

135 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510-1501
(202) 224-3744
www.grassley.senate.gov

721 FEDERAL BUILDING
210 WALNUT STREET
DES MOINES, IA 50309-2106
(515) 288-1145

111 7TH AVENUE, SE, BOX 13
SUITE 6800
CEDAR RAPIDS, IA 52401-2101
(319) 383-6832

United States Senate

CHARLES E. GRASSLEY
PRESIDENT PRO TEMPORE EMERITUS
WASHINGTON, DC 20510-1501

120 FEDERAL BUILDING
320 8TH STREET
SIOUX CITY, IA 51101-1244
(712) 233-1860

210 WATERLOO BUILDING
531 COMMERCIAL STREET
WATERLOO, IA 50701-5497
(319) 232-6657

201 WEST 2ND STREET
SUITE 720
DAVENPORT, IA 52801-1817
(563) 322-4331

2146 27TH AVENUE
SUITE 550
COUNCIL BLUFFS, IA 51501-6985
(712) 322-7103

March 19, 2024

The Honorable Christine E. Wormuth
Secretary of the Army
101 Army Pentagon
Washington, D.C. 20310-0101

Dear Secretary Wormuth,

I am writing to request information regarding a colossal failure of internal controls over 4-H grant awards managed at Fort Sam Houston – a breakdown that left the door wide open to 43 fraudulent payments totaling \$103.3 million paid out between 2016 and 2023. These payments were made to a fictitious company -- Child Health and Youth Lifelong Development or CHYLD -- fabricated by an Army employee, Janet Y. Mello.

In order to understand how such a large sum of money could be paid to a fake company over an extended period of time without detection by internal controls and/or vigilant management oversight, I request that you provide answers to the following questions along with requested documents:

- In 2016-23, what criteria were used in Mello's office to evaluate 4-H grant requests?
- Were 4-H grant proposals required to meet specific or more generic guidelines in order to be eligible for funding?
- Describe the proposals CHYLD sent to Mello requesting funding; Please provide those documents; What were the key considerations in funding those proposals?
- Who evaluated Mello's CHYLD proposals? What were the deciding factors in those awards?
- According to an Army Information paper on the Mello case, she was the Installation Management Command (IMCOM) Child and Youth Services (CYS) Financial Program Manager (FPM). As such, she was responsible for ensuring "**efficient utilization and control of CYS funds ... and certifying that statutory requirements to control funds ... were properly executed.**"¹ These are statements about what she was supposed to do. Now that her fraudulent activity is known, has

¹ Army Information paper, 3/4/24

Committee Assignments:

RANKING MEMBER
BUDGET

JUDICIARY
FINANCE
AGRICULTURE

CO-CHAIRMAN
CAUCUS ON
INTERNATIONAL NARCOTICS CONTROL

the Army reexamined her handling of the CHYLD proposals, or any other grant award proposals she handled? Were any other irregularities discovered? Is there a report? If so, please provide it.

- Did Mello's supervisors have any contemporaneous issues with her handling of the CHYLD awards? If so, explain?
- The Information paper also says Mello "**conducts financial analysis of CYS programs.**" Please provide her financial analysis of CHYLD proposals.
- Were there any **known** conflicts of interest in the CHYLD decision process?
- One basic internal control procedure is to match invoices with supporting documentation. My understanding is CHYLD substituted SF 1080s for invoices. Did CHYLD ever submit invoices for services rendered? Has the Army allowed other entities to substitute SF 1080s for invoices?
- Who evaluated and approved CHYLD's 43 funding requests? Did approving officials ever raise any questions about these proposed payments? Please provide relevant names and titles.
- Did CHYLD receive one grant award with 43 payments, or were there 43 separate awards?
- Provide a list showing the annual individual dollar values for each 4-H grant awarded by IMCOM at Fort Sam Houston for 2010 to present.
- The Army information paper indicates that IMCOM's 4-H "USDA Interagency Agreement" for FY24 was \$1.6 million. How many individual awards are covered by that amount? Please clarify?
- Whether the \$1.6 million covers one or several different grants, it's a pittance compared to the money poured into CHYLD, which averaged about \$15 million/year. If other IMCOM grants pale in comparison to CHYLD, would you agree that should have been a red flag? It should have triggered scrutiny and questions. Was an inspection ever considered? If so, by whom? Did an inspection take place? If not, why?
- How do CHYLD funding levels compare to other 4-H programs in urban areas in Texas? How do they compare nationally?
- Since Mello was using a SF 1080s, which is used to transfer funds between appropriations, was the entire \$103.3 million derived exclusively from the Army's 4-H grant fund? If not, please identify other sources of funds tapped by Mello?
- Did high CHYLD/Mello payments raise any questions or concerns by Army leadership either at Fort Sam Houston, elsewhere in the Army or by the Pentagon's Chief Financial Officer, DFAS, or IG?
- Were there any Hotline complaints about her activities or the extraordinary sums of money being paid to CHYLD?

- A press report states that Mello's "scheme was unraveled by the IRS."² How and when did the Army first become aware of Mrs. Mello's fraudulent activity?
- When did the Army inform the Defense Finance and Accounting Service (DFAS) about Mello's fraudulent activity? Or did DFAS inform the Army?
- When did CID begin working the case? Who requested the CID investigation?
- Investigators reportedly told the San Antonio Express News that the Mello "theft was possible due to a slipup by the U.S. Army." Please describe the Army's "slipup"?³

Allowing \$103.3 million of precious taxpayer dollars to flow freely into Mello's personal coffers does not qualify as a "slipup." It's an unacceptable breach of internal controls and watchful oversight. Those responsible should be held accountable. With internal controls that are weak or non-existent, it's incumbent on every manager and overseer to be vigilant and watch for warning signs or irregularities. From my perspective, the magnitude of payments to Mello's fake company stick out like a sore thumb. The "company" was no more than a few miles from the CYS program management office at Fort Sam Houston in San Antonio where Mello was employed. A pop inspection would have exposed the fraud in short order.

What we are wrestling with here are the results of an age-old Pentagon dilemma – weak or non-existent internal controls. Without a modern, fully integrated accounting system that can capture and track every transaction as it occurs, internal controls have to be practiced the hard way – manually.

Twenty-five years ago, at my request, the Assistant Secretary of the Air Force for Financial Management, detailed Mr. A. Ernest Fitzgerald, Management Systems Deputy of the Air Force, to my Judiciary Oversight Subcommittee staff to conduct a detailed review of internal controls at the Department of Defense (DoD).⁴ This investigation was triggered by the theft of large sums of money by four crooks – military and DoD civilians. These four cases mirror the Mello case. With Ernie's leadership, we tested controls by tracking 200 invoices generated by an office in the Pentagon where fraud had occurred. We followed them through the entire cycle of transactions – from request to purchase, to contract award, to invoice, to payment and issuing of U.S. Treasury checks, and to delivery verification, including, for example, an on-site inspection of audio-visual equipment serial numbers in the National Military Command Center to be sure they matched supporting documentation. Verification depended on meticulous document match-ups. Not one transaction was handled correctly.

²Gucci Goddess Pleads Guilty to Stealing Millions From US Army for Lavish Lifestyle, WKRC San Antonio, Texas, 3/1/24

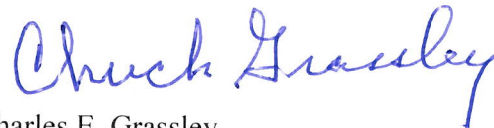
³ WKRC, San Antonio, Texas, 3/1/24

⁴ Ernie Fitzgerald was removed from his senior position at the direction of President Nixon for "committing truth" on the C-5A aircraft cost overrun. After 12 years of legal battles, he was reinstated in his former position by court order but was never allowed to do this job. He was relegated to a cubbyhole in the attic of the Pentagon until retirement.

I forward the September 1998 staff report to you because it provides insight on the Mello case and how any official with oversight responsibilities can check to determine whether a transaction is legitimate.

Since Mello plead guilty to mail fraud and false tax returns, I expect thorough and complete answers to my questions by March 29, 2024.

Sincerely,



Charles E. Grassley,

U.S. Senator

*I will appreciate your
co-operation !!*