



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

REPORT OF INVESTIGATION

<b>Case Title</b> [REDACTED]	<b>Case Number</b> PI-PI-11-0377-I
<b>Reporting Office</b> Program Integrity Division	<b>Report Date</b> May 31, 2012
<b>Report Subject</b> Report of Investigation	

**SYNOPSIS**

We initiated this investigation at the request of the U.S. Department of State (DOS) Office of Inspector General (OIG) to review allegations of wrongdoing by several officials in their Executive Office's Administrative Operations (AO) section. The complaint referred by DOS OIG alleged that AO section staff—

- contracted for renovations in the Office of Investigations workspace that were of poor quality;
- permitted Government purchase cards to be misused when paying for the work;
- inappropriately used personal services contracts to hire outside contractors; and
- incurred excessive expenses for carpet cleaning in the workspace.

We determined that between January 2008 and September 2010, DOS OIG awarded seven contracts to Nello Wall Systems, one of which covered the investigative workspace renovation. Nello subcontracted with Griff Enterprises LLC for delivery and installation. In six of the seven contracts, we found potential violations of the Federal Acquisition Regulation and titles 18 and 41 of the U.S. Code.

We further determined that AO hired contractors using personal services contracts and made them responsible for aspects of the workspace renovation. The contractors received executive salaries not commensurate with their administrative duties they conducted. Their contracts were not renewed, and they no longer perform services for DOS OIG.

Our review of DOS OIG purchase card use also revealed that several purchase cardholders made purchases that appear to violate the Competition in Contracting Act. Credit card purchases totaling

\$331,677.22 appeared to violate purchase card or procurement regulations. Allegations of excessive expenses for carpet cleaning have not been investigated by this office. At the request of DOS OIG, the investigation is being returned to their office for completion.

This report represents a preliminary investigation into issues surrounding the allegations received by DOS OIG. We have outlined what we have learned so far, and what we think still needs to be completed. Gaps of information that appear in the “Details of Investigation” section represent unanswered questions that require further work from DOS OIG.

### BACKGROUND

The U.S. Department of the Interior (DOI) Office of Inspector General (OIG) opened this investigation at the request of the U.S. Department of State (DOS) OIG to provide an independent review of allegations involving several officials from the Executive Office’s Administrative Operations (AO) section.

The AO handles contracts, purchases, office space planning, and renovations for DOS OIG. When we started our investigation, DOS-OIG, AO personnel included—

- [REDACTED], who
- [REDACTED]
- [REDACTED].

Miracle System employees assigned to AO:

- [REDACTED] and direct report to [REDACTED] who began working for [REDACTED], was initiating personal service contracts at the direction of [REDACTED] providing telephone support, and handling maintenance requests;
- [REDACTED] who began working for [REDACTED], with responsibility for [REDACTED];

The two primary companies that the AO section contracted with were—

- Nello Wall Systems, [REDACTED], which manufactures furniture and wall systems and has held a General Services Administration (GSA) contract for 20 years; and
- Griff Enterprises LLC, a minority, woman-owned business [REDACTED], with [REDACTED] Nello Wall Systems. [REDACTED], while Nello, which had the GSA contract, accepted the contract and then subcontracted the installation to Griff.

A confidential source (CS) provided us with information about AO’s organization (**Attachments 1 and 2**) and practices. The CS explained that [REDACTED] had a personal friendship strengthened by regular socializing that made them difficult to work for. [REDACTED] treated [REDACTED] as

if [REDACTED] were a senior employee. [REDACTED] also gave [REDACTED] similar recognition since he belonged to [REDACTED] social group. The CS said [REDACTED], another contractor, had attended the same high school and that [REDACTED] lived near one another.

The CS first noticed problems in AO when [REDACTED] asked that payment for five visitor parking spots be entered into ARIBA, the DOS acquisition database, even though two parking spots already had been included in the DOS OIG building lease. The CS said [REDACTED] and her subordinates used these two parking spaces, as well as the new ones, instead of reserving them for visitors and senior management who visited the building. The CS told us [REDACTED] controlled the passes for these spaces because she routinely directed the CS to take passes to the front office for visitors. The CS stated that [REDACTED] regularly used the parking passes.

The CS told us that on Friday nights, Saturdays, and Sundays, [REDACTED] scheduled overtime for AO employees overseeing renovation projects—only [REDACTED], and [REDACTED] received the overtime. In May 2011, on a Sunday morning, the CS also witnessed [REDACTED], and [REDACTED] eating pizza and drinking liquor with Griff Enterprises' [REDACTED] while working over time during the installation of new furniture.

[REDACTED], DOS OIG, provided additional background. He said that he managed [REDACTED] for approximately [REDACTED] (Attachments 3 and 4) and that [REDACTED] “could be difficult at times.” He said [REDACTED] had a “gruff exterior,” possibly intimidating to some in the OIG community. [REDACTED] said he talked with her about how [REDACTED] dealt with people and suggested she be more diplomatic, but he never gave [REDACTED] a verbal warning for [REDACTED] behavior. Instead, he gave [REDACTED] an “excellent” or “outstanding” evaluation during each rating period because he did not feel like fighting. [REDACTED] stated that he should have rated [REDACTED] as “satisfactory.”

## **DETAILS OF INVESTIGATION**

We initiated this investigation on April 28, 2011, at the request of DOS OIG in response to allegations that AO section staff—

- contracted for renovations in the Office of Investigations workspace that were of poor quality;
- permitted Government purchase cards to be misused when paying for the work;
- inappropriately used personal services contracts to hire outside contractors; and
- incurred excessive expenses for carpet cleaning in the workspace.

We served 10 OIG subpoenas, conducted more than 20 interviews, reviewed network and email accounts, examined 9 contract files, and reviewed DOS OIG Government purchase card transactions. Although we primarily investigated contractual relationships that contributed to the poor quality of the Investigations workspace renovation, we also investigated potential administrative violations, misuse of purchase cards, an unauthorized commitment to a contractor, and additional project costs. Our work represents only a preliminary investigation into the issues associated with these allegations.

### **Renovations of Office of Investigations Workspace at the DOS OIG Rosslyn Facility**

#### ***Overview***

When we began this investigation, we focused on the contract between DOS OIG and Nello for the Investigations workspace renovation. We quickly determined, however, that we needed to identify the

number of times DOS OIG contracted with Nello and used Griff as the subcontractor. We determined that in January 2008, DOS OIG contracted with Nello/Griff for the first time (**Attachment 5**). As our investigation progressed, we included a review of six other contracts between DOS OIG and Nello/Griff, making a total of seven contracts to the same contractor and subcontractor (**Attachments 6-11**).

	<b>Contract Number</b>	<b>Purpose</b>	<b>Date of Award</b>	<b>Amount Awarded</b>
1	SAQMMA08F3488	Office Furniture for OIG (DC – SA-3)	1/25/2008	\$15,887.43
2	SAQMMA09F2406*	8 Cubicles for OIG/INV (VA – SA-39)	7/29/2009	\$47,877.11
3	SAQMMA09F2880*	Upgrade Cubicles for OIG Suite 810 (VA – SA-39)	8/26/2009	\$154,297.84
4	SAQMMA09F4066	Mark Taylor’s Office Space (VA – SA-39)	9/24/2009	\$10,133.44
5	SAQMMA10F2653	OIG Conference Room Furniture (VA – SA-39)	7/23/2010	\$34,106.40
6	SAQMMA10F4883*	Office Renovation of OIG/EX (VA – SA-39)	9/27/2010	\$450,116.59
7	SAQMMA10F4945*	Office Renovation of OIG/INV (VA – SA-39)	9/27/2010	\$360,760.09
	<b>Total</b>			<b>\$1,073,178.90</b>

*Agent’s Note: \* Denotes the appearance of a Federal Acquisition Regulation (FAR) violation. Hereinafter contracts are referred to by numbers 1-7.*

It appears that four of the seven contracts awarded to Nello/Griff between January 2008 and September 2010 were awarded without full and open competition, which could violate the FAR. During our review of contracts 2 and 3, we found Nello to be the highest bidder, although DOS OIG justified the awards based on timeliness and quality. DOS OIG also justified awarding Nello contract 5 without full and open competition, basing it on Nello being a provider of Krug furniture. We learned, however, that Krug also holds a GSA contract, which would have allowed DOS OIG to have purchased directly from Krug (see Attachment 9). Contracts 6 and 7 also cited timeliness and quality as reasons for the awards, although Nello/Griff’s work demonstrated neither (see Attachment 10 and 11).

Potential criminal violations resulting from these contracts include: conflict of interest (18 U.S.C. § 201), disclosure of confidential information (18 U.S.C. § 1905), kickbacks (41 U.S.C. § 54) and conspiracy to commit an offense or to defraud the United States (18 U.S.C. § 371).

Interviewed about contracts and purchase orders awarded to Nello and Griff, Ovanda [REDACTED] Office of Budget and Travel Director for DOS OIG, acknowledged that he “kept seeing the same companies getting the same contracts” (**Attachments 12 and 13**). Nello received fixed price contracts, but [REDACTED] said that AO employees Temika Manley and Terry [REDACTED] later requested additional funding to cover office furniture and electrical work despite the fixed price contractual agreement. [REDACTED] said [REDACTED] and [REDACTED] also did not provide proper documentation to justify the purchases, for which they often used their Government purchase cards. He also wondered why Griff repeatedly installed Nello furniture, since other qualified area contractors were available. [REDACTED] added that Griff’s disposal of Government property was not in accordance with the FAR.

## Contract 1

*Overview:* The contracting officer (CO) for contract 1 was Frederick Washington, DOS Acquisitions (see Attachment 5). The contract pertained to furniture for DOS building SA-03 (DC), Suite 8100. We found no violations of the FAR with this contract.

### *Interviews*

██████████, told us that he recommended Nello/Griff Enterprises to ██████████ (Attachments 14 and 15). ██████████ said that he has known ██████████ Griff, ██████████ and had solicited and received quotes from Nello and Griff. Specifically, ██████████ said: "I received the quote, and then I gave it, but now I'm thinking in hindsight, I should have never have received it...even though I wasn't the one doing the actual procurement."

Fred Washington, the CO for DOS Acquisitions, also told us that, although duty stationed in the DOS OIG work area from approximately April 2009 to April 2010, he reported to the Office of Acquisitions (Attachments 16 and 17). During the year he worked with OIG, his relationship with ██████████ was not as good as it should have been because, he said ██████████ and other OIG employees routinely attempted to perform impermissible contracting actions. He said that employees like ██████████ and contractor ██████████ tried to do market research when Washington, as the CO, had responsibility for such activities as well as for awarding and signing off on contracts, ensuring that sole-source justifications were done when appropriate and validating that contract files were complete, accurate, and contained the required documentation.

██████████ said he worked closely with ██████████ but believed ██████████ had ██████████ perform work beyond the authority of a contract employee, such as conducting market research for upcoming contracts. While at DOS OIG, ██████████ said that he repeatedly instructed OIG employees on what was and was not permitted in the contracting process. He also noticed that DOS OIG often contracted with the same company, awarding a contract without competition, which he had explained was not permissible. He said that OIG employees seemed to be the biggest abusers of the rules they were supposed to enforce. Washington stated that he felt uncomfortable signing off on some of the OIG contracts, but he never felt like he was being "forced" to sign them. He added that he did not have any formal discussions with his supervisors or other DOS leadership about what he witnessed.

Later, when a promotion to GS-14 caused him to return to the Office of Acquisitions, ██████████ still signed contracts since his replacement, ██████████, was not a ██████████. Discussions with ██████████ led ██████████ to believe that ██████████ experienced similar contracting issues with AO.

██████████ had no specific recollections of the contracts with Nello or Nello subcontractors. Shown several contracts that appeared to have been "sole-sourced" to Nello and asked if there were written justifications in the contract files to support offering a sole-source contract, ██████████ could not locate "Justification for Other Than Full and Open Competition" documentation for some of the awarded contracts ██████████ advised us that most of the contract files pertinent to this investigation that he located were incomplete and did not contain much of the documentation required by DOS.

Investigators asked ██████████ if the contracts with Nello should have been solicited as "full and open competition" or if they could have been legitimately "sole-sourced" to one vendor. ██████████ stated

sometimes a sole-source contract could be justified, but that it would depend on several variables, such as price, if the product needed to be identical to other items already purchased, number of vendors available, and how quickly something needed to be acquired. ██████████ believed that, in most cases, the contracts with Nello should have been solicited as full and open competition, especially if the dollar amount was over the “simplified acquisition threshold,” which at the time was \$100,000. ██████████ stated that preparing justifications to contract to a “sole-source” increased in complexity according to the dollar value—for example, a \$10,000 purchase would not need the same level of justification as a \$150,000 purchase.

██████████ remembered signing off on some contract awards without receiving a sole-source justification with the understanding that OIG employee(s) would prepare and submit the justification later. He stated that he apparently forgot to follow up to ensure the justifications were completed and copied for his files. He could not explain why other required documentation was missing from his contract files and did not know why so many high dollar value contracts were awarded to Nello or why DOS employees like ██████████ appeared to want to use Nello exclusively.

*Contract documents needed to complete review of contract 1:*

- Nello acknowledgement/sales order; and
- Packing list(s) (list of items received).

*Recommended investigative steps:*

1. Obtain and review all packing lists to determine why substitute panels/partitions (“Sub 2 Class 70”) were shipped and accepted without a contract modification.
2. Obtain the relevant pricing information to determine if the substitute panels cost less than those that were quoted and ordered.
3. Obtain and review documentation to determine whether additional costs of at least \$119,000 to \$140,000 were incurred for rerouting airflow ducts, dropping a second electrical line, or adding/moving additional light fixtures and sensors, as indicated in the email from ██████████ to ██████████ and ██████████ dated ██████████ (Attachment 18).

**Contract 2**

*Overview:* ██████████ was also the ██████████ for contract 2 (see Attachment 6). The contract was for eight cubicles in the Office of Investigations workspace, DOS Building SA-39 (VA), Suite 800. This contract appears to violate FAR §§ 6.1 (Full and Open Competition) and 8.405-6 (Limiting sources). Section 6.1 requires that contracting officers, with limited exception, promote and provide for full and open competition in soliciting offers and awarding Government contracts. Section 8.405-6, states, in part, the circumstances in which limiting a source is justified as : “An urgent and compelling need exists, and following the procedures would result in unacceptable delays.” ██████████ wrote in a memo to ██████████ dated July 28, 2009, with the subject title stating “Justification for 8 floor”: “the OIG has a critical need to start and have this job completed in a timely manner” (see Attachment 6). It appears that ██████████ wrote the justification to select Nello after the AO section and he discovered Nello was the highest bidder. By doing so, ██████████ and the AO section may have provided a false, fictitious, or fraudulent statement to the CO, which could be a violation of 18 U.S.C. § 1001.

## Interviews

Tracy Burnett, Assistant Inspector General for Investigations (AIGI), Defense Criminal Investigative Service, and former AIGI for DOS OIG, along with [REDACTED], DOS OIG, stated that they requested the eight cubicles from AO to create space for newly hired agents but that they never established a time and quality requirement for the cubicles (**Attachments 19-22**).

Burnett said that he asked that the work happen quickly to accommodate the agents but that he had not classified the request as an emergency. [REDACTED] recalled that the eight cubicles required almost a year before installation was completed. Both men indicated that they had nothing to do with the selection of the vendor or the type of furniture installed. Burnett stated that he did not even care if the cubicles were new and that he never requested soundproof walls.

AO wrote in the justification to award the contract to Nello as the highest bidder: “All of the furniture is manufactured with sound proof insulation padding material in the wall system to support OIG’s investigative need for privacy. Others are manufactured hollow, or with metal which increases echo effects and the ability for outsiders to eavesdrop” (see Attachment 6).

We were unable to confirm that someone from the Office of Investigations asked for soundproof walls, and none of the other walls in the Office of Investigations appear to be soundproof. Moreover, when we asked [REDACTED] if Nello provided soundproofing or noise reduction material that could not be provided by other contractors (**Attachments 23 and 24**), he first responded “no,” then clarified his response by stating that Nello had a patent on a particular type of soundproofing and he did not know if other companies could provide soundproofing material similar to Nello’s product.

[REDACTED] also said that [REDACTED] asked him to provide a bid on the installation of eight cubicles for the DOS OIG building in Arlington, VA (contract 2). He bid on behalf of Nello, along with two other contractors, but received the contract, he said, because he was the lowest bidder. The contract was awarded to Nello, with [REDACTED] company, Griff, as the installer.

[REDACTED], [REDACTED] Office Furniture Connection, confirmed that [REDACTED] submitted a quote of \$29,413.05—almost \$18,000 less than the one submitted by Nello—dated July 16, 2009 (**Attachment 25**). [REDACTED] S & H Trucking & Contracting Services, also verified the authenticity of [REDACTED] quotes but could not provide matching copies from [REDACTED] records. [REDACTED] could not recall how [REDACTED] learned of the contracts, but assumed [REDACTED], [REDACTED], may have been informed by [REDACTED] said he had been awarded other DOS OIG contracts and was familiar with [REDACTED]

We asked [REDACTED] if [REDACTED] preferred Nello Wall Systems and Griff Enterprises to other contractors and he said, “Yes” (see Attachments 14 and 15). When asked if he recommended Nello Wall Systems to [REDACTED], specifically for a contract involving eight cubicles, [REDACTED] responded: “I probably did, yes, because they’re local and they seem to have good quality work.” [REDACTED] also told us that [REDACTED] recommended the work be completed by Nello (**Attachments 26 and 27**).

In contrast to what we found during our review of the contract, [REDACTED] claimed that Nello was the lowest bidder (**Attachments 28 and 29**). [REDACTED] said that once she received word that Nello won the contract, [REDACTED] reached out to [REDACTED] since [REDACTED] office had dealt with Griff in the past, and [REDACTED] knew that Nello provided the furniture that Griff installed.

*Contract documents needed to complete review of contract 2:*

None

*Recommended investigative steps:*

1. Determine whether the urgency cited in Tabron's memo was sufficient to justify the use of the limiting sources exception in awarding the contract to Nello.
2. Determine whether the old property was disposed of properly.

### **Contract 3**

*Overview:* The CO for contract 3 was Washington (see Attachment 7). The contract was for the restructuring of room 810 (DOS Building SA-39) to accommodate new employees. Despite being the highest bidder for this contract, Nello was selected to perform the work. AO again cited timeliness and quality, even though other submitted quotes came in for half the amount of Nello's quote. Contract 3 appears to violate FAR §§ 6.1 and 8.405-6, as described for contract 2.

It also appears that the AO section wrote a justification to select Nello after it discovered Nello was the highest bidder. As with contract 2, by doing so the AO section may have provided a false, fictitious, or fraudulent statement to the CO.

*Contract documents needed to complete contract 3 review:*

Bill(s) of lading and packing list(s)

*Recommended investigative steps:*

1. Determine whether the urgency cited was sufficient to justify the use of the limiting sources exception in awarding the contract to Nello.
2. Determine whether Southern Metals Industries (who submitted a quote for this contract) has the required GSA-approved Federal Supply Schedule contract.
3. Determine whether timeliness and quality were acceptable reasons for justifying the award to Nello.
4. Determine whether the old property was disposed of properly.

### **Contract 4**

*Overview:* The [REDACTED] for contract 4 was [REDACTED] (see Attachment 8). The contract was for work on the office space of DOS OIG employee [REDACTED] on the seventh floor of DOS Building SA-39. Nello was the lowest bidder for this contract and received the award. We have not found any apparent violations of the FAR with this contract.

*Agent's Note:* We interviewed the other two contractors who submitted quotes for this contract. Both verified the authenticity of their quotes (see Attachment 25)).



*Recommended investigative steps:*

1. Determine whether the old property was disposed of properly.

**Contract 5**

*Overview:* The CO for contract 5 also was [REDACTED], and the [REDACTED] [REDACTED] (see Attachment 9). This contract was for DOS OIG conference room furniture. Nello, which was awarded the contract, partnered with Krug Inc., Nello's competitor. During our review of this contract on November 9, 2011, with DOS [REDACTED] questioned why DOS OIG did not purchase furniture directly from Krug (**Attachment 30**).

*Contract documents needed to complete contract 5 review:*

- Nello quote (\$34,106.40);
- Nello acknowledgement and sales order; and
- Bill(s) of lading and packing list(s).

*Recommended investigative steps:*

1. Determine whether the old property was disposed of properly.
2. Determine whether DOS OIG paid more than it would if it had contracted directly with Krug.

**Contract 6**

*Overview:* The [REDACTED] for contract 6 was [REDACTED], with [REDACTED] (see Attachment 10). This firm, fixed-price contract was awarded to renovate Suite 840, DOS OIG's Executive Office (EX), in Rosslyn, VA, which included DOS OIG employee [REDACTED] office space. The AO section wrote a "Justification and Approval for Other Than Full and Open Competition," citing the reason for sole sourcing the contract as the need for the work to be performed in a timely manner and for the new furniture to match the old furniture. According to the contract, the furniture was to be delivered by January 29, 2011. [REDACTED] [REDACTED] approved the justification for this contract, an apparent violation of FAR §§ 6.1 and 8.405-6, as described in contract 2. It also appears that AO wrote a justification that could violate 18 U.S.C. § 1001.

*Agent's Note:* When we visited the DOS OIG office space on November 9, 2011, more than 10 months after the delivery date on the contract, the furniture was not completely installed.

*Contract documents needed to complete contract 6 review:*

- Architectural drawings, bill(s) of lading and packing list(s); and
- Automated Clearing House (ACH) slip or other proof of payment documentation.

*Recommended investigative steps:*

1. Determine whether or not the justification complies with FAR §§ 6.1 and 8.405-6 for "brand name item."

2. Determine why the contract was not completed in a timely manner as stated in the justification.
3. Determine whether the following criteria in the justification to award the contract to Nello was accurate and just: “fabric is breathable and stretches out so it will not be damage [sic] when applying nails, tacks, stick pins..., manufactured with sound proof insulation... and [is] custom design[ed] to match the existing carpet and existing furniture.”
4. Determine whether the old property was disposed of properly.

## Contract 7

*Overview:* The CO for contract 7 again was [REDACTED] (see Attachment 11). The contract was awarded for the renovation of Suite 800, DOS OIG’s Office of Investigations, in Rosslyn, VA. Similar to contract 6, the “Justification and Approval for Other Than Full and Open Competition” stated that the work had to be performed in a timely manner and that the new furniture needed to match the existing furniture. This justification appears to violate FAR §§ 6.1 and 8.405-6, as described in contract 2, and 18 U.S.C. § 1001. According to the contract, the furniture was to be delivered and installed by January 29, 2011, but the furniture delivery and installation were not completed until spring of 2011.

## Interviews

[REDACTED] said that the renovation project within the Investigations office was a “brand name” contract with Nello because previous furniture needed to be matched (see Attachments 26 and 27). DOS OIG’s AO justified selecting Nello because the division wanted the cubicles to match the eight cubicles Nello previously installed under contract 2. [REDACTED] could not recall if AO or the Acquisition section decided to use Nello as a “brand name” contractor, but [REDACTED] said the Acquisition section was ultimately responsible. [REDACTED] stated the “installers” for contract deliverables was Griff. [REDACTED] added that she oversaw the Investigations section’s renovations and therefore coordinated directly with Griff. [REDACTED] also stated that [REDACTED] also coordinated the renovation with [REDACTED] from Nello.

Questioned about the contract, [REDACTED] told us that in September 2010, Nello was awarded a sole-source contract to provide more wall systems for DOS OIG (see Attachments 23 and 24). When asked why the contract was sole-sourced, [REDACTED] answered that DOS OIG AO wanted the new wall systems and office furniture to match existing items.

When we interviewed [REDACTED] we asked why AO decided on a sole-source contract with Nello to complete Office of Investigations renovations in September 2011 (see Attachments 28 and 29). [REDACTED] responded that management (AIGI Burnett) told her the new furniture needed to match the previously renovated area. [REDACTED] cited this as justification for the brand name.

[REDACTED] said that he [REDACTED], before Nello won the September 27, 2010 award. [REDACTED] further indicated that he never asked for the new furniture to match the previously installed cubicles (see Attachments 21 and 22). He said also that he never requested soundproof walls or asked that a specific vendor complete the renovations. He added that certain repairs took several months to complete after the furniture had been installed.

During [REDACTED] interview, [REDACTED] told us that her staff had responsibility for ensuring that Griff fulfilled the contract (see Attachments 28 and 29). As the CO’s technical representative for the Nello contract,

████████ checked to be sure the work, which took place at night and on the weekends so it would not disrupt daily operations, was completed. ██████████ signed invoices for Nello and Griff.

When we asked who maintained the contract files, ██████████ said she gathered them into a binder when DOS Acquisitions gave her contract-related documents (see Attachments 28 and 29). Upon completion of the work, the contractor sent an invoice, which ██████████ signed and sent to the DOS OIG Office of Budget for payment. ██████████ told us that once the CO signed the contract, he or she had no further involvement. We asked ██████████ for all existing documentation kept by AO, both computerized and hard copy, concerning DOS OIG remodeling contracts with Nello Wall Systems and Griff Enterprises LLC. ██████████ ██████████ ██████████ to provide the documents, but those he provided did not help us complete our review of the contract files (**Attachment 31**).

During our review of contract 7, we could not locate documentation that supported proper disposal of Government property. ██████████ said that for contract 7, all of the furniture was replaced (see Attachments 28 and 29). When we asked her what AO did with the old furniture, she told us that they “either surplus[ed] it or the company [took] it out with them.” ██████████ said that part of the contract covered contractor removal and disposal of excess furniture, but ██████████ had no idea what the contractor did with it. ██████████ said the furniture was old and DOS OIG had no place to store it.

When we asked ██████████ what happened to the old furniture, he said that, in accordance with the contract, he “threw it away,” explaining that he took it to a recycling company called Cycle One on Kenilworth Avenue in Maryland (see Attachments 23 and 24). ██████████ indicated that he paid the recycling company for each truckload of property he delivered.

When we asked ██████████ if he knew how Griff disposed of Government property, including partitions and furniture systems, he said that it probably went to a landfill because it was “outdated” (see Attachments 14 and 15). When asked if this was the proper way to dispose of Government property, he responded that “they’re not supposed to take it out,” suggesting that the property was not being disposed of in the proper manner.

*Contract documents needed to complete contract 7 review:*

- Architectural drawings;
- Packing list(s);
- Invoice(s);
- Nello’s commission calculation worksheet; and
- ACH slip or other proof of payment documentation.

*Recommended investigative steps:*

1. Determine whether the justification to award the contract to Nello violates FAR §§ 6.1 and 8.405-6 for “brand name item.”
2. Determine whether the contract was completed in a timely matter as stated in the justification.
3. Determine whether the following criteria that was stated in the justification was accurate and just: “fabric is breathable and stretches out so it will not be damage [sic] when applying nails, tacks, stick pins..., manufactured with sound proof insulation... and [is] custom design[ed] to match the existing carpet and existing furniture.”
4. Determine whether Nello ever installed walls with “sound proof insulation padding.”

5. Determine whether Nello has a patent on soundproof insulation that no other furniture companies have.
6. Determine whether the old property was disposed of properly.

### Misuse of DOS OIG Purchase Cards

*Overview:* We reviewed a data file of DOS OIG purchase card charges provided by DOS OIG, identifying transactions with Nello, Griff, and N & N Freight that totaled \$331,677.22 from April 18, 2008, to April 29, 2011 (**Attachment 32**). We found—

- 25 split purchases totaling \$104,132.48;
- 36 purchases totaling \$99,326.57 that were at or near the maximum \$3,000 per transaction threshold, thereby possibly circumventing competition requirements for acquisitions; and
- 11 unauthorized commitments totaling \$20,622.76.

From April 18, 2008, to September 27, 2010, the period covered by the seven Nello contract awards, we determined that the aforementioned vendors received an additional \$249,508.24 from various DOS OIG employees' Government purchase cards.

### Interviews

██████████ stated that ██████████ and ██████████ completed their annual charge card training, but that he did not advise them on what purchases they could or could not make (see Attachments 3 and 4). He also said that he failed to recognize their purchase pattern of using the same furniture companies on a regular basis. AO employees should not have made split purchases, ██████████ said, but he also never identified any split purchases when he reviewed their purchase card statements. ██████████ never tracked mandatory training or followed up to ensure that ██████████ and her staff attended procurement or purchase card training.

██████████ told us that the AO section, including ██████████ and ██████████ made "split purchases" to cover purchase card invoices from Griff (see Attachments 12 and 13). He noticed multiple purchase card invoices from Griff citing similar work performed on the same day. ██████████ began to suspect that more than a business relationship existed between ██████████ and ██████████. He also stated that the card purchases entered into the DOS ARIBA system often did not match invoices filed through his office. Griff delivered office furniture to the various DOS OIG sections, but ██████████ did not recall receiving or reviewing the proper financial documentation to support those purchases. In addition, during ██████████ October 4, 2011 interview, we showed him a few invoices from Griff that listed ██████████ as the point of contact and billing representative for DOS OIG (**Attachments 33 and 34**). ██████████ stated that, as a contractor, ██████████ was not allowed to obligate the Government and should not have used a Government purchase card.

When we reviewed the subpoenaed materials from Griff, we found two emails about keeping purchases below the \$3,000 threshold (**Attachment 35**). In the first email, dated Thursday, November 19, 2009, at 11:49 a.m., ██████████ of Nello sent an email to ██████████ with copies to ██████████, ██████████, and Griff, with "Lateral File Quote" as the subject line. The body of the message read: "██████████, Attached is the quote for 11 linear feet of 5 drawer lateral filing to replace flipper doors outside of the director's office. We improved your discount and install fee to get this under credit card limit. Let me know if you have any questions. Thanks."

Both [REDACTED] and [REDACTED] responded with emails stating that no quote had been attached to the email but not mentioning the attempt to get the bill below the \$3,000 credit card purchase threshold.

In the second email, dated Thursday, August 26, 2010, at 9:38 a.m., [REDACTED], a [REDACTED] with Krug Furniture, sent an email to [REDACTED] that included text and an attached quote for lounge furniture for the front office and small conference room. The quote listed three items with a total cost of \$3,831:

1. Model Number 6806-96-48, Millennium conference table, \$1,315
2. Model Number 6816-24-6-29, elliptical base for table, \$702
3. Model Number 68C-6624-4-FBCF, Millennium credenza, \$1,814

On Friday, August 27, 2010, [REDACTED] sent an email to [REDACTED] about the request, saying: [REDACTED] this is over the limited [sic].”

On Monday, August 30, 2010, [REDACTED] emailed Griff and copied [REDACTED] regarding the furniture quote. [REDACTED] stated: “Hello [REDACTED], We would like to order just the conference table and base from you. These items are on the first quote on the attachment. Thanks.”

We also determined that [REDACTED] was named on several invoices from Griff, even though [REDACTED] purchase card paid the invoice.

### **Unauthorized Commitment: Griff Enterprise LLC (Invoice #5181)**

*Overview:* [REDACTED] a [REDACTED] apparently entered into an unauthorized commitment with Victor [REDACTED] of Griff. An unauthorized commitment is considered a non-binding agreement because the Government representative who made it lacks the authority to enter into such a contract on the Government’s behalf (48 CFR 1.602-3(a)). Only COs acting within the scope of their authority may enter into or modify such contracts.

#### *Interviews*

[REDACTED] told us that after his staff completed one of the phases of contract 7, [REDACTED] asked him to provide a quote on a “punch list” (see Attachments 23 and 24). He described a punch list as work performed at the customer’s request for “things that they wanted changed or redone or that wasn’t done.” He provided the quote and performed the work, which consisted of installing extra panels for added privacy and a “hutch” in one of the cubicles. [REDACTED] said he submitted an invoice for \$7,795.48, but complained that he had not been paid for the work (**Attachment 36** and see Attachments 23 and 24). He contacted [REDACTED] who told him that an investigation was underway and asked him to resubmit the invoice, which he did (invoice number 5181). [REDACTED] was still waiting to be paid at the time of our interview.

During [REDACTED] interview, he mentioned an unauthorized commitment in the ARIBA data system for \$7,795.48 (see Attachments 33 and 34). [REDACTED] said that he found [REDACTED] name on the procurement request but no justification for not competing the work to other vendors and no part numbers in the quote.

*Agent’s Note:* [REDACTED] provided an email dated September 15, 2011, which documents the

conversations about this unauthorized commitment (*Attachment 37*).

When [REDACTED] asked [REDACTED] about the part numbers and the justification, [REDACTED] promised to get him the information (see Attachments 33 and 34). Weeks went by without [REDACTED] receiving any response. When [REDACTED] again asked about supporting documentation, [REDACTED] gave him another invoice. [REDACTED] said the quote and the invoice were identical except that the quote from May 2011 had [REDACTED] name on it, and the invoice dated August 9, 2011, had the name of [REDACTED]. [REDACTED] stated this was the only difference and that he did not know why [REDACTED] name had been removed.

[REDACTED] then talked to [REDACTED] who stated that he had completed the work in July 2011 and was awaiting payment. Once [REDACTED] learned this, he understood that the contract was an unauthorized commitment because the quote did not go through the proper procurement procedures and circumvented the proper acquisition process.

[REDACTED] told us that about 1 ½ hours after he got off the phone with [REDACTED] came to his cubicle to say that he had spoken with [REDACTED] and it was all a mistake. [REDACTED] said that Griff had not performed the work, even though [REDACTED] told [REDACTED] that his conversation with [REDACTED] indicated that [REDACTED] wanted to be paid for completed work. According to [REDACTED] [REDACTED] replied: "They haven't done this work yet." [REDACTED] then told [REDACTED] that since this was an unauthorized purchase, it needed a ratification. [REDACTED] sent the information up the chain of command but was told not to take any further action until our investigation was complete.

When asked why [REDACTED] tried to explain that the work had not been done, [REDACTED] said that [REDACTED] was "trying to avoid an unauthorized commitment." [REDACTED] stated that the Government would ultimately have to pay an unauthorized commitment, but a ratification packet would have to be filled out and someone from the Government would have to take responsibility.

[REDACTED] stated that, as a contractor, [REDACTED] was not allowed to request a bid or obligate the Government in any way. He might do research but was not allowed to solicit a quote.

*Agent's Note:* [REDACTED] who is a contractor, appeared to violate FAR part 7.503 (c)(12)(iii) by "approving any contractual documents, to include documents defining requirements, incentive plans, and evaluation criteria," which is a "inherently governmental function."

### **Personal Service Contracts for Terry [REDACTED] and Shelton Canada**

*Overview:* We compared [REDACTED] and [REDACTED] position descriptions from Miracle Systems to the DOS OIG contract justifying their pay scales, and found that their written position descriptions and duties greatly exceeded their daily responsibilities (**Attachments 38 and 39**). [REDACTED] told us that [REDACTED] entered his own request for a pay increase in the DOS ARIBA system (see Attachments 33 and 34). [REDACTED] stated that he believed [REDACTED] assigned [REDACTED] work that went beyond what a contract employee should have been allowed to do (see Attachments 16 and 17).

### *Interviews*

We questioned [REDACTED] about [REDACTED] and [REDACTED] Miracle Systems contract (see Attachments 12 and 13). According to [REDACTED] [REDACTED] was the CO's representative for the contract. She requested

a funding increase for the contract in order to promote [REDACTED] and [REDACTED]. [REDACTED] said [REDACTED] and [REDACTED] appeared to have a personal friendship that went beyond that of a supervisor and subordinate.

[REDACTED] was not familiar with the specifics of the statement of work for the Miracle Systems contract, but said that, in Government service, Tabron's position description equated to that of a director but that [REDACTED] was not a director, nor did he perform directorial duties in the AO section. [REDACTED] said [REDACTED] was a [REDACTED] I but performed secretarial duties for AO rather than the duties normally associated with a [REDACTED].

[REDACTED] complained to [REDACTED], [REDACTED] at the time, informing him of the Miracle Systems contract discrepancies between [REDACTED] and [REDACTED] job descriptions and their actual duties. He also complained about the requested increase in funding for the contract. In spite of his complaints, the contract funding was increased and [REDACTED] and [REDACTED] were promoted.

When we interviewed [REDACTED] he explained that Miracle Systems has an indefinite delivery/indefinite quantity (IDIQ) personal services contract, also known as an 8a small business contract (see Attachments 33 and 34). [REDACTED] stated that a sole-source contract could be issued to an 8a company

under an IDIQ. When a request for a personal services contract for a new employee or an existing employee's renewal is submitted to AO, the request is entered into ARIBA. [REDACTED] then processes the request by either competing it or sole sourcing it to one of the approved 8a companies.

[REDACTED] told us that in many instances, [REDACTED] entered the request into ARIBA for the Miracle Systems contract renewal himself, and [REDACTED] signed off on it. [REDACTED] stated that [REDACTED] should neither have viewed these quotes nor what his company requested for his salary. [REDACTED] said he recently stopped Tabron's involvement with the DOS OIG personal services contracts.

When we showed [REDACTED] job description as a [REDACTED] to [REDACTED] agreed with [REDACTED] that [REDACTED] daily duties were not related to the duties listed on the document justifying his salary. [REDACTED] told us that the job description applied to a high-level "executive" position, not an administrative assistant.

[REDACTED] told us that his duties included initiating personal service contracts for contractors, providing support with telephones, and handling maintenance requests (**Attachments 40 and 41**). [REDACTED] refused to answer specific questions about how he learned of, or was selected for, the contractor job at DOS OIG. He described himself as a [REDACTED] and said he did not know anybody at DOS OIG before June 2010 (**Attachments 42 and 43**). Later in the interview, however, he admitted attending the same high school as [REDACTED] and [REDACTED]. [REDACTED] said he "knew of them" during high school.

We have been informed by DOS OIG that [REDACTED] and [REDACTED] contracts were not renewed.

### **Excessive Expenses for the Cleaning of Carpets in the DOS OIG Workspace**

On October 17, 2011, Atosh Newman, owner of N & N Freight, provided contract documents in response to the DOS OIG subpoena served on September 20, 2011.

We reviewed the documents, including 14 estimates and invoices from February 26, 2010, to March 30, 2011, totaling \$26,692 (**Attachment 44**). The majority of the estimates or invoices covered carpet

cleaning and painting. According to [REDACTED], an AO Government purchase card paid for each estimate or invoice.

There appeared to be one example of a split purchase in which work described as “Deep clean of office space” was performed on December 20, 2010, but was placed on two separate invoices (invoice number 135 for \$900 and invoice number 125 for \$2,800).

*Recommended investigative steps:*

1. Interview the leasing company to see whether carpet cleaning was covered under the leasing agreement, which would have made this payment unnecessary.

### **Additional Project Costs**

We interviewed [REDACTED], [REDACTED] Nello, to discuss contract modifications and prices quoted by Nello for its products. [REDACTED] responses appeared ambiguous and evasive as he attempted to explain why the extended net prices listed in Nello’s quotes did not match the extended net prices listed in its catalog.

[REDACTED] said that the furniture business is not an “exact science” (**Attachments 45 and 46**). Clients make changes (such as adding walls or additional furniture) to contracts because they do not pay much attention during the design phase. When these changes occur, he said, his company routinely charges a Government purchase card instead of processing a contract modification. He said that contract modifications are rarely issued: “No one within the Government wants to go back for a mod on a contract. It’s a tremendous amount of paperwork.” [REDACTED]: “And the standard way of doing it, whether it be State or any other agency, if it’s under a credit card amount, they just cut a credit card for it, for the difference.” When [REDACTED] was asked why DOS OIG did not modify the contract when it had to make changes, he stated: “Like I said, almost no one mods a contract.”

[REDACTED] explanation of Nello’s quotes demonstrated that several additional costs have to be added based on wall sizes and GSA-approved cost increases. [REDACTED] gave the example that if someone purchased a wall system from Nello today, an additional 21 percent would need to be added to the actual cost in the 2005 GSA-approved catalog (**Attachment 47**). Also, for wall panel units higher than the standard 7-foot wall, additional costs accrue for 8-foot, 9-foot, and 10-foot walls. Specifically, the cost for an 8-foot, 9-foot, or 10-foot wall required a customer to add 15, 25, or 35 percent, respectively, to the catalog price to obtain the actual charge [REDACTED] said that GSA instructed them to only price for 7-foot walls in its catalog.

[REDACTED] explained that the prices in Nello’s GSA pricing catalog were not the actual prices charged, since GSA can grant an increase to a vendor each year. Nello does not change its whole catalog from year to year as a result. Rather, it multiplies the cost in the catalog by how much GSA has allowed it to raise its prices.

[REDACTED] also stated that Griff Enterprises could mark up shipping, design, and installation on the quote, but not the product. [REDACTED] reviews the quotes prior to Griff’s submission. Asked whether Griff submits the bids on behalf of Nello, he said that they decide on quotes together. The quote comes from Nello, using its GSA contract number, and Griff adds freight, fuel, and installation costs to the final quote prior to its submission.



*Recommended investigative steps:*

1. Determine whether Nello deliberately underbid on the quote it submitted to DOS OIG.
2. Determine whether Nello overcharged DOS OIG for furniture systems.
3. Determine if DOS OIG AO should have issued a contract modification for project cost overruns.
4. Determine if [REDACTED] explanations for additional costs were accurate and reasonable.

**SUBJECT(S)**

[REDACTED], DOS OIG, AO, EX, GS-13.  
[REDACTED], DOS OIG, AO, EX, GS-12.  
[REDACTED] for DOS OIG.  
[REDACTED] for DOS OIG.

**UNDEVELOPED LEADS (for interim reports)**

- Email review of [REDACTED] and [REDACTED]
- Review subpoena returns (**Attachment 48**).
- Find out whether the old property was disposed of properly.
- Compare credit card charges to invoices on seven contracts to determine if there was any double billing.
- Compare the quoted prices to invoiced prices to determine if Nello overcharged DOS OIG for product items delivered/installed.
- Determine if the DOS OIG office lease includes carpet cleaning.

**DISPOSITION**

This investigation is being referred to DOS OIG for further investigation.

**ATTACHMENTS**

1. IAR interview of confidential source of information on August 1, 2011.
2. Transcript of interview of confidential source of information on August 1, 2011.
3. IAR – interview of [REDACTED] on December 22, 2011.
4. Transcript of interview of [REDACTED] on December 22, 2011.
5. Contract number SAQMMA08F3488 between Nello Wall Systems and DOS OIG awarded on January 25, 2008 (contract 1).
6. Contract number SAQMMA09F2406 between Nello Wall Systems and DOS OIG awarded on July 29, 2009 (contract 2).
7. Contract number SAQMMA09F2880 between Nello Wall Systems and DOS OIG awarded on August 26, 2009 (contract 3).
8. Contract number SAQMMA09F4066 between Nello Wall Systems and DOS OIG awarded on September 24, 2009 (contract 4).

9. Contract number SAQMMA10F2653 between Nello Wall Systems and DOS OIG awarded on July 23, 2010 (contract 5).
10. Contract number SAQMMA10F4883 between Nello Wall Systems and DOS OIG awarded on September 27, 2010 (contract 6).
11. Contract number SAQMMA10F4945 between Nello Wall Systems and DOS OIG awarded on September 27, 2010 (contract 7).
12. IAR – interview of [REDACTED] on September 8, 2011.
13. Transcript of interview of [REDACTED] on September 8, 2011.
14. IAR – interview of [REDACTED] on October 17, 2011.
15. Transcript of interview of [REDACTED] on October 17, 2011.
16. IAR – interview of [REDACTED] on August 2, 2011.
17. Transcript of interview of [REDACTED] on August 2, 2011.
18. Email from [REDACTED] to [REDACTED] dated November 1, 2007, and email from [REDACTED] to [REDACTED] dated February 15, 2008.
19. IAR – interview of [REDACTED] on November 17, 2011.
20. Transcript of interview of [REDACTED] on November 17, 2011.
21. IAR – interview of [REDACTED] on November 22, 2011.
22. Transcript of interview of [REDACTED] on November 22, 2011.
23. IAR – interview of [REDACTED] on September 6, 2011.
24. Transcript of interview of [REDACTED] on September 6, 2011.
25. Verification of Contract Solicitation Quotes from S&H Trucking and Office Furniture Connection dated January 29, 2011.
26. IAR – interview of [REDACTED] on August 8, 2011.
27. Transcript of interview of [REDACTED] on August 8, 2011.
28. IAR – interview of [REDACTED] on August 2, 2011.
29. Transcript of interview of [REDACTED] on August 2, 2011.
30. IAR – Review of seven DOS contracts with [REDACTED]
31. IAR – Collection of Documents from [REDACTED]
32. List of DOS OIG purchase card transactions for Nello, N&N and Griff, from April 18, 2008, to April 29, 2011
33. IAR – interview of [REDACTED] on October 4, 2011.
34. Transcript of interview of [REDACTED] on October 4, 2011
35. Review of subpoena from Griff Enterprises dated November 28, 2011.
36. Invoice Number 5181 from Griff Enterprises to DOS OIG on August 9, 2011.
37. Email chain from [REDACTED] to DOS OIG employees on September 15, 2011.
38. Contract from Miracle Systems for [REDACTED]
39. Contract from Miracle Systems for [REDACTED]
40. IAR – interview of [REDACTED] on August 2, 2011.
41. Transcript of interview of [REDACTED] on August 2, 2011.
42. IAR – interview of [REDACTED] on August 2, 2011.
43. Transcript of interview of [REDACTED] on August 2, 2011.
44. Collection and review of subpoena documents from N & N Freight dated October 17, 2011.
45. IAR – interview of [REDACTED] on January 13, 2012.

Unless otherwise noted all redactions are pursuant to B(6) and B(7)(c)

46. Transcript of interview of [REDACTED] on January 13, 2012.
47. Nello Wall Systems “Reflections” catalog dated March 2005.
48. Index of subpoena returns.