

Fat Leonard Continues to Spread

Written by Nick Sanders

Wednesday, 29 June 2016 00:00

The first time we [discussed](#) the “Fat Leonard” scandal was at the end of 2013, when we wrote “The DOD Leadership is focused on beating up its industrial base, because it simply cannot face the fact that its own house is in slipshod repair and in desperate need of attention. It’s clear that the Department of Defense needs a thorough house-cleaning, from top to bottom.”

If you follow the link above to our original article, you’ll find background on the Glenn Defense Marine Asia (GDMA), and on its corrupt practices, as well as some details on the widespread corruption and “systematic weaknesses in the Navy’s worldwide contracting bureaucracy.”

We’ve mentioned GDMA from time to time, mostly in passing. We’ve noted a couple of indictments, a couple of guilty pleas, a couple of sentences. We thought we’d take a minute and catch our readers up on the continuing scandal.

We were prompted to recap the story (so far) by this Dept. of Justice [press release](#), which announced that Paul Simpkins, a retired DOD “supervisory contracting officer” had pleaded guilty to charges of accepting “hundreds of thousands of dollars through wire transfers to a bank account in Japan controlled by Simpkins’s former wife.” In return, Simpkins admitted that he “extended GDMA’s contract after a subordinate recommended the contract not be extended due to high costs; instructed U.S. Navy officials in Hong Kong to discontinue using meters that ensured proper accounting of the amount of waste that GDMA removed from U.S. Navy ships to ensure that no overbilling occurred; and instructed a U.S. Navy official to ignore invoices that GDMA submitted after Francis complained that U.S. Navy personnel were asking questions.”

The “Fat Leonard” tally so far, as [summarized](#) by The Washington Post:

A federal prosecutor said last year that 200 individuals were under investigation. [Of those, about 30 are admirals](#), Navy officials have said.

Fourteen people have been charged so far in federal court, all but three of whom have pleaded guilty. Justice Department officials have said more arrests are likely. Another Navy contracting

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official who worked in the same office with Simpkins has been arrested in Singapore and faces corruption charges there.

The scandal has its own [Wikipedia page](#). It includes the following:

A number of American naval personnel have been arrested as a result of the investigation, including two navy commanders, a navy captain, and a special agent with NCIS. The chief of naval intelligence was stripped of his security clearance. Also, two admirals were suspended, and three admirals were censured by Ray Mabus, the Secretary of the Navy, and forced into retirement after it was determined that they improperly accepted gifts from Francis. ... Those three officers served with the [USS Ronald Reagan](#) strike group in 2006 and 2007 while the bribery occurred.

Captain Daniel Dusek, who oversaw operations in the US Pacific Fleet, became the highest-ranking Navy officer to be convicted in one of the US military's worst bribery scandals. In addition to the 46-month prison sentence, a US judge ordered Dusek to pay \$100,000 in fines and restitution for passing ship and submarine schedules to Glenn Defense Marine Asia ... In June 2016, the US Navy announced that Rear Admiral [Robert Gilbeau](#) was to be charged in the case. He would be the 14th officer charged, and the most senior. He had served as a supply officer in several ships served by GDMA.

As for Fat Leonard himself, the Wikipedia article reports that –

On January 15, 2015, Francis, 50, pleaded guilty to all charges in San Diego federal court. He admitted to bribing scores of U.S. Navy officials with \$500,000 in cash, sex from prostitutes, lavish hotel stays, and luxury goods. Leonard admitted to using his Navy contacts, including US Navy ship captains, to obtain classified information and to bilk the Navy out of about \$20 million by steering ships to specific ports in the Pacific and falsifying service charges. In his plea, Francis identified seven Navy officials who accepted bribes. The 6-foot-3-inch, 350-pound Malaysian playboy faces a maximum prison sentence of 25 years and agreed to forfeit \$35 million in personal assets.

One of the biggest challenges in establishing anti-fraud and anti-corruption internal controls is that most people don't want to believe their employees (or executive officers) would actually

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stoop so low. They don't want to believe that all those controls are actually needed.

Well, we're here to tell you that those internal controls absolutely are needed. From Segregation of Duties to inventory cycle counts to Accounts Payable data mining, it's all necessary and a worthwhile investment.

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