

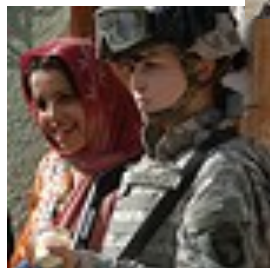


# ARMY PROCUREMENT FRAUD ADVISOR'S UPDATE



ISSUE 72 (1ST QUARTER)  
MARCH 2009

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## WOMEN IN SERVICE

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### Mission

The Procurement Fraud Branch (PFB) is part of the Contract and Fiscal Law Division, U.S. Army Legal Services Agency. PFB is the Army's single centralized organization with the mission to coordinate and monitor the status of all criminal, civil, contractual, and administrative remedies in cases of fraud or corruption relating to Army procurements. The Procurement Fraud Advisor's Newsletter has been published since September of 1989 on a quarterly basis to advise Army Procurement Fraud Advisors (PFAs) on the latest developments in procurement fraud and remedies coordination. The Update is also distributed electronically to other Government fraud counsel at their request.



## MESSAGE FROM CHIEF, PROCUREMENT FRAUD BRANCH

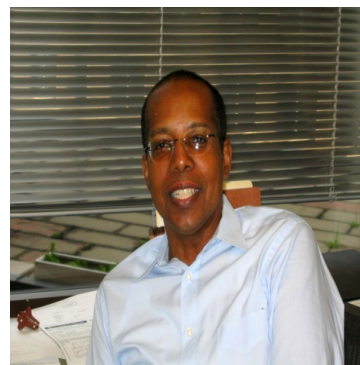


### Message from the Chief, PFB

It is spring once again and time to post another issue of the Update. We hope this edition provides new and useful information. Beginning with this issue, we will provide several examples of actual cases resulting in successful fraud remedies, to include lessons learned by our Army Procurement Fraud Branch (PFB) senior fraud counsels. In addition, we will recognize the work of our local Procurement Fraud Advisors (PFAs), investigators, and Department of Justice (DoJ) fraudfighters. The success of the Army procurement fraud fighting mission only results from the superb job done at the installation level. Keep doing great things.

**Farewell to Greg Campbell.** It is with great sadness that we said a final farewell to **Mr. Gregory W. Campbell**, PFB paralegal for over 20 years. Greg passed away on 11 February 2009 after a long battle against cancer. Mr. Campbell graduated from Howard University in 1976 with a degree in political science, and he earned a law degree from Howard in 1979. An avid Washington Redskins fan and son of a federal judge, Greg began his USALSA career as a paralegal specialist in the Army Procurement Fraud Division on 14 February 1988. Throughout his lon-

tenure with the Army, Mr. Campbell provided superb paralegal support to PFB attorneys, as well as attorneys world-wide, engaged in the fraud fighting mission. Greg was an exceptional team player and will be sorely missed by his many friends and colleagues.



**Mr. Gregory W. Campbell.** Greg worked on the newsletter since it began publication in 1989. It was one of the duties he loved most about his job as a paralegal in PFB.

**Point of Contact for Contractor Disclosures.** In the last issue of the Update, I discussed the new ethics and mandatory disclosure requirements for contractors. The new rule promises to be an important regulatory event that will change both the way contractors respond to allegations internally and the way investigators respond once they learn about the allegations. The Federal Acquisition Regulation (FAR) was recently changed to require contractors to disclose credible evidence related to the award, performance, or closeout of a Government contract in writing to the agency Office of Inspector General (OIG), with a copy to the contracting officer, of violations of criminal law (fraud, conflict of interest, bribery, or gratuity), the Civil False Claims Act, and significant over-

**MESSAGE FROM CHIEF, PROCUREMENT FRAUD BRANCH (CONT FROM PAGE 2)**

payments. Contractors are subject to suspension and debarment for knowingly failing to disclose such violations. The new rule also imposes minimum standards for contractor internal control systems that detect fraud and provide for timely disclosures and full cooperation with Government investigators. This FAR change, effective on 12 December 2008, was published in the Federal Register on 12 November 2008 (73 FR 219, 67064-93).

Subsequent to the publication of issue 71 of the Update, I learned that contracting officers did not know where to direct contractors to file their disclosures under the new rule. The DoD Inspector General (DoDIG) has, in fact, issued guidance to contracting officers in DoD. Disclosures must be in writing and can be submitted by email to [disclosures@dodig.mil](mailto:disclosures@dodig.mil), fax: (703) 604-8720, or by mail: Office of the Department of Defense Inspector General, Investigative Policy and Oversight, Contractor Disclosure Program, 400 Army-Navy Drive, Room 1051, Arlington, VA 22202. DoDIG also has a "help" line available to answer any questions: 866-429-8011. This information will eventually be added to the DFARS.

I recently checked with the DoDIG program manager who confirmed that DoDIG has received fewer than a dozen disclosures to date. The fears expressed by members of the private bar prior to the implementation of the new rule that disclosures would overwhelm IGs have not yet been realized.

**Government Accountability Office (GAO) Report: Suspended and Debarred Businesses and Individuals Improperly Received Federal Funds.** GAO conducted a study of the General Services Administration's (GSA's) Excluded Parties List System (EPLS) under the direction of the House Committee on Oversight and Government Reform. On 26 February 2009, GAO issued its final report and concluded that excluded businesses and individuals were improperly continuing to receive federal contracts in cases where contracting officers failed to check the EPLS or where system deficiencies caused inaccurate searches. GAO recommended that GSA improve its oversight over the EPLS system. Federal agencies agreed that most of the deficiencies could be solved through improved training. Within Army, the Procurement Policy and Support Di-

rectorate has provided additional guidance to contracting officers about checking the EPLS prior to awarding contracts (PARC Policy Alert #09-27).

**U.S. Court of Appeals for the Federal Circuit (CAFC) Affirms \$50 Million Fraud Penalty against U.S. Army Corps of Engineers Contractor.** On 20 February 2009, CAFC affirmed a finding by the U.S. Court of Federal Claims (COFC) that Daewoo Engineering and Construction Co. must pay over \$50 million in penalties for a Contract Disputes Act violation, as well as a \$10,000 fine for a False Claims Act violation. CAFC held that the company's right to any compensation for its claims was forfeited because of fraud. The disputed claim involved the construction of a road around the island of Babeldaob in the Republic of Palau. In 2002, Daewoo submitted a request for an equitable adjustment for nearly \$64 million based on alleged defective specifications and Government-caused delay. After the Government denied the request for the equitable adjustment, Daewoo filed suit. The Government filed fraud counterclaims, claiming the request was false. The COFC found for the Government, concluding that at least \$50 million of the company's certified claims were made in bad faith. COFC assessed a \$50 million penalty and the company appealed. CAFC affirmed the COFC decision.

**Contractor who Conspired with Former Congressman Debarred by Army.** Mitchell Wade was the principal owner and CEO of MZM, a defense contractor that sold equipment and services to DoD. MZM received over \$150 million from DoD on Government contracts from 2002 through 2005. Wade and MZM unlawfully exploited the Government procurement system by bribing Randall Cunningham, a then-sitting U.S. Congressman and member of a DoD appropriations subcommittee by conspiring to provide certain improper favors/gratuities to a number of DoD officials and by channeling illegal campaign contributions to two congressmen. In exchange for the above, MZM and Wade received preferential treatment within the Government procurement system and a corresponding financial benefit. A criminal information was filed against Wade on 23 February 2006 in the U.S. District Court for the District of Columbia. Wade and MZM were suspended by the Army on 30 March 2006. On 24 February 2006, Wade entered a plea of guilty to the



**MESSAGE FROM CHIEF, PROCUREMENT FRAUD BRANCH (CONT FROM PAGE 3)**

offenses set forth in the information, namely two counts of conspiracy, one count of use of interstate facilities to promote bribery, and one count of election fraud. On 24 December 2008, Wade was sentenced to 30 months confinement and a fine of \$250,000. Wade and MZM were debarred on 4 March 2009. The Army debarred former Congressman Cunningham on 25 April 2007.

**Farewell to Jeff Csokmay.** PFB said farewell to attorney Jeff Csokmay on 13 March 2009. Jeff, who is from Ohio, was offered an opportunity to return to his home state and accepted a position as Fraud Counsel for Defense Logistics Agency (DLA), Columbus, Ohio. Jeff executed the fraud fighting mission in excellent fashion while at PFB. We wish him well at DLA. (Mrs. McCommas)



All of these photos appeared on [www.army.mil](http://www.army.mil)

**FRAUD COUNSEL'S CORNER—CASE STUDIES****(1) Effective Coordination of Remedies and Parallel Proceedings Results in Command Recovery.**

On 13 February 2009, American President Lines Limited (APL), a subsidiary of Singapore's Neptune Orient Lines Limited, agreed to pay \$26.3 million to the Government to resolve *qui tam* claims made under the False Claims Act in a lawsuit filed in the U.S. District Court, Northern District of California. APL had a contract with Military Surface Deployment and Distribution Command (SDDC) to transport cargo to American troops in Iraq and Afghanistan. APL inflated its invoices in several ways including double-billing, billing for non-reimbursable services, and billing larger amounts than the contract authorized.

This action began when a whistleblower filed a *qui tam* lawsuit and DoJ intervened. The Army Criminal Investigation Command (CID) and the Department of Defense Criminal Investigative Service (DCIS) thoroughly investigated the claims. More importantly, from a coordination of remedies standpoint, CID brought PFB into the process at the earliest possible time. The settlement was a result of coordinated effort with the DoJ Commercial Litigation Division, the U.S. Attorney's Office for the Northern District of California, Affirmative Civil Enforcement Unit, DCIS, CID, Defense Contract Audit Agency (DCAA), and the Army PFB. Early coordination allowed the Army to effectively consider suspension and debarment while coordinating with SDDC. Also, early coordination enabled the Army to obtain funds from the contractor in time to return them to the command before they expired. In light of the substantial remedial measures APL took to address deficiencies that led to the overbilling, the Army Suspension and Debarment Official (SDO) decided not to debar the company. On 16 March 2009, APL paid over \$14 million towards the settlement that will be returned to the command. (Mr. Nelson)

**Lessons Learned.** This case is a good reminder that coordination of remedies and parallel proceedings work to the benefit of all the interested parties. In this instance, significant dollars are going back to the Army command that can be used on current obligations, instead of going to the U.S. Treasury as expired funds. The key is to have all the interested parties initiate coordination at the earliest possible time. CID

is central to the early involvement of Army PFB. Thanks to Mr. Steven T. Davis, Deputy Chief Counsel, SDDC, for assisting PFB with this case. (Mr. Nelson)

**(2) Debarment Only Remedy for Inflated Bill.**

The U.S. Army South (USARSO) was conducting an exercise in Brazil and sought to obtain cell phone service for the exercise. Alexandre Castro Braga (Mr. Braga) was the owner of a cell phone company located in Brazil. On 2 December 2004, the Army Contracting Agency – The Americas (ACA-TA) awarded a firm-fixed-price (FFP) cell phone usage contract in the amount of \$3500 to Fast Cell. The award was for a base and three option periods to cover various stages of a conference from initial planning to the actual Seminar and Command Post Exercise. The contract provided the specific daily rate and the price per minute usage for various types of calls. In addition, Government Purchase Card (GPC) was the prescribed method of payment.

The phones were used from 1-11 December 2004. When the phones were turned in to Fast Cell, the GPC cardholder and the Fast Cell representative counted the phone minutes and verbally agreed that there was no dispute as to the amount. On 14 December 2004, the cardholder received the Fast Cell invoice via e-mail. He noticed that the Government had been billed \$21,255, \$17k more than the agreed upon amount, with no further explanation for the significant discrepancy. He contacted the vendor on 15 December 2004. The vendor promised to provide supporting detail, but not earlier than six months due to the necessity for a record search from a partner company.

The cardholder received the GPC statement in December 2004 for the first option in the amount of \$21,255. On 10 January 2005, the cardholder began efforts to dispute the erroneous charges with U.S. Bank (Bank), per Bank dispute requirements. The Bank initially denied that the matter was a legitimate dispute, but granted four months of interest-free time within which to gather supporting documentation. After several attempts, the Bank ultimately denied the request and noted that it was not a proper dispute under the agreement and recommended that the issue be



**FRAUD COUNSEL'S CORNER- CASE STUDIES (CONT FROM PAGE 5)**

taken up with Fast Cell.

The cardholder made numerous efforts in the months following the incident to contact Fast Cell to obtain the details to support the discrepancy. This was met with little success. In April 2005, Mr. Braga advised the cardholder that he needed until June 2005 to obtain the detailed documentation. He did not provide the additional information. In January 2006, USARSO paid the remainder of the disputed charge to preclude the accumulation of additional interest.

The USARSO GPC manager continued to pursue redress with Fast Cell, as well as other avenues, to include seeking the assistance from the local PMO and the Brazilian embassy. These efforts did not provide any relief on the matter. In addition, an affirmative claim under the Contract Disputes Act with the GSA was also filed by USARSO. This also proved unsuccessful on the basis of insufficient information.

As of June 2008, USARSO was still making efforts to contact Fast Cell to provide the documentation to support the disputed billing. Numerous phone and e-mail messages were left for Mr. Braga. In June 2008, an individual allegedly representing Mr. Braga contacted USARSO and indicated that, as a result of the time that had elapsed, there was nothing Fast Cell could do regarding the matter.

At this time, USARSO contacted PFB and requested that Fast Cell and Mr. Braga be debarred. The Army SDO determined that the failure of Mr. Braga and Fast Cell to adequately respond to a legitimate dispute regarding its billing demonstrated reckless business practices, demonstrated a lack of integrity and showed a lack of present responsibility. Fast Cell and Mr. Braga were proposed for debarment on 19 December 2008. Debarment is pending.

**Lessons Learned:** Although a contractor's actions may not be criminal or provide the basis for civil remedies, they may demonstrate a lack of present responsibility. Administrative remedies do not necessarily have to be the remedy of last resort, but should always be pursued in conjunction with efforts in other venues. (MAJ McDonald)



This photo of a U.S. Soldier with a child in Afghanistan appeared on [www.army.mil](http://www.army.mil)



This photo of a U.S. soldier with an Iraqi soldier appeared on [www.army.mil](http://www.army.mil)

**SIGNIFICANT ACTIONS****Suspensions**

(1) Wire Fraud and False Statements (Fort Benning, Georgia). On 22 October 2008, the Army SDO suspended Allen Thrower (Mr. Thrower) and Marie Cimino (Ms. Cimino) on the basis of their 30 September 2008 indictments in the U.S. District Court for the District of Massachusetts on nine counts of Wire Fraud, each count a violation of 18 U.S.C. §§ 1343 and, 1346, and nine counts of aiding and abetting, each a violation of 18 U.S.C. § 2. In addition, Ms. Cimino was also indicted on one count of False Statements, a violation of 18 U.S.C. § 1001. Mr. Thrower and Ms. Cimino are siblings. Ms. Cimino was the CEO of Military Service Support, LLC (MSS), and Mr. Thrower was employed by the Army at Fort Benning, Georgia, as Chief of Quality Support Division, Human Resources Directorate. Mr. Thrower's duties at Fort Benning included direct participation in the awarding of contracts at that installation. From August of 2006 until October of 2007, MSS was awarded eight U.S. Army contracts to perform personnel related services at Fort Benning's Human Resources Directorate. The approximate total value of these contracts was \$4.1 million. Mr. Thrower and Ms. Cimino concealed their familial relationship from the Army during the process by which MSS was selected to perform these contracts, and Thrower made use of his official position to influence MSS' selection. MSS was also suspended by the SDO on 22 October 2008. (Mr. Csokmay)

(2) Conspiracy to Defraud the Government (Fort Hood, Texas). On 5 November 2008, the Army SDO suspended Capital Data Products, LLC (CDP), on the basis of the information filed against it on 7 October 2008, in the U.S. District Court for the Central District of California. On that same date, CDP agreed to plead guilty to the information, which set forth one count of conspiracy to defraud the Government with respect to claims, a violation of 18 U.S.C. § 286. CDP is a California limited liability corporation engaged in the business of selling toner cartridges. From 2001 through April of 2003, CDP sold toner cartridges to various Government entities, to include the Army. Some of these sales involved an unlawful "price predication" scheme, which worked as follows: (1) a sale was made to a Government entity for a certain number of toner cartridges at a certain price; (2)

the account was then transferred to CDP's re-order department; (3) a sales person from the re-order department would later call the Government entity and state that the original sale was predicated on the Government customer purchasing additional toner cartridges; (4) the sales person then, with the intent to defraud, would falsely inform the Government customer that additional purchases of toner were required to close out the contract on the original sale; and (5) the sales person would cause an invoice to be issued to the Government customer for the additional purchases. The Government ultimately paid CDP the sum of \$137,920 for the sale of toner cartridges based upon this "price predication" scheme. (Mr. Csokmay)

(3) Bribery (Army Sustainment Command/Rock Island Arsenal, Illinois). On 19 November 2008, the Army SDO suspended Albert Jackson Stanley (Mr. Stanley) from contracting with the Government. Halliburton Corporation employed Mr. Stanley as CEO during the time of the misconduct. At the time of Mr. Stanley's misconduct, Halliburton was a Government contractor through its subsidiary, Kellogg Brown & Root Services, Inc. (KBR) which was the Army's LOGCAP contractor. As the prime contractor under LOGCAP III, KBR was to provide property and services to the U.S. Army at various locations around the world, including Iraq. Halliburton completely divested itself of its ownership of KBR in February 2007. On 3 September 2008, Mr. Stanley pled guilty to a two-count criminal information in the U.S. District Court, Southern District of Texas, Houston Division, charging him with conspiracy to violate the Foreign Corrupt Practices Act and conspiracy to commit mail and wire fraud. From March 1991 until June 2004, Mr. Stanley was employed as an officer and director of a company described in the criminal information as "EPC Contractor A" and its successor company, "EPC Contractor A1." Mr. Stanley entered into a joint venture agreement comprised of the following four companies: "EPC Contractor A and A1," considered as one entity, and three other companies described in the criminal information as "EPC Contractor B," "EPC Contractor C," and "EPC Contractor D." Mr. Stanley, in his capacity as a director of "EPC Contractor A and A1," and as a party to the joint venture agreement, authorized the hiring of "Consultant A" and "Consulting Company A" by the joint ven-

**SIGNIFICANT ACTIONS (CONT FROM PAGE 7)**

ture, in 1994, 1999, 2001, and 2002, with the expectation that “Consultant A” and “Consulting Company A” would bribe high-level Nigerian government officials in order to assist the joint venture, “EPC Contractor A and A1,” and others, in winning the EPC contracts to build the Bonny Island project. This project entailed the designing and building of a liquefied natural gas (LNG) production plant on Bonny Island, Nigeria. (Ms. McCaffrey)

(4) Kickbacks (Fort Gordon, Georgia). On 19 November 2008, the Army SDO suspended Michael Craig Waters (Mr. Waters) on the basis of a criminal complaint filed against him in the U.S. District Court for the Southern District of Georgia, and an affidavit in support of an arrest warrant, signed by an FBI Special Agent (SA), Federal Bureau of Investigation (FBI), Atlanta Division, Augusta, Georgia. Mr. Waters was an employee of IAP World Services, Inc. (IAP), a subcontractor that submitted bids to Akima Facilities Management, LLC (Akima), a prime contractor for base support on Fort Gordon, Georgia. The affidavit alleged that Mr. Waters solicited a kickback from a subcontractor by suggesting the subcontractor inflate the estimate it provided for parts needed to repair a boiler, and then split the difference between him and the employee of the lower-tired subcontractor, Alvin Johnson (Mr. Johnson). Mr. Johnson reported the incident to the Army CID, and an investigation ensued. (Ms. McCaffrey)

(5) Theft (Fort Gordon, Georgia). On 19 November 2008, the Army SDO suspended Kenneth R. Stuart (Mr. Stuart) and K&S Jewelers on the basis of the criminal information filed against Mr. Stuart on 19 July 2007, in the U.S. District Court for the Middle District of Georgia, charging him with theft. On 8 August 2008, Mr. Stuart pled guilty to 33 counts of theft. Mr. Stuart, as the owner of K&S Jewelers, a concessionaire located at the Army Air Force Exchange Service (AAFES) facility at Fort Benning, Georgia, did not report all of his credit card sales to AAFES, from January 2004 through December 2006, as required by the terms of his AAFES contract. Pursuant to the terms of Mr. Stuart’s contract with AAFES, he was required to pay AAFES a percentage of his total sales in exchange for operating his business at Fort Benning. Using the resulting artificially low sales figure as a ruse, he then failed to pay

AAFES the entire amount it was owed as a percentage of his total sales. The theft was reported to the Fort Benning Military Police, which forwarded a flash fraud report to the PFB, and notified the Staff Judge Advocate, Fort Benning. The Staff Judge Advocate handled the prosecution of Mr. Stuart’s case in the U.S. District Court for the Middle District of Georgia. (Ms. McCaffrey)

(6) Kickbacks and Mail Fraud (USACE Los Angeles, California). On 25 November 2008, the Army SDO suspended Alejandro Rivera (Mr. Rivera) on the basis of his 5 November 2008 indictment in the U.S. District Court for the Central District of California on eight counts of solicitation and acceptance of a kickback, each count a violation of 41 U.S.C. §§ 53(2), 54, and three counts of fraud/mail fraud, each a violation of 18 U.S.C. § 1341 and § 2(b). Mr. Rivera was employed as a maintenance director for JWK International Corporation (JWK), a prime contractor with the U.S. Army Corps of Engineers (USACE) that provided facility operations and maintenance support at a number of Government installations. Mr. Rivera’s duties included procuring subcontractors for JWK and overseeing their work. A criminal investigation established probable cause to conclude that Mr. Rivera knowingly and willfully solicited, and accepted, cash kickbacks in the approximate amount \$43,446 from a JWK subcontractor in connection with a Government contract administered by USACE. The cost of these kickbacks was passed from the subcontractor to JWK and ultimately to USACE. (Mr. Csokmay)

(7) False Impersonation/Statement (USACE, Massachusetts). On 12 December 2008, the Army SDO suspended William C. Fateiger (Mr. Fateiger) and his company, JLA Land Survey, Inc. On 28 August 2008, Mr. Fateiger was indicted in the U.S. District Court of Massachusetts on false impersonation and false statements charges. PE Trust, Templeton, Massachusetts, hired Mr. Fateiger to conduct a survey on land the trust was preparing to sell, which required a wetland jurisdictional determination by USACE. Mr. Fateiger was indicted for allegedly falsifying certifying documents he provided to a potential buyer, purported to be issued by the USACE, and for falsely claiming to CID that USACE provided this official certification. (Mr. Nelson)



**SIGNIFICANT ACTIONS (CONT FROM PAGE 8)**

(8) Wire Fraud and False Claims (DCMA/Columbus, Ohio). On 19 December 2008, the Army SDO suspended Janusz Lament (Mr. Lament) and Porex Precision Machining (Porex) from Government contracting. Mr. Lament was the sole owner of Porex. Porex had a contract with the Army to manufacture repair kits for disc brakes. The contract specifically named Arvin Meritor as the manufacturer for the brake pads to be used in the repair kit. Porex was required to submit a Certificate of Competency (COC) from Arvin Meritor. Porex altered the certificate it received from Arvin to reflect that all of the brake pads were certified, when they were not. Porex also had a contract to provide retracting slide levers. A "magnetic particle non-destructive test" (NDT) was required to be done on all of the levers. Porex hired Bess Testlabs (Bess), Inc., to perform the testing. A COC was required to be provided by Porex from Bess. Bess conducted the testing on 161 levers, and provided a COC to Porex. Porex altered the certificate to reflect that all of the levers had been tested and submitted it to DCMA. On 24 September 2008, Lament was indicted in the U.S. District Court, Northern District of California, on four counts of wire fraud, four counts of making false claims upon the United States, and three counts of transporting funds to promote unlawful activity. (MAJ McDonald)

**Proposed Debarments**

(1) Bribery, Conspiracy, Solicitation of a Bribe (USFK -MWR). On 27 October 2008, the USFK SDO proposed Young K. Kim (Mr. Kim), a MWR employee, for a debarment. Mr. Kim asked Tong H. Yu (Mr. Yu), a contractor, to find local companies and inform them that he, Mr. Kim, could obtain lucrative Government contracts for them, for a "registration fee" of \$10,000. Mr. Yu agreed, and subsequently conspired with Wangsan Trade Co., Yusin Tech Co., Konwon Construction Co., E-Wontaek, and Mr. Young K. In, and paid \$30,000 to Mr. Kim to obtain Government contracts for the said companies. Mr. Kim also asked Mr. Yu to obtain a bribe from E-Wootae for reasons not expressed. Mr. Kim solicited, and was paid, a bribe of \$2,000 by Mr. Yu for the purchase of a notebook computer to conduct business with Mr. Yu, and the listed companies. It is unknown at this time what relationship exists between Mr. In and the listed companies. This is a joint investigation between the Korean Na-

tional Police and CID. Debarment is pending. (Mr. Chipps)

(2) Bribery (Patrick AFB, Florida). On 12 November 2008, the Army SDO proposed Alvaro A. Garcia, Jr. for debarment following his conviction for bribery after a trial by court-martial. Alvaro Garcia, Jr. was an Army Staff Sergeant employed in the supply and logistics office of the 2nd Brigade, 87th Division at Patrick AFB, Florida. He was responsible for securing temporary housing for Army reservists on active duty. In August 2006, the Orlando DCIS office was notified by a temporary housing contractor that SSG Garcia had solicited a gratuity from one of its employees in exchange for the award of a contract. The subsequent investigation revealed that SSG Garcia had solicited and received a gratuity from another temporary housing contractor, Ronald Livingston, in 2005. In addition, it was discovered that SSG Garcia had solicited a gratuity from another temporary housing contractor in July 2006 at or near San Juan, Puerto Rico. Charges were preferred against SSG Garcia in March 2008. He was charged with three specifications of bribery and one count of violation of a lawful order or regulation. He was suspended from Government contracting on 22 August 2008. On 18 September 2008, SSG Garcia was found guilty of two specifications of bribery. He was sentenced to reduction to the grade of E-1, total forfeitures, and confinement for one year. Debarment is pending. (MAJ McDonald)

(3) Bribery (CPA, Iraq). On 25 November 2008, the Army SDO proposed Colonel Kevin A. Davis (COL Davis), USA (Retired), for debarment based on allegations that he participated in a scheme to improperly award contracts in support of the Iraqi police and armed forces. COL Davis was assigned as Chief of the Technical Evaluation Team in the Coalition Provisional Authority's Office of Security Cooperation, Camp Victory, Iraq, between June 2003 and October 2004. During this period, he provided procurement-sensitive data, including draft statements of work, to George H. Lee (Mr. Lee), in exchange for a \$50,000 payment. It is also alleged that based on this assistance, Mr. Lee's company received a warehouse management contract valued at approximately \$11 million. Debarment is pending. (Mr. Persico)

**SIGNIFICANT ACTIONS (CONT FROM PAGE 9)**

(4) Embezzlement (CECOM, New Jersey). On 1 December 2008, the Army SDO proposed Jennifer Jones Palmer (Mrs. Palmer) for debarment as a result of her indictment and guilty plea to embezzlement from her former employer, EMS Technologies (EMS), of Norcross, Georgia. In late 2007, EMS reported to the DoD Voluntary Disclosure Program that one of its employees, Mrs. Palmer, had engaged in an embezzlement scheme. The scheme resulted in the theft of \$650,000 from EMS. EMS also reported that Mrs. Palmer's embezzlement scheme had resulted in the company overcharging the Government \$54,000 on various U.S. Army contracts. Mrs. Palmer was employed by EMS as an Accounts Payable Supervisor. Mrs. Palmer's scheme involved forging the signature of an EMS Senior Financial Advisor on required documents to authorize disbursement of fraudulent payments. She used the EMS computer network to write EMS business checks in the names of family members, and then deposited the checks into personal accounts. On 16 June 2008, Mrs. Palmer was charged in the Gwinnett Superior Court of the State of Georgia with three counts of forgery in the first degree; four counts of theft by deception; four counts of computer forgery; and one count of theft by taking. Mrs. Palmer pled guilty to all charges. She received an aggregate sentence of 30 years of which she will serve 24 months in house arrest and 28 years of probation. Debarment is pending. (MAJ McDonald)

(5) Alien Smuggling (Fort Lewis, Washington). On 12 December 2008, the Army SDO proposed Ramon's Flooring & Carpet Installations, Inc., and Ramon L. Maldonado (Mr. Maldonado), for debarment. Alejandra Maldonado, Claudia Maldonado, and Jesus Abram were proposed for debarment as affiliates of Mr. Maldonado. Ramon's Flooring & Carpet Installations, Inc. had a contract for designing, managing, renovating, and constructing Fort Lewis Army Post family housing. On 17 August 2007, Mr. Maldonado was indicted in U.S. District Court for the District of Washington on five counts associated with alien smuggling. Claudia Maldonado is married to Jesus Abraham and is the daughter of Ramon and Alejandra Maldonado. Mr. Maldonado and Jesus Abraham supervised and installed carpets, while Claudia Maldonado performed payroll functions, and was the principal bookkeeper of the business, with

some assistance from Alejandra Maldonado. Debarment is pending. (Mr. Nelson)

(6) Conspiracy, Fraud, Bribery, Kickbacks, and Money Laundering (Aqaba, Jordan). On 17 December 2008, the USAREUR & 7<sup>th</sup> Army SDO proposed Issam Kavar (Mr. Kavar), Alpaslan Ertugrul (Mr. Ertugrul), Tevfik Moran (Mr. Moran), and Zeynep Gaye Doruk (Ms. Doruk) for debarment on the basis of allegations that they participated in a scheme to defraud the U.S. Army by falsely inflating invoices submitted under a contract awarded to Gulf Agency Company in Jordan (GAC) for stevedoring services in the Port of Aqaba, Jordan. In October 2005, Army CID received e-mails which indicated that Mr. Ertugrul, the Contracting Officer Representative (COR) and Technical Evaluator on the source selection board for the contract at issue, solicited and received bribes from Mr. Kavar. Mr. Kavar represented himself to be the Director for GAC, and Mr. Ertugrul is a Turkish national who was hired by the U.S. Air Force under a collective tariff agreement. Mr. Tevfik Moran and Ms. Zeynep Gaye Doruk are associates of Mr. Ertugrul. Together, Mr. Ertugrul, Mr. Moran, Ms. Doruk, and Mr. Kavar conspired and entered into a scheme to defraud the Government. During the course of contract performance, Mr. Kavar "unofficially" provided invoices to Mr. Ertugrul before actually submitting them for payment. Upon receipt, Mr. Ertugrul manipulated and inflated the prices for various items in the invoices and gave them back to Mr. Kavar. Then, Mr. Kavar signed the invoices and "officially" submitted them to Mr. Ertugrul for COR verification. Once they were officially submitted, Mr. Ertugrul, in his capacity as COR, signed and verified the inflated invoices and forwarded them to the U.S. Army for payment. After the U.S. Army paid to GAC, Mr. Kavar paid kickbacks to Mr. Ertugrul. Mr. Kavar accomplished this by transferring money into Turkish bank accounts, per instruction from Mr. Ertugrul, that are registered to Mr. Tevfik Moran and Ms. Zeynep G. Doruk. Mr. Moran and Ms. Doruk knowingly laundered money through their bank accounts for Mr. Ertugrul in furtherance of the aforementioned scheme to defraud the Government. Mr. Kavar admits that he paid Mr. Ertugrul approximately \$700,000 in furtherance of the conspiracy. Debarment is pending. (CPT Stem)

**SIGNIFICANT ACTIONS (CONT FROM PAGE 10)****Debarments**

(1) Soliciting and Accepting Gratuities (Mannheim, Germany). On 8 October 2008, the USAREUR & 7<sup>th</sup> Army SDO debarred Hans Jurgen Dinkel based upon allegations that he solicited and received gratuities from a U.S. Army contractor, Sauter-Bau GmbH (Sauter-Bau). Mr. Dinkel is a German national who was terminated from his employment as an inspector with the U.S. Army Garrison (USAG) Mannheim, effective 24 January 2008. Mr. Dinkel was terminated based on evidence provided by German authorities who were investigating Sauter-Bau for tax evasion. As part of the investigation, German tax authorities searched files and discovered evidence of items being delivered to Mr. Dinkel's residence by order and instruction from Sauter-Bau, and invoiced to USAG Mannheim contracts. Specifically, Mr. Dinkel received a 2,800 Euro electric stove in December 2002 and a 900 Euro coffee machine in December 2003, both delivered per instruction from a managerial employee of Sauter-Bau and attributed to USAG Mannheim contracts. Furthermore, Sauter-Bau's business records reveal that Sauter-Bau purchased approximately 15 meals for Mr. Dinkel during the period for which he was employed by the Government as an inspector. In an interview with German authorities, Mr. Dinkel confirmed that he had received the electric range, coffee maker, and meals. Additionally, Mr. Dinkel confirmed that he had solicited the stove from a managerial employee of Sauter-Bau. Mr. Dinkel was debarred for a period of three years, ending 20 June 2011. Sauter-Bau and Bernd Sauter entered into an Administrative Compliance Agreement with the U.S. Army effective 9 September 2008, for the duration of one year. (CPT Stem)

(2) Mail Fraud (California). On 22 October 2008, the Army SDO debarred Haresh Majmundar (Mr. Majmundar) after he pled guilty to mail fraud, and subscribing to a false tax return, in the U.S. District Court for the Central District of California. The Court sentenced Majmundar, on 19 August 2008, to serve a 12-month prison term, and to pay a total amount of \$842,902 in restitution. Mr. Majmundar was the President, Secretary, and Treasurer of H.M. Systems, Inc. (HM). Mr. Majmundar and Hashmukhlal Patel (Mr. Patel), a former employee of BAE

Aerospace, Inc. (BAE), created HM, and proceeded to defraud BAE and the Government. Without disclosing his relationship with HM to BAE, Mr. Patel secured contracts between HM and BAE for the production of engineering equipment. Mr. Majmundar and Mr. Patel would then work together to ensure that HM obtained payment from BAE on fraudulent billing invoices reflecting the delivery of goods and services to BAE that were, in fact, never actually received. The charges for these goods were eventually passed to and paid for by the Government. An investigation ensued after BAE became aware of the above scheme and voluntarily disclosed same to the Government. Mr. Patel was debarred by the Army SDO on 30 September 2008. H.M. Systems, Inc. was also debarred on 22 October 2008. (Mr. Csokmay)

(3) Fraud, False Statements, and Failure to Comply with Host Nation Labor Laws (Camp Darby, Italy). On 5 November 2008, the USAREUR & 7<sup>th</sup> Army SDO debarred Ser.Man. s.r.l., Mr. Giorgio Peruzzi, and Ms. Francesca Restano, for failing to comply with host nation labor laws and submitting false certifications in order to obtain various construction contracts at Camp Darby, Italy. Ser.Man. s.r.l. ("Ser.Man") is a building maintenance and construction services company located in Vicenza, Italy. Ser.Man was awarded a series of contracts for construction projects at Camp Darby, Italy. As a condition of award, Ser.Man was required to provide a copy of its Documento Unico di Regolarita Contributiva ("DURC"). A DURC is the official certificate of compliance with Italy's system of statutory social security contributions paid by employers. Under the terms of solicitations relating to the contracts, Ser.Man could submit a self-certification accompanied by a copy of a valid unexpired identity card of the individual making the self-certification in lieu of a DURC; however, Ser.Man would have to provide the original certificate/DURC within 90 calendar days after the award of the contract. Before contract award, Ser.Man chose to submit self-certification statements, in lieu of DURCs. Mr. Giorgio Peruzzi's signature appears on both self-certifications acknowledging that he is aware of the penalty for false declarations of payment and forgery. After the award of the contracts, Ser.Man submitted DURCs purporting to show compliance with Italy's system of statutory



**SIGNIFICANT ACTIONS (CONT FROM PAGE 11)**

social security contributions. Subsequently, the Regional Contracting Officer (RCO) sought, from Italian authorities, verification as to the validity of the DURCs submitted by Ser.Man. Italian authorities informed that DURCs were unquestionably counterfeited/forged. The submission of false self-certifications and DURCs, as well as the failure to comply with mandatory Italian social contribution laws are serious and compelling matters affecting the present responsibility of Ser.Man. Ms. Restano is listed as being Ser.Man's principal point of contact for "Government Business," and she was actively involved in Ser.Man's day-to-day operations as a shareholder, partner, and employee of Ser.Man when the false documentation was submitted. All parties were debarred for a period of three years, ending 20 June 2011. (CPT Stem)

(4) Theft (USARC, Pennsylvania). On 5 November 2008, the Army SDO debarred Jimi Edward Keener based on his 24 July 2008 plea of guilty to one count of theft by deception, a misdemeanor, in the 28th Judicial District, Court of Common Pleas of Venango County, Pennsylvania. Mr. Keener was accused of the unauthorized use of Government fuel cards on multiple occasions between November 2004 and June 2007, during his employment at the U.S. Army Reserve Center, Conneaut Lake, Pennsylvania. Mr. Keener was sentenced to 36 months probation, \$250 court costs, and to make restitution in the amount of \$6,457 to the Defense Energy Support Center, Fort Belvoir, Virginia. Mr. Keener was debarred for a period of three years, ending on 1 November 2010. The period of debarment takes into account Mr. Keener's previous periods of suspension and proposed debarment. (Mr. Persico)

(5) Accepting an Unlawful Gratuity (Fort Lewis, Washington). On 19 December 2008, the Army SDO debarred Paul J. Shorb on the basis of his guilty plea on 9 March 2008, in the U.S. District Court for the Western District of Washington for accepting an illegal gratuity. Mr. Shorb received two years probation, 50 hours of community services, and a \$100 assessment. As Chief of Plans and Programs for the DOIM at Ft. Lewis, Washington, Mr. Shorb was involved with contracts performed by ACS Systems & Engineering. In 2001, Mr. Shorb learned that ACS was

about to replace its truck fleet, and he asked an ACS employee to advise the company president that he wanted one of the trucks. ACS subsequently offered and Mr. Shorb accepted a 1997 Ford truck. PFB sent ACS a show cause letter. (MAJ McDonald)

(6) Fraud (California National Guard). On 29 December 2008, the Army SDO debarred Jesse D. Lane, Jr. (Mr. Lane) for a period of four years, until 28 December 2012, on the basis of his guilty plea to conspiring to commit wire fraud of honest services. Beginning on or about February 2005, and continuing until April 2006, Mr. Lane and his co-conspirators, Jennifer Anjakos, Carlos Chavez, Derryl Hollier, and Luis Lopez devised a scheme to defraud the Government of money and property in the amount of approximately \$320,000, as well as the "honest" services of Mr. Lane himself. This was accomplished by having Mr. Lane falsify pay and entitlement funding requests for their benefit, in return for their paying him approximately 50% of the money they received in the form of kickbacks. Mr. Lane defrauded the Government while he was activated with members of his National Guard unit, and deployed to the State of Kuwait, and the Republic of Iraq, in support of Operation Iraqi Freedom. Although stationed in Kuwait, Mr. Lane continued to have access to the computer systems that allowed him to input pay information for members of the California National Guard. Mr. Lane was sentenced on 15 October 2007, in the U.S. District Court, Central District of California, to serve an 18-month term of imprisonment; three years of supervised release thereafter; and ordered to pay a special assessment of \$200, and make restitution in the amount of \$323,228 to the United States Payment and Fiscal Office (USPFO). Mr. Lane was employed at the USPFO, a National Guard disbursement center located in San Luis Obispo, California, and staffed with civilian employees, military service members detailed to the USPFO, as well as DoD contractors and subcontractors. As a member of the California National Guard, a component of the DoD, Mr. Lane was assigned to the 223<sup>rd</sup> Finance Detachment. From March 2004 until February 2005, the period during which Mr. Lane inputted false pay and entitlement information, the Defense Finance and Accounting Service (DFAS), Indianapolis, Indiana, a DoD component, automatically transferred funds into mem-

**SIGNIFICANT ACTIONS (CONT FROM PAGE 12)**

bers' personal bank accounts by way of interstate wire transmissions. (Ms. McCaffrey)

(7) Theft (Bagram Air Base, Afghanistan). On 29 December 2008, the Army SDO debarred Wallace A. Ward (Mr. Ward) and James N. Sellman (Mr. Sellman), former KBR employees, for four years until 28 December 2012. Mr. Sellman and Mr. Ward were found guilty of conspiring to defraud the Government when they forged DD 250's, falsified meter readings to show that trucks had delivered more fuel than had actually been delivered, and diverted the trucks intended for Bagram Air Base to an unknown destination. On 9 May 2008, Mr. Sellman was sentenced to 26 months imprisonment, a 36-month term of probation, and was ordered to pay an assessment of \$100 and make restitution in the amount of \$675,000. On 11 April 2008, Mr. Ward was sentenced to 26 months imprisonment, a 36-month term of probation, and was ordered to pay an assessment of \$100 and make restitution in the amount of \$216,000. (Ms. McCaffrey)

(8) Theft (Tripler Army Medical Center, Hawaii). On 19 November 2008, the Army SDO proposed William Ikehara (Mr. Ikehara), and his company, Newton Square Pharmacy, for debarment. Mr. Ikehara was employed as a pharmacist at the Tripler Army Medical Center in Honolulu, Hawaii (TAMC), from 1982 to 2006. While working in this capacity, Mr. Ikehara was also the owner and operator of his own private pharmacy, the Newtown Square Pharmacy, Inc. (NSP), which is located near the TAMC in Aiea, Hawaii. In early 2006, inventories conducted at the TAMC indicated that various drugs were inexplicably missing, prompting the Chief of Pharmacy to conduct further inventories to determine from which shifts drugs were being improperly removed. Those inventories established that the subject drugs were most likely being taken from the TAMC pharmacy during shifts worked by Mr. Ikehara. Subsequent criminal investigation adequately established that Mr. Ikehara was stealing drugs from the TAMC for the purpose of selling them from NSP. Loss to the Government is estimated to be \$250,000. DoJ declined to pursue with either criminal or civil actions. Mr. Ikehara and his company were debarred on 15 January 2009. (Mr. Csokmay)

(9) Procurement Integrity Violation (USACE, South Korea). On 19 November 2008, the Army SDO proposed David M. Honbo (Mr. Honbo) for debarment on the basis of his 22 July 2008 conviction in the U.S. District Court for the District of Columbia on one count of Disclosure of Source Selection Information, a violation of 41 U.S.C. §423(a) and (e)(1)(B). Mr. Honbo, while a civilian employee of the U.S. Army Corps of Engineers (USACE) stationed in South Korea, unlawfully provided sensitive source selection and procurement information to a bidder seeking to win the contract to relocate the U.S. Army base in Yongsan, South Korea. Mr. Honbo's duties with USACE during this time included direct participation in the awarding of U.S. Government contracts. Mr. Honbo was sentenced on 7 November 2008 to probation for a term of 36 months. He was debarred on 3 February 2009. (Mr. Csokmay)

(10) Conspiracy to Smuggle Goods (Fort Lewis, Washington). On 25 November 2008, the Army SDO proposed CPT Tomoaki Iishiba (CPT Iishiba) for debarment after he pled guilty in the U.S. District Court for the Western District of Washington to one count of conspiracy to smuggle goods from the U.S., a violation of 18 U.S.C. § 371. CPT Iishiba was sentenced on 7 November 2008 to a year and a day in prison for the aforementioned offense. His conviction and sentence stemmed from his unlawful exporting of certain sensitive military hardware to his native Japan, which hardware included 60 EoTech 553 holographic night vision firearm sights that he had purchased from a business known as Optics Planet. Once he had acquired these items, CPT Iishiba shipped them to co-conspirators in Japan, using custom forms he had deliberately mislabeled in order to avoid obtaining a requisite export license. CPT Iishiba was debarred on 3 February 2009. (Mr. Csokmay)

### Settlement Agreements

(1) L-3 Agrees to Pay \$4 Million to Resolve Allegations of Submitting False Claims at Camp Taji, Iraq. On 8 December 2008, the DoJ announced that L-3 Vertex Aerospace, a subsidiary of L-3 Communications Corp., agreed to pay the United States \$4 million to resolve allegations that L-3 submitted false time records and inflated claims for hours worked by

**SIGNIFICANT ACTIONS (CONT FROM PAGE 13)**

company employees at Camp Taji, Iraq, between March 2004 and August 2005 on a helicopter maintenance contract. The investigation originated from a *qui tam* complaint filed in the Northern District of Georgia by a former L-3 helicopter mechanic and involved the Defense Criminal Investigative Service (DCIS), Army CID – Major Procurement Fraud Unit, and DCAA. The Justice Department's Civil Division and the U.S. Attorney's Office in Atlanta handled the litigation and settlement of the case. Of the settlement proceeds, \$1.98 million will go to U.S. Army Forces Command (FORSCOM). PFB is securing accounting codes through forensic accounting/auditing to ensure these funds go to FORSCOM and not to the U.S. Treasury. (MAJ Coulter)

(2) Global Settlement in Procurement Fraud Case Involving Mine Resistant Ambush Protected Program. On 22 December 2008, Spartan Chassis, Inc., pursuant to a global settlement agreement, pled guilty to one count of false official statement and entered into a civil settlement agreement resolving allegations under the Anti-Kickback Act that a Spartan employee paid a Force Protection, Inc. (Force) employee \$1,500 for each chassis Force bought from Spartan under the Marine Corps Mine Resistant Ambush Protected (MRAP) program. Spartan paid a \$4.3 million criminal fine and \$1.7 million civil fine to resolve this matter. The Army acquired MRAPs under the Navy contract by MIPR in 2004 and 2005. The investigation originated from a fraud referral from DCAA and was investigated by DCIS, Army Criminal Investigation Command – Major Procurement Fraud Unit, and DCAA. The Justice Department's Civil Division and the U.S. Attorney's Office in South Carolina handled the litigation and settlement of the case. (MAJ Coulter)

(3) DoJ Settlement Reached in Civil False Claims Act Case Involving "Army of One" Multimedia Advertising Campaign. On 6 January 2009, the DoJ announced a Civil False Claims Act settlement with Leo Burnett Company, Inc., which had a contract from 2000 to 2005 with the U.S. Army to provide advertising services for the Army's recruiting mission. The settlement resolves allegations that Leo Burnett im-

properly billed the U.S. Army while developing the Army's recruiting web site and for advertising under the "Army of One" multimedia advertising campaign. Leo Burnett will make a cash payment of \$12.1 million and credit the Army \$3.4 million in work performed, but not billed. The investigation originated from a *qui tam* complaint filed by former Leo Burnett executives and was investigated by FBI, DCIS, Army CID – Major Procurement Fraud Unit, and the DCAA. The Justice Department's Civil Division and the U.S. Attorney's Office in Chicago conducted the litigation and settlement of the case. (MAJ Coulter)



This photos of U.S. soldiers holding the U.S. Flag in Iraq appeared on [www.army.mil](http://www.army.mil)



**PARTING SHOTS: TRAINING THE TRAINERS AND SAND STORM**

These photos appeared on [www.army.mil](http://www.army.mil).

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