



# Department of Defense

## DIRECTIVE

NUMBER 7050.4

October 21, 2004

*Certified Current as of October 18, 2006*

IG DoD

SUBJECT: Awards for Cost Savings Resulting from the Disclosure of Fraud, Waste, or Mismanagement

- References:
- (a) DoD Directive 7050.4, "Awards for Cost Savings Resulting from the Disclosure of Fraud, Waste, or Mismanagement," September 7, 1984 (hereby canceled)
  - (b) DoD Directive 5106.01, "Inspector General of the Department of Defense," April 13, 2006
  - (c) Sections 4511-4513 of title 5, United States Code, "Awards for Cost Savings Disclosures"
  - (d) DoD 1400.25-M, Subchapter 451, "Awards," December 1996
  - (e) Appendix, Section 7 of title 5, United States Code
  - (f) Section 2105 of title 5, United States Code

### 1. REISSUANCE AND PURPOSE

This Directive reissues reference (a) under the authority of references (b) and (c) and updates the Inspector General of the Department of Defense (IG DoD) program for granting cash awards to DoD civilian employees whose disclosure of fraud, waste, or mismanagement to the Office of the IG DoD (OIG DoD) results in cost savings to the Department of Defense. It also provides a mechanism for the IG DoD to nominate employees to the Director, Office of Personnel Management, for Presidential awards for such disclosures that result in substantial savings.

### 2. APPLICABILITY AND SCOPE

2.1. This Directive applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the Department of Defense (hereafter referred to collectively as "the DoD Components").

2.2. This Directive covers DoD civilian employees, either individually or in groups.

2.3. This Directive does not apply to cash awards made under the DoD Incentive Awards Program covered by subchapter 451 of DoD 1400.25-M (reference (d)); and, dual awards shall not be made.

2.4. This Directive does not apply to auditors, investigators, and others whose duties include the discovery and disclosure of fraud, waste, and mismanagement, unless the disclosure relates to a matter that is not within their official responsibilities.

2.5. This Directive does not apply to members of the Uniformed Services.

### 3. DEFINITIONS

The terms used in this Directive are defined in enclosure 1.

### 4. POLICY

It is DoD policy that:

4.1. Employees shall be encouraged to participate in improving DoD operations by recognizing and rewarding, individually or in groups, those whose disclosures of suspected fraud, waste, or mismanagement result in savings to the Department of Defense. To be eligible for an award, the individual must be employed by the Department of Defense when making the disclosure.

4.2. Awards shall be made under this cash award program for fraud, waste, or mismanagement reported directly to the OIG DoD. This program supplements existing DoD award programs by providing a way for employees to be recognized and rewarded for their disclosures made to the OIG DoD.

4.3. An individual or a group may be recognized. If a group is involved, the award may be in equal or unequal shares, depending on the nature of the individual contributions.

4.4. The identity of any employee who receives a cash award under this Directive shall remain confidential at the employee's request in accordance with appendix, Section 7 of title 5, United States Code (reference (e)).

4.5. The amount of an award by the IG DoD may not exceed \$10,000, or an amount equal to one percent of the total DoD cost savings that are determined to be the total savings attributable to the DoD employee's disclosure, whichever is less. The cost savings projected for later fiscal years may be taken into account when estimating the amount of the award. The cost savings projected for later fiscal years shall be limited to the Five-Year Defense Program period, or the average annual net savings over a clearly predictable period (reference (d)), whichever is less when computing the amount of an award.

4.6. Acceptance of a cash award constitutes an agreement that the Government's use of an idea, a method, or a device for which the award is made may not form the basis of any further claim against the Department of Defense by the employee, or his or her heirs or assigns.

4.7. Final approval of an award is solely within the discretion of the IG DoD, and may not be delegated.

## 5. RESPONSIBILITIES

The Inspector General of the Department of Defense shall:

5.1. Establish policy and implement the cash award program.

5.2. Encourage the application of constructive ideas received through the cash award program in the Department of Defense.

5.3. Review, evaluate, approve, or disapprove nominations for awards not exceeding \$10,000. Refer nominations with potential application to other Federal agencies as appropriate.

5.4. Evaluate and recommend employees for Presidential awards for cost-savings disclosures. The President may pay a cash award, but may not exceed 50 such awards during any fiscal year, of \$20,000 to any employee whose disclosure has resulted in substantial cost savings for the Government (reference (c)).

5.5. Protect the identities of employees requesting anonymity. This does not preclude publishing the number and amounts of such awards, the savings to the Department of Defense, and, whenever possible, a synopsis of the actions taken as a result of such disclosures. This information, except that which may be withheld under applicable statute or Executive Order, may be released within the Department of Defense and to the public to encourage other employees to disclose fraud, waste, or mismanagement.

5.6. Document the cost savings to the Department of Defense that substantiate the award decision. Then, within 30 days of the actual date of each award, submit to the Comptroller General of the United States documentation of any award made under this Directive. The documentation shall include the following:

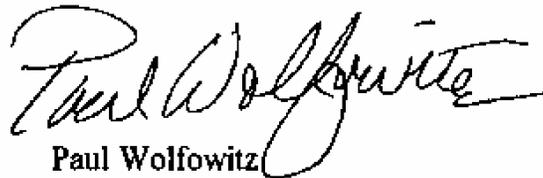
5.6.1. The amount of the award.

5.6.2. Action taken by the Department of Defense as a result of the disclosure.

5.6.3. The actual or estimated cost savings to the Department of Defense.

6. EFFECTIVE DATE

This Directive is effective immediately.

A handwritten signature in black ink, reading "Paul Wolfowitz". The signature is written in a cursive style with a long horizontal stroke at the end.

**Paul Wolfowitz**  
**Deputy Secretary of Defense**

Enclosure - 1  
E1. Definitions

E1. ENCLOSURE 1

DEFINITIONS

E1.1.1. Cost Savings

E1.1.1.1. Present tangible net benefits to the Department of Defense for which the monetary value reasonably may be established.

E1.1.1.2. Projected tangible net benefits to the Department of Defense for which the monetary value reasonably may be estimated and validated. Cost savings may result from:

E1.1.1.2.1. Reduction or avoidance of direct or recognizable costs or losses.

E1.1.1.2.2. Collection or recoupment of funds expended for:

E1.1.1.2.2.1. Government grants.

E1.1.1.2.2.2. Collective agreements.

E1.1.1.2.2.3. Contracts for property or services.

E1.1.1.2.2.4. Program expenditures, program entitlements, loans, or loan guarantees.

E1.1.2. Disclosure to Inspector General of the Department of Defense. A DoD employee's voluntary exposure of fraud, waste, or mismanagement; furnishings of information concerning such matters; and full cooperation with any investigation or other inquiry.

E1.1.3. Employee. An individual as defined in 5 U.S.C. 2105 (reference (f)).

E1.1.4. Fraud. Generally, any intentional deception of the Department of Defense (including attempts and conspiracies to affect such deception) for the purpose of inducing DoD action or reliance on that deception. (However, in the context of the False Claims Act, 31 U.S.C. Section 3729 *et seq.* and the Program Fraud Civil Remedies Act, Section 3801 *et seq.*, a *knowing* deception rather than an *intentional* deception is sufficient to trigger civil liability, where "knowing" means that the individual alleged to have committed the deception (1) had actual knowledge of the deception, (2) acted in deliberate ignorance of the truth or falsity of information material to the deception, or (3) acted in reckless disregard of the truth or falsity of information material to the deception.) Examples of fraudulent activity include but are not limited to the offer, payment, or acceptance of bribes or gratuities; making of false statements; submission of false claims; use of false weights or measures; evasion or corruption of inspectors

and other officials; deceit either by suppression of the truth or misrepresentation of a material fact; adulteration or substitution of materials; falsification of records and books of account; arrangements for secret profits, kickbacks, or commissions; and conspiracy to use any of these devices. The term also includes cases of conflict of interest, criminal irregularities, and unauthorized disclosure of official information that are related to procurement and disposal matters.

E1.1.5. Mismanagement. The management of resources or programs within one's assigned responsibilities that create or perpetuate waste, or contribute to acts of fraud.

E1.1.6. Waste. The extravagant, careless, or needless expenditure of DoD funds; or the consumption of DoD property that results from deficient practices, systems, controls, or decisions. The term also includes improper practices not involving prosecutable fraud.