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Press Release

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Paul J. McNulty, United States Attorney for the Eastern District of Virginia, announces the indictment yesterday of two former high-level Pentagon officials, Robert Lee Neal, Jr., 50, of Bowie, Maryland, and Francis Delano Jones, Jr., 40, of Fort Washington, Maryland, on charges of extortion, money laundering, false statements, and conspiracy to commit extortion, bribery, obstruction of justice, money laundering, and related offenses.

The 12-count, 43 page indictment follows the arrest of Jones and Neal, and searches of their individual residences, on October 18, 2002.

According to the indictment:

Neal was the Director of the Office of Small and Disadvantaged Business Utilization ("SADBU") within the Department of Defense ("DoD"). Neal served in this position (a political appointment as a Senior Executive Service Level V) from June, 1996 until June, 2001. Jones was Neal's executive assistant, and an SES level 1. Jones held this position from May, 1999 until January, 2001. Immediately prior to his employment at DoD, Jones was employed by the General Services Administration ("GSA") as the Deputy Director for National Federal Acquisition Services for Technology ("National FAST").

SADBU was the office within DoD chiefly responsible for the administration of acquisition preference programs within DoD. Similarly, GSA also administered certain acquisition preference programs. By virtue of their respective official positions within both DoD and GSA, Neal and Jones exerted tremendous influence over certain individuals and companies seeking to participate in acquisition preference programs administered by DoD and GSA.

Neal and Jones conspired to extort, and accept bribes and gratuities from, companies and individuals doing business with DoD and GSA. Among the items of value accepted by Neal and/or Jones were: at least \$70,000 in cash, Rolex watches, travel expenses, hotel rooms, and at least \$200,000 in payments to third parties, intended for the benefit of Neal and Jones. They also conspired to embezzle funds which belonged to the U.S. Government.

Neal and Jones conspired to launder over \$800,000 in proceeds of specified unlawful activity (“SUA proceeds”). Neal, Jones, and their coconspirators used a complex maze of companies, bank accounts, and transactions to accomplish the objectives of the conspiracy. The primary hub of Neal and Jones’s money laundering scheme was a company called Northpointe Telecom (“Northpointe”), in which Jones was an officer. Though Northpointe was supposedly a contracting company, Northpointe held no actual contracts. A Northpointe bank account was used a) to serve as a repository for SUA proceeds; b) to serve as a launching point for further money laundering, including the transfer of funds to offshore bank accounts located in Liechtenstein; c) to serve as a “slush fund” from which large amounts of personal expenditures would be made for the benefit of Neal, Jones, and their coconspirators. The following are some of the items paid, for the benefit of Neal and Jones, out of the Northpointe account: large amounts of cash, personal credit card expenses, a real estate timeshare, and travel expenses for Neal, Jones, and companions.

Neal and Jones filed false Executive Branch Financial Disclosure Reports, wherein Neal and Jones failed to disclose their receipt of income in the form of cash payments made to them by representatives of private companies. Further, in Jones’s disclosure reports, Jones falsely represented that he had no position with any outside company when, in fact, Jones was an officer of Northpointe.

Finally, Neal and Jones conspired to obstruct a grand jury investigation, to commit witness tampering, and to make false statements to investigating law enforcement agents.

United States Attorney Paul J. McNulty stated: "This indictment is the result of a public corruption investigation which remains ongoing. A criminal breach of the public’s trust by a public servant is always a tragedy, but it is especially tragic when it occurs on the scale revealed by this indictment. This indictment makes clear that Robert Neal and Francis Jones, in a repeated pattern of conduct stemming over six years, systematically abused their public offices for their own personal good. They stole, lied, and sold themselves and the power of their offices. They breached the trust of the public, the trust of our young men and women who serve in the armed forces, the trust of the very disadvantaged business persons whose interests they were supposed to protect. It was a simple choice of money over duty."

This case is being investigated by agents of the Federal Bureau of Investigation and the Defense Criminal Investigative Service. Assistant United States Attorney Matthew Friedrich is prosecuting the case for the United States.