

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) 363-6832

United States Senate

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

120 FEDERAL BUILDING
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(712) 233-1868

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(563) 322-4331

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

March 19, 2024

The Honorable Audrey Y. Davis
Director
Defense Finance and Accounting Service
8999 East 56th St.
Indianapolis, IN 46249

Dear Director Davis:

I am writing to request information and supporting documentation pertaining to 43 fraudulent payments totaling \$103.3 million that your office made to a fake company, CHYLD, created by an Army employee, Janet Y. Mello.

In order to help me understand how such a large sum of money could be paid to a non-existent company from 2016 to 2023 without detection by internal controls and/or vigilant oversight, I request that you provide the following documents and answers to related questions:

- A list of all payments to CHYLD/Mello, including date of payment, amount of payment, payee, reemit address;
- All 43 payment vouchers;
- Were all payments made with U.S. Treasury checks?
- The indictment indicates that CHYLD/Mello award packages included her memoranda giving DFAS “**instructions** to cut a check to the entity specified in the award package, CHYLD. DFAS would then mail the check to CHYLD per **shipping instructions** detailed in the memo.” The checks were sent via FEDEX to a UPS Mailbox rented by Mello and located at 20770 Hwy 281 N Suite 108-421, San Antonio, TX 78258 and other addresses. Is there anything unusual or suspicious about her special instructions on handling and delivery of the 43 checks?
- DFAS payments are automatically mailed or transmitted directly to a reemit address. So why were special instructions necessary for her checks?
- Law requires a taxpayer identification number (TIN) on all certified payment vouchers submitted to a disbursing officer for payment. The TIN is a unique nine-digit identifier assigned to all individuals by the Social Security Administration and to businesses by the

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Internal Revenue Service (IRS). Did the TIN and other data on the Mello payment vouchers match-up with pertinent data on U.S. Treasury checks?

- Were tax forms or any other tax reporting documents submitted to the IRS concerning the payments to CHYLD?
- When did IRS first alert DFAS to the potential fraud on CHYLD payments?
- Provide any DFAS communications with IRS regarding this matter?
- Vendors, which have completed a service contract with the Army's Child and Youth Services Division (CYS), submit an invoice requesting payment. Mello, however, seemed to bypass invoicing procedures. Apparently, she substituted a Standard Form (SF) 1080, which is normally used to transfer funds between agencies, for an invoice. Court documents indicate that her use of an SF 1080 **signaled** to DFAS that "CHYLD was recognized as a government vendor allowing payment to proceed without an invoice." Was this a blatant misuse of an SF 1080? Since an SF 1080 is used for fund transfers between appropriations, how can that form be used to invalidate the requirement for invoices to document the delivery of good and services at an agreed upon price?
- Where in the regulations does it say that an SF 1080 can be substituted for an invoice?
- Who in DFAS management approved the substitution of an SF 1080 for an invoice? Isn't that a violation of financial management regulations?
- Why did Mello insist on an SF 1080 versus invoice?
- Isn't this a red flag?
- Were all 43 payments totaling \$103 million made without invoices?
- Please provide all Mello's instructions contained in the memoranda that formed the foundation for her allegedly fraudulent payments? If all are identical, then just provide one example.
- Why didn't due diligence detect this sham operation early-on? How could it continue for 7 years undetected?
- Was there anything out of the ordinary about the documentation presented in support of the CHYLD /Mello checks?
- Did any of these payments raise red flags? Did any questions or concerns surface within DFAS regarding any of these payments? If so, please provide all pertinent details.
- Director Davis, when did you first become aware of Mello's alleged fraudulent activity?
- Since the fraud continued for seven years without interruption, who in the department is chiefly responsible for this colossal failure of internal controls? Has anyone been held accountable?
- DFAS employees have access the DoD-wide Hotline. Were there any Hotline complaints regarding these payments?
- Was having Mello listed as the point of contact on all 43 payments a red flag?
- Was the role of IMCOM¹ in this matter in any way improper or unusual?

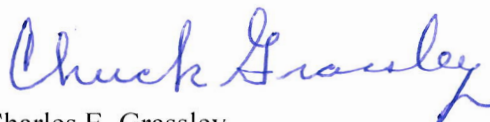
¹ Installation Management Command, at Fort Sam Houston

The answers to these questions may pinpoint where and how internal controls failed. With that information, maybe we can solve this problem.

It seems inconceivable that the Army and DFAS could pour \$103 million into just one simple military-connected 4-H youth project over the short span of 7 years without raising any questions or having one overseer curious enough to inspect the project. The address of the fake company was not more than a few miles from the CYS program management office at Fort Sam Houston in San Antonio where Mello was employed. A spot check would have been so quick and easy, and the fraud would have been exposed instantly.

I look forward to your full support and cooperation in addressing this matter. I expect all of my questions to be answered by March 29, 2024. If you need to discuss my inquiry, you may contact Charles Murphy or Noah Parlee in my office. Your assistance in resolving these issues would be appreciated.

Sincerely,



Charles E. Grassley,
U.S. Senator

*I will appreciate your
co-operation !!*