The Department of Justice Office of the Inspector General (OIG) released a review of the Drug Enforcement Administration's (DEA) use of Kenneth "Wayne" McLeod, a Florida-based financial planner, to provide retirement and financial planning seminars to its employees. McLeod committed suicide in June 2010 after admitting to Securities and Exchange Commission (SEC) investigators that a purported bond fund he operated, the FEBG Bond Fund, was a Ponzi scheme. The OIG's report details a series of shortcomings by the DEA, including that it:

- Failed to adequately vet McLeod's credentials and qualifications before allowing him to teach seminars in DEA facilities;
- Allowed McLeod to promote his businesses to DEA employees in violation of federal regulations and Office of Personnel Management (OPM) guidance;
- Permitted DEA field divisions to use unapproved vendors; and
- Allowed McLeod's financial contributions to the DEA Survivors Benefit Fund (SBF) to influence his use as an instructor.

Approximately 130 individuals invested over $30 million in the FEBG Bond Fund. The OIG determined that more than half of the investors were current or former DEA employees or individuals with a nexus to the DEA, such as those who learned about McLeod while assigned to a DEA Task Force or through a family member or friend who attended a DEA-sponsored seminar. McLeod deposited monies that he received from investors into his business and personal bank accounts and used it for other purposes, including to provide all-expenses-paid trips to the Super Bowl for his friends and clients, pay existing FEBG Bond Fund investors, and make large donations to the non-profit DEA SBF.

The OIG's review focused on the DEA's use of McLeod to provide seminars between 1988 and 2010. The OIG determined that beginning in the late 1980s the DEA hired McLeod to give at least 130 seminars to DEA employees during this time period, including seminars at the DEA Training Academy from 2002 to 2005. In approximately 2003, some DEA personnel began to raise questions about the quality of the investment advice provided by McLeod during seminars. In early 2005, the Special Agent in Charge (SAC) of the DEA Training Academy discontinued using McLeod as an instructor, and later removed him from the list of approved instructors in January 2006. The OIG was unable to determine whether the SAC informed senior DEA officials about the basis for removing McLeod. McLeod's DEA seminar business nonetheless declined substantially in 2006 and 2007, but he resumed giving seminars at the DEA in 2008, including at a November 2008 senior management conference. In late 2008 and 2009, McLeod made large donations to the DEA SBF, despite significant financial difficulties.

The report issued today found that the following factors facilitated McLeod's access to DEA personnel:

- McLeod frequently made false claims about his educational degrees and certifications during his seminars. The report concluded that any steps taken to vet McLeod were insufficient, and that the DEA should have taken additional measures such as requesting a written description of McLeod's academic and professional qualifications, checking on any relevant claimed professional certifications, or performing a credit check on him. However, the OIG also identified several mitigating facts, including that McLeod had legitimate brokerage and financial adviser licenses, had built a reputation among agents for being able to answer complex questions about retirement benefits, and was used by numerous other government agencies to provide retirement benefits and financial planning training over many years.

- DEA officials permitted McLeod to promote himself and his businesses during seminars, and gave McLeod substantial access to its personnel and facilities, including the use of DEA conference rooms and management offices to meet with prospective clients after some seminars. The report concludes that these actions violated regulations prohibiting the use of government facilities to promote private business and OPM guidance for conducting financial seminars.
- The DEA allowed field divisions to utilize outside vendors who are not on the approved adjunct instructor list at the DEA Training Academy. The report concludes that this limited the ability of the DEA Training Academy to prevent field divisions from using McLeod after his removal from that list in 2005.
- The OIG determined that contributions to the DEA SBF were part of McLeod's marketing strategy. McLeod used contributions to the DEA SBF to maintain his connections to DEA officials and create the image that he was the "DEA's retirement guy." While the report found no direct link between McLeod's contributions to the DEA SBF and decisions to hire him for particular seminars, witnesses told us that McLeod's contributions led agents to view him favorably and gave him an air of credibility. The OIG report concludes that this enhanced McLeod's ability to gain and maintain access to the DEA in a form of what is commonly known as "affinity fraud."

The report concludes that several warning signs about McLeod were not widely communicated or were insufficient to raise questions about his honesty, and thus no DEA officials clearly erred in failing to act to restrict his access to DEA employees. However, the report does detail ethics violations by a number of DEA employees who attended Super Bowls with McLeod, participated in selecting McLeod to provide seminars while maintaining a business relationship with him, and solicited McLeod for contributions to the DEA SBF.

The OIG report recommends that the DEA implement improved vetting for financial education instructors, finalize DEA "ground rules" for classes by financial planners, and conduct a review of the its relationship with the DEA SBF. The DEA stated in its response to the report that it concurred with these recommendations.

The report released publicly today includes information that has been redacted to address privacy concerns. The full report, without redactions, has been provided to the DEA.

The redacted version of the report released today, including an executive summary outlining our findings, can be found at the following link:
http://www.justice.gov/oig/reports/2014/o1503.pdf.