



JUL 21 2011

MEMORANDUM TO: SETH HARRIS
Deputy Secretary

FROM: *Daniel R. Petrole*
DANIEL R. PETROLE
Acting Inspector General

SUBJECT: Investigative Report -- Alleged Improper Procurement
Activities in VETS

I have attached the OIG's investigative report regarding allegations of improper procurement activities in VETS. The report describes a pattern of conduct by Assistant Secretary Jefferson, and consequently by other senior VETS officials, which reflects a consistent disregard of federal procurement rules and regulations, federal ethics principles, and the proper stewardship of appropriated dollars.

The OIG reviewed procurement actions related to three individuals, Stewart Liff, Ron Kaufman, and Mark Tribus, and found that Assistant Secretary Jefferson's insistence upon retaining the services of these individuals led to the circumvention of rules and regulations related to open competition, "advisory and assistance" contracts, and the acceptance of gratuitous services. The OIG found that Department employees were often placed in untenable positions by Assistant Secretary Jefferson's actions, and felt pressured and/or intimidated by him, or other senior VETS officials acting at his direction, to ensure that existing VETS contractors hired Liff and Kaufman.

In Liff's case, this pattern of conduct resulted in payments of approximately \$700,000 to secure Liff's services for a period of 16 months. These services could have been secured at a much lower cost and should have been secured through open competition. In fact, the contractor who initially hired Liff as a subcontractor told VETS that the costs for Liff's services were not a good value for the government, and were more than twice as much as his company had ever charged any client, for any service.

In Kaufman's case, he and his wife traveled from Singapore to three cities in the United States to provide "customer service" training. However, these training services were provided to the Department without proper approval, resulting in a violation of the prohibition against the acceptance of voluntary personal services by the agency. Notably, Mr. Kaufman has not been paid for the training he provided.

In Tribus' case, this pattern of conduct led to the circumvention of procurement and ethics rules, to enable Tribus to conduct a "leadership" training session for Department staff.

Assistant Secretary Jefferson's insistence upon retaining the services of these individuals resulted in procurement violations by officials in both OASAM and VETS, including violations of:

- The Competition in Contracting Act (41 U.S.C. § 253) and the Federal Acquisition Regulations, Part 6, which require, with certain limited exceptions, that executive agencies shall promote and provide for full and open competition in soliciting offers and awarding Government contracts, and that work performed by a contractor be restricted to the "scope" of the contract;
- Federal Acquisition Regulations, Part 37, which requires proper approval for the procurement of advisory and assistance services.
- Federal Acquisition Regulations, Part 1.6, which prohibits unauthorized commitments (for the training services provided by Kaufman);
- 31 U.S.C. § 1342, which prohibits the government from accepting voluntary services from an individual absent a valid gratuitous services agreement.

Further, the actions of Assistant Secretary Jefferson, and other senior VETS officials, violated or appear to have violated various ethics-related provisions, including:

- 5 C.F.R. § 2635.702 (Standards of Ethical Conduct for Federal Employees), which prohibits the use of one's Government position or authority to induce a benefit for the private gain of a friend, relative, or other person;
- Executive Order 12731 (October 17, 1990), which requires Federal employees to "act impartially and not give preferential treatment to any private organization or individual";
- Office of Government Ethics Memorandum 07 x 11 (August 1, 2007), which relates to the placement of individuals with federal contractors.

It is also difficult to reconcile the findings of this report with the fact that Assistant Secretary Jefferson, and other senior VETS officials, were provided with relevant ethics and related training and guidance on multiple occasions. In July 2009, Assistant Secretary Jefferson signed the "Ethics Pledge" required for all Presidential appointees, which includes a "fair hiring" provision, and he also

received a new entrant ethics briefing from the Office of the Solicitor in January 2010. We also found that other agency employees raised relevant concerns about these procurements directly with Assistant Secretary Jefferson, to no avail. Although Assistant Secretary Jefferson told the OIG that he instructed his staff to procure the services of these individuals "legally and ethically," other credible statements provided to the OIG cast serious doubt upon the sincerity of Assistant Secretary Jefferson's assertion.

Separately, the report finds that Assistant Secretary Jefferson may have improperly endorsed the products or services of private individuals, including Mr. Kaufman.

The OIG report primarily addresses the allegations which were raised concerning Assistant Secretary Jefferson and Deputy Assistant Secretary McWilliam, and did not specifically address the actions of OASAM or VETS procurement officials.

As indicated in the report, we have been informed that the Department has recently taken steps to restrict the procurement authority exercised by VETS officials. We are recommending that the Department review the three specific procurement actions described in the investigative report to determine what, if any, further actions should be taken. We are also recommending that the Department's Designated Agency Ethics Official review the actions of Assistant Secretary Jefferson and other senior VETS officials to determine what actions, if any, should be taken.

Please inform the OIG, within 30 days, as to any actions which the Department plans to take with respect to the investigative findings contained in our report.

Finally, please note that while this investigation was initiated as a result of a complaint received by the OIG from a former VETS employee, we have also received inquiries regarding this matter from several Congressional Committees. These Committees have requested a copy of our final report, and we plan to honor these requests and provide these Committees with copies of the report. We would also ask that requests from individuals or parties outside the agency for access to the attached report be referred to the OIG's Disclosure Officer, Kim Pacheco, at pacheco.kimberly@oig.dol.gov.

Attachment



Subject Raymond Jefferson, Assistant Secretary, VETS and John McWilliam, Deputy Assistant Secretary, VETS	Violation Character Improper Procurement Activities in Violation of FAR and Standards of Ethical Conduct	File Number:	14-1301-0002 IA
		Report Type:	Investigative Report
		Reporting SA:	ASAC David Russ
		Location:	Washington D.C.
		Date:	July 18, 2011
		SA Signature:	<i>David Russ</i>
		Supervisor:	<i>[Signature]</i>

On August 18, 2010, the OIG received an anonymous complaint alleging improper procurement practices and conflicts of interest by Raymond Jefferson, Assistant Secretary (A/S), Veterans' Employment and Training Service (VETS) and John McWilliam, Deputy Assistant Secretary (DAS), VETS. The complainant alleged that A/S Jefferson and DAS McWilliam coerced VETS employees to hire Stewart Liff (Stewart Liff & Associates, Inc.), for a personal services contract, without competition. The complainant also alleged that DAS McWilliam, at the direction of A/S Jefferson, accepted a gift from a contractor that exceeded \$25 in value in violation of applicable ethics regulations.

A separate complaint submitted by Fergus Paul Briggs, former Director, Office of Agency Management and Budget (OAMB), VETS, which referenced the same allegations, was received by the OIG on September 21, 2010.

On December 14, 2010, a request was made to the Acting Inspector General, Daniel R. Petrole, by United States Senator Claire McCaskill, Chairman, Subcommittee on Contracting Oversight, requesting that the OIG conduct an investigation of these same allegations.

In addition to the allegations set forth in the complaints, additional procurement irregularities were found during the course of the investigation. The following is a summary of the allegations reviewed:

Number	Allegation	Conclusion
1	A/S Jefferson and DAS McWilliam abused their authority by giving Stewart Liff an advisory and assistance contract and coercing VETS employees into manipulating existing federal contracts in order to hire contractor Liff without the benefit of competition.	Substantiated
2	A/S Jefferson and DAS McWilliam accepted a gift from Ron Kaufman that exceeded \$25 in value, in violation of 5 C.F.R. § 2635.202.	Unsubstantiated

Number	Allegation	Conclusion
	A/S Jefferson and DAS McWilliam improperly directed VETS employees to have DOL contractors hire Ron Kaufman without competition, and endorsed his products on the VETS intranet website.	Substantiated
3	A/S Jefferson's actions to obtain training services from an associate, Mark Tribus, led to the circumvention of procurement rules.	Substantiated
4	A/S Jefferson allowed Stewart Liff to become involved in decisions affecting federal personnel including promotions, hiring, and terminations.	Partially Substantiated

As part of this investigation, OISI interviewed the following individuals:

Angela Freeman
Former Deputy Director
Office of Agency Management and Budget
VETS, DOL

Fergus Paul Briggs
Former Director
Office of Agency Management and Budget
VETS, DOL

David Bachrach
Director of Management Services
For Your Information, Inc.

Norris Middleton
President and Chief Operating Officer
Management Support Technology, Inc.

Valerie Veatch
Former Director
Office of Acquisition Management Services
Office of the Assistant Secretary for Administration and Management (OASAM), DOL

Contracting Specialist
OASAM, DOL

Tova Stein
Contracting Officer
OASAM, DOL

Ruth Samardick
Former Acting Director
Office of Agency Management and Budget
VETS, DOL

Heather Higgins
Chicago Regional Administrator
VETS, DOL

Information Experts

Stewart Liff
Management Consultant
Stewart Liff & Associates, Inc.

Amit Magdieli
Chief of Staff
VETS, DOL

John McWilliam
Deputy Assistant Secretary
VETS, DOL

Budget Officer
VETS, DOL

Sage Alliance Partners

Ronald Kaufman
Owner
"Up! Your Service"

Mark Tribus
Retired Lieutenant Colonel
U.S. Army

Ginger Ackerman
Attorney
Office of the Solicitor, DOL

Robert Sadler
Counsel for Ethics
Office of the Solicitor, DOL

Joe Hortiz
Acting Director
Office of Agency Management and Budget
VETS, DOL

Deborah Greenfield
Deputy Solicitor
Office of the Solicitor, DOL

Raymond Jefferson
Assistant Secretary
VETS, DOL

Allegation 1

A/S Jefferson and DAS McWilliam abused their authority by giving Stewart Liff an advisory and assistance contract and coercing VETS employees into manipulating existing federal contracts in order to hire Liff without the benefit of competition.

Findings:

On September 23, 2010, OISI interviewed Angela Freeman, Administrative Officer, U.S. Department of Transportation (DOT) (**Attachment 1**). Freeman said that she sent the anonymous complaint dated August 3, 2010, to the OIG hotline and added

that she no longer wished to remain anonymous. Freeman stated that she was formerly a Deputy Director in the Office of Agency Management and Budget (OAMB), VETS, from January 9, 2006 through August 23, 2010, when she began her employment with DOT. Freeman said that when she worked for VETS, her immediate supervisor was Paul Briggs, Director, OAMB.

Freeman said that prior to A/S Jefferson's confirmation he held a two day off site retreat for VETS management, which occurred on August 12 - 14, 2009, at the Crystal City Marriott Hotel, Arlington, VA. Freeman stated that Stewart Liff and _____ addressed VETS management on leadership issues. Freeman stated that she used a purchase card and paid the guest speakers \$3,000 each. Freeman said that prior to the event, at DAS McWilliam's request, she purchased 12 books written by Liff which cost \$24 each. These books were given to the retreat attendees.

Freeman said that sometime in late August 2009, Raymond Jefferson was confirmed as the new Assistant Secretary of VETS. According to Freeman, DAS McWilliam contacted Briggs, and said that A/S Jefferson wanted to "hire" Stewart Liff. Freeman commented that A/S Jefferson and Liff had a working relationship prior to A/S Jefferson's confirmation. Freeman said that DAS McWilliam told Briggs that A/S Jefferson wanted Liff "hired" quickly. Freeman continued that she and Briggs discussed their options and approached Valerie Veatch, Director, Office of Acquisition Management Services, Office of the Assistant Secretary for Administration and Management (OASAM), DOL, about the possibility of "hiring" Liff.

Freeman reported that Veatch told them that there was "no way to do it fast because he (Liff) is not eligible for an 8A Minority or Women Contract, a General Services Schedule Contract, or a Service Disabled Veterans Owned Small Business contract." Freeman said when she and Briggs reported back to DAS McWilliam what Veatch had told them, DAS McWilliam simply replied, "that's not good enough," and instructed them to get Liff hired sometime in September.

Freeman stated that she and Briggs reviewed all VETS contracts and came to the decision that Liff could possibly be hired as a subcontractor under an existing contract with a company named For Your Information, Inc. (FYI). FYI was already working under a contract with VETS to provide contractor support for grant administration, internal controls, legal briefings, career transition support, and policy analysis functions.

Freeman said that she immediately contacted David Bachrach, Director of Management Services, FYI, and advised him of DAS McWilliam's request but claimed

to have told Bachrach, "I don't agree with this but you don't want to tell John (McWilliam) no." Freeman said that she gave Bachrach Liff's telephone number and he (Bachrach) assured her that he would attempt to hire Liff.

Freeman stated that shortly thereafter, Bachrach complained to her that Liff was not satisfied with the salary which FYI had offered him and that he (Bachrach) had hinted to A/S Jefferson that Liff would not be able to work for VETS. According to Freeman, Bachrach told her that A/S Jefferson held a meeting with Bachrach and Amit Magdieli, Special Assistant to A/S Jefferson, solely to discuss a starting salary for Liff. Bachrach told Freeman that eventually a salary of \$200 an hour was agreed upon, and Liff was placed on the FYI contract.

[A series of task orders was approved by OASAM procurement officials to implement this decision and, through these task orders, Liff was placed and maintained as an FYI subcontractor for approximately eight months.]

Freeman reported that soon after Liff's arrival at VETS, A/S Jefferson held an all-hands VETS meeting and introduced Liff, asserting that he (Liff) was hired to conduct an assessment of VETS, and A/S Jefferson encouraged everyone to cooperate with Liff. Freeman said that Liff then addressed VETS employees and explained the work environment visual-change that he brought about at his previous employer, the U.S. Department of Veterans Affairs (VA).

Freeman stated that by April 2010, FYI could no longer afford to pay Liff's salary because the funding on their contract had run out. Freeman explained that she was informed that A/S Jefferson wanted Liff to continue working for VETS and requested that Liff's services continue without interruption. Freeman said that based on A/S Jefferson's request she contacted another VETS contractor, Management Support Technology, Inc. (MSTI), and asked them to hire Liff.

In an e-mail dated April 22, 2010 (**Attachment 2**), Freeman contacted MSTI, and authorized her to "hire" Stewart Liff. In the e-mail Freeman wrote:

I am sorry for the delayed response to your e-mail, it's been hectic today, and I thought I had already provided you with confirmation. Please accept this e-mail as confirmation to proceed with the work as discussed.

VETS has submitted EPS carts to issue a Task order for work with SAGE Alliance the EPS Cart # is 86-1095-535 and 86-1095-536 for the items just submitted for Stewart Liff directly.

Once again I am sorry for the delay in my response.

At the conclusion of the interview Freeman provided a written sworn statement (**Attachment 3**).

On September 8, 2010, OISI interviewed Fergus Paul Briggs, former Director, Office of Agency Management and Budget, VETS, DOL (**Attachment 4**). Briggs said that Liff is a retired Senior Executive Service (SES) manager who worked for the Veteran's Administration. Briggs said that he believed that A/S Jefferson and Liff were associates as they both worked together at the Washington, D.C. consulting firm, McKinsey & Company. Briggs recalled that he was informed by DAS McWilliam that A/S Jefferson wanted Liff hired as a contractor but that he (A/S Jefferson) wanted the hiring procedure to be done properly. As a result of DAS McWilliam's instruction, Briggs said that he and Freeman used an existing staffing contract with an existing labor category to "hire" Liff. Briggs said that he discussed the position at length with Valerie Veatch and told her that VETS wanted to "be careful" as to how they brought Liff on board with VETS. Briggs said that Veatch never actually gave her approval but was aware of the contract. According to Briggs, Liff was paid at the highest rate possible and was employed through one of VETS' contractors, FYI.

At the conclusion of the interview Briggs provided a sworn, written statement (**Attachment 5**).

On October 6, 2010, OISI interviewed David Bachrach, Director of Management Services, FYI (**Attachment 6**). Bachrach said that FYI has provided management advisory services to DOL for 10 years. Bachrach

has acted as FYI's point of contact in this relationship.

Bachrach recalled receiving a telephone call or an e-mail sometime in September 2009 from the VETS Chief of Staff, Amit Magdieli, advising that Stewart Liff was someone that A/S Jefferson wanted working for VETS. Bachrach said that it is not unusual for a customer to suggest someone for a position. Bachrach stated that Magdieli told him that A/S Jefferson met Liff at a non-VETS function and was impressed by Liff's presentation. Bachrach said that VETS would have preferred to hire Liff through a direct contract, but found it administratively more feasible to acquire his services through an existing VETS vendor. Bachrach said that Angela Freeman provided him with Liff's telephone number so that he could contact Liff regarding a position with FYI. Bachrach recalled speaking to Liff by telephone about the possibility of employment and covered such areas as Liff's personal interests, his salary, his availability and what he could bring to the VETS organization.

In his written statement (**Attachment 7**) to investigating agents concerning the cost of hiring Liff, Bachrach wrote:

I presented some initial cost estimates to Mr. Magdieli, who was the VETS person most directly inquiring about the status on this matter, on behalf of the ASVET. I showed Amit what this was roughly going to cost VETS, and I plainly stated that, as VETS' experienced management advisor, I did not believe those costs to present a good value to the Government. My cost quote reflected a rate that was more than double what our company had ever charged any client, for any service. I had some reluctance to proceed, and I showed an alternative cost model that delivered services of similar scope and impact for about half the costs (but did not use Mr. Liff), and used already-awarded hours to further limit costs to VETS. Amit thanked me for the offer but reiterated that Mr. Liff offered an approach that was unique and that was strongly sought after by the ASVET, over and above what FYI would be able to give under existing contract hours and rates. Amit was not personally acquainted with Mr. Liff at that time.

Bachrach said that Liff was eventually hired as a subcontractor on a FYI contract with VETS. Bachrach said Liff was hired, provided a title as Management Director, and paid under a fixed price quote of \$275 per hour for 400 hours of work, which he said equated to \$110,000. Bachrach stated that a fixed price quote meant that Liff would still be paid a full \$110,000 even if he completed VETS' task order under the 400 hour limit.

Bachrach stated that VETS provided Liff with three task orders: The first was to conduct an overall review of VETS management operations, the second was to conduct an assessment of possible options for VETS to better measure their success in meeting their agency performance goals and the third was to complete a visual management project. Bachrach said that Liff had written a book using familiar principles of industrial/organizational psychology, combined with his background in graphic design, to suggest that agency performance could be improved by using visible charts and changing things like furniture, colors, and lighting.

Bachrach said that Liff was instructed to go through him (Bachrach) with all of FYI's task orders and that this was standard operating procedure for anyone who was employed by FYI. Bachrach said that Liff disregarded this instruction and informed him at a later date that he (Liff) was holding regular meetings with A/S Jefferson and that he took it upon himself to implement a fourth task order. Bachrach stated that Liff explained that he (Liff) would submit two reports to A/S Jefferson, the first would be a general report describing his management review of VETS but the second would be a "secret report" only for A/S Jefferson which would be critical of certain sections within

VETS. Bachrach said that he immediately informed Liff that any additional task orders would be inappropriate and under no circumstances should a "secret report" be submitted to A/S Jefferson. Bachrach continued that Liff's "secret report" did not remain a secret because A/S Jefferson shared the report with his staff and eventually it was leaked to the entire organization.

In his written statement (**Attachment 7**) to investigating agents concerning the completion of the reports Liff was to provide, Bachrach wrote:

Stew billed FYI for the extra hours we had agreed upon, but said that, once again, he had one more "secret" deliverable that he had given VETS, but would not provide me on account of their confidentiality. Amit confirmed that Stew was working on documents that they did not want me to possess. This was, to say the least, upsetting and inappropriate, which I told Mr. Liff and Amit in no uncertain terms.

Bachrach remarked that around this same time period, Liff had reached the financial ceiling on the FYI contract and would have to be moved to another contract, if VETS wanted to continue with his employment. Bachrach said that VETS moved Liff to the Management Support Technology, Inc. (MSTI) contract.

In his written statement (**Attachment 7**) to investigating agents concerning Liff's deliverables, work performed outside of the scope of Liff's contract, and the reason FYI stopped working with Liff, Bachrach wrote the following:

He [Liff] acknowledged he did not spend too much time on them {referring to his reports}, because most of his time was spent taking calls from the ASVET on unrelated matters. Amit corroborated this, reporting that the ASVET was exceedingly happy with Stew, and that the reports were of lesser importance since the "other matters" were his true focus. I was told that Stew was providing consulting on VETS personnel matters, at no extra charge, with his intent being to give VETS some extra value for its consulting dollar. I advised Stew that he was incurring risk for himself and FYI by providing non-contractual and uncompensated services, outside the SOW.

Bachrach further stated that FYI declined to renew Mr. Liff's contract because:

1. *Stew had disclosed his rate directly to VETS in arranging more work, in violation of his agreement with FYI*
2. *FYI did not have an easy way to accept more work through the DOL contract vehicle*

3. Stew would not accept authoritative direction from FYI as agreed
4. Stew's work was not of the quality that I wanted
5. Stew was delivering work products to VETS to which I was not privy
6. Stew stated his intent to actually increase his rate to us, which we found astonishing
7. The trend appeared to be for Mr. Liff and the ASVET to make arrangements for something, and then to rely on FYI and VETS staff to administer it. It would be more conventional, and a healthier dynamic, to have had FYI and VETS agree to goals and terms, and then for FYI to direct Mr. Liff in adhering to those.

Bachrach _____ and stated that he was placed in an awkward situation whereby he had to serve his client's interests by hiring Liff and also attempt to make a profit for FYI.

On December 13, 2010, OISI interviewed Norris Middleton, President and Chief Operating Officer, Management Support Technology, Inc., in Fairfax, Virginia (**Attachment 8**). Middleton said that MSTI has been a VETS contractor since 1999.

Middleton related that MSTI has completed numerous task orders under a Blanket Purchase Agreement (BPA) with VETS so when he was contacted by Freeman and told that she needed Stewart Liff hired, he (Middleton) did not hesitate. Middleton said that he told Freeman to send him a task order for Liff's services. Middleton said Freeman sent him an e-mail with a copy of the DOL electronic procurement shopping cart attached, saying the task order was in the process of being approved and to go ahead and hire Liff. Middleton said that he established a consulting agreement with Liff and started paying Liff for the work he was doing for VETS. However, according to Middleton, when MSTI forwarded invoices for the work completed by Liff, MSTI never received payment and it was then that he (Middleton) realized the shopping cart was never approved.

Middleton said that he contacted _____ Contracting Specialist, OASAM, who reprimanded him and _____ contracting specialist, MSTI, for hiring Stewart Liff without a modification to their contract. Middleton stated that he advised that MSTI had a BPA with VETS and that Freeman had sent an e-mail message on April 22, 2010 to _____ advising her to accept the e-mail as confirmation to proceed with hiring Liff (**Attachment 2**).

Middleton said that _____ issued a task order in the summer of 2010 for the work performed by Liff and MSTI was eventually paid. Middleton said that Liff no longer works for MSTI but had been employed by MSTI from April 28, 2010 through August

12, 2010. Middleton claimed that Liff earned \$160.50 an hour and MSTI was paid approximately \$214,000 for Liff's services.

Middleton said he felt pressured to hire Stewart Liff as a consultant but hired him anyway because he wanted MSTI to maintain good relations with VETS. Middleton said that MSTI also made a profit from Liff's employment. Middleton added that he could have found another contractor for VETS other than Liff but A/S Jefferson was bringing about big changes to his organization and Liff provided a skill set that A/S Jefferson wanted for the re-branding of VETS. Middleton said Liff provided the services VETS wanted but the way that he was hired was improper.

On September 24, 2010, OISI interviewed Valerie Veatch, Director, Acquisition Customer Advocacy, U.S. Department of Veteran's Affairs (**Attachment 9**). Veatch was formerly Director, Acquisition Management Services, for OASAM. Veatch was advised that an anonymous complaint from the OIG Hotline suggested that Stewart Liff was hired by VETS under questionable circumstances. Veatch said that someone may have brought his name to her attention but she did not recall it.

Veatch

said that Freeman and Briggs also expressed questions and concerns about contracting to her (Veatch) but she did not specifically remember the name Stewart Liff. Veatch advised that VETS has conducted training classes on the proper acquisition of contracts, so she believes that an attempt is now being made by VETS to conduct business in a proper fashion.

On December 21, 2010, OISI interviewed _____ Contracting Specialist, OASAM (**Attachment 10**). _____ said she received Stewart Liff's contract because she works on procurements for VETS. _____ continued that sometime in the spring of 2010 she was told by Freeman that Liff was working pursuant to a BPA with FYI. _____ said Freeman explained to her that FYI agreed to employ Liff as a consultant to A/S Raymond Jefferson beginning sometime in October 2009. _____ said that Freeman told her that FYI was reaching their financial ceiling and that Liff had to be moved to another contract because A/S Jefferson still required Liff's services. _____ said that Freeman told her that Liff could not be carried on the VETS Human Resource Center BPA and suggested that he be placed on the MSTI contract. _____ explained that MSTI similarly held a long-term contract with VETS and on Freeman's encouragement, MSTI agreed to hire Liff without receiving a task order from Freeman. _____ said, "Angela gave the verbal OK to MSTI to go ahead and hire Stewart Liff."

... said her concern was whether or not Liff's work at VETS would be within the scope of MSTI's contract and if hiring Liff (because of his salary) would cause MSTI to exceed the funding limit on their contract. ... said she instructed Freeman not to move forward until she ... received the electronic shopping cart because she knew the MSTI contract was not going to have the funding. ... stated a shopping cart in the amount of \$213,000 was submitted by Yvonne Moore, VETS, on May 26, 2010, but she ... rejected it on May 28, 2010, because the shopping cart exceeded the task order funding limit. ... continued that shortly afterwards the shopping cart approval process was elevated to Tova Stein, Contracting Officer, OASAM, and Ruth Samardick, Acting Director, OAMB, VETS, at which time the shopping cart was approved by Stein.

... said the position description used by MSTI to hire Liff read as follows: "Consultant, Legal and General Research Analyst: Senior facilitator to conduct short-term research projects of policy issues related to operations in VETS." ... said the position paid \$160.50 per hour. ... continued that Stewart Liff's contract with MSTI ended August 12, 2010 but she recalled seeing Liff at DOL in September or October 2010. ... related when she asked Heather Higgins, Acting Director, OAMB, VETS, why Liff was still in working for VETS, Higgins replied, "he's not on any of our contract awards." ... said the last time she heard, Liff was seen at DOL as late as mid December 2010.

... stated the only way Liff could have continued working for VETS after August 12, 2010 would be through an interagency agreement VETS has with the Department of Defense (DOD), VA, Department of Homeland Security (DHS), or the Office of Personnel Management (OPM).

... said that Stewart Liff should have never been hired by FYI or MSTI because Liff was being used in an advisory and assistance role. ... said that VETS asked FYI and MSTI to hire Liff because an advisory and assistance contract for Liff would not have been approved by OASAM's Procurement Review Board (PRB).

... explained that an advisory and assistance contracts are rarely approved because they require that the services be so unique that PRB panels almost never approve them.

At the conclusion of the interview, ... provided a written, sworn, statement **(Attachment 11)**

On January 4, 2011, OISI interviewed Tova Stein, Contracting Officer, OASAM, DOL **(Attachment 12)**. Stein first remembers hearing about Liff while he was working on the MSTI contract as a consultant. Stein said that prior to Liff working for MSTI she

had heard he worked for FYI. Stein recalled that Freeman was concerned about getting Liff's invoices paid but Stein had no idea what work Liff had completed.

In her written statement (**Attachment 13**) to investigating agents concerning Liff's work being within the scope of the MSTI contract, Stein wrote:

When VETS obtained the services of Mr. Stewart Liff, none of the normal steps for buying a service took place and the Office of Procurement Services only found out about the services long after the fact, and by accident. The contract specialist assigned to work with VETS, requested copies of invoices related to VETS contracts that were experiencing cost overruns and noticed costs being billed for a subcontractor under task order number DOLU119531438 with Management Support Technology, Inc. (MSTI). This contract for educational services was awarded as a sole source contract under the Small Business Administration (SBA) 8(a) program for small disadvantaged businesses.

Around the same time, Ms. Angela Freeman wrote to me to request that we expedite adding funds to the contract with MSTI because Stew Liff had not been paid in months and had supposedly complained to the Assistant Secretary for VETS about the lack of payment. This caused me to ask who this person is and what this had to do with the MSTI contract. As I delved into the situation, it gradually became apparent to me that VETS had requested that MSTI subcontract with Mr. Liff and that MSTI had complied. The practice of direct subcontracting where a federal entity tells a contractor with who to subcontract may violate the Competition in Contracting Act and has the potential to create a complex relationship between the government and subcontractor and therefore is rarely appropriate. It also was not clear what work Mr. Liff was doing and how it related to other work under the contract. There had been no subcontracting request received and approved.

Stein said that it was as if someone in VETS approached MSTI and FYI and said please hire Stewart Liff and they simply did. Stein said that she met with Briggs and Freeman and told them that Liff's work did not coincide with the statement of work on the MSTI contract and that Liff had to be off of the MSTI contract by August 2010. Stein declared that throughout DOL, agencies try to "direct subcontract" in an effort to get specific individuals hired. Stein said that Freeman told her Liff was being paid at an attorney's rate even though he was not an attorney because it was the only labor category in the contract that would meet his salary demands. Stein said she told Freeman that it was wrong to pay Liff at an attorney's rate.

Stein said that she eventually approved the funding cart so that Liff could be paid for his services because, otherwise, the Solicitor's office would get involved and DOL would end up paying him anyway. Stein said that she did not know if A/S Jefferson required Stewart Liff's services or just wanted someone who could be a consultant.

On January 10, 2011, OISI interviewed Ruth Samardick, Senior Policy Advisor, Federal Mine Safety Health Review Commission (**Attachment 14**). Samardick said she was the Acting Director of OAMB from April 2010 until August 2010. Samardick related that her first encounter with Stewart Liff was during a VETS managers' two day retreat in Crystal City, Virginia which occurred shortly after A/S Jefferson was confirmed. A/S Jefferson introduced Liff as the guest speaker and as someone who had written books and lectured on managing government employees. Samardick said Liff has an educational background in fine arts and that his expertise is visual management. Samardick continued that Liff believes that office space should be arranged in such a fashion so that the work environment becomes inspirationally motivating. Samardick said she heard that Liff retired from the VA as a senior executive service officer. Samardick said that Liff was already working for FYI when she became Acting Director of OAMB. Samardick stated when Liff caused the FYI funding ceiling to be reached, VETS management then moved him to the MSTI contract. Samardick said that when the funding ceiling was reached on the MSTI contract, Liff was allegedly moved to a contract with OPM. Samardick continued that when she found out that Liff had been moved to the MSTI contract she contacted Norris Middleton, Chief Operating Officer, MSTI, who forwarded her an e-mail sent to him by Freeman, giving him (Middleton) permission to hire Liff (**Attachment 2**).

Samardick stated that she was unaware of any existing relationship between A/S Jefferson and Liff prior to the first retreat held in Crystal City, Virginia, but suggested their relationship became very close and that A/S Jefferson completely trusted Liff and always had him at his side. Samardick said she thinks that A/S Jefferson actually relied on Liff more than his career VETS staff and recalled an occasion when A/S Jefferson asked Liff to handle Information Technology (IT) issues which she found upsetting because IT issues were her responsibility.

Samardick said that Liff abused his contractor position because he would often hang out in VETS with nothing to do and simply bill VETS for the hours. Samardick said that she heard that even though Liff was being paid hundreds of thousands of dollars in airfare, per diem and salary,

In her written statement (**Attachment 15**) to investigating agents concerning Liff's deliverables and work performed outside of the scope of his contract, Samardick wrote the following:

I told Mr. Liff more than once that contractors at his level did not spend upwards of 40 hours per week, week in and week out, on a contract. I told him at his level, he should come, consult, and go and that many of the tasks he undertook were inappropriate for someone at his level. However, he continued to work upwards of 40 hours per week.

Deliverables beyond those initial two reports became less well-defined, in my view. Mr. Liff was a fixture at VETS meetings chaired by the Assistant Secretary, and I think was at every meeting for which all Regional Administrators and Directors were brought together, whether in DC or another location. Mr. Liff came to refer to himself as the "consigliere" and it was well understood by VETS DC leadership that if you wanted AS concurrence on something, you should first get Mr. Liff to buy in.

Samardick stated that she and other VETS managers told A/S Jefferson about

and his involvement with a contractor who was paid enormous amounts of money for producing next to nothing. Samardick said A/S Jefferson was dismissive about the information.

On January 19, 2011, OISI interviewed Heather Higgins, Chicago Regional Administrator, VETS (**Attachment 16**). Higgins said she first encountered Stewart Liff during a managers meeting organized by A/S Jefferson, soon after his confirmation. Higgins said that she believed that A/S Jefferson and Liff knew each other when they both worked at the VA. Higgins related that A/S Jefferson wanted to express his vision to VETS management and on that occasion introduced Liff. Higgins recalled Liff being an active participant in the meeting and said that he (Liff) explained his previous training in visual management with other agencies as well as his employee accountability techniques.

Higgins continued that she was temporarily assigned to the National Office as Acting Director, OAMB, VETS, from mid-August to December 2010. Higgins stated that during this time Liff was working in the VETS front office directly for A/S Jefferson. Higgins said that soon after she arrived, she was tasked by DAS McWilliam with collecting all of Liff's invoices because Local Union 12 had raised concerns about his

(Liff's) pay and had sent an accusatory letter (**Attachment 17**) about A/S Jefferson and Liff to the White House. Higgins commented that Local Union 12 was angry over the amount of money Liff was being paid while working directly for A/S Jefferson. Higgins said that after she gathered the invoices from contractors FYI and MSTI relating to Liff's services, she gave them to DAS McWilliam. According to Higgins, DAS McWilliam seemed genuinely surprised at the amount of money being paid to Liff.

Higgins said that she was never personally involved with the procurement of Liff's services. Higgins said that Angela Freeman arranged for Liff to be placed on existing DOL contracts. According to Higgins, Freeman sent e-mails to MSTI authorizing them to hire Liff.

Higgins said that Liff was first hired by VETS contractor FYI and FYI was paid approximately \$200,000. Higgins said that when FYI's funding was exhausted, Liff had to be placed on a new contract. Higgins said that Freeman sent an e-mail to MSTI authorizing them to hire Liff. Higgins said that Liff was hired by MSTI, and MSTI was paid approximately \$200,000 from April 2010 through August 2010.

Higgins reported that sometime in September 2010 she attended a top team meeting with A/S Jefferson, DAS McWilliam, DAS Junior Ortiz, Amit Magdieli, and Ruth Samardick. Higgins said that at the meeting A/S Jefferson said he wanted Liff to continue working on the visual management project. According to Higgins, Magdieli suggested that Liff be placed on a contract through OPM. Higgins said she had never heard of utilizing another agency's contract to hire a consultant but that Magdieli personally handled A/S Jefferson's request. Higgins said that Liff was placed on the OPM contract and worked for VETS until December 2010. Higgins said she does not know how much Liff was personally paid.

At the conclusion of the interview Higgins provided a sworn, written, statement (**Attachment 18**).

On March 30, 2011, OISI interviewed

Information Experts
(**Attachment 19**).

said that Information Experts has a contract with OPM to provide leadership training. explained that the contract OPM executed allows OPM to offer training to other government agencies through an interagency agreement.

said that in December 2010 she received a phone call from an OPM employee, According to : told her that OPM wanted Information Experts to provide training to VETS. said that during the conversation,

mentioned Stewart Liff as someone who could provide the training. said that she had never heard Liff's name prior to her conversation with said that Information Experts contacted Liff and they agreed to pay him (Liff) a labor rate of over \$200 per hour. said that Liff was paid as a subject matter expert on their contract. said that Liff made training videos and completed a space planning project for VETS.

On March 22, 2011, OISI interviewed Stewart Liff, Liff and Associates, in Santa Clarita, California (**Attachment 20**). Liff said that after the election of President Obama, he contacted his former colleagues at the VA to find out who was heading the President's transition team for the VA. Liff explained that he had written a 120 page paper on how the VA could better serve veterans and wanted to get his ideas to the new administration. Liff said that he found out that Raymond Jefferson was heading the VA transition and e-mailed his paper to Jefferson. Liff said that when he contacted A/S Jefferson, he (Jefferson) had not been nominated to be the Assistant Secretary of VETS. Liff said that after A/S Jefferson received the 120 page paper, A/S Jefferson contacted him and they met for dinner at the Old Ebbitt Grill in Washington D.C. According to Liff, he and A/S Jefferson discussed A/S Jefferson's vision for transforming VETS. Liff said that he had other conversations with A/S Jefferson about the services he could provide to VETS but nothing specific until he was contacted by Premier Consultants days after A/S Jefferson's confirmation and asked to provide training at VETS' top team retreat from August 12, 2009, through August 14, 2009. Liff said he was paid \$3,000 to provide two days of training.

Liff said after the two day training he was contacted by David Bachrach, FYI, in September 2009 about being a subcontractor for his company. Liff said that Bachrach had been in contact with someone at VETS regarding his employment. Liff explained that he had no prior relationship with Bachrach or FYI but did know that VETS wanted to hire him as a contractor. Liff said that he negotiated his pay rate with Bachrach. Liff said that he charged FYI \$200 an hour and that there was never any discussion between him and Bachrach about his rate being too high. Liff said he was paid to complete three projects for VETS; an organizational study, a performance management study and a visual management project.

Liff said that after working for FYI he went to work for another VETS contractor, MSTI. Liff said that he was contacted by Norris Middleton, President, MSTI, who offered him employment as a subcontractor. Liff said that he did not know Middleton or MSTI prior to being offered a job nor was he interviewed. Liff said that his hourly rate at MSTI was \$200 per hour. Liff explained that while working for MSTI he began helping VETS implement the projects he initiated while working for FYI. Liff said that he continued to work for MSTI until November of 2010.

Liff said that sometime in November 2010 he was contacted by Information Experts, a contractor who offered him employment as a subcontractor to continue working for VETS. According to Liff, he was never interviewed for the job and he negotiated his rate which was more than \$200 an hour. Liff said that he continued to help VETS develop the programs he initiated. Liff said that he worked for Information Experts for seven to eight weeks.

Liff was asked if he and Bachrach ever had a disagreement regarding his rate of \$200 per hour. Liff said that he never had a disagreement with Bachrach and that Bachrach, after talking to VETS, agreed to his rate. Liff was asked if A/S Jefferson knew of his rate. Liff said that he would be surprised if A/S Jefferson knew how much per hour he made. Liff was then told about an e-mail which demonstrated that A/S Jefferson knew of his rate and he replied that he never had discussions with A/S Jefferson about how much he charged. Liff continued that A/S Jefferson would always preach that everything should be done legally, ethically, and transparently. Liff said that A/S Jefferson tried to keep procurements at a distance to minimize his exposure to the details of his hiring.

Liff said that after working for Information Experts, he wanted to leave VETS because of the perception of how he was hired. Liff said that while he made over \$300,000 working for VETS, the amount of money he was paid did not bother him. Liff said what bothered him was the way he was hired and he (Liff) said he wished he could have been contracted directly by VETS.

At the conclusion of the interview Liff provided a sworn, written, statement (**Attachment 21**).

On April 4, 2011, OISI interviewed Amit Magdieli, Chief of Staff, VETS, DOL (**Attachment 22**). Magdieli said that in September 2009 A/S Jefferson brought in his senior team consisting of himself, DAS McWilliam, and DAS Ortiz. Magdieli said that A/S Jefferson told them that he wanted the services of Stewart Liff. Magdieli said that A/S Jefferson had read some of Liff's books and was very impressed with Liff who he met when he (A/S Jefferson) was working on President Obama's transition team. Magdieli said that he and DAS McWilliam talked to Fergus Paul Briggs and Angela Freeman, who agreed to get Liff hired. Magdieli said that DAS McWilliam met with someone with OASAM who said that VETS could request that Liff be hired but that the contractor did not have to hire Liff. Magdieli said that the first time Liff was placed under a VETS contract was the week A/S Jefferson was confirmed. Magdieli said that during the week of August 11, 2009, Liff conducted two days of training while working for Premiere Consultants, a VETS contractor. Magdieli said that at the time, he had

only been working for VETS for three days and he was not involved in getting Liff hired with Premiere Consultants.

Magdieli said that he recommended to A/S Jefferson, DAS McWilliams, and DAS Ortiz that Liff's services be competed but that his job is to do what his boss wants. Magdieli said that he thought Liff's services should be competed so that the government could get the best service. Magdieli explained that no one ever told him that putting Liff on existing contracts without competition was illegal. Magdieli explained that it may have been wrong to hire Liff this way but it was not illegal. Magdieli said that Jefferson wanted things done quickly and that his (A/S Jefferson's) philosophy is to get things done quickly but properly.

In his written statement (**Attachment 23**) to investigating agents concerning Liff's hiring, Magdieli wrote:

A competitive process for procuring these services was recommended by the senior leadership team of John McWilliam, Junior Ortiz and myself to the ASVET. However, the time period for a competitive process was deemed to take too long. The ASVET communicated the need to get this done quickly.

Magdieli said that he met with David Bachrach, FYI, and asked him to hire Liff as a consultant to Jefferson. Magdieli was asked if he ever had discussions with Bachrach about Liff's salary or the cost to VETS. Magdieli said that he did not recall any such discussions. AIG Cunningham then read from Bachrach's sworn statement (**Attachment 7**) in which Bachrach said he told Magdieli that he could perform the work that Liff would provide at a reduced rate and questioned the value of Liff's work to the government. Magdieli said that he did not recall that conversation but does remember telling Bachrach that Liff was the guy that A/S Jefferson wanted. Magdieli again said that he told A/S Jefferson that Liff's services needed to be competed but that A/S Jefferson did not take his advice.

Magdieli said Liff conducted an organizational assessment of VETS and also completed a visual management project. Magdieli said that he did not know if A/S Jefferson had Liff work outside of the scope of his contract.

Magdieli said that after the FYI contract ended, he told Freeman that A/S Jefferson wanted Liff to be hired and placed on the MSTI contract. According to Magdieli, while on the MSTI contract Liff continued his work by helping VETS implement the organizational study and the visual management project he started while working under the FYI contract. Magdieli said that there were problems implementing the visual management project because VETS found out that the colors that Liff wanted

the walls to be painted were not possible under General Services Administration (GSA) regulations.

Magdieli was asked if Liff had been paid by MSTI for the work he completed for VETS. According to Magdieli, there was a period of four months when Liff did not get paid by MSTI. Magdieli explained that there was a problem with the electronic shopping cart for Liff not being completed properly. Liff said that A/S Jefferson was very upset that Liff had not gotten paid by MSTI.

Magdieli said that when funding ran out on the MSTI contract, A/S Jefferson asked him to see if Liff could be hired through a contract that OPM has with Information Experts. Magdieli said that he contacted _____, Human Resources, OPM, and asked that Liff be hired by Information Experts. Magdieli was asked if he knew how much contractors had been paid for Liff's services and he said he did not know.

DAS John McWilliam's response to the allegation

On April 4, 2011, OISI interviewed DAS John McWilliam (**Attachment 24**). DAS McWilliam said that in August 2009 A/S Jefferson told him that he wanted to obtain Stewart Liff's services as a management consultant. DAS McWilliam explained that Jefferson saw some of Liff's work and was impressed by him. DAS McWilliam said that he told A/S Jefferson to be careful because

_____ got unwanted media attention from the Washington Post because of the hiring of a consultant. According to DAS McWilliam, A/S Jefferson told him that he wanted to hire Liff the right way. DAS McWilliams said that A/S Jefferson told him that he and Liff were not friends and only had a professional relationship. DAS McWilliam said he went to OASAM and spoke to then Director Valerie Veatch. According to DAS McWilliam, Veatch told him that VETS could recommend Liff to a contractor but could not tell the contractor to hire Liff. DAS McWilliam said that he worked on the Statement of Work (SOW) for Liff with Veatch and made sure that Liff had to provide specific deliverables.

DAS McWilliam said that the first time Liff was placed under a VETS contract was the week A/S Jefferson was confirmed as the Assistant Secretary in VETS. DAS McWilliam said that during the week of August 2009 Liff conducted two days of training while working for Premiere Consultants, a VETS contractor. DAS McWilliam said that he did not know how much Liff charged VETS for the training.

DAS McWilliam was asked why VETS did not try to give Liff a sole source contract. DAS McWilliam said that it would have been too difficult to give Liff a sole source contract. He explained that Liff was not a registered contractor so VETS used FYI, a

contractor with OASAM, to get Liff hired. DAS McWilliam was asked how much Liff charged per hour and what the labor category was that he was placed on under the contracts. DAS McWilliam said that he did not know how much Liff charged per hour or what labor category he was in.

DAS McWilliam was asked if he was ever told by Magdieli or Bachrach that FYI could provide the same deliverables for VETS at a reduced cost. DAS McWilliam said that he never heard from Magdieli or David Bachrach that FYI could have provided the services to VETS at a lower cost to the government. DAS McWilliam said that Liff did reports and assessments for VETS and was in the office full time three to four weeks of each month. DAS McWilliam said that after funding ran out on the FYI contract, he wrote a SOW, with Liff's name, and submitted it to another VETS contractor, MSTI. DAS McWilliam said that MSTI hired Liff and Liff continued to work on the same projects he started with FYI.

DAS McWilliam was asked how Liff was hired by an OPM contractor, Information Experts. According to DAS McWilliam, Magdieli wrote a statement of work for Liff and sent it to OPM staff.

DAS McWilliam said that he was concerned about the perception that A/S Jefferson was paying a lot of money for a management consultant but does not think VETS did anything illegal. DAS McWilliam was asked how much VETS paid FYI, MSTI and Information Experts for Liff's services. DAS McWilliam explained that VETS paid FYI approximately \$230,000, MSTI approximately \$225,000 and Information Experts \$230,000. DAS McWilliam said that no one ever told him that it was improper for VETS to recommend or give contractors a name to consider.

At the conclusion of the interview DAS McWilliam provided a sworn, written, statement (**Attachment 25**).

A/S Raymond Jefferson's response to the allegation

On April 19, 2011, OISI interviewed A/S Raymond Jefferson, (**Attachment 26**). A/S Jefferson said that prior to his confirmation, he served on President Obama's transition team at the VA. A/S Jefferson explained that he served on the VA's agency review of veteran's benefits. A/S Jefferson said that during this time he was inundated with ideas from individuals hoping to reform services for veterans. A/S Jefferson said that Stewart Liff sent him a paper he had written which greatly impressed him. According to A/S Jefferson, he met Liff for dinner because he wanted to know if the person who wrote the paper was equally impressive.

A/S Jefferson said that the first time Liff was placed under a VETS contract was the week of August 11, 2009, the week he was confirmed. A/S Jefferson was shown an e-mail from Liff which gave A/S Jefferson guidance on the procurement of his (Liff's) services (**Attachment 27**). A/S Jefferson said that he did not get involved in Liff's procurement but did give the information to Magdieli and DAS McWilliam. A/S Jefferson said that before he was confirmed, he spoke to Liff about providing training to VETS at a two day retreat in Virginia. A/S Jefferson said that he asked DAS McWilliam to get Liff hired as a speaker for the retreat. A/S Jefferson said the week he was confirmed, Liff was contracted by VETS to speak at the two day retreat VETS held at a hotel in Crystal City, Virginia. A/S Jefferson again said that he did not know how VETS procured Liff's services.

A/S Jefferson said that sometime in September 2009 he met with DAS McWilliam and his Special Assistant, Amit Magdieli and asked if it was legally possible to hire Liff. A/S Jefferson said that Liff was not a friend of his and they only had a professional relationship. A/S Jefferson said that he did not know the details of how Liff was hired but told DAS McWilliam and Magdieli that he wanted him hired legally, ethically, but also quickly. A/S Jefferson was asked if he knew how much Liff charged for his services. A/S Jefferson explained that he tried to stay away from any negotiations involving contractors and always instructed his staff to get things done legally and ethically. A/S Jefferson said that he believed that Liff provided world class expertise in transforming the culture of organizations and he greatly wanted his services for VETS.

A/S Jefferson was asked why VETS did not try to give Liff a sole source contract. A/S Jefferson said that he did not think VETS was allowed to give Liff a sole source contract. A/S Jefferson explained that he did not know the procurement process and that he only focused on the content of the training he was trying to provide to VETS. A/S Jefferson was asked how much Liff charged per hour and what his labor category was under the contracts he was placed on. A/S Jefferson said that he did not know how much Liff charged per hour or what labor category he was on. A/S Jefferson was then shown an e-mail that Magdieli sent him requesting Liff's rates and confirmation that A/S Jefferson received the rates from Liff (**Attachment 28**). A/S Jefferson, after looking at the e-mail, said that he did not recall the e-mail and does not remember ever knowing how much Liff charged.

In his written statement (**Attachment 29**) to investigating agents concerning the hiring and cost of Liff's services, A/S Jefferson wrote:

The Issue of Sourcing

I had not received any training in federal government contracting or procurement prior to serving in this present capacity or during induction. I was under the impression that

we were not allowed to do sole-sourcing – that this was a process to be avoided and not an option. I did ask John and Amit to move quickly, and also legally, ethically and properly. We had, and still have, a lot of work to be done to improve VETS' performance and help address Veterans' unemployment.

Stewart Liff's Rates – Part 1

Investigators Gene Cunningham and Dave Russ showed me an email that prompted them to ask me if I was aware of Stewart's rates. I don't recall the background of the email, and can state that I don't know what Stewart Liff's rates are. I had been told that his rates are higher than "normal," but don't know how much "normal" was or is either.

Stewart Liff's Rates – Part 2

I recall some discussion about Stewart's rates being high, but didn't get involved with the negotiations.

A/S Jefferson was asked if he ever heard from his staff that FYI complained about the rate Liff was charging to work for VETS. A/S Jefferson said that he did remember either DAS McWilliam or Magdieli saying that Liff's rate was high but that he knows that the best contractors charge more for their services. A/S Jefferson was asked if he knew how much VETS paid contractors for Liff's services. A/S Jefferson said that he believed that the amount was approximately \$400,000. A/S Jefferson explained that DOL's Local 12 Union wrote a letter to President Obama complaining about how much money was being paid to Liff. A/S Jefferson said he was surprised how much VETS paid for Liff's services. A/S Jefferson said that Liff stopped working for VETS shortly after Local 12 wrote the letter to President Obama. A/S Jefferson was told (by OISI) that Liff's services cost VETS almost \$710,000. A/S Jefferson said that until recently he did not know how much VETS paid for Liff's services and said that \$710,000 could be a perception problem for VETS because Liff's services cost so much. A/S Jefferson was asked if he was told by his staff about

who had an article written about him in the Washington Post because he hired an expensive consultant. A/S Jefferson said that he vaguely recalled someone telling him about but did not recall the details.

A/S Jefferson was asked if he was ever told by Magdieli or Bachrach that FYI could provide the same deliverables for VETS at a lower cost than what it cost to use Liff. A/S Jefferson said that he never heard from Magdieli or David Bachrach, FYI, that FYI could have provided the services to VETS at a lower cost to the government. A/S Jefferson said that if he had been told by Bachrach that FYI could have provided the same services, he would have asked to see the person's resume who was going to be

performing the work. A/S Jefferson was shown by OISI a cost proposal from FYI detailing how FYI proposed to provide the same services Liff provided at a little over half of the cost (**Attachment 30**). A/S Jefferson said that he was never shown that proposal. A/S Jefferson explained that Liff is an expert with unique skills and he only wants the best contractors working for VETS. A/S Jefferson said that he always told his staff who the best person was for different types of training he wanted with the caveat that if someone else was better, he was open to using them.

A/S Jefferson was asked what services Liff provided to VETS. A/S Jefferson said that Liff performed three tasks for VETS: an overall assessment of VETS and its culture, a performance management plan and visual communication performance project. A/S Jefferson said that Liff provided VETS with two reports on the overall assessment of VETS. A/S Jefferson explained that he wanted to know what was working and what was broken within VETS. A/S Jefferson said that he thought the first report,

A/S Jefferson said that he had Liff provide VETS with a second report.

A/S Jefferson was asked if FYI knew that there was more than one report. According to A/S Jefferson he did not know what deliverables Liff was to provide to FYI. A/S Jefferson said that Liff also provided VETS with a performance management plan so that VETS could better evaluate its employees. Finally, A/S Jefferson said that Liff provided VETS with a visual communications performance project which was designed to inspire VETS employees by changing the colors on the walls and installing flat screen televisions which were used to show veterans in action.

A/S Jefferson was asked if Liff provided him with day to day consultation and advice. According to A/S Jefferson, Liff advised him on the organization and transformation of VETS as it related to the culture, people and processes within VETS. A/S Jefferson said that at the presentation Liff gave on August 12-14, 2009, and at his encouragement, Liff gave a presentation on personnel issues which VETS managers found informative and practical. A/S Jefferson continued that he told VETS Regional Administrators to ask for Liff's advice about specific VETS employees and situations which according to A/S Jefferson, they did. A/S Jefferson explained that Liff is an expert in managing Federal employees and has written books on managing difficult employees. A/S Jefferson cited an example of a VETS employee who had numerous personnel issues and was viewed as a problem employee. According to A/S Jefferson, he advised _____ to contact Liff for advice on how to manage the employee. A/S Jefferson said that after _____ was advised by Liff, the issues with the employee were resolved.

A/S Jefferson said that after Liff's contract ended with FYI he went to work for another VETS contractor, Management Support Technology, Inc. (MSTI). A/S Jefferson said that he requested that Liff continue working on the projects he started while working on the FYI contract.

A/S Jefferson was asked how Liff was hired by an OPM contractor, Information Experts. According to A/S Jefferson, he asked Magdieli to contact OPM so that VETS could continue working with Liff. A/S Jefferson said that he valued Liff's work and said that Liff is currently working for OPM Director John Berry.

A/S Jefferson was asked if he was giving preferential treatment to Liff by having VETS employees ask contractors to hire Liff. According to A/S Jefferson, it was never his intention to give preferential treatment to Liff. A/S Jefferson said that he was only trying to get the best contractors for VETS. A/S Jefferson acknowledged that he was told by DAS McWilliam and Magdieli that Liff's services should be competed or a sole source justification written so VETS could give Liff a contract. They did this before he (Liff) was put on both the MSTI and OPM contracts. A/S Jefferson again explained that he wanted to get things done quickly and that getting Liff hired was instrumental in his goal of transforming VETS.

In his written statement (**Attachment 29**) to investigating agents concerning the cost of hiring Liff, A/S Jefferson wrote:

Procurement Procedures

John and Amit always expressed 1) their commitment to do our procurement actions correctly, and 2) the need to do so. We had discussions where they emphasized the need to follow established processes and I, while concurring, also asked them to move as expeditiously as legally and ethically possible so we could maintain the transformation's momentum and make our improvements as quickly as possible. My intent was not to give anyone preferential treatment, only to get the best possible people and expertise to help the agency.

Conclusion:

The allegation that A/S Jefferson and DAS McWilliam abused their authority with respect to the retention of Stewart Liff's services is substantiated. A/S Jefferson and, consequently, DAS McWilliam and VETS Chief of Staff Magdieli, placed VETS employees in untenable positions, forcing them to utilize existing federal contracts in order to hire Liff without competition. In addition, they placed VETS contractors in precarious positions.

At the insistence of A/S Jefferson, the specific direction of Amit Magdieli and DAS McWilliam, and the subsequent request of Angela Freeman, Liff was hired by VETS contractors For Your Information (FYI), Management Support Technology, Inc (MSTI), and through an interagency agreement with Information Experts, a contractor performing services with OPM. Liff was not known to any of the contractors prior to the request by A/S Jefferson to get him hired and Liff was the only subcontractor name submitted by VETS. In doing so, VETS personnel, at the request of A/S Jefferson, DAS McWilliam, and Magdieli, circumvented usual and proper procurement rules and regulations, including the rules pertaining to sole source procurements, contractor rates, and contractor scope of work.

As noted on page 6, the task orders for Stewart Liff were reviewed and approved by OASAM officials. However, the procurement of Liff should have been executed through open competition, or through an appropriate sole source procurement, and possibly through an advisory and assistance contract, which would have required PRB review. Although A/S Jefferson told OISI that he instructed his staff to follow all legal and ethical standards with respect to Liff's retention, the statements obtained by OISI from these staff members, and others, indicate that they often felt pressured and intimidated to circumvent these standards, in order to meet A/S Jefferson's objectives of obtaining and retaining the services of Liff.

Further, the total payment of more than \$700,000 to secure Liff's services for a period of 16 months appears to be excessive.

Allegation 2

A/S Jefferson and DAS McWilliam accepted a gift from Ron Kaufman that exceeded \$25 in value in violation of 5 C.F.R. §§ 2635.201-205.

Additional Allegation developed relating to Ron Kaufman

A/S Jefferson and DAS McWilliam improperly directed VETS employees to have DOL contractors hire Ron Kaufman without competition and endorsed his products on the VETS intranet website.

Findings:

On September 23, 2010, OISI interviewed Angela Freeman, Administrative Officer, DOT (**Attachment 1**). Freeman said that in early November 2009, Ronald Kaufman, a friend of A/S Jefferson, conducted a one day training seminar titled "Up Your Service." Freeman said that Ronald Kaufman resides in Singapore.

According to Freeman, the seminar was held in a 5th floor conference room of the Francis Perkins Building with 40 to 50 VETS employees in attendance. Freeman said that the training lasted all day. Freeman recalled walking out of the conference room with DAS McWilliam and [redacted] Budget Officer, VETS, when the seminar was finished and asking [redacted] how VETS paid for the event. According to Freeman, [redacted] replied, "you don't want to know." Freeman said that later she spoke to Amit Magdieli who said that the seminar was "pro bono." Freeman said that this was not possible, because accepting the training would violate 5 C.F.R. §§ 2635.201-205.

[These provisions, which are found in the Standards of Ethical Conduct for Federal Employees, address issues related to "Gifts From Outside Sources."]

Freeman related that in February 2010, A/S Jefferson held his week long "Kick-Off" event designed to motivate VETS employees. Freeman continued that Kaufman presented a two day seminar during this event which was also called "Up Your Service."

Freeman recalled later receiving an e-mail from Magdieli advising her that A/S Jefferson wanted to hire Kaufman to conduct six more classes at the following locations: Washington, DC (Francis Perkins Building) on March 8 - 9, 2010; Chicago, IL on March 11 - 12, 2010; and San Francisco, CA on March 15 - 16, 2010. Freeman

said that the training cost approximately \$145,000 including travel expenses. Kaufman was hired but not paid. In an attempt to explain the hiring of Kaufman, Angela Freeman sent an e-mail (**Attachment 31**) to Ruth Samardick, Amit Magdieli, and DAS McWilliam, dated August 4, 2010. In this e-mail, Freeman wrote:

Without prior planning, VETS options for obtaining the vendor and the required services requested by the ASVET were as follows;

Option A Reschedule the requirement in order to allow adequate time for competition

Option B Sole source the requirement to a 8(a) or SDVOSB

Option C Use the labor categories on a existing contract or BPA

Option A was not allowable because the ASVET had already pre-selected a vendor and date for the event to begin. Furthermore, using this put VETS at risk of not being able to obtain the vendor selected by the ASVET, Ron Kaufman.

While Option B, would allow VETS to directly sole source the requirement to the vendor pre-selected by the ASVET, it was proven unallowable. The ASVET's preferred vendor and its pass-through was neither, an 8(a) or SDVOSB, as indicated in previous communications.

The final option, Option C allowed VETS to obtain the ASVET's preferred vendor within the specified period. MSTI was chosen because they had a surplus of funding and unused labor categories. This factor was discussed in several communications.

As in the past, I contacted [redacted] of MSTI, and described VETS requirement. MSTI agreed to use an existing funded [contract] to fund the required labor categories, training specialist (TS) and subject matter expert (SME) Thus, allowing VETS to obtain the individuals and services as directed by the ASVET. MSTI also agreed that a task order be issued later if needed. However, with the unplanned installation of Stewart Liff on the MSTI contract the surplus funding was exhausted before Ron Kaufman could invoice MSTI...

My culpability in this, is that I failed to insist that Option A be used. It was my duty to take a stand, regardless of the unfavorable consequences. However, I did not. Instead like everyone else; I did not want to say no to the ASVET, thus

allowing this to take place.

Freeman said this was yet another example of A/S Jefferson demanding that a specific individual be selected for a contract and to forego the bidding process because of time constraints.

On September 8, 2010, OISI interviewed Fergus Paul Briggs, former Director, Office of Agency Management and Budget, VETS (**Attachment 4**). Briggs was told of the allegation that DAS McWilliam accepted free services from contractor Ron Kaufman valued at \$25 or more. Briggs responded that he knew of no such arrangement. According to Briggs, Freeman made an allegation that Magdieli told her that VETS management wanted Kaufman to be hired for the training seminars. Briggs did not recall how Kaufman was brought on board for training but said that it was not unusual for VETS management to go directly to Freeman as she was the deputy director of OAMB and handled all procurements and contracts. Briggs said that it was not unusual for management to say "we want this done in the next two weeks" and then expect things to happen without the placement of any bids. Briggs commented that he thought it was strange that VETS had to reach out to Kaufman, who is based out of Singapore, for training purposes because they were not be able to locate a contractor within the Washington, D.C. area. Briggs continued that the training consisted of one course provided to the National Office and two or three classes provided to the field. Briggs said there was "nothing unique about the course" although the training was in regards to "goods and services" and in his opinion he did not really understand the nexus to VETS.

On March 4, 2011, OISI interviewed Norris Middleton, President and Chief Operating Officer, MSTI (**Attachment 8**). Middleton related that MSTI has completed numerous task orders under a Blanket Purchase Agreement (BPA) with VETS so when he was contacted by Angela Freeman, and told that she needed a consultant hired, he (Middleton) agreed to hire him. Middleton said that he told Freeman to send him a task order. In response, she sent him an e-mail which said that MSTI's contract was going to be modified so that VETS could provide customer service training. Middleton said that he was told by Freeman to contact Sage Alliance Partners, a contractor who would hire Kaufman. Middleton said that he established a subcontracting agreement with Sage Alliance Partners, a company located in Southern California. According to Middleton, he met with _____ of Sage Alliance Partners, and finalized the subcontracting agreement. Middleton explained that according to the agreement, MSTI would pay Sage Alliance after DOL paid MSTI for the training. However, according to Middleton, MSTI's contract was never modified. Middleton said that Sage Alliance Partners forwarded invoices for the work performed by Kaufman but MSTI never received payment from DOL and it was then

that Middleton realized that the training was never approved.

Middleton said that he had [redacted] Contracting Manager, MSTI, contact Freeman because MSTI's contract was never modified to allow them to provide the training which had already taken place. According to Middleton, [redacted] could never get an answer from Freeman as to why the contract had not been modified.

Middleton said that he reviewed the invoices MSTI received from Sage Alliance Partners and was surprised at the amount of money that was spent on the six days of training. Middleton said that Ron Kaufman provided customer service training in Washington, D.C., Chicago, IL, and San Francisco, CA. Middleton said the training cost \$116,000 plus an additional \$14,000 in travel and per diem expenses. Middleton was asked if he could have provided the training for less and he said "yes." Middleton explained that VETS never asked if MSTI could provide the training and he believes that MSTI was only being used as a contracting vehicle to hire someone without having to have them compete for a contract. Middleton said that after he explained to [redacted] that DOL never paid MSTI, Sage Alliance Partners began to bill DOL directly for the training. Middleton said that he does not know if Sage Alliance Partners has been paid.

On February 7, 2011, OISI interviewed [redacted] Budget Officer, VETS. (Attachment 32). [redacted] said that Ronald Kaufman was a trainer from Singapore who presented a one day seminar called Up Your Service to VETS management and that this seminar occurred approximately one year ago. [redacted] recalled the seminar taking place in one of the rooms on the 5th floor, "C" corridor of the FPB. McPhail recalled sitting with other VETS employees in the conference room prior to the commencement of the seminar and wondering how Kaufman was contracted and how he was being paid. [redacted] advised that Angela Freeman said that Kaufman's services were donated, which [redacted] thought was odd and against federal regulations. [redacted] said that he never saw an electronic shopping cart for Kaufman but he assumed Kaufman was a subcontractor to MSTI, a VETS contractor. [redacted] said that approximately one month later he was approached by Amit Magdieli, who asked how he could get Ron Kaufman paid for other seminars he performed for VETS. According to [redacted] he told Magdieli that Kaufman could not directly invoice VETS for his services. [redacted] said he explained that it was possible that the amount of money paid to Stewart Liff reduced the funding limit for MSTI so drastically that there were insufficient funds to pay Kaufman.

In his written statement (Attachment 33) to investigating agents concerning the pressure for VETS staff to complete the procurement, [redacted] wrote:

The answer to the question to whether there is pressure in VETS to get things done anyway possible...the answer is "yes."

On January 10, 2011, OISI interviewed Ruth Samardick, Senior Policy Advisor, Federal Mine Safety Health Review Commission (**Attachment 14**). Samardick said that she was not involved in the acquisition of Ron Kaufman. According to Samardick, Kaufman was a guest lecturer for VETS and a friend of A/S Jefferson from their days at McKinsey & Company, a private management consulting firm. Samardick said that she heard that Kaufman was brought into VETS through Sage Alliance Partners, who worked as a subcontractor to MSTI, or another contractor, Premier Consultants. Samardick said she heard that Kaufman never received payment for the work he performed for VETS.

On January 19, 2011, OISI interviewed Heather Higgins, Chicago Regional Administrator, VETS (**Attachment 16**). Higgins said that she was never personally involved with the procurement of Kaufman's services. Higgins said that Angela Freeman arranged for Ronald Kaufman to be placed on an existing DOL contract. According to Higgins, Freeman sent e-mails to MSTI authorizing them to hire Kaufman.

Higgins said that Kaufman was the first consultant hired and placed on a contract with Sage Alliance Partners, a subcontractor to MSTI. Higgins said that shortly after she was assigned to OAMB she was directed by Ruth Samardick, the previous acting director of OAMB, to perform a ratification for Kaufman because he had not been paid for three training sessions he and his wife (Jen Kaufman) performed for VETS. According to Higgins, after the training was completed, OASAM's Office of Procurement Services (OPS) rejected the electronic shopping cart submitted for Kaufman because his work was not within the scope of the MSTI contract.

Higgins explained that three conferences took place in Washington D.C. and two others in Chicago, IL and San Francisco, CA. Higgins said that the training promoted customer service and cost approximately \$140,000. Higgins said that to date, Sage, MSTI, and Kaufman have not been paid and that Kaufman sent her an e-mail the week of January 9, 2011 again requesting payment.

On March 24, 2011, OISI interviewed _____ Sage Alliance Partners at DOL (**Attachment 34**). _____ said that Sage Alliance Partners has an agreement with Ronald Kaufman, Up Your Service, to represent Up Your Service in the United States. _____ explained that Up Your Service is based in Singapore.

_____ said that he was first contacted by Amit Magdieli in late 2009. _____ said that

Magdieli told him that VETS wanted to hire Kaufman to provide customer service training. [redacted] said that he wrote a proposal and sent it to Angela Freeman but Freeman wanted his company to subcontract with a VETS contractor, FYI. [redacted] said that he was suspicious of the arrangement and fearful that his company would not get paid. [redacted] said that based on his feelings he arranged to meet David Bachrach, President, FYI. [redacted] said that after meeting Bachrach, he agreed to have Sage Alliance Partners become a subcontractor to FYI. [redacted] said that Ronald Kaufman provided two days of training February 2-3, 2010, at a cost of approximately \$30,000. [redacted] said that the training given by Kaufman and his spouse, Jen Kaufman was conducted at DOL and was given only to the senior VETS managers. [redacted] said that after Kaufman provided the initial training he was again contacted by Magdieli and told that VETS wanted additional training from Kaufman. According to [redacted] he had conversations with Freeman and he insisted that VETS contract directly with his company, Sage Alliance Partners. [redacted] said that he thought that VETS was going through with the procurement process to do so. [redacted] said that he was later surprised when he received a telephone call from Freeman who said that DOL's system of registering contractors was not working and that he would have to be a subcontractor to MSTI. [redacted] said that he was upset about the arrangement but after meeting with Norris Middleton, President, MSTI, he agreed to the arrangement. [redacted] said that Kaufman and his spouse provided a total of six days of training in Washington D.C., Chicago, IL, and San Francisco, CA at a cost of approximately \$140,000 which included travel. [redacted] said that after the training was completed he contacted Middleton for payment. According to [redacted], Middleton told him that MSTI was never paid by VETS for the training. [redacted] said that it has been almost a year since Kaufman conducted the training and he does not know how Sage Alliance Partners is going to get paid because Sage Alliance Partners never had a contract with DOL.

On March 31, 2011, OISI interviewed Ginger Ackerman, Attorney, Office of the Solicitor, DOL (**Attachment 35**). Ackerman said that she was contacted by Amit Magdieli in October 2009 about VETS receiving free customer service training from Ron Kaufman of Up Your Service. Ackerman said that she related to Magdieli that VETS could receive this specific training as long as there was no expectation of payment or future contract opportunities, and that VETS would not be endorsing the contractor. Ackerman said that she advised Magdieli that her office would draft a gratuitous services agreement (**Attachment 36**) which Kaufman could sign to indicate that he was forfeiting payment for the training. Ackerman said that the gratuitous service agreement was executed on November 2, 2009 (the day the training took place).

On March 31, 2011, OISI telephonically interviewed Ronald Kaufman, Owner, Up Your

Service (**Attachment 37**). Kaufman said that he is a subcontractor to

Sage Alliance Partners, a company that provides leadership development, organizational development and executive coaching to its clients. Kaufman explained that Sage Alliance Partners represents his company, Up Your Service, in the United States. Kaufman said that he first met A/S Raymond Jefferson in July 2008 in New York City at a National Speakers Association Conference. Kaufman said that he was first contacted by A/S Jefferson and Amit Magdieli in late 2009 when Magdieli told him that VETS wanted to hire him to provide customer service training. Kaufman said that he referred Magdieli to [redacted] who arranged the training. Kaufman said he first put on a free, two day training session for VETS in October 2009. According to Kaufman, he was in Washington D.C. attending a convention and gave training to managers in VETS at DOL.

Kaufman said that on February 2-3, 2010, he provided two more days of training to VETS and received payment through Sage Alliance Partners. Kaufman said that he was later contacted again by [redacted] and told that VETS wanted him to provide additional training in Washington D.C., Chicago, IL, and San Francisco, CA. Kaufman said he completed the training for VETS but he was never paid for his services.

Kaufman said that he does not know why he has never been paid for the training sessions he completed. Kaufman explained that he has contacted Magdieli and A/S Jefferson by e-mail to ask why he hasn't been paid but has not been given a definitive answer. Kaufman said that he paid for his own airfare, hotels, and the shipping of his equipment to the training sites. Kaufman explained that he has never been reimbursed for any of the money he spent.

Kaufman was asked if he knew that VETS had put his Up Your Service training seminars, which are available on YouTube, on the VETS intranet site. Kaufman said that he did not know VETS had placed his training on their intranet site but that he was pleased that they liked his training and would do so.

On June 1, 2011, OISI interviewed Robert Sadler, Counsel for Ethics, Office of the Solicitor, DOL (**Attachment 38**). Sadler was asked about the appropriateness of A/S Jefferson having VETS staff put Kaufman's training seminars, as well as information related to the book "Outlearning the Wolves," written by Dan Hutchens, on the VETS intranet site. Sadler said the posting of the seminars and the book information on the VETS website is probably an ethics violation because it gives the impression that VETS is endorsing Kaufman and Hutchens. The only way the seminars and books could be posted on the VETS website (or any government website) is for the material to be unmistakably labeled as an extension of training already received.

On April 4, 2011, OISI interviewed Amit Magdieli (**Attachment 22**). Magdieli said that A/S Jefferson told him that he wanted Ron Kaufman to provide customer service training to VETS. Magdieli said that he did not know if A/S Jefferson and Kaufman were friends but he did know that they both had lived in Singapore. Magdieli said that the first time Kaufman put on training was in October 2009. Magdieli said that Kaufman provided the training for free and that he (Kaufman) signed a gratuitous services agreement (**Attachment 36**) drafted by the Solicitor's Office acknowledging the services would be free and that there was no expectation of payment. Magdieli said after Kaufman provided the initial training, A/S Jefferson was so impressed with Kaufman that he wanted to offer his training to the rest of the VETS staff. According to Magdieli, A/S Jefferson told him, DAS McWilliam, and DAS Ortiz that he wanted Kaufman to provide customer service training to all VETS employees. Magdieli said that DAS McWilliam told Freeman that A/S Jefferson wanted Kaufman to provide more training to VETS employees and he (Kaufman) was later hired by MSTI.

Magdieli said that Kaufman and his spouse, Jen Kaufman, provided training to VETS employees in Washington D.C. in February 2010. According to Magdieli, Ron Kaufman put on the training while Jen Kaufman sat in the audience. Magdieli said that Kaufman was then contracted to provide training in Washington D.C., Chicago, IL, and San Francisco, CA. Magdieli was asked if it was practical to have Kaufman and his spouse flown from Singapore to the United States to provide customer service training. Magdieli said that he told A/S Jefferson that Kaufman's services should have been competed and questioned whether there was someone living closer than Singapore who could have provided the training. According to Magdieli, AS Jefferson valued the Customer Service training Kaufman provided and wanted all VETS employee to take the training. Magdieli said that Kaufman was not paid for the most recent training he gave and that A/S Jefferson was very upset about him (Kaufman) not getting paid.

DAS John McWilliam's response to the allegation

On April 4, 2011, OISI interviewed DAS McWilliam (**Attachment 24**). DAS McWilliam said that A/S Jefferson told him that he wanted Ron Kaufman to provide customer service training to VETS. DAS McWilliam said that A/S Jefferson told him that he knew Kaufman professionally. DAS McWilliam said he did know that A/S Jefferson and Kaufman both had lived in Singapore. DAS McWilliam said that he thought that Kaufman and A/S Jefferson had both worked for Singapore Airlines. DAS McWilliam said that the first training Kaufman put on was in October 2009. DAS McWilliam said that he was not aware that Kaufman provided the training for free or that he (Kaufman) signed a gratuitous services agreement drafted by the Solicitor's Office acknowledging that he would not be paid. DAS McWilliam said after Kaufman provided the initial

training, A/S Jefferson said he wanted to offer the training to the rest of VETS. DAS McWilliam said he told Freeman that A/S Jefferson wanted Kaufman to provide more training to VETS employees and as a result, he (Kaufman) was hired by MSTI. DAS McWilliam said that Kaufman and his spouse, Jen Kaufman, provided training to VETS employees in Washington D.C. in February 2010. According to DAS McWilliam, Ron Kaufman put on training while Jen Kaufman sat in the audience. DAS McWilliam said that Kaufman was then contracted to provide training in Washington D.C., Chicago, IL, and San Francisco, CA.

DAS McWilliam said he expressed concern to A/S Jefferson about hiring Kaufman because of the perception of having a contractor and his wife flown from Singapore to the United States. DAS McWilliam said that after he expressed concern to A/S Jefferson about flying Kaufman from Singapore to the U.S., A/S Jefferson told him that the training was world class and a great use of VETS funds. DAS McWilliam was asked what tasks Kaufman's spouse performed during the training. DAS McWilliams said that he did not know what work Kaufman's spouse did but that he did see her sitting in the audience. DAS McWilliam stated that he did not have any concerns about Ron Kaufman's spouse being flown to the U.S. at government expense to act as his (Kaufman's) assistant.

DAS McWilliam said that Kaufman was not paid for the last block of training he gave and that A/S Jefferson was very upset about him not getting paid. DAS McWilliam said that A/S Jefferson told him that not paying Kaufman was poor customer service.

DAS McWilliam was asked why Kaufman's video related to his Up Your Service presentation was on the VETS intranet website. According to DAS McWilliam, A/S Jefferson had VETS employees put the video, as well as information about a book, "Outlearning the Wolves," written by Dan Hutchens, on the VETS intranet website. DAS McWilliam said that A/S Jefferson told him that Kaufman's video was an extension of the training he provided to VETS. DAS McWilliam was shown an Up Your Service newsletter that A/S Jefferson sent to all VETS employees. According to DAS McWilliam, A/S Jefferson sends Kaufman's updated Up Your Service newsletters to all VETS employees. DAS McWilliam was asked why Hutchens' book was featured on the VETS intranet website. DAS McWilliam said that A/S Jefferson was so impressed by the book that he had VETS purchase and distribute 240 copies, one for each VETS employee. DAS McWilliam said that A/S Jefferson also had VETS purchase six to eight of Stewart Liff's books to give to VETS managers.

A/S Raymond Jefferson's response to the allegation

On April 19, 2011, OISI interviewed A/S Raymond Jefferson (**Attachment 26**). A/S Jefferson was asked about his relationship with VETS subcontractor Ron Kaufman and his company Up Your Service. A/S Jefferson said that he first saw Kaufman in Singapore at an event with President Clinton in 2001. A/S Jefferson said that he later met Kaufman in 2008 at a National Speakers Association conference in New York City and then again at his (Jefferson's) farewell party in 2009 when he (Jefferson) moved from Singapore to the United States. A/S Jefferson said that when he last spoke to Kaufman before he was confirmed, they talked about possible future training opportunities. A/S Jefferson said that he only has a professional relationship with Kaufman and that they are not friends.

A/S Jefferson said that he told DAS McWilliam and Amit Magdieli that he wanted Kaufman to provide customer service training for VETS. A/S Jefferson said that he had Magdieli contact Kaufman who agreed to provide customer service training to VETS staff in the National Office. A/S Jefferson said that the first training Kaufman put on was in October 2009. A/S Jefferson said that Kaufman provided the training for free after signing a gratuitous services agreement drafted by the Solicitor's Office acknowledging that he would not be paid. A/S Jefferson said that prior to the October 2009 training session conducted by Kaufman, he had no intention of giving Kaufman a contract to provide training to VETS. A/S Jefferson said that he had never seen Kaufman's training before the October 2009 session and wanted to "test it" to see if it was good and accepted by VETS management. A/S Jefferson said after Kaufman provided the initial training, he told DAS McWilliam and Magdieli that he wanted Kaufman to provide training to all VETS employees and as a result, he (Kaufman) was hired by MSTI to provide training for VETS.

In his written statement (**Attachment 29**) to investigating agents concerning the procurement of Ron Kaufman, A/S Jefferson wrote:

Sourcing – Part 1

When we began developing the plan for training all of VETS in service excellence, I asked if – legally and ethically – we could engage Ron Kaufman for this training and recommended him for consideration because he is recognized as a leading expert in the world on the topic. John and Amit conveyed that there was a process we'd be going through to obtain the training and that we'd ensure our actions were done properly.

A/S Jefferson said that Kaufman and his spouse, Jen Kaufman, provided training to VETS employees in Washington D.C. in February 2010. According to A/S Jefferson, Ron Kaufman put on training while Jen Kaufman assisted with setting up the room. A/S Jefferson said that Kaufman was then contracted to provide training in Washington D.C., Chicago, IL, and San Francisco, CA in March 2010.

A/S Jefferson said he was never concerned about hiring Kaufman because he is the premier expert in customer service training and is credited for turning around Singapore Airlines. A/S Jefferson explained that while Kaufman is based out of Singapore, it is his understanding that Kaufman was already in the United States every time he put on training for VETS. A/S Jefferson said that Kaufman has not been paid by VETS for the last block of training he gave and that he was upset about him not getting paid.

[The OIG has obtained documentation indicating that Kaufman was not in the U.S. prior to conducting the last three training sessions in March 2010, and that the total airfare for he and his wife was approximately \$14,000.]

A/S Jefferson was asked why Kaufman's video of Up Your Service presentation was on the VETS intranet website. A/S Jefferson said that he had VETS employees put the video, as well as the information related to the book "Outlearning the Wolves," written by Dan Hutchens, on the VETS intranet website (**Attachment 39**). A/S Jefferson said that he wanted Kaufman's videos on the website to reinforce for VETS employees the principles they learned from the training they received from Kaufman. A/S Jefferson said he considered Kaufman's videos and newsletters an extension of the training he provided to VETS. According to A/S Jefferson, he also sends Kaufman's updated Up Your Service newsletters to all VETS employees. A/S Jefferson was asked why Hutchens' book was featured on the VETS intranet website. A/S Jefferson said that he was so impressed by the book that he had VETS purchase and distribute 240 copies, one for each VETS employee. A/S Jefferson said he also had VETS purchase six to eight of Liff's books to give to VETS managers. In his written statement (**Attachment 29**) to investigating agents concerning the placement of this information on the VETS intranet site, A/S Jefferson wrote:

The Role of VETS' Intranet in Talent Development

Prior to my arrival, VETS did not have an intranet. We developed one as part of our 100-Day SPRINT to serve as a tool for communication, inspiration, collaboration, talent and professional development, capacity building and other related purposes. One of my goals is to have resources for talent development available for use by VETS' team members. My goal is to identify and put outstanding, open-source content on our intranet and ensure we follow all appropriate procedures in doing so. Examples of content are links to videos and articles. We use these in our Service Excellence Spotlights – a process whereby we pick an area to focus on improving our customer service in. Ron Kaufman has an online learning library that is freely available to the public and we've used content from that site (<http://www.upyourservice.com/resources/all-resources>). Another example is TED (<http://www.ted.com/>). All VETS' team members are given a book to read titled

"Outlearning the Wolves" as part of our Onboarding Program. I've learned that there is an accompanying video and I've asked the team to learn if, following established procedures, it is possible for us to put it on our intranet, too.

A/S Jefferson said that before each of the times Kaufman was procured to provide training he was told by DAS McWilliam and Magdieli that Kaufman's services should be competed or a sole source justification should be written for Kaufman. A/S Jefferson explained that he wanted Kaufman to provide the training and he instructed DAS McWilliam and Magdieli to acquire Kaufman's services quickly and legally. A/S Jefferson was asked if he was told that Kaufman had not been paid for the training he provided in March 2010. A/S Jefferson said that he was contacted by Kaufman who told him that he had not been paid. According to A/S Jefferson, he sent numerous e-mails to his staff trying to find out why he (Kaufman) had not been paid but it has been over a year and Kaufman still has not been paid. A/S Jefferson was asked if he knew that Kaufman was put on the MSTI contract which was never funded to pay for Kaufman. A/S Jefferson explained that he was unaware that VETS told MSTI to hire Kaufman or that he was on the MSTI contract.

Conclusion:

The allegation that A/S Jefferson and DAS McWilliam accepted a gift from Ron Kaufman that exceeded \$25 in value in violation of the 5 C.F.R. §§ 2635.201-205 is not substantiated. This section of the federal ethics regulations relates to personal gifts received by federal employees and is not applicable.

However, the agency may be precluded, in certain circumstances, from accepting free training or other services. With respect to the one day training session in November 2009, VETS had Kaufman sign a Gratuitous Service agreement (**Attachment 36**) which allowed VETS to accept Kaufman's services for free.

During the course of reviewing this allegation, OISI found that A/S Jefferson, as he did with Stewart Liff's services, improperly directed VETS staff to secure the continued retention of Kaufman by having VETS employees inappropriately tell a DOL contractor to hire him.

Further, the rules related to the improper acceptance of services (by the agency) were violated with respect to the training sessions conducted by Kaufman in March 2010. These training sessions were never officially authorized and Kaufman was never paid for these services. Angela Freeman told OISI that she knew this was the case and that she should have spoken up and prevented this training from taking place. However, Freeman also admitted that she did not speak up because she knew that

A/S Jefferson wanted this training to take place. Freeman's admission regarding her authorization of Kaufman's services does not diminish the obligation and responsibility of A/S Jefferson and other senior VETS officials to not only refrain from real or apparent pressure on staff to violate procurement regulations but to ensure that proper procedures were being followed. These officials either knew, or should have known, that the arrangements for procuring Kaufman's services, were not appropriate. A/S Jefferson admitted that he was informed that this procurement should have been competed, or properly justified and authorized as a sole source procurement.

Finally, A/S Jefferson directed his staff to put Kaufman's video training and information related to a book, "Outlearning the Wolves," on the VETS intranet website (**Attachment 39**). These are essentially endorsements, which appear to constitute a violation of the federal ethics rules relating to the use of one's Government position to endorse any product, service, or enterprise.

Allegation 3

A/S Jefferson's actions to obtain training services from an associate, Mark Tribus, led to the circumvention of procurement rules.

Findings:

On January 19, 2011, OISI interviewed Heather Higgins, Chicago Regional Administrator, VETS (**Attachment 16**). Higgins said that Mark Tribus was an active duty Lieutenant Colonel in the United States Army who had previously conducted leadership training for VETS. According to Higgins, after Tribus retired from the Army, A/S Jefferson requested that Tribus be brought on to provide follow-up leadership training to VETS. Higgins said that DAS McWilliam contacted Al Stewart, Director, Business Operations Center, OASAM, and asked how VETS could procure the services of Tribus. According to Higgins, Stewart told DAS McWilliam that Tribus could only be hired if: (1) he had a central contracting registration (CCR) number, (2) his training could be sole sourced which meant he (Tribus) provided training so unique that no one else could provide it, and (3) the names of two additional individuals who could also provide the training were given in order to assist in the awarding of the sole source contract. Higgins said that after receiving the e-mail from DAS McWilliam with Stewart's instructions, she received an e-mail from A/S Jefferson with a sole source justification for Tribus' services and two names of additional contractors who could provide the training. Higgins explained that DAS McWilliam contacted her and told her of A/S Jefferson's request to have Tribus provide the training. Higgins said that Tribus was to provide two days of leadership training for \$8,000. Higgins said that she requested that her staff create an electronic shopping cart to send to OASAM to request Tribus' services. Higgins said that after the shopping cart was sent, she found that it had been rejected, first by [redacted], Contracting Specialist, OASAM, and later by Tova Stein, Contracting Officer, OASAM. According to Higgins, [redacted] cited numerous errors in the electronic shopping cart and Stein said that the leadership training being requested by A/S Jefferson could not be sole sourced and could be provided by the DOL Human Resources Center.

On March 18, 2011, OISI interviewed [redacted] Contracting Specialist, OASAM (**Attachment 40**). [redacted] said that in November 2010 VETS employee [redacted] submitted an electronic shopping cart for the services of Mark Tribus. According to [redacted], Tribus was going to provide leadership training to VETS at a cost of \$8,000 for two days of training. [redacted] said that she rejected the shopping cart because leadership training was not unique and could not be sole sourced. [redacted] said that [redacted] was upset that she had rejected the electronic shopping cart

because [redacted] was being pressured by her supervisor, Heather Higgins, to get the procurement through.

[redacted] said that since Paul Briggs, Director, OAMB, VETS, and Angela Freeman, Deputy Director, OAMB, have left VETS, there have been a lot of problems with contractors. [redacted] explained that there seems to be a pattern of having contractors hire subcontractors whose function do not fit within the scope of the contracts.

[redacted] said that she felt sorry for the VETS employees because it seemed that they were being pressured by senior officials in VETS to get procurements through OASAM and if they could not, they would be penalized.

At the conclusion of the interview, [redacted] provided a written, sworn, statement (**Attachment 41**).

On March 10, 2011, OISI interviewed Tova Stein, Contracting Officer, OASAM, DOL (**Attachment 42**). Stein said that in November 2010 she was contacted by

[redacted] Contracting Specialist, OASAM, and told that VETS had sent an electronic shopping cart with a sole source justification to OASAM to procure leadership training. According to Stein, [redacted] had already rejected the shopping cart because the services were for leadership training which is not a unique request within DOL. Stein said that VETS was anxious to get the electronic shopping cart approved so she reviewed the sole source justification and found that it contained information that Tribus had previously provided training to VETS. Stein said that she was confused because she looked up Tribus' name in the electronic procurement system and could not find it. Stein said that she had [redacted] ask VETS for two additional sources for the training. According to Stein, [redacted] provided her with two additional sources for the training. After receiving the names Stein said that she rejected the electronic shopping cart because she knew that sole source justification for Tribus could not be supported. Stein said the training was to cost \$8000 for two days' training. Stein said that she does not know if VETS has obtained Tribus' services. Stein explained that in the past VETS has used its contractors to hire individuals like Tribus as subcontractors.

On April 4, 2011, OISI interviewed Amit Magdieli (**Attachment 22**). Magdieli was asked about the procurement of Mark Tribus. Magdieli said that Tribus was an active duty army officer who provided leadership training to VETS in February 2010. Magdieli said that Tribus was a graduate of West Point and a friend of A/S Jefferson. Magdieli said that he and A/S Jefferson had discussions about bringing Tribus in for another conference but does not know why it has not happened.

On April 4, 2011, OISI interviewed DAS John McWilliam (**Attachment 24**). DAS McWilliam was asked about the procurement of Mark Tribus. DAS McWilliam said that Tribus was an active duty army officer who provided leadership training to VETS in February 2010. DAS McWilliam said that Tribus was a graduate of the West Point Leadership Center and possibly a classmate of A/S Jefferson. DAS McWilliam said that he and A/S Jefferson had discussions about bringing in Tribus for another conference. DAS McWilliam said that he attempted to give Tribus a sole source contract but so far has been unable to do so. DAS McWilliam said that a sole source justification for Tribus was written but was rejected by OASAM. DAS McWilliam said he was asked by Tova Stein, Contracting Officer, OASAM to provide two additional names of individuals who could provide the training he wanted. According to DAS McWilliam, A/S Jefferson gave him the names of two additional individuals who would charge more to put on the same training. DAS McWilliam said that he does not know the status of the sole source contract but hoped to be able to get Tribus a contract so that he could perform the training in May 2011.

On June 22, 2011, OISI interviewed Joe Hortiz, Acting Director, OAMB, VETS, DOL (**Attachment 43**). Hortiz was asked about the procurement of Mark Tribus, a retired Lieutenant Colonel who had provided leadership training to VETS while being on active duty. Hortiz said that he met with Tova Stein, _____ and DAS John McWilliam on Thursday April 28, 2011, about awarding a sole source contract to Tribus. Hortiz explained that the contract was for Tribus to provide leadership training to VETS but that the contract was rejected by Stein. Hortiz explained that A/S Jefferson wanted Tribus to provide the training, which was scheduled for the following Monday, May 2, 2011. Hortiz said that on Friday, April 29, 2011, at approximately 8:30 p.m., after the procurement was rejected by OASAM, he met with A/S Jefferson and DAS McWilliam in A/S Jefferson's office. According to Hortiz, A/S Jefferson told him that he had gotten approval from the OIG and the Office of the Solicitor (SOL) to pay for Tribus' training with a VETS government credit card. Hortiz explained that he told A/S Jefferson that Tribus could only provide 5 hours of training at Tribus' rate of \$500 per hour in order to stay under the \$3000 credit card limit. Hortiz said that in calculating the total cost for Tribus he had to include his travel expenses. Hortiz said that A/S Jefferson told him not to include a hotel room in calculating the costs because Tribus would be staying with a friend.

[Note: The OIG did not "approve" the decision to pay for Tribus' training with a VETS credit card. When A/S Jefferson asked OIG officials about this matter, he was informed that the OIG could not, and would not, provide any advice or guidance, and that he (A/S Jefferson) should seek guidance from OASAM and/or SOL officials.]

Hortiz said that on Saturday, April 30, 2011, he received a call from A/S Jefferson who told him that Tribus now needed a hotel room. According to Hortiz, he told A/S Jefferson that Tribus' training would have to be adjusted back to 4.7 hours, because the hotel charge would put VETS over the \$3000 credit card limit. Hortiz said that A/S Jefferson asked him to call the hotel to see if they had any special deals and discussed with him the possibility of using his (Jefferson's) reward points to pay for Tribus' hotel room. Hortiz said that he told A/S Jefferson that he would not call the hotel to negotiate special rates (other than rates for government/military personnel) for Tribus. Hortiz continued that he contacted his immediate supervisor, DAS McWilliam, who agreed with him. Hortiz said that A/S Jefferson questioned why he contacted McWilliam rather than the hotel but he (A/S Jefferson) later agreed to the 4.7 hours of training. Hortiz said that a hotel room was secured for Tribus at a regular government rate.

Hortiz said that on Monday, May 2, 2011, Tribus arrived and gave the leadership training to VETS. Hortiz said that approximately a week after Tribus gave the training he was told by DAS McWilliam that all VETS procurements would have to be vetted through SOL and the Office of the Secretary. Hortiz said that he believed the new restrictions placed on VETS' procurements was the result of VETS paying Tribus by credit card after the sole source procurement had been rejected by OASAM.

At the conclusion of the interview Hortiz provided a written, sworn statement.
(Attachment 44)

On June 22, 2011, OISI re-interviewed DAS John McWilliam **(Attachment 45)**. DAS McWilliam was asked about the procurement of Mark Tribus. DAS McWilliam said that sometime in April 2011 VETS re-scheduled the training with Tribus and submitted a shopping cart with a sole source justification to OASAM. DAS McWilliam said that he met with Tova Stein and _____ on Thursday, April 28, 2011, about awarding a sole source contract to Tribus to provide leadership training to VETS. DAS McWilliam said that the contract was rejected by Stein and _____ for reasons he did not understand. DAS McWilliam said that he asked Stein if Tribus' services could be procured using a purchase card as long as VETS did not go over the \$3000 limit. According to DAS McWilliam, Stein gave him approval to use the VETS purchase card to pay for Tribus' services. DAS McWilliam said A/S Jefferson told him that he had gotten approval from the OIG and the Office of the Solicitor (SOL) to pay for Tribus' training with a VETS government credit card. DAS McWilliam said that he and A/S Jefferson met with Robert Shapiro, Associate Solicitor, SOL, and Robert Sadler, Counsel for Ethics, SOL, for final approval. DAS McWilliam continued that Shapiro and Sadler had concerns about the relationship between A/S Jefferson and Tribus because they were personal friends. DAS McWilliam said that Shapiro and

Sadler advised him and A/S Jefferson not to use the purchase card to procure Tribus' services. DAS McWilliam said the following day A/S Jefferson elevated the request to procure Tribus' services to Deborah Greenfield, Deputy Solicitor, SOL. DAS McWilliam explained that he and A/S Jefferson met with Greenfield, Shapiro, and Sadler the evening of Friday, April 29, 2011. DAS McWilliam said that initially A/S Jefferson questioned whether VETS could procure Tribus' services through the use of a government purchase card. According to DAS McWilliam, A/S Jefferson told Greenfield, Shapiro, and Sadler that Tribus would provide VETS with 4.5 hours of training at his hourly rate of \$500 per hour. DAS McWilliam said it was clear to Greenfield that A/S Jefferson's goal was to reduce the number of hours that Tribus would provide training to VETS to get his total cost under the \$3000 credit card limit. DAS McWilliam said that Greenfield agreed and was given a written proposal showing the number of hours Tribus would provide training.

DAS McWilliam said that the following Monday, Tribus gave 4.5 hours of training which was paid for using a VETS credit card. DAS McWilliam said the following week all of VETS' procurements were placed on restriction and now have to be vetted through SOL and the Office of the Secretary (OSEC). DAS McWilliam explained that he believed that the procurement of Tribus was partially the reason for the new procurement restrictions. DAS McWilliam said another reason for the procurement restriction occurred

A third reason for the procurement restriction occurred when

DAS McWilliam said he believed that all of these procurement issues caused Seth Harris, Deputy Secretary of Labor, to place procurement restrictions on VETS.

At the conclusion of the interview, DAS McWilliam agreed to provide a written, sworn, statement (**Attachment 46**).

On March 25, 2011, and March 26, 2011, OISI attempted to interview Mark Tribus. After identifying ourselves and the reason for the interview, Tribus declined to be interviewed (**Attachment 47**). However, during the short conversation, Tribus explained that he never received a contract with VETS. Tribus explained that several

months earlier, while employed in the U.S. Army, he provided training to VETS employees in a one day leadership class. The training was provided free of charge because, at the time, Tribus was working for the U.S. military. Subsequent to the training, Tribus was contacted by A/S Jefferson and asked if he would provide additional leadership training to VETS managers. Tribus agreed and stated the cost would be approximately \$7,000. To date, Tribus has not received a contract with VETS nor has he heard about potentially getting one.

On June 22, 2011, OISI re-interviewed Robert Sadler, Counsel for Ethics, Office of the Solicitor, DOL (**Attachment 48**). Sadler provided additional information regarding the procurement of Mark Tribus. Sadler said that after the Tribus sole source procurement was rejected, either DAS McWilliam or Amit Magdieli contacted his office and said that Tribus had discounted his fee for VETS and questioned whether VETS could then procure his (Tribus') services through the use of a government purchase card since the fee would now be under the maximum amount allowable for the use of a purchase card. Sadler said that the discounted fee offered by Tribus troubled him because in doing so, the training may have constituted a gift of gratuitous services to VETS. Sadler said that if VETS accepted Tribus's training at a discounted rate, VETS would need to execute a gratuitous services agreement with Tribus absolving VETS from paying his normal fee. Sadler also stated that the use of the purchase card in this situation may also be seen as a way to circumvent the normal procurement process. Finally, Sadler explained that he was not comfortable with A/S Jefferson's relationship with Tribus. Sadler said he advised DAS McWilliam that VETS would have to pay Tribus' normal rate and vet the procurement through OASAM, rather than use a purchase card in order to procure Tribus' services. Sadler said that, subsequent to this discussion with A/S Jefferson and DAS McWilliam, Deputy Solicitor Deborah Greenfield made a determination that VETS could use a purchase card to procure Tribus' services.

Sadler said he felt that because the agenda was set for Tribus to provide the training to Senior DOL officials the following Monday, Greenfield allowed VETS to use a government credit card to purchase the training. Sadler said that using the VETS credit card to purchase the training was legal. Sadler said that VETS was instructed to pay Tribus his rate of \$500 per hour but restricted VETS to the \$3000 allowable limit of the credit card. Sadler said that this reduced the hours of training that Tribus could provide to 4.5 hours.

On June 23, 2011, OISI interviewed Deborah Greenfield, Deputy Solicitor, SOL, DOL (**Attachment 49**). Greenfield explained that she became aware of procurement issues with Mark Tribus, a former military officer and friend of A/S Jefferson, on Friday, April 29, 2011. Greenfield said that Robert Shapiro, Associate Solicitor, SOL,

and Robert Sadler, Counsel for Ethics, SOL, came to her concerned that VETS was attempting to procure the services of Tribus through a government credit card after a sole source contract to provide leadership training to VETS was rejected by OASAM. Greenfield said that Shapiro and Sadler were concerned that the use of a purchase card to obtain Tribus' services was an attempt to circumvent the normal procurement process. According to Greenfield, A/S Jefferson told her that the OIG and OASAM said it was permissible to use a purchase card to pay Tribus for the training. Greenfield said that Shapiro and Sadler were also concerned that Tribus was discounting his fee for VETS in order to get his payment below the \$3000 allowable maximum for using a purchase card. Greenfield said that if a discount was given by Tribus, the training would constitute a gift of gratuitous services to VETS.

[Note: As indicated on page 42, the OIG did not tell A/S Jefferson that it was permissible to use a purchase card to pay Tribus for the training, and advised him to seek guidance from OASAM and SOL.]

Greenfield said that the procurement of Tribus was potentially an "optics" problem from an ethics standpoint. Greenfield explained that Jefferson and Tribus are friends, the procurement through OASAM had been rejected, and that the procurement via a government credit card could be perceived as an attempt to circumvent the procurement process.

Greenfield said that A/S Jefferson told her that Tribus would provide VETS with 4.5 hours of training at his hourly rate of \$500 per hour. Greenfield said A/S Jefferson's goal was to reduce the hours that Tribus' would provide training to VETS to get his (Tribus') total cost under the \$3000 credit card limit. Greenfield said that she requested and was provided with the agenda A/S Jefferson had prepared showing that training was to be given to Senior DOL officials the following Monday. Greenfield said that she allowed VETS to use the government credit card to purchase the training because it is within their authority to purchase the training this way.

Greenfield said that the following Monday, May 2, 2011, Tribus gave 4.5 hours of training which was paid for using a VETS credit card. Greenfield said the following week all of VETS' procurements were placed on restriction and now have to be vetted through SOL and the Office of the Secretary (OSEC). Greenfield explained that the procurement of Tribus was part of the reason for the new procurement restrictions but that two other procurements created problems for VETS and DOL. Greenfield said that

Greenfield said that another incident also came to her attention involving VETS procurements. Greenfield explained that

Greenfield said that because of procurement issues involving VETS she and other senior DOL officials decided that "VETS needed to be under a procurement trusteeship." Greenfield said that VETS is now under a controlled procurement environment.

At the conclusion of the interview Greenfield provided a sworn written statement (**Attachment 50**).

On June 24, 2011, Greenfield contacted AIG Cunningham by telephone. Greenfield said that she had thought about her interview with OISI the previous day and wanted to be sure that OISI understood that when she authorized VETS to use their credit card to pay for Tribus' services, it was both legal and ethical to do so (**Attachment 51**).

A/S Raymond Jefferson's response to the allegation

On April 19, 2011, OISI interviewed A/S Raymond Jefferson (**Attachment 26**). A/S Jefferson said that Tribus was a personal friend of his whom he has known for 25 years. A/S Jefferson explained that Tribus was in his company when they both attended West Point. A/S Jefferson said that while serving as an active duty army officer Tribus provided leadership training to VETS in February 2010. A/S Jefferson said Tribus is the number one ranked leadership trainer from West Point. A/S Jefferson said that he has been actively having discussions with DAS McWilliam and Magdieli about VETS giving a contract to Tribus to provide experiential leadership training. A/S Jefferson said that VETS has attempted to give Tribus a sole source

contract but so far has been unable to do so. A/S Jefferson said that a sole source justification for Tribus was written but the procurement was rejected by OASAM. A/S Jefferson said that he did not know why the sole source justification for Tribus was rejected. A/S Jefferson said he was asked to provide two additional names of individuals who could provide the training he wanted as part of a sole source justification for Tribus. A/S Jefferson said that he does not know the status of the sole source contract but hoped to be able to get Tribus a contract so that he could perform training in May 2011. A/S Jefferson said that he has been transparent about his friendship with Tribus, however, Tribus is the best in his field and he (A/S Jefferson) was told by the Solicitor's office that knowing someone does not necessarily make them ineligible to receive DOL contracts.

In his written statement (**Attachment 29**) to investigating agents concerning the procurement of Mark Tribus, A/S Jefferson wrote:

Optics

I recognize that I've had a long-term relationship with Mark Tribus and was very transparent about this from the beginning and in my interactions with others. Mark has tremendous credibility, John, Amit and I emphasized to one another the need to ensure all proper procedures were followed while exploring the possibility of having Mark serve VETS.

On June 24, 2011, OISI re-interviewed A/S Jefferson (**Attachment 52**). A/S Jefferson was again asked about the procurement of Mark Tribus. A/S Jefferson said that Tribus was an active duty army officer who provided leadership training to VETS in February 2010 and is a personal friend of his. A/S Jefferson explained that he had discussions with DAS McWilliam, and Amit Magdieli about bringing Tribus in for another conference in May 2011. According to A/S Jefferson, VETS attempted to give Tribus a sole source contract at the end of April 2011 but the procurement was rejected by the OASAM. A/S Jefferson said that after the procurement was rejected by OASAM he was told by DAS McWilliam that procurement officials suggested that VETS use a credit card to pay for Tribus' training. A/S Jefferson explained that Tribus was originally going to provide two days of training but that the agenda he created for the VETS conference had changed so much that he only needed Tribus for a few hours. A/S Jefferson said at the encouragement of the OIG he had DAS McWilliam and Magdieli consult with the SOL about the procurement of Tribus. A/S Jefferson explained that he wanted to be transparent about his relationship with Tribus and ensure that there were no ethical conflicts. A/S Jefferson said that DAS McWilliam and Magdieli reported to him that Robert Shapiro, Associate Solicitor, SOL had concerns about the training because of his friendship with Tribus. A/S Jefferson said that because of Shapiro's concerns he and DAS McWilliam met with Deborah

Greenfield and other SOL attorneys. A/S Jefferson said that on the evening of Friday, April 29, 2011, he explained to Greenfield that OASAM said that VETS could procure Tribus' services through the use of a government purchase card. A/S Jefferson continued that Tribus would provide VETS with a certain number of hours which could be purchased with the government credit card. A/S Jefferson said that he also gave Greenfield a copy of the upcoming conference agenda. A/S Jefferson said that Greenfield agreed to his proposal after she saw the number of training hours that Tribus would provide.

A/S Jefferson said the following week, all of VETS' procurements were placed on restriction by Seth Harris, Deputy Secretary of Labor, and now have to be vetted through SOL and the OSEC. A/S Jefferson explained that the procurement of Tribus was partially the reason for the new procurement restrictions.

A/S Jefferson said that vacancies in two VETS procurement jobs have also created deficiencies in VETS' procurement processes. A/S Jefferson said that, because of these factors, as well as an ongoing OIG investigation, Harris wanted greater oversight of VETS procurements.

A/S Jefferson said that he has scheduled briefings with procurement officials to get a better understanding of the federal procurement process.

At the conclusion of the interview, A/S Jefferson provided a written, sworn, statement (**Attachment 53**).

On June 14, 2011, OISI re-interviewed A/S Jefferson (**Attachment 54**). A/S Jefferson was asked about what discussions had taken place related to acquiring a hotel room for Mark Tribus. A/S Jefferson stated that when he met with the Solicitor's Office on the Friday before the Monday Tribus put on his training, he was given approval to put the cost of Tribus' training on a credit card because the cost of the training was less than \$3,000. During this meeting there was no discussion about hotel accommodations or any other incidental costs for Tribus; just his charge for training.

The next day, Saturday, it came to his attention that Tribus was going to need a hotel room. It was at this time that he was told by Ray Hortiz or DAs McWilliam that VETS had to pay for Tribus' hotel room, travel expenses, and other incidental expenses, and these costs had to be included in the \$3,000 maximum they could pay for Tribus. As a result of these additional costs, VETS would have to cut the number of hours Tribus could provide training from the 5 which had been approved by the Solicitor to 4.75. A/S Jefferson said he then asked Hortiz to try to find the cheapest hotel room he could. A/S Jefferson said he told Hortiz to try and get a room at the cheapest rate he could be it at a government rate or military rate. A/S Jefferson

said he even inquired as to whether he could use his "points" to get Tribus a room. A/S Jefferson said Hortiz told him he could not use his "points" to get a hotel room. He also was told by either Hortiz or DAS McWilliam that he could not personally pay for Tribus' room or use "points" because to do so would be an "augmentation of his budget." A/S Jefferson was then asked if after Hortiz told him that he could not use "points" to get Tribus a room he told Hortiz to call and try anyway. A/S Jefferson said he did not recall doing that.

A/S Jefferson emphasized that his goal was to minimize the cost of bringing Tribus in to conduct his training and thus maximize the number of hours Tribus could spend actually conducting training.

At the conclusion of the interview, A/S Jefferson provided a written, sworn, statement (**Attachment 55**).

Conclusion:

OISI's findings with respect to Tribus are consistent with its findings related to Liff and Kaufman. OISI found that, on two occasions, A/S Jefferson asked VETS staff to award a sole source contract to Tribus, a former classmate and associate, for leadership training which is available through DOL or through other qualified sources. After OASAM rejected both sole source proposals, the matter came to the attention of SOL staff. Concerns were raised within SOL with respect to the sole source rejections, Tribus' initial discounted rate, and the relationship between Tribus and A/S Jefferson. However, VETS manipulated the process by changing the number of hours of training, in order to stay under the card limit of \$3,000. SOL officials ultimately allowed the use of the credit card for this purpose.

Allegation 4

A/S Jefferson allowed Stewart Liff to become involved in decisions affecting federal personnel including promotions, hiring and terminations.

On March 3, 2011, OISI interviewed Angela Freeman (**Attachment 2**).

Freeman said that she thought it was illegal for VETS to use the report that Liff created to re-organize VETS. Freeman said that OPM had to authorize any changes that VETS made based on the report. Freeman explained that the report completed by Liff had a negative impact on OAMB. She added that based on the report, other agencies within VETS were allowed to hire while OAMB was not.

Freeman added that VETS has some major problems because they do not want any internal controls over the letting of contracts.

When OISI interviewed Fergus Paul Briggs (**Attachment 4**), Briggs stated that once

employed, Liff was tasked by A/S Jefferson to conduct an organizational study of VETS to determine its efficiency, about reviewing the different components in VETS and

Briggs recalled having no more than a 10 or 15 minute conversation with Liff regarding OAMB and Briggs said that Liff never spoke with any of his OAMB employees about their positions or what they accomplished. Briggs asserted that after Liff came out with his re-organization report, he (Briggs) wrote a professional comment to A/S Jefferson suggesting that the placement of OAMB under OCIR would be a mistake and that at the very least went against governmental rules related to Prohibited Personnel Practices.

On March 22, 2011, OISI interviewed Stewart Liff (**Attachment 20**). Liff said that he conducted an organizational study for VETS which did not pertain to specific individuals, but was designed to be a broader organizational study. Liff said that whatever VETS chose to do with the reports with respect to their employees was strictly up to them. Liff said that he did provide occasional advice to many of VETS' leaders, managers, and supervisors when they requested it. Liff said that given his expertise and reputation pertaining to government human resources management that people in government frequently seek out his advice. Liff explained that it has been his normal practice to provide advice to anyone who requested it (whether they are a client or not) as long as it is reasonable and within his area of expertise. However, he said that his advice comes with the caveat that managers should also discuss personnel matters with their organization's management/leadership as well as their human resources staff as they are the appropriate entities for helping them to make their final decisions.

On April 4, 2011, OISI interviewed Amit Magdieli (**Attachment 22**). Magdieli was asked if Liff's organizational study affected the hiring, firing, or promotion of VETS

employees. Magdieli said that Liff's report identified that OAMB was not performing up to standards but that the organizational study did not target specific people. Magdieli was asked if A/S Jefferson had asked for Liff's advice regarding personnel

On April 4, 2011, OISI interviewed DAS John McWilliam (**Attachment 23**). DAS McWilliam was asked if Liff's organizational study affected the hiring, firing, or promotion of VETS employees. DAS McWilliam said that the report identified that OAMB was not performing at a high level but that Liff's organizational study did not target specific individuals.

DAS McWilliam said that the organizational study conducted by Liff has had no impact on the hiring, firing, or promotion of VETS employees.

A/S Raymond Jefferson's response to the allegation

On April 19, 2011, OISI interviewed A/S Raymond Jefferson (**Attachment 26**). A/S Jefferson was asked if Liff's organizational study affected the hiring, firing, or promotion of VETS employees. A/S Jefferson said that before Liff's report was written, he (A/S Jefferson) identified areas within VETS that were weak, as well as personnel who were poor performers.

A/S Jefferson said that after Liff completed his first report, the findings reinforced his belief that OAMB was not performing at a high enough level. A/S Jefferson said that Liff's organizational report did not target specific individuals and has had no impact on the hiring, firing, or promotion of VETS employees.

Conclusion:

OISI did not substantiate the allegation that A/S Jefferson allowed Stewart Liff to become directly involved in decisions related to promotions, hiring, and terminations within VETS,

However, it does appear that Liff provided advice and guidance to VETS officials with respect to personnel matters. As noted on page 24, A/S Jefferson stated that he told VETS employees to ask Liff for advice about specific VETS employees and situations, which they did, and Liff confirmed that he provided this sort of advice when requested. This activity may not have been within

the scope of the task orders related to Liff's work, and may have been within the category of "advisory and assistance" services which requires PRB review, and approval by the Assistant Secretary for Administration and Management.