

# Contracting for Navy Husbanding Services: An Analysis of the Fat Leonard



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## Abstract

For 25 years, the Navy contracted with Singapore-based Glenn Defense Marine Asia (GDMA) for husbanding service support in Seventh Fleet. In 2013, the Justice Department revealed that GDMA had secured husbanding service contracts and conducted business through illicit procurement fraud schemes. This research identified deficiencies in the Navy's husbanding contract management processes, internal controls, and personnel competency. Based on the research findings, the researchers provide recommendations to the Navy to improve the auditability of Navy husbanding service contracting.



USS GRIDLEY (DDG 101) arrives in Hong Kong (U.S. Navy photo)

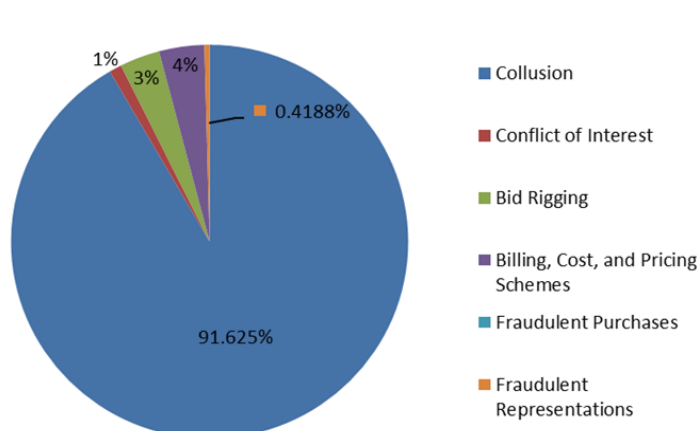
## Methods

Analyze Navy husbanding service contracting using the Fat Leonard case through the lens of auditability theory, applying contract management and internal control framework.

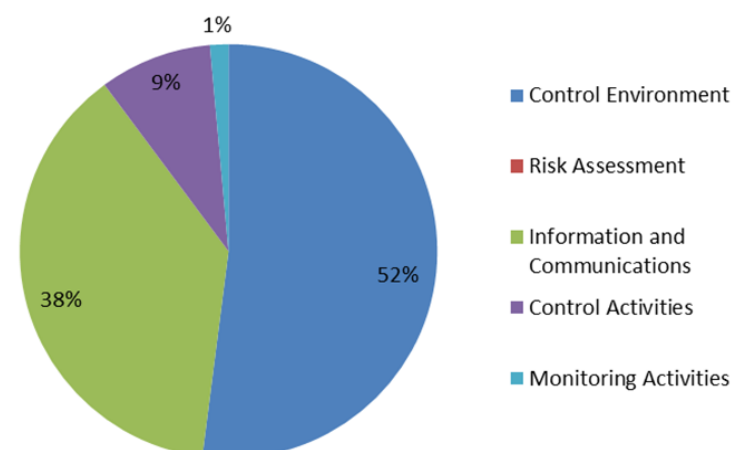
Review publicly available documents for each individual indicted or reprimanded in the Fat Leonard case to:

- Identify each alleged act of fraud and categorize the alleged act into a procurement fraud scheme.
- Align each alleged act of fraud with the contract management phase (for both buyer's and seller's phases) in which the act occurred.
- Align each alleged act with an internal control component
- Identify the contracting processes in which the alleged acts of procurement fraud occurred.
- Identify the internal controls that were deficient and permitted the alleged acts of procurement fraud to occur.
- Identify the specific alleged procurement fraud schemes that occurred in the Fat Leonard case.

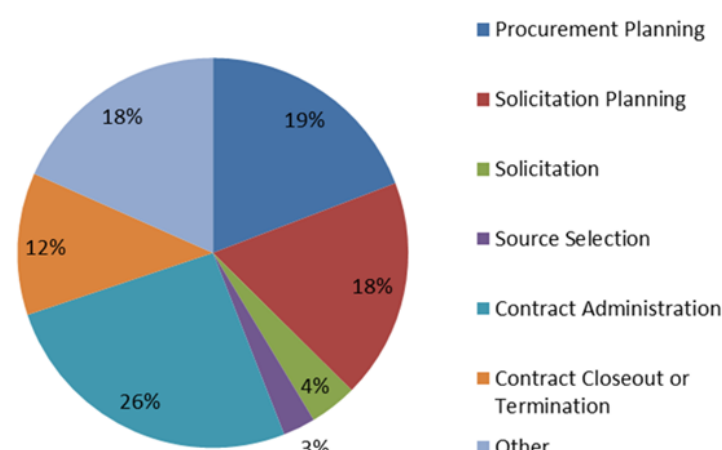
## Results



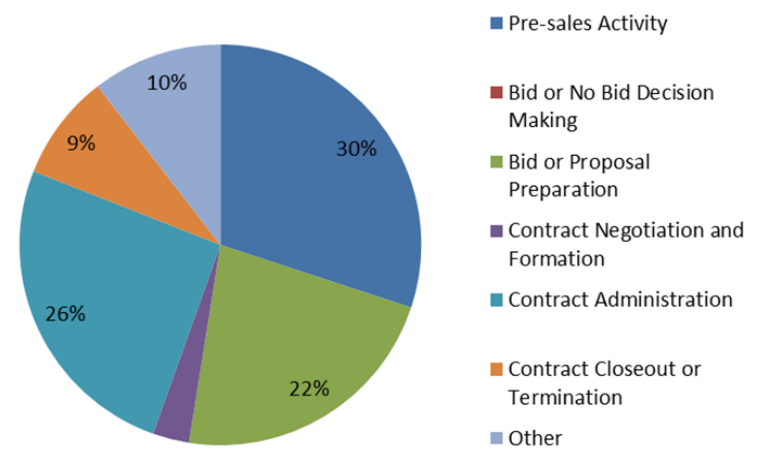
Alleged Fraud Schemes



Internal Control Failures



Alleged Fraud Acts by Buyer's Contract Management Phases



Alleged Fraud Acts by Seller's Contract Management Phases

## Recommendations

- Mandate procurement fraud training
- Revise ethics training
- Develop and execute contracting training
- Enhance personal competence
- Improve documentation control
- Enhance control activities