



Department of Defense
Office of the Inspector General

Information Release

FOR IMMEDIATE RELEASE

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Owner of Portsmouth Virginia Company Sentenced

The Office of the Inspector General (OIG), Department of Defense (DoD), announced today that Nicanor D. Lotuaco III, former President of Air Power Enterprises, Incorporated (Air Power) Portsmouth, VA was sentenced in the United States District Court for the Eastern District of Virginia, Norfolk, VA, to five months incarceration followed by five months home confinement, three years supervised probation, a \$1 million fine, and a special assessment of \$100.

Previously on June 28, 2005, Lotuaco along with Air Power, ACS Environmental, Inc. (ACS), Norfolk, VA, and James D. Schaubach, the former Vice President of Air Power and President of ACS, pled guilty to a conspiracy charge. Both individuals and companies admitted to knowingly and willfully conspiring to purchase fraudulent environmental training certificates and misrepresenting their eligibility to participate under the Small Business Administration (SBA) 8(a) set aside program for socially and economically disadvantaged small businesses. The sentencing of Schaubach, Air Power and ACS is presently pending.

An investigation found the defendants submitted misrepresentations to the SBA allowing Air Power to obtain federal contracts worth \$37 million under the Section 8(a) set-aside program to which it otherwise would not have been entitled while creating subcontracting opportunities for ACS. Many of these contracts were performed at DoD installations and some involved the removal of asbestos, lead and hazardous waste.

The environmental work was performed by Air Power and/or ACS employees possessing fraudulent training certificates. The fraudulent training certificates were purchased from F&M Environmental Technologies, Incorporated, Virginia Beach, VA, which previously pled guilty to selling fraudulent environmental training certificates in Virginia, Maryland, and the District of Columbia.

The investigation is being conducted by a task force consisting of the Defense Criminal Investigative Service (the criminal investigative arm of the OIG, DoD), the U.S. Army Criminal Investigation Command, the Environmental Protection Agency's Criminal Investigative Division, the Federal Bureau of Investigation, National Aeronautical and Space Administration's OIG Office of Criminal Investigations, and the Small Business Administration OIG with audit assistance provided by the Defense Contract Audit Agency. Noreen McCarthy, a Trial Attorney with the Environmental Crimes Section, U. S. Department of Justice, Washington, DC handled the prosecution.

For further information contact Joseph A. McMillan, Special Agent in Charge (SAC), Mid-Atlantic Field Office, at (703) 604-8411.

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