



**U.S. Department of Justice
U.S. Attorney's Office
Western District of Texas**

Johnny Sutton, U.S. Attorney

FOR IMMEDIATE RELEASE

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**SIX INDICTED IN MULTI-MILLION DOLLAR U.S. ARMY
MEDICAL INFORMATION SYSTEMS AND SERVICES AGENCY BRIBERY SCHEME**

United States Attorney Johnny Sutton; Special Agent in Charge Ralph Diaz, Federal Bureau of Investigation, San Antonio Division; Special Agent in Charge Harlan Carter, IRS-Criminal Investigation; Special Agent in Charge Scott Wilk, U.S. Army Criminal Investigation Division, Major Procurement Fraud Unit; Resident Agent in Charge Bob Menzinger, Defense Criminal Investigation Service; Special Agent in Charge Jack Rohmer, Department of Interior Office of the Inspector General; Special Agent in Charge Keith Hohimer, Small Business Administration Office of Inspector General; and, Special Agent in Charge Paul Walton, General Services Administration Office of Inspector General announced today the return of a federal grand jury indictment against six men in connection with a multi million dollar bribery scheme centered on fixed U.S. Army Medical Department contracts at Fort Sam Houston.

The defendants are:

- 53-year-old Ignacio Ruelas Torres, an Infrastructure Coordinator/Project Officer with the U.S. Medical Command (MEDCOM) at Ft. Sam Houston. Torres is charged with conspiracy to defraud the United States, four counts of paying a bribe to a public official, five counts of receipt of bribe as a public official, inclusion of kickbacks in a public contract, seven counts of wire fraud, disclosure of confidential bid information on public contracts and six counts of money laundering;
- 59-year-old Francisco Quinata Cruz, a San Antonio contractor consultant. Cruz is charged with conspiracy to defraud the United States, nine counts of paying a bribe to a public official, inclusion of kickbacks in a public contract; seven counts of wire fraud; obtaining confidential bid information on public contracts, four counts of money laundering and three counts of filing false income tax returns;
- 57-year-old William John "Bill" Strout, Sr., a civilian contracting officer, U.S. Army Medical Information Technology Center at Ft. Sam Houston. Bill Strout is charged with conspiracy to defraud the United States, four counts of paying a bribe to a public official, four counts of receipt of bribe as a public official, inclusion of kickbacks in a public contract, seven counts of wire fraud, disclosure of confidential bid information on public contracts and money laundering;
- his son, 36-year-old William John "Will" Strout, Jr. Will Strout is charged with conspiracy to defraud the United States, four counts of receipt of bribe as a public official, seven counts of wire fraud, obtaining confidential bid information on public contracts and money laundering;
- 47-year-old Johnnie Flores, owner of Sphinx consultant and Associates, an SBA certified 8(a) firm in San Antonio. Flores is charged with conspiracy to defraud the United States, paying a bribe to a public official, inclusion of kickbacks in a public contract and seven counts of wire fraud; and,

– more –

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- 58-year-old Andrew Delancey Waring, II, a contract government employee, U.S. Army Medical Information Technology Center at Ft. Sam Houston. Waring is charged with conspiracy to defraud the United States, two counts of receipt of bribe as a public official, seven counts of wire fraud and four counts of willful failure to file an income tax return.

The indictment alleges that from April 2002 to August 2005, the defendants committed alleged acts of bribery, kickbacks, disclosure and fraud to ensure that Flores' company, Sphinx Consultant and Associates, a company that employed Cruz, ultimately received the contracts.

One such contract, an approximate \$6 million agreement initiated in April 2002 and dubbed the "Madigan deal," provided computer cable upgrades at U.S. Army hospitals. The indictment alleges that Torres, Cruz, Bill Strout, Will Strout and Flores derived approximately \$1 million in graft from the "Madigan deal." Will Strout was paid \$200,000 for his accounting services.

In furtherance of the conspiracy, the indictment alleges that in September 2002, Waring used his influence as operations manager of the U.S. Army Medical Information Systems and Services Agency Video Teleconferencing Network Center to help formulate and steer over \$1.6 million in equipment and support contracts to Sphinx in return for a share of contract proceeds.

In September 2003, the defendants prolonged their fixing scheme by negotiating an agreement with an Oklahoma tribally-owned business. According to procurement rules, businesses owned by American Indian Owned/Tribally Owned 8(a) companies can be awarded unlimited dollar amount government sole source contracts without competition, without Small Business Administration approval. As part of the conspiracy, Bill Strout in 2004, caused millions of dollars in government contracts to be funneled to the tribal business, who kept small percentages as pass through fees, then forwarded millions of dollars in contracts to Sphinx to the benefit of Torres, Cruz, Bill Strout and Flores. For their part in securing the contract, Torres, Cruz and Bill Strout were given 75% ownership and controlling interest in Sphinx.

The indictment further alleges that during the period of the scheme, the defendants corrupted more than \$18 million in contracts of the United States.

In addition to the criminal charges, the indictment also seeks a monetary judgement of \$1.2 million including the forfeiture of four pieces of property which represent the derived proceeds of the defendants' alleged criminal activity.

This case is being investigated by the Federal Bureau of Investigation, Internal Revenue Service-Criminal Investigation, Army Criminal Investigation Command-Major Procurement Fraud Unit, General Services Administration Office of the Inspector General, Department of Interior Office of the Inspector General, Defense Criminal Investigative Service, and the Small Business Administration Office of Inspector General. Assistant United States Attorney Jim Blankinship is prosecuting this case on behalf of the Government.

A indictment is a formal accusation of criminal conduct, not evidence of guilt. The defendant is presumed innocent unless and until convicted through due process of law.

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