ARMY PROCUREMENT FRAUD ADVISOR'S UPDATE

ISSUE 74 (SEPTEMBER 2009)

US ARMY CONTRACT & FISCAL LAW DIVISION

INSIDE THIS EDITION

Message From The Chief, PFB	2
Fraud Counsel's Corner	3
Significant Actions	9
Parting Shots	16

Mission of the Procurement Fraud Branch

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

Fraud Training in FY 10:

The Army Procurement Fraud Course. All Procurement Fraud Advisors (PFAs) who have not attended the Procurement Fraud Course at the Judge Advocate General's Legal Center and School (TJAGLCS) in Charlottesville, Virginia, should register for the next course, 12-14 May 2010, through the Army Training Requirements and Resources System (ATRRS). The course is offered only once every two years. Space is limited to 150 attendees, with Army and DoD attorneys afforded first priority. The course will focus on basic instruction for new fraud counsel. It will provide the tools necessary to fight procurement fraud in traditional and contingency environments. The course is also available to investigators, contracting officers and paralegals as space permits. If you would like to attend the course and your organization has not obtained a quota through ATRRS, email me at christine.mccommas@us.army.mil.

The DoD Procurement Fraud Working Group Training Seminar. Army fraud counsel who have attended the Procurement Fraud Course and would benefit by advanced training are invited to attend the sixth annual seminar in Daytona, Florida at the Hilton Daytona Beach Hotel from 23-25 March 2010. The course is open to DoD and DoJ attorneys, investigators, auditors and acquisition personnel. Space is limited to 150 attendees. The course provides a forum for the exchange of information and current practice to facilitate the coordination of fraud remedies throughout DoD. This year the Army Procurement Fraud Branch (PFB) is hosting the course. Prospective Army attendees should contact me at christine.mccommas@us.army.mil. More information about this year's seminar may also be obtained from Mr. Russ Geoffrey, DCMA Director, Contract Integrity Center, at russell.geoffrey@dcma.mil.

Photos courtesy of www.army.mil

FRAUD COUNSEL'S CORNER—CASE STUDIES

Lessons Learned from a Procurement Fraud Case in Theatre: Training and Equipping the Afghan National Army by Brian Persico.

This case serves as a useful tool in reviewing the issues involved with evaluating contractor performance and quality controls in the procurement of non-standard goods by the DoD. It also serves as an excellent example of how a contractor can manipulate the contracting system by failing to disclose its performance history and substituting prohibited goods for those required under the contract. Fortunately, for the Government, the contractor's deception was discovered and the company was prevented from doing any further damage to the procurement system through its suspension from contracting with the Government and subsequent criminal prosecution.

Since 2001, the United States has been engaged in a comprehensive program to train and equip the Afghan National Army (ANA) and Afghan National Police (ANP) for the purpose of promoting stability and the rule of law in Afghanistan. As part of this process, the U.S. Army has overseen the purchase of weapons and ammunition suitable for use by the ANA and the ANP. Based on the legacy of the former Soviet Union's involvement in Afghanistan, the Army decided in April 2006 to procure weapons and ammunition manufactured in former Warsaw Pact nations instead of U.S. manufactured equipment. Contracting officers had to consider other alternatives to traditional suppliers of weapons and ammunition to the Department of Defense (DoD) and looked to brokers of non-standard ammunition on the international arms market. The result was one of the most visible procurement fraud cases out of Afghanistan and multiple lessons-learned on contractor performance evaluations and quality controls used in the procurement of non-standard goods by the DoD.

After an evaluation of the ANA's and ANP's munitions needs, the U.S. Army Sustainment Command (ASC) issued a request for proposals (RFP) on July 28, 2006. This RFP required the delivery of various types of non-standard ammunition to ANP and ANA ammunition stocks in Kabul, Afghanistan, within three to six months of ASC issued task orders. Included in the contract was a requirement to deliver 7.62x39mm ammunition for AK-47 assault rifles for delivery to the ANP and ANA via transport arranged by the contractor according to international standards. The ammunition was to be packaged according to commercial "best practices." The evaluation criteria in reviewing responses to the RFP were price, utilization of small businesses and past performance, to include ability to deliver ammunition on time to international locations, and quality of performance. Ten proposals were received, of which eight were deemed complete and eligible for consideration. Following pre-award surveys of the bidders and evaluation of the award criteria, contract number W52P1J-07-D-0004, valued at approximately $298 million, was awarded to AEY, Incorporated (AEY) on January 26, 2007.

Photo provided by CID.

AEY was a small Miami Beach, Florida based company. In its best year of business, AEY received contracts valued at $7,238,329, divided among 59 separate Government contracts. Operating from a single location with eight employees, AEY's management consisted of Efraim Diveroli, the company's 22 year old President and primary point of contact for Government contracts, David Packouz, the company's Vice-President and former licensed masseuse, Alexander Podrizki, AEY's representative in Tirana, Albania, and Ralph Merrill, a business associate of

FRAUD COUNSEL'S CORNER– CASE STUDIES (CONT FROM PAGE 3)

Mr. Diveroli and financial backer of AEY. The majority of the company's revenue came from the providing miscellaneous weapons, ammunition, clothing and tactical equipment to organizations and individuals. As a result of the ANA and ANP ammunition contract, AEY went from a moderately successful small business to a major supplier of munitions to a key U.S. ally. Even before the first task order was placed, however, questions were surfacing in the law enforcement community and at the Department of State (DoS) about AEY's management and its contacts in the global arms marketplace.

Photo provided by CID.

Since April 2006, AEY and Mr. Diveroli had been under investigation by the U.S. Immigration and Customs Enforcement Service (ICE) for Arms Export Control Act violations, contract fraud and illegal firearms transactions. The DoS placed both AEY and Mr. Diveroli on its watch list of international arms dealers due to the suspicious nature of AEY's arms transactions and parties that it did business with. Because all information surrounding that investigation was restricted to law enforcement personnel, the contracting community was unaware of the evidence compiled by ICE investigators. Furthermore, as AEY had provided AMC with data that indicated a good record of past performance and compliance with applicable regulations, no inquires were made by the source selection team with the ICE or other criminal investigative agencies that may have been privy to the details of the investigation. This omission continued even after Defense Criminal Investigative Service (DCIS) joined ICE in the AEY investigation. On the surface, AEY appeared to be a qualified supplier of non-standard ammunition that had the additional benefit of meeting the solicitation's requirement for award to a small business.

Unbeknownst to AMC, however, AEY's basic qualifications were also in question due to a series of terminations for default for failure to perform several DoD and DoS contracts. Between April 2005 and the end of 2006, AEY failed to adequately perform at least nine contracts for the supply of weapons, tactical equipment, and non-standard ammunition. On five occasions in 2005 and 2006, AEY either failed to deliver or delivered substandard rifle mounts and scopes ordered by the Army as part of foreign military sales contracts, despite multiple opportunities from contracting officers to cure defects in the company's performance. One of these contracts was terminated on March 1, 2007, a little more than a month after AMC's award of the ANA and ANP ammunition contract. On other occasions in 2005, AEY provided 10,000 helmets that failed to provide ballistic protection for use by the Iraqi army, failed to deliver 10,000 9mm pistols for use by the Iraqi police and delivered defective ammunition to the Army Special Operations Command. AEY responded to repeated requests for improved quality control and delivery standards by suggesting that there was bias present on the part of inspectors against the company, that as a small business it should be given additional opportunities to perform, or it should be allowed to offer non-conforming, substitute equipment to meet contract requirements. In extreme cases, Mr. Diveroli blamed failures to perform on plane crashes, Government interference and a fictitious hurricane that devastated AEY's offices in Miami. None of this information regarding AEY's past performance was made available or discovered by the source selection team for the ANA and ANP ammunition contract. The only past performance evaluated related to three contracts identified by AEY despite the fact that over 90 contracts had previously been awarded to the company. All three of these contracts indicated that the com-

FRAUD COUNSEL'S CORNER– CASE STUDIES (CONT FROM PAGE 4)

pany had satisfactorily performed in all respects. Based on what appeared to be a history of good contract performance, AEY received an "excellent" rating by the source selection team for on-time delivery and performance and by the contracting officer as "good" for international delivery history and experience as a systems integrator.

Photo provided by CID.

With contract in hand, AEY soon began receiving task orders for the delivery of ammunition to Afghanistan. With each task order received, the company procured the ammunition and shipped it via air transport to Bagram Airbase, Afghanistan using a civilian subcontractor airline, Silkway Airways. A contracting officer's representative accepted shipments that were then driven via truck to the ANA and ANP ammunition storage facility called the "22 Bunkers Complex." From that facility, the ammunition was issued directly to ANA and ANP units. AEY obtained surplus ammunition from a variety of sources in Eastern Europe, including Albania, in its efforts to procure ammunition that met contract requirements. This ammunition, in most cases, had been manufactured during the Cold War and stored in sealed metal boxes that provided data on the origin and manufacture dates, as well as protection from corrosion. As their investigation continued, it became clear to ICE and DCIS investigators that AEY was repackaging ammunition originating in Albania by removing it from metal storage containers and placing it into paper and cardboard boxes. This repackaging allowed AEY to conceal the fact that the ammunition supplied to the ANA and ANP had been manufactured in the People's Republic of China. This repackaging also prevented the casual observer from determining the date of manufacture and allowed AEY to save the costs associated with shipping the metal storage containers via air to Afghanistan.

AEY apparently began this practice in April 2007, after Mr. Diveroli received notice from the DoS that AEY would not be issued an export license from the U.S. Government for the brokering of ammunition stored in Albania for a twenty-year period. In addition, Mr. Diveroli provided certificates of conformance to the contracting officer stating that the manufacturer of the ammunition was MEICO (Military Export and Import Company), a company operated by the Albanian Ministry of Defense. Between June 26 and October 31, 2007, Mr. Diveroli provided 35 certificates of conformance that falsely certified MEICO as the manufacturer of ammunition provided under contract W52P1J-07-D-0004. These fraudulent certificates of conformance resulted in payments totaling $10,331,736 to AEY from the Government.

Prior to the award of the ANA and ANP ammunition contract, numerous questions were received from potential offerors regarding contract requirements and performance. Amendment 3 to the solicitation for this contract included a question from one offeror asking if "ammunition from China [is] acceptable for this contract – assuming that it meets the technical specifications." In response, the source selection team stated that "statutory or regulatory restrictions . . . that may effectively prohibit supplies from any source are the responsibility of each offeror to both identify and resolve." This response was clarified by Amendment 6 to the solicitation, through the express incorporation of DFARS 252.225-7007 into the solicitation, entitled "Prohibition on Acquisition of United States Munitions List Items from Communist Chinese Military Companies." DFARS 252.225-7007 specifically states in subparagraph b that:

"Any supplies or services covered by

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

> the United States Munitions List that are delivered under this contract may not be acquired, directly or indirectly, from a Communist Chinese military company."

Subparagraph (a) of this section defines "Communist Chinese Military Company" as "any entity that is part of the commercial or defense industrial base of the People's Republic of China" or any company that is owned, controlled or affiliated with the Government of the People's Republic of China. The incorporation of the prohibition found in DFARS 252.225-7007 into Section A of the contract resulted in a prohibition against the use of ammunition from the People's Republic of China by AEY to meet contract requirements.

Contract administration problems also existed which allowed AEY to ship substandard ammunition to Afghanistan. The contract only specified that the ammunition be "serviceable" but did not specify the age of the ammunition. The allowance for using surplus ammunition to meet contract requirements also added to the questions about what, if any, age limit on the ammunition would be imposed by the Government on AEY as surplus ammunition tends to be of older manufacture than ammunition recently purchased. Furthermore, the ammunition was not inspected by the Defense Contract Management Agency (DCMA) at any point during shipment to Bagram Airbase or after its arrival, preventing adequate quality control. Had DCMA or the contracting officer attempted to inspect the ammunition after its arrival at the 22 Bunkers Complex, they would have found that it was impossible to match the ammunition with a specific task order or certificate of conformance due to AEY's use of identical lot numbers and conflicting transportation control numbers.

In addition to the other issues with the contract, AEY, on par with their history of non-performance in other contracts, was four months behind in ammunition deliveries by early January 2008. The company's lack of managerial ability, deceptive practices and, by its own admission to the contracting officer, unreliable sources of supply from the international arms market, resulted in a contract that was behind schedule and a contractor that was failing to supply the required ammunition.

During early 2008, the Army Procurement Fraud Branch (PFB) requested the Army Criminal Investigative Command (CID) to visually inspection AEY-provided ammunition. On January 25, 2008, CID agents took 335 digital photographs of ammunition, ammunition pallets and shipping documents in 15 storage containers containing ammunition supplied by AEY. Of those 15 containers, 14 contained various types of ammunition packaged in brown paper and cardboard boxes, wrapped in plastic, with AEY shipping documents attached to them. The only identification markings regarding the origin of the ammunition consisted of headstamps showing the numbers 31, 61, 71, 81 and 661 and dates of manufacture ranging from 1962 to 1974. Based on unclassified information available from the Defense Intelligence Agency, the headstamp numbers indicated that the 7.62x39mm ammunition in these 14 containers was manufactured at factories in the People's Republic of China. Based on this information, the Army suspended AEY from contracting with the Government on March 25, 2008. Further deliveries of ammunition and payments on previously issued task orders were suspended on March 31, 2007. AMC terminated the contract with AEY for default on May 23, 2008 following its own investigation into the circumstances surrounding the award of the contract and the company's performance to date.

On June 19, 2008, AEY, Mr. Diveroli, Mr. Packouz, Mr. Podrizki and Mr. Merrill were indicted in the U.S. District Court for the Southern District of Florida, on one count of conspiracy, 35 counts of making a false statement, and 35 counts of Major Fraud Against the United States. These indictments were based on the repackaging of Chinese ammunition to hide its origin, the fraudulent certificates of conformance that accompanied the deliveries of this ammunition, and the subsequent payments by the Government based on the delivery of non-conforming ammunition. In August 2009, Mr. Diveroli pled guilty to one count of conspiracy. He is scheduled to be sentenced in November 2009.

A review of the award of the ANA and ANP am-

FRAUD COUNSEL'S CORNER– CASE STUDIES (CONT FROM PAGE 6)

munition contract shows two distinct points where the contracting system failed. First, the initial source selection team did not venture beyond the information presented to it. The team took into consideration only information presented by AEY or as part of routine reviews of financial responsibility by DCAA. Had the source selection committee taken steps to seek out other instances of AEY's performance or delve into the company's background, it would have found a history of non-performance and a company that had been tied to illegal activity. Had the source selection team taken steps to actively contact organizations outside of the contracting community, it would have found that there is no single repository for contractor information within the Government. While the DoD maintains a database of prime contractors and their contracts that shares data regarding contractor performance, subcontracts and contracts with organizations outside the Department of Defense are not included. This is true even for contracts and subcontracts that are in direct support of ongoing DoD activities.

The second point where the contracting system failed relates to the lack of quality control and documentation of shipments after AEY began deliveries of ammunition to Bagram Airbase. The first indications that the ammunition did not meet contract requirements and was of Chinese origin came several months after AEY began performing and was not confirmed until January 2008, a year after contract award. In addition, the ammunition could not be tracked upon delivery due to a lack of specific identifying shipment documentation, as AEY used the same lot numbers for all deliveries. Adequate quality controls to inspect shipments at the point of delivery would have detected these shortcomings. As it happened, the initial halt to AEY's continued performance was based on a suspension action initiated by PFB due to the use of Chinese ammunition in violation of the DFARS to meet contract requirements, not the quality control issues or the criminal investigation by ICE and DCIS.

The lack of coordination between law enforcement and the contracting community also played a factor in the failures to detect problems with AEY's history of performance. Since at least April 2006, ICE had been investigating AEY's sources of weapons and ammunition, a fact not shared outside the law enforcement community, thus preventing full disclosure of the risks involved with selecting AEY to the source selection team and the DCAA auditors charged with reviewing the company's financial history. Lacking this information, the source selection team erroneously reached the conclusion that there were no criminal allegations pending against the company or its management.

In conclusion, the ANA and ANP ammunition contact awarded to AEY was flawed from the beginning due to a faulty review of AEY's contracting background and a lack of quality control at the point of delivery. Source selection teams should be required to actively seek out information regarding the past performance of companies in conjunction with DCAA and other agencies responsible for providing data on companies seeking Government contracts. Reliance on information provided by contractors, readily available to a single agency, may not provide a complete history in some cases to make proper source selection determinations. In the case of AEY, had the source selection team inquired with the DoS, the agency charged with monitoring the international traffic in arms, it would have found that AEY, its management, and several of its affiliates were on a watch list due to suspicion of illegal activity. In addition, companies should have an affirmative duty to provide complete contracting histories as part of their contract bids. This would shift the requirement to provide complete performance histories onto the contractor, not the contracting officer, and would include performance on subcontracts and contracts outside the DoD that are presently not readily available via existing databases. The final lesson is that when contracting for non-standard items, greater care must be taken to ensure that quality control is maintained as those items are not regularly purchased by the Government, or manufactured based on specifications established by third parties or for the commercial market. Quality control should be flexible enough to accommodate the type of non-standard goods yet provide for adequate inventory tracking and ensure that the needs of the end user are met. The goal of quality control in these contracts should be to handle a non-standard item using standardized and meaningful management controls at all times.

FRAUD COUNSEL'S CORNER– CASE STUDIES (CONT FROM PAGE 7)

Litigation Holds in Procurement Fraud Cases by MAJ Art Coulter

I have served as a Trial Attorney, Department of Justice, Civil Division, Commercial Litigation Branch, Fraud Section, since May of 2003. As part of my responsibilities, I direct the litigation of procurement fraud cases with Procurement Fraud Advisors (PFAs) throughout the Army. Fraud litigation under the False Claims Act often involves requests by the Department of Justice for a "litigation hold" on documents related to the litigation. DoJ litigation hold orders require the retention of all electronic, paper, and other records relating in any way to the matter under litigation.

When instructed to place a litigation hold on documents, what are the agency counsel duties? First, know your obligations under AR 27-40 (19 September 1994) and *United States ex rel Touhy v. Ragen*, 340 U.S. 462 (1951). Is your command or program following the proper document retention policies? When litigation is anticipated, AR 27-40 directs that all record destruction must stop so that documents are preserved. All records' custodians in your organization, including contractors working for your organization involved with documents that are the subject of the litigation, must be notified in writing of this requirement. When your command receives a litigation hold order, it is advisable to request each organization in your command to complete its search within a reasonable amount of time, such as within 30 days of receipt of the request for the search. It is advisable to require a negative reply from your organization within a reasonable amount of time, for example, 30 days. Responses should include contact information of all individuals participating in the search. Those organizations with records responsive to the search should include a description of each record within 60 days, at the latest. Those organizations should identify information technology systems where the records are stored. Records must be stored in a safe storage facility.

It is important that agency fraud counsel ensure that information is preserved. Courts have held that a party has an obligation to preserve evidence when the party knew or should have known that evidence is relevant to litigation or future litigation. The "obligation to preserve evidence arises when the party has notice that the evidence is relevant to litigation – most commonly when suit has already been filed, providing the party responsible for the destruction with express notice, but also on occasion in other circumstances, as for example when a party should have known that the evidence may be relevant to future litigation." *Kronish v. United States*, 150 F.3d 112, 126 (2d Cir. 1998). However, agency counsel cannot take comfort in awaiting a filed complaint. Absent a filing, "[t]he duty to preserve material evidence arises not only during litigation but also extends to that period prior to litigation when a party reasonably should know that the evidence may be relevant to anticipated litigation." *Silvestri v. General Motors Corp.*, 271 F.3d 583 (4th Cir. 2001); *Buckley v. Mukasey*, 538 F.3d 306,323 (4th Cir. 2008). Determining which government employees are the key players is also an important issue in deciding the parameters of the scope of the duty to suspend document destruction policies. Agency counsel is required to undertake a reasonable investigation of employees who played a decision-making role. See e.g. *Cache La Poudre Feeds, LLC v. Land O'Lakes, Inc.* 244 F.R.D. 614 (D. Colo. Mar. 2, 2007).

Although being an Army Procurement Fraud Advisor might be an "additional duty," Courts have held government counsel to a higher standard than private litigants and expect agency counsel to be part of the solution, not the problem. In *United Med. Supply Co., Inc. v. United States,* 77 Fed. Cl. 257 (2007), the United States Court of Federal Claims imposed sanctions against the United States based upon its "reckless disregard of its duty to preserve relevant evidence." The court chastised the government for its handling of document retention. The court found that the government's failure to take effective steps to preserve documents and to prevent further spoliation transcended any form of negligence, and constituted, at the least, the reckless disregard of its duty to preserve relevant evidence. The court found that the government's counsel was "ill-served not only by staff both at the Department of Justice and the Department of Defense, but by document retention and preservation policies that were—and may still be—antiquated and inadequate." To avoid such sanctions, agency counsel should coordinate and memorialize each step from first contact with DoJ or higher headquarters counsel through when they are told there is no longer a need for a litigation hold.

Please contact me at 202-307-0237 if you have questions about litigation hold orders. You may also email me at art.coulter@usdoj.gov.

SIGNIFICANT ACTIONS (3RD QTR, FY09)

Suspensions

(1) Theft, Bulk Cash Smuggling, Money Laundering, False Statement (JCC-I/A, Kandahar, Afghanistan). On 9 April 2009, the Army Suspension and Debarment Official (SDO) proposed David Silivano Gilliam, for debarment based the filing of a criminal indictment against him in the U.S. District Court for the District of Hawaii on 11 February 2009. This indictment alleges that Mr. Gilliam improperly removed at least $284,000 from the vault assigned to the 125th Finance Battalion, Alpha Detachment, while employed as a civilian disbursing officer between 14 April 2004 and 7 April 2005. Mr. Gilliam later used these funds to purchase a home in South Carolina, a vehicle and other items for personal use. Mr. Gilliam was charged with one count of theft of Government property, one count of bulk cash smuggling, two counts of transfer of stolen money in interstate and foreign commerce, one count of money laundering and one count of false statements. Legal proceedings are pending. (Mr. Persico)

(2) Conspiracy, Securities Fraud, Mail and Wire Fraud, Insider Trading, Obstuction of Justice, Material Misstatements and Tax Evasion (AMC/Rock Island, Illinois). On 23 April 2009, the Army SDO suspended David Brooks (Mr. D. Brooks), Sandra Hatfield (Ms. Hatfield), Dawn Schlegel (Ms. Schlegel), Terry Brooks, Jeffrey Brooks, Tactical Armor Products, Brooks Industries of Long Island, David Brooks International, Perfect World Enterprises, L.L.C., Corniche Capital, L.L.C., Wildfire Holdings, L.L.C., Vianel Industries, VAE Enterprises, L.L.C., RSJ Industries, Inc., and True Grit Holdings from Government contracting. David Brooks is the founder and former CEO of DHB Industries (DHB). DHB is a publicly traded company that manufactures and sells body armor. Ms. Hatfield is the former President and COO of DHB. Ms. Schlegel is the former CFO of DHB. Between July 2000 and July 2006, Mr. D. Brooks, Ms. Hatfield and Ms. Schlegel devised and carried out a variety of fraudulent schemes designed to defraud DHB shareholders and the investing public by materially misrepresenting DHB's gross profit margins, performance, revenues, expenses, earnings and inventory, and by concealing related party transactions and compensation provided to Mr. D. Brooks, Ms. Hatfield and their family members, to include Terry Brooks and Jeffrey Brooks. On 23 October 2007, Mr. D. Brooks, Ms. Hatfield and Ms. Schlegel were indicted in the U.S. District Court for the Eastern District of New York for conspiracy to commit securities fraud, insider trading, obstruction of justice, mail, wire and tax fraud. Legal Proceedings are pending. (Major McDonald)

(3) Conspiracy to Commit Bribery (USACE/Afghanistan). On 23 April 2009, the Army SDO suspended Raymond Azar (Mr. Azar), Dinorah Cobos, a/k/a Dinorah Cobos Mastascuso (Ms. Cobos), Sima Salazar Group, d/b/a SSG, d/b/a Salazarco, d/b/a Sima International, d/b/a Pro-Sima, d/b/a Pro-Sima International (SSG) from Government contracting. SSG is a Lebanese-owned military contracting company doing business in Afghanistan and Iraq. SSG has received over $73 million dollars in contracts from the USACE in Afghanistan. Ms. Cobos is employed by SSG as its Afghanistan Country Manager where her responsibilities included handling requests for equitable adjustments (REAs), for contracts that the USACE is seeking to terminate or complete. The USACE in Afghanistan reported to the FBI the suspicion that SSG through Ms. Cobos and Mr. Azar were involved in criminal activity. The confidential witness (CW) was responsible for managing military contracts, to include negotiating payments on REAs and contract terminations. Through consensual recorded audio and video interactions, as well as e-mails, the FBI established that Ms. Cobos and Mr. Azar conspired to bribe the CW1 in exchange for approval of payment of fraudulent invoices on contracts that SSG held with the USACE. On 3 April 2009, a criminal complaint was filed in the U.S. District Court for the Eastern District of Virginia against Ms. Cobos, Mr. Azar and SSG charging them with bribery and conspiracy to commit bribery. Legal proceedings are pending. (Major McDonald)

(4) Subscribing a False Tax Return (Stratford Army Engine Plant/Connecticut). On 1 May 2009, the Army SDO suspended William Delorenze (Mr. Delorenze) and Delorenze Industrial Mechanical Service, LLC (IMS) from Government contracting. Mr. Delorenze is the owner and president of IMS. IMS is a plumbing, heating and air conditioning contractor. IMS performed work as a subcontractor at the Stratford Army Engine Plant (SAEP) in Connecticut. Mr.

SIGNIFICANT ACTIONS (CONT FROM PAGE 9)

Delorenze failed to report all earned income on his federal income tax return. On 7 April 2009, a criminal information was filed against Mr. Delorenze in the U.S. District Court of Connecticut charging him with subscribing a false tax return. Mr. Delorenze entered a plea to the charges, was sentenced on 13 August 2009 and proposed for debarment on 20 August 2009. (Major McDonald)

(5) Conspiracy, providing false information to a foreign government (RDECOM-ARDEC, Picatinny Arsenal). On 23 May 2008, the Army SDO suspended Ben-Ami Kadish based on the filing of a criminal complaint in the U.S. States District Court for the Southern District of New York alleging that between August 1979 and July 1985, he used his position as an Army employee at Picatinny Arsenal, New Jersey, to provide classified documents to agents of the Government of Israel. In addition, Mr. Kadish is accused of attempting to conceal his relationship with a former employee of the Israeli consulate in New York, New York, from investigators. Mr. Kadish is charged with one count each of conspiracy, gathering or delivering defense information to a foreign government, false statement and obstruction of justice. Mr. Kadish was debarred on 7 August 2009 for a period of 10 years. (Mr. Persico)

(6) Theft of Government Property (Ernie Pyle Reserve Center/Fort Totten, New York). On 3 June 2009, the Army SDO suspended Joseph Copeland (Mr. Copeland) from contracting with the Government. The basis of the suspension was the Affidavit In Support of an Arrest Warrant filed against him on 13 April 2009, in the U.S. District Court for the Eastern District of New York, establishing probable cause to believe Mr. Copeland stole three Hewlett Packard digital senders, Model Number 9250C, when he ordered them on behalf of Fort Totten, through the GSA Advantage purchase system, and sold them on E-Bay Auction. Legal proceedings are pending. (Ms. McCaffrey)

(7) Mail and Wire Fraud (Forward Operating Base Warrior/Kirkuk, Iraq). On 3 June 2009, the Army SDO suspended Ronald Joseph Radcliffe (Mr. Radcliffe), Metin Subasi (Mr. Subasi), and his companies, Nasa, Ltd., and Subasi, Ltd., from contracting with the Government. The suspensions were based on the indictment filed against Mr. Radcliffe and Mr. Subasi on 1 April 2009 in the U.S. District Court for the District of Hawaii charging both with committing mail and wire fraud of honest services, and Mr. Radcliffe of conspiracy to commit money laundering, aiding and abetting money laundering, money laundering and bribery. From January 2004 until February 2005, Mr. Radcliffe was deployed as Master Sergeant (MSG) Radcliffe with the 25th Infantry Division (Light) as the S-4, Non-Commissioned Officer of Supply at the Forward Operating Base Warrior, Kirkuk, Iraq. He provided logistical guidance and direction to the company supply sergeants and supervised the processing of all purchase requests and commitments. In this capacity MSG Radcliffe met Mr. Subasi, a Turkish National who conducted business through his two companies, Nasa Ltd., and Subasi, Ltd., and promised to steer government contracts to him in exchange for cash payments. Legal proceedings are pending. (Ms. McCaffrey)

(8) Kickbacks (USAREUR/Hohenfels, Germany). On 11 June 2009, the USAREUR SDO suspended Thomas Magerl (HSG), Bernhard Fischer (HSG), Firm HSG; and several of its subcontractors, Thomas Semmler, Firm Holzbau Semmler GmbH; Firm Werner Schindler Willibald; Frank GmbH; and Florian Wiegert, Firm Metallbau-Weigert, and Werner Schindler. Two civilian employees, Wolfgang Scheuerer (Mr. Scheuerer) and Bernard Lehman (Mr. Lehman) from the Directorate of Public Works (DPW) in Hohenfels, Germany, were also suspended on the basis of adequate evidence that the two civilian employees had conspired with the companies to defraud the Government by awarding construction task orders at excessively inflated prices in exchange for a kickbacks. Legal proceedings are pending. (CPT Stem)

(9) Theft (MNF-I/FOB Paliwoda, Iraq). On 17 June 2009, the Army SDO suspended Captain Elbert W. George III (CPT George), USA, and Sergeant First Class Roy Greene Jr. (SFC Greene), USA, based on the 13 March 2009 filing of a criminal information in the U.S. District Court for the Eastern District of Virginia, Alexandria Division, charging them with one count each of conspiracy to steal Government property. Specifically, CPT George and SFC Greene were charged with using their authority to access the

SIGNIFICANT ACTIONS (CONT FROM PAGE 10)

Joint Base Balad and the DRMO storage area for the purpose of stealing vehicles and equipment to sell to a local Iraqi businessmen between December 2007 and June 2008. During this period CPT George and SFC Greene allegedly checked and sold one bus, eight trucks, nineteen generators, five trailers, and other miscellaneous items. In exchange, CPT George and SFC Greene allegedly received between $225,000 and $1,000,000 in cash. Respondents were proposed for debarment on 4 September 2009. (Mr. Persico)

(10) Wire Fraud (AMCOM/Rock Island Arsenal, Illinois). On 26 June 2009, the Army SDO suspended Guy John West based on his 19 May 2008 indictment in the U.S. District Court for the Western District of Tennessee, Eastern Division on two counts of wire fraud. Mr. West is the former Quality Assurance Director at Kilgore Flares Company LLC, a supplier of infrared countermeasure flares and related ordnance to the U.S. Army Armament, Munitions and Chemical Command and other components of the Department of Defense. The indictment alleges that between 12 April and 9 May 2005, Mr. West submitted false test reports and quality control reports to the Defense Contract Management Agency (DCMA) regarding the burn time of M-206 flares, a type of multi-purpose decoy flare used on rotary and fixed-wing aircraft. As part of its quality control process, DCMA was able to detect the fraudulent documents and none of the flares in the affected lot were delivered to AMCOM. Mr. West was acquitted on 11 September 2009 and the suspension was terminated. (Mr. Persico)

(11) Conspiring to Make a False Writing and Bribery (Bagram Airfield/Afghanistan). On 26 June 2009, the Army SDO suspended Raschad L. Lewis (Mr. Lewis) from contracting with the Government. The suspension was based on the indictment filed against him in U.S. District Court for the Eastern District of Virginia, on 2 April 2008 charging him with conspiring to make a false writing, bribery and making a false claim in violation of 18 U.S. C. §§ 371, 1001, 201, and 287. Mr. Lewis, a former Kellogg, Brown and Root (KBR) employee, was hired to work in the Movement Control area of Bagram Airfield, Afghanistan (Bagram) when he is alleged to have conspired with others to make a false writing, pay bribes and make a false claim when he recruited other KBR employees to falsify the quantity and quality section and the signature of the responsible officer authorized to accept fuel at Bagram on behalf of the Government. Respondent was sentenced on 21 August and proposed for debarment on 16 September 2009. (Ms. McCaffrey)

Proposed Debarments

(1) Attempted Bribery (JCC-I/A/Baghdad, Iraq). On 9 April 2009, the Army SDO proposed Nazar Abd Alama, a.k.a. "Nazar Abd Al Ama," San Juan Company and Mississippi Company for the General Contract for debarment as the result of allegations that Mr. Alama offered a JCC-I/A contracting officer a $250,000 payment in return for the award of solicitation number W91GY0-08-R-0057 to San Juan Company on 2 September 2008. In addition, Mr. Alama offered a similar payment to the contracting officer and undercover agents from the Army Criminal Investigation Command's Major Procurement Fraud Unit on several occasions between 2 September and 24 September 2008. San Juan Company was proposed for debarment as an affiliate and imputee of Mr. Alama's actions and Mississippi Company for the General Contract was proposed for debarment as an affiliate of Mr. Alama. Respondents were debarred on 1 July 2009. (Mr. Persico)

(2) Receipt of Stolen Goods (MNSTC-I, Baghdad, Iraq). On 17 April 2009, the Army SDO proposed Jacqueline S. Fankhauser (Ms. Fankhauser), for debarment based on her entry of a guilty plea to one count of receipt of stolen goods in the U.S. District Court for the Western District of Oklahoma on 30 June 2008. The basis for this guilty plea was Ms. Fankhauser's admission that her daughter, MAJ Theresa J. Baker (MAJ Baker), USA, received approximately $370,000 from contractors in exchange for the award of Government contracts. MAJ Baker then sent these funds to Ms. Fankhauser's Oklahoma City, Oklahoma, residence and arranged for a contractor to deliver a Harley Davidson motorcycle to that same location. Ms. Fankhauser accepted these items with the knowledge that they were the proceeds from illegal activity. On 19 February 2009, Ms. Fankhauser was sentenced to one year of probation, 104 hours of community service, a $10,000 fine and a $100 assessment. She was also required to forfeit $246,000, two Harley Davidson motorcycles and one laptop computer to the U.S. Treasury. Respon-

SIGNIFICANT ACTIONS (CONT FROM PAGE 11)

dent was debarred on 7 August 2009 for five years. (Mr. Persico)

(3) Gratuities (Capital District Contracting Command/Fort A.P. Hill, Virginia). On 23 April 2009, the Army SDO proposed Mark D. Newton (Mr. Newton), Ray Kidd (Mr. Kidd), Pamela Kidd (Ms. Kidd), Ernest Elkie (Mr. Elkie), R. Kidd Construction, LLC., a/k/a RK Construction and RCD Contracting LLC., for debarment from contracting with the Government based on Army Regulation 15-6 Investigation which documented contract mismanagement, misconduct and contract irregularities within the Directorate of Contracting, Fort A.P. Hill. Mr. Elkie is President of RCD Contracting and Ms. Kidd is an officer and director of R. Kidd Construction a/k/a RK Construction. Respondents were debarred on 30 August 2009. (Ms. McCaffrey)

(4) False Claims (U.S. Army Space and Missile Command/Farmington, Connecticut). On 7 May 2009, the Army SDO proposed David Reisner (Mr. Reisner), Nanocorp, Inc, Inframat Corp a/k/a Resiner Group, Inc., Inframat, and Advanced Materials LLC. (companies), for debarment. The proposed debarment was based on the inflated claims for payment Mr. Reisner submitted on behalf of his companies on two Army contracts and one Navy contract. Counsel for Inframat and Nanocorp submitted matters in opposition to the proposed debarment and met with the SDO on 10 July 2009. A decision is pending. (Ms. McCaffrey).

(5) Theft of Government Property (Huntington Park Army Recruiting Station/California). On 3 June 2009, the Army SDO proposed Alberto Valle (Mr. Valle) for debarment on the basis of his sentencing pursuant to a guilty plea to three counts of theft of Government property. He was previously suspended by the Army SDO on 20 August 2008 pursuant to his indictment on 21 February 2008, in the United States District Court for the Central District of California on 15 counts of Theft of Government Property in violation of 18 U.S.C. § 641. Mr. Valle is a former Sergeant in the U.S. Army. He last served as a recruiting officer at the Huntington Park Army Recruiting Station (Huntington) in early 2007. The recruiting officers at the Huntington office regularly used Government vehicles provided by the General Services Administration (GSA) and Voyager Fleet Credit Cards (VFCC). The vehicles and credit cards were provided to the Huntington office for business purposes only. After leaving the Army, Mr. Valle stole and used several VFCCs to purchase gasoline for re-sale to other individuals. From May 2007 and continuing until October 2007, Mr. Valle knowingly stole and converted to his use a total of $2,177 using VFCCs. He was sentenced to pay restitution in the amount of $2,177, pay a special assessment of $75, and placed on probation for two years. On 20 August 2009, Mr. Valle was debarred. (Major McDonald)

(6) Conspiracy, Bribery, Fraud and Theft of Government Property (Tobyhanna Army Depot/ Pennsylvania). On 3 June 2009, the Army SDO proposed Derrick Jackson (Mr. Jackson) for debarment as a result of his 8 April 2009 conviction of conspiracy, bribery, fraud and theft of Government property. Mr. Jackson was previously suspended on 27 April 2008 as a result of the multi-count indictment filed against him in the U.S. District Court for the Middle District of Pennsylvania. Mr. Jackson was previously employed as a Project Leader at Tobyhanna. Kafu Chung (Mr. Chung), was a salesman and later also served as a general manager for Computer Giants. Between February 2001 and November 2005, Computer Giants was paid approximately $7,829,560 in Government funds for supplies and services allegedly provided to Tobyhanna based contracts negotiated by Mr. Chung on behalf of Computer Giants. Mr. Chung conspired with Mr. Jackson, and other coconspirators by directly and indirectly giving things of value to public officials acting in their official capacity as Government project managers and purchasing agents of the United States in consideration for their decisions to purchase supplies and services from Computer Giants. Mr. Jackson went to trial on the charges against him and was found guilty on all counts. Sentencing is pending resolution of post-trial motions. (Major McDonald)

(7) Conspiracy, Bribery, Fraud and Theft of Government Property (Tobyhanna Army Depot/ Pennsylvania). On 3 June 2009, the Army SDO proposed Leo J. Yesvetz (Mr. Yesvetz) for debarment as a result of his 4 May 2009 guilty plea to conspiracy to

SIGNIFICANT ACTIONS (CONT FROM PAGE 12)

commit bribery. Mr. Yesvetz was previously suspended on 27 April 2008 as a result of the multi-count indictment filed against him in the U.S. District Court for the Middle District of Pennsylvania. Mr. Yesvetz was previously employed as an Electronics Mechanics Supervisor at Tobyhanna. See item 6 above. Mr. Chung conspired with Mr. Yesvetz, and other co-conspirators by directly and indirectly giving things of value to public officials acting in their official capacity as Government project managers and purchasing agents of the United States in consideration for their decisions to purchase supplies and services from Computer Giants. Mr. Yesvetz was sentenced on 4 May 2009 to twenty (20) months imprisonment; restitution in the amount of $11,018 and a $100 assessment. On 10 September 2009, Mr. Yesvetz was debarred. (Major McDonald)

(8) Theft (Fort Gordon/Georgia). On 3 June 2009, the Army SDO proposed Kenneth R. Stuart (Mr. Stuart) and K&S Jewelers for debarment from contracting with the Government. The proposed debarment was based on Mr. Stuart's conviction of stealing property belonging to the Army Air Force Exchange Service (AAFES) while operating a jewelry concessionaire located at the AAFES facility on Fort Gordon, Georgia. Mr. Stuart's contract with AAFES required him to pay AAFES a percentage of his total sales in exchange for operating his business on Fort Gordon, Georgia. Instead, Mr. Stuart failed to report all of the credit card sales to AAFES and used the artificially low number of sales to calculate and pay AAFES the percentage of his sales pursuant to the terms of the contract. Mr. Stuart and K&S Jewelers were suspended from contracting with the Government on 19 November 2008 on the basis of Mr. Stuart's guilty plea to the criminal information filed against him in the U.S. District Court for the Middle District of Georgia charging him with theft of approximately $288,167, property of AAFES. Respondents were debarred on 7 August. (Ms. McCaffrey)

(9) Wire Fraud, Theft, Bid-Rigging, Conspiracy (CPA-SC/al-Hillah, Iraq). On 17 June 2009, the Army SDO proposed Lieutenant Colonel Debra M. Harrison, USAR (LTC Harrison) for debarment based on her entry of a plea agreement with the Department of Justice on 16 June 2008 regarding her participation in a scheme to fraudulently award contracts and steal Government funds while assigned to the Coalition Provisional Authority's South Central Region (CPA-SC), al-Hillah, Iraq, between April and July of 2004. As a result of an audit and investigation conducted in late 2004, it was discovered that LTC Harrison conspired with others to fraudulently award multiple CPA-SC contracts to companies under the control of Philip Bloom (Mr. Bloom) in exchange for cash payments and other gratuities. As result of this conspiracy, at least 27 contracts, valued at over $8,000,000, were fraudulently awarded to Mr. Bloom's companies. In addition, LTC Harrison stole approximately $420,000 in cash from CPA-SC and was part of a scheme to fraudulently obtain weapons from 3d SF Group, Fort Bragg, North Carolina, using CPA-SC funds. On 4 June 2009, LTC Harrison was sentenced in the U.S. District Court for the District of New Jersey to thirty months imprisonment, two years supervised release and restitution payment of $366,340 to the U.S. Treasury. Respondent was debarred on 7 August 2009. (Mr. Persico)

(10) Conspiracy, Bribery, Fraud and Theft of Government Property (Tobyhanna Army Depot/ Pennsylvania). On 26 June 2009, the Army SDO proposed Kafu Chung (Mr. Chung) for debarment as a result of his 3 June 2009 guilty plea to conspiracy to commit bribery. Mr. Chung was previously suspended on 6 May 2008 as a result of the multi-count indictment filed against him in the U.S. District Court for the Middle District of Pennsylvania. Mr. Chung was previously employed as a salesman and later served as a general manager for Computer Giants. Between February 2001 and November 2005, Computer Giants was paid approximately $7,829,560 in Government funds for supplies and services allegedly provided to Tobyhanna based contracts negotiated by Mr. Chung on behalf of Computer Giants. Mr. Chung conspired with several co-conspirators by directly and indirectly giving things of value to public officials acting in their official capacity as Government project managers and purchasing agents of the United States in consideration for their decisions to purchase supplies and services from Computer Giants. Mr. Chung pled guilty to Count 1 of the indictment and was sentenced on 3 June 2009 to 24 months' imprisonment, three years supervised re-

SIGNIFICANT ACTIONS (CONT FROM PAGE 13)

lease, restitution in the amount of $22,000 and a $100 assessment. (Major McDonald)

(11) Conspiracy, Bribery, Fraud and Theft of Government Property (Tobyhanna Army Depot/ Pennsylvania). On 26 June 2009, the Army SDO proposed Mark G. Cooper (Mr. Cooper) for debarment as a result of his 16 June 2009 guilty plea to conspiracy to commit bribery. Mr. Cooper was previously suspended on 6 May 2008 as a result of the multi-count indictment filed against him in the U.S. District Court for the Middle District of Pennsylvania. Mr. Cooper was previously employed as an electronics integrated mechanics repair operator at Tobyhanna. See item 10 above. Mr. Chung conspired with Mr. Cooper, and other co-conspirators by directly and indirectly giving things of value to public officials acting in their official capacity as Government project managers and purchasing agents of the United States in consideration for their decisions to purchase supplies and services from Computer Giants. Mr. Cooper pled guilty to Count 1 of the indictment and was sentenced on 16 June 2009 to 15 months' imprisonment, two years supervised release, restitution payment in the amount of $20,000 and a $100 assessment. (Major McDonald)

Debarments

(1) Sabotage – Destruction of War Material (AMC/Lake City Army Ammunition Plant/ Independence, Missouri). On 14 May 2009, the Army SDO debarred Charles Osborn (Mr. Osborn) and Timothy Langevin (Mr. Langevin) as a result of their 28 January 2009 convictions in the U.S. District Court for the Western District of Missouri, Western Division on one count of sabotage – destruction of war material. Between 27 September 2007 and 28 March 2008, while employed at the Lake City Army Ammunition Plant, Mr. Osborn and Mr. Langevin stole 16,528 pounds of copper "bullet cups," used in the manufacture of 7.62mm ammunition, for resale as scrap metal. These bullet cups, had they been used in the ammunition manufacturing process, would have resulted in the production of approximately 1.5 million rounds of ammunition. The same day that they were convicted, Mr. Langevin was sentenced to 24 months confinement and Mr. Osborn was sentenced to 36 months confinement and were found jointly liable for restitution of $77,139 to Alliant Techsystems, Inc., the operator of the Lake City Army Ammunition Plant. Mr. Osborn was debarred for a period of approximately five years, ending on 22 May 2013 and Mr. Langevin was debarred for a period of approximately four years, ending on 22 May 2012. (Mr. Persico)

(2) Bribery (ARCENT/Camp Arifjan, Kuwait). On 14 May 2009, the Army SDO debarred Diaa Ahmed Salem (Mr. Salem), Jasmine International Trading Company (Jasmine) and D and J American Trading Company for a period of ten years based on their participation in a scheme to defraud the Government in cooperation with Major John Cockerham (Major Cockerham), a contracting officer at Camp Arifjan, Kuwait. Based on information provided by investigators from the Army Criminal Investigation Command, Major Procurement Fraud Unit, it was established by a preponderance of the available evidence that Jasmine and Mr. Salem provided cash payments to Major Cockerham, Melissa Cockerham and Carolyn Blake in exchange for the award of contracts and BPA calls for goods and services in Kuwait and Iraq. As part of this arrangement, Jasmine was to provide Major Cockerham with a payment of $1 million and Mr. Salem had provided a payment of $60,000 to Ms. Blake on behalf of Major Cockerham. D and J American Trading Company was a company that Mr. Salem and Major Cockerham established as part of this scheme and was proposed for debarment as an affiliate and imputee of Mr. Salem. All were proposed for debarment on 23 July 2009 and will remain debarred until 22 July 2018. (Mr. Persico)

(3) Theft (MEDCOM, Ft. Sam Houston, Texas). On 14 May 2009 the Army SDO debarred Allen V. Barbauta and his company, Executive Mobile Detailing, based on Mr. Barbauta's 10 September 2008 guilty plea to one count of theft from the U.S. in the U.S. District Court for the Western District of Texas, San Antonio Division. As part of his plea, Mr. Barbuta admitted to fraudulently charging Army Voyager Fleet Credit Cards 1200 times between 31 May and 22 November 2006 for services that were never actually performed by Executive Mobile Detailing. On 12 December 2008, Mr. Barbauta was sentenced to three years probation and restitution of $16,448 to

SIGNIFICANT ACTIONS (CONT FROM PAGE 14)

MEDCOM. (Mr. Persico)

(4) Illegal Gratuities (MNF-I/Balad, Iraq). On 3 June 2009, the Army SDO debarred Captain Cedar Lanmon (CPT Lanmon), USA, based on his entry of a guilty plea to one count of acceptance of illegal gratuities in the U.S. District Court for the Western District of Washington on 23 July 2008. The basis for this guilty plea is CPT Lanmon's admission that, during his deployment to Iraq between February 2004 and February 2005, he accepted approximately $25,000 from a contractor in exchange for the award of Government contracts. On 31 October 2008, CPT Lanmon was sentenced to 12 months and one day of confinement, one year of supervised release, 80 hours of community service and a $100 assessment. CPT Lanmon was debarred for a period of approximately six years, ending on 17 June 2014. (Mr. Persico)

(5) Making False Statements (South West Asia Theatre Material Management Command/Baton Rouge, Louisiana). On 3 June 2009, the Army SDO debarred Oliver Moore, III (Mr. Moore) on the basis of his conviction of two counts of making a false statement. Mr. Moore was sentenced on 21 November 2008 to an 18 month term of imprisonment. He was a civilian employee working as an Integration Supply Systems Analyst with the 321st Theater Material Management Command in Baton Rouge, Louisiana. Sometime between February and September of 2005, Mr. Moore created a fraudulent U.S. Army contract (the Contract) whereby the Army procured 40,000 pairs of tactical eyewear from F&F. He also created a false contract number and utilized false accounting and classification data. He then forged the signatures of legitimate Army contracting officials and processed the contract, which ultimately resulted in the delivery of the subject eyewear to Camp Arifjan, Kuwait. Mr. Moore's above misconduct was discovered when F&F sought payment under the Contract and he was consequently indicted on 17 October 2007 in the U.S. District Court for the Middle District of Louisiana. He was proposed for debarment on 30 January 2009. (Major McDonald)

(6) Kickbacks (Army Sustainment Command/ Rock Island, Illinois). On 3 June 2009, the Army SDO debarred Anthony J. Martin (Mr. Martin), a former KBR employee, from contracting with the Government. The debarment was based on Mr. Martin's conviction of receiving a kickback under the LOGCAP III Government contract. While employed by KBR as the administrator and manager of subcontracts in Kuwait, Mr. Martin agreed with the management of Company A to award it a subcontract in the amount of $44,672,273 in exchange for receiving a payment of $50,240. On 9 July 2007, Mr. Martin was suspended from contracting with the Government on the basis of the criminal information filed against him and proposed for debarment on 29 September 2008 after he was convicted and sentenced to serve a 12-month-and one day term of imprisonment; thereafter, a two year term of supervised release; and ordered to pay an assessment of $100, and to make restitution to the Army Sustainment Command. (Ms. McCaffrey)

(7) Bribery, Conspiracy, and Bid-Rigging (ARCENT/Camp Arifjan, Kuwait). On 17 June 2009, the Army SDO debarred George H. Lee, Justin W. Lee, Oai Lee, Lee Dynamics International, Lee Defense Services, and Colonel Levonda Selph (COL Selph), for their participation in a conspiracy to defraud the United States by paying/receiving bribes for the award of contracts to operate warehouses supporting the Iraqi armed forces and police between October 2003 and December 2006. Justin W. Lee is also alleged to have paid $1M to Major John Cockerham, a former contracting officer at Camp Arifjan, Kuwait, to obtain Army contracts for goods and services in Kuwait and Iraq. George H. Lee, Justin W. Lee, Oai Lee, Lee Dynamics International, and Lee Defense Services were debarred for a period of 10 years. COL Selph was debarred for a period of nine years. (Mr. Persico)

PARTING SHOTS:

Photos courtesy of www.army.mil.

PFB Staff:

Chris McCommas (Chief, Procurement Fraud Branch)
Angelines McCaffrey (Attorney Fraud Advisor)
Brian Persico (Attorney Fraud Advisor)
Trevor Nelson (Attorney Fraud Advisor)
MAJ Pamoline McDonald (Attorney Fraud Advisor)
Belinda Fentress (Paralegal)
Major Art Coulter (Trial Attorney, Department of Justice)

Co-Editors:

Chris McCommas
Angelines McCaffrey
Sheryl Washington

UNITED STATES ARMY LEGAL SERVICES AGENCY

Contract & Fiscal Law Division
Procurement Fraud Branch
Department of the Army
901 North Stuart Street, Suite 500C
Arlington, VA 22203

Phone: (703) 696-1542
Fax: (703) 696-1559
E-mail: pfb@hqda.army.mil

WE'RE ON THE WEB!

HTTP://WWW.JAGCNET.ARMY.MIL/ARMYFRAUD