



Department of Justice

FOR IMMEDIATE RELEASE
WEDNESDAY, DECEMBER 6, 2006
WWW.USDOJ.GOV

CRM
(202) 514-2008
TDD (202) 514-1888

FORMER U.S. ARMY CONTRACTING DIRECTOR PLEADS GUILTY TO BRIBERY AND FILING FALSE FEDERAL INCOME TAX RETURNS

WASHINGTON – A former Director of Contracting for the U.S. Army has pleaded guilty to accepting bribes in exchange for awarding U.S. Army contracts at an Army recreational facility in Germany and to filing false federal income tax returns, Assistant Attorney General Alice S. Fisher for the Criminal Division announced today.

Steven G. Potoski, 46, of Shriesheim, Germany, a former civilian employee of the U.S. Army, pleaded guilty to a criminal information charging him with one count of bribery and three counts of filing false tax returns in U.S. District Court in the Eastern District of New York in Central Islip.

According to the information filed, between August 1998 and July 2005, Potoski served as Director of Contracting for the Edelweiss Lodge and Resort, Armed Forces Recreation Center (AFRC Europe), in Garmisch, Germany. The Department of the Army serves as the executive agent for the AFRC Europe and operates it on behalf of the Department of Defense. Patrons at the AFRC Europe include active duty U.S. military personnel serving in Afghanistan and Iraq.

While serving as Director of Contracting, Potoski accepted bribes from contractors and subcontractors in exchange for contract awards related to work at the AFRC Europe. To fund and conceal the bribes, the contractors and subcontractors agreed with Potoski to fraudulently inflate the price of the contracts and to submit the inflated contracts to Potoski for approval. In some instances, the contractors and subcontractors would pay Potoski, and others at Potoski's direction, the difference between the inflated and actual contract price. In other instances, the contractors and subcontractors would split with Potoski the difference between the actual and the inflated price of the contract. In all, Potoski accepted over \$350,000 in bribes from 15 contractors or subcontractors – two American contractors, 12 German contractors, and one British contractor. Potoski also accepted bribes from defense contractors in the form of home renovations, automobile maintenance, airline tickets, hotel rooms and furniture, among other things.

Potoski faces a maximum sentence of 15 years in prison and a \$250,000 fine for the bribery count and a maximum of three years in prison and \$100,000 fine for each count of filing false tax returns.

The case was investigated by the U.S. Army Criminal Investigation Division Command and the Internal Revenue Service-Criminal Investigations Division. It is being prosecuted by Deputy Chief Steve A. Linick and Trial Attorney Suzanne R. Clement of the Fraud Section of

the Criminal Division, with assistance from Allen Bode, Assistant U.S. Attorney, Eastern District of New York.

This case is part of the National Procurement Fraud Initiative that was announced by Deputy Attorney General Paul J. McNulty in October 2006, which is designed to promote the early detection, identification, prevention and prosecution of procurement fraud associated with the increase in contracting activity for national security and other government programs. As part of this initiative, the Deputy Attorney General has created the National Procurement Fraud Task Force, which is chaired by Assistant Attorney General Alice S. Fisher, and which includes U.S. Attorneys' Offices, the FBI, the U.S. Inspectors General community, and a number of other federal law enforcement agencies.

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