manufacture.¹⁰

This trend of contracting fraud and mismanagement call for closer scrutiny of the Navy’s contracting practices and oversight. I understand that you have ordered a team of contracting officials to examine deficiencies in how the Navy awards husbanding contracts and to propose

³ Craig Whitlock, *U.S. Navy Moles Helped Malaysian Businessman Bilk Service, Prosecutors Say*, WASH. POST, Nov. 7, 2013, http://www.washingtonpost.com/world/national-security/us-navy-moles-helped-malaysian-businessman-bilk-service-prosecutors-say/2013/11/07/17ed0960-47d3-11e3-a196-3544a03c2351_story.html.

⁴ Craig Whitlock, *Navy Suspends Another Officer in Bribery Investigation*, WASH. POST, Nov. 21, 2013, http://www.washingtonpost.com/world/national-security/navy-suspends-another-officer-in-bribery-investigation/2013/11/21/f6467094-52ea-11e3-9fe0-fd2ca728e67c_story.html.

⁵ Craig Whitlock, *NCIS Agent Implicated in Navy’s ‘Fat Leonard’ Scandal to Plead Guilty*, WASH. POST, Dec. 12, 2013, http://www.washingtonpost.com/world/national-security/ncis-agent-implicated-in-fat-leonard-scandal-to-plead-guilty/2013/12/12/c9aa0954-6336-11e3-91b3-f2bb96304e34_story.html.

⁶ *Id.*

⁷ Hon. Ray Mabus, Sec’y of the Navy, Press Briefing Tr., Dec. 20, 2013, <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=5346>.

⁸ *Amid Scandal, Navy Secretary Announces Contracting Overhaul*, San Antonio Express-News, Dec. 20, 2013, <http://www.expressnews.com/news/us-world/us/article/Amid-scandal-Navy-secretary-announces-5083648.php>.

⁹ Craig Whitlock, *Navy’s Second-Ranking Civilian Resigns Amid Criminal Investigation*, WASH. POST, Jan. 15, 2014, http://www.washingtonpost.com/world/national-security/navys-second-ranking-civilian-resigns-amid-criminal-investigation/2014/01/15/9305ece2-7df8-11e3-93c1-0e888170b723_story.html?hpid=z4.

¹⁰ *Id.*

changes to make the Navy less susceptible to fraud.¹¹ Part of this review will involve collecting data about the costs of provisions and equipment at foreign ports.¹² Given the amount of money the Navy spends on husbanding services, it is surprising that the Navy has not previously collected this data. While I am pleased that you have recognized that the Navy's contracting practices must change, I am concerned that these reviews will not go far enough.

In April 2011, after yet another contracting scandal—this one involving \$18 million in contracting kickbacks—you appointed a special panel to improve contracting oversight and pledged to improve contracting practices.¹³ Nearly three years after this pledge, however, significant problems remain and it does not appear that the process has improved significantly.

Therefore, I request the Navy provide a detailed briefing to Committee staff to discuss the steps the Navy has taken since April 2011 to combat contracting fraud. This briefing should include information on recommendations made by the special panel appointed in April 2011. Your staff should contact the Committee as soon as possible, but by no later than January 30, 2014, to arrange this briefing.

In addition, by no later than February 6, 2014, please provide to the Committee copies of all contracts between the Navy and Glenn Defense Marine Asia Ltd. dated between January 1, 2009, and the present. Please also provide a list of the Navy's total expenditures on husbanding services for the last five fiscal years.

The Committee on Oversight and Government Reform has a long history of investigating contracting fraud across the federal government, and is well positioned to discuss "best practices" the Navy can implement to improve its processes going forward. The Committee is the principal oversight committee of the House of Representatives and may at "any time" investigate "any matter" as set forth in House Rule X. An attachment to this letter provides additional information about responding to the Committee's request.

When producing documents to the Committee, please deliver production sets to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2471 of the Rayburn House Office Building. The Committee prefers, if possible, to receive all documents in electronic format.

¹¹ Hon. Ray Mabus, Press Briefing Tr., *supra* note 7.

¹² *Id.*

¹³ Craig Whitlock, *Senior Navy Civilians Investigated in Alleged Scheme to Defraud Military for \$1.6 Million*, WASH. POST, Nov. 12, 2013, http://www.washingtonpost.com/world/national-security/senior-navy-civilians-investigated-in-alleged-scheme-to-defraud-military-for-16-million/2013/11/12/74383ffa-4bbb-11e3-9890-a1e0997fb0c0_story.html.

The Honorable Ray Mabus

January 28, 2014

Page 4

If you have questions about this request, please contact Ashley Callen or Jennifer Barblan of the Committee staff at (202) 225-5074. Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Darrell Issa", written over a blue horizontal line.

Darrell Issa
Chairman

Enclosure

cc: The Honorable Elijah E. Cummings, Ranking Minority Member

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6143

Majority (202) 225-6074
Minority (202) 225-6051

Responding to Committee Document Requests

1. In complying with this request, you are required to produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You should also produce documents that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party. Requested records, documents, data or information should not be destroyed, modified, removed, transferred or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization or individual denoted in this request has been, or is also known by any other name than that herein denoted, the request shall be read also to include that alternative identification.
3. The Committee's preference is to receive documents in electronic form (i.e., CD, memory stick, or thumb drive) in lieu of paper productions.
4. Documents produced in electronic format should also be organized, identified, and indexed electronically.
5. Electronic document productions should be prepared according to the following standards:
 - (a) The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
 - (b) Document numbers in the load file should match document Bates numbers and TIF file names.
 - (c) If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.
 - (d) All electronic documents produced to the Committee should include the following fields of metadata specific to each document;

BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH,
PAGECOUNT, CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE,
SENTHOUR, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM,

CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE, DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD, INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION, BEGATTACH.

6. Documents produced to the Committee should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, box or folder is produced, each CD, hard drive, memory stick, thumb drive, box or folder should contain an index describing its contents.
7. Documents produced in response to this request shall be produced together with copies of file labels, dividers or identifying markers with which they were associated when the request was served.
8. When you produce documents, you should identify the paragraph in the Committee's schedule to which the documents respond.
9. It shall not be a basis for refusal to produce documents that any other person or entity also possesses non-identical or identical copies of the same documents.
10. If any of the requested information is only reasonably available in machine-readable form (such as on a computer server, hard drive, or computer backup tape), you should consult with the Committee staff to determine the appropriate format in which to produce the information.
11. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.
12. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) the privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author and addressee; and (e) the relationship of the author and addressee to each other.
13. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (stating its date, author, subject and recipients) and explain the circumstances under which the document ceased to be in your possession, custody, or control.
14. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you are required to produce all documents which would be responsive as if the date or other descriptive detail were correct.
15. Unless otherwise specified, the time period covered by this request is from January 1, 2009 to the present.
16. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data or information, not produced because it has not been

located or discovered by the return date, shall be produced immediately upon subsequent location or discovery.

17. All documents shall be Bates-stamped sequentially and produced sequentially.
18. Two sets of documents shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When documents are produced to the Committee, production sets shall be delivered to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2471 of the Rayburn House Office Building.
19. Upon completion of the document production, you should submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control which reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

Schedule Definitions

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (e-mail), contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, email (desktop or mobile device), text message, instant message, MMS or SMS message, regular mail, telexes, releases, or otherwise.

3. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.
4. The terms “person” or “persons” mean natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, or other units thereof.
5. The term “identify,” when used in a question about individuals, means to provide the following information: (a) the individual's complete name and title; and (b) the individual's business address and phone number.
6. The term “referring or relating,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is pertinent to that subject in any manner whatsoever.
7. The term “employee” means agent, borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, permanent employee, provisional employee, subcontractor, or any other type of service provider.