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16 July 1943

From: Vice Chief of Naval Operations.
To : Commandants, All Naval Districts (Except Sixteenth);
Commandants, All River Commands; Headquarters, U. S.
Marine Corps; Headquarters, U. S. Coast Guard.

Subject: Procedure in Cases Involving Frauds Against the
United States Government.

References: (a) Revised Cost Inspection Manual, Administrative
Section, Page Five, Paragraph Seven.
(b) Conf. VCNO ltr. Op-16-B-3, A3-1/ND, Serial
01473416, dated June 4, 1943, same Subject.

Op-16-1

1. Attention is directed to reference (a), which pro-
vides "The Cost Inspection Division, Bureau of Supplies and Accounts,
is to be notified immediately if the cost inspector finds or has
reason to believe that payrolls have been padded
.. . . . or that there is any other evidence of dis-
honesty or fraud in connection with any transaction."

Op-16-1-B

Op-16-B

2. Reference (b) is not to be construed as affecting
or altering this or any other established procedure for the dis-
semination of information within the naval establishment. It was
designed only to authorize investigations by the Naval Intelligence
Service in war fraud cases in which naval personnel are involved
and to establish a uniform procedure for the referring of such
cases to the Department of Justice.

Op-16-B-7-A

Op-16-B-3

3. It is presumed that reference (b) will ultimately
prevent extensive investigations of naval personnel by other govern-
mental agencies and will enable the Navy Department to take appro-
priate administrative action before the institution of criminal or
otherwise public proceedings in which naval personnel might be
implicated.

4. Since, under reference (a), cost inspectors are not
required to advise either their respective district Commandants or
District Intelligence Officers of fraudulent activities which may
come to their attention, an amendment is now being considered by the
Bureau of Supplies and Accounts which will provide a more ef-
fective coordination of the Cost Inspection Service into the pur-
poses and procedure contemplated in reference (b).

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5. Pending such amendment, however, temporary arrangements might be effected with the District Supervisory Cost Inspectors whereby the advantages of such coordination might be secured without further delay.

H. C. Train,
By direction.

Copy to:
Under SecNav (PLD)
BuSanda
OP&M

Dictated: July 10, 1943.
Dictated by: Lieut. Boland, USNR.
Typed by: Wade, Y3c.

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