



# UNITED STATES ATTORNEY'S OFFICE EASTERN DISTRICT OF VIRGINIA

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## **Three Northern Virginia Men Plead Guilty to IRS Fraud**

**(Alexandria, Virginia)** - William E. Baum, Sr., age 59, and Gary Neil Romstedt, age 54, both of Fairfax County, Virginia, and Gerard M. Sanz, age 46, of Arlington, Virginia, each pleaded guilty before United States District Judge Claude M. Hilton to one count of conspiracy to defraud the Internal Revenue Service (IRS). United States Attorney for the Eastern District of Virginia, Chuck Rosenberg, announced that sentencing has been set for January 26, 2007. The maximum potential penalty for conspiracy is five years in prison and a fine of \$250,000.

Baum, Sanz, and Romstedt owned BRTRC, a 200-employee Fairfax based company providing services to the Department of Defense. The three owners purchased two vacation properties, one in Bethany, Delaware, and the other in Davis, West Virginia, near the Canaan Valley ski resort. The three owners put the two properties into a partnership owned by their three wives. According to court documents, Baum, Sanz, and Romstedt then arranged for their company to lease the properties under the pretense that the two properties were office related, when in fact the three families used the properties predominantly as vacation properties. Court documents state that from 2000 through 2003, the failure by all three owners to report as ordinary income on their individual tax returns the value associated with the two vacation properties resulted in an aggregate tax loss to the IRS of approximately \$120,000.

Two of the three defendants, Baum and Sanz, admitted in court documents that they attempted to receive reimbursement from the government for a percentage of their company's lease expenses for the two vacation properties. A large percentage of BRTRC's business was in the form of cost reimbursable contracts with the Department of Defense. Under cost reimbursable contracts, BRTRC was obligated annually to certify to the Defense Contract Audit Agency ("DCAA"), under penalty of perjury, the percentage of its indirect costs, such as overhead and general administrative costs, that were both incurred in the performance of the contracts and that were "allowable" under federal procurement regulations. Beginning in late 2000 and continuing through the end of 2003, Baum and Sanz not only continued to carry the cost of renting the two vacation properties on the books of BRTRC, but also, through a number

of false and fraudulent certifications, caused BRTRC to include, in its incurred cost reports submitted to DCAA, a percentage of its vacation property lease payments as allowable office rental costs.

As a part of the scheme to submit false incurred cost reports, Baum caused a BRTRC employee to forward misleading e-mail to a government auditor, who had questioned the costs associated with both the West Virginia and Delaware properties. Despite Baum's misrepresentations, government auditors eventually rejected the costs as reimbursable expenses under government procurement regulations.

United States Attorney Rosenberg stated, "Every tax dollar is precious, and we are going to do all we can to safeguard taxpayers from corrupt government contractors."

The BRTRC investigation was conducted by Special Agents of the Internal Revenue Service, the FBI, the Defense Criminal Investigative Service, and the United States Army Criminal Investigations Command. The prosecution of the case is being handled by Assistant United States Attorney Stephen Learned.

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