

Special Projects [UNT Federal Investigation](#)

Contract under scrutiny

Probe shows UNT paid Pentagon official \$310,000; no work performed

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Matthew Zabel // Denton Record-Chronicle

EDITOR'S NOTE: *This is the first of two stories on a federal investigation at the University of North Texas.*

The University of North Texas paid a \$310,000 salary last year under a fraudulent contract to a Pentagon official who never performed any work for the university, an open-records investigation has found.



Officials at UNT and the Pentagon signed the one-year contract in November 2004 with retired Brig. Gen. Klaus Schafer, then a top adviser in chemical and biological defense for the U.S. Defense Department.

But the contract was backdated to place him on the UNT payroll four months earlier as an executive assistant to the vice president for research, according to university records the Denton Record-Chronicle obtained through open records requests.

Klaus Schafer The contract between UNT and the Defense Department specified that Schafer would “be returned” to UNT after the Pentagon job was complete.

UNT and federal investigators continue to scrutinize the federal employment contract.

The payments to Schafer have cost UNT far more than \$310,000 — the university has paid more than \$1.3 million to two law firms conducting the internal investigation that began February 2005, university officials said.

Amid that investigation, UNT asked Schafer to resign June 30, 2005 — the day his contract expired and before he ever worked at the university. It is unclear when he left his position at the Pentagon.

Schafer, reached at his home in Virginia, declined to comment.

Deborah Leliaert, a UNT spokeswoman, said UNT employees backdated the documents at the behest of Pentagon officials, who were more knowledgeable about the section of the Intergovernmental Personnel Act of 1970, or IPA, that allowed for the contract.

The law allows employees of a state or local government, university or Indian tribe to be appointed to a short-term federal position, or vice-versa, as long as there is a “sound public interest,” said Cheryl Irwin, spokeswoman for the Defense Department, who would respond to questions only via e-mail.

UNT has used several IPA agreements in recent years.

Leliaert said the ongoing investigation would not stop UNT from using IPAs in the future, but “they will receive very close scrutiny to ensure the agreements meet our obligations under the statutes and federal regulations.”

In Schafer’s case, federal officials who deal regularly with the federal program and who know the Defense Department’s internal policies were responsible for guiding UNT through forming the agreement, she said.

“The Pentagon’s IPA administrators recognized that UNT was looking to them for directions regarding the Pentagon’s particular requirements for Schafer’s IPA agreement, and provided those instructions to UNT,” Leliaert said.

Federal policies require people seeking to work under an IPA to first work at their “home institution,” which in this case was UNT, at least 90 days before they are eligible for such an appointment.

Leliaert said UNT investigators have found no evidence that Schafer obtained a waiver of that rule.

On an organizational chart of officials at the Pentagon, Schafer had two men between himself and U.S. Defense Secretary Donald Rumsfeld.

Schafer had worked for the Defense Department part-time under an IPA agreement with Johns Hopkins University since May 2002, he reported on his resume. Johns Hopkins renewed the one-year agreement in 2003, but when that agreement expired in April 2004, Johns Hopkins did not renew it.

Officials at two other universities — George Washington University and the University of North Carolina at Chapel Hill — said they discussed with Schafer the possibility of such an agreement in 2004, but simply chose not to sign one.

“Shopping around for a sponsor to keep a government position? That is highly abusive,” said Peter Leitner, a former strategic trade adviser to the defense secretary who has criticized the Defense Department’s use of the program. “If his appointment expired and his other university didn’t renew his IPA, he should be out of there.”

Leitner testified in 1999 before a congressional committee on government reform and criticized the Defense Department’s “inappropriate, possibly illegal use” of the act.

Though he didn’t know specifically of Schafer’s contract, Leitner said it seemed to violate the spirit of the law.

Those agreements are designed to foster better cooperation and the sharing of knowledge among different levels of government.

Because of the ongoing investigation, Irwin would not discuss the details of the Schafer agreement.

Glen J. Logan of the Defense Department's Inspector General's Dallas regional office in Arlington confirmed that his agency is also investigating the Schafer contract, but he would not comment on it.

UNT has paid more than \$1.3 million in fees to two law firms conducting its internal investigation, Leliaert said

The agreement

To hire Schafer, UNT created a position called "executive assistant to vice president for research."



On paper, Schafer reported to Dr. T. Lloyd Chesnut, who was at the time UNT's chief research officer. Chesnut was forced to resign last August over an alleged conflict of interest that his attorney and UNT officials have said was unrelated to the federal investigation.

Chesnut referred questions to his attorney, Mike McCue, who did not return telephone calls.

Dr. T. Lloyd Chesnut Under the agreement, the university would front the \$310,000 salary plus benefits. The Defense Department agreed to reimburse UNT \$275,373 for Schafer's salary, benefits and administrative costs, leaving UNT with \$83,142 left to pay to cover the rest of Schafer's salary and benefits.

But the Pentagon has not reimbursed UNT for any of the money, Leliaert said.

She said after the investigation is completed, university officials would decide whether to ask for reimbursement but likely not before then.

Leliaert said university officials believed that Schafer, a leading expert in chemical and biological defense, would join the UNT faculty after he finished his assignment at the Pentagon.

"As an emerging research university, UNT would have greatly benefited by having Dr. Schafer's experience and expertise on our faculty," Leliaert said.

She said his expertise in chemical and biological warfare was valuable in the country's defense against terrorist threats, especially during the war in Iraq.

Schafer contacted UNT in October 2004 after George Washington University apparently backed out of an IPA agreement with him, which Schafer needed to stay in his job, Leliaert said.

"The Pentagon administrators apparently determined that a back-dated IPA agreement would be the way to keep Schafer" in that job, Leliaert said.

So, Schafer consulted with his superiors, and passed along instructions to UNT to make the contract effective July 1, 2004, "even though the Pentagon personnel knew he had not been employed at UNT prior to November," Leliaert said.

THE AGREEMENT

[The four-page federal agreement that appointed Dr. Klaus Schafer from the University of North Texas to the Pentagon as deputy assistant to the secretary of defense for chemical and biological defense programs are show above. Although Schafer never worked at UNT, the front page of the contract](#)

Phil Diebel, UNT's vice president for finance and business affairs, signed the contract on behalf of UNT on Nov. 5, 2004.

Diebel routinely signs contracts on behalf of UNT, he said. Sometimes he signs as many as 100 in a month, he said.

For that reason, he said, he relies on others in the university to review the documents he signs.

"In this situation, I relied on the normal review process, including the prior approval of Dr. Chesnut's office, when I signed the agreement," Diebel said.

Schafer, who Leliaert said signed after Diebel, dated his signature July 1, 2004.

On Nov. 23, 2004, Sandra Burrell signed the contract on behalf of Linda Roper, director of executive and political personnel for Washington Headquarters Service, the administrative arm of the Defense Department that oversees such contracts.

Leliaert said UNT's general counsel's office suspected some problems with the agreement in January 2005 and hired Hunton & Williams and McColl & McColloch law firms to conduct an internal investigation. UNT also reported those suspected problems to the Defense Department.

Schafer received his first UNT paycheck, worth \$180,833.31 before taxes and other deductions, on Feb. 1, 2005, according to UNT payroll records. The check covered his first seven months of pay.

After that, Schafer received \$25,833.33 monthly from UNT until his term ended June 30, 2005.

It is unclear when Schafer actually left his job at the Pentagon, but the department has undergone some reorganization since then.

Schafer's former position is now called the "special assistant for chemical and biological defense and chemical demilitarization programs."

Jean Reed holds that position, and unlike Schafer, is a federal senior executive service employee. He earns a \$145,000 annual salary, Irwin said.

Klaus Schafer

Schafer retired from the Air Force in December 2001 after spending 30 years in the military, he reported in his job application to UNT. In his last 18 months in the Air Force, he served as assistant surgeon general for readiness, science and technology. In that role, he was responsible for the Air Force Medical Service's readiness activities for 46,000 people and 79 medical treatment facilities. He also led the service's advancements in science and technology.

He joined the Air Force in 1972 after graduating from the Air Force Academy. He received a medical degree from the University of Iowa Medical School in 1977.

When he retired, Schafer joined the Johns Hopkins University faculty as a part-time associate professor

[shows him to be the university's executive assistant to the vice president for research. The excerpt of the fourth page shows Schafer's signature dated July 1, 2004, even though officials from UNT and the Pentagon didn't sign until November. On the front page, UNT redacted Schafer's Social Security number; the Denton Record-Chronicle redacted his home address. \(.PDF\)](#)

in January 2002, according to his resume. Then through the federal employee-sharing program, Johns Hopkins appointed Schafer to be an adviser to the Defense Threat Reduction Agency in May 2002.

According to the agreements between Johns Hopkins and the agency, obtained through UNT, Johns Hopkins reappointed Schafer to that federal position in May 2003. It expired April 30, 2004.

Dr. Gilbert Burnham, director of the Center for International Emergency, Disaster and Refugee at Johns Hopkins, was listed on those agreements as Schafer's immediate supervisor at the university. In an e-mail requesting an interview about Schafer, Burnham said that he had met Schafer only once, and that Schafer's connection to the university was "very nominal indeed," and that Schafer never was an active member of the faculty.

"I am not even sure now of the reasons his employment was routed through Johns Hopkins, except as a favor by some of his friends to help him out during that two-year window of time," Burnham wrote.

He stressed that the agreement followed all of that university's policies.

In addition to his part-time position at the Pentagon, Schafer worked full-time as senior vice president for business development at Compressus Inc., a Washington-based software company from January 2002 to June 2004, according to his resume.

He drew a \$130,000 salary from Johns Hopkins and a \$200,000 salary from Compressus, according to his UNT job application. In April 2004, Dr. Dale Klein, then the assistant to the defense secretary for nuclear, chemical and biological defense, named Schafer an acting deputy assistant, a full-time position at the Pentagon. The appointment made Schafer responsible for oversight and coordination of the country's chemical, biological radiological and nuclear defense programs and its counter proliferation program.

Two months later, Klein, in a memo, named Schafer to the position, removing the word "acting" from his title, and Schafer resigned his position from Compressus, to accept the job.

When Schafer's appointment through Johns Hopkins expired, Johns Hopkins did not renew it, Schafer reported on his resume.

But Schafer continued to work at the Defense Department.

An undated Pentagon memo that UNT investigators obtained says Schafer's appointment as deputy assistant to the secretary of defense comes through an assignment agreement with George Washington University.

Matt Lindsay, a spokesman for George Washington University, acknowledged that officials from that school had a "preliminary discussion" with Schafer in 2004 about forming an agreement, but they did not go through with it.

UNT investigators also learned that Schafer discussed an employee-exchange agreement with the University of North Carolina at Chapel Hill.

Dr. Russ Lee, vice president for research at the University of North Carolina at Chapel Hill, confirmed that officials there had discussed with Schafer the possibility of such an agreement. They "decided to go a different direction," he said, though not because there was anything wrong with the proposal.

In October 2004, Schafer forwarded via e-mail an unsigned copy of a proposed agreement with the University of North Carolina to Chesnut at UNT, university records show, and from there, UNT began drawing up the agreement.

Leliaert said it is too early to tell if any UNT employees will be found to have done any wrong.

“The investigation process isn’t complete. Once the office of the inspector general has completed their investigation, they will make the UNT system aware of the findings.”

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COMING MONDAY: The Denton Record-Chronicle takes an in-depth look at the Intergovernmental Personnel Act.

CHRONOLOGY

Jan. 1, 2002 — Brig. Gen. Klaus Schafer retires from U.S. Air Force after 30 years of service.

Jan. 1 — Schafer becomes senior vice president for business development at Compressus Inc.; Schafer also becomes a part-time assistant professor at Johns Hopkins where he is then assigned to be a public health adviser in the Defense Threat Reduction Agency within the Defense Department.

July 1, 2003 — T. Lloyd Chesnut becomes UNT’s vice president for research and technology transfer after serving six years in a similar position at the University of Montana.

July 24 — Chesnut has appointment to meet with Schafer and others about Project CRITTER, an information technology project being worked on by some UNT faculty members. A handwritten note on the file said “Postpone for 2 weeks.”

April 7, 2004 — Dale Klein names Schafer acting deputy assistant to the secretary of defense for chemical and biological defense programs.

June 23 — Schafer appointed deputy assistant to the secretary of defense, a full-time position through an IPA promised by George Washington University. The appointment is to take affect July 1, 2004.

June 30 — Schafer resigns from Compressus to accept the full-time position at the Pentagon.

Oct. 27 — Chesnut receives a copy of an unexecuted IPA with the University of North Carolina.

Nov. 4 — Alan Stucky, UNT legal counsel, approves the IPA effective Nov. 1, 2004 through Oct. 31, 2005.

Nov. 5 — Phil Diebel, UNT’s vice president for finance and business affairs, signs the IPA agreement on behalf of the university, making the contract effective July 1, 2004 through June 30, 2005.

Nov. 23 — Sandra Burrell signs the IPA agreement on behalf of Linda M. Roper, assistant director for executive and political personnel at Washington Headquarter Services, which is the human resources department at the Pentagon.

January 2005 — UNT adds Schafer to the university payroll, effective July 1, 2004, through June 30,

2005. He is given the title “special assistant to the vice president for research and technology transfer.”

Feb. 1 — UNT issues Schafer his first paycheck, a lump-sum check for \$180,833.31 before taxes and other deductions. His subsequent monthly checks were for \$25,833.33 before taxes and deductions.

Feb. 4 — UNT general counsel hires Hunton & Williams and McColl & McCulloch law firms to investigate the IPA.

May 9 — Schafer contacts Chesnut about renewing his IPA agreement for another year.

June 29 — UNT voids Schafer’s IPA agreement; Schafer resigns his position at UNT.

July 27 — UNT President Norval Pohl places Chesnut on administrative leave.

Aug. 22 — UNT auditor Tim Edwards makes a report to UNT police accusing Chesnut of possible abuse of official capacity and tampering with a government record.

Aug. 23 — Chesnut resigns his position as vice president and agrees to surrender his tenured faculty position Nov. 30. UNT officials say they continue to investigate Chesnut’s activities. UNT officials and Chesnut’s attorney later say that Chesnut’s resignation is not linked to the Schafer IPA, but to another issue. Diebel assumes oversight of the research and technology transfer office.

Oct. 24 — UNT removes from the books the position “special assistant to the vice president for research and technology transfer.”

Oct. 25 — Citing attorney-client privilege and an ongoing police investigation, the Attorney General’s office rules that UNT may withhold some correspondence to and from Lloyd Chesnut.

Oct. 27 — UNT Provost Howard Johnson assumes oversight of the research and technology transfer office.

Nov. 30 — Chesnut surrenders his tenured faculty position and breaks his ties with UNT.

April 11, 2006 — Texas Attorney General’s Office rules that UNT must release to the *Denton Record-Chronicle* some information it redacted from the bills of the outside law firms. The ruling allowed UNT to withhold some of the information.

April 21 — UNT filed suit to challenge the attorney general’s April 11 ruling, arguing that releasing some of the information on the attorney bills would violate the attorney-client privilege.

June 13 — *Denton Record-Chronicle* files an intervention lawsuit asking a judge to uphold the attorney general’s April 11 ruling and force UNT to release the redacted information from its outside attorneys’ fee bills.

SOURCE: Denton Record-Chronicle research