



Department of Justice

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Houston Business Owner Indicted for Defense Procurement Fraud

HOUSTON, Texas – The owner of American Grocers, Inc., a Houston company that exports food and non-food products to countries in the Middle East, has been indicted for falsifying millions of dollars in costs that were allegedly passed on and paid by the United States government, United States Attorney Don DeGabrielle announced today.

Samir Mahmoud Itani, 47, of Houston, Texas, is charged in a 46-count indictment with conspiracy to defraud the government with respect to claims and with making false claims. A Houston grand jury returned the indictment under a seal on Monday, July 23, 2007. Itani was arrested last evening by special agents of the Department of Defense - Defense Criminal Investigative Service and the Army Criminal Investigations Major Procurement Fraud Section. The indictment was unsealed upon Itani's appearance in federal court before U.S. Magistrate Judge Mary Milloy. Itani remains in federal custody pending a hearing set for Thursday, July 26, 2007 at 11:00 a.m. on the government's motion to detain him without a bond pending trial on the grounds that Itani will flee the United States.

Itani is accused in the first count of the indictment with conspiring to defraud the United States during 2004 and 2005 by falsifying costs American Grocers purportedly incurred trucking food products from its suppliers to its Houston warehouse. According to the indictment, American Grocers was a first-tier subcontractor to the U.S. government when it provided food products to The Public Warehousing Company - K.S.C. ("PWC"), a Kuwait-based company awarded a multimillion dollar contract in 2004 to supply food and non-food products to U.S. troops serving in the Middle East. Itani allegedly instructed an American Grocers employee to bill PWC for the cost of trucking food products to its warehouse, when in fact American Grocers did not incur such costs. American Grocers directed its suppliers, according to the indictment, to ship products directly to PWC, bypassing American Grocers's warehouse in the supply chain. At Itani's instruction, the indictment alleges that the employee billed PWC for the bogus trucking costs by inserting the costs into invoices that American Grocers presented for payment to PWC. PWC paid the invoices, and pursuant to its government contract, billed the government for the moneys it paid to American Grocers, which included the bogus trucking costs. The government then reimbursed PWC for the bogus trucking costs PWC paid to American Grocers.

Counts 2 - 24 of the indictment charge Itani with false claims for presenting 23 invoices for payment that contained overcharges in the amount of the bogus trucking costs. The indictment alleges that American Grocers gained more than \$1.9 million in proceeds from these fraudulent claims.

Count 25 of the indictment accuses Itani of engaging in a second, similar conspiracy to defraud the United States. During 2005 and 2006, according to the indictment, Itani instructed an American Grocers employee to create blank invoices purporting to be from a local trucking company by "whiting out" portions of a legitimate invoice from the company. Itani then

instructed the employee, according to the indictment, to use the blank invoices to create bogus trucking costs associated with peanut butter American Grocers purchased and sent to PWC. It is alleged, the cost of shipping the peanut butter to American Grocers in Houston was included in the purchase price American Grocers paid to the manufacturer. Nevertheless, using the blank invoices, the employee made it appear that the local trucking company had charged American Grocers for shipping the peanut butter to Houston, when in fact the local company had not done so. American Grocers invoiced PWC for these bogus trucking costs, which PWC paid and passed to the government.

Counts 26 - 46 charge Itani with false claims for presenting 21 invoices for payment that contained overcharges in the amount of the bogus trucking costs associated with the peanut butter. The indictment alleges that American Grocers gained nearly \$46,000 in proceeds from these fraudulent claims.

If convicted of the conspiracy charge alleged in either count one or 25 of the indictment, Itani faces a maximum of 10 years imprisonment and a \$250,000 fine, per count. Counts 2 - 24 and 26 - 46 carry a maximum of five years imprisonment and a \$250,000, upon conviction.

The investigation leading to the charges was conducted by the U.S. Department of Defense - Defense Criminal Investigative Service in Houston, the U.S. Army Criminal Investigations Major Procurement Fraud Section in San Antonio, and the U.S. Department of Agriculture Office of Inspector General in Houston, members of the National Procurement Fraud Task Force created in October 2006 by the Department of Justice. The Task Force, created to promote the prevention, early detection and prosecution of procurement fraud, is chaired by Assistant Attorney General for the Criminal Division Alice S. Fisher, and includes the FBI, the Department of Justice Inspector General and other federal Inspectors General, defense investigative agencies, federal prosecutors from United States Attorneys offices across the country, as well as the Criminal, Civil, Antitrust and Tax Divisions of the Department of Justice. The case is being prosecuted by Assistant U.S. Attorney Stephen L. Corso and U.S. Department of Justice Trial Attorney Jennifer R. Taylor.

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