



United States  
**Office of Government Ethics**  
1201 New York Avenue, NW., Suite 500  
Washington, DC 20005-3917

January 24, 2005

Alberto J. Mora  
Designated Agency Ethics Official  
Department of the Navy  
Room 4E516  
1000 Navy Pentagon  
Washington, DC 20350-1000

Dear Mr. Mora:

The Office of Government Ethics (OGE) recently completed a review of the Naval Sea Systems Command's (NAVSEA) headquarters' ethics program. This review was conducted pursuant to section 402 of the Ethics in Government Act of 1978, as amended. Our objectives were to determine the ethics program's effectiveness and compliance with applicable laws and regulations. We also evaluated NAVSEA's systems for ensuring that ethics violations do not occur. The review was conducted from September through October 2004.

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#### HIGHLIGHTS

Based on the results of our review, we conclude that NAVSEA's ethics program is effectively administered by dedicated and knowledgeable ethics counselors and support staff. The public and confidential financial disclosure systems are generally well managed and have recently been improved by the implementation of a new process to ensure that new entrant filers are identified and notified of the filing requirement in a timely manner. The ethics training and counseling programs are also effectively administered. In addition, NAVSEA appears to take standards of conduct violations seriously, as evidenced by the prompt and effective actions taken against offending employees. Finally, effective procedures are in place to accept payments of travel and related expenses from non-Federal sources.

#### PROGRAM STRUCTURE

The NAVSEA ethics program is administered by ethics counselors and a paralegal from the NAVSEA Office of Counsel. These officials receive administrative assistance from the Human Resources Office and various administrative officers (AO) throughout NAVSEA. They also receive guidance and support from the Department of the Navy's (Navy) Assistant General Counsel (Ethics) (AGC (Ethics)).

During our review of NAVSEA's training program and financial disclosure systems, we took particular note of a database developed by the Office of Counsel's previous paralegal, which is now updated and maintained by the current paralegal. This comprehensive database contains, among other things, information on whether employees have received ethics training as well as the dates on which financial disclosure reports are filed, reviewed, and certified. Consistent monitoring of this information is vital considering the large number of employees at NAVSEA who are required to receive ethics training and file financial disclosure reports. We commend the paralegal for maintaining an accurate database as a means to ensure that all covered employees meet the relevant training and financial disclosure requirements.

#### PUBLIC FINANCIAL DISCLOSURE SYSTEM

Public financial disclosure reports from civilians are filed initially with the NAVSEA ethics counselors and are finally reviewed and certified by the AGC (Ethics). Public reports from military personnel are also filed initially with the NAVSEA ethics counselors. However, they are finally reviewed and certified by the Deputy Assistant Judge Advocate General (Administrative Law).

To evaluate the effectiveness of the public system, we examined a sample of 33 of the approximately 60 public reports required to be filed in 2004 by NAVSEA employees. All of ~~these reports were filed, reviewed, and certified in a timely manner. Our examination of the~~ public reports revealed no substantive or technical deficiencies.

The review of the reports appeared to be quite thorough, as was evidenced by the several layers of review that each report underwent before being finally certified. Additionally, many reports contained handwritten notes documenting reviewers' conversations with filers to clarify and correct certain entries. We also noted copies of memoranda of caution to filers concerning potential conflicts arising from their financial interests or outside positions and the possible need for filers to disqualify themselves from certain matters should the matters come before them for action.

#### CONFIDENTIAL FINANCIAL DISCLOSURE SYSTEM

The NAVSEA confidential system is administered by ethics counselors within the Office of Counsel in coordination with supervisors and AOs from each directorate. Supervisors conduct initial reviews of the reports and then forward them to the Office of Counsel. A paralegal within the Office of Counsel conducts a thorough review of the reports within 60 days after receipt to ensure that they are accurately completed and no obvious conflict of interest exists. The reports are then finally reviewed and certified by the ethics counselors.

To evaluate the effectiveness of the confidential system, we examined a sample of 150 of the 1,287 reports required to be filed by NAVSEA headquarters employees in 2003. Of these reports, 128 were filed in a timely manner. Of the 22 late reports, 20 were filed by new entrants. All of the reports we examined were reviewed and certified in a timely manner and we uncovered no substantive and few technical deficiencies.

NAVSEA officials were aware of the failure to capture new entrant filers in a timely manner prior to our review and have instituted a process to remedy the problem. To ensure that future new entrant reports are filed in a timely manner, the Office of Counsel now receives a weekly report of new employees from the Human Resources Office which includes, among other things, the date the employees entered on duty and whether they are required to file a confidential report. In addition, all vacancy announcements are now annotated to reflect whether the position requires the filing of a confidential report. Finally, AOs will ensure that employees entering covered filing positions are aware of the filing requirement and direct each new employee to file a new entrant report within 14 calendar days of the employee's entry on duty date. If the Office of Counsel does not receive a report within that time period, it will follow up with the appropriate management official(s), the AO, and the new employee to ensure the timely filing of the report. According to the NAVSEA officials, this system has been quite effective in identifying new entrant filers in a timely manner during 2004. Since steps have been taken to remedy this deficiency, no formal recommendation from OGE is necessary.

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## ETHICS EDUCATION AND TRAINING

NAVSEA's ethics training program is effectively administered through a collaborative effort between the Office of Counsel and the Human Resources Office. Under this program, ethics counselors from the Office of Counsel provide annual ethics training to covered employees while initial ethics orientation for new employees is provided by the Human Resources Office.

### Initial Ethics Orientation

To meet the initial ethics orientation requirement, the Human Resources Office provides all new NAVSEA employees a packet of written ethics training materials and allows them one hour to review the materials. The materials consist of a summary of the ethics rules and information on how to contact the NAVSEA ethics counselors.

### Annual Ethics Training

To meet the 2003 annual ethics training requirement, all covered employees were required to complete verbal training in the form of an online training module developed by the Department of Defense Standards of Conduct Office (DOD SOCO).

Upon completing the training, employees were required to send NAVSEA ethics counselors either an e-mail or a certificate of completion to verify that they had taken the training. The ethics counselors maintain copies of the e-mails/certificates and continually update the database to reflect that employees have received the training.

In order to meet the availability of a qualified instructor requirement found at 5 C.F.R. § 2638.704(d), public filers were directed to complete the module between 7:30 a.m. and 4:30 p.m., Monday through Friday, to ensure that an ethics counselor would be available to answer any questions.

In 2003, 1,343 NAVSEA employees were required to complete annual ethics training. According to a NAVSEA ethics counselor, all of these employees received the training.

#### ADVICE AND COUNSELING PROGRAM

NAVSEA appeared to be meeting the requirements of 5 C.F.R. § 2638.203(b)(7) and (8), wherein ethics counselors provide written ethics advice and counseling to NAVSEA employees. Moreover, the ethics counselors receive occasional support from the Navy's AGC (Ethics) to ensure that the advice they are providing is consistent with that which has been rendered throughout the Navy.

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To evaluate the quality of advice provided by NAVSEA ethics counselors, we examined a sample of the ethics-related written determinations rendered by these officials from 2003 to the present. The advice we examined covered a variety of ethics rules, including post-employment, conflicts of interest, misuse of Government property, and political activities by Federal employees. We found the advice to be thorough, accurate, and rendered in a timely fashion.

In addition to providing individual ethics counseling upon request, NAVSEA ethics counselors also routinely issue information on current ethics issues in the form of all hands e-mails known as Ethics-Grams. Based on our examination of a sample of Ethics-Grams and discussions with ethics counselors, NAVSEA employees have responded positively to the Ethics-Grams and find them quite useful in characterizing the ethics rules in a way that is pertinent to NAVSEA personnel.

#### ENFORCEMENT

According to NAVSEA ethics counselors and officials from the Navy's Naval Criminal Investigative Service (NCIS) and Office of the Inspector General (OIG), a positive working relationship exists between their offices. This relationship ensures compliance with 5 C.F.R. § 2638.203(b)(12), wherein the services of NCIS and OIG are utilized when appropriate.

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While there have been no referrals made to the Department of Justice for alleged violations of the criminal conflict of interest laws in the past year, NAVSEA has taken administrative actions against employees for ethics-related violations. According to the documentation we were provided, there have been six cases of misconduct by NAVSEA employees from calendar year 2003 to the present which resulted in administrative actions being taken. These violations consisted of two cases of unauthorized use of appropriated funds, one case of misuse of Government property, and three cases of misuse of the Government Travel Card. The actions resulting from these violations ranged from verbal counseling to letters of reprimand. Based on our discussions with NAVSEA ethics counselors, these actions appeared to be prompt and effective in accordance with 5 C.F.R. § 2638.203(b)(9).

#### TRAVEL PAYMENTS FROM NON-FEDERAL SOURCES

We examined all three travel payments in excess of \$250 accepted by NAVSEA employees during the period from October 1, 2003 to March 31, 2004 and reported by the Navy to OGE. All of the payments appeared to be approved and accepted in accordance with 31 U.S.C. § 1353, Chapter 4 of the DOD Joint Ethics Regulation, and NAVSEA Instruction 4001.2G.

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In closing, I wish to thank the NAVSEA ethics counselors for their cooperation and their efforts on behalf of NAVSEA's ethics program. A follow-up review is usually scheduled within six months from the date of this report. However, since this report contains no formal recommendations, this will not be necessary. A copy of this report is being forwarded to the Naval Inspector General. Please contact Megan Granahan at 202-482-9202 if we may be of further assistance.

Sincerely,



Jack Covaleski  
Deputy Director  
Office of Agency Programs

Report Number 05- 001