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AMSFS-GC

23 April 2004

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Ethically Speaking

1. Attached is an article that illustrates the importance of contacting your ethics counselor prior to seeking outside employment.
2. The general rule is that if you are "seeking" non-Federal employment you may not work on any matters that will affect the financial interests of any of your prospective employers. Under the rules, to "seek" non-federal employment is defined broadly and includes the simple act of sending a resume to a prospective employer. Prior to "seeking" employment, you must provide your supervisor a written disqualification statement. Also, if you are participating personally and substantially in an acquisition over the simplified acquisition threshold (\$100,000), you must report any employment contacts made by bidders or offerors. Reporting is required even if the contact is made through an agent or intermediary of the bidder or offeror. The report must be in writing to your supervisor and designated agency ethics official. In this situation, the rule requires that you either promptly reject employment or disqualify yourself from the procurement until authorized to resume participation.
3. As you can see from the article, the consequences of not following the rules can have criminal penalties. Please contact me concerning the rules in this area before you take any action to seek outside employment. I can be reached at DSN 793-8458, e-mail yokas-reesem@osc.army.mil.

Encl

MARINA YOKAS-REESE
Ethics Counselor

Washington Post

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Pg. 1

Ex-Pentagon Official Admits Job Deal

Druyun Got Boeing Offer While Overseeing Air-Tanker Contract

By Renae Merle and Jerry Markon, Washington Post Staff Writers

A former senior Air Force official pleaded guilty yesterday to conspiracy, admitting that she negotiated an executive job at Boeing Co. with her daughter's help while still overseeing a controversial \$23 billion deal between the company and the Pentagon.

Darleen A. Druyun, 56, is the highest-ranking Pentagon official to be implicated in a corruption case since the 1980s. After pleading guilty in federal court in Alexandria, she was released on a \$25,000 personal-recognizance bond and faces up to five years in prison when sentenced in August. Her voice breaking, she stood before U.S. District Judge T.S. Ellis III and said she "would like to apologize for my actions, apologize to my family and to my nation."

Druyun, a civilian, was the chief Air Force negotiator in its plan to lease up to 100 refueling planes. She was at the grade of a lieutenant general when she retired and became vice president in charge of Boeing's missile defense systems in January 2003, after negotiations initiated by her daughter, a Boeing employee.

Druyun was fired last November with Boeing's chief financial officer, Michael M. Sears, who is under investigation in the broad federal probe of corruption and conflict of interest involving the aerospace giant. Federal officials emphasized yesterday that the investigation is continuing, and court documents make clear that other Boeing executives were aware of the circumstances of Druyun's hiring.

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A Boeing senior executive, who secretly met with Druyun and offered her a job weeks before she recused herself from overseeing the tanker deal, was not named in court documents, but Druyun named Sears when asked by the judge with whom she was negotiating her potential employment at Boeing. Sears has not been charged and has denied any wrongdoing. His attorney declined comment yesterday.

Defense Secretary Donald H. Rumsfeld said the incident should be an example to others. "This department is not going to tolerate people who don't abide by the rules and don't adhere to the ethics requirements and to the laws," he said.

Druyun's plea is expected to give a boost to critics who want an end to the "revolving door" in which Pentagon officials retire and take lucrative positions with defense contractors. The Pentagon general counsel's office is looking into whether the rules governing such movement are stringent enough and are being followed.

Druyun told Ellis that she began employment discussions with Boeing in September 2002 but did not recuse herself from making decisions involving the company until November of that year. In the interim, Druyun was the Air Force's chief negotiator on the tanker deal, which is currently suspended.

A Pentagon inspector general's audit, after Druyun and Sears were dismissed, found significant problems in the procurement process on the tanker deal. The deal, which has also triggered a Congressional probe, is expected to remain in limbo until several other investigations are concluded next month.

Druyun's job discussions were started by her daughter, Heather McKee, whom Boeing hired as a college recruiter two years earlier after Druyun called a senior Boeing executive for help finding McKee a job.

McKee sent the executive a series of encrypted e-mails negotiating her mother's potential employment and acknowledging that the tanker deal would make the

discussions difficult. "It is the tanker lease that prevents her from talking to you right away," McKee said in a September 2002 e-mail.

But McKee went on to outline Druyun's requirements for a "COO-like" position that must "be challenging, tough, lots of responsibility. . . . Bottom line she wants to be able to make an impact in the company."

Druyun was already being wooed by Lockheed Martin, the Bethesda-based defense contractor, but is "very interested in talking to us," the e-mail said. "She also mentioned that Boeing has her most admired quality: honest values."

In October, the senior executive took a private jet to Orlando and held a 30-minute meeting with Druyun in a private conference room at an airport. At the meeting, the executive offered Druyun a job as vice president and deputy general manager of Boeing's missile defense systems -- several weeks before she recused herself from making decisions impacting the company. Druyun's Boeing salary -- \$250,000 plus a \$50,000 signing bonus -- nearly doubled the top Pentagon pay for her position.

When the meeting ended, court documents said, the executive told Druyun: "This meeting really didn't take place."

The following day, the senior executive sent an e-mail with the subject line "Employment" to other Boeing executives detailing Druyun's offer and referring to the Orlando discussion as a "non-meeting."

Druyun and the senior executive conspired to cover up their discussions in the summer of 2003, according to court documents. At the time, some in Congress were questioning Druyun's role in negotiating the Boeing tanker deal and her subsequent job at the company. The criticism prompted Boeing to hire outside investigators to review Druyun's hiring.

When Druyun told the senior executive that outside investigators had uncovered e-mails contradicting their assertion that employment discussions began after Druyun recused

herself from Boeing matters, the executive told her to "hang tough," according to court documents. The executive said he would explain that the e-mails reflected "pre-planning," the documents said.

Druyun did not acknowledge the truth to Boeing investigators until November 2003. Sears and Druyun were fired later that month.

"Secretly negotiating employment with a government contractor, at the same time you are overseeing negotiation of a multibillion-dollar lease from the same contractor, strikes at the heart of the integrity of the acquisition process," U.S. Attorney Paul J. McNulty said yesterday.

Federal officials have described Druyun's cooperation as a major step in the investigation. The case was investigated by the Defense Criminal Investigative Service, FBI and the Air Force Office of Special Investigations. "If you don't have integrity in the system, then what is the American public to believe?" asked Joseph A. McMillan, special agent in charge of the mid-Atlantic field office of the Defense Criminal Investigative Service.

Boeing tried to separate itself from the actions of Druyun and Sears yesterday but acknowledged the negative impact the controversy has caused. "We do not have a 767 Tanker contract with the U.S. government today in large part because of Druyun's and Sears' actions," Harry Stonecipher, president and chief executive, said in a letter to employees. "I can think of no more obvious example to underscore the fact that everybody at Boeing -- especially those who lead -- is responsible for upholding our standards of ethical business conduct."

As to whether other Boeing executives were aware of the employment discussions with Druyun, Boeing spokesman Doug Kennett said, "We're aware of the facts, and there are no facts that would support allegations of wrongdoing by other Boeing executives."

Druyun, who tearfully hugged family members as she left the courtroom, declined to comment after the hearing, as did her attorney, John Dowd. McKee, whom prosecutors agreed not to prosecute as part of Druyun's plea, avoided a question from a reporter.

The case remains a matter of "continuing investigative concern," said Sen. John McCain (R-Ariz.), the chief congressional critic of the tanker deal. The court records "plainly indicate that the conspiracy to defraud the taxpayer and compromise the interests of the warfighter runs farther and deeper than originally suspected," McCain said.

The Pentagon's inspector general is also reviewing Boeing contracts Druyun oversaw in her final months at the Air Force. The IG has already found in a contract Druyun helped negotiate that the cost of the contract to modernize 18 NATO Airborne Warning and Control System planes grew from \$551.3 million to \$1.3 billion but didn't include an independent cost estimate.

Druyun was the "driving force" behind reforming Air Force procurement in the 1990s to give the agency more flexibility and discretion when negotiating contracts, said Steve Schooner, a professor at George Washington University.

"It's obviously a dark day for the federal procurement system when the former head of the government's most respected and innovative purchasing agency pleads guilty to a crime of this magnitude," Schooner said.

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