

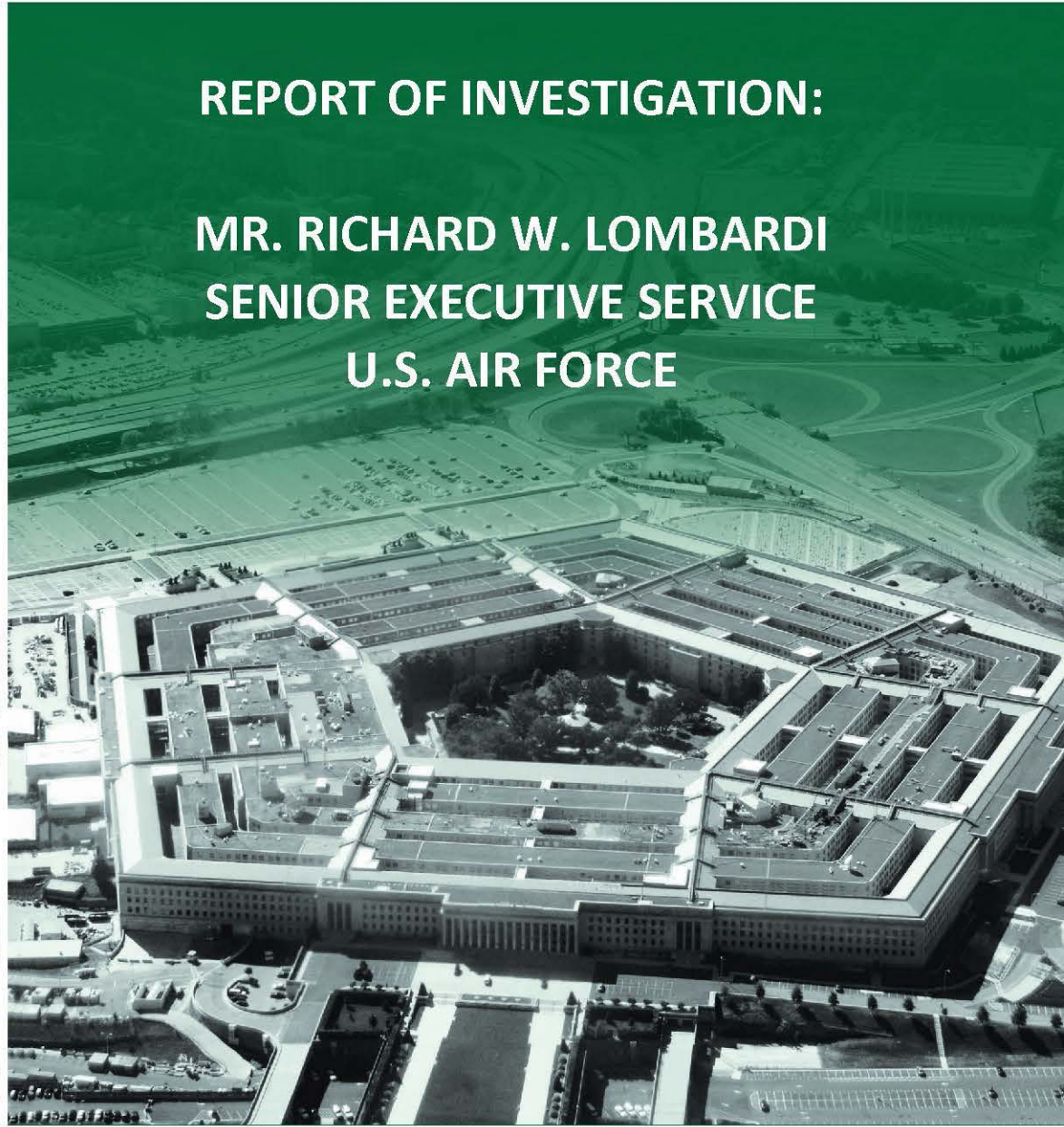
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# INSPECTOR GENERAL

*U.S. Department of Defense*



January 4, 2017



## REPORT OF INVESTIGATION:

**MR. RICHARD W. LOMBARDI**  
**SENIOR EXECUTIVE SERVICE**  
**U.S. AIR FORCE**

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**REPORT OF INVESTIGATION:  
MR. RICHARD W. LOMBARDI  
SENIOR EXECUTIVE SERVICE**

**I. INTRODUCTION AND SUMMARY**

We initiated this investigation to address an allegation that Mr. Richard W. Lombardi, Senior Executive Service (SES), while serving in multiple positions culminating as the Acting Assistant Secretary of the Air Force (Acquisition) and Principal Deputy Assistant Secretary of the Air Force (Acquisition) (SAF/AQ), Headquarters (HQ), United States Air Force, failed to report his spouse's Northrop Grumman retirement account (hereafter "retirement account"), which contained Northrop Grumman stock, on his Office of Government Ethics (OGE) Form 278, "Public Financial Disclosure Form (OGE 278)" from 2009 through 2015.<sup>1</sup>

Based on the matters presented, we also investigated whether Mr. Lombardi:

- knowingly and willfully failed to report his spouse's retirement account on his OGE 278s between 2009 and 2015;
- failed to report on his calendar year 2008 OGE 278 the source of his spouse's income greater than \$1,000 earned between the time of their marriage [REDACTED] and her resignation from Northrop Grumman in [REDACTED] 2008;
- knowingly and willfully failed to report on his calendar year 2008 OGE 278 the source of his spouse's income greater than \$1,000 earned between the time of their marriage [REDACTED] 2008 and her resignation from Northrop Grumman in [REDACTED] 2008; and
- participated in matters involving Northrop Grumman, while knowing of his spouse's Northrop Grumman retirement account, that had a direct and predictable effect on his or his spouse's financial interests.

If substantiated, Mr. Lombardi's conduct would violate standards summarized throughout this report. The applicable standards are presented fully in Appendix A.

We substantiated the allegations that Mr. Lombardi:

- failed to report his spouse's retirement account on his OGE 278s from 2009 through 2015; and

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<sup>1</sup> On February 2, 2016, the Secretary of the Air Force reassigned Mr. Lombardi from his position as the Acting Assistant Secretary of the Air Force (Acquisition) and Principal Deputy Assistant Secretary of the Air Force (Acquisition) to a position within the Invisible Combat Wounds Initiative, Office of the Under Secretary of the Air Force for Acquisition.

- failed to report on his calendar year 2008 OGE 278 the source of his spouse's income exceeding \$1000 earned between their [REDACTED] marriage and her resignation from Northrop Grumman in [REDACTED] 2008.

We did not substantiate the allegations that Mr. Lombardi:

- knowingly and willfully failed to report his spouse's retirement account on his OGE 278s from 2009 through 2015;
- knowingly and willfully failed to report on his calendar year 2008 OGE 278 the source of his spouse's income exceeding \$1000 earned between their [REDACTED] marriage and her resignation from Northrop Grumman in [REDACTED] 2008; or
- participated in matters involving Northrop Grumman, while knowing of his spouse's Northrop Grumman retirement account, that had a direct and predictable effect on his or his spouse's financial interests.

This introduction summarizes our findings regarding the allegations. A more detailed presentation of the facts and analysis for these allegations is found in Section IV, "Findings and Analysis."

***Allegation A: Mr. Lombardi failed to report his spouse's retirement account on his OGE 278s from 2009 through 2015***

Title I of the Ethics in Government Act (Title 5, United States Code (U.S.C.), Appendix) requires senior officials in the executive, legislative, and judicial branches of the Government to file public financial disclosure reports regarding their individual, spousal, and dependent children's financial interests. OGE implements this requirement for members of the executive branch through regulations in Title 5, Code of Federal Regulations, Section 2634 (5 C.F.R. 2634), "Executive Branch Financial Disclosure, Qualified Trust, and Certificates of Divestiture," and through use of the OGE 278. Reportable interests include sources of income, Individual Retirement Accounts (IRAs), brokerage accounts, trusts, mutual or pension funds, and other entities with stock portfolio holdings that could create conflicts of interest in government decisions.

Mr. Lombardi's spouse worked [REDACTED] for Northrop Grumman [REDACTED] 2008. Early during her employment she enrolled in Northrop Grumman's 401(k) Employee Benefit Plan (hereafter "retirement account"), [REDACTED]. The Lombardis were married [REDACTED] and Mrs. Lombardi resigned from Northrop Grumman [REDACTED] 2008. [REDACTED] moved to Hanscom AFB, MA. The Lombardis subsequently returned to the Washington, DC area in late 2012.

On April 14, 2009, while at Hanscom AFB, Mr. Lombardi certified and filed his annual OGE 278 covering calendar year 2008. Mr. Lombardi did not report his spouse's Northrop

Grumman retirement account. Mr. Lombardi subsequently certified and filed annual OGE 278s for calendar years 2009 through 2015. He did not report his spouse's Northrop Grumman retirement account on any of these filings.

On February 2, 2016, Mr. Lombardi self-reported to Air Force Office of General Counsel ethics officials that he had discovered his spouse's Northrop Grumman retirement account, that the account contained Northrop Grumman stock, and that he had failed to report this account on his OGE 278 since 2009. He then recused himself from all involvement in Northrop Grumman matters and notified the Secretary of the Air Force. On the advice of ethics officials, he directed that his spouse coordinate with Northrop Grumman retirement plan officials and divest her account of the company stock, [REDACTED] as of February 2, 2016, to eliminate any perceived conflict of interest, reallocating the assets into diversified funds allowable under OGE rules. When Mr. Lombardi's spouse resigned from Northrop Grumman in October 2008, [REDACTED].

Mr. Lombardi reported to Air Force ethics officials, and told us in our interviews, that he did not report his spouse's retirement account on his annual OGE 278 filings because he was not aware that it existed prior to mid-January 2016. Mr. Lombardi said he and his spouse never discussed her retirement account at any point prior to mid-January 2016.

### **Conclusion regarding failure to report spouse's retirement account on the OGE 278s from 2009 through 2015**

We substantiated the allegation. Mr. Lombardi self-reported the omission to Air Force ethics officials on February 2, 2016, after discovering the account. Title I of the Ethics in Government Act and 5 C.F.R. 2634 require senior officials in the executive branch of the Government to file public financial disclosure reports regarding their individual and spousal financial interests.

### ***Allegation B: Mr. Lombardi knowingly and willfully failed to report his spouse's retirement account on his OGE 278s from 2009 through 2015***

Title 5, U.S.C., Appendix, Section 104, "Failure to File or Filing False Reports," provides for civil and criminal penalties for any OGE 278 filer "who *knowingly and willfully* falsifies or *knowingly and willfully* fails to file or report any information that such individual is required to report . . ." [Emphasis added.] The Office of Personnel Management (OPM) "Guide to the Senior Executive Service" states that for an SES member's failure to carry out required duties and responsibilities to be defined as misconduct or neglect of duty the failure must involve "intentional wrongdoing." Finally, the filer's OGE 278 certification section reflects that the filer's signature certifies the contents on the form, as inputted by the filer, are true, complete and correct *to the best of their knowledge*. [Emphasis added.]

On December 30, 2015, Mr. Lombardi attended a required annual Air Force ethics briefing where a question regarding the topic of spousal income and assets arose. Mr. Lombardi told us he did not recall the specific question; however, the topic led him, in mid-January 2016, to ask his spouse, for the first time, whether she had a Northrop Grumman retirement account. He told us that due to her position [REDACTED] with Northrop Grumman [REDACTED], he assumed she did not have a retirement account and he had never asked her previously if she had one. During their mid-January 2016 discussion, Mr. Lombardi reviewed his spouse's retirement account statements for the first time and discovered the account contained Northrop Grumman stock (hereafter "stock").

After discovering the account, Mr. Lombardi asked a member of his staff to schedule a meeting for him with Air Force ethics officials. Because Mr. Lombardi traveled on multiple temporary duty (TDY) trips in January 2016 and because of other scheduling conflicts with Air Force ethics officials throughout the month, the staff member did not immediately schedule the meeting as Mr. Lombardi requested. Mr. Lombardi did not tell the staff member the meeting's purpose and did not stress its importance when he initially requested that the staff member schedule the meeting. After Mr. Lombardi returned from TDY travel in late January 2016 and he learned the staff member had not scheduled the meeting with Air Force ethics officials, he stressed to his [REDACTED] the meeting's importance and that he needed to schedule the meeting immediately. His staff subsequently scheduled the meeting for the morning of Tuesday, February 2, 2016.

On February 2, 2016, Mr. Lombardi self-reported his discovery of his spouse's Northrop Grumman retirement account and stock to Air Force ethics officials and that this asset should have been reported on his OGE 278 from 2009 through 2015. He then recused himself from all involvement in Northrop Grumman matters and notified the Secretary of the Air Force. On the advice of ethics officials, he directed that his spouse coordinate with Northrop Grumman retirement plan officials and divest her account of the stock, reallocating the assets into diversified funds allowable under OGE rules to eliminate any perceived conflict of interest. Mrs. Lombardi executed this transaction on February 2, 2016. On February 24, 2016, Mr. Lombardi certified and filed an OGE 278-T, "Periodic Transaction Report," reporting his spouse's Northrop Grumman retirement account from 2009 to 2016.

An OGE subject matter expert told us that for Mr. Lombardi's actions to have violated 5 U.S.C., Appendix, Section 104, "Failure to File or Filing False Reports," Mr. Lombardi would have had to have knowingly and willfully falsified or failed to report the retirement account and its contents. The subject matter expert said it would be significant for us to know whether the ethics attorneys who reviewed and certified Mr. Lombardi's 2009 OGE 278 filing asked Mr. Lombardi whether his spouse had a retirement account and if he had failed to disclose that information.

We subsequently interviewed three Air Force ethics attorneys responsible for reviewing and certifying Mr. Lombardi's 2009 and 2015 OGE 278 filings. We interviewed the ethics officials involved in these two filings because 2009 was Mr. Lombardi's first filing after his marriage and his 2015 filing was his most recent filing. The ethics attorneys did not recall having any discussions with Mr. Lombardi regarding his spouse's retirement account or the

specific OGE 278s they reviewed. The attorneys told us that when they reviewed Mr. Lombardi's OGE 278s they typically would compare the submitted OGE 278 to the one Mr. Lombardi had filed the previous year. They uniformly told us they found nothing that would have caused them to question him about a spouse retirement account.

Further, the Air Force ethics attorneys told us that OGE 278 filers commonly omit spouse retirement account information, particularly in situations where the spouse resigns from an employer before retirement age and is no longer receiving reportable income, as was the case with the Lombardis. The attorneys stated that the administrative remedy for unintentional OGE 278 omissions is for the filer to submit the next year's OGE 278 with an amendment noting that the previous years' forms omitted the reportable asset, and then to report that asset for the entire period held but not previously reported. On February 24, 2016, Mr. Lombardi followed Air Force ethics officials' guidance to apply this administrative remedy by filing an OGE 278-T reporting his spouse's retirement account.

Mrs. Lombard [REDACTED]

[REDACTED] Mrs. Lombardi said that she never told Mr. Lombardi about the retirement account [REDACTED] she resigned from Northrop Grumman in [REDACTED] 2008 and ceased receiving income. Mrs. Lombardi told us [REDACTED]

[REDACTED] she had resigned, [REDACTED]

[REDACTED] She said that she told Mr. Lombardi about the account for the first time in mid-January 2016 after he asked about it, and she learned for the first time that the 401(k) invested in Northrop Grumman stock when Mr. Lombardi reviewed the account statements.

Mr. Lombardi told Air Force ethics officials at the time he self-reported the account, and told us in our interviews that he was not aware of his spouse's retirement account prior to mid-January 2016. He told us that the annual Air Force ethics briefing in December 2015 led him in mid-January 2016 to ask his spouse whether she had a retirement account. He said that prior to this time, he was not aware that her retirement account existed. Mr. Lombardi said he and his spouse never discussed the retirement account at any point prior to mid-January 2016. He told us he never asked, or thought to ask, his spouse about her financial status or whether she had a retirement account because she had [REDACTED], had resigned instead of retiring, and he assumed she did not have a retirement account [REDACTED].

Mr. Lombardi also told us he did not immediately pursue the matter after he learned about the account from his spouse in early January 2016 because he was preparing for and

subsequently testified before Congress on January 7, 2016, then proceeded on the first of three TDY assignments.

When asked why he reported her bank accounts on his OGE 278 filings and not her retirement account, Mr. Lombardi told us he used their annual income tax information to compile the annual OGE 278, and the tax information contained no income tax documents from Northrop Grumman regarding the retirement account.

### **Conclusion regarding knowing and willful failure to report spouse's retirement account**

We did not substantiate the allegation. Mr. Lombardi was aware of the requirement to report his spouse's financial assets. We found that Mr. Lombardi first learned of Mrs. Lombardi's Northrop Grumman retirement account in mid-January 2016 and self-reported the matter to ethics officials on February 2, 2016, after returning from multiple TDY travel assignments. Both Mr. Lombardi and his spouse told us they never discussed her financial status or the retirement account prior to mid-January 2016. Mr. Lombardi also told us that prior to the December 30, 2015, ethics briefing that he attended, he assumed his spouse did not have a retirement account. He said [REDACTED], the fact she resigned soon after their 2008 marriage and no longer received a salary from Northrop Grumman, [REDACTED].

Mrs. Lombardi told us [REDACTED] she never discussed the retirement account or statements with Mr. Lombardi. Mr. Lombardi told us that to compile his annual OGE 278 filings he used their joint income tax information, which contained no information or IRS statements regarding the retirement account. Mr. Lombardi said he understood why his lack of knowledge of the retirement account was in question; however, [REDACTED] and self-reported the matter to Air Force ethics officials promptly after discovering the account.

Our review of Mr. Lombardi's emails, witness and subject matter expert testimony, and Northrop Grumman documentation yielded no evidence that Mrs. Lombardi [REDACTED] from the time of her marriage to Mr. Lombardi [REDACTED] until February 2, 2016, when Mr. Lombardi requested that she contact Northrop Grumman to divest her account of stock. We likewise found no evidence that Mr. Lombardi was aware of the retirement account or stock when he filed his OGE 278s between 2009 and 2015. Ethics attorneys who reviewed and certified Mr. Lombardi's 2009 and 2015 OGE 278s told us they found nothing that differed in Mr. Lombardi's reported assets from year to year. The attorneys told us they could not recall specific conversations with Mr. Lombardi or asking him about the possibility of his spouse having a retirement account. The ethics attorneys told us that in their experience, OGE 278 omissions involving spouse retirement account information are common, particularly in situations where the spouse resigns from an employer before retirement age and is no longer receiving reportable income.



***Allegation C: Mr. Lombardi failed to report on his OGE 278 for calendar year 2008 the source of his spouse's income exceeding \$1000 earned between their [REDACTED] marriage and her resignation from Northrop Grumman in [REDACTED] 2008.***

Title I of the Ethics in Government Act requires senior officials in the executive, legislative, and judicial branches of the Government to file an OGE 278 regarding their individual, spousal, and dependent children's financial interests. OGE implements this requirement for members of the executive branch through 5 C.F.R. 2634 and through use of the OGE 278. Reportable interests include sources of income, Individual Retirement Accounts (IRAs), brokerage accounts, trusts, mutual or pension funds, and other entities with stock portfolio holdings that could create conflicts of interest in Government decisions.

Mrs. Lombardi worked for Northrop Grumman [REDACTED] to [REDACTED] 2008. The Lombardis were married [REDACTED]

[REDACTED]

Between [REDACTED] 2008, Mrs. Lombardi earned an income from Northrop Grumman that exceeded \$1,000. Our review of Mr. Lombardi's OGE 278 for calendar year 2008 revealed he did not report the source of Mrs. Lombardi's earned income for this period.

Mrs. Lombardi [REDACTED] she resigned on [REDACTED] 2008, and that she earned a salary that exceeded \$1,000. Mr. Lombardi told us the couple reported Mrs. Lombardi's income on their joint federal taxes for 2008; however, he did not give any thought to Mrs. Lombardi's income [REDACTED] 2008 when he prepared his OGE 278 and thus, did not report it on his OGE 278 filed in 2009.

**Conclusion regarding Mr. Lombardi failing to report on his OGE 278 for calendar year 2008 the source of his spouse's income exceeding \$1000 earned between their [REDACTED] marriage and her resignation from Northrop Grumman in [REDACTED] 2008**

We substantiated the allegation. After their marriage [REDACTED] [REDACTED] 2008, Mrs. Lombardi continued her employment until her resignation from Northrop Grumman in [REDACTED] 2008. During this period, she earned a salary that exceeded \$1,000. Mr. Lombardi told us that the couple reported her Northrop Grumman income when filing their 2008 taxes; however, he forgot to report it on his OGE 278 for calendar year 2008. The Ethics in

Government Act and 5 C.F.R. 2634 require filers to report the source of spouse income over \$1,000 and Mr. Lombardi failed to do so on his OGE 278 for 2008.

***Allegation D: Mr. Lombardi knowingly and willfully failed to report on his OGE 278 for calendar year 2008 the source of his spouse's income exceeding \$1000 earned between their [REDACTED] marriage and her resignation from Northrop Grumman in [REDACTED] 2008***

Title 5, U.S.C., Appendix, Section 104 provides for civil and criminal penalties for any OGE 278 filer “who *knowingly and willfully* falsifies or *knowingly and willfully* fails to file or report any information that such individual is required to report . . .” [Emphasis added.] OPM’s “Guide to the Senior Executive Service” states that for an SES member’s failure to carry out required duties and responsibilities to be defined as misconduct or neglect of duty the failure must involve “intentional wrongdoing.” Finally, the filer’s OGE 278 certification section reflects that the filer’s signature certifies the contents on the form, as inputted by the filer, are true, complete and correct *to the best of their knowledge*. [Emphasis added.]

As previously discussed, we reviewed Mr. Lombardi’s 2009 OGE 278 filing and determined that he did not report Mrs. Lombardi’s Northrop Grumman income earned [REDACTED], 2008. Mr. Lombardi told us that the couple reported Mrs. Lombardi’s income while filing their annual taxes for 2008; however, he did not give any thought to Mrs. Lombardi’s Northrop Grumman income for the period [REDACTED], while filing his OGE 278 for 2008 and thus did not report it. Mr. Lombardi said he did not report the income because [REDACTED] at the time he filed his OGE 278; he simply forgot about her employment [REDACTED].

**Conclusion regarding Mr. Lombardi knowingly and willfully failing to report on his OGE 278 for calendar year 2008 the source of his spouse’s income exceeding \$1,000 earned between their [REDACTED] 2008 marriage and her resignation from Northrop Grumman in [REDACTED] 2008**

We did not substantiate the allegation. The applicable standard requires that a failure to report a source of income is both knowing and willful. That is, that the failure was done with the intent to deceive, mislead, or do something that the law forbids, rather than because of “mistake, accident, or some other innocent reason.” Although we found that Mr. Lombardi knew Mrs. Lombardi was employed with Northrop Grumman between [REDACTED] 2008, we did not find evidence to conclude that Mr. Lombardi intentionally failed to report his spouse’s Northrop Grumman income for that period. We found credible Mr. Lombardi’s explanation that when he filed his OGE 278 for calendar year 2008 he did not think about the income his spouse earned between [REDACTED] 2008 and her resignation from Northrop Grumman [REDACTED] 2008.

***Allegation E: Mr. Lombardi participated in matters involving Northrop Grumman, while knowing of his spouse's Northrop Grumman retirement account, that had a direct and predictable effect on his or his spouse's financial interests.***

Title 18, U.S.C., Section 208(a), "Acts affecting a personal financial interest," prohibits executive branch employees from participating personally and substantially in an official capacity in any particular matter in which, *to the employee's knowledge*, the employee or any person whose financial interests are imputed to the employee has a financial interest, if the particular matter will have a direct and predictable effect on that financial interest. [Emphasis added.] The Joint Ethics Regulation, Subpart D, "Conflicting Financial Interests," implements the criminal prohibition of 18 U.S.C. 208(a) at Title 5, Code of Federal Regulation, Section 2635.402, "Disqualifying financial interests."

As previously established, Mr. Lombardi did not know of his spouse's Northrop Grumman retirement account before mid-January 2016; therefore, he could not have violated 18 U.S.C. 208(a) by knowingly participating in any particular matter with Northrop Grumman which had a direct and predictable effect on his or his spouse's financial interests. Nevertheless, because of Mr. Lombardi's role in SAF/AQ, we reviewed his involvement in Northrop Grumman-related Air Force acquisitions from the time of his marriage to Mrs. Lombardi ██████████ 2008 until he reported his spouse's retirement account and recused himself from matters related to Northrop Grumman in February 2016.

From ██████████ 2008 and February 2016, Mr. Lombardi held multiple senior level positions within the Air Force culminating in his selection as the Principal Deputy and then the Acting Assistant Secretary of the Air Force for Acquisition. We examined each of these positions to determine his level of participation in matters involving Northrop Grumman.

Mr. Lombardi served as a source selecting official in two instances since 2008. The first involved the Air Force's Network Centric Solutions (NETCENTS), which was an information technology, indefinite delivery indefinite quantity contract (IDIQ) that concluded in 2015. This contract involved eight major vendors, one of which was Northrop Grumman, and was open to any Service or organization in DoD to use the contracted information technology services. Every vendor that competed for that IDIQ contract was awarded the contract. The second contract involved a space launch program that did not involve Northrop Grumman and was not germane to this investigation. Mr. Lombardi did not serve as the drafting, reviewing, or approving official of any requirements document, request for proposal, solicitation, or as the source selection official on any other Northrop Grumman contract since 2008.

Mr. Lombardi told us that he occasionally met with visiting industry executives, including those from Northrop Grumman. These meetings occurred well before the start of the acquisition process when the contractor wanted to explain a new function or capability that may be of interest to SAF/AQ. He said he also occasionally met with industry executives, including those from Northrop Grumman, during the execution phase of an acquisition if there had been poor performance on the contract and the matter rose to his level. Mr. Lombardi told us he never had any discussions with industry executives, including Northrop Grumman, once a request for proposal had been published or during the source selection phase of an acquisition. Although

Mr. Lombardi could not recall a specific time when he met with a Northrop Grumman executive, our records review revealed two such meetings. The first meeting occurred on November 21, 2014, and was attended by the former SAF/AQ and Mr. Lombardi. The second meeting occurred on December 8, 2015, and Mr. Lombardi attended this meeting in the absence of the SAF/AQ Military Deputy. Two witnesses who either scheduled or attended such meetings with the former SAF/AQ and Mr. Lombardi told us that Mr. Lombardi never attended such meetings alone. The witnesses said that others, including key personnel from the affected SAF/AQ directorate and legal personnel, attended these meetings in support of SAF/AQ senior leadership.

Mr. Lombardi told us that he participated in acquisition strategy reviews, one of the first steps in the acquisition process. He told us the purpose of the review was to act as a “murder board,” by providing advice to the Program Executive Officer (PEO)/Program Manager (PM) on how to best develop their specific program before the PEO/PM presents it to the appropriate approval official. The review ensures the PEO/PM has fully thought through the potential acquisition, including specific areas such as small business involvement. This review occurs after the PEO/PM receives a requirement for a potential acquisition and prepares a draft acquisition plan. The SAF/AQ, his senior leadership, and the functional managers participate in the review and there is no discussion or mention of a particular contractor because, at this point in the process, a Request for Proposal has not been prepared or released.

We reviewed a listing of Air Force contracts involving Northrop Grumman from 2008 to February 2016. Mr. Lombardi told us of his involvement in the NETCENTS - IDIQ contract, where Northrop Grumman was one of several vendors awarded information technology service contracts with services available to all Services and organizations in DoD; however, he told us he was not involved in any other Northrop Grumman acquisitions.

We also reviewed the acquisition associated with the highly-publicized Long Range Strategic Bomber (LRSB, later named the B-21) awarded to Northrop Grumman in 2015. Mr. Lombardi told us he was granted access to the classified LRSB acquisition program after the source selection process had already concluded. We reviewed the classified records for the LRSB acquisition and confirmed that Mr. Lombardi was granted access to the classified program after executing a Non-disclosure Agreement on June 12, 2015, well after the source selection process and the decision to award the LRSB contract to Northrop Grumman had concluded. Mr. Lombardi’s involvement with the LRSB program consisted only of him assisting senior DoD leadership during preparations to announce formally the contract award winner. We found no evidence that Mr. Lombardi participated in or approved any Northrop Grumman acquisition matters other than the IDIQ contract during the period in which his spouse held the Northrop Grumman stock in her retirement account.

### **Conclusion regarding participation in particular matters involving Northrop Grumman**

We concluded that Mr. Lombardi did not violate the prohibition in 18 U.S.C. 208(a) as he had no knowledge of his spouse’s financial interest in Northrop Grumman until January 2016, well after any involvement he may have had in issues somehow related to Northrop Grumman. Moreover, Mr. Lombardi’s involvement was limited concerning matters related to Northrop

Grumman. Our investigation established that Mr. Lombardi first became aware that his spouse had a retirement account that contained Northrop Grumman stock in mid-January 2016. On February 2, 2016, after returning from multiple TDY travel assignments he reported the matter to Air Force ethics officials and recused himself from all matters involving Northrop Grumman. Prior to discovering the retirement account and stock, Mr. Lombardi participated in acquisition strategy reviews. These reviews occurred well before any request for proposals or other acquisitions tasks took place and were designed to provide advice to the PEO/PM on how to best develop their specific program. There were no discussions regarding a particular contractor or contractor capabilities during the reviews. Further, although Mr. Lombardi was granted access to the classified LRSB program, this access did not occur until after the source selection process was complete and his only involvement was to assist senior DoD leadership during preparations for the formal announcement of the contract award winner.

The statute and JER implementation of the statute state that for a conflict of interest violation to have occurred, an individual must have knowledge that he or any person whose interests are imputed to him has a financial interest and the individual must have participated personally and substantially in an official capacity in a particular matter that would have a direct and predictable effect on that financial interest. Because Mr. Lombardi was not aware of his spouse's Northrop Grumman retirement account, her financial interest did not influence or conflict with his conscientious performance of duties.

### **Mr. Lombardi's response to our tentative conclusion letter**

Following our established practice, by letter dated December 27, 2016, we provided Mr. Lombardi our tentative conclusions and gave him the opportunity to comment on the preliminary results of our investigation. In his response, dated December 28, 2016, Mr. Lombardi concurred with our investigative findings.

The following sections of this report sets forth our findings in greater detail and our conclusions based upon a preponderance of the evidence.

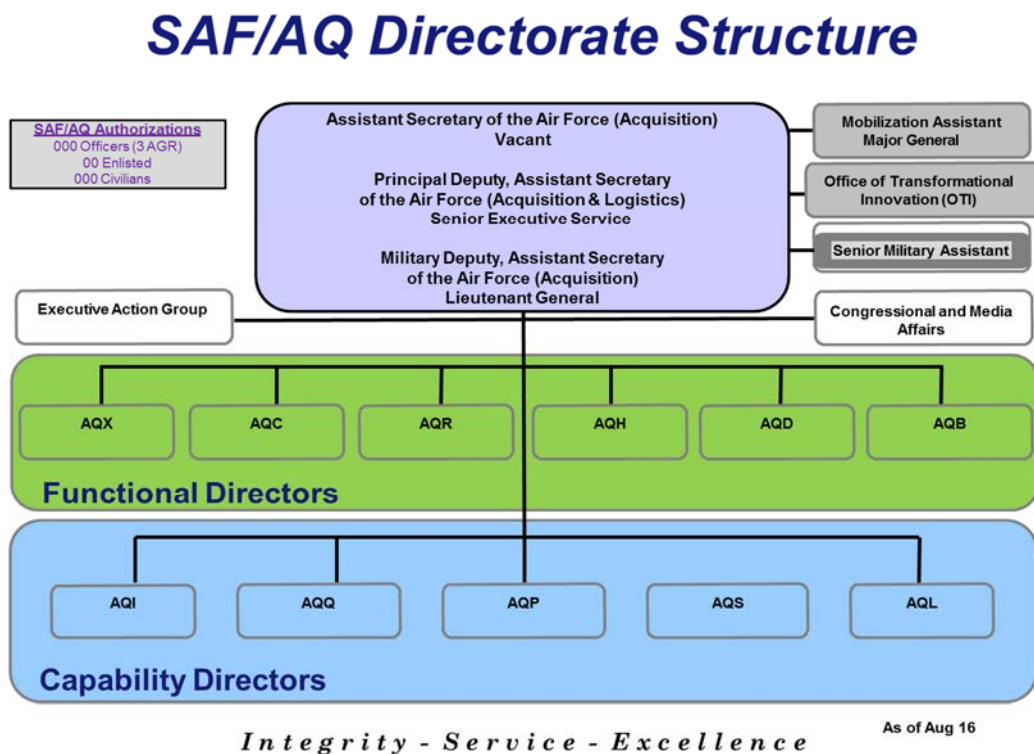
## **II. BACKGROUND**

The Assistant Secretary of the Air Force (Acquisition) (SAF/AQ) is a Presidentially-appointed, Senate-confirmed senior civilian member of the HQ, Air Force staff. The SAF/AQ reports directly to the Secretary of the Air Force, is the Air Force's Service Acquisition Executive (SAE), and is responsible for all Air Force research, development, and non-Space acquisition activities. The SAF/AQ provides direction, guidance, and supervision of all matters pertaining to the formulation, review, approval, and execution of acquisition plans, policies, and programs. The SAE directs over \$35 billion annual investments that include major programs like the KC-46, F-22, F-35, C-17, Space acquisitions, and munitions, as well as capability areas such as information technology, and command and control, intelligence, surveillance and reconnaissance (C4ISR) systems. The SAE formulates and executes over \$200 billion Air Force investment strategy to acquire systems and support.

The SAF/AQ's office is comprised of the SAF/AQ, a SES Principal Deputy, a Military

Deputy, the Executive Action Group, and six functional and five capabilities directorates. A Deputy Assistant Secretary or Director leads each directorate. The Principal Deputy is the primary civilian assistant to the SAF/AQ, and the Military Deputy is the primary military assistant to the SAF/AQ. Figure 1 below depicts SAF/AQ's Office organization.

**Figure 1. Organization of the Office of the Assistant Secretary of the Air Force for Acquisition**



Mr. Lombardi retired from the Air Force as a colonel in July 2004. He then assumed a position as an Air Force GS-15 civilian before being appointed a member of the SES in November 2005. As an SES, Mr. Lombardi held various positions of increasing responsibility including the Associate Deputy Assistant Secretary for Acquisition Integration (SAF/AQX), and as the Director, Budget Investment, Office of the Assistant Secretary of the Air Force for Financial Management and Comptroller (SAF/FMB). In October 2008, Mr. Lombardi became the Executive Director, Electronic Systems Center (ESC), Hanscom AFB, MA. In April 2012, he also temporarily served for one and a half months as the Acting PEO for Command, Control, Communications, and Intelligence (C3I) and Networks while at Hanscom AFB. In September 2012, Mr. Lombardi returned to the Pentagon and became the Deputy Assistant Secretary for Acquisition Integration (SAF/AQX).

In May 2014, Mr. Lombardi assumed duties as the Principal Deputy SAF/AQ. His duties included providing expert advice and guidance on Air Force acquisitions and procurement, and overseeing policy development and execution to operate and improve the Air Force's acquisition system. Mr. Lombardi oversaw the Air Force's research and development, test, production, and

modernization program portfolio. The former SAF/AQ identified an internal SAF/AQ office duty spreadsheet that reflected Mr. Lombardi also oversaw SAF/AQ human resource functions that included the civilian acquisition workforce and business processes.

On December 1, 2015, Mr. Lombardi became the Acting SAF/AQ and assumed all the duties and responsibilities of the SAF/AQ. Table 2 below lists Mr. Lombardi's career progression by assignment.

**Table 2. Mr. Lombardi's Career Progression**

Year	Grade	Position	Location	Primary Duties
1980-2004	Colonel	Active Duty, U.S. Air Force (USAF)	Worldwide	Acquisition
2004-2006*	GS-15 & SES	Associate Deputy Assistant Secretary for Acquisition Integration	SAF/AQX HQ, USAF	RDT&E** Procurement Funding
2007-2008	SES	Budget Investment	SAF/FMB HQ, USAF	Director
2008-2012	SES	Electronic Systems Center	Hanscom AFB, MA	Executive Director
2012***	SES	Program Executive Officer (PEO) for C3I and Networks	Hanscom AFB, MA	Acting PEO
2012-2014	SES	Deputy Assistant Secretary for Acquisition Integration	SAF/AQX HQ, USAF	SAE Functional Manager
2014-2015	SES	Principal Deputy Assistant Secretary for Acquisition	HQ, USAF	Principal Civilian Assistant to SAF/AQ
2015-2016	SES	Acting Assistant Secretary for Acquisition	HQ, USAF	Acting SAF/AQ

\*Mr. Lombardi received his appointment to the Senior Executive Service in 2005.

\*\*Research, Development, Test, and Evaluation.

\*\*\* Mr. Lombardi served in this position for approximately one and half months.

#### *Senior Leader Financial Disclosure Requirements*

OGE implements the executive branch's public financial disclosure system. The public financial disclosure system seeks to prevent conflicts of interest and to identify potential conflicts by providing a systemic review of an individual's financial interest. The Ethics in Government Act (Act) requires that executive branch SES officials file public reports of their finances and any interests held outside the Government. The Act, along with OGE implementing regulations, requires that current executive branch SES officials file an annual OGE 278.

Individuals required to file the OGE 278 include candidates for nomination by the Office of the President or Vice President, individual nominations that require the advice and consent of the United States Senate, new senior officials assuming new duties that require public financial disclosure (known as "covered positions"), annual reports for individuals serving in a covered position longer than 60 days during the previous calendar year, and a termination report for those individuals terminating from a covered position. Individuals must use the OGE 278 to file individual reports to meet OGE and agency established suspense dates. Annual reports are due no later than May 15 following the covered year.

The 2000 and 2011 versions of the OGE 278 consist of a cover page that identifies pertinent information regarding the filer along with sections designed for the filer, reviewer, and certifying official to certify the report. The form also consist of four sections identified as Schedules A, B, C, and D. Schedule A, "Asset and Income," requires the filer to report individual, spousal, and dependent children's incomes. Schedules B, C, and D each consist of two parts. The two parts within Schedule B are "Transactions" and "Gifts, Reimbursements, and Travel Expenses;" Schedule C consists of "Liabilities" and "Agreements or Arrangements;" and Schedule D consists of "Positions Held Outside U.S. Government" and "Compensation in Excess of \$5,000 Paid by One Source."

The 2015 version of the OGE 278 consists of a cover page and nine sections. Section 2 pertains to the filer's employment assets and income. Section 4 highlights the individual filer's sources of compensation that exceed \$5,000 a year. Section 5 specifically addresses "Spouse's Employment Assets & Income and Retirement Accounts." Individual filers are required to report the financial interests of a spouse and dependent children. Filers must report each underlying asset of a spouse's individual retirement account (IRA) that individually was worth more than \$1,000 at the end of the reporting period. Filers must report all stock, whether obtained through the spouse's business, employment, or other income-generating activities.

### III. SCOPE

We interviewed Mr. Lombardi and 12 witnesses.<sup>2</sup> The witnesses included: Mrs. Lombardi; the former SAF/AQ; the current and former SAF/AQ Military Deputies; the Air Force Deputy General Counsel for Fiscal, Ethics, and Administrative Law and Alternate Designated Agency Ethics Official (Deputy General Counsel); and other significant witnesses within the Air Force's acquisition and ethics fields. We consulted an OGE subject matter expert and conducted follow-up interviews of Mr. Lombardi and his spouse to address specific topics of interest. We examined Mr. Lombardi's OGE 278 filings since 2007, his Government Outlook email and calendars, a statement disqualifying himself from Northrop Grumman matters. We examined Mr. Lombardi's involvement in acquisition matters including those specifically related to Northrop Grumman and the LRSB program.<sup>3,4</sup> We also examined Mrs. Lombardi's Northrop Grumman retirement account statements and leave and earning statements, and standards.

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<sup>2</sup> We initially interviewed the Lombardis on February 19, 2016. We conducted a follow-up interview of the Lombardis on September 30, 2016. We conducted a second follow up interview of Mrs. Lombardi on November 22, 2016, and Mr. Lombardi on December 8, 2016.

<sup>3</sup> The Secretary of the Air Force publicly announced the contract award for the Long Range Strategic Bomber (LRSB) program on October 26, 2015. The LRSB became the B-21 program on February 26, 2016. On September 19, 2016, the Air Force officially renamed the B-21 as the B-21 Raider.

<sup>4</sup> The LRSB program is a classified program managed by the Air Force Rapid Contracting Office. The Air Force designated the information regarding the LRSB provided to us as For Official Use Only.



#### IV. FINDINGS AND ANALYSIS

##### **Allegation A: Mr. Lombardi failed to report his spouse's retirement account on his OGE 278**

By memorandum dated February 3, 2016, the Office of the Secretary of the Air Force notified us that on February 2, 2016, Mr. Lombardi self-reported to Air Force ethics officials that from 2009 to 2015, he failed to include his spouse's retirement account on his annual OGE 278. Table 3 below lists the key dates associated with this investigation.

**Table 3. Key Dates**

<b>Date</b>	<b>Key Event</b>
[REDACTED]	Mrs. Lombardi first employed by Northrop Grumman; initiates 401(k) retirement plan
<b>2004 - Oct 2005</b>	The Lombardis first meet; Mr. Lombardi is a GS-15/Associate Deputy Assistant Secretary for Acquisition Integration (SAF/AQX)
<b>Nov 2005</b>	Mr. Lombardi appointed to the SES.
<b>May 13, 2008</b>	Mr. Lombardi filed his OGE 278 for calendar year 2007
[REDACTED], 2008	The Lombardis marry [REDACTED]; Mr. Lombardi is an SES and Director, Budget Investment (SAF/FMB).
[REDACTED] 2008	Mrs. Lombardi resigned from Northrop Grumman.
<b>Oct 15, 2008</b>	The Lombardis depart Washington, DC, and upon their arrival, Mr. Lombardi assumes his duties as the Executive Director, Electronic Systems Command, Hanscom AFB.
<b>Apr - Jun 2009*</b>	Northrop Grumman quarterly retirement account statement generated for this period.
<b>Apr 14, 2009</b>	Mr. Lombardi filed his OGE 278 for calendar year 2008, his first since marriage; does not list his spouse's retirement account or the source of her income over \$1000 from their [REDACTED] marriage [REDACTED] 2008, to her resignation from Northrop Grumman on [REDACTED] 2008.
<b>May 9, 2011</b>	Mr. Lombardi files his OGE 278 for calendar year 2010; does not list spouse's retirement account
<b>May 30, 2012</b>	Mr. Lombardi files his OGE 278 for calendar year 2011; does not list spouse's retirement account
<b>Early Sep 2012</b>	Mr. Lombardi is reassigned from Hanscom AFB to become the Deputy Assistant Secretary for Acquisition Integration (SAF/AQX); returns to the Northern Virginia area accompanied by his spouse.
<b>Apr 27, 2013</b>	Mr. Lombardi files his OGE 278 for calendar year 2012; does not list spouse's retirement account
<b>Apr 1, 2014</b>	Mr. Lombardi files his OGE 278 for calendar year 2013; does not list his spouses retirement account
<b>Early May 2014</b>	Mr. Lombardi becomes Principal Deputy, SAF/AQ
<b>Jan – Mar 2015*</b>	Northrop Grumman quarterly retirement account statement generated for this period.
<b>Apr 24, 2015**</b>	Mr. Lombardi files his OGE 278 for report year 2015; does not list his spouse's retirement account

<b>Apr – Jun 2015*</b>	Northrop Grumman quarterly retirement account statement generated for this period.
<b>Oct – Dec 2015*</b>	Northrop Grumman quarterly retirement account statement generated for this period.***
<b>Dec 1, 2015</b>	Mr. Lombardi becomes the Acting SAF/AQ.
<b>Dec 30, 2015</b>	Mr. Lombardi attends annual ethics training and begins wondering if his spouse has a Northrop Grumman retirement account.
<b>Dec 31, 2015 - Jan 7, 2016</b>	Mr. Lombardi prepares for and testifies before a Congressional committee.
<b>Jan 11-12, 2016</b>	Mr. Lombardi TDY to Los Angeles, CA.
<b>Jan 12 - 20, 2016</b>	retirement account, she confirms that she has such an account, he reviews her retirement account statements and discovers she owns Northrop Grumman stock. At some point after this discovery, Mr. Lombardi asked his secretary to schedule an appointment with an Air Force ethics official but doesn't specify why.
<b>Jan 20-21, 2016</b>	Mr. Lombardi TDY to an off-site training event in Charlottesville, VA.
<b>Jan 26-28, 2016</b>	Mr. Lombardi TDY to Barksdale AFB, LA.
<b>Jan 28 -Feb 1, 2016</b>	Mr. Lombardi returns from TDY and learns that his secretary has not yet scheduled his requested meeting with the Air Force ethics official; directs his Military Assistant to schedule the meeting as soon as possible.
<b>Feb 2, 2016</b>	Mr. Lombardi self-reports to Air Force ethics officials his spouse's retirement account, its contents, and the fact that he had not reported his spouse's retirement accounts on previous OGE 278s; recuses himself from all Northrop Grumman matters.
<b>Feb 2, 2016</b>	Secretary of the Air Force reassigned Mr. Lombardi to other duties outside SAF/AQ.
<b>Feb 24, 2016</b>	Per Air Force ethics attorney guidance, Mr. Lombardi files OGE 278-T, "Periodic Transaction Report," reporting his spouse's retirement account and disclosing that it contained Northrop Grumman stock.

\*Denotes the months the quarterly statement covered. It is unknown exactly when Mrs. Lombardi received the statements.

\*\*The OGE 278 reporting period changed from calendar year to report year. This report, using the new 2014 version of the form, encapsulates data for calendar year 2014.

\*\*\* Denotes spouse did not receive a quarterly statement for Jul – Sep 2015.

### *Mr. Lombardi self-reports his spouse's retirement account to Air Force ethics officials*

The Air Force Deputy General Counsel told us that on February 2, 2016, he met with Mr. Lombardi, who self-reported that he had not reported his spouse's Northrop Grumman retirement account on his annual OGE 278s. Initially Air Force ethics officials advised Mr. Lombardi that he could submit an OGE 278-T to report a change in reportable assets from previous years' filings. However, after discovering the account contained stock, and because of the possibility that as an Air Force acquisitions official Mr. Lombardi might have participated in particular matters involving Northrop Grumman, Air Force ethics officials referred the matter to the DoD OIG. The Deputy General Counsel said that because Mrs. Lombardi's retirement account contained Northrop Grumman stock, he advised Mr. Lombardi to contact his spouse, request that Mrs. Lombardi contact the Northrop Grumman retirement account administrator and move her Northrop Grumman stocks into another asset that would not create a conflict for Mr. Lombardi. He told Mr. Lombardi that if Northrop Grumman was unable to move the stock, his spouse should take steps to liquidate it as "it's the presence of the stock in that [retirement]

account that causes the potential conflict of interest.” The Deputy General Counsel said Mr. Lombardi called his spouse, gave her the specific guidance, and she accomplished the request by the end of the day. Finally, the Deputy General Counsel said he assisted Mr. Lombardi in recusing himself from all Northrop Grumman matters.

*Mr. Lombardi’s OGE 278 filings*

We examined Mr. Lombardi’s OGE 278 filings from 2007 to 2015. On May 13, 2008, Mr. Lombardi submitted his calendar year 2007 OGE 278 filing. Because he was not married at this time, he reported only his financial information. On April 14, 2009, Mr. Lombardi submitted his calendar year 2008 OGE 278 filing. This filing was Mr. Lombardi’s first filing since his marriage. On this report, he listed only his banking, investment, and other financial information; he did not list his spouse’s retirement account or reference that it contained stock. On his OGE 278 filings for calendar years 2009 through 2015, Mr. Lombardi reported both his and his spouse’s bank accounts and his other financial information; however, he did not report his spouse’s retirement account. On February 24, 2016, after self-reporting the matter to Air Force ethics officials, Mr. Lombardi certified an OGE Form 278-T reporting his spouse’s retirement account and disclosing that it contained stock. The OGE 278-T is required when the filer has a reportable transaction. Mr. Lombardi, a reviewer, and an ethics official signed all of his OGE 278s from 2009 through 2016, as required.

*Mr. Lombardi’s response to the allegation*

Mr. Lombardi told us that he did not report his spouse’s retirement account because he was not aware of it or that it contained stock until mid-January 2016. He said that after discovering the account contained stock he self-reported the matter to Air Force ethics officials at his earliest opportunity on February 2, 2016, after returning from TDY travel. He said that he was familiar with government ethics rules and had attended several ethics briefings, including the December 30, 2015, annual ethics training. He said that the December 30, 2015, briefing led him to question his spouse and subsequently discover the retirement account. Mr. Lombardi said that he reported the matter to the Deputy General Counsel and received guidance on how to rectify the situation. Mr. Lombardi told us “...if I had known [about Mrs. Lombardi’s Northrop Grumman stock and retirement account]...I would have brought it forward...the question would be, is, ‘Why did I bring it forward when I brought it forward?’ It was because that’s when I first realized it.”

**Conclusion regarding failure to report his spouse’s retirement account on the OGE 278**

We substantiated the allegation. Mr. Lombardi married his spouse [REDACTED] 2008. He certified and filed annual OGE 278s for calendar years 2008 through 2015. He did not report his spouse’s retirement account on any of these annual filings. He subsequently reported the retirement account and stock on his OGE 278-T files in 2016. Title I of the Ethics in Government Act and 5 C.F.R. 2634 require senior officials in the executive branch of the Government to file public financial disclosure reports regarding their individual and spousal financial interests.

**Allegation B: Mr. Lombardi knowingly and willfully failed to report his spouse's retirement account on his OGE 278**

*Mrs. Lombardi's Northrop Grumman employment and retirement account initiation*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. She said that after Mr. Lombardi self-reported the matter to the Air Force, he then asked her to divest the stock and reallocate the assets to an allowable fund type under OGE ethics rules. [REDACTED]

[REDACTED]

[REDACTED] She said Mr. Lombardi “didn’t even know I had [a retirement account]” and that “from day one [of their relationship] we never discussed if I even had a retirement...”

[REDACTED] Mr. Lombardi told us that he was a GS-15 and the Associate Deputy Assistant Secretary for Acquisition Integration when he met his future spouse. He said that while he knew she was [REDACTED] at Northrop Grumman, he “never really got into specifically what organization, what part of Northrop Grumman she was in.” [REDACTED]

*Northrop Grumman retirement account correspondence*

[REDACTED]

[REDACTED]

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5 [REDACTED]

6 [REDACTED]

[REDACTED]

[REDACTED] She said she never discussed her retirement account with Mr. Lombardi before he asked her about it in mid-January 2016 and reviewed the retirement account statements she had filed. [REDACTED]

*Review of Northrop Grumman retirement account activity and correspondence*

Mrs. Lombardi provided us with copies of the retirement account statements she received from Northrop Grumman. Table 4 below lists the statement dates, mailing address, the stocks' opening and closing balances, and the total account balances.

**Table 4. Northrop Grumman Retirement Account Statements**

Statement Date	Mailing Address	Stock Opening Balance	Stock Closing Balance	Total Account Value
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Our review of these documents revealed [REDACTED]

In a letter dated May 3, 2016, titled "Re: [Mrs. Lombardi]," Northrop Grumman detailed for investigators the results of their review of Mrs. Lombardi's Northrop Grumman 401(k) retirement account for the period January 1, 2008, through February 2, 2016. The Northrop Grumman review revealed [REDACTED]

Mrs. Lombardi also provided us with copies of two additional Northrop Grumman documents she received. [REDACTED]

During a follow-up interview, we asked Mrs. Lombardi [REDACTED]

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<sup>7</sup> We requested Northrop Grumman review the account for the period January 1, 2008, to February 2, 2016.

*Additional Northrop Grumman information regarding correspondence and contact with Mrs. Lombardi*

By letter dated December 20, 2016, Northrop Grumman responded to our request for additional information about Mrs. Lombardi's retirement account. In that letter, Northrop Grumman told us

[REDACTED]

The letter stated that at Northrop Grumman's request,

[REDACTED]

[REDACTED]

*The Lombardi's marriage and personal finances*

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

Mr. Lombardi told us that after he and his spouse married, they never discussed her financial status. He said that he never asked her any questions regarding what assets she may have owned.

[REDACTED]

*Mr. Lombardi's OGE 278 filings*

As previously stated in Allegation A, we examined Mr. Lombardi's OGE 278 filings from 2007 to 2015. On May 13, 2008, Mr. Lombardi submitted his calendar year 2007 OGE 278 filing. Because he was not married at this time, he reported only his financial information. On April 14, 2009, Mr. Lombardi submitted his calendar year 2008 OGE 278 filing; his first filing since his marriage. On this report, he listed only his banking, investment, and other financial information; he did not list his spouse's Northrop Grumman retirement account or reference that it contained stock. On his OGE 278 filings for calendar years 2009 through 2015, Mr. Lombardi reported both his and his spouse's bank accounts and his other financial information; however, he did not report his spouse's retirement account. On February 24, 2016, on the advice of ethics officials, Mr. Lombardi certified an OGE Form 278-T reporting his spouse's Northrop Grumman retirement account and disclosing that it contained Northrop Grumman stock. Mr. Lombardi, a reviewer, and an ethics official signed each of Mr. Lombardi's OGE 278s from 2009 through 2016, as required.

During his follow-up interview, we asked Mr. Lombardi how he was able to report his spouse's bank accounts on his annual OGE 278 filings and he told us he "...would wait until we do our taxes and take that information...the product of our taxes as kind of the basis for the 278." We asked him why he never thought to ask his spouse whether she had a retirement account and he told us "I never really thought about her finances or anything like that...I'll be honest with you, I don't think that much about the 401k...if I had been in industry or something like that I might have, but having grown up active duty [military], then civil service, ...I just never really [thought about it]."

*Mr. Lombardi's 2015 Annual Ethics Training*

On December 30, 2015, the Air Force Ethics Office, Office of the General Counsel (OGC), HQ, U.S. Air Force conducted its annual ethics briefing. A number of HQ, Air Force senior officials attended the briefing. The presenter used briefing slides titled "U.S. Air Force 2015 Annual Ethics Training" to generally discuss the Air Force's Core Values, the OGE's 14 Principles of Ethical Conduct, expectations of senior Air Force personnel, and how to set the ethics climate within the attendee's organization. The briefing also covered conflicts of interest laws and imputed interest, the appearance of impartiality, impartiality in performing one's official duties, rules regarding accepting gifts, misuse and abuse of position, and matters involving non-federal entities. Other areas presented in the briefing included post-government employment, the Procurement Integrity Act, and filing the OGE 278.

Presentation slide #12 of the annual ethics briefing addressed conflicts of interest and specifically highlighted that individuals could not participate in particular matters that conflict with their own financial interests or the imputed interests of spouses, minor children, and general partners. Presentation slide #30 pertained to filing the OGE 278 and specifically noted the requirement for individuals to report on their OGE 278 their spouse's employer and income, and any spousal financial holdings, including stocks, employee retirement plans, and jointly held financial interests. Further, it highlighted that filers reporting IRA or 401(k) accounts "must list all assets held within the [IRA or 401(k)] account under Assets."

Mr. Lombardi stated that he attended the December 30, 2015, annual ethics briefing in person. He said that during the briefing, a discussion arose regarding spousal retirement accounts. He said, "it got me thinking a little ... I wonder what does [Mrs. Lombardi] have ... with respect to [retirement accounts]." He told us that prior to this training, he "had[n't] really thought about" his spouse potentially having a retirement account. Mr. Lombardi said that prior to attending the annual ethics briefing and reviewing the retirement account statements, he had never asked, or even thought of asking his spouse whether she had a retirement account. He said he never thought to ask her because he assumed that [REDACTED] the position in the company, and the fact she resigned well before she was eligible to retire, she would not have a retirement account.

During his follow-up interview, we asked Mr. Lombardi if he could recall the question that surfaced during the briefing that prompted the discussion regarding a spousal retirement account. Mr. Lombardi told us he did not recall the specific question; however, the question caused him to think to himself, "That might be something I need to check on with respect to [his spouse]." He did not recall hearing the specific question in prior ethics briefings.

*Mr. Lombardi's January 2016 Work Schedule*

Mr. Lombardi told us that due to his January 2016 work and travel schedule, which included preparing and appearing for Congressional testimony and traveling on three separate TDY trips, he did not immediately pursue the retirement account matter with his spouse. He said he had to "put it a little bit on the back burner." We analyzed Mr. Lombardi's work schedule for

January 2016 and confirmed that on January 7, 2016, Mr. Lombardi testified before the House Armed Services Committee. He then traveled on TDY on three occasions:

- January 11-12, 2016: Los Angeles, CA
- January 20-21, 2016: an off-site training, Charlottesville, VA
- January 26-28, 2016: Barksdale AFB, LA

*Mr. Lombardi discovers his spouse's retirement account and the stock*

During her February 19, 2016, interview with us, Mrs. Lombardi said that Mr. Lombardi returned home from TDY travel “a couple of weeks ago,” and asked to see her “Northrop Grumman papers.” She retrieved the quarterly retirement account statements from her file cabinet and upon his review, Mr. Lombardi commented, “Oh, my God,” then asked if he could take the statements to work with him the next day.

Mr. Lombardi's former executive secretary told us she remembered the Deputy General Counsel's name and Mr. Lombardi asking her to schedule a meeting with him but she did not remember specific details. She told us Mr. Lombardi's schedule was normally filled with appointments and that it “was fluctuating so much that [that] might be why [the appointment] wasn't on [Mr. Lombardi] schedule.” She stated that she did not recall the purpose of the meeting but believed Mr. Lombardi just told her to “schedule this meeting [with the Deputy General Counsel]...” She provided us with an Outlook calendar screenshot of the February 2, 2016, 9:00am meeting between Mr. Lombardi and the Deputy General Counsel. She told us that a former SAF/AQ Military Assistant arranged the meeting and that the listed topic was “Meeting w/[Deputy General Counsel] re: Personnel Issue.” We reviewed the calendar screenshot and determined the former Military Assistant was the last person to modify the initial appointment in Outlook calendar. Mr. Lombardi's former executive secretary also provided us with a screenshot of a follow-up appointment Mr. Lombardi scheduled for 5:00pm that same day.

The executive secretary told us that occasionally she added personal appointments to Mr. Lombardi's appointment calendar but that she scheduled all appointments based on a priority system. She said that Mr. Lombardi would let her or the staff know if an appointment that conflicted with another previously scheduled appointment was a priority. Further, the executive secretary did not recall whether Mr. Lombardi told her the appointment with the Deputy General Counsel was urgent or important.

The former SAF/AQ Military Assistant, who told us Mr. Lombardi approached him on February 2, 2016 and requested that he schedule the appointment with the Deputy General Counsel, did not recall whether Mr. Lombardi told him the purpose of the meeting; however, he said that Mr. Lombardi indicated the meeting was urgent and volunteered to go to the Deputy General Counsel's office if that would speed up the appointment process. The Military Assistant said this clearly indicated that the meeting was of importance to Mr. Lombardi.

Mr. Lombardi told us that in mid-January 2016, after he testified before Congress and just prior to going on the last of his three TDY trips, he asked his spouse whether she had a

retirement account and learned that she did. Mr. Lombardi told us that he asked his spouse, "... do you have anything from Northrop Grumman?" He told us "... that's when I found out that she had the retirement account..." He then reviewed her retirement account statements and discovered she owned Northrop Grumman stock. He said that at that moment he realized the seriousness of the matter and told his spouse "...There's an issue here...There's an issue here with the Northrop Grumman stock and...I need to go and report it." He said "when I saw it [the stock], that's when I set up an appointment to go talk to our ethics general counsel and everything..." The Deputy General Counsel told us that when Mr. Lombardi contacted him, Mr. Lombardi expressed that he "wanted to get in to see [the Deputy General Counsel] right away."

In his follow-up interview, Mr. Lombardi told us that after he discovered his spouse's retirement account and that it contained stock, he asked his then-executive secretary to schedule an appointment for him with the Deputy General Counsel. Mr. Lombardi said when he asked her to schedule the appointment, he did not stress to her that "I've got to see him now." He said, "...I didn't forcibly go and walk down [to see the Deputy General Counsel]. I asked to get an appointment, and it was based upon schedules..." He said shortly thereafter, he departed for a TDY trip. Upon his return, he noticed the appointment he requested had not been scheduled so he again requested his secretary schedule the appointment, this time telling her "I really need to get [the appointment] on the calendar." He said that the delay was his fault as he never impressed upon his secretary why he needed to see the Deputy General Counsel or the importance of the meeting.

*Mr. Lombardi reports the retirement account and stock to Air Force ethics officials*

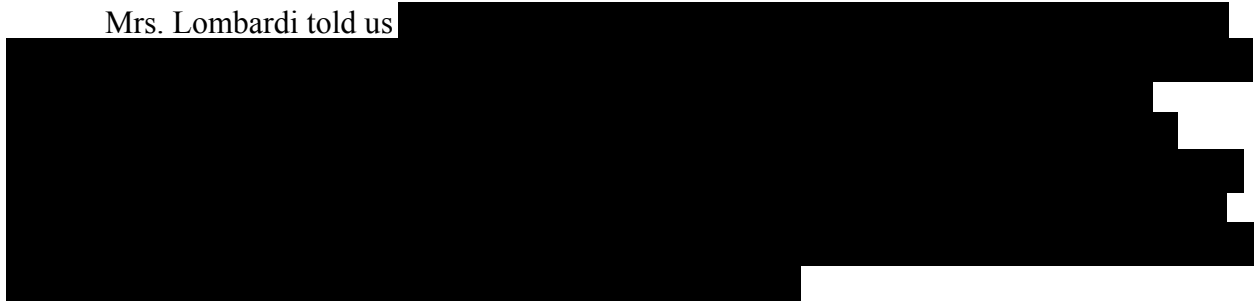
The Deputy General Counsel told us that on February 2, 2016, Mr. Lombardi self-reported that he had not reported his spouse's Northrop Grumman retirement account on his annual OGE 278s and that he had recently become aware of his spouse's retirement account. The Deputy General Counsel said that Mr. Lombardi told him that he had attended the ethics training and the topic of spousal retirement accounts surfaced. He said that Mr. Lombardi told him that this is what prompted him to question his spouse in mid-January 2015 as to whether she had such an account.

The Deputy General Counsel stated that Mr. Lombardi told him that he married his spouse in 2008 and that he asked her to leave her position with Northrop Grumman because he did not want a "[conflict of interest] appearance problem." During his follow-up interview, we asked Mr. Lombardi why he was concerned about the appearance of a conflict of interest. He told us that he did not think it would have been appropriate for him to hold his position at Hanscom AFB while his spouse was employed by Northrop Grumman. He said that although his spouse would not have been working within the acquisition field, he "didn't think it was a smart thing to do from [an] appearance standpoint." He told us "The last thing I wanted was people whispering... 'His wife works for Northrop [Grumman].'"

The Deputy General Counsel told us that based on their conversation, he believed Mr. Lombardi had recently learned of his spouse's retirement account. He said he believed this because Mr. Lombardi talked about attending the 2015 ethics training and then "put[ting] two and two together." He told us that Mr. Lombardi expressed concern and said "I [Mr. Lombardi] think I should have been reporting this [the retirement account and its contents]." The Deputy General Counsel told us that according to Mr. Lombardi, the ethics briefing is what prompted Mr. Lombardi to question his spouse about her Northrop Grumman employment. The Deputy General Counsel said his impression was that "[Mr. Lombardi] really – either he didn't realize [Mrs. Lombardi's retirement account] was there, or it just wasn't ... within his line of vision ... it just didn't connect with him." He said that he believed Mr. Lombardi "didn't realize – in terms of the stock ... [that] it was there until very recently." He also speculated that even if Mr. Lombardi knew of the retirement account itself, "I don't think that he knew how much of it was in Northrop Grumman stock."

The Deputy General Counsel told us that he advised Mr. Lombardi to contact his spouse and request that she contact the Northrop Grumman retirement account administrator and move her asset from Northrop Grumman stocks into another asset that would not create a conflict for Mr. Lombardi. He told Mr. Lombardi that if Northrop Grumman was unable to move the stock, his spouse should take steps to liquidate it as "it's the presence of the stock in that [retirement] account that causes the potential conflict of interest." The Deputy General Counsel said Mr. Lombardi called his spouse, gave her the specific guidance, and that she accomplished the request by the end of the day. Finally, the Deputy General Counsel said he assisted Mr. Lombardi in recusing himself from all Northrop Grumman matters.

Mrs. Lombardi told us



Mr. Lombardi told us that on February 2, 2016, he met with the Deputy General Counsel and apprised him of the fact his spouse had a retirement account and that it contained stock. Mr. Lombardi said that the Deputy General Counsel advised him to have his spouse divest the stock into other, allowable, assets. Mr. Lombardi said the Air Force ethics attorneys assisted him in preparing a notice recusing himself from involvement with Northrop Grumman related actions and that on February 2, 2016, he presented that notice to the Secretary of the Air Force.

In his follow-up interview, Mr. Lombardi told us that he did not take any of his spouse's retirement documents into his office until the day he met with the Deputy General Counsel. He said "I probably left [his spouses Northrop Grumman folder] there on the counter...I didn't want to misplace it or anything." He said he took the documents with him for his meeting with the Deputy General Counsel.

*Mr. Lombardi discusses self-reporting the retirement account with witnesses*

A former SAF/AQ Military Deputy, a retired lieutenant general, told us that he spoke with Mr. Lombardi after Mr. Lombardi reported the Northrop Grumman account to ethics officials. The former Military Deputy synopsized his conversation with Mr. Lombardi by saying that Mr. Lombardi mentioned that his spouse had not received retirement account statements for an extended period of time then, “all of a sudden,” she began receiving them again. He said that Mr. Lombardi told him that somebody raised a question during an ethics briefing that caused Mr. Lombardi to go to his spouse and “get the data on the account, figured out what it was, realized it was a Northrop Grumman account” and “that’s what started the self-reporting of ‘I had this...I didn’t know it...I should be report[ing it].’” The former Military Deputy said this led Mr. Lombardi to self-report the matter to the Air Force ethics officials. The former Military Deputy told us that Mr. Lombardi had never mentioned anything in past conversations about his spouse’s retirement account or that it contained stock.

The current SAF/AQ Military Deputy, also a lieutenant general, told us that he spoke to Mr. Lombardi about this matter shortly after Mr. Lombardi reported his wife’s retirement account to ethics officials and before Mr. Lombardi reported the matter to the Secretary of the Air Force. The current SAF/AQ Military Deputy said Mr. Lombardi told him:

... I think I screwed up ... I never asked [his spouse] about retirement accounts. I never asked her about any of that stuff.  
[REDACTED] ... I never even asked [about her retirement accounts] once we got married....We got married, she quit her job, I never even thought about it.

The current SAF/AQ Military Deputy told us that Mr. Lombardi commented to him that he had no idea his spouse had the retirement account or stock and that he had never asked her about it. The SAF/AQ Military Deputy said he believed Mr. Lombardi did not know about the retirement account based on “the fact that [Mr. Lombardi] ... told me that, and was basically ... embarrassed that he was in the position he was in because he hadn’t [previously] asked [his spouse].

The former SAF/AQ told us that he spoke with Mr. Lombardi about the matter shortly after Mr. Lombardi reported the retirement account to Air Force ethics officials. He said that Mr. Lombardi told him “... I didn’t think about [the possibility that his spouse had a retirement account] until this ethics course I went to ... I just had no idea. I went to the ethics class, and then it occurred to me ... I hadn’t thought about it.”

*Personal profit*

Both Mr. Lombardi and his spouse told us that no funds from the retirement account or stocks were ever transferred to either of their personal or joint banking accounts. Neither Mr. Lombardi nor his spouse made deposits to the account following Mrs. Lombardi’s resignation from Northrop Grumman or took disbursements from the account. Northrop

Grumman's memorandum regarding Mrs. Lombardi's retirement account stated [REDACTED]

*OGE Subject Matter Expert explains key elements of conflict of interest investigations involving OGE 278s*

We consulted the Chief, Ethics Law and Policy Branch, OGE (Chief), a financial reporting subject matter expert, about individuals who fail to disclose information on their OGE 278s. The Chief identified 5 U.S.C. Appendix 4, Section 104 and the Ethics in Government Act as the applicable standards that establish it to be unlawful for any person to knowingly and willfully falsify or fail to report any required information. The Chief told us that for a violation of these applicable standards to have occurred, Mr. Lombardi would have had to have knowingly and willfully falsified or failed to report the retirement account and its contents. The Chief stated that Mr. Lombardi's 2009 OGE 278 filing covering Calendar Year (CY) 2008 was his most significant because this would have been the first time Mr. Lombardi filed a report that would have required him to disclose his spouse's retirement account and its contents had he known of the account. The Chief told us it was significant for us to determine whether any evidence existed that the reviewing and certifying ethics officials for Mr. Lombardi's 2009 filing asked him about Mrs. Lombardi's employment and income status.

The OGE Chief further told us that although Mr. Lombardi failed to report his spouse's individual retirement account or its contents, the first key in determining whether this constituted misconduct would be any evidence showing that Mr. Lombardi acted intentionally or willfully in failing to report. The second key would be whether Mr. Lombardi participated in any matters that would allow Mr. Lombardi to benefit based on ownership of the stock. The Chief stated that the required elements of the applicable standards are whether Mr. Lombardi knowingly and willfully failed to report the account information.

*Review and certification of Mr. Lombardi's OGE 278s*

Based on our coordination with the OGE Chief, we interviewed the ethics officials responsible for reviewing and certifying Mr. Lombardi's 2009 and 2016 OGE 278 filings.<sup>8</sup>

The ethics attorney assigned to Hanscom AFB who reviewed Mr. Lombardi's 2009 OGE 278 that covered CY 2008 told us that it was his practice to review a filer's draft OGE 278 to ensure it was accurate before the filer signed and submitted the final version. The reviewer told us that he compared the draft submission against the filer's previous year's submission and only asked questions of the filer if there was a change in the reported information. The reviewer did not recall any discussions with Mr. Lombardi regarding his filing for CY 2008. Based on

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<sup>8</sup> We did not interview the ethics officials responsible for reviewing and certifying the remaining OGE 278 filings because the practice of ethics officials was to compare the new filing with the previous year's filing to determine if there were any significant changes. We chose to interview ethics officials associated with his 2009 and 2015 filing because those involved his first married filing and his most recent filing at the time of this investigation. Our review of the remaining OGE 278s did not reveal any significant changes regarding his assets; therefore, we did not believe those interviews would produce significant information.

this information, we compared Mr. Lombardi's 2007 and 2008 OGE 278 filings and found no significant difference in the information he reported. The ethics official who certified Mr. Lombardi's 2009 OGE 278 that covered CY 2008 told us that she did not recall Mr. Lombardi and had no recollection of contacting him.

The ethics attorney who certified Mr. Lombardi's CY 2015 OGE 278 told us that she compared Mr. Lombardi's CY 2014 and 2015 OGE 278 filings and that there were "virtually no differences." She said she knew Mr. Lombardi was married because "he listed in his assets a couple things for his spouse." She told us there was one "yellow flag" regarding Mr. Lombardi's filing but she did not talk to him directly about it. She told us "the yellow flag was for a company [Panhandle Oil & Gas Co.] and ... actually ... [he didn't] need to report it."<sup>9</sup> She told us that she "looked at the company anyway" and that "there was nothing to report ... he had no stocks in defense contractors that would have had me call him."

#### *Common OGE 278 filing omissions*

We reviewed the Air Force OGC's Website regarding OGE 278 policies and filing procedures. We retrieved a memorandum, "OGE 278e Public Financial Disclosure Reports," dated February 18, 2016, that provides guidance to senior officials who are required to file an OGE 278.<sup>10</sup> Attached to this memorandum was an undated document titled "Commonly Omitted Information, OGE Form 278e, Public Financial Disclosure Report." This document contains a "list of the financial interests that must be reported on the OGE Form 278e but that are often omitted from the first draft of the filer's report." The first paragraph, "Assets and Income" states the filer must report "Each underlying holding (stocks, mutual funds...etc.) in the following investment vehicles held by [the filer], [the filer's] spouse, [the filer's] dependent children ...;" and the first two bullet comments were "Individual retirement account (IRA)" and "401(k) account with a current or former employer."

We interviewed three Air Force ethics attorneys who told us that it was common for OGE 278 filers to unintentionally omit key reportable information from their reports. The first ethics attorney, whose primary responsibility is the filing of OGE 278s by senior officials assigned to HQ, USAF, is also a former ethics attorney for OGE where her primary duties included reviewing and certifying OGE 278 filings. She told us that 401(k) retirement plans normally contain diversified mutual funds and not stock; however, larger companies "make their company stock part of the [retirement] plan." She told us that it was common that civilian senior officials "don't think to report [a] spouse's retirement plan," but whether an ethics official asked the senior official about such assets depended on the reviewing ethics official's experience. She said that because military personnel, and to a small degree SES personnel often change their duty assignments, the spouses are normally not employed long enough in a specific position to establish a retirement plan. She said such issues "come up where the spouse has left a job that they stayed long enough ... they have a vested interest in ... a retirement plan, although it may be a minimal investment because they didn't stay long enough [to retire]."

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<sup>9</sup> Panhandle Oil & Gas Co. is not a DoD contractor.

<sup>10</sup> Although this memorandum post-dates the allegations in this case and we do not cite the memorandum as a standard, we reviewed it as a resource on information that filers commonly omit from their OGE 278s.



The first ethics attorney told us that once an ethics official certifies the OGE 278, the form cannot be changed and that filers must report any changes on the next year's report, which is the administrative remedy for unintentional omissions. She said that omissions normally involve cash accounts or diversified mutual funds. She told us that an ethics official can prepare a "conflict analysis statement" identifying the issue and annotate the next year's report with a statement that "This asset was inadvertently left off the report last year ... doesn't pose a conflict." She further told us that the key points in Mr. Lombardi's matter were that his spouse's retirement account contained Northrop Grumman stock and that Mr. Lombardi had possibly acted on Northrop Grumman matters in his official position.

The second ethics attorney, who processes and reviews OGE 278 submissions for Air Force headquarters personnel told us that when she reviews OGE 278s, generally "there is a lot of back-and-forth between the ethics counselor and the filer, trying to understand the form and trying to gather additional details, because often people do not put enough detail in their form." The third ethics attorney, also supporting Air Force headquarters, told us that it was not uncommon for OGE 278 filers to fail to report their spouse's income on their OGE 278. She said she was not aware, however, of an instance where the OGE 278 filer did not report that their spouse owned stock in a prohibited source. She said, "In the vast majority [of instances where the filer did not report spousal income], it's just [that] the filer didn't think ... it was not an intentional omission, they just forgot, or didn't think that they needed to do it."

*Mr. Lombardi's response to the allegation*

Mr. Lombardi said that he did not knowingly and willfully fail to report his spouse's retirement account information containing stock on his OGE 278s. Mr. Lombardi told us that the first time he discussed the matter with his spouse and learned she had a retirement account that contained Northrop Grumman stock was in mid-January 2016 prior to a TDY trip. He told us that his spouse was not aware of his obligation to report such assets on his OGE 278. Further, he told us he and his spouse never discussed her financial status and he assumed she did not own assets such as stock because of the position she had held at Northrop Grumman [REDACTED]

Mr. Lombardi told us he "never really thought about [his spouse's financial] accounts and everything like that..." He said he reviewed their income tax documentation prior to filing their federal taxes but because his spouse never received any income statements for Northrop Grumman regarding the retirement account, he never questioned her about having such an account.

During his follow-up interview, Mr. Lombardi reiterated to us that he was not aware, prior to mid-January 2016, that his spouse had a retirement account. He said:

I know this sounds unbelievably naïve or offensive, but I never talked to her about her retirement [account]...I've always assumed that we were just going to live off of the assets that I had...I never

really got involved in, or asked her any questions [REDACTED]  
[REDACTED]

Mr. Lombardi said, "...I understand people questioning... 'How did you not know [about Mrs. Lombardi's retirement account]?' ... but had I known [before mid-Jan 2016]...I would have brought it forward." He said "...it was not on my radar scope." He told us he didn't report the matter before mid-January 2016 because "that's when I first realized [the retirement account existed]."

***Conclusion regarding knowing and willful failure to report on his OGE 278s from 2009-2015 his spouse's retirement account***

We did not substantiate the allegation. 5 U.S.C. Appendix, Section 104, requires that to constitute a violation, the OGE 278 filer must *knowingly and willfully* falsify, or fail to file or report any information that such person is required to report. [Emphasis added.] OPM's "Guide to the Senior Executive Service" requires that for a failure to carry out required duties and responsibilities to constitute misconduct or neglect of duty, the appointee's failure must be "intentional wrongdoing."

The concepts of "knowingly and willfully" in the context of false statements or omissions requires that the statement or omission be made with an intent to deceive, mislead, or design to induce belief in the falsity. "Knowingly" requires that one acted with knowledge of the falsity, not because of "mistake, accident, or some other innocent reason." "Willfully" requires the act or omission be done voluntarily and intentionally and with the specific intent to do something the law forbids.

A review of Mr. Lombardi's official email did not disclose any information or discussions regarding the retirement account. Documents provided by Northrop Grumman regarding the retirement account established [REDACTED]  
[REDACTED]

We found no evidence that Mr. Lombardi's failure to report Mrs. Lombardi's Northrop Grumman stock and retirement account was knowing and willful. From 2008 until 2015, Mr. Lombardi filed annual OGE 278s reporting both his and his spouse's financial interests. He did not, however, report that his spouse had a retirement account or that it contained Northrop Grumman stock. On December 30, 2015, Mr. Lombardi attended an annual ethics briefing where the topic of spouses' retirement accounts surfaced. He then spent the first week of January 2016 preparing for and subsequently testifying before Congress before departing on three scheduled TDY trips between the second and last week of the month. Sometime in mid-January 2016, between his TDY assignments, he questioned his spouse, learned she had a retirement account, then reviewed her retirement account statements, and discovered the retirement account contained stock.

After discovering the retirement account, Mr. Lombardi asked his executive secretary to schedule an appointment for him with the Deputy General Counsel. This appointment was not scheduled before he departed for a TDY trip. Upon his return, he discovered his secretary had

not scheduled the appointment and directed his Military Assistant to schedule the meeting with the Deputy General Counsel. He emphasized the meeting's importance to the Military Assistant. The Military Assistant scheduled the meeting for the morning of February 2, 2016. During his meeting with the Deputy General Counsel, Mr. Lombardi self-reported the retirement account and stock and received guidance on how to resolve the matter. Mr. Lombardi followed the Deputy General Counsel's guidance.

Shortly after Mr. Lombardi self-reported the matter, he told multiple witnesses that he only became aware of the retirement account and stock in mid-January 2016. He told them that the 2015 ethics briefing he attended was what prompted him to question his spouse because, before then, he had never asked her if she had a retirement account.

Mrs. Lombardi told us she never told Mr. Lombardi about the retirement account prior to mid-January 2016. She said she never discussed her retirement account with Mr. Lombardi

[REDACTED]

Further, Northrop Grumman confirmed that

[REDACTED]

Mr. Lombardi told us that he had never questioned his spouse about having a retirement account prior to mid-January 2016 [REDACTED]. He said he based his assumption [REDACTED] on the position she held at Northrop Grumman and that she was not receiving compensation from Northrop Grumman [REDACTED]. He said he was not aware of the retirement account when he filed his annual OGE 278s from 2008 to 2015.

***Allegation C: Mr. Lombardi failed to report on his OGE 278 for calendar year 2008 the source of his spouse's income exceeding \$1000 earned between their [REDACTED] 2008 marriage and her resignation from Northrop Grumman in [REDACTED] 2008***

In Allegation A above, we detailed the purpose and requirements for senior leaders to file yearly OGE 278s. OGE implements the executive branch's public financial disclosure system which is designed to prevent conflicts of interest and to identify potential conflicts by systematically reviewing an individual's financial interest. Executive branch SES officials are required to report annually any financial interest they hold outside the Government and the financial interests of their spouse and dependent children.

***Mr. Lombardi's OGE 278 filings for calendar year 2008***

As previously established in Allegation A, we examined Mr. Lombardi's OGE 278 filing for calendar year 2008. Mr. Lombardi digitally signed his OGE 278 for calendar year 2008 on April 14, 2009, and this was his first filing since his marriage. On this filing, he listed only his

banking, investment, and other financial information. Block “A” located on page two of the filing directs that the filer “report the source but not the amount of [a spouse’s] earned income of more than \$1,000.” Mr. Lombardi did not list the source of Mrs. Lombardi’s earned income over \$1000 for calendar year 2008.

During her follow-up interview, Mrs. Lombardi told us [REDACTED]

*Mr. Lombardi’s response*

During his initial follow-up interview, we asked Mr. Lombardi how he reported his spouse’s bank accounts on his annual OGE 278 filings and he told us he “...would wait until we do our taxes and take that information...the product of our taxes as kind of the basis for the 278.” We asked if he ever gave any thought to reporting his spouse’s earned income on his calendar year 2008 OGE 278 and he told us “the only thing we did...we reported it on our taxes...that would have been the only thing.”

Mr. Lombardi told us that their marriage [REDACTED]

[REDACTED] He stated that Mrs. Lombardi did not resign from Northrop Grumman until [REDACTED] 2008 [REDACTED]

***Conclusion regarding failure to report the source of his spouse’s income earned between August and October 2008 on his OGE 278***

We substantiated the allegation. We found that after being married [REDACTED] [REDACTED] 2008, Mrs. Lombardi continued her employment with Northrop Grumman until her resignation on [REDACTED] 2008. During this period, she earned a salary that exceeded \$1,000. Our review of Mr. Lombardi’s 2009 OGE 278 revealed he did not report the source of Mrs. Lombardi’s earned income for this period. Mr. Lombardi told us that the couple reported her Northrop Grumman income when filing their 2008 taxes; however, he forgot to report it on his OGE 278 for calendar year 2008 [REDACTED]

[REDACTED]. The Ethics in Government Act requires filers to report the source of spouse income over \$1000 and Mr. Lombardi failed to do so on his OGE 278 for calendar year 2008.

***Allegation D: Mr. Lombardi knowingly and willfully failed to report on his OGE 278 for calendar year 2008 the source of his spouse's income exceeding \$1000 earned between their [REDACTED] 2008 marriage and her resignation from Northrop Grumman in [REDACTED] 2008***

Title 5, U.S.C., Appendix, Section 104 provides for civil and criminal penalties for any OGE 278 filer “who *knowingly and willfully* falsifies or *knowingly and willfully* fails to file or report any information that such individual is required to report . . . .” [Emphasis added.] OPM’s “Guide to the Senior Executive Service” states that for an SES member’s failure to carry out required duties and responsibilities to be defined as misconduct or neglect of duty the failure must involve “intentional wrongdoing.” The certification section on the OGE 278 for the filer reflects that the filer’s signature certifies the contents on the form, as inputted by the filer, are true, complete and correct *to the best of their knowledge*. [Emphasis added.] The assets and income section of the report requires the filer to report the source but not the amount of a spouse’s earned income that exceeds \$1,000.

The concepts of “knowingly and willfully” in the context of false statements or omissions requires that the statement or omission be made with an intent to deceive, mislead, or design to induce belief in the falsity. “Knowingly” requires that one acted with knowledge of the falsity, not because of “mistake, accident, or some other innocent reason.” “Willfully” requires the act or omission be done voluntarily and intentionally and with the specific intent to do something the law forbids.

Using the established facts outlined in Allegation C above, we asked Mr. Lombardi why he did not report his spouse’s earned income from Northrop Grumman on his OGE 278 for calendar year 2008. Mr. Lombardi told us he forgot about the time period between their [REDACTED] 2008, marriage and his spouse’s resignation from Northrop Grumman on [REDACTED] 2008. [REDACTED]

Mr. Lombardi assumed his duties upon arriving at Hanscom AFB on October 15, 2008.

Mr. Lombardi told us that while compiling his OGE 278 for calendar year 2008 he extracted his financial information from the couple’s 2008 joint tax return. He filed the OGE 278 on April 14, 2009. He said he “just forgot” about the short time period his spouse worked between [REDACTED] 2008 and her resignation from Northrop Grumman. [REDACTED]

[REDACTED], he went on TDY trips to Hanscom AFB in advance of formally assuming duties there.

[REDACTED]

[I] ...just forgot really about that period [REDACTED] 2008 to [REDACTED] 2008 [REDACTED] so it just honestly slipped my mind that I should have captured [her income during the]...timeframe between [REDACTED] and whenever she actually formally resigned [from Northrop Grumman]...

***Conclusion regarding Mr. Lombardi knowingly and willfully failing to report on his OGE 278 for calendar year 2008 the source of his spouse's income over \$1000 earned between [REDACTED] 2008 and her resignation from Northrop Grumman in [REDACTED] 2008***

We did not substantiate the allegation. The applicable standard requires that a failure to report a source of income is both knowing and willful. That is, that the failure was done with the intent to deceive, mislead, or do something that the law forbids, rather than because of mistake, accident, or some other innocent reason. Although we found that Mr. Lombardi knew Mrs. Lombardi was employed with Northrop Grumman between [REDACTED] 2008, we found no evidence that Mr. Lombardi intentionally failed to report his spouse's Northrop Grumman income for that period. We found credible Mr. Lombardi's explanation that when he filed his OGE 278 for calendar year 2008 he did not think about the income his spouse earned between their [REDACTED] 2008, marriage and her resignation from Northrop Grumman on [REDACTED] 2008, [REDACTED]

***Allegation E: Mr. Lombardi participated in matters involving Northrop Grumman, knowing of his spouse's Northrop Grumman retirement account, that had a direct and predictable effect on his or his spouse's financial interest.***

Mr. Lombardi held various civilian positions with the Air Force after marrying his spouse in 2008. Based on this and the fact his spouse's retirement account contained stock during their marriage, we examined whether Mr. Lombardi participated in matters involving Northrop Grumman, while knowing of his spouse's Northrop Grumman retirement account, that had a direct and predictable effect on his or his spouse's financial interests. Specifically, we examined Mr. Lombardi's involvement in any Northrop Grumman acquisition matters between January 2008 and February 2016. We gave particular scrutiny to Mr. Lombardi's involvement in the Air Force's selection of Northrop Grumman as the primary LRSB contractor because of the significant monetary value of this DoD weapons platform contract.

Title 18, U.S.C., Section 208(a), “Acts affecting a personal financial interest,” prohibits executive branch employees from participating personally and substantially in an official capacity in any particular matter in which, *to the employee’s knowledge*, the employee or any person whose financial interests are imputed to the employee has a financial interest, if the particular matter will have a direct and predictable effect on that financial interest. [Emphasis added.] JER, Subpart D, “Conflicting Financial Interest,” implements the criminal prohibition of 18 U.S.C. 208(a) at Title 5, Code of Federal Regulation, Section 2635.402, “Disqualifying financial interests.”

The JER states that employees shall not hold financial interests that conflict with the conscientious performance of duty, but that an employee may acquire or hold any financial interests that are not otherwise prohibited. It defines a particular matter as one that encompasses only matters that involve deliberation, decision, or action that is focused upon the interests of specific persons, or a discrete and identifiable class of persons. It states that the term particular matter does not extend to the consideration or adoption of broad policy options that are directed to the interests of a large and diverse group of persons. The JER also states that to participate personally and substantially, a government employee must be involved directly, to include providing active supervision of a subordinate in the matter. The employee’s involvement must be of significance to the matter and requires more than official responsibility, knowledge, perfunctory involvement, or involvement on an administrative or peripheral issue.

As previously established, Mr. Lombardi did not know of his spouse’s Northrop Grumman retirement account before mid-January 2016; therefore, he could not have violated 18 U.S.C. 208(a) by knowingly participating in any particular matter with Northrop Grumman which would have a direct and predictable effect on his or his spouse’s financial interests. Nevertheless, because of Mr. Lombardi’s role in SAF/AQ, we reviewed his involvement in Northrop Grumman-related Air Force acquisitions from his marriage to Mrs. Lombardi [REDACTED] 2008 until he reported his spouse’s retirement account and recused himself from matters related to Northrop Grumman in February 2016.

*Mr. Lombardi’s acquisition duties since 2008*

When Mr. Lombardi married his spouse [REDACTED] 2008 he was the Director, Budget Investment, Office of the Assistant Secretary of the Air Force for Financial Management and Comptroller (SAF/FMB). Within two months, he moved to Hanscom AFB where he became ESC’s Executive Director. For about one and half months beginning in April 2012, he performed as an Acting PEO at Hanscom AFB, then returned to HQ, USAF, where he assumed the duties of the Deputy Assistant Secretary for Acquisition Integration (SAF/AQX). In 2014, Mr. Lombardi was elevated to the Principal Deputy position, then again elevated to the Acting Assistant Secretary for Acquisition on December 1, 2015, a position he held until February 2, 2016. While serving at SAF/AQ, Mr. Lombardi focused on Air Force acquisition policies and the internal SAF/AQ organization; his duties did not include decision-making regarding individual acquisitions or contracts or approval of decisions at lower levels.

Mr. Lombardi told us that when he first met his spouse in 2005, he was the Associate Deputy Assistant Secretary for Acquisition Integration (SAF/AQX). Shortly after they met, he

left this position and became the Director, Budget Investment (SAF/FMB). Mr. Lombardi stated that the main function of Acquisition Integration (SAF/AQX) is “How do we improve our processes to do it more efficiently...” He said he primarily “track[ed] the execution of the financial dollars, in making sure that their program expenditure rates were where they should be...” He said “...if the program needed dollars...I would be the one that would kind of take a look and say...How do we take money from here to help here...” Mr. Lombardi said SAF/FMB is not within SAF/AQ and in this position, he was not involved in the acquisition process. Mr. Lombardi said that during the period between [REDACTED] 2008, he traveled TDY several times to Hanscom AFB in preparation for his next assignment.

Mr. Lombardi told us that as the ESC Executive Director, his immediate supervisor was the ESC Commander. He said that shortly after his arrival, the ESC began reorganizing, and the ESC Commander at the time also served as the PEO and handled a large portfolio of program. He said as the Executive Director, he was responsible for the functional programs, such as financial management, contracting, and engineering. He said “I kind of oversaw the functional management...also kind of the organized training and equipping of people, making sure that people were taken care of...particularly the civilian workforce there.” He said “I was making sure that we were doing all the right kinds of things for the professional development of our civilian workforce.” With regards to overseeing contracting, Mr. Lombardi told us he was not involved in the actual contracting process. He said his duties were “...more of the resources – making sure they had the appropriate resources, professional development, and those type of things.”

Mr. Lombardi told us he also advised the ESC Commander, specifically in the area of financial management, and that he examined “the financial health of a lot of the programs, and making sure...the funding and program execution schedule matched...” He said that he reviewed acquisition strategy and source selection type documentation for accuracy prior to it being presented to the ESC Commander for approval or signature; however, the ESC Commander was the signature authority unless the program exceeded the ESC Commander’s authority level.

Mr. Lombardi told us that beginning in April 2012, after the ESC Commander departed, he became the Acting PEO for Command, Control, Communications, and Intelligence (C3I) and Networks, for about one and half months. He said for this period of time, he spent most of this time on TDY assignments coordinating the ESC’s reorganization. He said he was not involved in any acquisition matters. He told us that during the summer of 2012, he was diverted back to Acquisition Integration (SAF/AQX) where he became the Deputy Assistant Secretary for Acquisition Integration. Then in 2014, he was elevated to the SAF/AQ Principal Deputy position. Mr. Lombardi reiterated that the SAF/AQX acted as the SAF/AQ’s “gatekeepers” to ensure “programs had fully built their [programs]” with a focus on the acquisition processes to ensure the programs were following proper financial management procedures.

Mr. Lombardi told us that as the SAF/AQ Principal Deputy, his primary responsibility was “running the day-to-day [SAF/AQ] operations.” He said he focused on examining SAF/AQ processes, workforce development, handling human resource functions such as appraisals, and the SAF/AQ pay pool. He said that because he was familiar with business systems, he dedicated



some of his time to overseeing the SAF/AQ's mobility portfolios; however, he spent most of his time "inside the organization...the organizational type of activities within [SAF] AQ."

*Defining acquisition strategy*

While at SAF/AQ, Mr. Lombardi participated in meetings involving acquisition strategies. These meetings did not include discussions about selecting specific contractors. The Defense Acquisition University's (DAU's) website defined acquisition strategy as baseline plans for the execution of a program. It further stated these strategies "support more detailed planning and the preparation of the Request for Proposal. The Acquisition Strategy is an approved plan; it is not a contract." The DAU website further states that the Acquisition Strategy is mandatory by statute.

Mr. Lombardi described acquisition strategy to us as:

...acquisition strategy would be...kind of the approach in...what kind of contract would you use? What might a starting point because it would be later on that you would solidify it, but your schedule, what might be some of the things that you would be looking for with respect to kind of the categories in which you would kind of help make your selection, cost, schedule, technical type of things. And so those type of things would be part of the discussion.

Mr. Lombardi said that acquisition strategy was presented as "more of a briefing" while an acquisition plan "is essentially the documentation associated with the strategy." He told us that the Program Executive Officers and Program Managers were responsible for establishing the acquisition strategy and briefing it to an acquisition strategy panel headed by the SAE or approval authority. He said that the goal of the acquisition strategy panel was to act as a "murder board" to ensure that the Program Executive Officers and Program Managers had fully thought through all aspects of the potential acquisition. He said the acquisition strategy is "all built at the program office level...then it comes up [to SAF/AQ]...and you're kind of reviewing their work."

We asked Mr. Lombardi what acquisition strategies he had participated in that involved Northrop Grumman. Mr. Lombardi responded by saying "I don't - I mean, any - any one that Northrop Grumman bid on, I would say...[potentially any acquisition strategy] that I participated in." He told us "that's a hard [question] to answer" because acquisition strategy occurs well before a request for proposal or bidding by any specific contractor takes place. He said "I don't know who is bidding" when the acquisition strategy occurs. He said "we kind of know who the players are all the time" in a major weapons system acquisition because there are a limited number of corporations that are capable of producing a major weapons system, "but to ask me which acquisition strategy [he participated in that involved Northrop Grumman], I don't know because you never do [the process] that way." The acquisition strategy occurs well before the request for proposal is released and before the receipt of any contractor bids.

*Mr. Lombardi's involvement in the Long Range Strategic Bomber acquisition*

On October 26, 2015, in a joint press conference, the Secretary of Defense, the Secretary of the Air Force, and the Chief of Staff of the Air Force publicly announced the LRSB contract award to Northrop Grumman. The Air Force considers the LRSB a key element of its modernization plans, with an initial program cost of \$21 billion expected to reach as much as \$80 billion over the course of the contract. On February 26, 2016, the Secretary of the Air Force announced that the LRSB had officially been named the B-21 program.

Based on the monetary significance and media coverage of the LRSB program acquisition, we visited the Air Force's Rapid Contracting Office (AFRCO) and reviewed classified and unclassified LRSB program information to determine Mr. Lombardi's involvement in the awarding of the LRSB acquisition to Northrop Grumman.

Our review of LRSB program information at AFRCO revealed that Mr. Lombardi:

- did not participate in LRSB proposal evaluations nor was he involved in selecting Northrop Grumman as the prime contractor;
- had no input or influence over the selection criteria or the final decision to award the LRSB contract to Northrop Grumman;
- was involved in the LRSB program only after June 12, 2015, months after the selection team chose Northrop Grumman for the contract; and
- limited his involvement in the program to assisting DoD and Air Force leadership in preparing to announce the contract award winner.

From July 2014 to October 2015, all LRSB acquisition discussions were directly between the DoD Under Secretary of Defense for Acquisition, Technology & Logistics (USD(AT&L)), the SAF/AQ, and the AFRCO, who managed the LRSB acquisition. We determined that Mr. Lombardi's first involvement with the LRSB program was on June 12, 2015, when he signed an LRSB program Non-disclosure Agreement and was granted access to the program to assist DoD senior leadership with planning the public announcement of the contract awardee. Mr. Lombardi's access to the LRSB program began nearly 3 months before DoD's press conference that publicly announced the LRSB contract award; however, this was months after the selection authority selected Northrop Grumman as the prime contractor.<sup>11</sup> Mr. Lombardi told us, and the AFRCO confirmed, that he was not involved in the LRSB program until after the selection and not until he signed the Non-disclosure Agreement.

The former SAF/AQ Military Deputy, a lieutenant general, told us that Mr. Lombardi "... had no role, certainly no official role and I don't think any unofficial role whatsoever in working the strategy of the [LRSB source selection]." He further told us that "when [the LRSB] gets into source selection not even the [SAF/AQ] is involved in forcing that decision." He said that at that point, "It's strictly within the source selection team" to select the award winner.

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<sup>11</sup> The identity of the source selecting authority and the source selection team is classified.

The current SAF/AQ Military Deputy, also a lieutenant general, told us that Mr. Lombardi was not involved in the LRSB source selection process and that “he [Mr. Lombardi] did not even know who won until we made the announcement.”

The former SAF/AQ told us that the Air Force was “very careful in the sanctity of the [LRSB] source selection process” and did not recall Mr. Lombardi ever being “involved at all” in the LRSB acquisition or source selection process. He told us “... I was very careful about this ... We were very careful in the sanctity of the source selection process to the point of where I even kept my own knowledge of the status of it very limited. Just the minimal amount I needed to know until the very end.” He told us that “... at the very end, when we were prepping for the final [public] announcement, we had to let more people know because we were prepping for the press event.” He said that throughout the source selection process they identified the competing contractors only as “A, B, C, D, or something like that,” rather than using the names of the competing contractors.

*Mr. Lombardi’s involvement in Air Force and Northrop Grumman acquisitions*

We reviewed a list of Air Force acquisitions involving Northrop Grumman between January 1, 2008 and February 11, 2016. The list identified voluminous Air Force acquisitions that were awarded to Northrop Grumman by the multiple Air Force major commands (MAJCOM) including Air Combat Command, Air Mobility Command, Air Force Material Command, Pacific Air Force, and U.S. Air Forces Europe. We determined that acquisition, contracting, and source selecting officials that initiated and awarded the listed contracts were separate from and at organizational levels below Mr. Lombardi and SAF/AQ, which was located at the Department of the Air Force level in the Pentagon.

Witnesses with firsthand knowledge uniformly told us that Mr. Lombardi did not participate in the source selection process and was not a contracting officer or a source selecting official on any Air Force acquisitions. The current SAF/AQ Military Deputy told us, “That I am aware of, [Mr. Lombardi] has not been the source selection authority on anything since he and [his spouse] got married ... and I don’t believe he’s been an award fee determining official.” The former SAF/AQ Military Deputy told us that “none of us in any of those positions [the SAF/AQ or the civilian and military deputies] ... none of us had any official role in any of the acquisition decisions in terms of contracts or influencing contracts or letting contracts.”

The former SAF/AQ told us that the source selection process is a closed process and that Mr. Lombardi had no involvement in such matters either during his tenure as the Principal Deputy or as the Acting SAF/AQ. The former SAF/AQ told us that depending on the level of the acquisition, the SAF/AQ may select the source selecting official; however, neither the SAF/AQ nor his deputies were source selecting authorities or “decision makers” in the process.

During his initial interview, Mr. Lombardi told us that he was not a source selecting official nor did he advise source selecting officials on any Northrop Grumman-specific acquisitions. He told us that rarely, if ever, is the SAF/AQ senior leadership the source selection authority on an acquisition. He said his involvement in the acquisition process included providing advice to PEOs and PMs on how to develop the acquisition strategy, “what type of

contracts to do, what kind of incentives...how you would set up evaluation criteria associated with an acquisition strategy...” He defined acquisition strategy as “Early strategy...helping people determine...how you evaluate...the contractors when you go into source selection...” He said that once the acquisition is awarded, if there are issues with the already selected contractor that rise to his level, he would “provide advice on things that we would want to make sure to do to make sure that the program is performing as it should be.” He said he never provided advice about which competitor to select because that was a source selection authority’s function. Mr. Lombardi told us that he did not provide guidance or advice on matters such as finances, cost, or the bidding process. He told us, “I did not get involved in those type of things. That would be part of the source selection process.”

In a follow-up interview, we asked Mr. Lombardi how many Northrop Grumman acquisitions he had been involved with and what role he played. He told us “I have no idea.” We then asked him about his involvement in Northrop Grumman acquisitions such as those included on the list of acquisitions we reviewed. Mr. Lombardi told us the SAF/AQ did not routinely become involved in acquisitions at the Air Force MAJCOM level. He said that SAF/AQ reviewed the large acquisitions, defined as Major Defense Acquisition Programs. He told us that the PEOs normally handled acquisitions originated at the MAJCOM level and that SAF/AQ does not normally review those acquisitions.

#### *Mr. Lombardi’s SAF/AQ portfolios*

Mr. Lombardi’s official duties did not include acquisition decisions for specific contracts. The former SAF/AQ identified an untitled spreadsheet that the SAF/AQ front office used as a guide for both the military and civilian deputies to delineate who would attend certain meetings and handle the various SAF/AQ portfolios. According to the spreadsheet, Mr. Lombardi attended various meetings in the absence of the SAF/AQ, including the OUSD (AT&L) biweekly meeting, the OUSD(AT&L) SAE breakfast/lunch, and meetings with industry. The portfolios Mr. Lombardi oversaw included: budgeting metrics, contracting, civilian personnel, Air Force Sustainment Center (AFSC), business systems, Battle Management Command and Control (BMC2) and Global Outreach Programs (SAF/AQQ).

During his follow-up interview, we asked Mr. Lombardi to review and explain his duties and responsibilities as detailed on the spreadsheet. Mr. Lombardi told us that the left side of the spreadsheet identified the meetings that SAF/AQ senior leadership attended while the right side identified the various portfolios that he and the Military Deputy were responsible for overseeing. Using the spreadsheet to illustrate, Mr. Lombardi told us that he was responsible for budget metrics, contracting (SAF/AQC), civilian personnel, SAF/AQ’s overall metrics, business systems and battle management, and mobility (SAF/AQQ). When we asked Mr. Lombardi about his oversight of contracting, Mr. Lombardi told us that he did not participate in the actual contract awarding process; he ensured that the contracting processes and procedures were in place. He also told us about the various meetings that he or the Military Deputy attended.

*Mr. Lombardi's meetings with industry executives*

We requested that SAF/AQ provide us a listing of all industry visitor requests that involved Mr. Lombardi and Northrop Grumman. The results revealed that on November 21, 2014, Mr. Lombardi met with Northrop Grumman's Corporate Vice President and President, Aerospace Systems, and their Vice President for Aviation & Intelligence, Surveillance, Reconnaissance and Government Relations. The request listed the topic of this meeting as "the Advanced Pilot Training System and Republic of Korea Global Hawk Undefinitized Contractual Action(?)." On December 8, 2015, because of the SAF/AQ Military Deputy's absence, Mr. Lombardi met with Northrop Grumman's Corporate Vice President again to discuss the Advanced Pilot Training System.

Mr. Lombardi's executive secretary told us that Mr. Lombardi occasionally met with industry executives; however, they "...always had a 'three letter' attend with him..." She defined a "three letter" as a subject matter expert from the affected SAF/AQ directorate who "...knew about that portfolio [and] would give Mr. Lombardi information about what the meeting would entail..." She said that one of the Military Assistants also normally attended such meetings. She told us that this was SAF/AQ's protocol and that neither Mr. Lombardi nor any of the other SAF/AQ senior leaders were left alone behind closed doors with an industry executive. She told us that she did not specifically recall any meetings Mr. Lombardi had with a Northrop Grumman executive.

The executive assistant told us that anytime someone from industry wanted to meet with SAF/AQ senior leadership, they had to submit a request to SAF/AQ. The request had to include specific information such as "...who's coming [and] what's the topic..." She told us that someone other than Mr. Lombardi made the decision to approve or disapprove visits. She stated that even for an approved visit request, specific ground rules limited what the participants could discuss. She said "...they [SAF/AQ and industry executives] can talk – they can come in and meet...but they can't talk about this [certain topics]..." or "[t]hey can come in, but 'so-and-so' has to attend the meeting..."

The Military Assistant told us that he reviewed the industry visitor requests and supporting documentation and decided whether the meeting "was worth having or not based on whether [the industry executives] were just coming to sell something... or, no kidding, we need to talk to [the industry executives]." The Military Assistant tentatively scheduled meetings that might be rescheduled but he did not recall an instance where he, or anyone else, denied an industry visit request. He said Mr. Lombardi always attended these meetings with SAF/AQ component representatives and never attended these meetings alone. The Military Assistant stated that he, SAF/AQ representatives, and OGC personnel accompanied Mr. Lombardi during one meeting with Northrop Grumman personnel to talk about an advanced training program.

The Military Assistant said that the visiting industry executive normally identified the meeting's topic in the request and that, while typically no topic was off-limits, SAF/AQ personnel did not discuss matters that had entered the source selection process. He told us:

...No, we obviously don't talk about issues under the program source selection. You can listen to whatever they want to say, then of course offer the opportunity for any other competitors if they have a meeting or if they want to request a meeting of course you take it to be fair to everybody... we always made sure there was more than one government person in the room just to make sure we had...someone else who would take notes and...know what was said...we may have legal there...[o]r we'd have someone from the "three letter"...whose equities were in the program that was being discussed."

The Military Assistant told us he attended one Northrop Grumman industry visitor meeting with Mr. Lombardi. He said Northrop Grumman requested to discuss the Request for Proposal process because they had some concerns regarding capturing all program requirements. While the Military Assistant did not recall specifically who attended the meeting, he told us that SAF/AQ personnel from the program office involved were present and the matter ultimately resolved. He did not recall any other industry visitor meetings involving Northrop Grumman.

Mr. Lombardi told us that he occasionally met with senior level Northrop Grumman executives to discuss ongoing programs that were in the execution phase of the acquisition. He said that occasionally he would also meet with the executives to discuss potential new programs or new capabilities. He said that in both cases, he informed the executive to work through the specific PEO or PM responsible for the specific program or focus area.

During his follow-up interview, Mr. Lombardi characterized his meetings with senior Northrop Grumman executives as SAF/AQ trying to be transparent with industry. He told us that occasionally Northrop Grumman would request a meeting if they were "...concerned on how a PEO or our Program Office was starting to develop a program..." Mr. Lombardi said he and other senior SAF/AQ personnel would meet with the executive unless a Request for Proposal had been submitted. He said that if a Request for Proposal had been submitted, "...we're not talking to anybody." He said that during meetings with industry executives he always listened to the executive; however, he told us he "...tend[ed] not to commit to – you don't commit to anything." He said that he obtained pertinent information during these meetings and provided it to the responsible PEO or PM because they were accountable for the program. Mr. Lombardi told us that he could talk to industry executives during the execution phase of an acquisition, but he never talked to them during the source selection phase. He said, "...you don't talk to them in source selection."

Mr. Lombardi told us that on one occasion he met with Northrop Grumman executives who "...were a little concerned about the schedule that the [affected] program office..." had prepared. He told us that he acknowledged their concerns, then discussed the matter with the program office. He said the matter was less about Northrop Grumman specifically and more about the ability to execute the planned schedule. Mr. Lombardi told us that in this matter, and most others where he met with industry executives, he "...always default[ed] back to...the PEO and program managers [because] they're the experts...and they're the ones that are going to be held accountable..."

*Mr. Lombardi's response to the allegation*

Mr. Lombardi denied having any involvement in the LRSB acquisition process prior to June 12, 2015. He told us that he learned of the LRSB source selection awardee via the Internet while he was on a TDY trip to San Antonio, TX to deliver a speech on behalf of the SAF/AQ. He told us that before that time, in his involvement with preparing the LRSB announcement, those involved referred to the companies only by letters (Company A, Company B, etc.) therefore he did not know the name of the company awarded the LRSB contract.

Mr. Lombardi told us, and our review of LRSB classified records confirmed, that he could not have influenced the source selection team because the identities of the source selection team members were classified. He was not granted access to the classified program until after the selection had been made, and his involvement in the LRSB program was limited to preparing DoD and Air Force leaders for notifying the winner and arranging the formal public announcement.

When we asked Mr. Lombardi to describe his role in advising others to select, or participating himself as a selector for Air Force contracts with Northrop Grumman that could have benefited him because of his spouse's Northrop Grumman retirement account, Mr. Lombardi responded that he was not involved in any Northrop Grumman contract selection activities. He told us that on occasion, he and the other SAF/AQ leadership met with Northrop Grumman executives if the executives requested to make SAF/AQ aware of a new capability. He told us that such meetings occurred well before any acquisition plans, if deemed appropriate, were initiated. He told us that he might speak with a Northrop Grumman executive during the execution phase of an acquisition program if there were problems or issues with the program. He gave as a hypothetical example, "if Northrop Grumman was the contractor and we're having issues with them, then I would provide advice, and you know, and in some cases, you know, be the one to tell them, 'Hey, we're pretty disappointed in how you're performing – here are some of the things that we need you to do,' or whatever."

During his follow-up interview, Mr. Lombardi elaborated on his interaction with industry executives including those from Northrop Grumman. He told us that if an industry executive had concerns regarding how a PEO or PM was developing a program, a capability, or a related issue, and requested to speak with him, he would meet with them. He said that he would acknowledge their concerns without committing to anything and would then inform the PEO or PM about the discussion because they were ultimately responsible for the execution of their program. He also told us that if an industry executive visited with a "great capability," he would listen and afterwards forward the information to the respective PEO or PM for appropriate action. He said such discussions occurred and were not prohibited because it was part of Request for Proposal development. He said the frequency of such meetings with industry varied depending on what was being pursued at the time; however, such discussions ceased on Request for Proposal release. He told us that he never engaged any industry executives during the source selection process; however, once an acquisition entered the execution phase, industry executives might visit SAF/AQ to discuss the acquisition's progress. Mr. Lombardi did not recall a specific time when he met with executives from Northrop Grumman.

## Conclusion regarding participation in matters involving Northrop Grumman

We did not substantiate the allegation. We found that Mr. Lombardi did not violate the prohibition in 18 U.S.C. 208(a) as he had no knowledge of his spouse's financial interest in Northrop Grumman until January 2016, well after any involvement he may have had in issues related to Northrop Grumman. Moreover, Mr. Lombardi's involvement was limited concerning matters related to Northrop Grumman. Our investigation established that Mr. Lombardi first became aware that his spouse had a retirement account that contained Northrop Grumman stock in mid-January 2016. Prior to discovering the retirement account and stock, Mr. Lombardi participated in acquisition strategy reviews. These reviews occurred well before any request for proposals or other acquisitions tasks took place and were designed to provide advice to the PEO/PM on how to best develop their specific program. There were no discussions regarding a particular contractor or contractor capabilities during the reviews. Further, although Mr. Lombardi was granted access to the classified LRSB program, this access did not occur until after the source selection process was complete and his only involvement was to assist senior DoD leadership during preparations for the formal announcement of the contract award winner.

The statute and JER implementation of the statute state that for a conflict of interest violation to have occurred, an individual must have knowledge that he or any person whose interests are imputed to him has a financial interest and the individual must have participated personally and substantially in an official capacity in a particular matter that would have a direct and predictable effect on that financial interest. Because Mr. Lombardi was not aware of his spouse's Northrop Grumman retirement account, her financial interest did not influence or conflict with his conscientious performance of duties.

## V. OVERALL CONCLUSIONS

- A. Mr. Lombardi failed to report his spouse's Northrop Grumman retirement account on his OGE 278 filings from 2009 through 2015.
- B. Mr. Lombardi did not knowingly and willfully fail to report his spouse's Northrop Grumman retirement account on his OGE 278s filings from 2009 through 2015.
- C. Mr. Lombardi failed to report on his calendar year 2008 OGE 278 the source of his spouse's income exceeding \$1000 earned between their [REDACTED] 2008 marriage and her resignation from Northrop Grumman in [REDACTED] 2008.
- D. Mr. Lombardi did not knowingly and willfully fail to report on his calendar year 2008 OGE 278 the source of his spouse's income exceeding \$1000 earned between their [REDACTED] 2008 marriage and her resignation from Northrop Grumman in [REDACTED] 2008.
- E. Mr. Lombardi did not participate in matters involving Northrop Grumman, while knowing of his spouse's Northrop Grumman retirement account, that had a direct and predictable effect on his or his spouse's financial interest.



## **VI. RECOMMENDATION**

We recommend the Secretary of the Air Force take appropriate action regarding Mr. Lombardi's failure to report his spouse's Northrop Grumman retirement account and source of income on his OGE 278s.



## **Whistleblower Protection**

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