The G-RAP Program: The Investigations and an Injection of Reality

Compiled by the
National Guard Association of the United States

The Army National Guard Recruiting Assistance Program (G-RAP) ran from 2005 to 2012. It was designed to be a recruitment tool to supplement the recruiting activities of full-time recruiters during a time of increased demand for soldiers in a depressed recruiting market. G-RAP was an adaptation of civilian contract recruiting where the program leveraged soldiers to identify, mentor and sponsor potential candidates for enlistment.1 Part-time contractor recruiter/soldiers could earn $1,000 for every recruit who signed an enlistment contract and an additional $1,000 when the enlistee traveled to basic training. Officers and those with hard-to-recruit specialties could make more.

Soldiers in the Army National Guard (ARNG) were uniquely situated in their communities to identify potential quality recruits among fellow students, coworkers, etc. This was an advantage that full-time recruiters did not have. From a budgetary standpoint, the cost of incentive payments to these soldier-recruiters was much less than the overhead costs of supporting full-time recruiters. In time, it was thought possible, to reassign some of the full-time recruiters to other duties, even to combat readiness.

When G-RAP was developed in 2005, our nation was in uncharted territory with the extended Global War on Terrorism. The need for large numbers of fully-trained combat troops and supporting personnel was at an all-time high. Yet, manpower had been on a steady decline. The low point was on July 1, 2005, when the ARNG had 330,312 soldiers, well short of the congressionally authorized end strength of 350,000 troops. At that time, more than 100,000 ARNG soldiers were already on federal active duty. Then, in late August 2005, Hurricane Katrina slammed into the Gulf Coast. This domestic emergency required an additional 50,000 troops. It was imperative that the ARNG continue to meet all mission requirements for the nation. To do that, the Guard had to succeed in achieving its appropriated strength number of 350,000 troops.

As a recruiting tool, the G-RAP program was widely viewed as an enormous success. With it, the ARNG achieved the appropriated strength number of 350,000 troops by April 2007. In fact, all components of the Army implemented the program successfully for various periods of time. The Army Reserve utilized the program from 2007 to 2012 and the active-component Army from 2008 to 2009.

Beginning in March 2012, the program came under intense scrutiny in the media. There were sensational headlines based on half-truths, innuendo and anonymous government leaks.2 From a leaked Army Audit Agency document, the Washington Post reported on March 13, 2012, that $92


million in bonuses was allegedly paid to recruiters who were not eligible for the payments and that more than a quarter of the $339 million in bonuses given over the past six years may have been fraudulent.

The G-RAP program has been the subject of no less than five separate audits conducted by the Department of Defense and the Army Audit Agency. All of them have been completed with reports released to the public.\(^3\) The G-RAP program has also been subjected to five additional investigations and reviews by the Army,\(^4\) all under a Recruiting Assistance Program Task Force established pursuant to a directive issued by the secretary of the Army.

The audits, reviews, investigations and extraordinary media attention became the focus of an investigation by the Senate Committee on Homeland Security and Governmental Affairs’ Subcommittee on Financial and Contracting Oversight. That investigation, led by Subcommittee Chairman Sen. Claire McCaskill, D-M.O, is now well into its third year. The subcommittee held a hearing on Feb. 4, 2014, titled “Fraud and Abuse in Army Recruiting Contracts,” with the stated agenda: “The purpose of the hearing is to examine reports of pervasive fraud, abuse, and mismanagement in the award and administration of contracts for the Army National Guard’s Recruiting Assistance Program (G-RAP).” This spawned additional sensational headlines, again based on half-truths, innuendo and more anonymous government leaks.\(^5\) Not to be outdone, the New York Times headline read: “Fraud in Army Recruiting Bonus Program May Cost Nearly $100 Million”.\(^6\)

By now, all of the public focus was solely on G-RAP and the ARNG and none of the attention was on any possible fraud connected to AR-RAP (the Army Reserves’ version of G-RAP) or A-RAP (the active-component Army’s version of G-RAP) or the Referral Bonus Programs run by both the Army and the ARNG, or the Civilian Contract Recruiter Program run by the Army since 1999.

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\(^4\) 1) Assistant Secretary of the Army for Acquisition, Logistics and Technology (ASA(ALT)), reviewed contracting procedures; 2) the U.S. Army Criminal investigations Division (CID) has and is investigating individual criminal accountability; 3) Assistant Secretary of the Army for Manpower and Reserve Affairs (M&RA), reviewed and provided copies of RAP era policy, guidance, memorandums, and regulations related to recruiting policy, as well as names of the individuals who have responsibility related to recruiting during that period to the Office of the Inspector General; 4) the Office of the Inspector General, Army is conducting an ongoing investigation even though it was supposed to be completed in March 2014; and 5) According to the Written Statement by Lt. Gen. William T. Grisoli, submitted to the Senate Committee on Homeland Security and Governmental Affairs’ Subcommittee on Financial and Contracting Oversight, Feb. 4, 2014, the ASA (FMC) submitted a formal anti-deficiency act (ADA) report to the Army Office of General Counsel for review. This report is expected to be completed in Oct. 2014.

\(^5\) Washington Post, Feb. 4, 2014, headline reads: “*Army Probes Recruiters Over Alleged Bonus Fraud, Referral Scheme May Have Netted $29 million For More Than 1,200*.”

\(^6\) February 4, 2014.
According to the Majority Staff Memorandum, dated Feb. 3, 2014, and submitted to the members of the Subcommittee on Financial and Contracting Oversight, "Since the first cases were reported to CID, the RAP fraud cases have grown to become one of the largest fraud investigations that CID has ever conducted, both in terms of the sheer volume of fraud and the number of participants." This was based on a briefing that the Subcommittee staff received from the CID on Jan. 15, 2014.

In short, by Feb. 4, 2014, public attention was focused on the ARNG and G-RAP as the source of one of the largest fraud investigations that CID had ever conducted. That focus is continuing today.

Make no mistake about it, NGAUS believes that no fraud should be condoned or overlooked. Anyone found guilty should be punished appropriately. But let’s get the facts straight so that corrective action can be taken, because this recruiting tool can be a key component in our Nation’s military readiness to confront the challenges we face across the globe.

Neutral observers might argue that the focus on G-RAP was appropriate given the fact that more funds were distributed under this program than any of the other RAP programs, and the Army investigators were reporting much higher numbers of alleged fraud cases with this program when compared with the other RAP programs. This argument holds up only so long as the investigations and public focus remain shallow in depth and selective in scope. However, in moving beyond the day’s headlines and sound-bites, another picture begins to emerge from even a casual review of records that are publicly available. It is truly a modern day Tale of Two Cities; or more accurately, a City of Two Tales.

Here are some interesting facts:

1. **After more than six years of criminal investigations, five Army audits, and five additional Army investigations, with 200 CID investigative agents assigned, and sensational headlines, approximately $900,000 ... not even close to $92 million... can be accounted for in terms of G-RAP funds connected to criminal convictions for fraud.**

This is based on an extensive internet review of publicly available information, including press releases issued by the Justice Department and court-filed documents. It has been our observation that any time there has been a prosecution, plea agreement, or sentence handed down in connection with any military recruiting bonus fraud case, in any jurisdiction, the story makes its way into the public domain. We have assembled a compilation of these cases and will continue to add to it.

Typically, in these cases, wire fraud is charged where the claim is that the defendant allegedly devised a scheme to defraud an agency of the United States in order to obtain money by means of materially false and fraudulent representations. Aggravated identity theft also has been charged frequently as part of the scheme.

With the Army still projecting $92 million worth of fraud in the G-RAP program at the Subcommittee hearing on Feb. 4, 2014, where is the rest of the money in terms of criminal prosecutions? According to the Majority Staff Memorandum referred to above, we understand that CID has "titled" 110 officers in connection with its investigations. If they engaged in fraud or any other criminal conduct, why have they not been prosecuted? If they've committed some other violations, other than fraud, why are they

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7 See Memorandum of Majority Staff to Members of the Subcommittee on Financial and Contracting Oversight, Feb. 3, 2014.
being identified as fraud cases? How many “fraud” dollars are associated with the "titled" cases? The Army has chosen not to disclose this information publicly so far. Why not?

The testimony of Maj. Gen. David E. Quantock, the commanding general of U.S. Army Criminal Investigation Command and Army Corrections Command, underscored this point. He testified that $29 million worth of fraud had already been identified as of the date of the hearing and there was an additional $66 million worth of potential fraud still subject to investigation, although he opined that the number would end up more likely around $50 million.8 If both numbers prove accurate, the total will be $79 million worth of fraud in the G-RAP program.

2. Of the 106,364 soldiers who received payments under G-RAP, approximately 86,000 soldiers had been reviewed as of Feb. 4, 2014, and approximately 84,800 soldiers had been cleared of any wrongdoing. The cleared soldiers represented 98.5 percent of the total number of soldiers reviewed as of that date.

The remainder of the 86,000 soldiers who had been reviewed, or 1,219 soldiers, were under investigation or had been adjudicated, according to the Army. At no time, to our knowledge, has the Army reported exactly how many soldiers have been convicted of defrauding the G-RAP program or how much money has been accounted for with those convictions. They have also not publicly reported how many cases were even referred for prosecution or the “fraud” dollars associated with those referrals.

According to the Memorandum to the Members of the Subcommittee (referenced in footnote 7), the Army Audit Agency and the CID had identified 16,480 G-RAP participants, as of that date, who were associated with payments that were at a high or medium risk for fraud.9 Contrast that number with the actual number of individuals convicted of G-RAP related fraud, 35 in total, as of April 2014, 21 of whom were from Texas.10

Moreover, Lt. Gen. William T. Grisoli, the director of the Army Staff, U.S. Army, testified at the subcommittee hearing that the Army prioritized the cases for investigation by going after high and medium-risk cases first, with the biggest dollar cost that was lost. That being said, if the biggest and best cases accounted for $29 million worth of fraud (which has not been established yet) after 86,000 of 106,000 (or 81 percent) of the investigations have been completed, how likely is it that the remaining 20,000 cases (or 19 percent), involving mostly low risk of fraud and small dollar amounts, will end up accounting for $50 million of additional fraud, almost double the yet-to-be-supported $29 million figure? We plan to track the public record of these convictions and publish the results of our research regularly. For starters, please refer to the $92 million G-RAP Fraud Recovery Chart at the end of this article.

3. The Army has never addressed the multi-program fraud that was perpetrated either simultaneously with, or serially to, the G-RAP program; instead, either mislabeling it as G-RAP program fraud or ignoring it altogether.

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8 See excerpt from Feb. 4, 2014 hearing transcript

9 Citing the Memorandum from U.S. Army Audit Agency to Recruiting Assistance Program Task Force Regarding Audit of Recruiting Assistance Programs-Reserve Components (June 4, 2012) (Reports A-2012-0115-IEF).

10 See map of U.S.
As but a single example, one high-dollar fraud case arose in Texas around a ring involving several soldiers charged with conspiracy, wire fraud, and aggravated identity theft (San Antonio ring). The alleged leader of the conspiracy, upon conviction, acknowledged that he and his co-conspirators unlawfully obtained a total of at least $244,000 in fraudulent recruiting referral bonus payments which they divided amongst themselves. Sen. McCaskill specifically referred to this case in her opening statement at the Subcommittee hearing that was focused exclusively on G-RAP program fraud. In her statement she said, "For example, in Texas, a former member of the National Guard was sentenced to four years and nine months in prison for leading a conspiracy to obtain $244,000 in fraudulent recruiting bonuses. He did this by providing kickbacks to National Guard recruiters in return for the names and Social Security numbers of recruits who had, in fact, already been recruited."11

If the Army had provided the senator and the Subcommittee with the Memorandum in Aid of Sentencing of the leader of the conspiracy, which was filed and made a public record on June 3, 2013, more than seven months before the Subcommittee hearing on Feb. 4, 2014, the Subcommittee would have learned that the conviction was for a conspiracy to defraud five recruiting referral bonus programs in the San Antonio area, namely G-RAP, AR-RAP, A-RAP, the Referral Bonus Program (RBP), and the Every Soldier a Recruiter Program (ESAR). The Defendant was ordered to make the following restitution:

- National Guard Bureau (G-RAP and ESAR Program): $53,000;
- United States Army Recruiting Command (Referral Bonus Program): $60,000;
- Army Reserve Contracting Center (AR-RAP): $54,000; and
- United States Army Accessions Command (A-RAP): $77,000.

More than 78 percent of this one case of fraud was attributable to programs run by the Army over which the National Guard Bureau had no control or operational responsibility and yet, at the hearing, all of the Army representatives remained silent when the senator inaccurately characterized this case as an example of solely G-RAP program fraud. The CID was aware of these facts because, according to the press release issued by the U.S. Department of Justice, the case was investigated by the Major Procurement Fraud Unit, U.S. Army CID.12 They were the investigating agency that referred the case to the federal prosecutors.

4. **The San Antonio ring fraud was the direct result of a breach of security in recruiting programs that were not operated by ARNG; rather, they were being run by the United States Army Recruiting Command (USAREC).**

According to the *Factual Basis for Guilty Plea* filed in U.S. District Court, Western District of Texas, on Feb. 3, 2012, in Crim. No. SA:11-CR-00754(1) – FB, the defendant ringleader and certain U.S. soldiers paid one active duty and two contract military recruiters (all under USAREC) for the names and Social Security numbers of potential soldiers, many of whom were "walk-ins" (i.e., persons who had decided to join the U.S. military on their own).13 The defendant ringleader and his co-conspirators used the means

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11 See excerpt from hearing transcript.


13 See *Factual Basis for Guilty Plea* filed in the U.S. District Court, Western District of Texas, on February 3, 2012, in Crim. No. SA:11-CR-00754(1) – FB.
of identification of these potential soldiers to claim that the ringleader and certain of his co-conspirators were responsible for referring these potential soldiers to join the Army, the Army Reserves, and the ARNG, when in fact the ringleader and his co-conspirators did not refer these potential soldiers to join the U.S. military. According to this document, as a result of these fraudulent representations, the defendant ringleader and his co-conspirators collected a total of at least $244,000 in fraudulent recruiting referral bonus payments from the G-RAP, the Referral Bonus Program, the AR-RAP program, the ESAR program and the A-RAP program.

Because USAREC and the private contract recruiting companies it hired failed to monitor its employees and safeguard the personal identification information in its systems about potential soldiers, the San Antonio conspirators were able to pilfer from five separate recruiting programs, three of which were being operated by USAREC. The San Antonio ringleader pled guilty to aggravated identity theft and wire fraud.  

Why is it that the Army failed to alert the Subcommittee, at the Feb. 4, 2014, hearing or otherwise, that the central facilitating factor in the San Antonio ring conspiracy was the absence or inadequacy of the fraud control policies and procedures utilized by USAREC that might have prevented the sale of the personal identification information collected by the active recruiter and the two contract recruiters under their control? Instead, Sen. McCaskill was led to ask, referring to the G-RAP program:

“Well, it is one thing to say you should not have fraud in the program, but, I mean, an effective control would be something that was required that would ferret out when somebody was sharing personal information in order to get a bounty on somebody that they had not recruited. Was there any control like that at all in this (G-RAP) program?”

It was the right question about the wrong program. The senator was relying on what she had been told by the Army and the Army never provided her with the important details of its investigation in San Antonio. Rather, the Army chose to take a "holistic" view, preferring to sensationalize it as 100 percent G-RAP fraud. What cannot be disputed is that the Army had ample opportunity at the Feb. 4, 2014, hearing to set the record straight and yet failed to do so. Of course, the Subcommittee’s investigation is not complete and there is still time to get to the bottom of all this.

One can only wonder at this point what other accusations the Army made about the G-RAP program to the Subcommittee that, on further investigation, will prove baseless.

5. The CID allowed the fraud in San Antonio to continue for several years after it knew, or should have known, about it as can be seen from a chronology of the fraudulent activity.

We believe that the CID knew about fraud being perpetrated by the ringleader of the conspiracy in San Antonio as early as mid-2008. There is no dispute that the CID knew about the multi-program fraud before mid-2009, because all of that information was contained in the Factual Basis for Plea, signed on July 9, 2009, in Criminal Case No. SA 09Cr892 FB, in the U.S. District Court for the Western District of Texas. There is no evidence that the CID informed anyone in the command structure of the ARNG who might have been in a position to take corrective action during the 2008-2009 timeframe. In fact, the

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14 United States Memorandum in Aid of Sentencing of Defendant (Ringleader) in the U.S. District Court for the Western District of Texas, Criminal No. SA-CR-00754 (1)- FB.

15 See excerpt from Feb. 4, 2014, hearing transcript.
report of the Army Audit Agency titled *Contracts of the Guard Recruiting Assistance Program*, dated Aug. 1, 2013, at page 44, reads:

“According to the contractor, CID requested that it contact CID directly with suspicions of fraud and not to discuss the instances with NGB, so as to not affect criminal investigations.”

We believe that the conspirators were able to continue defrauding all five programs out of several hundreds of thousands of dollars because the CID failed to notify the appropriate ARNG and Army commanders.

At the Feb. 4, 2014, hearing, Sen. McCaskill correctly observed: “... it is almost like word got out and nobody was paying attention, and all of a sudden everybody was, okay, the bank is open. Let us go for it.” Because it appears that the CID sat on this critical information regarding the San Antonio ring, allowing the conspirators to continue to defraud several of the recruiting programs, the CID may as well have announced that the bank was open.

What were the CID’s reporting obligations of investigations where there was evidence of continuing fraudulent activity in 2008-2009? Did the CID inform USAREC, but not ARNG, of what it discovered in San Antonio? If so, when and what did USAREC do in response? When did the CID first refer its investigatory results to the U.S. Attorney’s office in San Antonio with a recommendation for prosecution?

Even better questions: Why were the Referral Bonus Program and A-RAP both shut down around the same time in mid-2009, as the *Factual Basis for Plea* was signed on July 9, 2009, in Criminal Case No. SA 09Cr892 FB, in the U.S. District Court for the Western District of Texas? Did USAREC know something that was never shared with ARNG and the Army Reserve about the extent of the fraud being uncovered in Texas? If so, what did USAREC know, when were they told and by whom? Was there a cover-up of fraud in the Referral Bonus Program or the Civilian Contract Recruiter Program? These are questions the Army needs to answer.

6. **To the best of our knowledge, the Army has never audited the Referral Bonus Program for fraud to the same extent that the G-RAP program was audited and investigated and, to the best of our knowledge, has never investigated or audited the Civilian Contract Recruiter program for fraud at all.**

What was the CID’s justification for requesting a combined audit of the G-RAP program and the AR-RAP program in 2011? Put another way, since AR-RAP, A-RAP, the Referral Bonus Program, and the Civilian Contractor Recruiter program were all set up and administered by USAREC and the Army with materially different program rules than those established by ARNG for G-RAP, why is it that a combined audit was not requested by the CID of all recruiting programs administered by USAREC and ARNG in 2011?

By 2011, the San Antonio ring case was one of the biggest, if not the biggest, fraud case out there, and a multi-program fraud to boot. The indictment came down in September 2011, at or around the same time the CID was requesting an audit of *only* G-RAP and AR-RAP. The CID’s Major Procurement Fraud Unit was the principal investigating unit of the San Antonio fraud case. The CID’s requested audit was made with full knowledge of the multi-program fraud (including the Recruiter Bonus Program and the Civilian Contract Recruiter program) that the CID investigation uncovered in Texas in 2008-2009.

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16 See excerpt from hearing transcript
We are aware of a report provided to Sen. McCaskill’s Subcommittee by the Army titled “Audit of Referral Bonus Programs (March 28, 2013). The Army, apparently, has not authorized its release to the public and yet it authorized the release of five separate reports of audits that relate to the G-RAP program. Why is it that the Army wants to keep this report secret? Does the report contain information that would suggest the Referral Bonus Program lacked sufficient controls to prevent fraud? Was the audit of this program, as reflected in the unreleased report, as thorough as the audits that were done of the G-RAP program? If not, why not? To be specific, what was the scope of the Referral Bonus Program Audit and who requested it?

Most important, did the Referral Bonus Program Audit examine for the possibility of recruiter-centric fraud schemes, the most prevalent form of fraud found elsewhere? This common scheme has been found to consist of a group of co-conspirators that rotate around the recruiter who has access to the potential recruit and their personal identifiable information which leads to the illegal splitting of the bonus/contract payments.

At the end of the day, it is possible to identify certain conclusions that should shape the policy decisions made by senior military leaders with regard to all recruiting programs in the future. They are:

1. All of the recruiting programs operated by USAREC and the ARNG have been susceptible to the same kinds of fraud schemes and unless and until all of the programs operated by USAREC and the Army have undergone the same level of scrutiny similar to that which the G-RAP program has been subjected, history is bound to repeat itself. Everyone needs to see and understand the level and scope of all fraud in all programs in order for policymakers to make informed judgments regarding the future of recruiting initiatives. It is no secret, certainly now, that soldiers move from and to the active-component Army, the Army Reserve, and the ARNG. Some of the soldiers implicated in the fraud in San Antonio received payments from more than one program. Shutting them out of one program only allowed them to continue the same kind of fraudulent activities in the other programs.

2. All of the audits of the recruiting programs, conducted by the Army Audit Agency, should be released to the public in their entirety, not just the memoranda or reports of the audits, with appropriate redactions as to the names and other personal identifiable information. Decisions should not be based on any possible “spin.” Also, the Army needs to authorize the release of the memorandum from U.S. Army Audit Agency to the Director of the Army Staff Regarding Audit of Referral Bonus Programs (March 28, 2013) (Report A 2013 0064). Policymakers and other stakeholders can only benefit from the illumination and insights it might provide.

3. A full examination of all recruiting programs can lead to the development of a "best practices" model around which future recruiting programs can be shaped. Each of the programs has good points and bad points. A full comparison of all the programs will benefit each of them.

4. The need to protect soldiers’ personal identifiable information fully is universal to all recruiting programs and no stone should be left unturned in the quest to achieve 100% security, applied uniformly across all recruiting programs.

5. Clear policies of reporting fraudulent conduct to senior military commanders in positions to take action, need to be adopted by the CID and rigorously implemented. The existing culture of secrecy needs to be abandoned and cannot be used as justification for protecting sensitive investigations, particularly when there is evidence of ongoing fraudulent activity. The fact that so few prosecutions have resulted from the deployment of 200 CID investigators, operating
mostly in secret, failed to achieve any meaningful deterrence through rigorous and timely prosecution, while exacerbating the level of fraud that was permitted to continue precisely because of the secrecy.

6. The investigations and reviews of the remaining 20,000 soldiers that participated in the G-RAP program need to be completed forthwith. It has taken over two years to clear the reputations of more than 84,000 Guard soldiers among those that the Army believed, for the most part, were high- and medium-risk cases. It is ridiculous to think that it will take two more years to clear the remaining 20,000. Sufficient resources should be devoted to completing this task before the end of this year.

NGAUS will not stand by idly while the reputations of these great soldiers and patriotic Americans, who did everything the right way in full compliance with the program’s requirements, continue under the stain of a prolonged investigation that has already taken too long. Our organization, with its 45,000 members in 54 states, territories and the District of Columbia, representing the interests of nearly 500,000 Army Guard and Air Guard soldiers and airmen plus their families, stand at the ready to work with anyone or any organization, in government or otherwise, to identify the issues and to build effective recruiting programs for the future. The soldiers of tomorrow need it. The soldiers of today demand it.