

HOTLINE INTERIM COMPLETION
REPORT AS OF 23 OCT 1989

1. Name of Investigating Official: Lieutenant Timothy W. Zeller, JAGC, USNR.
2. Billet and Address of Investigating Official: Staff Judge Advocate, Commander, Combat Logistics Group 1, NSC Oakland, Ca. (415) 466-6125/AVN 836-6125.
3. Hotline/Integrity and Efficiency Control Number: CNSP 05-89.
4. Allegations Investigated: Abuse of monies from the Morale, Recreation and Welfare Fund, particularly the expenditure of funds to send certain members of the USS MARS (AFS 1) and spouses to a funeral and the expenditure of funds by sending two members to Hawaii for an alleged MWR brief. The investigation was broadened in accordance with regulations to include all other wrongdoing(s) discovered in the expenditure of MWR funds.
5. Evidence Examined:
 - a. CNSP Audit report of 1 Sep 1989
 - b. NAVMILPERSCOMINST 1710.3A
 - c. BUPERSINST 1710.11A
 - d. Interview of CAPT Michael B. Nordeen, previous Commanding Officer, USS MARS (AFS 1)
 - e. Interview of CDR T. A. Rorex, Senior Supply Officer USS MARS (AFS 1)
 - f. Interview of LCDR W. F. Fitzpatrick, Executive Officer
 - g. Interview of LT B. Ableson, CHC
 - h. Interview of LT J. Samples, current MWR Fund Custodian
 - i. Interview of LTJG L. D. Vaughn, with receipts for trip to funeral
 - j. Interview of HMC M. W. Collins, Rec Committee Member
 - k. Interview of SKC G. F. Esposito
 - l. Fiscal year 1988 MWR Report
 - m. Custody Cards for Electronic equipment purchased by MWR
 - n. USS MARS Instruction 1710 dated 1985
 - o. USS MARS Instruction 1710 (Proposed)
 - p. Copies of all available checks and bank statements
 - q. Proposed Fiscal year 1989 MWR Report
 - r. Fiscal Year 1989 Recreation Committee minutes
 - s. Interview of SKC L. N. Strong, Current MWR Director
 - t. Interview of SK3 E. D. Brown, Rec Committee Member

6. Circumstances and Facts:

Out of the \$100,000.00 expended from the MWR Fund during Fiscal Year 88, it is apparent that approximately twenty percent

ENCLOSURE (1)

was misspent. This figure does not include the cost of the hail and farewell, since this expenditure actually was paid for in FY 89.

SPECIFIC INSTANCES OF IMPROPER EXPENDITURES

1. Funeral Party.

a. On or about 1 July 1988, Commanding Officer, USS MARS (AFS-1) received a telegram stating that his brother had been murdered by terrorists. CAPT M. B. Edwards, Assistant Chief of Staff at CLG-1, was immediately dispatched to SOCAL. At the time of CAPT Edwards' arrival to temporarily relieve CAPT Nordeen, USS MARS (AFS-1) was engaged in REFTRA in the SOCAL OP area. Turnover lasted approximately one hour, after which CAPT Nordeen departed the area by helo.

b. That day, the Chaplain, LT Ableson, was put ashore to observe CACO assistance for CAPT Nordeen's sister-in-law. Upon returning, he was told by the Executive Officer that some of ships' personnel would be attending the funeral. The Chaplain indicated that the appropriate leader would be line officer. The Executive Officer subsequently sent the Chaplain as the senior member.

c. Prior to departure of the team (which consisted of two Officers, the Command Master Chief, five Enlisted Personnel and the spouses of the Executive Officer, Chaplain, Doctor and a Master Chief), the Master Chief called a meeting of the Recreation Committee, whose actions are advisory in nature, voted affirmatively for sending military personnel and flowers, but voted unanimously against paying for spouses. According to one witness, the implication from the Master Chief was that the committee would either go along or would be on the "shit list". The personnel in the funeral party were unaware of the vote not to send spouses.

d. The decision to send the party, including the spouses, lies with the Executive Officer. The Executive Officer stated that after the MWR meeting, he held a meeting on the fantail of all crewmembers. The content of the talk given by the Executive Officer differs between the story of the Executive Officer and the other members involved. The Executive Officer gives the impression that he stated that sending the military members and the spouses had been approved by MWR, but that he wanted anyone that had an objection to the expenses being paid by MWR to get word to him. The other version of the story relates that there was no mention of the spouses at all, and that the implication was that objections would have to be voiced at that moment on the fantail. One of the crewmembers relates that it was even

presented that the Executive Officer would pay for the trip himself if the crew did not approve, but that either way the crewmembers were going.

f. At the time of the decision, the Executive Officer was not the acting Commanding Officer. Evidence indicates that the temporary Commanding Officer, CAPT Edwards, was only aware that a party of crewmembers were attending the funeral, without being advised how it was being paid for or that spouses were included.

g. CAPT Nordeen was unaware the MWR funds had been used to pay any expenses of the trip until 2 or 3 months later. Even then he was not aware that the spouses' tickets had been paid for with MWR Funds.

2. Hawaii Trip.

a. OSC Wagoner received a check for \$1400.00 to fund a trip for himself and LT Dorris to Hawaii for an MWR/Operations brief. It is interesting to note that LT Dorris, the Operations Officer, had no connection with MWR other than Athletic Director.

b. The Executive Officer disclaims any knowledge of the fact that an OPS Brief was taking place at the same time as the trip. The check in this case was signed personally by the Executive Officer. The Commanding Officer, CAPT Nordeen, stated that even though he knew the trip was to be dual purpose, MWR and OPS Briefs, he did not know until later that MWR funds had been used to pay for the trip.

c. There is no evidence at the present time that any MWR brief was ever scheduled or took place in Hawaii.

3. Electronic Equipment Expenditures

a. This abuse of funds by the Executive Officer relates to purchases of equipment (stereo's, televisions and video recorders) for exclusive use by the Commanding Officer, Executive Officer and the Command Master Chief.

b. Prohibitions against MWR funds being used for such purposes are contained in NAVMILPERSCOMINST 1710.3A and BUPERSINST 1710.11A, as well as in the USS MARS Instruction governing such funds. The impropriety of the acquisition was pointed out to the Executive Officer at the time of the purchase and afterward by LCDR Dolan, the Assistant Supply Officer.

c. All purchases were authorized the Commanding Officer by a general statement that he wanted to upgrade the gear onboard. The equipment was picked out and purchased by the Executive

Officer with MWR Funds. It is the contention of the Executive Officer that these funds were properly spent due to his belief that they were part of the crew also.

d. The instructions clearly prohibit the expenditures of funds if the benefit will only be for a few, in this case, only one.

e. The electronics' bill from this mass purchase amounted to approximately \$6500.00.

4. Hail and Farewell

a. Although the majority of the problems addressed occurred in 1988, the problem continues. A recent Hail and Farewell for the departing and oncoming Commanding Officers was paid for to a large extent out of MWR funds.

b. The matter was brought up before the MWR committee, which agreed to fund the event up to \$2,000.00, provided the entire crew was invited. The fact of the situation was simply that the additional cost of the outing (\$60.00 per person) was such that few enlisted personnel could have afforded it. It was also apparent that even though the sign up list was readily available to the officers and chiefs, the same was not true for the enlisted personnel in paygrades E-6 and below.

5. Promotional Items.

a. The MWR-funds are spent to fund minor items of promotion for the ship as well. USS MARS (AFS 1) in the practice of distributing Mars candy bars to visiting VIPs, visiting CO's and others, nicely packaged on a miniature pallet. These items are paid for out of MWR.

b. There is some indication that this cost is being reimbursed.

OVERSIGHT PROBLEMS

1. No direct access of the Fund Custodian to the Commanding Officer.

a. LT Samples has been required to go through the Supply Officer and the Executive Officer to obtain direction. No personal access was provided to the Commanding Officer.

2. Failure to control preprinted MWR Checks.

a. Current regulations dictate that a tight control be kept on all preprinted checks and a strict accounting be maintained.

b. The Executive Officer was in the habit of taking several checks at a time to use for various items without explanation or receipts.

c. Several checks which were taken have shown up on the bank statements but were never actually returned to the custodian.

d. All bank statements go through the ship's office prior to being sent to the Supply Department for the fund custodian. It has been known that sometimes the statements have been open prior to being received by the fund custodian.

e. The Executive Officer states that he never saw the Bank Statements.

3. Failure to maintain Records and submit reports.

a. All records and receipts for FY 88 and prior are missing with the exception of some cancelled checks and a rough copy of the FY 88 report. The later was recovered from the Executive Officer during the time I was on board. It had never been forwarded to CNSP or NMPC-65.

b. The missing records were discovered upon the departure of OSC Wagoner.

c. During the interview with the Executive Officer, LCDR Fitzpatrick claimed that he was unaware of the requirement to send the reports to NMPC and CNSP. However, when the investigating officer obtained a copy of the FY 88 report from the Executive Officer, attached to the report were two messages from CNSP, both of which outlined the proper procedures and addressees for the report. The messages had a date time group of 16 and 20 September 1988, respectively.

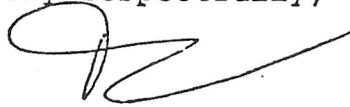
7. CONCLUSIONS OF THE INVESTIGATING OFFICER

CAPT Nordeen is guilty of dereliction of duty by failing to account for the proper expenditure of MWR Funds.

LCDR Fitzpatrick is guilty of dereliction of duty by failing to adhere to proper procedures for the expenditure of MWR funds, violation of the Standards of Conduct by using his authority with MWR funds for his own aggrandisement and several counts of larceny due to the diversion of monies to personnel not attached to the crew, including his spouse.

8. LOCATION OF ALL WORKING PAPERS: Office of the Staff Judge Advocate, Commander, Combat Logistics Group 1.

Very respectfully,

A handwritten signature in black ink, appearing to be 'T. W. Zeller', with a long horizontal flourish extending to the right.

T. W. ZELLER