

NATO RESTRICTED

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Inspector General

United States
Department of Defense



REPORT OF INVESTIGATION:
Major General Stephen D. Schmidt
U.S. Air Force

Former Commander, NATO Airborne Early Warning
and Control (NAEW&C) Force Command

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Staff on 13 January 2017.

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REPORT OF INVESTIGATION:
MAJOR GENERAL STEPHEN D. SCHMIDT, U.S. AIR FORCE

I. INTRODUCTION AND SUMMARY

We conducted an investigation to address allegations that between September 2005 and April 21, 2009, while serving as Commander, E-3A Component, North Atlantic Treaty Organization (NATO) Airborne Early Warning and Control (NAEW&C) Force, Geilenkirchen, Germany; and after April 21, 2009, while serving as Commander NAEW&C Force Command, Casteau, Belgium, Major General (Maj Gen) Schmidt ^{(b) (6), (b) (7)(C)} [REDACTED], misused resources, ^{(b) (6), (b) (7)(C)} [REDACTED], and ^{(b) (6), (b) (7)(C)} [REDACTED]. We substantiated the allegation regarding misuse of resources. We did not substantiate the other allegations.^{1 2}

We conclude Maj Gen Schmidt misused resources by improperly using a NATO aircraft, mismanaging NATO Morale and Welfare Activity (MWA) funds, and on one occasion allowing ^{(b) (6), (b) (7)(C)} [REDACTED] to travel unaccompanied in his NATO staff car. We found that in February 2010, he flew a Trainer Cargo Aircraft (TCA) from Geilenkirchen to ^{(b) (7)(F)} [REDACTED] FL, and returned the next day. The sortie cost approximately €77,364 (\$105,292). We also found that the training value of the flight did not outweigh the costs.³

The JER required Maj Gen Schmidt to protect and conserve Federal property. Air Force Instruction (AFI) 90-301 defined gross waste as more than a debatable expenditure that is significantly out of proportion to the benefit expected to accrue to the government. Finally, an Allied Command Operations (ACO) directive required travelers to use the most cost effective means of travel available. We determined Maj Gen Schmidt's use of a TCA to fly to ^{(b) (7)(F)} [REDACTED] FL was inconsistent with the JER and the ACO directive because he could have flown to ^{(b) (7)(F)} [REDACTED] in a commercial airliner at a much lower cost. Such usage was also consistent with the AFI definition of gross waste, because the costs significantly outweighed the training benefits.

We also found Maj Gen Schmidt directed the expenditure of €700,000 (\$990,080) of non-appropriated MWA funds on events held at Geilenkirchen to celebrate the 25th anniversary of NATO Airborne Warning and Control System (AWACS) operations. Maj Gen Schmidt did this despite his staff's concerns about the solvency of the MWA fund given the amount of money to be committed. He planned to reimburse the MWA fund with event ticket receipts, but costs exceeded receipts by €574,000 (\$811,866). The MWA fund lost €434,000 (\$613,850) and the

¹ The complaint contained additional allegations that we determined did not require further investigation. We discuss those allegations in Section III of this report.

² This report contains ~~NATO RESTRICTED (NR)~~ information. NR does not correspond to an equivalent U.S. classification. Extracted NATO RESTRICTED information may be included in U.S. unclassified documents. The U.S. document must be marked, "~~THIS DOCUMENT CONTAINS NATO RESTRICTED INFORMATION.~~" ~~NATO RESTRICTED~~ material may be stored in locked filing cabinets, bookcases, desks, or other similar locked containers that will deter unauthorized access.

³ All currency exchange rates are addressed with each corresponding allegation.

command operating budget covered €140,000 (\$198,016) in losses. We further found that Maj Gen Schmidt used MWA funds to pay for a portion of a Very Important Person (VIP) dinner which excluded members of the command which generated the funds.

The ACO directive for MWA programs states commanders are responsible for the proper management of MWA within their commands. Programs are to remain financially self-sustaining and exclude the risk of financial penalty to the command. The profits of MWA activities operated for the benefit of all personnel must be used for the exclusive benefit of the population that generated the profits. We determined Maj Gen Schmidt's actions were inconsistent with the directive because his decision to fund the 25th anniversary activities with MWA funds resulted in a €434,000 (\$613,850) loss to the fund and a €140,000 (\$198,016) financial penalty to the command. Further, the use of MWA funds to pay for the invitation-only VIP dinner violated the prohibition against using funds on any activity which excluded a portion of the contributing population.

Finally, ACO policy on the use of the allied command vehicle fleet prohibits family members from riding unaccompanied in official vehicles. We found that in September 2008, Maj Gen Schmidt allowed (b)(6), (b)(7)(C) to be driven in his NATO staff car from (b)(6), (b)(7)(C) to (b)(6), (b)(7)(C). Accordingly, we determined Maj Gen Schmidt acted in contravention of the ACO policy.

By letter dated June 8, 2012, we provided Maj Gen Schmidt the opportunity to comment on a preliminary report of investigation. In his response, dated July 10, 2012, Maj Gen Schmidt contended the training effect and other factors justified his use of the TCA aircraft to fly to (b)(7)(F) FL and back. He reasserted that he was not responsible for the management of the E-3A Component's MWA funds when he was the E-3A Component Commander. He stressed that the misuse of the staff car was an isolated event that had no impact on E-3A Component resources. We disagree with Maj Gen Schmidt's arguments regarding the flight to (b)(7)(F) and the misuse of MWA funds. We agree with his characterization of (b)(6), (b)(7)(C) unaccompanied use of the NATO staff car, and trust that his chain of command will consider this when determining corrective action. The discussion in Section IV of this report addresses the details of Maj Gen Schmidt's response.⁴

Our preliminary report also faulted Maj Gen Schmidt for (b)(6), (b)(7)(C). In his response, Maj Gen Schmidt provided evidence which caused us to change our findings and determinations regarding these matters. Section III of this report examines the details of Maj Gen Schmidt's response as they pertain to these issues.

After carefully considering his response and reexamining the evidence, we stand by our conclusion that Maj Gen Schmidt misused resources. This report sets forth our findings and conclusions based on a preponderance of the evidence.

⁴ While we have included what we believe is a reasonable synopsis of the response provided by Maj Gen Schmidt, we recognize that any attempt to summarize risks oversimplification and omission. Accordingly, we incorporated comments by Maj Gen Schmidt where appropriate throughout this report and provided a copy of his full response to the Secretary of the Air Force with this report.

We recommend the Secretary of the Air Force consider appropriate action with regard to Maj Gen Schmidt.

II. BACKGROUND

NATO nations joined in 1978 to create the NABW&C Programme.⁵ (b) (7)(E), (b) (7)(F)

[Redacted]

(b) (7)(E), (b) (7)(F)
[Redacted]

(b) (7)(E), (b) (7)(F)
[Redacted]

(b) (7)(E), (b) (7)(F)
[Redacted]

⁵ This report uses U.S. spelling conventions except when citing proper nouns which contain (b)(7)(F)

⁶ (b)(7)(F)

⁷ (b)(7)(F)

(b) (7)(E), (b) (7)(F)
[Redacted]

(b)(1), (b)(6), (b)(7)(C) [Redacted]

(b)(1), (b)(6), (b)(7)(C) 9

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

In an email dated March 11, 2010, Subject: Formal Complaint, (b)(6), (b)(7)(C) transmitted allegations against Maj Gen Schmidt to the Office of the Inspector General, USAF; (b)(6), (b)(7)(C) requested IG assistance with resolving the complaint. The IG, USAF referred the complaint to our office on March 19, 2010. After coordinating with the Legal Advisor to (b)(6), (b)(7)(C) we notified Maj Gen Schmidt of our investigation on April 9, 2010.

III. SCOPE

We interviewed (b)(6), (b)(7)(C), Maj Gen Schmidt, and (b)(6) witnesses with knowledge of the matters under investigation. We examined relevant standards that govern the issues under investigation, including standards for the (b)(6), (b)(7)(C). We examined position descriptions, terms of reference (TOR), memoranda of agreement, flight records, decision memoranda, financial records, emails, and other documentation.

The allegations contained in the (b)(6) page complaint, with (b)(6) references, related to Maj Gen Schmidt's activities as FCC and E-3A Component Commander. The complaint detailed multiple and varied alleged examples of impropriety dating back to 2006. (b)(6), (b)(7)(C) of the E-3A Component when Maj Gen Schmidt (b)(6), (b)(7)(C)

⁸ The matters described in the complaint date to when then-Brig Gen Schmidt commanded the E-3A Component, and continue into Maj Gen Schmidt's time as FCC. For the purposes of this report, we will refer to Gen Schmidt as Maj Gen Schmidt regardless of the position he occupied at the time of the alleged misconduct. We will rely on dates, rather than rank, to identify the position in which Maj Gen Schmidt was serving at the time of the various events described in this report.

9 (b)(6), (b)(7)(C) [Redacted]

the (b)(6), (b)(7)(C) when we interviewed (b)(6), (b)(7)(C) After clarifying matters in the complaint, we grouped them into these categories:

- (b)(6), (b)(7)(C)

- **Resource management – Maj Gen Schmidt allegedly misused NATO resources.** (b)(6), (b)(7)(C), (b)(7)(E), (b)(7)(F)

He used B-3A Component aircraft to travel to and from meetings, when ground or commercial air transportation was more appropriate. He misused his NATO staff car. He improperly used maintenance and MWA funds in support of a celebration of the 25th anniversary of NATO AWACS.

- (b)(6), (b)(7)(C)

- (b)(6), (b)(7)(C)

- (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

In our preliminary report we found (b)(7)(C), (b)(6)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

The complaint also alleged that (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

In his response to our preliminary report, Maj Gen Schmidt provided a statement from a former commander (b)(6), (b)(7)(C). In effect, the statement reinforced what we found in our investigation, which was a wide divergence of witness opinions regarding the proper role of the Force Commander when it came to (b)(6), (b)(7)(C). Further, Maj Gen Schmidt disagreed with our assessment that (b)(6), (b)(7)(C).

(b)(6), (b)(7)(C)

After considering the matters Maj Gen Schmidt submitted in his response, we found there was not a preponderance of evidence to determine that Maj Gen Schmidt (b)(6), (b)(7)(C).

(b)(6), (b)(7)(C). We considered (b)(6), (b)(7)(C) and

Maj Gen Schmidt provided information which caused us to reverse our finding regarding (b)(6), (b)(7)(C).

(b)(6), (b)(7)(C)

We also determined the following issues the original complaint described, or which emerged during witness interviews, did not require further investigation.

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

The complaint alleged Maj Gen Schmidt (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

We found that (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

We considered the conflicting information regarding the definition of (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C) Further, having found (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C) we did not
examine this issue further.

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C) testified he witnessed Maj Gen Schmidt (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

Maj Gen Schmidt testified (b)(7)(C), (b)(6)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

Given that consistent testimony (b)(6), (b)(7)(C) did not indicate Maj Gen Schmidt acted improperly, we did not examine this matter further.

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

The complaint alleged Maj Gen Schmidt (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted] required (b)(7)(C), (b)(6) [Redacted]
(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(1), (b)(6), (b)(7)(C) [Redacted]
(b)(1), (b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted] testified that (b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b) (6), (b) (7)(C) [redacted] testified
 (b)(6), (b)(7)(C) [redacted]
 (b)(6), (b)(7)(C) [redacted]

Given that Maj Gen Schmidt did not (b) (6), (b) (7)(C) [redacted]
 (b)(6), (b)(7)(C) [redacted], we did not examine this matter further.

(b)(6), (b)(7)(C) [redacted]

The complaint alleged (b) (6), (b) (7)(C) [redacted]
 (b) (6), (b) (7)(C) [redacted]
 (b) (6), (b) (7)(C) [redacted]
 (b) (6), (b) (7)(C) [redacted]
 (b) (6), (b) (7)(C) [redacted]

However, we found no evidence to suggest
 Maj Gen Schmidt or anyone else ever improperly (b) (6), (b) (7)(C) [redacted]
 (b)(6), (b)(7)(C) [redacted]. Therefore, we did not examine this matter
 further.

(b)(6), (b)(7)(C) [redacted]

The complaint stated that (b) (6), (b) (7)(C) [redacted]
 (b) (6), (b) (7)(C) [redacted]
 (b) (6), (b) (7)(C) [redacted] later testified it was
 actually (b) (6), (b) (7)(C) [redacted]
 (b)(6), (b)(7)(C) [redacted]

(b) (6), (b) (7)(C) [redacted] regulations stated, (b) (6), (b) (7)(C) [redacted]
 (b)(6), (b)(7)(C) [redacted]
 (b)(6), (b)(7)(C) [redacted]
 (b)(6), (b)(7)(C) [redacted]

(b) (6), (b) (7)(C) [redacted] testified (b) (6), (b) (7)(C) [redacted]
 (b)(6), (b)(7)(C) [redacted] testified Maj Gen Schmidt did not (b) (6), (b) (7)(C) [redacted]
 (b)(6), (b)(7)(C) [redacted]

(b) (6), (b) (7)(C) told us (b) (6), (b) (7)(C)

(b) (6), (b) (7)(C) testified (b) (6), (b) (7)(C) testified there was no regulation which expressly prohibited (b) (6), (b) (7)(C)

The complaint also stated that (b) (6), (b) (7)(C) testified (b) (6), (b) (7)(C) However, we received consistent witness testimony, (b) (6), (b) (7)(C) testified (b) (6), (b) (7)(C)

Having found no evidence that Maj Gen Schmidt (b) (6), (b) (7)(C), we did not examine this matter further.

(b) (6), (b) (7)(C) The complaint stated that (b) (6), (b) (7)(C)

We developed no evidence that (b) (6), (b) (7)(C) testified (b) (6), (b) (7)(C) was not improper. (b) (6), (b) (7)(C)

Having found no evidence that Maj Gen Schmidt's direction to (b) (6), (b) (7)(C) was improper, we did not examine this matter further.

(b)(6), (b)(7)(C)

The complaint alleged that (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

we conducted a preliminary inquiry into the two matters identified in the complaint.

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C) testified (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(7)(E), (b)(6), (b)(7)(C), (b)(7)(F)

(b)(6), (b)(7)(C) testified (b)(6), (b)(7)(C), (b)(7)(F), (b)(7)(E)

(b)(6), (b)(7)(C), (b)(7)(E), (b)(7)(F)

" We could find no witness to corroborate (b)(6), (b)(7)(C) assertions (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C) we did not examine the issue further.

Maj Gen Schmidt then testified (b) (6), (b) (7)(C), (b) (7)(E), (b) (7)(F)

[REDACTED]

(b) (6), (b) (7)(C) testified (b) (6), (b) (7)(C), (b) (7)(E), (b) (7)(F)

[REDACTED]

Having found that (b) (6), (b) (7)(C)

(b) (6), (b) (7)(C)
(b) (6), (b) (7)(C)
(b) (6), (b) (7)(C) we did not examine this matter further.

(b) (6), (b) (7)(C)

A witness testified (b) (6), (b) (7)(C)

(b) (6), (b) (7)(C) testified (b) (6), (b) (7)(C)
told us (b) (6), (b) (7)(C)
(b) (6), (b) (7)(C)

12 (b) (6), (b) (7)(C), (b) (7)(E)

[REDACTED]

(b)(6), (b)(7)(C) testified (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

Given the authority in this provision (b)(6), (b)(7)(C), we did not examine this matter further.

IV. FINDINGS AND ANALYSIS

A. Did Maj Gen Schmidt (b)(6), (b)(7)(C)

Standards

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]
[Redacted]

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]
[Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]
[Redacted]

1) (b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

and

2) (b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

- (b)(6), (b)(7)(C) [Redacted]
- (b)(6), (b)(7)(C) [Redacted]
- (b)(6), (b)(7)(C) [Redacted]
- (b)(6), (b)(7)(C) [Redacted]
- (b)(6), (b)(7)(C) [Redacted]
- (b)(6), (b)(7)(C) [Redacted]
- (b)(6), (b)(7)(C) [Redacted]
- (b)(6), (b)(7)(C) [Redacted]

Facts

Maj Gen Schmidt's Duties and Responsibilities (b)(6), (b)(7)(C) [Redacted]

Addressing the allegations required that we determine the nature and scope of
Maj Gen Schmidt's duties and responsibilities as E-3A Component Commander and FCC (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C) [Redacted]

We questioned Maj Gen Schmidt about (b)(6), (b)(7)(C) [Redacted]
[Redacted]

13 (b)(6), (b)(7)(C) [Redacted]
[Redacted]

(b)(6), (b)(7)(C)

(b)(7)(C), (b)(6) testified that (b)(7)(C), (b)(6)

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Witness testimony corroborated these details.

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

[Redacted]

[Redacted]

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

[Redacted]

(b)(6), (b)(7)(C)

As stated above, and as confirmed (b)(7)(C), (b)(6)

(b)(6), (b)(7)(C)

[Redacted]

(b)(6), (b)(7)(C)

- (b)(6), (b)(7)(C)
- (b)(6), (b)(7)(C)

14 (b)(6), (b)(7)(C)

[Redacted]

15 As stated previously, (b)(7)(C), (b)(6)

(b)(6), (b)(7)(C)

[Redacted]

There were additional (b) (7)(C), (b) (6) requirements (b) (7)(C), (b) (6)
(b)(6), (b)(7)(C)

Requirement to (b) (7)(C), (b) (6)

The complaint stated (b) (7)(C), (b) (6)
(b)(6), (b)(7)(C)

(b) (7)(C), (b) (6) testified (b) (7)(C), (b) (6)
(b)(6), (b)(7)(C)

As described above, (b) (7)(C), (b) (6) was required, (b) (7)(C), (b) (6)

16 (b)(6), (b)(7)(C)

(b) (7)(C), (b) (6) testified (b) (7)(C), (b) (6)
(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b) (7)(C), (b) (6)

There was no prohibition against (b) (7)(C), (b) (6)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(7)(C), (b)(6) testified (b)(7)(C), (b)(6)
(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

The complaint alleged (b)(7)(C), (b)(6)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

17 (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(7)(C), (b)(6) testified
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(7)(C), (b)(6) testified (b)(7)(C), (b)(6)
(b)(6), (b)(7)(C)

(b)(7)(C), (b)(6) testified (b)(7)(C), (b)(6)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(7)(C), (b)(6)
The complaint alleged (b)(7)(C), (b)(6)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)

(b)(7)(C), (b)(6) testified (b)(7)(C), (b)(6)
(b)(6), (b)(7)(C)

18 (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

[Redacted]

(b)(6), (b)(7)(C)

[Redacted]

We reviewed a witness statement (b)(7)(C), (b)(6)

(b)(6), (b)(7)(C)

[Redacted]

(b)(6), (b)(7)(C)

[Redacted]

Another witness statement indicated (b)(7)(C), (b)(6)

(b)(6), (b)(7)(C)

[Redacted]

(b)(6), (b)(7)(C)

[Redacted]

(b)(6), (b)(7)(C)

[Redacted]

(b)(7)(C), (b)(6) noted (b)(7)(C), (b)(6)

(b)(7)(C), (b)(6)

testified (b)(7)(C), (b)(6)

[Redacted]

(b)(6), (b)(7)(C)

[Redacted]

(b)(6), (b)(7)(C)

[Redacted]

(b)(6), (b)(7)(C)

[REDACTED]

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

[REDACTED]

(b)(6), (b)(7)(C)

(b)(7)(C), (b)(6) testified (b)(7)(C), (b)(6)

(b)(6), (b)(7)(C)

[REDACTED]

(b)(7)(C), (b)(6) testified (b)(7)(C), (b)(6)

(b)(6), (b)(7)(C)

[REDACTED]

(b)(6), (b)(7)(C)

[REDACTED]

The complaint stated (b)(7)(C), (b)(6)

(b)(6), (b)(7)(C)

[REDACTED]

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

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(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

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(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]
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(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

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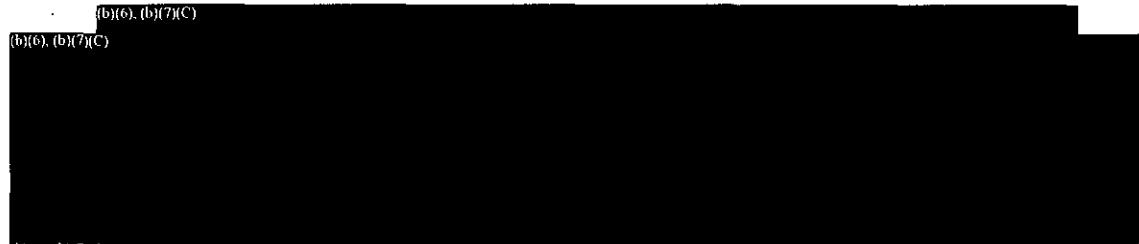


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(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)



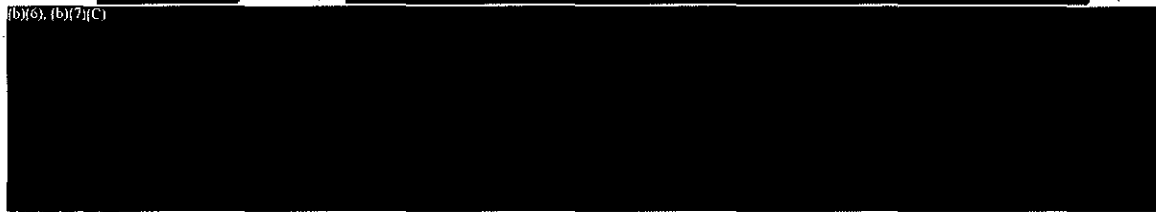
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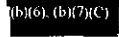
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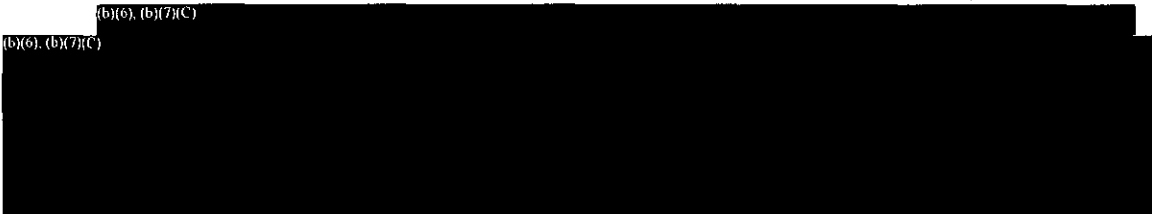


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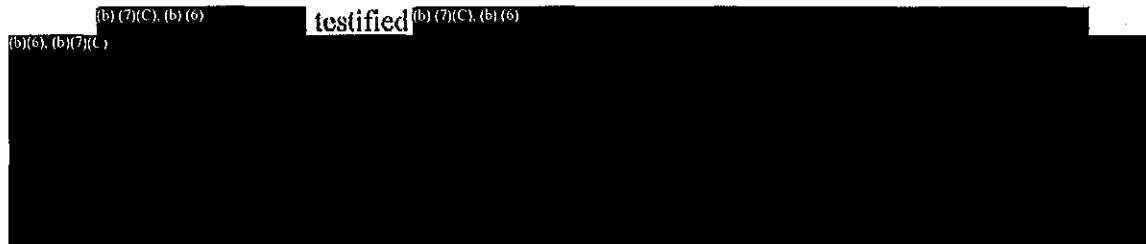
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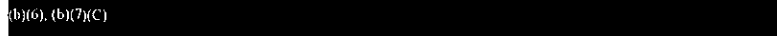


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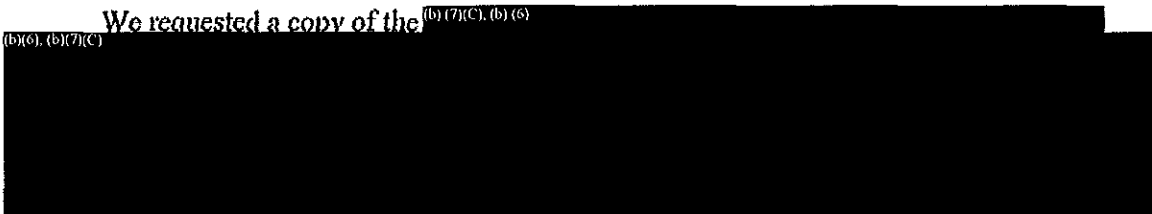


(b)(6), (b)(7)(C)



We requested a copy of the (b) (7)(C), (b) (6)

(b)(6), (b)(7)(C)



(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C) [Redacted]

We asked (b)(7)(C), (b)(6) [Redacted]
(b)(7)(C), (b)(6) [Redacted] stated:

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

We asked (b)(7)(C), (b)(6) [Redacted]
[Redacted] stated:

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]
(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(7)(C), (b)(6) stated, (b)(7)(C), (b)(6) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

Discussion

We conclude Maj Gen Schmidt did not (b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

Requirement (b)(7)(C), (b)(6) [Redacted]

We found (b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

We also found (b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

We further found (b)(7)(C), (b)(6) [Redacted]

(b)(6), (b)(7)(C) [Redacted]

(b)(6), (b)(7)(C)

Finally, we found (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

We determined (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

We found (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

We also found (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

We determined (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

19 (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

We found (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

We found (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

However, we also found there was insufficient evidence to establish that

(b)(6), (b)(7)(C)

We determined (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

B. Did Maj Gen Schmidt misuse resources?

Standards

DoD 5500.7-R, "Joint Ethics Regulation," August 30, 1993, including changes 1-6 (March 23, 2006)

The JER provides a single source of standards of ethical conduct and ethics guidance for DoD employees. Chapter 2 of the JER, "Standards of Ethical Conduct," incorporates Title 5, CFR, Part 2635, "Standards of Ethical Conduct for Employees of the Executive Branch," in its entirety.

(b)(6), (b)(7)(C)

Subpart G, "Misuse of Position," Section 2635.704, "Misuse of Government Property," stated in part, "An employee has a duty to protect and conserve Government property and shall not use such property, or allow its use, for other than authorized purposes." It defined government property as "any form of real or personal property in which the Government has an ownership, leasehold, or other property interest as well as any right or other intangible interest that is purchased with Government funds, including the services of contractor personnel." Authorized purposes "are those purposes for which Government property is made available to members of the public or those purposes authorized in accordance with law or regulation."²⁰

AFI 90-301, "Inspector General Complaints Resolution," dated May 15, 2008

In Attachment 1, Glossary of References and Supporting Information:²¹

Fraud is "any intentional deception designed to unlawfully deprive the Air Force of something of value or to secure from the Air Force for an individual a benefit, privilege, allowance, or consideration to which he or she is not entitled."

Waste is "the extravagant, careless, or needless expenditure of Air Force funds or the consumption of Air Force property that results from deficient practices, systems controls, or decisions. The term also includes improper practices not involving prosecutable fraud."

A gross waste of funds is "an expenditure that is significantly out of proportion to the benefit expected to accrue to the government. It is more than a debatable expenditure."

Abuse is the "intentional wrongful or improper use of Air Force resources."

Gross mismanagement is "a management action or inaction that creates a substantial risk of significant adverse impact on the agency's ability to accomplish its mission. It is more than mere, trivial wrongdoing or negligence. It does not include management decisions that are merely debatable, nor does it mean action or inaction that constitutes simple negligence or wrongdoing. There must be an element of blatancy."

ACO Directive Number 60-50, "Travel on International Duty," dated December 21, 2006²²

Paragraph 1 stated the directive applied to the NAEW&C Force Command.

²⁰ Participating NATO nations each contribute a percentage of the E-3A Component's annual operating budget. The U.S. Government makes the largest contribution, at approximately 40%.

²¹ Definitions in the Air Force Instruction focus on the misuse of Air Force resources, which are not at issue in this investigation, which focuses on NATO resources. We nevertheless include the definitions here because they are useful in evaluating whether the facts establish that Maj Gen Schmidt abused his obligation to protect and conserve Government property, as required by the Joint Ethics Regulation.

²² In NATO, "international" business meant NATO business. "National" missions meant business conducted solely in support of the nation which assigned the military or civilian personnel to an international (NATO) billet.

Paragraph 2-1 stated in part, "Travel will be performed by the most cost effective means, taking into account mission accomplishment, costs (including national per diem and NATO subsistence allowance), and period of absence from the normal duty."

Paragraph 3-2a stated all personnel, other than three and four-star military personnel, "will travel by the most cost-effective economy class. Notwithstanding the above, military air transport shall be used whenever possible and cost effective."

ACO Directive Number 55-1, "ACO Motor Transport Management," dated February 24, 2006

The directive applied to all ACO headquarters and commands, and would be "complemented with TMIs." TMIs are Transportation Management Instructions.

Transportation Management Instruction 2, Regulations for the Use of the ACO Vehicle Fleet," undated

Paragraph 2.3 stated in part, "parties/receptions for personnel of one Nation only" were not official functions.

Paragraph 2.5 described requirements for officers and civilians of one or two star status. In paragraph 2.5b, "Vehicles may only be used for the conduct of official business/official duty (duty travel). Duty travel is defined as travel undertaken to accomplish an international military mission."

Annex A described "tasks and duties for which international vehicles may be used." Paragraph b pertained to official duty. Section b3 provided that:

one adult dependent may accompany a staff member on TDY in NATO sedans, minibuses, or shuttle bus services, whether chauffeur driven or self-drive. This includes travel to/from departure points, with a maximum deviation of 3 Km. Transportation for such travel is to be supplied on a "space available" basis only and no additional transport may be provided to accommodate a dependent.

Annex A, paragraph c pertained to ceremonial and social events. Section c1 authorized NATO transport for "attendees at ceremonies/social events where required or invited to attend by virtue of international appointment, representing international interests."

E-3A Manual 4.3-2, "Motor Transport at the E-3A Component," dated October 31, 2008

Annex F, Appendix 1, "Summary of Rules for the Use of NATO Vehicles," states in part that one dependent only may travel as a passenger when accompanying NATO Staff members on TDY, but only to assigned accommodation at the TDY location. Regarding ceremonial and social events, the E-3A Component Commander may use E-3A Component motor transport

when representing international interest where required or invited by virtue of international appointment.²³

Allied Command Europe (ACE) Directive Number 5-1, "Morale and Welfare Programmes," dated October 3, 1997

The directive applied to all ACE headquarters and units and served as the basis for preparation of local directives. It defined MWA as activities approved in accordance with the Directive, which enhance mental and physical well-being. Activities comprise clubs, athletic, recreational and fund generating activities and facilities, and non-appropriated fund (NAF) management offices.

Paragraph 1-2, "Policies," stated in part:

In 1-2a, "[morale and welfare] activities included [in the program] are to fulfill an essential morale and welfare need which, where international funds are involved, is able to withstand the closest scrutiny..."

In 1-2b, "MWA are to be financially self-sustaining, to the exclusion of risk of financial penalty for the commands."

In 1-2c, "ACE Commanders are to apply NAF revenue on a priority basis with the first priority being to essential activities."

In 1-2d, "ACE Commanders are to ensure that MWA and NAF are operated and managed in such a way as to minimize the possibility of fraud, legal liabilities and the financial consequences of such liabilities."

Paragraph 1-3c stated in part, "ACE Commanders are responsible for the proper management of MWA within their own command in accordance with this directive." ACE Commanders would appoint MWA Councils, "answerable to them."

Paragraph 1-4c stated in part, MWA Councils have "the obligation to advise their Commander against any decision with a resource or legal impact whose consequences may, in their opinion, adversely affect the solvency and operation of the Non-Appropriated Fund."

Paragraph 1-4e(2) stated in part, "Profits from Activities operated for the benefit of, and open to all community personnel will be used for their exclusive benefit. Profits will not be used for protocol representation or other activities which exclude the participation of, or are not of direct benefit to any portion of the contributing population."

²³ We were not able to obtain a copy of the manual which existed prior to October 2008.

Paragraph 1-4c(8) stated:

The Financial Controller will forward to SHAPE (Attn: ACE Financial Controller) within 30 working days of the end of the fiscal year, the annual balance sheet and a profit and loss statement as of 31 December. These documents are to be accompanied by an analysis of the financial data and the views on the evolution of the financial position of the MWA in the current year. This analysis should include, but not [be] limited to, a statement on the present and future financial liquidity of the MWA fund.

Paragraph 2-1 identified two categories of MWA, concessionaires and headquarters-sponsored activities. Headquarters-sponsored activities were established at the direction of the ACE Commander or by the request of the members of the community. The ACE Commander must specifically approve all MWA prior to the commencement of the activity.

E-3A Order 1.3-3, "E-3A Component Morale and Welfare Activity Programme," dated May 22, 2000²⁴

Paragraph 3a stated, "The E-3A Component MWA programme is established in accordance with AD 5-1, which states the policies, responsibilities and procedures governing MWA operated or controlled by Allied Command Europe (ACE)."

Paragraph 3b stated in part, "[t]he E-3A Component MWA programme is for the benefit of the E-3A Component's military and civilian personnel and their dependents including retirees as well as military and civilian personnel and their dependents belonging to national support units and tenant units including retirees."

Paragraph 4a stated the E-3A Component Commander delegated administrative control of the E-3A programme to the Base Support Wing Commander. A schematic of the MWA program chain of command indicated the Base Support Wing Commander reported to the E-3A Component Commander, resolved policy issues with the Base Support Wing Commander, with input from the legal advisor, personnel officer, and financial controller, who directly supported both officers.

Annex A, Paragraph 6b(1) defined "directed activities" as "those established by direction of the E-3A Component Commander." Annex C listed various directed activities, and grouped them into three categories: athletics/sports, recreational, and clubs. Examples included the gymnasium, thrift shop, and officer's club.

²⁴ In our preliminary report we cited the E-3A order dated November 14, 2008, which superseded the order dated May 22, 2000, because copy of the earlier 2000 order was not available from the E-3A Component. In his response to our preliminary report, Maj Gen Schmidt provided the May 22, 2000 order we cited here. It is identical in its relevant parts to the 2008 version we used to develop our findings and determinations in this matter.

E-3A Order 8.1-8, "Collection of Sums Due to Morale and Welfare Activities and Non-Appropriated Funds Activities," dated September 15, 2008²⁵

Section 2, Paragraph 1 stated, "All expenditure[s] incurred for purposes not covered by MWA/NAF approved budget will be recovered. Reimbursement or refund, as applicable, will be obtained in respect of...[g]oods or services provided to or payments made on behalf of an individual, a unit or an element, a sponsored non-appropriated fund activity, a concessionaire, a national organization or an international headquarters or organization financed through another budget."

Facts

E-3A Component Flying Program and Budget Information

(b) (7)(C), (b) (6) testified the Component's budgets for 2008, 2009, and 2010 were (b) (7)(E), (b) (7)(F). The U.S. contributed approximately 40% of the E-3A Component's budget. (b) (7)(E), (b) (7)(F)

(b) (7)(E), (b) (7)(F)

(b) (7)(E), (b) (7)(F)

(b) (6), (b) (7)(C), (b) (7)(E), (b) (7)(F)

The complaint stated (b) (7)(C), (b) (6), (b) (7)(E), (b) (7)(F)

(b) (6), (b) (7)(C), (b) (7)(E), (b) (7)(F)

(b) (6), (b) (7)(C), (b) (7)(E), (b) (7)(F)
[Redacted]

(b) (7)(C), (b) (6) testified (b) (7)(C), (b) (6), (b) (7)(E), (b) (7)(F)
[Redacted]

(b) (6), (b) (7)(C)
[Redacted]

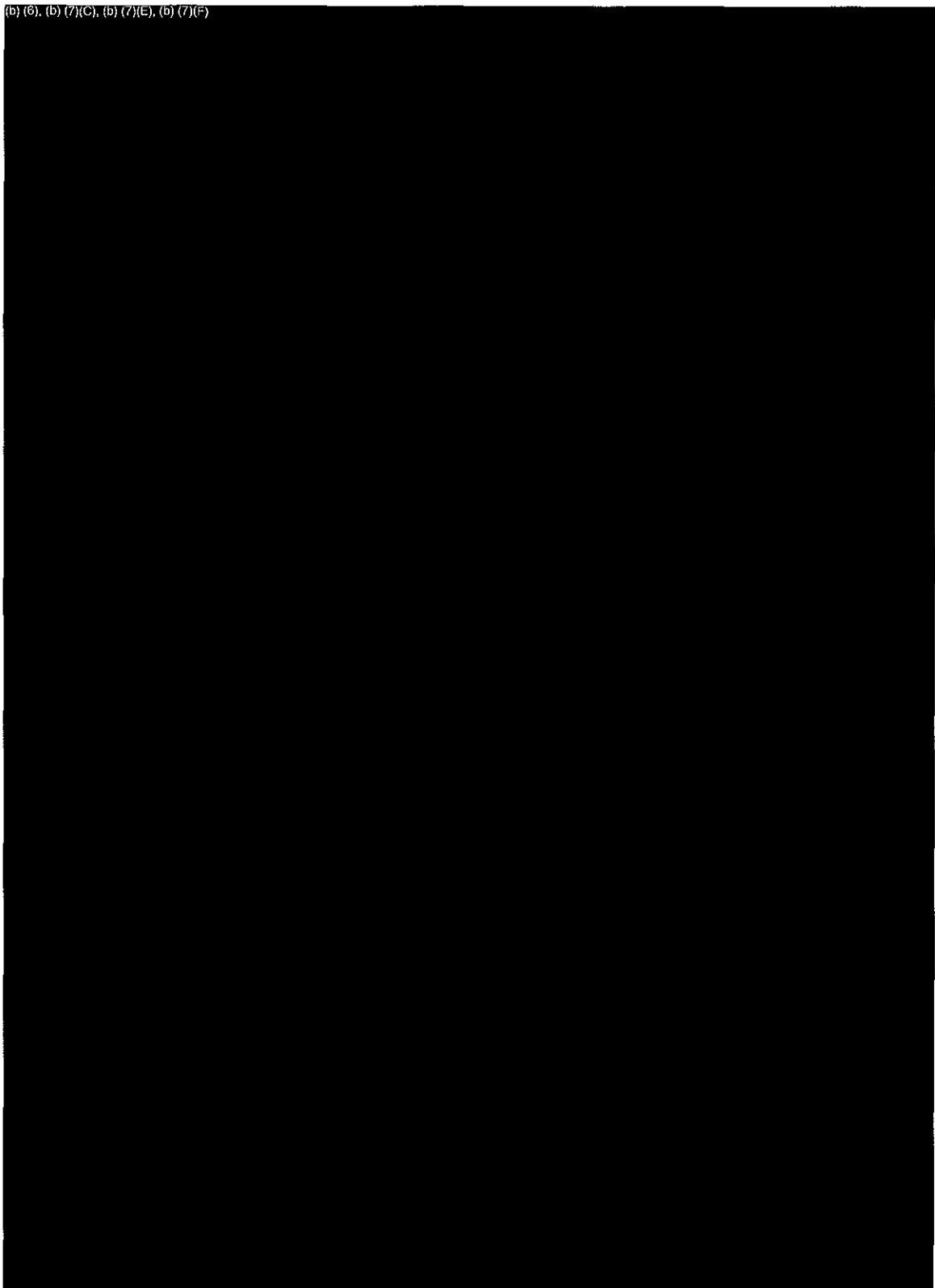
• ~~(NR)~~ (b) (1), (b) (6), (b) (7)(C)
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• ~~(NR)~~ (b) (1), (b) (6), (b) (7)(C)
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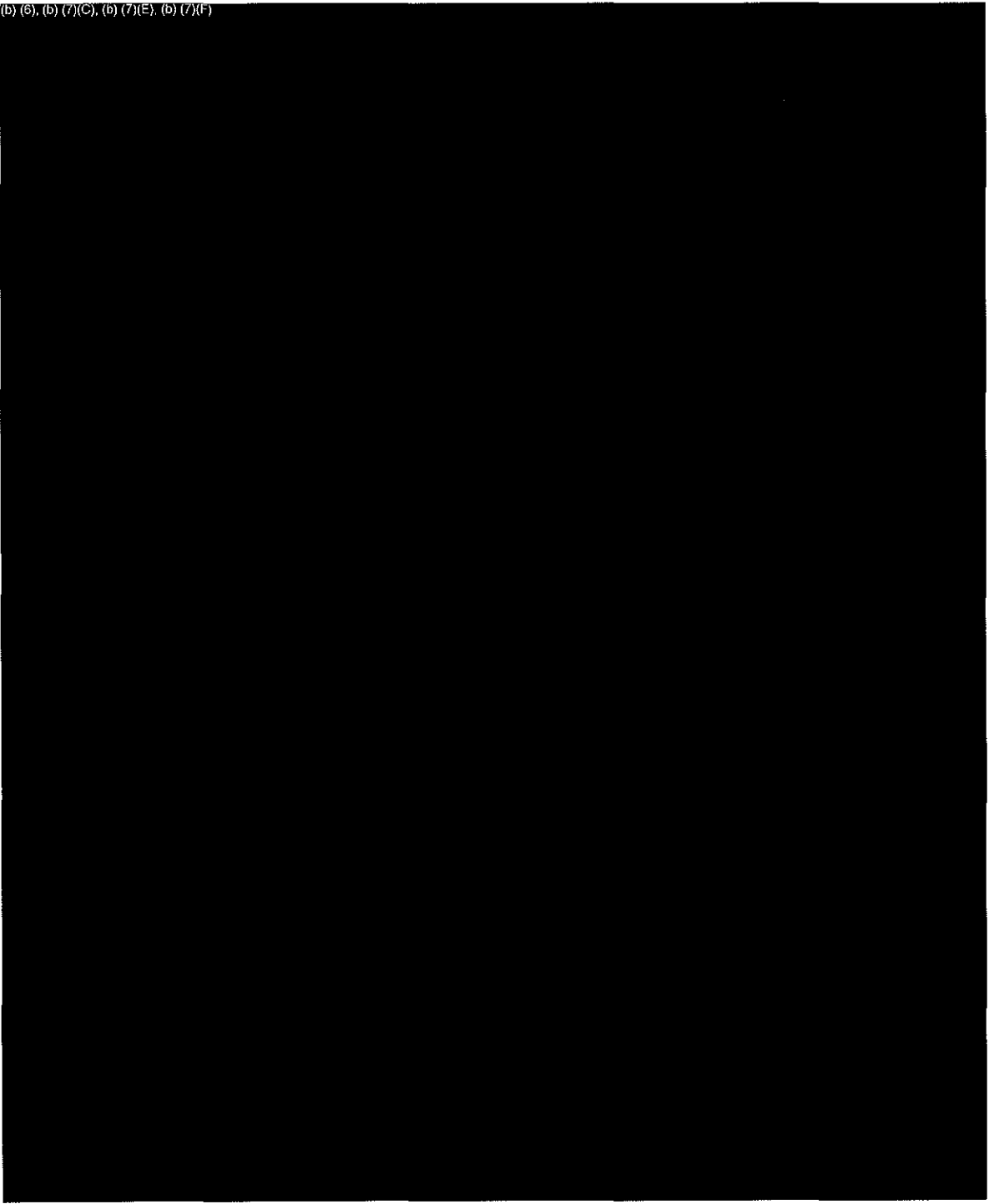
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[Redacted]

(b) (6), (b) (7)(C), (b) (7)(E), (b) (7)(F)
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(b) (6), (b) (7)(C), (b) (7)(E), (b) (7)(F)



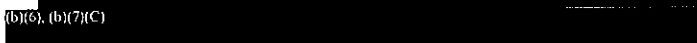
(b) (6), (b) (7)(C), (b) (7)(E), (b) (7)(F)



27 (b) (6), (b) (7)(C)



(b) (6), (b) (7)(C)



(b) (6), (b) (7)(C), (b) (7)(E), (b) (7)(F)



Use of E-3A Component Aircraft for Official Travel

(b) (6), (b) (7)(C) testified that while personnel from the various nations had different opinions about what was proper, it was not prohibited to use the TCA for TDY travel. However, he did not use the TCA for TDY travel when he was in command because he did not want to "raise discussions with other nations."

Flying From (b) (7)(E)

The complaint stated that on July 23, 2008, Maj Gen Schmidt flew as a passenger on a TCA aircraft from Geilenkirchen to Ramstein Air Force Base, Germany, and that it would have been more cost effective for him to use his staff car.²⁸

Maj Gen Schmidt did not recall that specific flight, but did testify that he had flown to Ramstein on training missions.

If there was, it would have been an approved flight for training, had I gone to (b) (7)(E) ... In fact, in fact I've been to (b) (7)(E) on training flights, and any time I've been on an airplane, you can log training time back to four hours long. So if I can use the TCA, and they can go – or in AWACS, then they can get training, drop me off, it's called a P sortie, proficiency sortie, it's a couple hour flight, get some training in on the way down there, and then they

(b) (7)(E)



continue on, because you have five or six pilots. They get another P sortie afterwards... I'm sure it was a scheduled training mission if it did happen... We probably didn't fly directly there. If we did, I'd have to ask why...It was a training mission. I can tell you that.

(b) (7)(C), (b) (6) testified flying to Ramstein could "easily be combined" with training, which could make the sortie acceptable. (b) (7)(C), (b) (6) agreed, but added it would be wasteful if a flight to Ramstein was for transport only. (b) (7)(C), (b) (6) testified that if it was a training flight, they had to conduct training. "They could deliver the general and other officers to Ramstein, but then they've got to go up and do four hours of training and then come back to (b) (7)(E)." The E-3A Component Commander may approve the use of the TCA for training sorties. (b) (7)(C), (b) (6) continued that if the real purpose was simply to ferry Maj Gen Schmidt to Ramstein, and the training activity was insufficient, it was unreasonable.

(b) (7)(C), (b) (6) testified that when (b) (7) scheduled training flights, (b) (7) always tried to schedule them for at least 5 or 6 hours duration to maximize the training value, and leave enough time for pilots to rotate in and out of the seat. In a written statement which described the Ramstein sortie, (b) (7)(C), (b) (6) wrote that it was a "Training Wing TCA T-Sortie with (b) (7)(E) commandeered by Schmidt to take him to Ramstein for personal business," and that Training Wing students lost the (b) (7)(E) opportunity and transition training time. (b) (7)(C), (b) (6) further testified that E-3A Component aircraft landing on U.S. Air Force bases, like Ramstein, required (b) (7)(E), (b) (7)(F). He did not meet advance notification requirements (b) (7)(E), (b) (7)(F) because of the short notice from Maj Gen Schmidt.

(b) (7)(C), (b) (6) noted the expense of flying the TCA to (b) (7)(E), but also cited the possibility of crew members receiving proficiency training. However, he said "if they were to just go land, stay on the ground, wait for the man to come back," the use of the aircraft was inappropriate.

Flight Order 08-1083 indicated Maj Gen Schmidt flew as First Pilot on a TCA that took off from Geilenkirchen at (b) (7)(E), flew directly to Ramstein, and landed at (b) (7)(E) on July 23, 2008. It departed Ramstein at (b) (7)(E) and landed in Geilenkirchen at (b) (7)(E) the same morning, with an Aircraft Commander/Instructor Pilot and one other First Pilot on board. The flight order indicated the sortie was for training, not transporting cargo. The crew performed two full stop landings, one "touch-and-go," and did not conduct (b) (7)(E). Total flight time for the sortie was (b) (7)(E).

Flying From Geilenkirchen to (b) (7)(F) Florida

The complaint stated that Maj Gen Schmidt used a TCA to travel to (b) (7)(F) Florida, in February 2010. It asserted that travel by commercial aircraft would have been more economical, and that Maj Gen Schmidt "disguised" the TCA usage as pilot training when in actuality it was a "transit out and transit back."

Flight Order 10-0215 indicated Maj Gen Schmidt flew as First Pilot on a TCA sortie coded as (b) (7)(E) which took off from Geilenkirchen at (b) (7)(E) on February 16,

2010, and flew directly to (b) (7)(F), Florida, where it landed (b) (7)(F) later. An Aircraft Commander/Instructor Pilot and another First Pilot were also on board. An Air crew/Mission Flight Data Document indicated Maj Gen Schmidt flew as the primary pilot for 6.0 hours. There was one takeoff, one landing, and no touch-and-goes.

Flight Order 10-0217 indicated Maj Gen Schmidt flew as First Pilot on a cross-country sortie with the same crew members on the same TCA aircraft directly from (b) (7)(F) to Geilenkirchen the next day. The flight departed (b) (7)(F) at 11:30 p.m. on February 17, 2010, landed at Geilenkirchen at (b) (7)(F) on February 18, 2010. The Air crew/Mission Flight Data Document indicated Maj Gen Schmidt flew as the primary pilot for 1.0 hour. There was one takeoff, one landing, and no touch-and-goes.

(b) (6), (b) (7)(C) testified he accompanied Maj Gen Schmidt to (b) (7)(F) to attend a (b) (7)(F), (b) (7)(E) there. He believed the idea was to have extra pilots on board to do training, that it was good training on transoceanic flying, and that it was good to get (b) (6), (b) (7)(C) out-of-country flying experience. (b) (6), (b) (7)(C) told us there was no shortage of pilots who needed that training. Other witnesses also mentioned the need for transoceanic flight training. (b) (6), (b) (7)(C) discounted the value of the transoceanic aspect of the flight for Maj Gen Schmidt, who had "probably done more transoceanic with previous B-52 time than most of the people here in the component have done."

(b) (7)(F), (b) (7)(E) listed air crew currency and continuation training requirements. Transoceanic flying was not among them. Moreover, (b) (7)(E), (b) (7)(F) directed that "Whenever possible, every attempt should be made to minimize flying hours when they can be replaced by valid, high fidelity training in the flight deck and mission crew simulators."

(b) (6), (b) (7)(C) testified there was nothing wrong with using the TCA to fly to (b) (7)(F) and back so long as pilots received training. (b) (6), (b) (7)(C) told us it was common practice to use the TCA for such purposes, and the practice predated Maj Gen Schmidt. (b) (6), (b) (7)(C) testified it was a poor use of resources; there were not enough training events, such as touch-and-goes; they did not transport cargo; and they should have flown on a commercial airline. (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) agreed.

(b) (6), (b) (7)(C) focused on drawing resources away from operations. (b) (6) stated, "aside from the expense, this took a critical TCA asset away from the Component during a time when we were supporting the (b) (7)(E), (b) (7)(F) ²⁹ (b) (6) added that Maj Gen Schmidt directed the Component to place an E-3A on alert for his possible use "in the event of heavy TCA tasking." However, (b) (6), (b) (7)(C) testified it was a "non-issue," that the TCA was not scheduled to do anything else at that time, and Maj Gen Schmidt completed required training.

(b) (7)(E), (b) (7)(F)

Maj Gen Schmidt testified:

First of all, it was a training mission for me as well...I was authorized to fly commercial, but I was also authorized as Force Commander to get this training – and to give the flight. We go TDY many times using the TCA. It's to provide airlift in support of force operations, so it was authorized.

Maj Gen Schmidt also testified that (b) (7)(F) usually put more pilots on the planes. In this case, he said there were no extra pilots present when he reported for the flight. He believed (b) (6), (b) (7)(C) purposefully did not schedule more pilots so that it would look like he [Maj Gen Schmidt] did something improper. He also stated he could not have accomplished the mission if he had flown on a commercial aircraft because he had a meeting with a senior Northrop Grumman official in Geilenkirchen at 12:30 p.m. on February 18, 2010.

We obtained Maj Gen Schmidt's calendars, which indicated he had a 12:30 p.m. meeting on February 18, 2010, with (b) (6), (b) (7)(C). The calendar did not indicate (b) (6), (b) (7)(C) organization.

Flying from (b) (7)(E), (b) (7)(F) to Geilenkirchen

The complaint stated that Maj Gen Schmidt flew to (b) (7)(F), (b) (7)(E), in a TCA on March 9, 2010. On March 12, 2010, a TCA flew personnel from (b) (7)(E), (b) (7)(F) to Geilenkirchen, and the complaint asserted that had the plane diverted from (b) (7)(F), (b) (7)(E) en route to Geilenkirchen, Maj Gen Schmidt could have flown from (b) (7)(E), (b) (7)(F) to Geilenkirchen on that flight. However, he did not want to wait for the (b) (7)(E), (b) (7)(F) flight to route through (b) (7)(E), (b) (7)(F) to pick him up. The complaint continued that Maj Gen Schmidt instead ordered a second TCA to fly from Geilenkirchen to (b) (7)(E), (b) (7)(F) to retrieve him, and that the decision saved Maj Gen Schmidt 3.5 hours but was wasteful.

(b) (7)(C), (b) (6) testified regarding Maj Gen Schmidt's directing a TCA to bring him to (b) (7)(E), (b) (7)(F) on March 9 and back on March 12, 2010. He told us Maj Gen Schmidt and his Executive Assistant were the only persons that deplaned in (b) (7)(E), (b) (7)(F) on the 9th. There was a TCA going to (b) (7)(E), (b) (7)(F) on March 12, 2010, to pick up other crew, and it could "easily" have been routed through Italy to pick up Maj Gen Schmidt, "but the 3-4 hour delay was not acceptable to him." Consequently, he ordered a second TCA just to pick him up. Three additional people flew from (b) (7)(E), (b) (7)(F) with Maj Gen Schmidt and the EA. (b) (7)(C), (b) (6) testimony corroborated (b) (7)(C), (b) (6) statements. (b) (7)(E), (b) (7)(F) testified they should have used additional pilots on the flights "to do some approaches and be on the safe side."

Flight Order 10-0309 indicated Maj Gen Schmidt flew as First Pilot on a TCA cargo/passenger sortie from Geilenkirchen to (b) (7)(E), (b) (7)(F), on March 9, 2010. There were 16 duty personnel on board, and the flight lasted 2.5 hours. It continued to (b) (7)(E), (b) (7)(F), before returning to (b) (7)(E), (b) (7)(F) the same day. The Air crew/Mission Flight Data Document indicated Maj Gen Schmidt flew as the primary pilot for the entire leg to (b) (7)(E), (b) (7)(F). A second pilot flew the aircraft to (b) (7)(E), (b) (7)(F) and back to (b) (7)(E), (b) (7)(F).

Flight Order 10-0356 indicated a TCA flew a cargo/passenger sortie from Geilenkirchen to (b) (7)(E), (b) (7)(F), (b) (7)(C) and back on March 12, 2010. There were no duty personnel on board and no pilots other than an Aircraft Commander and Instructor Pilot. Maj Gen Schmidt's name did not appear on the order, but his "NATO ID" appeared in the notes section. However, an Air crew/Mission Flight Data Document indicated the aircraft flew from Geilenkirchen and picked Maj Gen Schmidt up in (b) (7)(E), (b) (7)(F), (b) (7)(C), and that Maj Gen Schmidt flew the aircraft from the primary pilot position for the duration of the flight back to Geilenkirchen.

Maj Gen Schmidt testified he knew nothing of the flight to and from (b) (7)(E), (b) (7)(F), which reportedly could have picked him up in (b) (7)(E), (b) (7)(F). He simply asked for a flight to and from (b) (7)(E), (b) (7)(F), (b) (7)(C), (b) and his expectation was that the Operations Wing would optimize the flight schedule. He told us:

I did not direct anything. I would have expected them to do the right thing; schedule the right airplane to support the operation. I could have left later. I did not say I have to do anything. I just asked for a flight to fly back. That was it.

Maj Gen Schmidt further testified it would not necessarily have been less expensive to fly via commercial airliner. (b) (7)(E), (b) (7)(F), (b) (7)(C), (b) (6)

Use of the NATO Staff Car

(b) (6), (b) (7)(C) stated Maj Gen Schmidt used his NATO staff car and driver to attend a USAF "Tops in Blue" concert at (b) (7)(E), (b) (7)(F), in September 2006.³⁰ According to the complaint, the SNRs at the NATO Allied Joint Force Command at Brunssum hosted the concert. Maj Gen Schmidt provided the opening remarks as a U.S. national host and not as an invited NATO guest. He could only use his NATO staff car if he represented NATO.

(b) (7)(C), (b) (6) testified he was familiar with Tops in Blue. It was not improper for Maj Gen Schmidt to use the NATO staff car because he attended as a representative of his NATO command. When he (b) (7)(C), (b) (6) commanded the (b) (7)(C), (b) (6) and traveled to a German event, he attended as a representative of NATO and used the NATO staff car. Maj Gen Schmidt testified he attended the event and used the NATO staff car to attend because it was an international event, and he was the master of ceremonies. (b) (7)(C), (b) (6) testified it was a U.S. event to which all NATO personnel were invited to attend, and it was not improper for Maj Gen Schmidt to use the NATO staff car to attend.

The complaint also stated Maj Gen Schmidt improperly allowed (b) (6), (b) (7)(C) to use his NATO staff car. It described how (b) (6), (b) (7)(C) accompanied Maj Gen Schmidt to (b) (7)(E), (b) (7)(F), (b) (7)(C), (b) to attend a Force Commander's conference. (b) (6), (b) (7)(C)

³⁰ Tops in Blue is a USAF musical performance group.

returned on a TCA aircraft, which landed in (b) (7)(E), (b) (7)(F). Some attendees, including Maj Gen Schmidt, continued on the TCA to (b) (7)(E), (b) (7)(F) change of command. Others deplaned in (b) (7)(E), (b) (7)(F), including E-3A Component (b) (6), (b) (7)(C), who returned to Geilenkirchen by a Component bus. (b) (6), (b) (7)(C), however, rode home in Maj Gen Schmidt's NATO staff car.

Maj Gen Schmidt testified the military personnel returning from (b) (7)(E), (b) (7)(F) continued to (b) (7)(E), (b) (7)(F) for the change of command ceremony, and that he did not tell anyone to position the staff car there in (b) (7)(E), (b) (7)(F). The staff car was dispatched to (b) (7)(E), (b) (7)(F) unnecessarily to support him in case there was a change in his plans to continue to (b) (7)(E), (b) (7)(F). He told us the bus was going to Geilenkirchen, not directly to (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) offered to ride on the bus anyway. He stated the staff car was already there, and he told (b) (6), (b) (7)(C) in it.

Use of MWA Resources to Support the 25th Anniversary of NATO AWACS³¹

The complaint stated that against the E-3A Component MWA Committee's recommendation, MWA funds were used to execute various anniversary events. The events themselves were supposed to generate revenue so that the MWA would be reimbursed on a "cost-neutral" basis. Instead, the MWA experienced a loss of approximately €470,000 (\$664,768). One event was a gala dinner, an "excessively extravagant party," which Maj Gen Schmidt hosted. A "very significant" proportion of the MWA funds used for the anniversary funded the VIP dinner. VIPs were not charged admission. Various national representatives requested a detailed accounting of the losses, but received only a "high level overview with some losses explained due to contract irregularities." When we asked (b) (6), (b) (7)(C) about this part of the complaint, he testified that Maj Gen Schmidt "ran every aspect of that" and went "way, way overboard." He told us they never received an acceptable accounting of what happened to the funds, and that MWA funds were supposed to be used for the troops.

(b) (6), (b) (7)(C) testified regarding the anniversary events. They included an aircraft display, and about 100,000 people visited the airfield. There was also a dinner for the air crews and a VIP dinner. MWA funds financed every aspect of the celebrations. Maj Gen Schmidt appointed an anniversary committee, but the task of planning something so large was beyond the committee members' capabilities. (b) (6), (b) (7)(C) told us he and the (b) (6), (b) (7)(C) told Maj Gen Schmidt at least twice that they believed the event planning was out of control from a financial aspect. The commitments kept growing. There was nothing illegal, but they believed the MWA fund would incur a large loss. They advised Maj Gen Schmidt to scale back events, in particular on the VIP dinner, but he refused.

Maj Gen Schmidt testified there was a 25th anniversary planning committee, but that the committee did not brief him on finances, which were under the control of the MWA Council. Using MWA funds for the anniversary was "a requirement" because there was no other source of funding for that type of event. We asked Maj Gen Schmidt what relationship the E-3A

³¹Maj Gen Schmidt oversaw the planning and execution of events held in June 2007 at the NATO air base in Geilenkirchen, in observance of the 25th anniversary of NATO AWACS. They included aircraft displays, cultural exhibits from the member nations, an entertainment program, a parade, and a VIP dinner.

Component Commander has with the MWA Council and its chairman. He replied, "In regard to the (MWA) fund, I had no relationship." The MWA Council Chair had overall approval for how the E-3A Component spent MWA funds. The MWA Council "were the ones who supported this." They came up with revenue generating ideas, a contract, etc. He put the (b) (7)(C), (b) (6) [redacted] Commander "in charge directly of the 25th anniversary, this entire program." He (Maj Gen Schmidt) "did not have any direction over the MWA Council...I don't know how they would say I directed it [the use of MWA funds for the anniversary]."

In a memorandum to the (b) (6), (b) (7)(C) [redacted] Commander, which Maj Gen Schmidt signed on November 24, 2006, Maj Gen Schmidt stated that since the O&S budget could not support events planned to commemorate the anniversary, "...I direct the use of the NAFS funds administered by the SWPC (Morale and Welfare) up to approximately 250,000 Euro for prefunding purposes. After the celebrations, NAFS funds used for prefunding purposes must be reimbursed."³² The E-3A Component Financial Controller and Legal Advisor initialed their concurrence on the memorandum.

Maj Gen Schmidt testified he did not recall signing the memorandum. He told us it was the MWA Council's idea. They proposed that figure to him as a starting point, in line with previous events which used MWA funds during preparations and then generated revenues to restore the funds and generate profits. For example, the base held an open house every 2 years, and an annual Oktoberfest.

(b) (6), (b) (7)(C) [redacted] testified the MWA Council served in an advisory capacity and that Maj Gen Schmidt was the final authority on how the E-3A Component used MWA funds.

The minutes from a January 25, 2007, MWA Advisory Council meeting stated, "The Chairman expressed his concern that the MWA budget had to provide Euro 250,000 start-up funds for the 25th anniversary celebrations with no guarantee of being reimbursed...ticket sales for an expected amount of over 100,000 guests should ensure total reimbursement of the start-up funds."

(b) (1) [redacted]
 (b) (1) [redacted]
 (b) (1) [redacted]

MWA Advisory Council minutes for a March 22, 2007, meeting, dated March 27, 2007, reiterated the chairman's concerns over the funds and expressed doubt in the events' ability to generate revenues necessary to return the funds. The MWA was already operating under a budget deficit.

³² The currency conversion rate used to calculate costs for the MWA resources used to support the 25th Anniversary of NATO AWACS was based on the historical exchange rate for the Euro during FY07 - 1.4144. €250,000 was equivalent to \$352,600.

In a memorandum Maj Gen Schmidt signed on April 20, 2007, Maj Gen Schmidt stated, "In order to accommodate the present higher financial needs for the 25th Anniversary event on the procurement side, it is necessary to raise the level of NAF funds commitment authorization to 700,000 [Euro]."³³ The Financial Controller concurred. The (b) (6), (b) (7)(C), (b) (5) concurred with the comment, "This seems very high, but there is no alternative in light of pre-commitments of the 25th Anniversary Committee."

MWA Advisory Council meeting minutes, dated May 31, 2007, stated the initial amount of €250,000 (\$353,600) requested from MWA was increased to €700,000 (\$990,080). Contracts totaling €663,000 (\$937,747) had already been set to run the anniversary events, and "little ticket income has been received." Service Squadron had to "use monies from investment/termination reserves, etc." The Chairman was concerned about the "future development of MWA."

A ringed booklet commemorated the "25th anniversary celebration of NATO's only multinational operational flying unit..." It described a 2-day anniversary event, held June 16-17, 2009, "launched by a festive VIP dinner held in one of the aircraft hangers and attended by 420 distinguished guests from the military, political, and other fields of society." Photos showed attendees in mess dress uniform, tuxedos, and evening gowns, arriving on a red carpet, enjoying dinner, and posing for photographs. Witnesses testified the VIP guests did not pay to attend the dinner.

(b) (6), (b) (7)(C) testified that (b) (6) attended the VIP dinner. (b) (6) characterized it as "...way, way overboard," and stated the dinner did not benefit the troops in any way. (b) (6), (b) (7)(C), (b) (6), (b) (7), (b) (6), (b) (7)(C), E-3A Component, testified that the anniversary events did not have "anything to do with our morale and welfare." (b) (6), (b) (7) testified not just any member of the E-3A Component could attend the gala dinner, one had to be invited. Many of the original VIPs invited declined to attend, so they invited some mid-level personnel (b) (6), (b) (7)(C). Maj Gen Schmidt testified the dinner was "...an event -- I wouldn't say open to the public, but it was a DV-type of an event, at the highest level of NATO."³⁴ (b) (6), (b) (7)(C) testified; the highest level invitees were the Chiefs of the Air Forces of the various countries; they opened up a limited number of seats to E-3A Component personnel, down to division chief; and wing commanders each received a limited number of seats which they could distribute within their wings.

MWA Advisory Council meeting minutes, dated July 5, 2007, stated that the committed amount of €700,000 (\$990,080) had been exceeded after receipt of various unexpected, uncommitted invoices amounting to approximately €120,000 (\$169,728). It was "certain that a large percentage of the pre-financed funds will not be covered by the expected/achieved profits."

A financial summary, dated November 19, 2007, indicated expenditures of €878,117.37 (\$1,242,009.21), receipts of €386,675.90 (\$521,455.19), and an operating loss of €491,441.47 (\$695,094.82). It aggregated €742,372.65 (\$1,050,011.88) of the costs into "Total of Purchase

³³ €700,000 was equivalent to \$990,080.

³⁴DV means distinguished visitor.

Orders." A "Final 25th Anniversary E-3A Component Event Financial Summary," dated June 10, 2010, indicated that after paying additional liabilities, which included certain write-offs and tax payments to the (b)(7)(E), (b)(7)(F), the total loss equaled €574,167.20 (\$812,102.09). The Component's O&S budget paid €139,944.96 (\$197,938.15) and the MWA budget absorbed a €434,222.24 (\$614,163.94) loss. (b)(6), (b)(7)(C) testified the decrement to the MWA account actually totaled €470,000 (\$664,768).

(b)(6), (b)(7)(C) also told us that the whole event was planned and executed in an unprofessional manner. In (b)(6) opinion, Maj Gen Schmidt allowed enough time for proper planning, but the staff failed him. They decided to select a single contractor, without competition, to do everything, including the collection of event receipts, and that was improper. (b)(7)(C) predecessor in the financial controller position should not have allowed it. Purchases were made without proper documentation. The tickets for the event were not numbered, which left open the possibility of fraud, and the contractor was authorized to collect money from ticket receipts. One hundred thirty-five thousand people visited the airfield, but the contractor reimbursed the E-3A Component for only 39,000 tickets. The contractor also collected fees from the concessionaires, but failed to reimburse the Component. The contractor then went bankrupt. If the staff had planned and controlled everything properly, the event could have been cost neutral to the MWA fund if 125,000 spectators attended. In (b)(6), (b)(7)(C) opinion, the anniversary planning committee and staff failed. However, they should not have used so much MWA funds to finance a VIP dinner.

Discussion

We conclude Maj Gen Schmidt misused resources by improperly using a NATO aircraft, mismanaging MWA funds, and on one occasion allowing (b)(6), (b)(7)(C) to travel unaccompanied in his NATO staff car.

Use of E-3A Component Aircraft for Official Travel

We found that (b)(7)(E), (b)(7)(F) specifically authorized use of the TCA for TDY travel, but the accompanying manual which governed aircraft scheduling did not list TDY travel as among the priorities for TCA use. The priority was to passenger/cargo airlift in support of (b)(7)(E), (b)(7)(F), followed by various types of training. The E-3A Component Commander could approve the use of a TCA for training, and the FCC had to approve its use for passenger/cargo airlift.

We found evidence that Maj Gen Schmidt and others viewed TDY travel as enjoying the priority associated with passenger/cargo airlift, even if such TDY travel was not in support of (b)(7)(E), (b)(7)(F). To mitigate potential negative perceptions of this practice, witnesses usually emphasized training in conjunction with such flights. (b)(6), (b)(7)(C) custom of not using the TCA for TDY travel, and (b)(6) statement to us regarding differing opinions about the subject, evidenced the controversial nature of this practice.

The JER required Maj Gen Schmidt to protect and conserve Federal property and use it only for authorized purposes. We determined that the JER applied because the United States Government contributed approximately 40% of the E-3A Component's operating budget.

AFI 90-131 defined a gross waste of funds as "an expenditure that is significantly out of proportion to the benefit expected to accrue to the government." To be gross mismanagement, Maj Gen Schmidt's actions had to create substantial risk to the mission and include an element of blatancy. Management decisions that were "merely debatable" did not constitute gross mismanagement.

ACO Directive 60-50 required the use of military aircraft when traveling on international duty whenever possible and cost effective. However, it also required travel to be performed by the most cost effective means, taking into account mission accomplishment, costs, and the period of absence from duty.

Flight to (b) (7)(E), (b) (7)(F)

We found the flight orders, Air crew Mission/Flight Data, and witness testimony contradicted Maj Gen Schmidt's statements to us regarding the flight and its training value. Maj Gen Schmidt testified it was a "couple hour flight, where you get some training in on the way down there, and then they continue on, because you have five or six pilots." He was "sure it (b) (7)(E), (b) (7)(F) was a scheduled training mission" and that he "probably didn't fly directly there."

The flight orders established that a TCA flew (b) (7)(E), (b) (7)(F) directly to Ramstein and (b) (7)(E), (b) (7)(F) directly back to Geilenkirchen; that only one pilot training event, a touch and go, was conducted in addition to the take-off and landing for each leg; and that there were only three pilots on board, including Maj Gen Schmidt, Aircraft Commander/Instructor Pilot, and a First Pilot. Once at (b) (7)(E), (b) (7)(F), the aircraft did not continue on for additional training. It remained on the ground for (b) (7)(E), (b) (7)(F) prior to returning to (b) (7)(E), (b) (7)(F). (b) (7)(C), (b) (6) stated the aircraft had been scheduled to support pilot transition training with (b) (7)(E), (b) (7)(F). The students lost this opportunity because Maj Gen Schmidt used the TCA "to take him to (b) (7)(E), (b) (7)(F) for personal business."

We found the cost of the sortie was (b) (7)(E), (b) (7)(F). Since the U.S. contributed 40% of the E-3A Component budget, the cost to the U.S. was (b) (7)(E), (b) (7)(F).³⁵ Vehicular travel time to (b) (7)(E), (b) (7)(F) was approximately (b) (7)(E), (b) (7)(F) each way.

(b) (7)(E) Florida

We found Maj Gen Schmidt used a TCA to travel on TDY to a meeting in (b) (7)(F) and that he had the authority to authorize the flight. Total flight time was (b) (7)(E), (b) (7)(F), for a total

³⁵(b) (7)(E), (b) (7)(F)

(b) (7)(E), (b) (7)(F)

cost of (b) (7)(E), (b) (7)(F)), which meant the U.S. contribution to the cost was (b) (7)(E), (b) (7)(F) ³⁶ Maj Gen Schmidt flew as the primary pilot for 7 hours.

In his testimony to us, Maj Gen Schmidt characterized the sortie two ways; as a training mission and as "airlift in support of force operations." However, we found neither training nor airlift in support of force operations was the primary purpose of the sortie, which more closely resembled a "transit out and transit back," as described in the complaint, and which satisfied nearly 2 months of flying time required for Maj Gen Schmidt to receive flight pay.

The use of the TCA to fly to the meeting in (b) (7)(F) did not fit the meaning of "passenger/cargo airlift in direct support of (b) (7)(E), (b) (7)(F) as described in the Force Command Manual. Rather, use of a TCA to support (b) (7)(E), (b) (7)(F) which were occurring at the time of this trip, would have fit the definition. The sortie also did not fit the meaning of (b) (7)(E), (b) (7)(F) " or (b) (7)(E), (b) (7)(F) " the other types of airlift missions in the Force Command manual. Further, other than taking off and landing, the sortie did not involve training events or flying maneuvers meant to satisfy pilot qualification requirements.

We further found evidence that use of the TCA impacted the E-3A Component budget, and point to (b) (6), (b) (7)(C) testimony given (b) (7)(E), (b) (7)(F) months after the (b) (7)(F) flight, that (b) (7)(E) expected to request (b) (7)(E) additional TCA flying hours in addition to the original allocation of (b) (7)(E), an increase of over (b) (7)(E).

Finally, we found that Maj Gen Schmidt's calendar indicated he had a meeting in Geilenkirchen from 12:30 to 2:00 p.m. on February 18, 2010, and that there were no other commitments that day.

(b) (7)(E), (b) (7)(F)

We found that on March 9, 2010, Maj Gen Schmidt flew on a TCA passenger/cargo airlift sortie, along with 16 duty personnel, to (b) (7)(E), (b) (7)(F). The sortie continued to the (b) (7)(E), (b) (7)(F) prior to returning to Geilenkirchen. On March 12, 2010, a TCA passenger/cargo sortie flew from Geilenkirchen to (b) (7)(E), (b) (7)(F) and picked up Maj Gen Schmidt, who flew it back to Geilenkirchen. On March 12, 2010, a TCA flew from Geilenkirchen to (b) (7)(E), (b) (7)(F), picked up E-3A Component duty personnel and returned to Geilenkirchen.

We determined Maj Gen Schmidt's use of a TCA to fly to meetings at Ramstein Air Base and a demonstration at (b) (7)(F) Florida, was not consistent with the ACO Directive because it was not the most cost effective means of travel available. The training value and duty time saved by flying the TCA did not exceed the costs, which were significant. Maj Gen Schmidt could have used a staff car to drive to Ramstein. Further, he should have rescheduled his meeting on February 18, 2010, and flown to and from (b) (7)(F) on a commercial airline rather than incur €77,364 (\$105,292), in costs at a time when (b) (7)(E), (b) (7)(F)

³⁶The cost per hour of flight in 2010 was (b) (7)(E), (b) (7)(F) . The U.S. contributed 40% of these costs, which was (b) (7)(E), (b) (7)(F)

(b) (7)(E), (b) (7)(F) This use of the TCA was also inconsistent with the JER's requirement to protect and conserve Government property because the U.S. contributed €30,946 (\$42,118) to those costs. The expenditure met the AFI's definition of gross waste because the cost was significantly greater than the benefit accrued.

In contrast, we determined the flight on March 9, 2010, to (b) (7)(E), (b) (7)(F) which carried 16 duty personnel, was a legitimate passenger/cargo sortie. There was insufficient evidence to establish that Maj Gen Schmidt was aware of the other March 12, 2010, passenger/cargo airlift sortie that flew duty personnel from (b) (7)(E), (b) (7)(F) to Geilenkirchen, and which could have been diverted to (b) (7)(E), (b) (7)(F) to retrieve Maj Gen Schmidt and his party, as (b) (7)(C), (b) (6) alleged. We found credible Maj Gen Schmidt's assertion that prior to departing on March 9, 2010, he issued guidance regarding his requirements and expected the Operations Wing to optimize the flight schedule. There was, therefore, insufficient evidence to determine that Maj Gen Schmidt's actions in this matter were inconsistent with the standards.

MWA Resources and the June 2007 25th Anniversary of NATO AWACS

We found Maj Gen Schmidt had overall responsibility for the planning and execution of the 25th anniversary celebration. He appointed an anniversary planning committee that was separate and distinct from the E-3A Component MWA Council, which also answered to Maj Gen Schmidt.

We found Maj Gen Schmidt directed the MWA Council to provide €700,000 (\$990,080) to finance anniversary events he approved, which he said should be reimbursed after the celebrations, despite his legal advisor's concerns and the fact that the MWA was "already operating at a budget deficit" and warnings from his staff of significant financial risks and recommendations to scale back events such as the VIP dinner. Revenue would come from ticket sales and similar sources, but the planning committee recognized that obligations could exceed revenue by €250,000 (\$353,600) or more and acknowledged the intent to have the MWA fund absorb expenses not recovered through event revenues.

We also found the post-event financial records lacked significant detail, but were useful in that they provided aggregated totals of expenses, receipts, and losses. Those records and (b) (6), (b) (7)(C) testimony established that the obligations incurred for the anniversary events exceeded receipts from all sources by over €574,000 (\$811,866). The MWA fund lost over €434,000 (\$613,850) and the E-3A Component used nearly €140,000 (\$198,016) in operations and maintenance funding to cover the rest.

We further found that Maj Gen Schmidt approved the use of MWA funds to finance a VIP dinner which intentionally excluded a large portion of the E-3A Component. The dinner was not intended to contribute to the post-event reimbursement of MWA funds because attendance was free to invitees. A cost estimate for the VIP dinner, if 1000 persons attended, was €143,000 (\$202,259).

Finally, we found certain portions of Maj Gen Schmidt's testimony were particularly noteworthy in that other evidence contradicted them. Those portions of his testimony included:

- He had no relation to the MWA Council and provided no direction to it;
- The MWA Council chair was the final approval authority for spending MWA funds;
- He did not direct the use of MWA funds to finance the anniversary events; and
- The Commander, (b)(6), (b)(7)(C), (b)(7)(e) was "in charge directly of...this entire program."

We found the evidence did not support Maj Gen Schmidt's testimony to us regarding this issue. Governing directives, briefing charts, memoranda, and witness testimony established that Maj Gen Schmidt was responsible for MWA and the MWA Council answered to him; he was the final approval authority who directed the expenditure of the €700,000 (\$990,080) of MWA funds used to finance the anniversary events; and he was the final authority for the planning and execution of the celebration of the 25th anniversary of NATO AWACS.

ACE Directive 5-1 stated commanders were responsible for the proper management of MWA within their command. MWA Councils answered to the commanders who appointed them and were obliged to advise commanders against decisions which could adversely affect the solvency of the NAF. Commanders were required to ensure MWA and NAF were operated and managed in a way that minimized the possibility of fraud, legal liabilities, and the financial consequences of such liabilities. MWA programs were to remain financially self-sustaining and exclude the risk of financial penalty to the command.

The directive also required that profits of MWA activities open to all personnel be used for their exclusive benefit. Use of those profits for "protocol representation or other activities which exclude the participation of, or are not of direct benefit to any portion of the contributing population" was prohibited.

We determined Maj Gen Schmidt did not ensure MWA funds were managed as the ACE directive required. Maj Gen Schmidt sought to portray the management of MWA as being outside his scope of responsibility. However, he was ultimately responsible, the MWA program lost over €434,000 (\$613,850) on the anniversary events, and the command operations and maintenance budget covered €140,000 (\$198,016) in losses. Proper accountability of the funds, as evidenced by testimony and the lack of a detailed financial summary, was lacking. Further, the VIP dinner, which was not intended to generate revenues to reimburse the MWA account, violated the prohibition against the use of MWA funds on activities which were not open to a large portion of the population which generated the profits which paid for it.

Use of the NATO Staff Car

We found that Maj Gen Schmidt used his NATO staff car to attend a (b)(7)(E), (b)(7)(F) NATO SNRs hosted the event, which was open to all NATO personnel, at a NATO base. Maj Gen Schmidt was a U.S. officer

in command of NATO personnel at a nearby NATO air base. The legal advisor testified the use of the car was proper.

We found that in September 2008 Maj Gen Schmidt allowed (b)(6), (b)(7)(C) to use his NATO staff car to travel unaccompanied from (b)(7)(E), (b)(7)(F) to (b)(6), (b)(7)(C), (b)(7)(E), (b)(7)(F). It would have been possible for (b)(6) to ride on a bus which had been provided to transport (b)(7)(E), (b)(7)(F) back to Geilenkirchen. Maj Gen Schmidt asserted his staff dispatched the car to (b)(7)(E), (b)(7)(F) by mistake, and the car had to return to Geilenkirchen anyway.

Transportation Management Instruction 2 restricted Maj Gen Schmidt's use of the staff car to duty travel, which it defined as travel undertaken to accomplish an international military mission. He could use it to attend ceremonial or social events when invited by virtue of his international appointment, so long as he represented international interests. The instruction authorized (b)(6), (b)(7)(C) to ride in the staff car to and from TDY departure points when accompanied by Maj Gen Schmidt, and prohibited additional transportation for the purpose of accommodating (b)(6), (b)(7)(C).

We determined that Maj Gen Schmidt's actions with respect to the use of a NATO staff car to attend the Tops In Blue concert were consistent with the ACO instruction because he used it to attend an event at which he spoke by virtue of his international appointment. However, we determined that Maj Gen Schmidt's direction to (b)(6), (b)(7)(C) to travel from (b)(7)(E) in the staff car without him, rather than ride on the bus with the (b)(6), (b)(7)(C), was inconsistent with the ACO instruction. We recognize that Maj Gen Schmidt's decision did not result in a significant resource impact as the car would have returned to base anyway, but note that it is a situation that might have been easily avoided. Maj Gen Schmidt was aware, or should have been aware, of the ACO instruction, and of the perception created when (b)(6), (b)(7)(C) traveled by (b)(6), (b)(7)(C) in his staff car.

(b)(6), (b)(7)(C)

(b)(1), (b)(6), (b)(7)(C)
(b)(1), (b)(6), (b)(7)(C)

(b)(1), (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b) (6), (b) (7)(C)

Response to preliminary report(b) (7)(F) FL

In his response to our determination that his use of the TCA to fly to (b) (7)(F) PL was wasteful, Maj Gen Schmidt reiterated that NAEW&C Force regulations authorize the use of the TCA fleet in support of TDY requirements. He also pointed out that (b) (7)(E), (b) (7)(F) "Transportation of personnel and material will be accomplished through the most appropriate means, making maximum use of existing NATO transportation systems and the TCA fleet, to the extent economically feasible." Maj Gen Schmidt also emphasized the legitimacy of the purpose of his TDY to (b) (7)(F). We do not dispute these points.

Maj Gen Schmidt stated three other officials traveled with him to (b) (7)(F) and we note the flight order indicated there were 4 unnamed duty passengers. In comparison, he offered an example of the use of the TCA to transport (b) (7)(F) members of the (b) (7)(E), (b) (7)(F). He also offered a statement from a subject matter expert (SME) who indicated that picking up and dropping off staff aircrew was a fairly routine use of the TCA, particularly when the sortie had training value. We found the (b) (7)(F) example more closely equates to (b) (7)(E), which we discussed in Section III after finding no evidence of impropriety in that matter. We also found that picking up and dropping off staff aircrew more closely related to the use of the TCA to transport Maj Gen Schmidt and 16 duty passengers from Geilenkirchen to (b) (7)(E), (b) (7)(F) which we also found was not improper.

Maj Gen Schmidt provided a statement from the [REDACTED] (b) (7)(E), (b) (7)(F), who was not aware of any concerns regarding Maj Gen Schmidt's use of the TCA. The [REDACTED] (b) (7)(F) stated transport of senior leadership combined with training events was not uncommon, but did not address the specifics of the [REDACTED] (b) (7)(F) trip, which we found was transport of Maj Gen Schmidt and a small number of duty passengers, not combined with a training event. Further, even though he restated the value of flying overseas, Maj Gen Schmidt did not otherwise dispute our contention that this mission, while costing a significant amount of money, did not include a significant amount of flight training. He cited nothing to indicate the flight included events aimed at attaining or maintaining either the basic qualified or combat ready status – the training requirements for Category I Staff Air Crew.

Maj Gen Schmidt also provided a statement from his financial controller, which stated the use of the TCA for TDY was common and never before questioned because "they were considered to be training flights for the pilots." We note the Financial Controller testified to us that flying to [REDACTED] (b) (7)(F) was okay as long as pilots received training. We found the €77,364 cost of the flight significantly outweighed the value of the training conducted.

In our preliminary report, we also cited the Financial Controller's testimony that he expected to request [REDACTED] (b) (7)(E), (b) (7)(F) additional TCA hours for that year. In his response, Maj Gen Schmidt stated the E-3A Component [REDACTED] (b) (7)(E), (b) (7)(F). We find that what matters more is the situation which existed at the time we interviewed the Financial Controller, earlier in 2010.

Finally, Maj Gen Schmidt stated that he could not fly on a commercial airplane because he had to return to Geilenkirchen for a meeting from 12:30 p.m. to 2:00 p.m. on Thursday, February 18, 2010. We searched commercial flight schedules and did not find any that would have supported a night departure from [REDACTED] (b) (7)(F) followed by a 12:30 p.m. meeting in Geilenkirchen the following day. Maj Gen Schmidt stated the meeting in Geilenkirchen was with [REDACTED] (b) (6), (b) (7)(C), (b) (7)(E). [REDACTED] (b) (6), (b) (7)(C), (b) (7)(E) was only in Europe until Friday, February 19, 2010, and the scheduled time was the only workable time.

We note that while Maj Gen Schmidt provided details on the subjects and importance of the [REDACTED] (b) (7)(F) meeting, he did not explain the importance of his meeting with [REDACTED] (b) (6), (b) (7)(C), other than to say he had to meet with [REDACTED] (b) (6), (b) (7)(C) prior to an upcoming [REDACTED] (b) (7)(F) meeting. Maj Gen Schmidt did not qualify "upcoming" by stating when the [REDACTED] (b) (7)(F) actually occurred. We checked Maj Gen Schmidt's calendar and found a 90-minute [REDACTED] (b) (7)(F) "dry run" and a 120-minute telecom with the [REDACTED] (b) (7)(F) on February 25, 2010. We also found the next [REDACTED] (b) (7)(F) meeting occurred in [REDACTED] (b) (7)(E), from [REDACTED] (b) (7)(F).

After carefully considering his response and reexamining all the evidence, we stand by our determination that Maj Gen Schmidt's use of the TCA in this matter was inconsistent with the ACO directive and the JER and met the AFM's definition of gross waste. Even assuming the meeting with [REDACTED] (b) (6), (b) (7)(C) was necessary, we maintain that had Maj Gen Schmidt so directed, he and his staff could have arranged to accomplish the purpose of the TDY and the meeting with

(b)(6), (b)(7)(C) at a much-reduced cost, such as via commercial transportation for the TDY and VTC for the meeting with (b)(6), (b)(7)(C).

Ramstein Air Force Base

In our interview, Maj Gen Schmidt stated he did not recall the July 23, 2008, TCA flight to Ramstein Air Force Base for a meeting, but stressed that the crew would have conducted training sufficient to justify its use for that purpose. Flight Order 08-1083 established the TCA flew directly from Geilenkirchen to Ramstein and back without conducting additional training maneuvers. In his response to our preliminary report, Maj Gen Schmidt provided an itinerary and hotel invoice that established he stayed at Ramstein and conducted business there on July 23-24, 2008.

We checked flight records and found Flight Order 08-1087, which indicated a TCA flew from Geilenkirchen to Ramstein and back on July 24, 2008. This TCA flew for just over (b)(7) minutes on its return flight to Geilenkirchen, undoubtedly with Maj Gen Schmidt aboard. Though the order indicated a planned (b)(7)(E) training opportunity was scratched, we note the sortie's first leg, from Geilenkirchen to Ramstein, was (b)(7)(E) hours. In all, the July 24, 2008, sortie included 2 full stops and 8 touch-and-go landings, which indicated a significant amount of training conducted in association with the use of the TCA in the conduct of Maj Gen Schmidt's trip to Ramstein.

We therefore reverse our preliminary determination that Maj Gen Schmidt's use of the TCA in this matter was inconsistent with the ACO directive and the JER. It did not meet the AFI's definition of gross waste because the cost did not significantly outweigh the benefit.

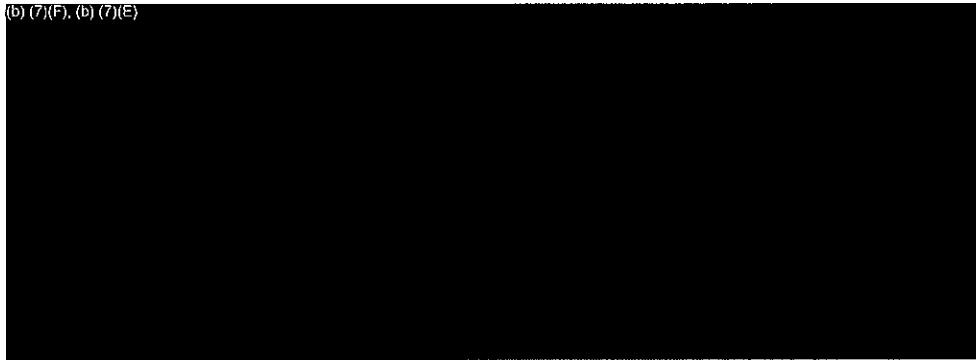
Use of MWA Resources to Support the 25th Anniversary of NATO AWACS

In his response to our preliminary report, Maj Gen Schmidt stated, "The Component Commander is ultimately responsible for the planning and execution of any operation conducted by the Component, including an event like the 25th Anniversary." However, he sought to distance himself from authority and responsibility for the management and control of MWA when he commanded the B-3A Component, which he contended was the sole responsibility of the B-3A Component's (b)(6), (b)(7)(C) Commander. Also, by operation of an international agreement and complex command and control relationships, he was "not considered an ACE Commander" and by implication not subject to the ACE directive we cited. His response stated:

(b)(7)(F), (b)(7)(E)



(b) (7)(F), (b) (7)(E)



In short, Maj Gen Schmidt contended he was not responsible for MWA because those responsibilities were not delineated in his job description or the (b) (7)(E), (b) (7)(F). He provided an undated job description for the (b) (6), (b) (7)(C), (b) (7)(e) Commander, but it did not mention MWA. It did state the (b) (6), (b) (7)(C), (b) (7)(E) Commander is the installation commander at (b) (7)(E), then stated in a subsequent paragraph that the (b) (6), (b) (7)(C), (b) (7)(e) Commander is actually "acting" as installation commander and the "primary contract and negotiating officer on the E-3A Component Commander's behalf." The 2005 job description for the E-3A Component Commander also identifies that commander as the installation commander at (b) (7)(E) as does the Component's (b) (7)(E), (b) (7)(F). Neither document specifically mentions MWA.

We presented both job descriptions to (b) (6), (b) (7)(C) and asked (b) (6), (b) (7) for clarification. In an email, dated July 25, 2012, (b) (6), (b) (7)(C) stated that, as outlined in the (b) (7)(E), (b) (7)(F) which (b) (6) noted takes precedence over the job description, "The E-3A Component Commander is the Installation Commander at GK [Geilenkirchen]." Further, the (b) (6), (b) (7)(C), (b) (7) Commander's job description "misses that the Support Wing Commander acted as Installation Commander on behalf of the Component Commander." The (b) (6), (b) (7)(C), (b) (7)(e) Commander's authority was not independent of the E-3A Component Commander's. Finally, (b) (6), (b) (7)(C) stressed that Maj Gen Schmidt signed the order appointing the 25th Anniversary Planning Committee.

Further, Maj Gen Schmidt maintains he was not an ACE Commander, implying he was not subject to ACE directives. However, contrary to his assertion, the E-3A Component Commander's job description he provided is an "ACE Job Description." In addition, the E-3A Component order which covers the MWA program clearly states that "the program is established in accordance with AD 5-1," an ACE directive. This meant that even if Maj Gen Schmidt was not specifically responsible for the actions required of an ACE Commander identified in AD 5-1 as he implies, he still had an obligation to 1) ensure the MWA activity was able to withstand the closest scrutiny; 2) operate the MWA in such a way as to exclude the command from risk of financial penalty; and 3) ensure profits from activities operated for the benefit of, and open to all community personnel would be used for their exclusive benefit.

Additionally, though Maj Gen Schmidt states the management of MWA was not his responsibility, he, his subordinates, and the MWA Council acted as though it was. The legal advisor testified he and the (b) (6), (b) (7)(C), (b) (7)(e) Commander warned Maj Gen Schmidt at least

twice that things were out of control and requested he scale back plans. Maj Gen Schmidt did not dispute this in his response to our report. Finally, it was Maj Gen Schmidt who directed the use of €700,000 (\$990,080) in MWA funds to conduct 25th Anniversary events.

Also in his response, Maj Gen Schmidt stated the International Board of Auditors for NATO (IBAN) found no evidence of mismanagement in their audits of E-3A Component finances, "to include O&S, NSIP (infrastructure) and NAFS budgets in 2007, 2008, 2009, 2010, and 2011." He provided an email from a member of the audit team to support his statement. In ^{(b)(6),} _{(b)(7)} email, the audit team member stated that MWA were not in the scope of the IBAN audit.

In response to our finding that he improperly used MWA funds on a VIP-only dinner, Maj Gen Schmidt stated that the ^{(b)(6), (b)(7)(C)} funded the VIP dinner via corporate sponsorship and that he understood it was not an MWA-funded event. He included statements from a member of the 25th anniversary planning committee, the employee in charge of MWA finances when the event took place, and the current E-3A Component Financial Controller. We found the statements, though contradictory, actually reinforced that MWA funds paid for at least part of the VIP event. The first statement indicated the corporate sponsors contributed €89,150 (\$120,436) for the dinner. The second statement did not mention corporate sponsorships. It stated the plan was to have event receipts fund the VIP dinner (which was free for the VIPs), but "in the end, MWA funds had to be used also for this purpose." The third statement indicated Maj Gen Schmidt did not intend to use MWA funds for VIPs. There was money from corporate sponsors, and additional MWA funds used as front money "should have funded the rest of the VIP event." We note that when we interviewed him, the witness who supplied this statement to Maj Gen Schmidt told us the command should not have used so much MWA funds to finance a VIP dinner.

Maj Gen Schmidt also contended we failed to contact relevant witnesses or review available "documentation of the planning and financial accounting" of the event. However, he did not name any witnesses or provide any details on what information they could furnish. We interviewed the Financial Controller specifically responsible for control of MWA funds at the time of our interview, and recognize this witness was not present during the anniversary celebrations. However, he provided relevant testimony to us, and indeed, Maj Gen Schmidt included a statement from this witness in his response to us. We requested the witness provide us with all documentation pertaining to these events, and we received the MWA council minutes, the anniversary planning committee briefing charts, and the financial summary which lacked detail but indicated a €574,167.20 (\$812,102.09) loss, which a contribution of €139,944.96 (\$197,938.15) in O&S funds reduced to €434,222.24 (\$614,163.94).³⁷ He also provided a copy of the contract with the event coordinator, but this did not contain evidence relevant to our analysis. Noting the lack of detail in the financial summary, we asked the witness and the SHAPE Financial Controller for a copy of the annual financial statements required under AD 5-1. The only document they could provide was a 2007 audit of the "Sports Department." Maj Gen Schmidt made statements regarding audit results, but as indicated above, those audits did not cover MWA.

³⁷ In his response, Maj Gen Schmidt asserted the €130,000 (\$183,872) contribution of O&S funds limited the MWA's loss to €380,553 (\$538,254), but we stand by the figures in our preliminary report and the testimony of the Financial Controller. Even if this lower figure is accurate, it does not change our conclusion.

Maj Gen Schmidt stated the command had previously used MWA funds as working capital for community outreach events, and noted the B-3A Component recently used this strategy to conduct a scaled down celebration of the 30th anniversary of NATO AWACs. He asserted his staff planned and executed the 25th anniversary events appropriately, and the command incurred large losses due to negligence or fraud on the part of the local national contractor hired to coordinate and execute the events, not by any decision, negligence, or mismanagement by Maj Gen Schmidt. We recognize the possibility that, absent certain acts and omissions of the contractor, the MWA fund might not have incurred a loss. We do not recognize, however, that these unfortunate events absolve Maj Gen Schmidt from responsibility. He was the senior commander in ultimate control of both the anniversary events and the MWA funds, and the result was hundreds of thousands of Euros were lost to the members of the command which generated the funds.

After carefully considering his response and reexamining all the evidence, we stand by our determination that Maj Gen Schmidt failed to ensure MWA funds were managed as required by ACE directive.

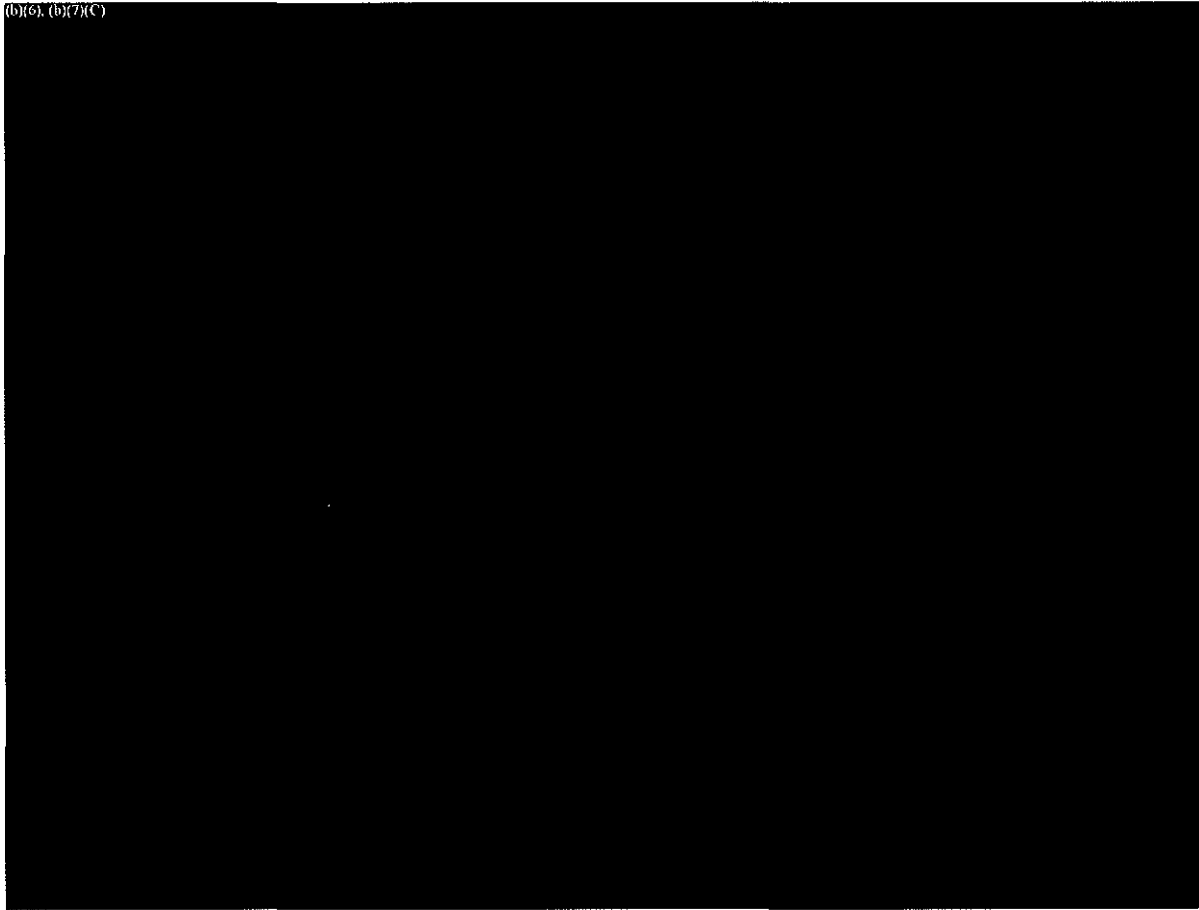
Use of the NATO Staff Car

In his response to our preliminary report, Maj Gen Schmidt stated the misuse we cited was a single instance with no resource impact. He provided an email from (b)(7)(C), (b)(6) [REDACTED], dated June 26, 2012, who stated that though there was a "technical violation," Maj Gen Schmidt's actions were reasonable given the circumstances. We recognize the misuse was a single instance; however, Transportation Management Instruction 2 restricted (b)(6), (b)(7)(C) [REDACTED] from traveling unaccompanied in the staff car, and prohibited additional transportation for the purpose of accommodating (b)(6), (b)(7)(C) [REDACTED].

After carefully considering his response and reexamining all the evidence, we amend our preliminary conclusion, which stated that Maj Gen Schmidt misused resources by (b)(6), (b)(7)(C) [REDACTED], mismanaging MWA funds, and on one occasion allowing (b)(6), (b)(7)(C) [REDACTED] to travel unaccompanied in his NATO staff car. Accordingly, we conclude that Maj Gen Schmidt misused resources by improperly using a NATO aircraft, mismanaging MWA funds, and on one occasion allowing (b)(6), (b)(7)(C) [REDACTED] to travel unaccompanied in his NATO staff car.

(b)(6), (b)(7)(C) [REDACTED]


(b)(6), (b)(7)(C)



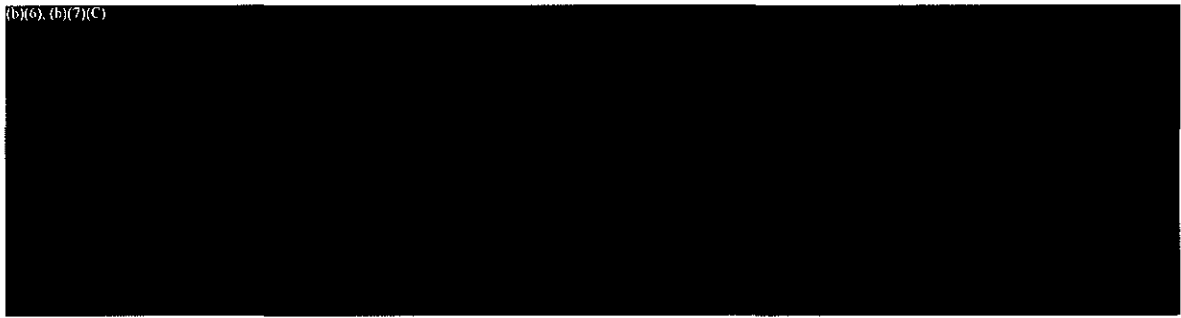
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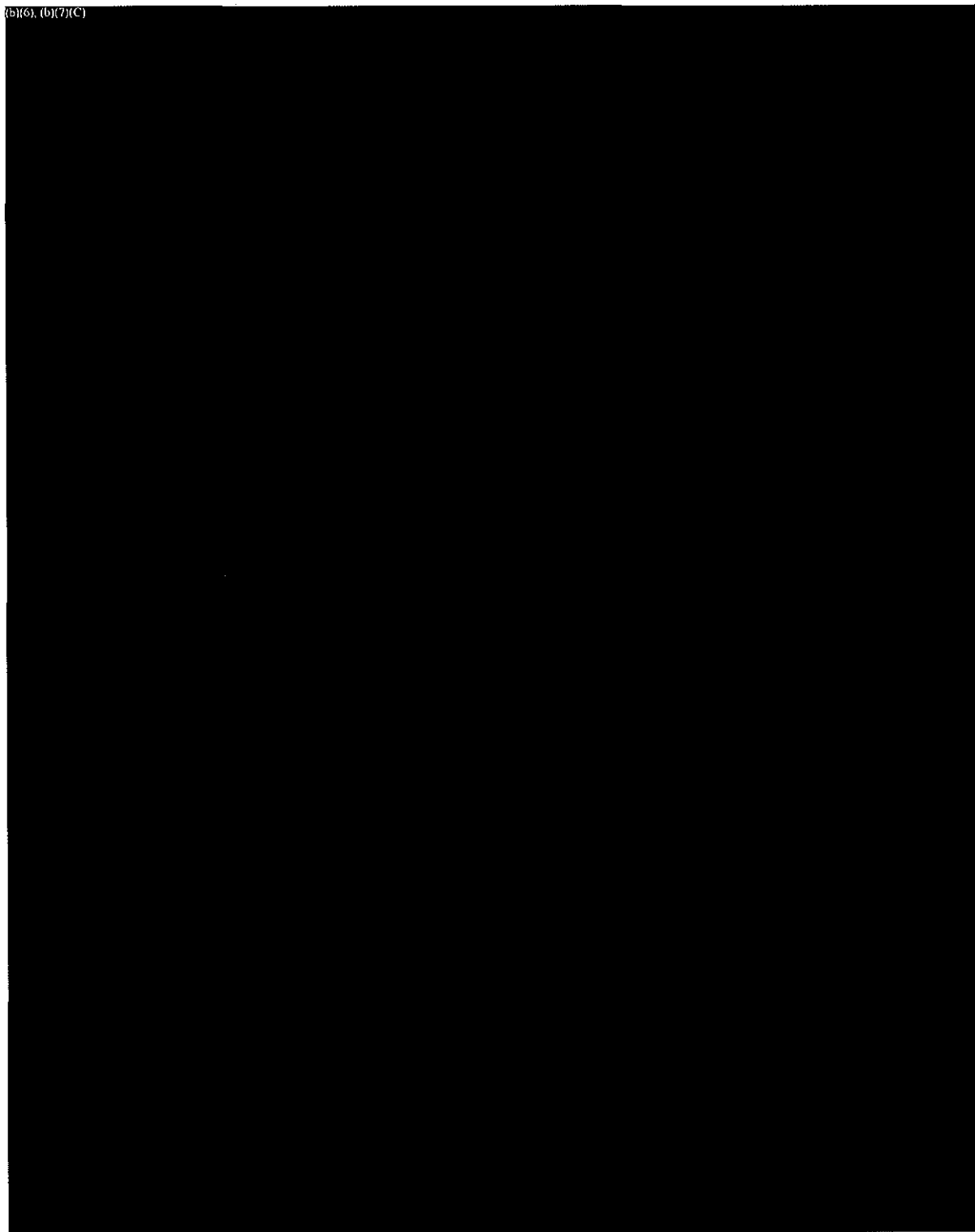
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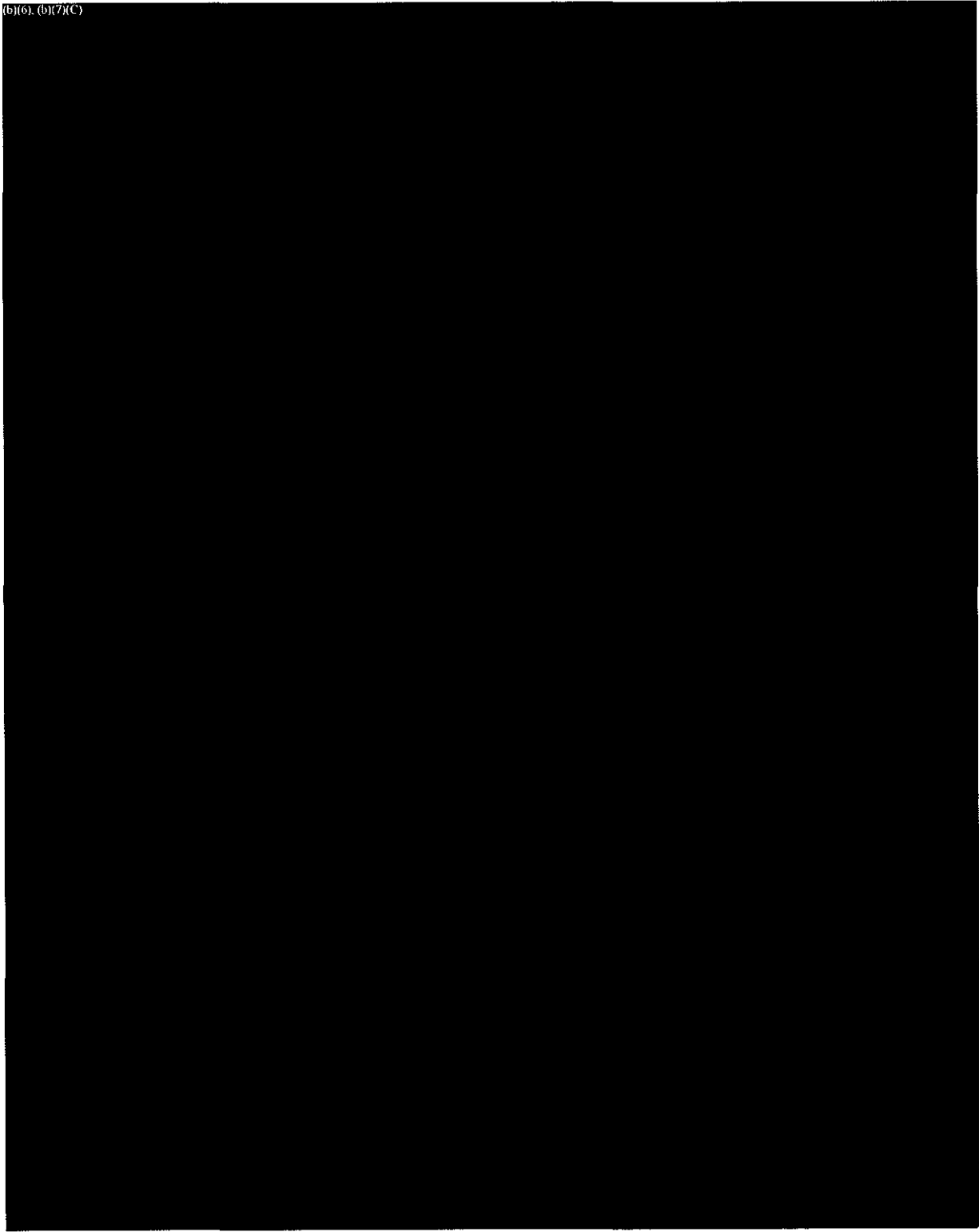
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38 (b)(6), (b)(7)(C)



(b)(6), (b)(7)(C)



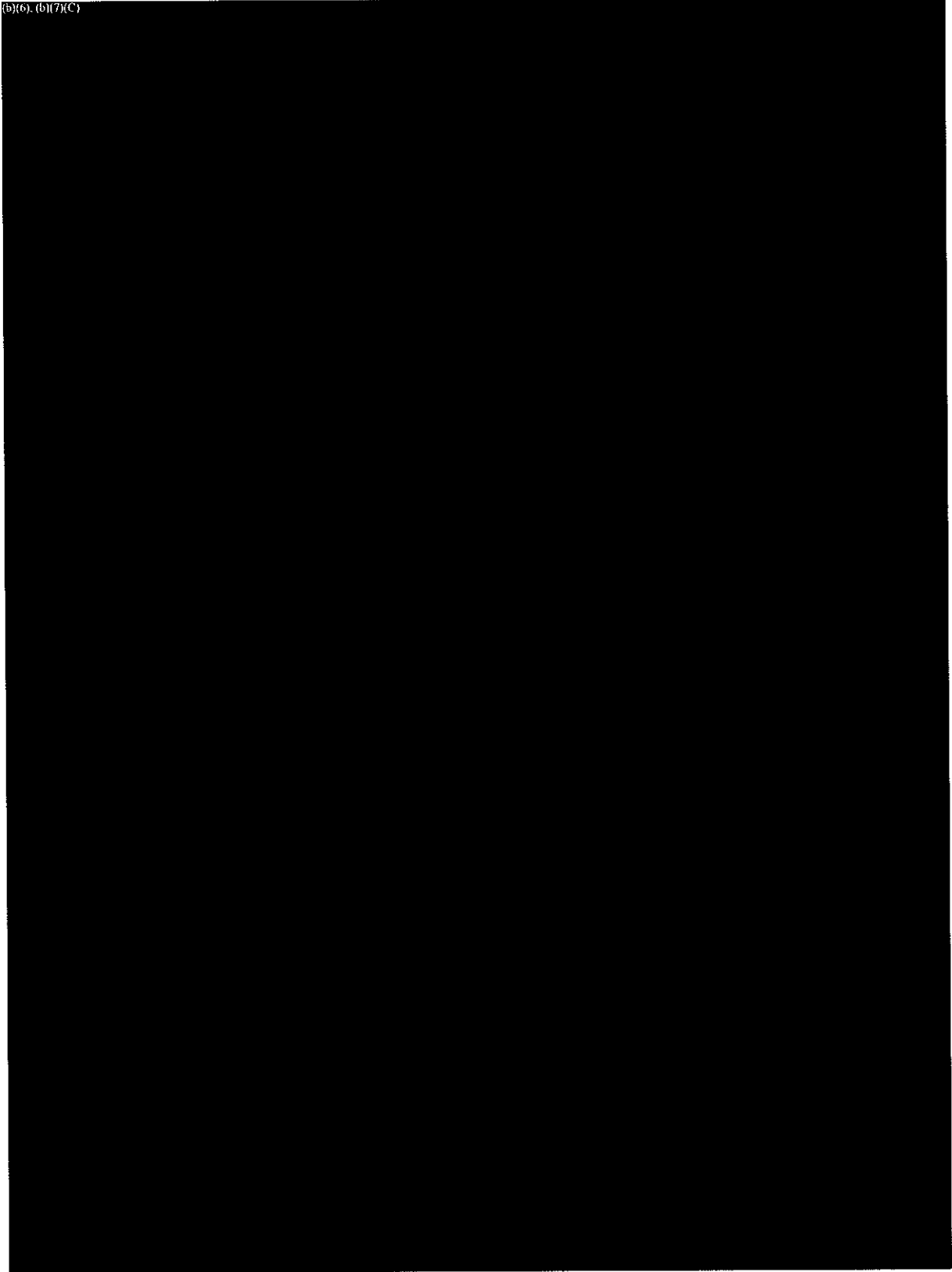
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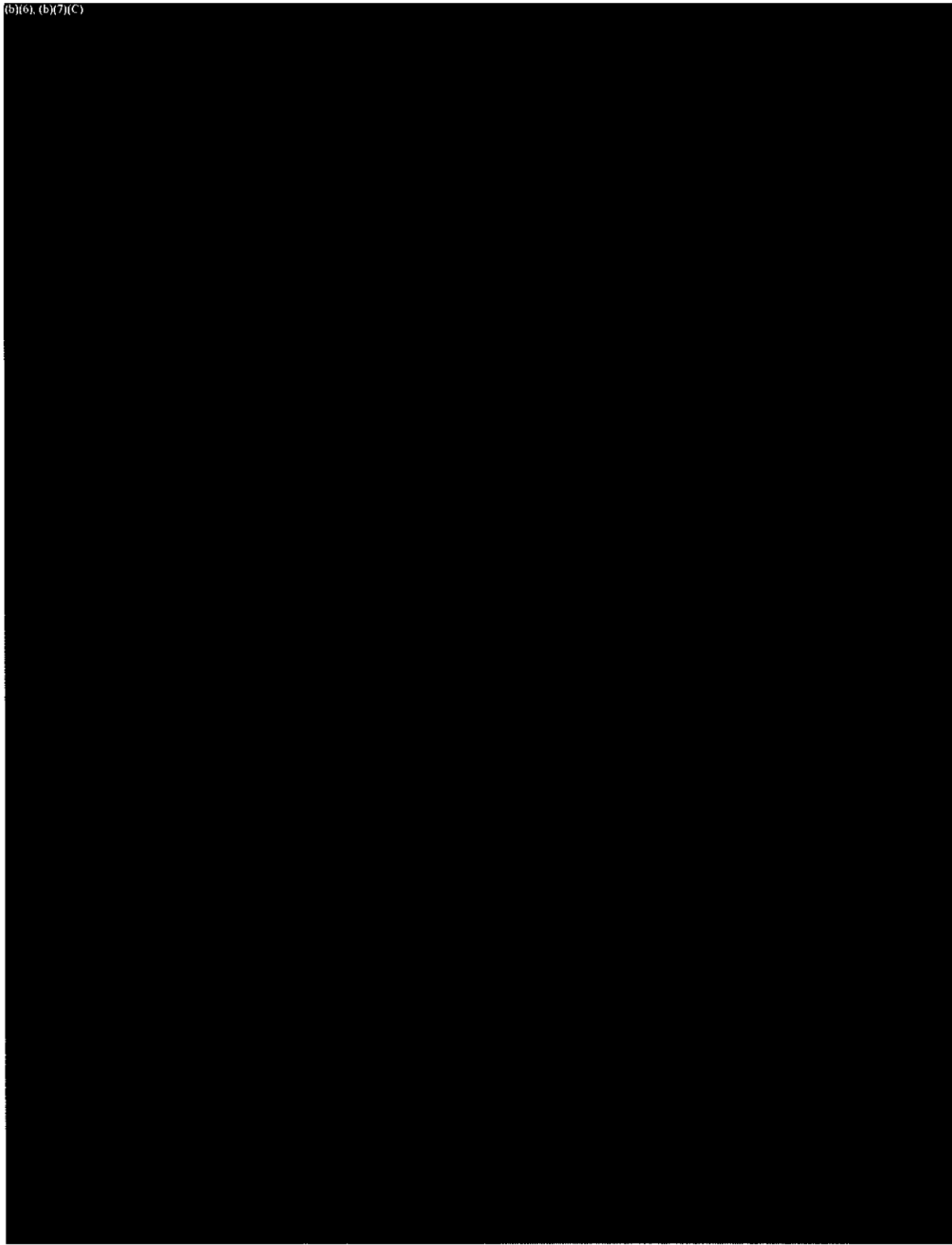
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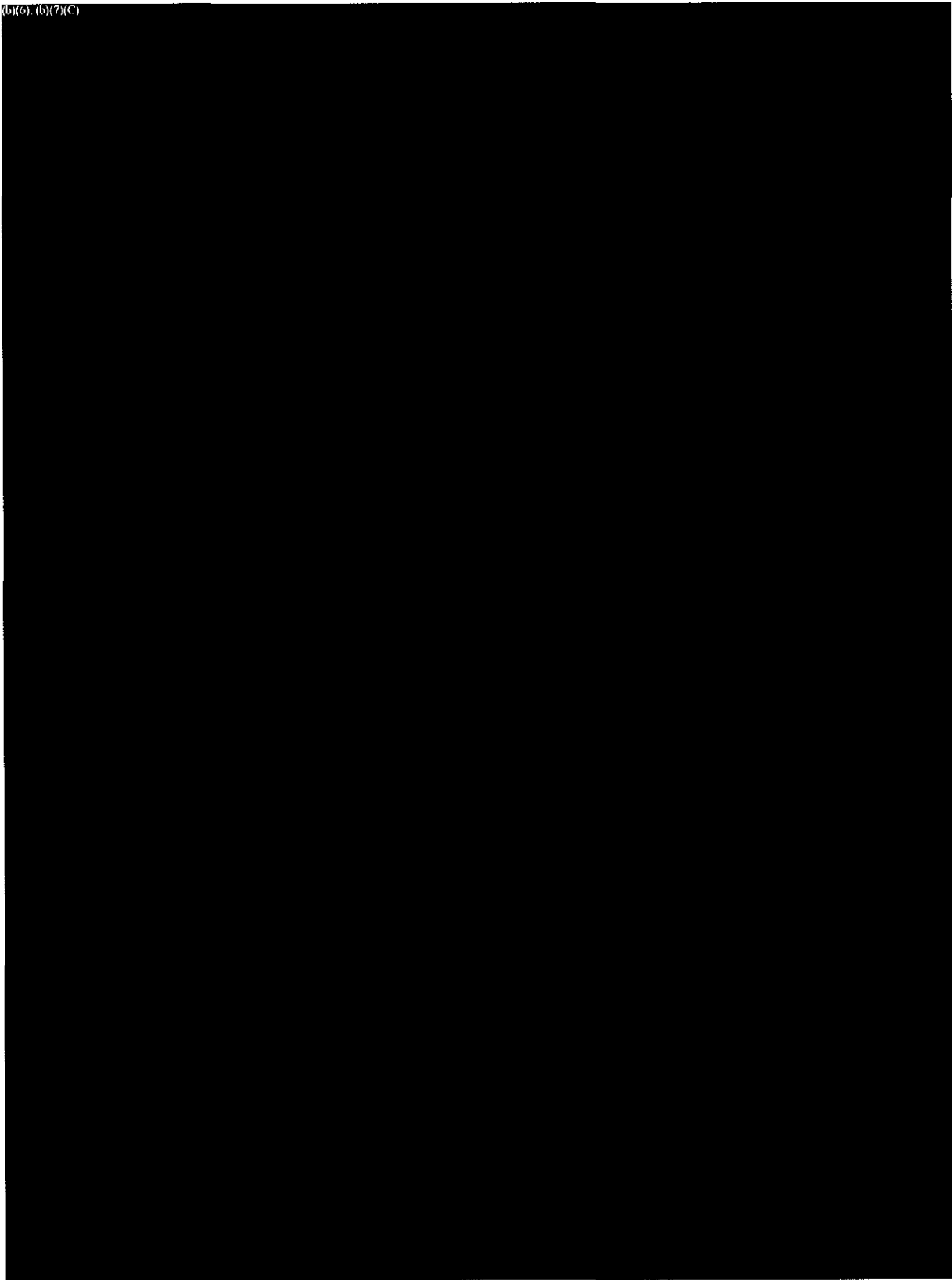
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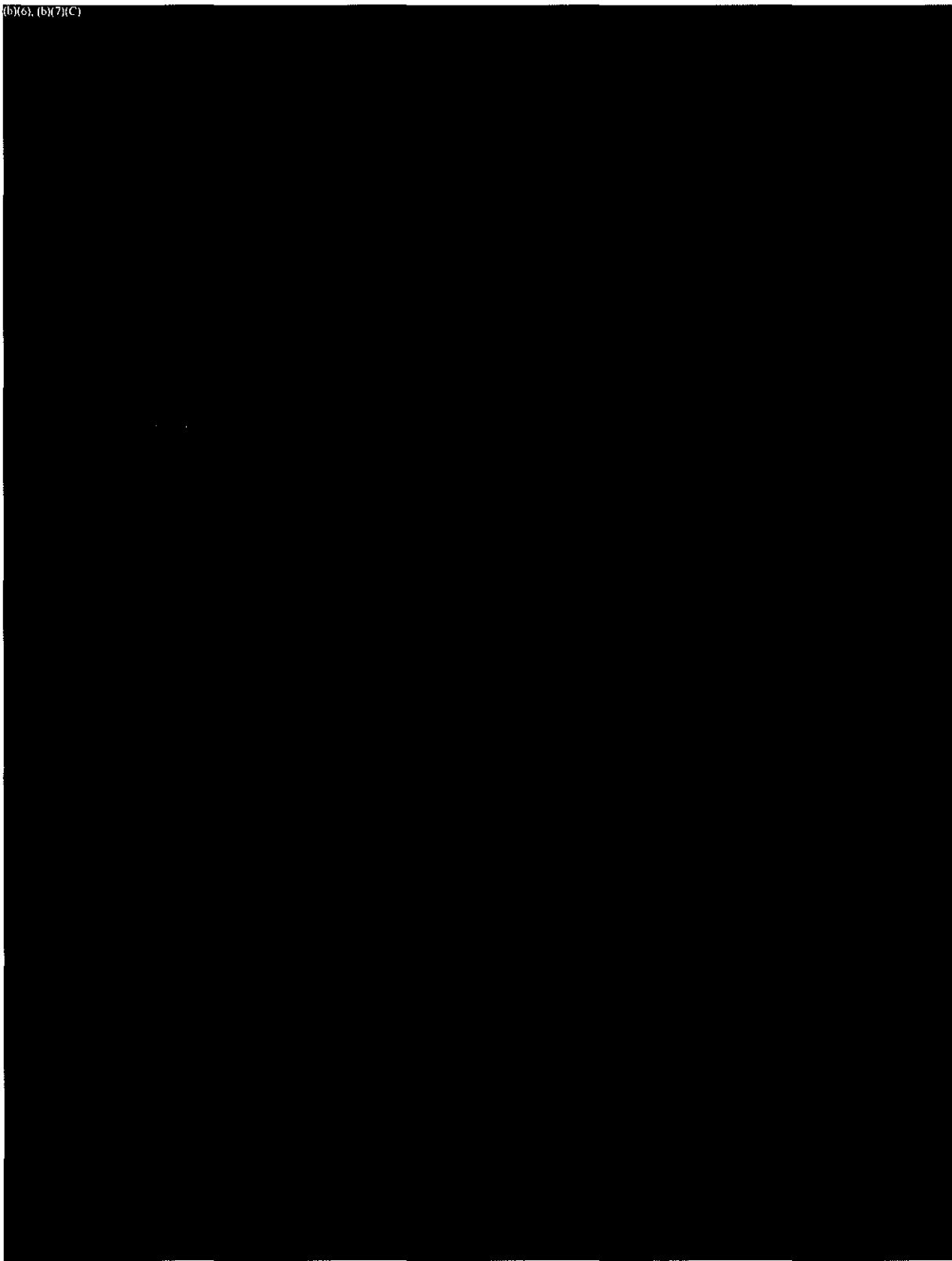
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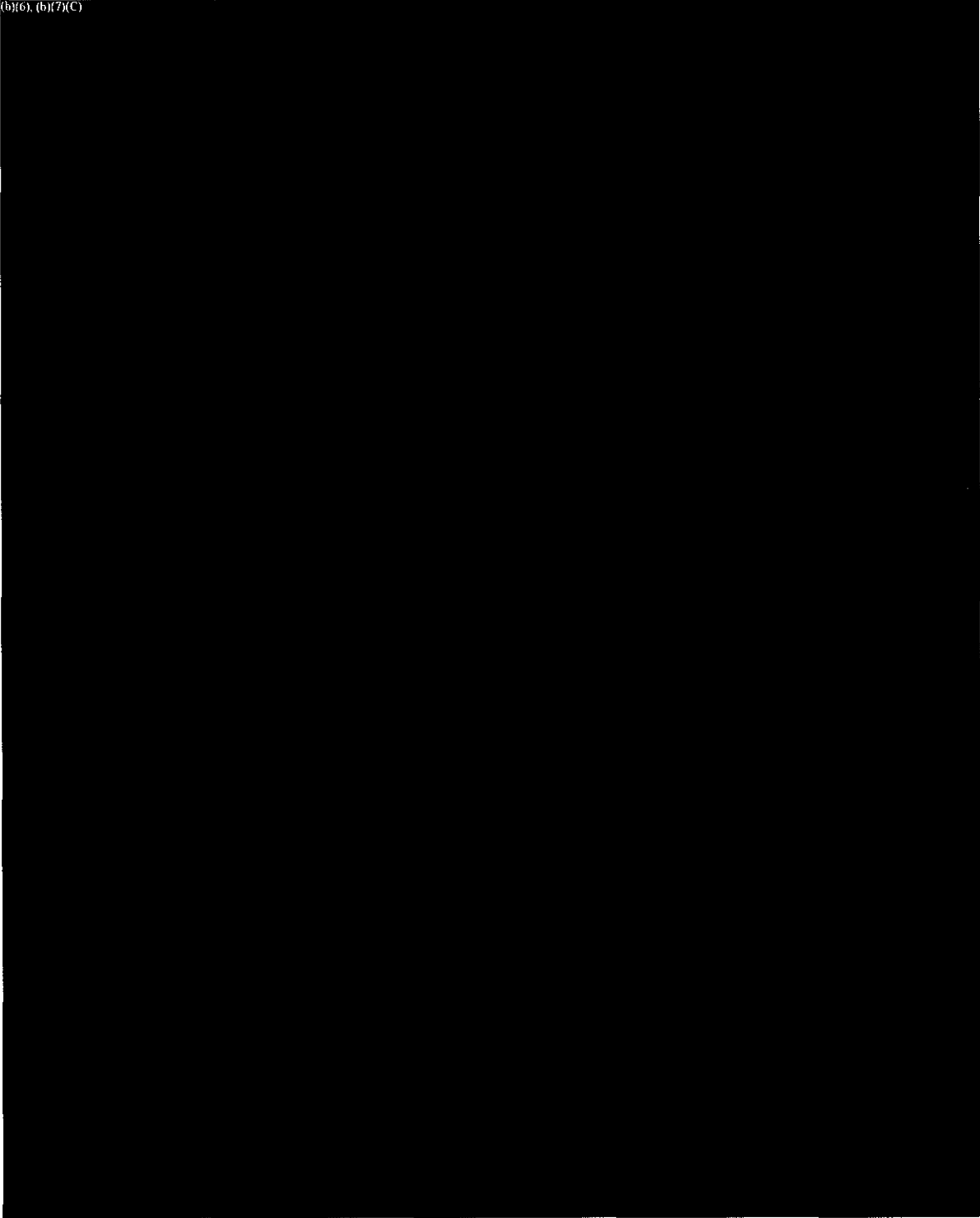
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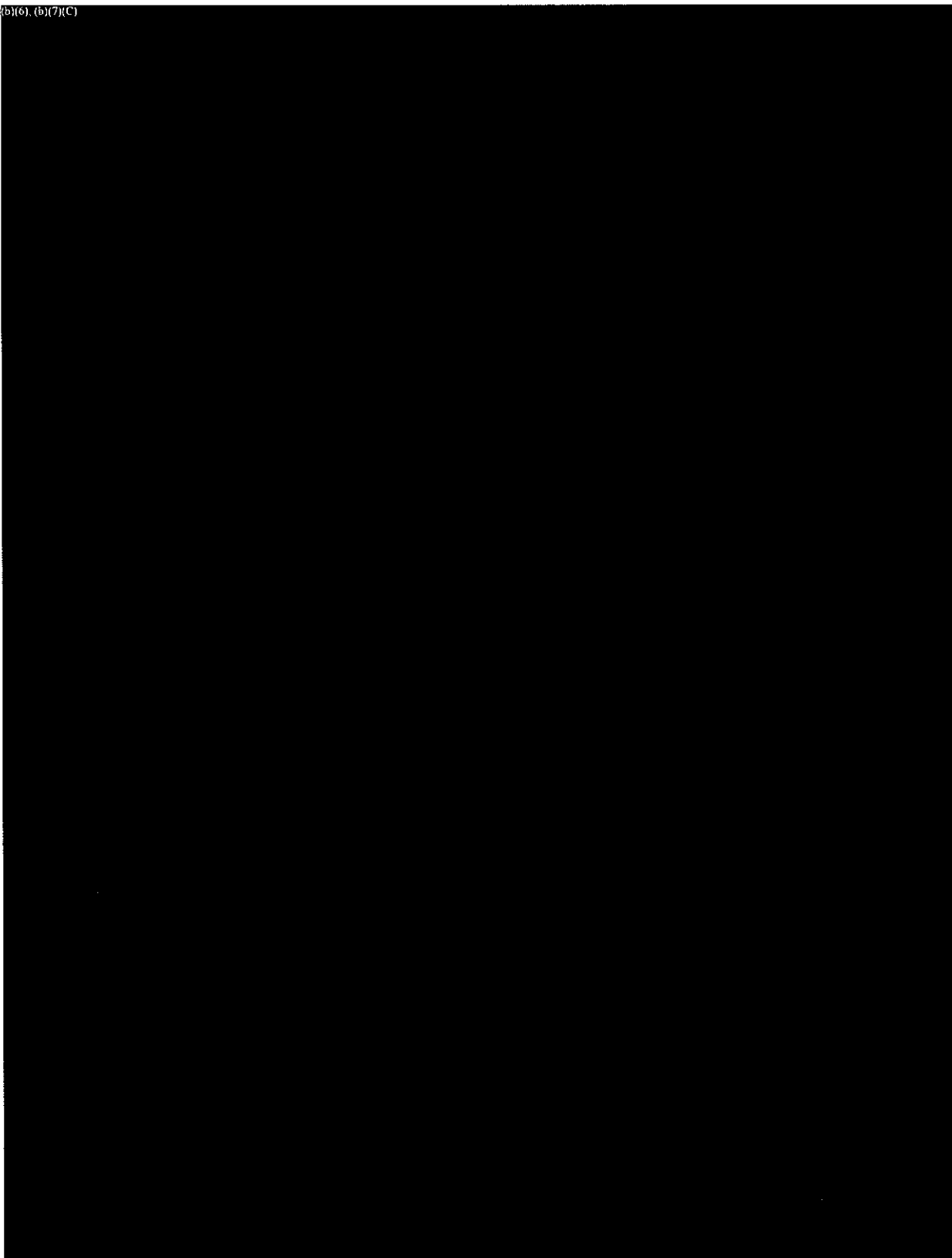
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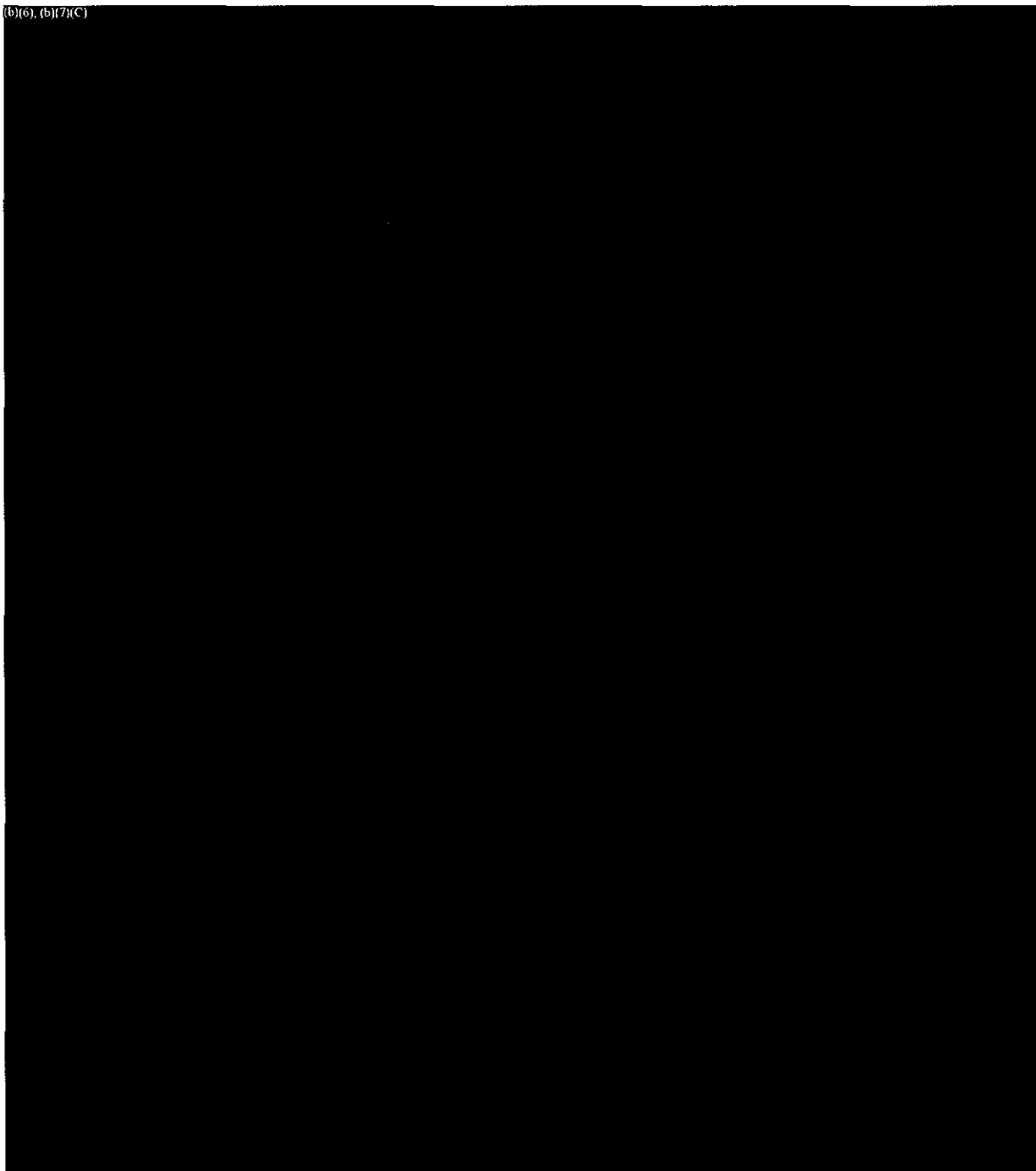
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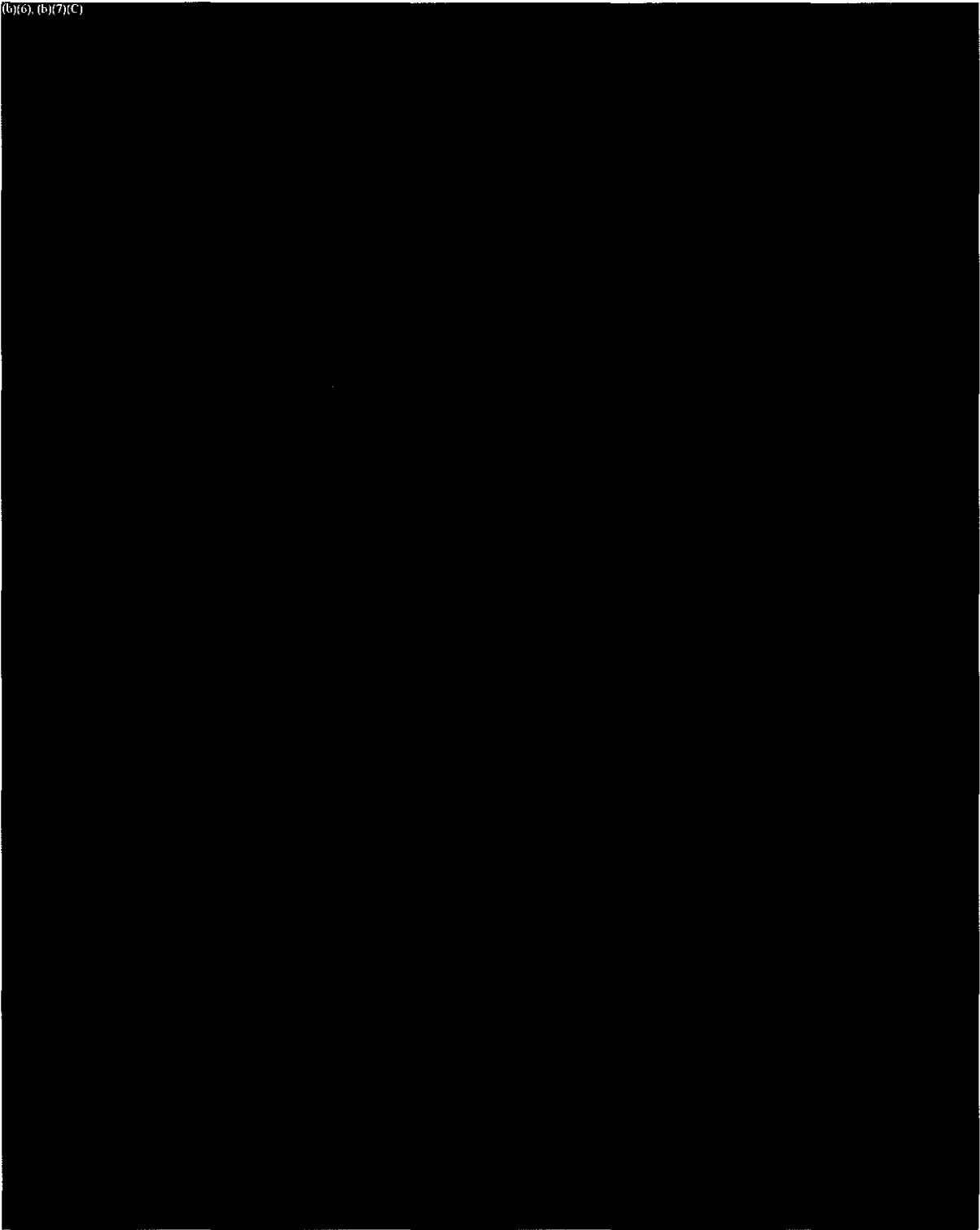
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(b)(6), (b)(7)(C)



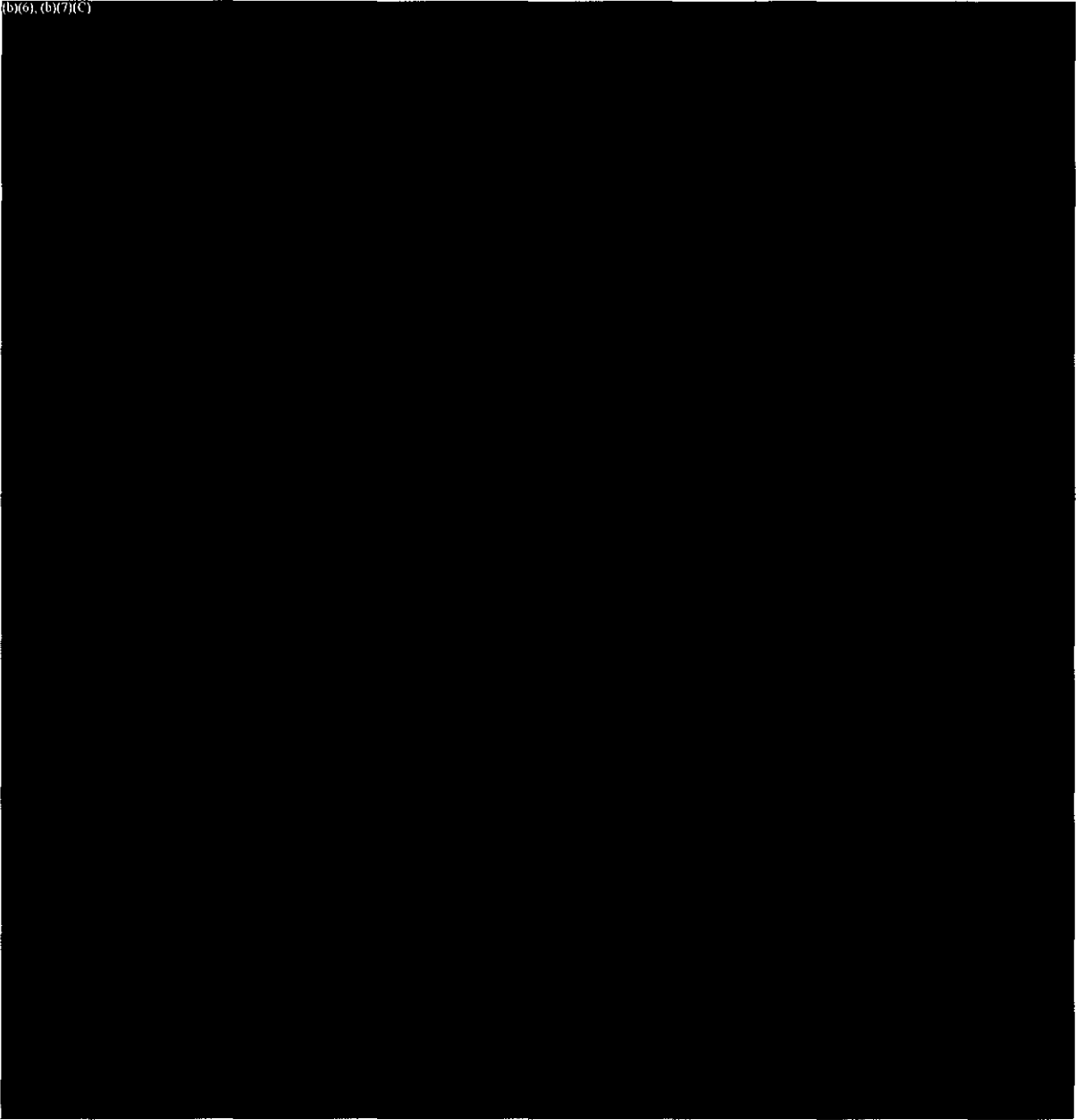
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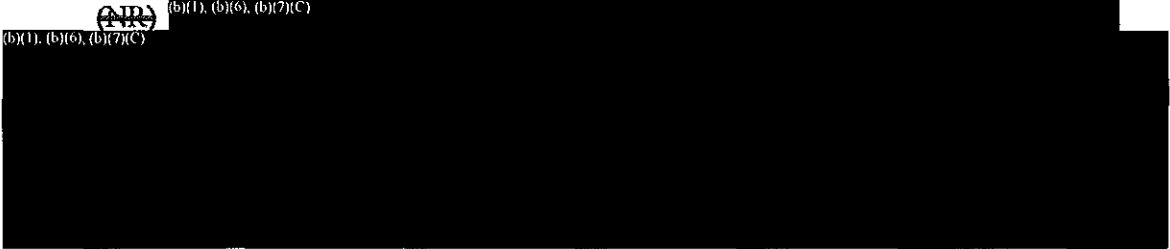
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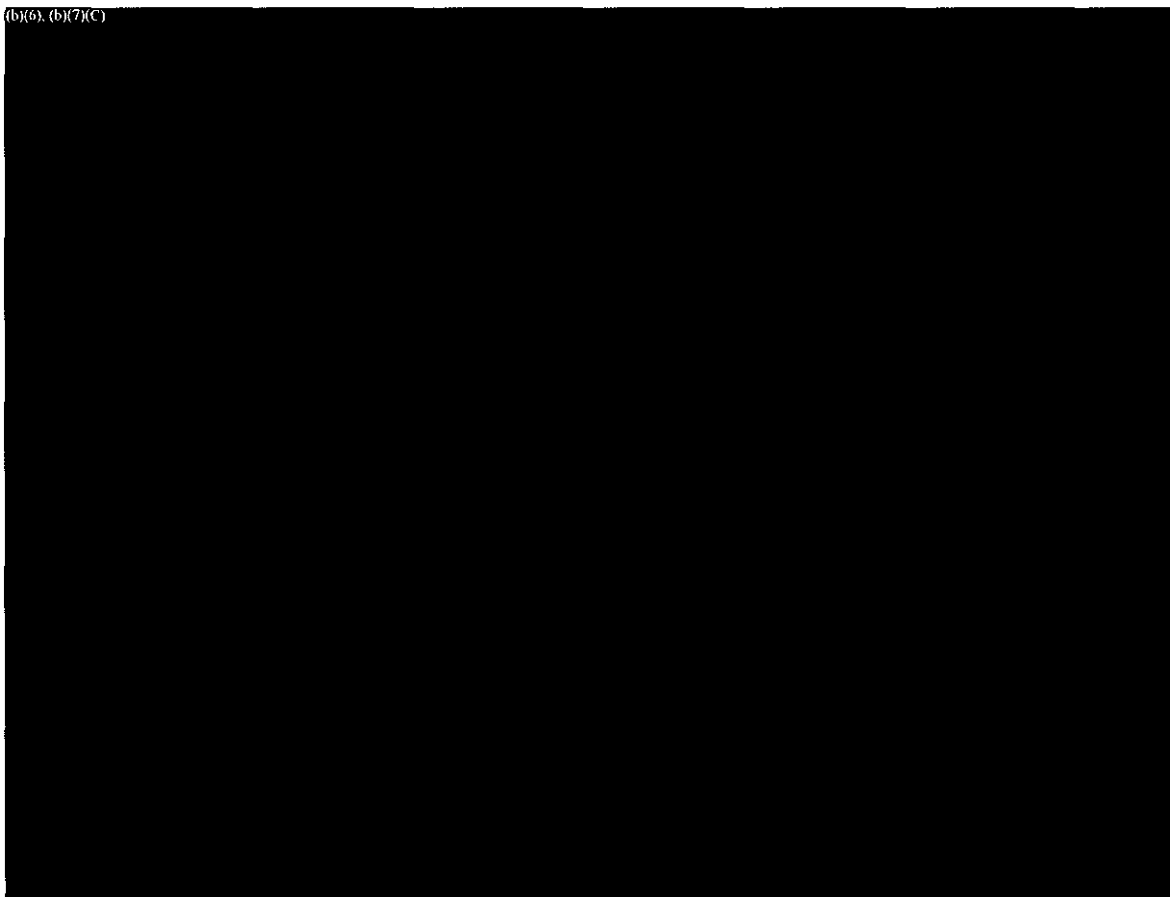
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(b)(1), (b)(6), (b)(7)(C)



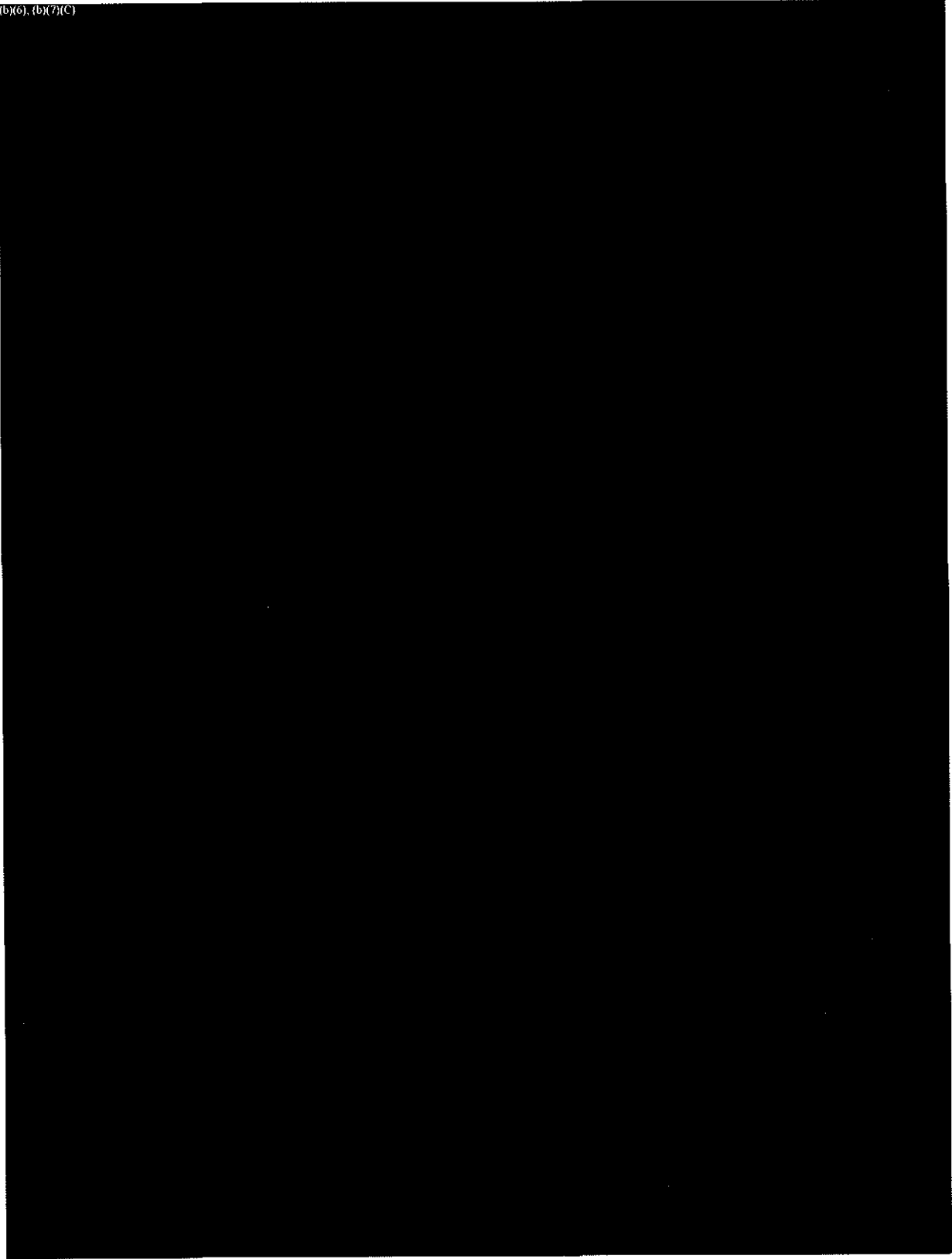
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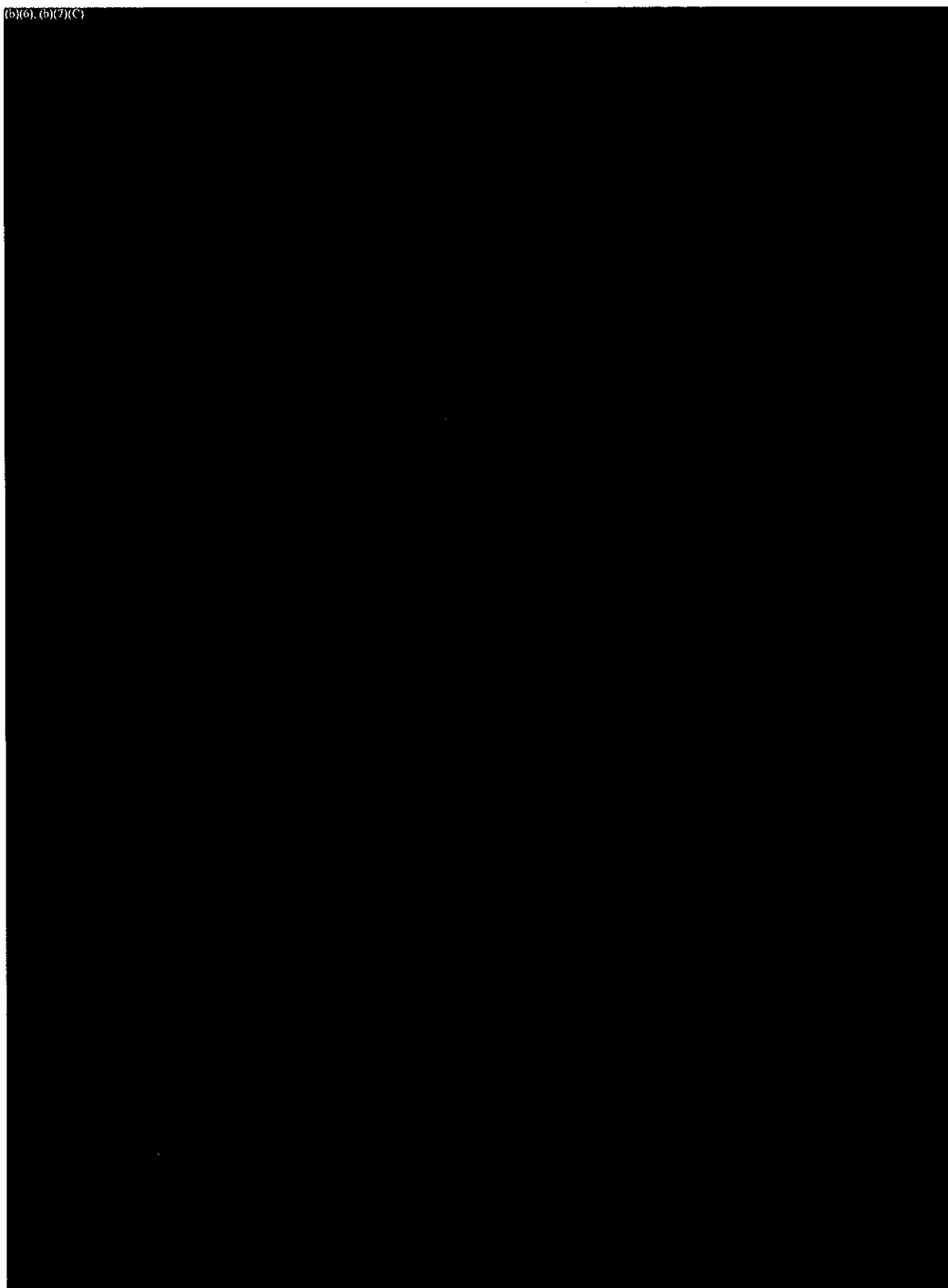
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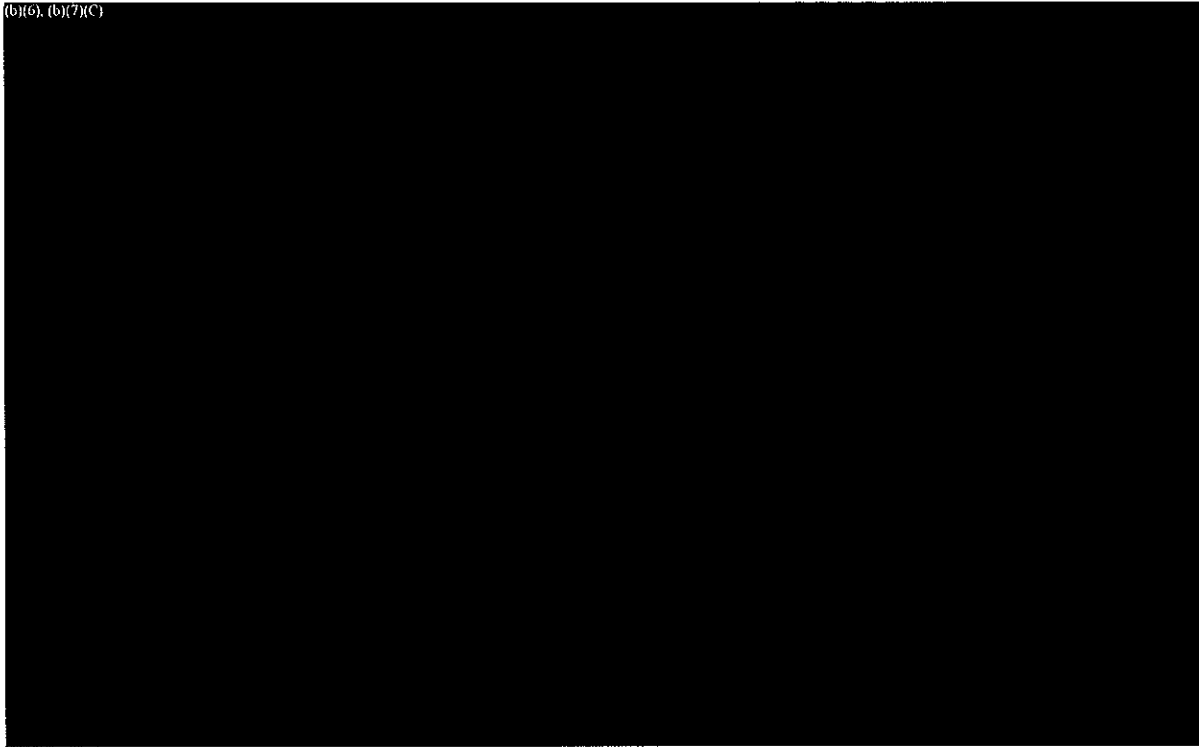
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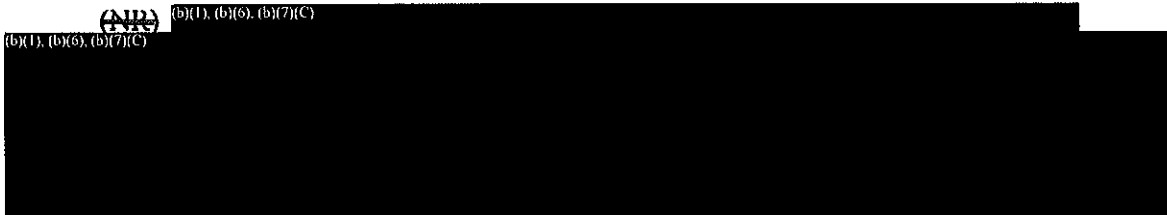
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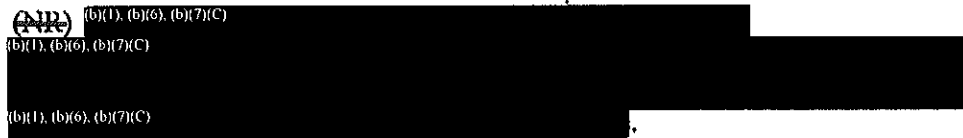
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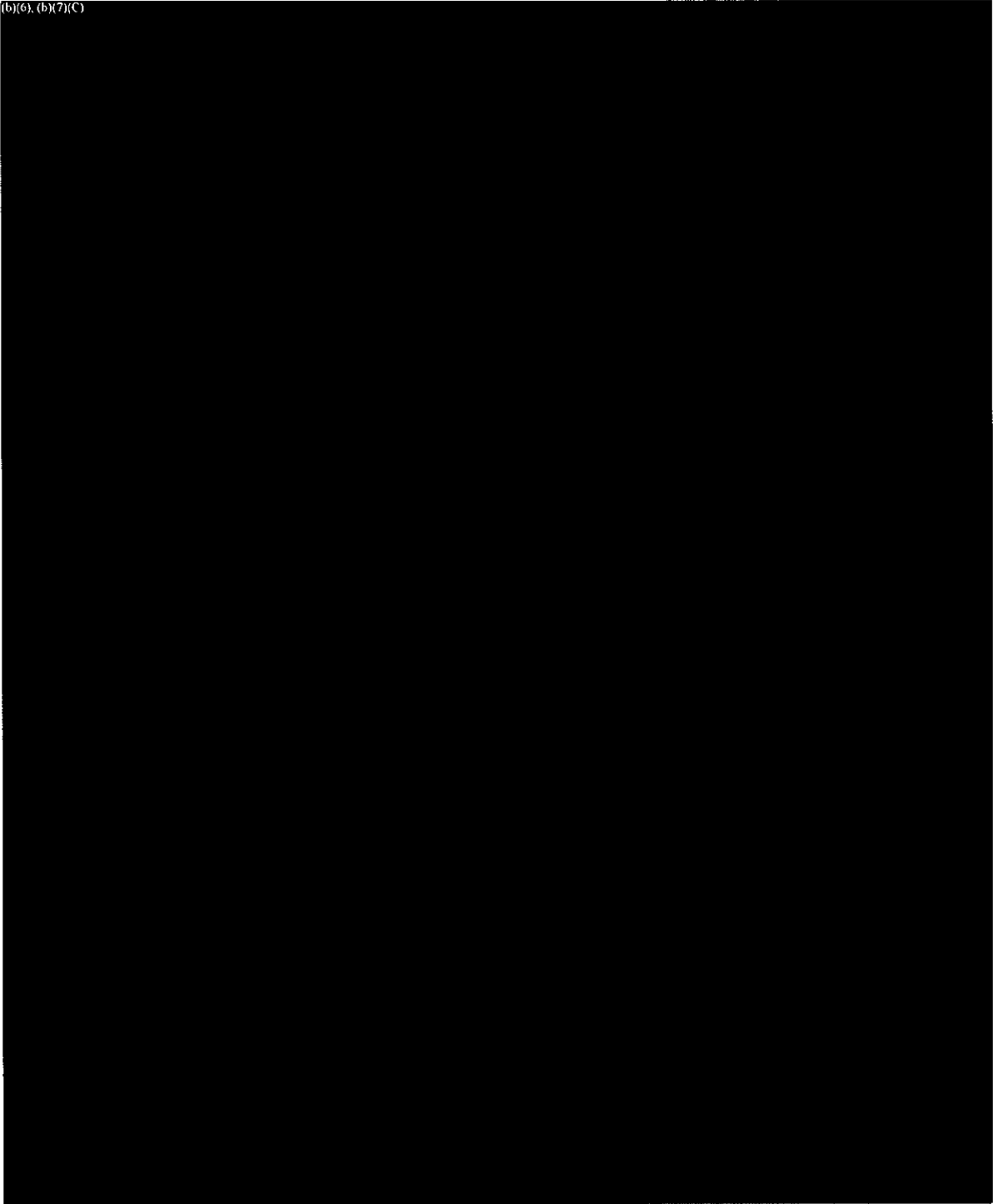


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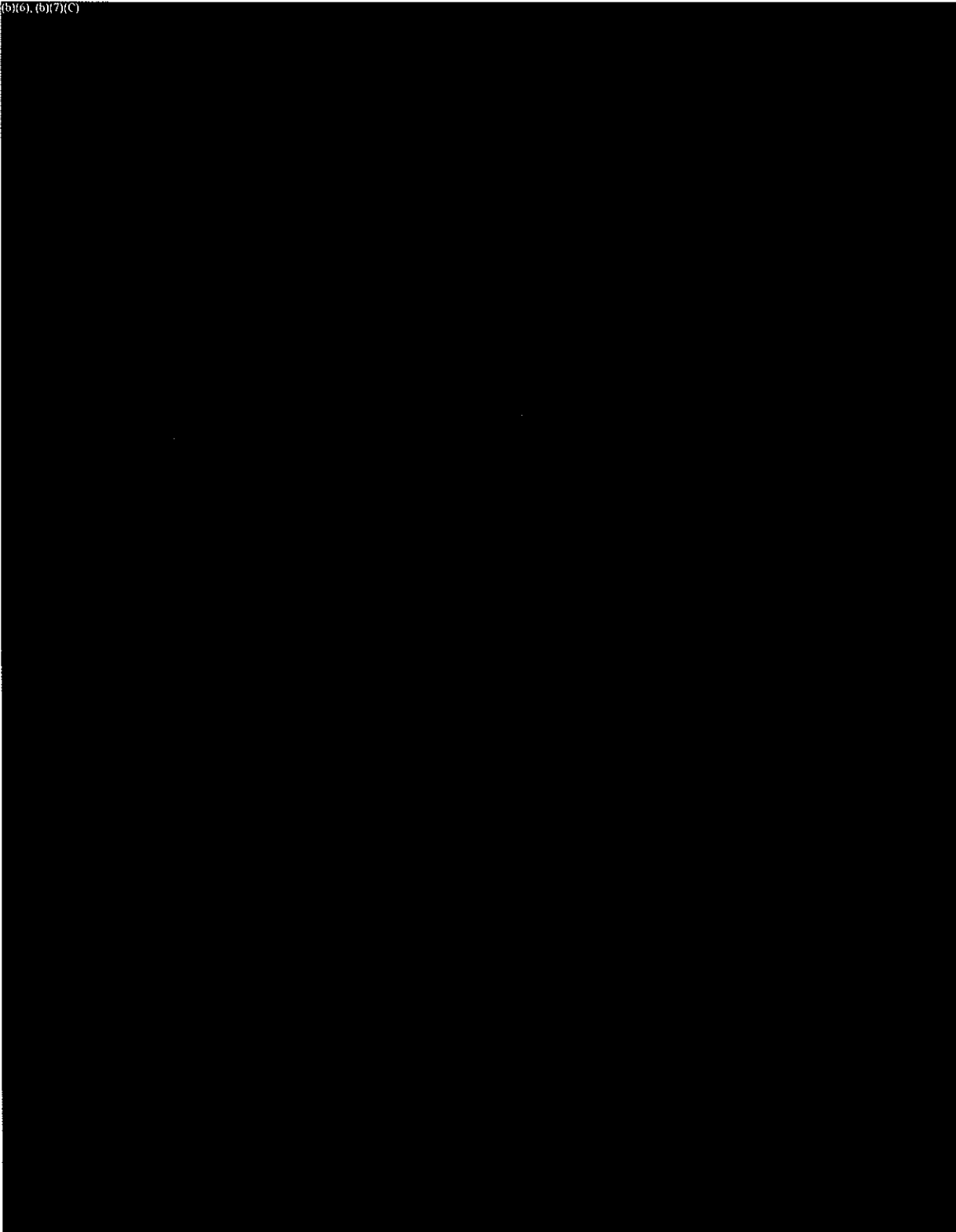


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(b)(1), (b)(6), (b)(7)(C)

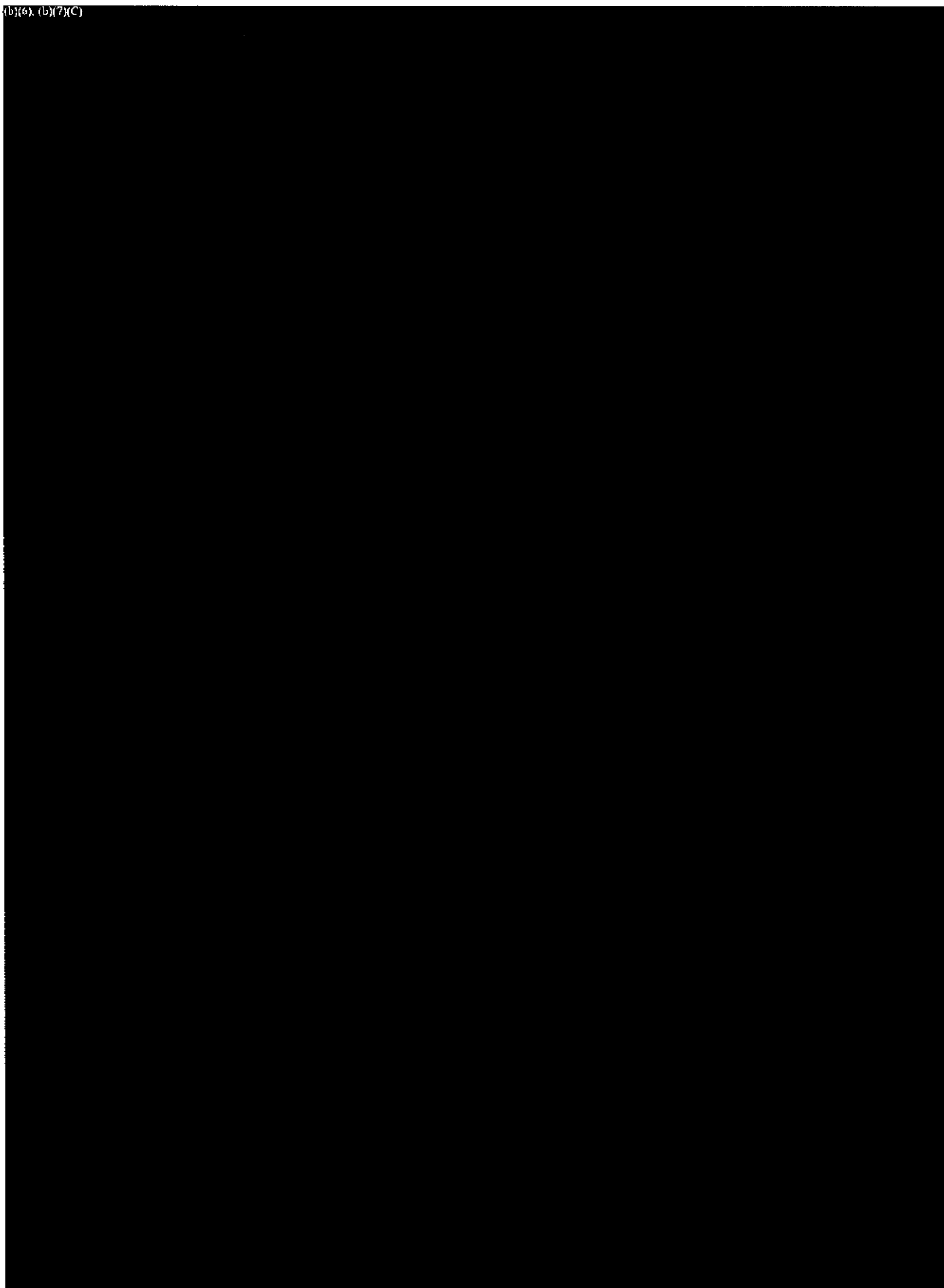
(b)(6), (b)(7)(C)



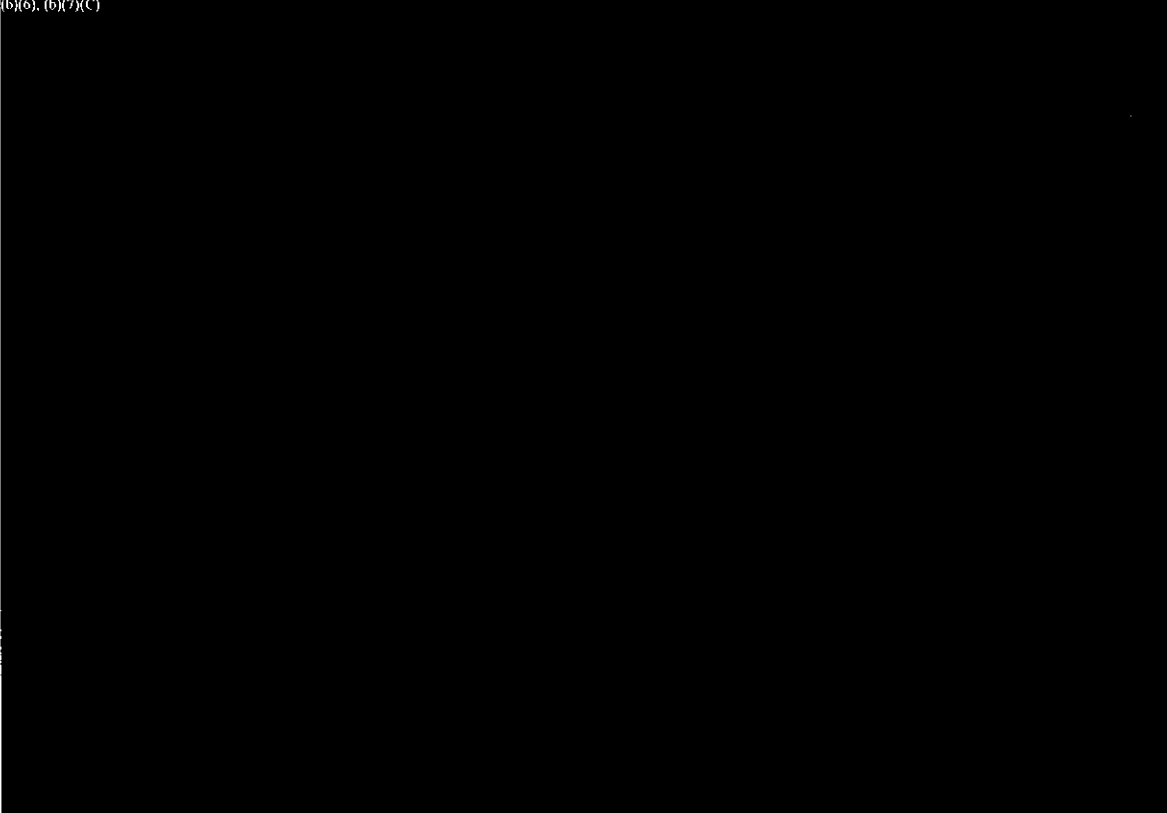
(b)(6), (b)(7)(C)



(b)(6), (b)(7)(C)



(b)(6), (b)(7)(C)



V. CONCLUSIONS

A. Maj Gen Schmidt did not (b)(6), (b)(7)(C)

B. Maj Gen Schmidt misused resources.

C. Maj Gen Schmidt did not (b)(6), (b)(7)(C)

D. Maj Gen Schmidt did not (b)(6), (b)(7)(C)

VI. RECOMMENDATIONS

We recommend the Secretary of the Air Force consider appropriate action with regard to Maj Gen Schmidt.

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Inspector General
Department of Defense

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