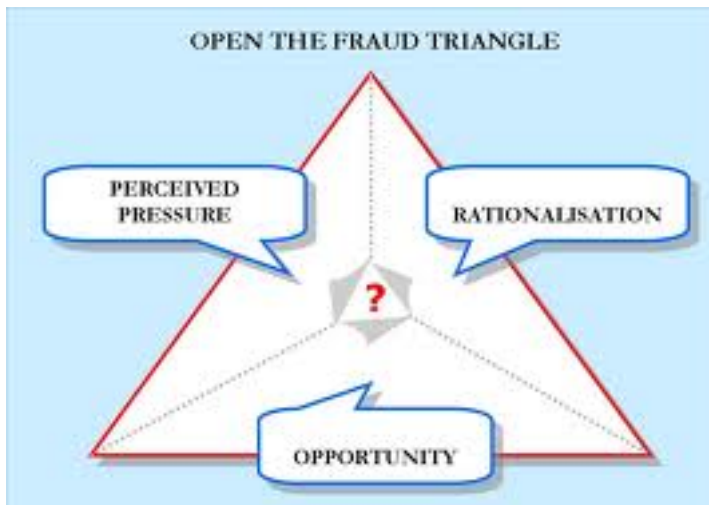


## Was This Man a Brazen Idiot or Just an Idiot?

Written by Nick Sanders  
Friday, 13 January 2012 00:00

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What's it like to work at the Aerospace Corporation, a Federally Funded Research and Development Center (FFRDC), where most of the work is performed for Federal entities such as NASA, the US Air Force, or for the National Reconnaissance Office (NRO)—and is deeply classified? We don't know for sure, but we've heard stories from folks who've worked there—and we've also heard stories from folks who've audited there. We've also read some stories, as well.

One story that we've previously [brought to your attention](#) concerned a fraud perpetrated against the FFRDC by one of its employees. The fraud was discussed in the context of a DOD Inspector General “quality control review” of the “single audit” jointly performed by a Big 4 accounting firm and DCAA under the auspices of OMB Circular A-133. While the DOD IG was okay with the work performed by the Big 4 firm, it was less satisfied with DCAA's work.

One of the areas which was singled-out for criticism by the DOD IG was DCAA's failure to properly assess the risk of timekeeping fraud. The Aerospace Corporation discovered one instance of fraudulent employee labor charges and reported that finding to DCAA—yet DCAA did not modify its internal control risk assessment. We quoted from the DOD IG audit report as follows—

DCAA was informed by the Director of Internal Audit of a disclosed fraud involving a full-time employee who worked for another government contractor while employed by Aerospace for a period of several years. There was no indication in the audit documentation that DCAA considered designing and performing procedures in response to this identified risk of labor mischarging as required under auditing standards. We discussed this issue with the audit supervisor and were advised that the auditors determined the identified fraud to be an isolated incident not indicative of a systemic internal control risk and therefore, they did not believe that additional effort was warranted. However, there was no documented evidence to support the

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DCAA conclusion.

That story surfaced in November 2010. A year later, in December 2011, the story came to conclusion. On December 6, 2011, the Department of Justice [announced](#) —

The Aerospace Corporation has paid the United States \$2.5 million to settle allegations that for more than seven years it billed the Air Force for the services of an employee who rarely came to work and was not qualified to perform the technical tasks assigned to him.

The Aerospace Corporation issued its own [press release](#) , which said---

Today the Department of Justice announced a settlement with The Aerospace Corporation pertaining to the case of a former employee who defrauded the government by falsely claiming dual employment with Aerospace and another company. This illegal act also violates Aerospace's corporate values and policies, and is not condoned by the corporation.

In 2008, Aerospace discovered that a former Aerospace employee, now deceased, had been working another full-time job in addition to his position with Aerospace. Aerospace learned of the employee's misdeeds when the other company contacted Aerospace to have the employee's security clearance transferred.

The [Los Angeles Times](#) reported the story with more color. For example, its headline for the story read: Engineer Spent Days at Movies, Bars, and Air Force Paid for It. That's why those writers get paid the big bucks! The LA Times also added more details to the story. It reported—

Few aerospace employees had it as good as William Grayson Hunter.

He was paid simultaneously to work full time at two aerospace firms but rarely went to work, instead spending his days at bars, amusement parks and movie theaters ...

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Hunter would occasionally show up at Aerospace in the morning and work for an hour before heading to his second job at Analytical Services & Materials Inc. — or out to have some fun, Assistant U.S. Atty. Howard Daniels said.

One of his favorite stops was Liquid Zoo, a windowless hole in the wall on Sepulveda Boulevard in Van Nuys, Daniels said.

In some instances, Hunter billed his two employers for more than 24 hours of work in a single day, Daniels said. He allegedly ran the scheme from 2003 until 2008. ...

In addition to submitting fraudulent time cards, Hunter falsely claimed to hold a doctorate from Oxford University in England when he had only a high school education ...

The fraud was discovered by a third employer, Tybrin Corp., which reported it to NASA's inspector general, Daniels said. Tybrin had planned to employ Hunter under a contract with NASA when it uncovered problems in his background. ...

Federal investigators reviewed Hunter's credit card bills, which revealed that he had been spending his time at the Van Nuys bar, enjoying trips to Disneyland and watching new releases at movie theaters such as Laemmle Fallbrook 7 in West Hills, Daniels said.

'I've been doing this a long time and this is the first time I've seen this kind of fraud,' Daniels said. 'He was pretty unique.'

Readers should understand that, even though the Aerospace Corporation was a victim of Hunter's fraud, and fully cooperated with the Federal investigation, it was held culpable and had to make restitution. The LA Times reported—

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Aerospace was culpable because it knew that Hunter was not working the hours he submitted on his time card, Daniels said. The company profited from its employment of Hunter because it billed the government a higher hourly rate than it paid him, Daniels said.

‘They were well aware of his time card fraud,’ Daniels said. ‘The reason we’re recovering money from them is they didn’t do anything about it.’

We keep harping on the subject of internal controls, and we’re doing it again here in this article. Let’s put it this way: The Aerospace Corporation paid a \$2.5 million settlement because (a) it didn’t perform a rigorous background check on its employment candidates, and (b) it didn’t make sure its supervisors and managers knew what their employees were working on (or whether they were even working!) before approving time sheets. Wouldn’t it make a lot more sense to invest \$2.5 million in additional internal controls and employee training, rather than pay it out in fines/penalties? Certainly, it would reduce the probability of seeing unflattering stories about the FFRDC in the LA Times.

Now, we understand that The Aerospace Corporation is a fairly unique place to work. Most of the work it does is deeply classified and thus compartmented. So there’s not a lot of opportunity to have visibility into the work of any individual employee. We get that. But still—and obviously—there is much room for improvement.

We suggest readers think about how they might spend \$2.5 million on their internal controls and employee training programs.