



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

August 7, 2014

Mr. Nidal Z. Zayed
President and Chief Executive Officer
Pernix-Serka
151 East 22nd Street
Lombard, IL 60148

Dear Mr. Zayed:

There have been several recent articles written about the use of confidentiality and/or nondisclosure agreements by government contractors and grantees that limit or prohibit employees from reporting fraud, waste, or abuse to federal authorities. I am deeply concerned about the use of such agreements because of their potential to discourage whistleblowers, who have historically provided the Office of Inspector General with valuable information resulting in numerous substantiated fraud investigations. Moreover, federal law, including subpart 3.9 of the Federal Acquisition Regulation, prohibits reprisal against employees of federal contractors, subcontractors, and grantees who report fraud or other wrongdoing to a recipient, such as an Inspector General, authorized to receive such information.

Therefore, I am initiating an inquiry of the companies with the largest dollar volume of Department of State contract awards to determine whether they require their employees to sign such agreements. To aid in this inquiry, I would appreciate your response to the following questions and requests:

- (1) Has any employee or outside consultant or advisor acting on behalf of your company asked any current or former employees who perform or performed work under any State Department contract, cooperative agreement, grant, or other instrument to sign any agreement that could be interpreted to limit or prohibit their ability to report fraud, waste, or abuse to federal officials or that requires an employee with knowledge of fraud, waste, or abuse to first contact company officials or representatives?
- (2) If so, please provide a copy of all such agreements and the number of current and former employees who have signed such agreements. Please indicate the contract(s), cooperative agreement(s), grant(s), or other instruments under which each employee performed work.
- (3) Has your company ever attempted to enforce provisions of such agreements or taken disciplinary or other adverse action against any current or former employees who reported or attempted to report fraud, waste, or abuse to a federal official?

- (4) Does your company utilize a standard employee or consultant contract or an employee handbook? If so, please provide a copy of the current version(s) and any version(s) used over the past two years.
- (5) Does your company have a corporate policy that encourages employees to report knowledge of fraud, waste, or abuse; provides appropriate avenues to report such knowledge; and prohibits retaliation against any employee who does so? If so, please provide documentation of such policies, when they were enacted, and if they have been changed during the past two years.

Please provide the information listed above by September 5, 2014. When preparing your responses, please be sure to rewrite the question and then set forth your response.

Should you have any questions about this request, please contact Jeffrey McDermott, Senior Investigative Counsel, at (202) 663-0366.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Steve Linick".

Steve A. Linick
Inspector General