

U.S. Department of Justice



# NATIONAL PROCUREMENT FRAUD TASK FORCE



*Progress Report  
December 2008*

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# TASK FORCE MEMBERS

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*The National Procurement Fraud Task Force includes the following members:*

- AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS (USAF-OSI)
- ANTITRUST DIVISION, DEPARTMENT OF JUSTICE (DOJ)
- ARMY CRIMINAL INVESTIGATION COMMAND (ARMY CID)
- ARMY, LEGAL SERVICES AGENCY
- CIVIL DIVISION, DOJ
- CRIMINAL DIVISION, DOJ
- DEFENSE CONTRACT AUDIT AGENCY (DCAA)
- DEFENSE CRIMINAL INVESTIGATIVE SERVICE (DCIS)
- DEFENSE CONTRACT MANAGEMENT AGENCY (DCMA)
- ENVIRONMENT AND NATURAL RESOURCES DIVISION, DOJ (ENRD)
- EXECUTIVE OFFICE FOR U.S. ATTORNEYS, DOJ (EOUSA)
- FEDERAL BUREAU OF INVESTIGATION (FBI)
- FEDERAL LAW ENFORCEMENT TRAINING CENTER (FLETC)
- INTERNAL REVENUE SERVICE, CRIMINAL INVESTIGATION (IRS-CI)
- NAVAL CRIMINAL INVESTIGATIVE SERVICE (NCIS)
- NATIONAL SECURITY DIVISION, DOJ
- OFFICE OF MANAGEMENT AND BUDGET (OMB), OFFICE OF FEDERAL PROCUREMENT POLICY (OFPP)
- TAX DIVISION, DOJ
- U.S. ATTORNEYS' OFFICES (USAOs)
- UNITED STATES POSTAL INSPECTION SERVICE (USPIS) AND
  
- *OFFICES OF INSPECTORS GENERAL (OIG), INCLUDING:*
  - AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)
  - AMTRAK
  - CENTRAL INTELLIGENCE AGENCY (CIA)
  - CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (CNCS)
  - DEFENSE INTELLIGENCE AGENCY (DIA)
  - DEPARTMENT OF AGRICULTURE (USDA)
  - DEPARTMENT OF COMMERCE (DOC)
  - DEPARTMENT OF DEFENSE (DOD)
  - DEPARTMENT OF EDUCATION (EDUCATION)
  - DEPARTMENT OF ENERGY (DOE)
  - DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)
  - DEPARTMENT OF HOMELAND SECURITY (DHS)
  - DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)
  - DEPARTMENT OF INTERIOR (INTERIOR)

- DEPARTMENT OF JUSTICE (DOJ)
- DEPARTMENT OF LABOR (DOL)
- DEPARTMENT OF STATE (DOS)
- DEPARTMENT OF TRANSPORTATION (DOT)
- DEPARTMENT OF THE TREASURY (TREASURY)
- DEPARTMENT OF VETERANS AFFAIRS (VA)
- ENVIRONMENTAL PROTECTION AGENCY (EPA)
- GENERAL SERVICES ADMINISTRATION (GSA)
- GOVERNMENT PRINTING OFFICE (GPO)
- NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)
- NATIONAL GEOSPATIAL INTELLIGENCE AGENCY (NGA)
- NATIONAL RECONNAISSANCE OFFICE (NRO)
- NATIONAL SCIENCE FOUNDATION (NSF)
- NATIONAL SECURITY AGENCY (NSA)
- NUCLEAR REGULATORY COMMISSION (NRC)
- OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE (ODNI)
- SMALL BUSINESS ADMINISTRATION (SBA)
- SOCIAL SECURITY ADMINISTRATION (SSA)
- SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION (SIGIR)
- SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION (SIGAR)
- TENNESSEE VALLEY AUTHORITY (TVA)
- TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION (TIGTA)
- UNITED STATES POSTAL SERVICE (USPS).



**U.S. Department of Justice**

Criminal Division

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*Acting Assistant Attorney General*

*Washington, D.C. 20530*

December 15, 2008

Dear Colleagues:

It is with great appreciation that I pass along the most recent progress report on the accomplishments of the National Procurement Fraud Task Force. As the report makes clear, remarkable efforts have been made across the Federal government to deter and prosecute those who defraud taxpayers and convert national resources for their own gain.

The Task Force - by providing a significant impetus for procurement fraud investigations, providing training in new strategies to address procurement fraud, and dramatically improving coordination across the Inspector General community and Federal law enforcement agencies - has demonstrated our commitment to rooting out corruption in the procurement process. Further, we have led the effort to amend the Federal Acquisition Regulations to ensure that overpayments and improper conduct are reported and addressed in a manner that is beneficial to all. The recommendations of the Task Force will help foster an environment in which the business of our government is conducted in an open manner, and honest communication among the parties is explicitly recognized as a core value.

I sincerely appreciate all of your work to ensure the integrity of the procurement process. I look forward to continuing to work with you, and wish you continued success.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew W. Friedrich".

Matthew W. Friedrich  
Acting Assistant Attorney General

# I. TASK FORCE SUMMARY AND MISSION STATEMENT

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“Combating procurement fraud is about protecting taxpayer dollars, and making sure that our nation -- including its soldiers and those who serve in harm's way -- gets the goods and services for which it pays.”

**Acting Assistant Attorney General for the Criminal Division  
Matthew W. Friedrich**

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## A. BACKGROUND

In October 2006, the Office of the Deputy Attorney General announced a new national procurement fraud initiative established by the Justice Department’s Criminal Division to promote the early detection, prevention, and prosecution of procurement and grant fraud associated with increased contracting activity for national security and other government programs. In partnership with U.S. Attorneys’ Offices, the Justice Department’s Civil, Antitrust, Environment and Natural Resources, National Security, and Tax Divisions, and other Federal law enforcement agencies, the Department formed the National Procurement Fraud Task Force, chaired by the Assistant Attorney General for the Criminal Division, to intensify the government’s detection efforts and to continue prosecuting those who defraud taxpayers. Brian Miller, the Inspector General (IG) for General Services Administration (GSA), is the Vice Chair of the Task Force. The Executive Director of the Task Force is Steve A. Linick, a Deputy Chief in the Department’s Criminal Division, Fraud Section.

The Task Force is designed to leverage the resources of the Federal law enforcement community by partnering with the IGs and other law enforcement agencies. The Federal agencies participating in the Task Force include, but are not limited to, the FBI and the Offices of Inspectors General (OIGs) from the following agencies: Department of Defense (DOD), Central Intelligence Agency (CIA), Special Inspector General for Iraq Reconstruction (SIGIR), National Aeronautics and Space Administration (NASA), GSA, Department of Justice (DOJ), Department of Homeland Security (DHS), Department of Energy (DOE), National Science Foundation (NSF), Department of Veterans Affairs (VA), Nuclear Regulatory Commission (NRC), Small Business Administration (SBA), Social Security Administration (SSA), United States Postal Service (USPS), Office of the Director of National Intelligence (ODNI), National Reconnaissance Office (NRO), National Geospatial Intelligence Agency (NGA), Department of State (DOS), Department of Transportation (DOT), Department of the Treasury (Treasury),

Department of Housing and Urban Development (HUD), Department of Interior (DOI), Agency for International Development (USAID), and Department of Agriculture (USDA). In addition, the Defense Criminal Investigative Service (DCIS), Naval Criminal Investigative Service (NCIS), Army Criminal Investigation Command (Army CID), and Air Force Office of Special Investigations (USAF-OSI) are full participants.

The Task Force is focusing resources at all levels of government to increase criminal enforcement in specific areas of procurement fraud in order to have the most substantial impact. These areas include defective pricing or other irregularities in the pricing and formation of contracts, product substitution, misuse of classified and procurement sensitive information, false claims, grant fraud, labor mischarging, bid rigging, false testing, false statements, accounting fraud, contract fraud associated with the Global War on Terror (GWOT), ethics and conflict of interest violations, and public corruption associated with procurement fraud.

The Task Force capitalizes on two developments that have strengthened the hand of the IG community. First, the Homeland Security Act (P.L. 107-296) conferred statutory law enforcement authority on the OIGs. Second, the Attorney General implemented the Attorney General's Guidelines for OIGs with Statutory Law Enforcement Authority. As a result, OIG special agents now have statutory law enforcement authority to carry out their law enforcement functions in the same manner as other special agents within the law enforcement community, including the authority to serve subpoenas, seek and execute arrest warrants, make arrests, and carry firearms. With this authority in place, the IGs have proven invaluable to our campaign against procurement fraud.

The Task Force has established the following objectives relating to procurement fraud:

1. Increase coordination and strengthen partnerships among all IGs, law enforcement, and DOJ to fight procurement fraud more effectively;
2. Assess existing government-wide efforts to combat procurement fraud and work with both auditing staff and contracting staff inside and outside of the government to detect and report fraud;
3. Increase and accelerate civil and criminal prosecutions and administrative actions to recover ill-gotten gains resulting from procurement fraud;
4. Educate and inform the public about procurement fraud;
5. Identify and remove barriers to preventing, detecting, and prosecuting procurement fraud; and
6. Encourage greater private sector participation in the prevention and detection of procurement fraud.

## B. SUMMARY OF ACCOMPLISHMENTS

The Task Force, now in its second year of operation, has effectively bolstered the investigation of fraud, waste, and abuse in Federal contracts by making significant progress toward the Task Force's objectives. The Task Force has increased coordination with the law enforcement community, including the FBI, IGs, and defense-related agencies. The Task Force's working committees have made significant progress toward meeting their goals and have removed barriers to preventing, deterring, and prosecuting procurement fraud.

The Task Force has held six full meetings attended by over 125 representatives from more than 30 agencies. Overall, there is now more effective resource allocation in procurement fraud investigations, which has resulted in the acceleration of investigations and prosecutions. The Task Force has taken a coordinated and unified approach to combating procurement fraud related to the wars in Iraq and Afghanistan, as well as reconstruction efforts in those countries. Additionally, DOJ components are working to build more effective partnerships to prosecute cases.

Task Force efforts have resulted in significant accomplishments, including those highlighted below:

- The Task Force has created nine working committees, which consist of representatives from multiple agencies, to address common issues such as training, legislation, intelligence, information sharing, private sector outreach, suspension and debarment, grant fraud, and international procurement fraud;
- The Task Force has significantly increased training for OIG agents, auditors, and prosecutors regarding the investigation and prosecution of procurement fraud cases. The Training Committee, for example, recently hosted a national procurement fraud conference in Richmond, Virginia, in early September 2008. Approximately 500 prosecutors, agents, and auditors attended the conference, which offered a broad array of courses consistent with the conference's theme, "Effective Programs & Strategies in Combating Procurement Fraud;"
- The Task Force has established a public website, <http://www.usdoj.gov/criminal/npftf>, which identifies more than 400 procurement fraud cases that have resulted in criminal charges, convictions, civil actions, or settlements since the creation of the Task Force. More than 300 of these cases have resulted in criminal convictions (in some of these cases, sentencing are still pending). The website also has assisted suspension and debarment officials by listing press releases related to recent procurement and grant fraud cases in a single location;



- Since the creation of the Task Force, DOJ, with the assistance of IGs, has recovered more than \$362,000,000 in civil settlements or judgments arising from procurement fraud matters;
- In addition to civil claims brought or settled, as of November 2008, DOJ has brought criminal charges related to procurement fraud in connection with GWOT, which includes matters involving Iraq, Kuwait, and Afghanistan, against more than 70 defendants. More than 35 of these cases have resulted in criminal convictions. This figure represents more than double the number of similar cases that had been brought by June 2007;
- The Task Force has proposed modifications to the Federal Acquisition Regulation (FAR) that would significantly improve government efforts to reduce fraud in government contracts. Specifically, the Task Force has proposed modifications to the FAR that would require contractors to notify the government whenever they become aware of a material contract overpayment or fraud, rather than wait for the contract overpayment or fraud to be discovered by the government. On November 14, 2008, a final Rule was published substantially incorporating the Task Force's proposed modifications. The Rule became effective on December 12, 2008. Additionally, the Task Force has proposed modifications to the FAR that would address conflicts of interest associated with service contract employees;
- The Task Force has formed numerous regional working groups, chaired by U.S. Attorneys, to bring about timely and effective procurement fraud prosecutions by coordinating efforts between U.S. Attorneys' Offices and their local Federal law enforcement counterparts; and
- Various members of the Task Force recently were awarded the Attorney General's Award for Distinguished Service for their efforts on the Task Force.

## II. ACCOMPLISHMENTS OF THE TASK FORCE

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### A. PROSECUTION AND ENFORCEMENT

Since the announcement of its creation in October 2006, the Task Force has tracked more than 400 civil and criminal procurement fraud cases involving more than 500 defendants. Main Justice and approximately 45 U.S. Attorney's Offices are involved in prosecuting these cases, which cover a wide variety of procurement fraud offenses, including false claims, grant fraud, false statements, bid rigging, kickbacks, bribery, false testing, defective pricing, and product substitution, among others. These cases also involve procurement fraud related to the wars and rebuilding efforts in Iraq and Afghanistan, to which DOJ has devoted significant prosecutorial and investigative resources. DOJ has worked effectively with Army CID, DCIS, FBI, SIGIR, USAID OIG, DOS OIG, and other law enforcement partners to investigate and prosecute GWOT cases. DOJ has already developed a track record of success in this area, described in more detail on pages 13-20.

The DOJ Criminal Division has devoted substantial resources to the campaign against procurement fraud. Drawing on its long-standing relationships with the IG community, especially the DOD IG, the Fraud Section of the Criminal Division leads the effort to combat procurement fraud. The Public Integrity Section likewise has long-standing relationships with the IG community, and it participates in investigations that involve corruption by government or military officials, as many procurement fraud cases do. The Asset Forfeiture and Money Laundering Section leads the effort to recover taxpayer dollars stolen through procurement fraud by assisting in the swift and comprehensive use of seizure warrants and forfeiture remedies.

DOJ's criminal prosecutors are joined in this effort by civil attorneys in the Civil Division's Commercial Litigation Branch and in U.S. Attorneys' Offices across the country. These attorneys pursue civil remedies available under the False Claims Act (FCA), 31 U.S.C. §§ 3729 *et seq.*, and other Federal statutes to recover losses to the government arising from procurement fraud of all kinds, including fraudulently induced contracts obtained through bid rigging, bribery and kickback schemes, and false or fraudulent claims for work performed in violation of contract or law, or at inflated prices. Civil procurement fraud cases arise in a variety of ways, including agency referrals and *qui tam* actions filed under seal pursuant to the FCA. Attorneys within the Criminal Division review *qui tam* complaints and other civil cases to determine whether they are appropriate for criminal prosecution, and, subject to applicable rules concerning parallel proceedings, the Civil Division monitors criminal cases for potential civil remedies. Procurement fraud related to the wars in Iraq and Afghanistan, and the rebuilding of those countries, is a major focus of the Civil Division's procurement fraud efforts.

The attorneys from the Criminal and Civil Divisions also work closely with their colleagues in the Antitrust Division, who prosecute cases that involve bid-rigging or other anti-

competitive behavior in the awarding of contracts. The Antitrust Division has devoted substantial resources to this effort. Since the formation of the Task Force, the Antitrust Division has charged approximately 44 individuals and 14 companies with participating in bid rigging and other fraudulent schemes involving the public procurement process. The Division has prosecuted cases involving Department of Defense purchases of night vision goggles, bunkers and structures for force protection, bottled water, military aircraft fuel, marine hoses, marine fenders and buoys, military tie down equipment and cargo securing straps, and moving services for military household goods. The following are examples of recent cases that highlight the success of the DOJ's coordinated efforts:

### **1. Case Highlights:**

- United States v. P.A. Landers, Inc.  
(DOJ Civil Division & U.S. Attorney's Office - District of Massachusetts)  
On November 3, 2008, P.A. Landers, Inc., agreed to pay \$900,000 for civil FCA violations. The civil complaint alleged that from 1995 through at least 2003, employees of P.A. Landers, Inc., created false and inflated weight slips for truck loads of asphalt on federally-funded paving projects by using the manual override device to generate asphalt weight tickets that did not correspond to any actual asphalt load, as well as asphalt weight tickets that overstated the amount of asphalt contained in an actual load. The fraudulent asphalt weight tickets were delivered to federally-funded paving projects and later used as the basis for payments to P.A. Landers, Inc., and ultimately for claims presented to the U.S. Department of Transportation for the federal share of the project costs. On May 9, 2007, P.A. Landers, Inc., Preston A. Landers, and Gregory R. Keelan were each found guilty by a jury of conspiring and using the mail to defraud the Commonwealth of Massachusetts and several of its municipalities for the same course of conduct alleged in the civil complaint. On August 9, 2007, P.A. Landers, Inc., was sentenced to four years probation and ordered to pay a fine of \$3 million. Preston Landers was sentenced to 42 months imprisonment and ordered to pay a fine of \$15,000, and Gregory Keelan was sentenced to 30 months imprisonment and ordered to pay a fine of \$10,000.
- United States v. Foggo  
(U.S. Attorneys' Offices – Southern District of California & Eastern District of Virginia)  
On September 29, 2008, former CIA Executive Director Kyle "Dusty" Foggo pled guilty to an indictment charging him with defrauding the United States and its citizens of their right to his honest services. Foggo admitted that he executed the fraud scheme by abusing his supervisory positions with the CIA in order to cause the CIA to hire companies and individuals with whom he had concealed his personal relationships. Throughout the years-long scheme, Foggo had a standing offer for a high-level, high-paying position with his best friend Brent Wilkes (who is currently serving a 12-year sentence imposed following his conviction for bribing former Congressman Randall "Duke" Cunningham). Foggo admitted that he allowed Wilkes to conceal their close relationship by adopting false cover stories regarding their relationship and using "straw men" and shell companies to conceal Wilkes's

interest in CIA contracts. As described in the indictment, Foggo caused the CIA to enter into these lucrative contracts without disclosing his interests. Sentencing is set for January 8, 2009.

- United States v. Modern Continental

(U.S. Attorney's Office - District of Massachusetts)

On June 20, 2008, Modern Continental Corporation (MCC), the largest construction contractor on the Boston Central Artery/Tunnel project, pled guilty in U.S. District Court in Boston, Massachusetts, to a criminal information charging it with making false statements in connection with its execution of construction documents certifying the quality of the work it performed on certain contracts, submitting false time and materials slips on contracts, and committing wire fraud. In the plea agreement, MCC acknowledged that it knowingly executed documents falsely stating that structures were built in accordance with contract documents and procedures. On September 15, 2004, a defect in a wall panel caused the wall to fail, resulting in extensive traffic delays and the discovery of numerous defects in the walls built by MCC. On July 10, 2006, a ceiling module installed by MCC in the portal area of the I-90 Connector tunnel, installed with epoxy anchors, collapsed and killed a motorist passing through the tunnel. After the collapse, a tunnel inspection revealed a systemic failure of the epoxy anchors throughout the tunnel. In both instances, MCC was aware at, or near, the time it constructed the walls and installed the tunnel ceiling that it was not adhering to the contract procedures. This case was investigated by DOT OIG, the FBI, and DOL Office of Labor Racketeering.

- United States v. Freire

(DOJ Antitrust Division)

On May 30, 2008, Wilson Freire, a former Government Contracts Manager at Peck & Hale LLC (Peck & Hale) pled guilty in U.S. District Court in Islip, New York, to a criminal information charging him with bid rigging and soliciting and accepting kickbacks in connection with Peck & Hale's subcontracts with DOD. Freire played a role in two separate conspiracies, one to rig bids on U.S. Navy contracts for metal sling hoist assemblies, and another to accept kickbacks from vendors and subcontractors. This case is the eighth to arise from a series of ongoing investigations dealing with the metal sling industry. In March 2008, Peck & Hale pled guilty to two counts of bid rigging. Freire is the third Peck & Hale employee to plead guilty to bid rigging charges in the past year. In April 2008, Ransom Soper, a former sales employee, pled guilty to one count of bid rigging and one count of conspiracy to commit wire fraud. In July 2007, Robert Fischetti, a former sales director, pled guilty to two counts of bid-rigging and soliciting and accepting a kickback from a subcontractor. This case was investigated by DCIS.

- Military Household Goods Cases

(DOJ Antitrust Division and U.S. Attorney's Office – Eastern District of Virginia)

In May 2008, the Pasha Group and related entities paid \$13 million under the FCA to resolve allegations relating to a conspiracy to rig bids, fix prices and allocate the market for the

transportation of household goods belonging to military and DOD personnel between Europe and the United States. In addition, seven freight forwarding companies, Air Land Forwarders, Arpin International Group, Covan International, Jet Forwarding, and SIRVA, the parent company of Allied Freight Forwarding, Global Worldwide and North American Van Lines, agreed to pay the United States \$666,237 to resolve separate allegations relating to the scheme. The United States filed a complaint under the FCA against the remaining co-conspirators, Gosselin Worldwide, Moving N.V., a Belgian company, and its managing director, Marc Smet, as well as four German moving companies, who are alleged also to have participated in the scheme. This case was investigated by DCIS.

- United States v. McFarland

(U.S. Attorney's Office - District of Arizona)

On April 25, 2008, Ernest Robert McFarland pled guilty in U.S. District Court in Phoenix, Arizona, to an indictment charging him with six counts of making false statements in a scheme to obtain funds fraudulently via Federal construction contracts. McFarland, owner and president of Pacific General Inc., (PGI), admitted that he fraudulently obtained \$348,652.99 by falsely certifying that PGI was paying its subcontractors for work on projects funded by Federal construction contracts in the Grand Canyon National Park between November 2003 and January 2004. This case was investigated by DOI OIG and the FBI.

- United States v. Terry

(U.S. Attorney's Office - Northern District of Georgia)

On April 23, 2008, four individuals were indicted by a Federal grand jury in Atlanta, Georgia, for engaging in a defense procurement fraud scheme against the United States. Two of the defendants were civilian employees who worked for the Army. The other two defendants worked for Global Engineering and Construction, Inc., (Global). The indictment alleges that beginning in 1995, the defendants secretly agreed to corruptly facilitate and assist Global in securing medical facility construction contracts. The two Global employees made cash payments to the Army employees in exchange for confidential and sensitive procurement information, which gave Global a competitive advantage in the bidding process. As a result, the government awarded Global multi-year, multi-million dollar construction contracts. At least one of the contracts was valued at over \$12 million. The case is being investigated by Army CID and Defense Contract Audit Agency (DCAA).

- United States v. Gupta & KAM Engineering

(U.S. Attorney's Office - Northern District of Illinois)

On April 21, 2008, Kamleshwar Gupta and KAM Engineering, Inc., (KEI), the engineering firm Gupta founded and owned, were indicted by a Federal grand jury in Chicago, Illinois, for allegedly submitting false invoices and financial information regarding overhead expenses and the number of hours worked by KEI employees on contracts for the Illinois Department of Transportation (IDOT). According to the indictment, during a span of nine years, Gupta and KEI fraudulently altered KEI's timekeeping records by directing a bookkeeper to shift the allocation of work hours among different KEI jobs and contracts.

The altered hours reported to IDOT fraudulently increased the amount of money that KEI billed to and collected from IDOT. Contrary to regulations applicable to IDOT contracts, Gupta and KEI directed employees to keep timesheets in pencil, rather than in ink, to facilitate fraudulent alterations of the employees' timesheets. The indictment also seeks forfeiture of more than \$1 million in proceeds of the alleged fraud scheme. The defendants' trial is scheduled for April 2009. The case is being investigated by DOT OIG and the FBI.

- United States v. Crabtree

(U.S. Attorney's Office - Central District of California)

On April 21, 2008, a former employee of Northrop Grumman, Michael Crabtree, and his wife, Susan Crabtree, pled guilty in U.S. District Court in Los Angeles, California, to an indictment charging them with participation in a scheme causing Northrop Grumman to pay \$2.5 million for materials that were never delivered. Crabtree worked at Northrop Grumman's plant from August 2004 to August 2007, and he was responsible for ordering material and supplies for various DOD programs. Crabtree, with assistance from his wife, ordered \$2.5 million of composite materials from Advanced West. Crabtree caused Northrop Grumman to pay for the materials, and the proceeds of the fictitious sales went to Crabtree and his wife. No materials were ever delivered to Northrop Grumman. Crabtree tricked Northrop Grumman into believing the materials had been delivered by claiming that he personally received them. The fraudulent expenses incurred by Northrop Grumman were passed on to the United States. Crabtree is awaiting sentencing. The case was investigated by the DCIS, IRS-CI, and the FBI.

- United States v. Feola

(U.S. Attorney's Office - Middle District of Pennsylvania)

On April 16, 2008, Richard Feola, a former civilian information technology specialist at Tobyhanna Army Depot, pled guilty in U.S. District Court in Scranton, Pennsylvania, to an indictment charging him with accepting illegal payments from a foreign defense contractor in exchange for steering contracts to the contractor. Feola prepared computer equipment bid specifications seeking the purchase of computer equipment from Thruput LTD (Thruput), a computer equipment supply company owned by Michael Clery in Bristol, England. As a result, the Army awarded eight contracts totaling \$308,595 to Thruput between July 2000 and August 2005. After the first two Army contracts were awarded, Clery wired \$5,957 from a bank account in England to an account Feola controlled in the United States. Over the course of the next six years, Clery wired additional funds totaling \$83,332 to Feola. The case is being investigated by Army CID and DOD IG.

- United States v. Johnson

(U.S. Attorney's Office - Northern District of Alabama)

On March 31, 2008, Roy Johnson pled guilty in U.S. District Court in Birmingham, Alabama, to a criminal information charging him with conspiracy to commit bribery, conspiracy to commit money laundering, and witness tampering. As part of the plea, Johnson agreed to forfeit more than \$18 million comprising the proceeds of his criminal

activity. Johnson was Chancellor of the Alabama Department of Postsecondary Education (the "Department") from 2002 until 2006. As Chancellor, Johnson was responsible for the operation of more than 25 community and technical colleges across the State of Alabama. While serving in that position, Johnson engaged in a series of bribery/kickback schemes with contractors who sought work with the Department and its subordinate institutions. The contractors gave Johnson money and services in exchange for Johnson's help in obtaining State contracts. Johnson and his co-conspirators hid these crimes by using false invoices, fraudulent loans, and fictitious entities to move money from the State of Alabama to Johnson and his family members. Johnson also engaged in witness tampering in an attempt to thwart the investigation of his crimes by a Federal grand jury. Johnson's sentencing is scheduled for February 2009. The case was investigated by the FBI and IRS-CI.

- United States v. National Air Cargo  
(U.S. Attorney's Office - Western District of New York and DOJ Civil Division)  
On March 26, 2008, National Air Cargo (NAC) agreed to pay the United States \$28 million to settle both criminal and civil allegations that it had defrauded DOD. The global settlement resolved allegations that NAC submitted fraudulent claims for payment to DOD for the shipment of freight. This case was investigated by DCIS, Army CID, USAF-OSI, and the FBI.
- United States v. Shumay  
(U.S. Attorney's Office - Northern District of Ohio)  
On February 1, 2008, Thomas Shumay and George Shumay were sentenced in U.S. District Court in Cleveland, Ohio. Thomas Shumay was sentenced to three years of probation and ordered to pay restitution in the amount of \$1,018,000. George Shumay was also sentenced to probation for a period of one year and a fine of \$15,000. In 2007, both Shumays pled guilty to a criminal information charging them each with one count of conspiracy to commit mail fraud and one count of making false statements. The information alleges that between 1997 and May 2003, the Shumays served as high-level managers and supervisors at All Tools, Inc., which directly contracted with the Air Force (USAF) and subcontracted with other corporations to build landing gear components that were to be used in USAF aircraft including the F-18. During the same time period, the Shumays manufactured military landing gear parts using unapproved and improper techniques and procedures, created documentation that falsely represented that approved and proper techniques were used in the manufacturing and testing of the landing gear parts, and shipped those parts using interstate commercial carriers. This case was investigated by DCIS, USAF-OSI, and NCIS.
- Central Artery/Tunnel Project ("Big Dig")  
(U.S. Attorney's Office - District of Massachusetts and DOJ Civil Division)  
In January 2008, Bechtel/Parsons Brinckerhoff (B/PB), a joint venture between Bechtel Infrastructure Inc., and PB Americas, Inc., paid \$399 million to the United States and the Commonwealth of Massachusetts to resolve allegations that it failed to provide adequate construction management and quality assurance services in the construction of the slurry wall

panels in the I-93 tunnel and in the installation and monitoring of the epoxy ceiling bolts in the suspended ceiling of the I-90 Connector Tunnel, which resulted in a breach in the slurry walls and a collapse of the ceiling. Of this amount, \$23 million was paid to resolve Federal FCA claims, and the remainder was paid to the Commonwealth to resolve state claims and to create a state warranty fund. B/PB also allegedly failed to provide sufficient oversight of claims for payment by contractors on time and material contract modifications that had improper labor classifications and for out-of-specification concrete that was delivered to the slurry wall construction site by a large concrete supplier, Aggregate Industries (Aggregate). In a separate settlement, Aggregate paid \$50 million to the United States and the Commonwealth to resolve civil and criminal allegations relating to the out-of-specification concrete supplied to the Big Dig. These cases were investigated by the FBI, DOL-Office of Labor and Racketeering, DOT OIG, Massachusetts State Police, and the Massachusetts Attorney General's Office.

- United States v. Morse Diesel International, Inc.  
(DOJ Civil Division)

On October 31, 2007, the Court of Federal Claims awarded summary judgment in favor of the United States. This action consolidated 15 separate claims filed by Morse Diesel International, Inc., against the United States under the Contract Disputes Act (CDA) concerning four GSA construction projects, including the Federal courthouses in Sacramento and St. Louis, and nine government counterclaims under the Anti-Kickback Act (AKA), the FCA, the anti-fraud provisions of the CDA, the Forfeiture of Fraudulent Claims Statute, and common law. In October 2007, after previously granting partial summary judgment for the government, the Court awarded the United States \$7,282,213, representing the maximum penalties allowable under both the AKA (double the amount of the kickback plus penalties of \$10,000 per occurrence) and the FCA (penalties only). This case was investigated by the GSA OIG.

- Body Armor Cases  
(U.S. Attorney's Office - District of Columbia and DOJ Civil Division)

On October 30, 2007, Hexcel Corporation (Hexcel) paid the United States \$15 million to resolve allegations that it violated the FCA in connection with its role in the manufacture and sale of defective Zylon bullet-proof vests to Federal, State, local and tribal law enforcement agencies. The United States alleged that Hexcel wove Zylon fiber supplied by Toyobo Corporation into ballistic fabric used in bullet-proof vests sold by Second Chance Body Armor and other companies. These vests were purchased by the United States directly and by various State, local, and tribal law enforcement agencies, which were reimbursed with Federal funds. DOJ has settled with two manufacturers of Zylon vests: Protective Products International for \$960,000 and Gator Hawk Armor for \$425,000. The United States currently is in litigation with Second Chance Body Armor, Toyobo Corporation, and Honeywell arising from their involvement in the manufacture of body armor. This case was investigated by Army CID, DCIS, the FBI, GSA OIG, USAID OIG, USAF-OSI, and DOE OIG.



- U.S. ex rel. Miller v. Holzman, et al.  
(U.S. Attorney's Office - District of Columbia and DOJ Civil Division)  
On August 10, 2007, the U.S. District Court for the District of Columbia entered a judgment in favor of the United States after an earlier jury verdict in favor of the government. The DOJ Civil Division and the U.S. Attorney intervened in and tried this *qui tam* case in May 2007, and obtained a jury verdict finding the defendants liable for conspiring to rig bids on contracts financed by USAID to construct waste water treatment facilities in Cairo, Egypt. With multiple damages and penalties applied, the judgment should result in a recovery to the United States of approximately \$90 million. The judgment has been appealed to the Court of Appeals for the District of Columbia Circuit. This case was investigated by USAID OIG and DOJ Antitrust.
- Systems Integrator Cases  
(U.S. Attorney's Office - Western District of Arkansas and DOJ Civil Division)  
In August 2007, IBM Corporation (IBM) and Price Waterhouse Coopers (PWC) paid the United States more than \$5.2 million to settle allegations that the companies solicited and provided improper payments and other things of value on technology contracts with government agencies. According to the complaints against the companies, IBM and PWC knowingly solicited and/or made payments of money and other things of value, known as alliance benefits, to a number of companies with which they had global alliance relationships. The Civil Division also settled with Computer Sciences Corporation for \$1,370,000 and intervened in a FCA *qui tam* suit against Accenture, Inc., and Sun Microsystems, Inc. This case was investigated by DOE OIG, GSA OIG, DCIS, NASA OIG, Army CID, DCAA, and the USPS OIG.
- Ajax Paving Company  
(U.S. Attorney's Office - Eastern District of Michigan and DOJ Civil Division)  
In March 2007, Ajax Paving Industries Inc., and Dan's Excavating Inc., agreed to pay the United States \$11.75 million to settle civil FCA and administrative claims involving alleged misrepresentations about the amount of Disadvantaged Business Enterprise (DBE) contracting work performed by a DBE subcontractor, Borbolla Construction & Concrete Supply, Inc., (Borbolla Construction) in connection with three Federally funded highway construction contracts at the Detroit Airport. The companies claimed Borbolla performed substantial work on the contracts when it actually performed only minor administrative tasks. This case was investigated by DOT OIG and the Federal Aviation Administration (FAA).
- AKAL Security  
(U.S. Attorney's Office - District of Kansas and DOJ Civil Division)  
In March 2007, Akal Security Inc., one of the largest contract security providers in the country, paid the United States \$18 million to resolve allegations that it violated the terms of its contract to provide trained civilian guards at eight U.S. Army bases. The United States alleged that some of the supplied security guards lacked training and the contractor allegedly

failed to satisfy contractual man-hour requirements. This case was investigated by Army CID, DCIS, and DOD OIG.

- U.S. ex rel. Hicks v. PeopleSoft  
(U.S. Attorney's Office - District of Maryland and DOJ Civil Division)  
On October 27, 2006, in the largest FCA settlement ever obtained by the United States in a case involving a GSA contract, Oracle Corporation paid the United States \$98.5 million to settle its liability for defective pricing disclosures made by PeopleSoft Inc., (PeopleSoft) during the negotiation of a contract under the GSA Multiple Award Schedule (MAS) program. The settlement resolved allegations that PeopleSoft made pricing disclosures to GSA that were not current, accurate, or complete concerning the sale of software licenses and related maintenance services. As a result of the defective disclosures, most Federal purchasers under PeopleSoft's MAS contract paid inflated prices for purchases of software and services. This case was investigated by GSA OIG.

## **2. Cases Involving the Global War on Terror (GWOT)**

DOJ has established a coordinated and unified approach to combating procurement fraud, including fraud relating to the wars in Iraq and Afghanistan and reconstruction efforts in those countries (GWOT cases). DOJ has devoted an array of resources and expertise to this important mission. The Antitrust Division, the Civil Division and numerous U.S. Attorneys' Offices have devoted substantial resources and coordinated their efforts with the Criminal Division's Fraud Section, Public Integrity Section, Office of International Affairs Section, and the Asset Forfeiture and Money Laundering Section.

The Department has been working closely with and through the International Contract Corruption Task Force (ICCTF), various IGs, and other law enforcement partners to investigate and prosecute procurement fraud relating to the GWOT. Established in October 2006, the ICCTF is a joint agency task force that deploys criminal investigative and intelligence assets worldwide to detect and investigate corruption and contract fraud resulting primarily from the GWOT. This task force is led by a Board of Governors composed of senior agency representatives who operate all major GWOT cases to defend the interests of the United States overseas.

The investigation and prosecution of procurement fraud cases, especially those involving the wars in Iraq and Afghanistan, are complex and resource-intensive. The cases involve the investigation of extraterritorial and domestic conduct, requiring the coordinated efforts of military and civilian law enforcement authorities, and coordination with foreign law enforcement officials. Moreover, these investigations are extremely difficult to conduct because of the need to provide adequate security to prosecutors and investigators who are working abroad to put together these cases. Additionally, the difficulty of locating and collecting evidence and interviewing witnesses in an active combat zone cannot be overstated. Among other things,

covert investigative techniques, which are often crucial to the success of these investigations, are very difficult to undertake in a combat zone.

To address these challenges and improve information sharing and interagency coordination, the ICCTF established a Joint Operations Center (JOC) based in Washington D.C., which serves as the nerve center for the collection and sharing of intelligence concerning corruption and fraud related to funding for the GWOT. The JOC is staffed by representatives from all six ICCTF agencies and is co-located at a secure FBI headquarters off-site location. An FBI Unit Chief runs the day-to-day operations of the JOC. Agency representatives work in tandem to de-conflict investigations, share intelligence, and support operations overseas. The ICCTF is conducting joint investigations in more than 272 cases around the world, and it serves as a force multiplier by bringing together the resources and expertise of multiple agencies to serve a common mission. A Memorandum of Understanding was signed by all ICCTF agencies in August 2008 formalizing their partnership.

As part of this coordinated undertaking, the FBI – along with DCIS and Army CID – has supported and funded a massive effort at the Defense Finance Accounting Service (DFAS) in Rome, New York, to scan approximately seven million DOD payment vouchers totaling over \$10 billion dollars in expenditures/payments. The FBI and DCIS launched this scanning project in 2007 to aid in retention, retrieval, and proactive review for fraud indicators and red flags. The project is now being coordinated with DFAS, DCIS, DOD OIG, DCAA, U.S. Army Audit Agency, and the FBI. Several cases have been referred to ICCTF agencies as a result of red flags and anomalies discovered during the review of these vouchers.

Lastly, in an arrangement that ensures the maximum degree of coordination, the Director of the Task Force serves as a primary point of contact for both the JOC and the ICCTF. He provides guidance to law enforcement agents during the early stages of their investigations, and assists the agents in identifying the best venue to prosecute cases. In addition, the Director tracks all prosecutions of contract fraud cases associated with the wars and rebuilding efforts in Iraq and Afghanistan.

In addition to the efforts undertaken by the Department's Criminal, Civil, and Antitrust Divisions, U.S. Attorneys' Offices throughout the country also have brought numerous GWOT fraud cases. Among them are many high-profile and sophisticated procurement fraud cases, such as those handled by the LOGCAP Working Group in the Central District of Illinois, and the U.S. Attorneys' Offices in the Southern District of New York and the Eastern District of Kentucky, among others.

In addition to civil claims brought or settled against a number of contractors, as of November 2008, the Department had brought criminal charges against approximately 70 individuals and six companies for public corruption and government fraud relating to the GWOT. This figure represents more than double the number of similar criminal cases that had been brought by June 2007. Some of these cases are highlighted below:

- US v. Lanmon  
(U.S. Attorney's Office – Western District of Washington)  
On October 31, 2008, Army Captain Cedar Lanmon was sentenced to one year in prison, and one year of supervised release for accepting illegal gratuities. In his guilty plea, Lanmon admitted that he accepted \$25,000 from an Albanian contractor while assisting with the awarding of government contracts to build berms at a military base in Ballad, Iraq. Lanmon wired some of the illegally obtained funds home to his wife, or transported the cash back to the United States. Lanmon also purchased high value rugs and furniture in Iraq and brought them to his home in Tacoma, Washington, planning to sell them for profit in the U.S. Lanmon was charged in November 2007, and pled guilty on July 23, 2008.
- United States v. Dubois  
(DOJ Criminal Division and U.S. Attorney's Office - Eastern District of Virginia)  
On October 7, 2008, Lee William Dubois, a former contractor for the U.S. Army in Iraq, pled guilty in the Eastern District of Virginia, for his participation in a scheme to steal 10.5 million gallons of jet and diesel fuel worth \$39.6 million from Camp Liberty in Baghdad. Between approximately June 1, 2007, and May 30, 2008, Dubois and his co-conspirators, purportedly representing DOD contractors in Baghdad, Iraq, used fraudulently obtained common access cards and false fuel authorization forms to steal fuel from the Victory Bulk Fuel Point, Camp Liberty, Iraq, for subsequent sale on the black market. This case was investigated by the FBI, Army CID, and DCIS.
- United States v. West  
(DOJ Antitrust)  
On August 21, 2008, six individuals and two government contracting companies were indicted for their participation in a massive bribery scheme. Among the defendants charged were Major Christopher West, who served with the Illinois National Guard at Bagram Airfield (BAF), Afghanistan, as the head of base operations, and Air Force Technical Sergeant Patrick M. Boyd, a contracting officer at BAF, who were both indicted for receiving bribes in exchange for steering BAF contracts to provide cement bunkers and barriers as well as asphalt paving services to corrupt contractors. Also charged in this indictment were the U.S. government contractors who allegedly paid the bribes: Assad John Ramin and Tahir Ramin, both dual citizens of the United States and Afghanistan; Noor Alam and his company, Northern Reconstruction Organization; and Abdul Qudoos Bahkshi and his company, Naweed Bahkshi Company, all from Afghanistan. On August 25, 2008, Tahir Ramin, Alam, and Qudoos were arrested as they entered the United States at O'Hare Airport in Chicago. On September 10, 2008, John Ramin entered the country and surrendered to authorities. These arrests could not have been accomplished without extensive coordination over a period of months among over 100 Federal, military, state, and local agents as well as foreign officials. The investigation is continuing.

- United States v. Momon  
(DOJ Criminal Division and Antitrust)  
On August 13, 2008, Major James Momon entered a guilty plea to charges of conspiracy and bribery and admitted to receiving bribes from multiple contractors in Kuwait for the award of bottled water contracts. Momon awaits sentencing.
- United States v. Crenshaw  
(U.S. Attorney's Office - Southern District of New York)  
On July 7, 2008, the U.S. Attorney's Office for the Southern District of New York unsealed the guilty plea of United States Army Chief Warrant Officer Joseph Crenshaw and the indictment of Harith Al-Jabawi, both of whom participated in a scheme to steal fuel from Camp Liberty in Baghdad, Iraq. Crenshaw was arrested after law enforcement authorities learned he accepted cash to assist Al-Jabawi in obtaining fuel from a military depot even though Al-Jabawi was not entitled to the fuel. Al-Jabawi paid several thousand dollars in exchange for fraudulently obtaining fuel. This case was investigated by the FBI, Army CID, and DCIS.
- United States v. Cockerham  
(DOJ Antitrust and Criminal Divisions)  
On June 24, 2008, U.S. Army Major John Cockerham and his wife, Melissa Cockerham, pled guilty in U.S. District Court in San Antonio, Texas, to charges of conspiracy to defraud the United States and to commit bribery, conspiracy to obstruct justice, and conspiracy to commit money laundering. The scheme ran from June 2004 through December 2005, while Cockerham was deployed to Camp Arifjan, Kuwait, serving as a contracting officer responsible for soliciting and reviewing bids for DOD contracts in support of operations in the Middle East, including Operation Iraqi Freedom. The contracts were for the purchase of various products and services for DOD, including bottled water destined for soldiers serving in Kuwait and Iraq. Cockerham and his wife accepted millions of dollars in bribe payments in return for awarding contracts to corrupt contractors. Cash bribes paid to the defendants totaled approximately \$9.6 million. The Cockerhams are scheduled to be sentenced on April 22, 2009. This case was investigated by Army CID, DCIS, the FBI, IRS-CI, SIGIR, and U.S. Immigration Customs Enforcement (ICE) at the DHS.
- United States v. AEY, Inc.  
(U.S. Attorney's Office - Southern District of Florida and DOJ Criminal Division)  
On June 19, 2008, AEY, Inc., Efraim Diveroli, David Packouz, Alexander Posrizki and Ralph Merrill were indicted by a Federal grand jury in Miami, Florida, on charges of conspiracy to commit fraud and making false statements. Diveroli is owner and president of AEY, Inc., a U.S. government contractor that received \$298 million from the U.S. government to supply munitions to Afghanistan. Diveroli, Packouz, Posrizki and Merrill supplied the Afghan army with substandard Chinese ammunition made over 40 years ago but falsely represented that the arms originated from Albania. AEY, Inc., Diveroli, Packouz,

Posrizki and Merrill are all awaiting trial. This case was investigated by Army CID, DCIS, and ICE-Counter Proliferation Investigations Unit.

- United States v. Selph  
(DOJ Antitrust and Criminal Divisions)  
On June 10, 2008, a former Army Colonel and contracting officer, Levonda J. Selph, pled guilty in U.S. District Court for the District of Columbia, for her participation in a bribery scheme. Selph accepted fraudulent bids from a co-conspirator contracting firm and assisted that firm in winning the contract award. In return for these actions, Selph accepted a vacation to Thailand and \$4,000 in cash. Selph is scheduled for sentencing on April 3, 2009. This case was investigated by SIGIR, Army CID, DCIS, the FBI, ICE, and IRS-CI.
- United States v. Ward  
(U.S. Attorney's Office - Eastern District of Virginia and DOJ Criminal Division)  
On April 11, 2008, Wallace Ward, a fuel technician for KBR, was sentenced in U.S. District Court in Alexandria, Virginia, to 26 months incarceration and three years supervised release, and he was ordered to pay restitution of \$216,000 for participating in a conspiracy to divert fuel intended for Bagram Airfield to the black market of Afghanistan. On February 7, 2008, James Sellman, another KBR fuel technician, pled guilty in the Eastern District of Virginia to conspiracy to defraud and accept bribes for diverting fuel. Ward's and Sellman's scheme in 2006 involved the theft of over \$2 million in lost fuel. Sellman is awaiting sentencing. This case was investigated by Army CID and DCIS.
- United States v. Bittenbender  
(DOJ Antitrust Division)  
On April 9, 2008, Matthew Bittenbender pled guilty in U.S. District Court in Baltimore Maryland, to conspiracy, wire fraud, and stealing trade secrets. Bittenbender was a former senior contract fuel manager at Maryland-based Avcard, a company that provides fuel and fuel services to commercial and government aircraft. Bittenbender was charged with taking confidential bid data and other proprietary information related to DOD fuel supply contracts from Avcard and selling that information to competitors, co-conspirators Christopher Cartwright, Paul Wilkinson, Far East Russia Aircraft Services (FERAS) and Aerocontrol, Ltd. In return, Bittenbender received cash payments and a percentage of the profit earned on the resulting DOD fuel supply contracts. Cartwright, Wilkinson, FERAS and Aerocontrol are alleged to have subsequently used that illegally obtained information to bid against Avcard at every location where the companies were bidding head-to-head, thereby subverting DOD's competitive bidding procedures for fuel supply contracts. Cartwright was sentenced to 500 hours of community service and Wilkinson was sentenced to 800 hours of community service. Both Bittenbender and Aerocontrol are awaiting sentencing. This case was investigated by DCIS.

- United States v. Chidiac  
(DOJ Antitrust Division)  
On January 23, 2008, Elie Samir Chidiac and Raman International Inc., (Raman) were indicted in the Western District of Oklahoma on conspiracy charges in connection with bribes paid between May 2006 and March 2007 to a contracting officer at Camp Victory in Iraq. Chidiac is the former Iraq site manager for Raman, a military contractor based near Houston, Texas. Raman and Chidiac allegedly paid bribes to induce a DOD contracting officer to steer contracts to Raman. Chidiac is also charged with participating in a second scheme whereby the same contracting officer altered contracting documents to allow him to fraudulently obtain payment, which he split with the contracting officer, for work that neither he nor Raman performed. Raman has entered a guilty plea that is pending approval by the court, as has Jacqueline Kankhauser, an individual who also was involved in the criminal conspiracy.
- United States v. Sioux Manufacturing Corp.  
(U.S. Attorney's Office - District of North Dakota and DOJ Civil Division)  
On December 18, 2007, DOJ settled with Sioux Manufacturing Corp., for \$1.9 million in *United States ex rel. Kenner v. Spirit Lake Tribe*. This *qui tam* case alleged that the defendant failed to follow specifications in making protective cloth material for military helmets. This case was investigated by DOJ OIG, Army CID, DCIS, and the USAF-OSI.
- United States v. Itani  
(U.S. Attorney's Office - Southern District of Texas and DOJ Criminal Division)  
On July 24, 2007, the owner of American Grocers LLC, Samir M. Itani, a subcontractor to DOD, was indicted by a Federal grand jury in Houston, Texas, for conspiracy and false claims, stemming from the submission of millions of dollars in fabricated trucking fees associated with the company's contract to provide food products to military personnel in Iraq. Itani is awaiting trial. This case was investigated by Army CID, DCIS, and the USDA.
- United States v. Northrop Grumman  
(DOJ Civil Division)  
On July 18, 2007, Northrop Grumman settled a voluntary disclosure matter by paying \$8 million in connection with deficient testing of night vision goggles and sniper scopes used throughout the military. This case was investigated by DCIS, Army CID, and DCAA.
- United States v. ATK Thiokol, Inc.  
(U.S. Attorney's Office - District of Utah and DOJ Civil Division)  
On June 11, 2007, the United States intervened in the *qui tam* case captioned *United States ex rel. Dye v. ATK Thiokol, Inc.* The lawsuit alleges that ATK Thiokol, Inc., delivered defective illumination flares used in search and rescue, and combat operations critical to the U.S. military, including operations in Iraq and Afghanistan. This case is being supported by DCAA, DCIS, Army CID, and USAF-OSI.

- United States v. Eagle Global Logistics  
(U.S. Attorney's Office - Eastern District of Texas and DOJ Civil Division)  
In August 2008, Eagle Global Logistics (EGL) paid \$750,000 to settle allegations that its employees provided gratuities to KBR employees responsible for overseeing EGL's subcontract with KBR under KBR's LOGCAP III contract with the Army for support of military operations in Iraq. This latest settlement with EGL is in addition to two earlier settlements related to the same subcontract with KBR. Pursuant to a settlement in June 2007, EGL paid \$300,000 to resolve civil claims arising from allegations that the company's local agent in Kuwait overcharged the military for rental charges on shipping containers to Iraq for the period from January through June 2006. EGL also paid \$4 million to settle civil claims that it had inflated invoices for shipments. This case was investigated by DCIS and the FBI.

Another series of prosecutions has emerged from the LOGCAP Working Group, which operates out of the U.S. Attorney's Office in the Central District of Illinois. The LOGCAP Working Group takes its name from "Logcap III," a ten-year contract awarded to KBR in December 2001 for servicing task orders issued by the U.S. Army to support Operation Iraqi Freedom. The LOGCAP Working Group has brought criminal charges against eleven individuals for major fraud against the United States, bribery, and kickbacks associated with Iraq reconstruction efforts and military operations in Kuwait. Recent cases include the following:

- On August 28, 2008, a former KBR supervisor, Robert Peter Bennett, entered a guilty plea for accepting kickbacks from employees of a subcontractor that provided freight-forwarding services to Iraq, Afghanistan, and Kuwait under the Logcap III prime contract awarded to KBR. Bennett is awaiting sentencing.
- On June 6, 2008, a former employee of KBR, Anthony J. Martin, was sentenced to one year in prison and ordered to pay \$200,504.85 in restitution. Martin was sentenced for his participation in a kickback scheme with the managing partner of a Kuwaiti company, which provided Martin with a payment of \$170 per item supplied to the United States under the government contracts that Martin helped procure.
- On July 20, 2007, Kevin Smoot, who worked for Eagle Global Logistics (EGL) as Managing Director of EGL Houston's Freight Forwarding Station, pled guilty to making a false statement and providing a kickback. On December 18, 2007, Smoot was sentenced to 14 months imprisonment and ordered to pay restitution in the amount of \$17,964.00.
- On February 9, 2007, Peleti Peleti Jr. pled guilty to bribery. Peleti formerly served as the Army's Theatre Food Service Advisor for Kuwait, Iraq, and Afghanistan. Peleti was sentenced to 28 months in prison, fined \$57,500, and ordered to forfeit items, including watches and souvenirs, purchased with bribe monies.



- On December 1, 2006, Stephen Seamans was sentenced to 12 months and one day in prison and ordered to pay \$380,130 in restitution. Seamans was formerly a subcontracts manager for KBR, who pled guilty to one count of major fraud against the United States and one count of conspiracy to commit money laundering.
- On December 1, 2006, Shabbir Khan was sentenced to 51 months in prison and ordered to pay a \$10,000 fine and \$133,860 in restitution. Khan, formerly Director of Operations, Kuwait and Iraq, for KBR subcontractor Tamimi Global Co., Ltd., was indicted on multiple counts of wire fraud, witness tampering, and conspiracy to commit witness-tampering, conspiracy to commit money laundering, and making false statements.

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**Figure 1 - Pretoria, South Africa, USAID Procurement and Grant Fraud Training.**



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## **B. TRAINING AND INITIATIVES**

### **1. Training for Prosecutors, Agents, Auditors, and Contracting Personnel**

The Task Force has worked with several agencies to develop specialized training for prosecutors, agents, auditors, and contracting personnel on the detection, investigation, and prosecution of procurement fraud cases. For example:

- The Task Force and USAID OIG have developed fraud detection and prevention training for contracting and grant personnel based overseas. This training program promotes strengthening deterrence efforts for USAID and Millennium Challenge Corporation personnel. This training has already been offered in Pretoria, South Africa, Antananarivo, Madagascar, and Maputo, Mozambique.
- Brian Miller, GSA IG and Vice Chair of the Task Force, hosted the Forensic Auditing Forum, which took place in Washington, D.C. on January 23 and 24, 2008. The Forum focused on forensic auditing and its application as a tool to promote comprehensive reviews of agency operations to generate fraud leads. More than 200 government officials from 30 different agencies attended the forum. As a result of the interest generated by this first successful effort, additional forums on specialized topics are being planned.

- In June 2007, the Task Force offered the first procurement fraud training program for prosecutors at the National Advocacy Center in Columbia, South Carolina. The goal of this training program was to provide prosecutors with the tools they need to investigate and prosecute those who undermine the Federal procurement process. The second annual procurement fraud training course was held on June 4 through 6, 2008.
- The Task Force has worked with the Federal Law Enforcement Training Center (FLETC) and the IG Investigations Academy to design and provide approximately 20 weeks of new procurement fraud instruction offered periodically at multiple locations throughout the country. The curriculum offerings include:
  - Interviewing for Auditors (three days; offered twice per year);
  - Suspension and Debarment (three days; offered three times per year);
  - Financial Forensics Training Program (two weeks; offered six times per year);
  - Basic Procurement Fraud (eight and one-half days; offered twice per year); and
  - Product Substitution (four and one-half days; offered twice per year).
- The Task Force, along with David C. Williams, USPS IG, and Chair of the Training Committee, recently hosted a national procurement fraud conference in Richmond, Virginia, in early September 2008. Approximately 500 prosecutors, agents, and auditors attended the conference, which offered a broad array of courses consistent with the conference's theme, "Effective Programs & Strategies in Combating Procurement Fraud."

## **2. Support For FAR Changes**

### **a. FAR proposal requiring disclosure of overpayments and fraud**

In May 2007, in a letter to the Office of Federal Procurement Policy, the Task Force proposed a modification to the Federal Acquisition Regulation (FAR), which would require, among other things, that contractors notify the government whenever they become aware of a material overpayment or fraud relating to the award or performance of a contract or subcontract. Shortly thereafter, on November 14, 2007, the Civilian Agency Acquisition Council and the Defense Acquisition Regulation Council (FAR Council) published a proposed rule substantially incorporating the Task Force's requested changes to the FAR. The proposed rule, however, as published by the FAR Council, added two exemptions, one for government contracts performed entirely overseas and another for commercial contracts.

On April 15, 2008, on behalf of the Task Force and DOJ, former Deputy Assistant Attorney General Barry Sabin testified about these proposed exemptions before the House of

Representatives Committee on Oversight and Government Reform's Subcommittee on Government Management, Organization and Procurement (House Committee). Brian Miller, GSA IG and Vice Chair of the Task Force, provided written testimony supporting the removal of the proposed exemptions. At the same time, the House Committee had proposed legislation, the "Close the Contractor Fraud Loophole Act," that would remove these exemptions and require that the FAR be modified in accordance with the original Task Force proposal requiring mandatory disclosure of fraud and overpayments associated with the award of all subcontracts or contracts, including those performed overseas and those for commercial items. This legislation passed the House of Representatives in April 2008. In June 2008, the Senate approved the legislation as part of the Supplemental Appropriations Act of 2008, and the President signed the measure on June 30, 2008. The legislation required the final FAR Rule to become effective within six months after enactment of the legislation. On November 14, 2008, the FAR Council published a final rule substantially incorporating the original Task Force's proposed modifications, which became effective December 12, 2008.

#### **b. FAR proposal addressing service contractor employees**

On July 18, 2008, the Task Force submitted a letter commenting on the March 26, 2008, Advanced Notice of Proposed Rulemaking, FAR Case 2007-017, in which the FAR Council had requested public comment on the need for regulation that would address personal conflicts on the part of service contractor employees. In its tracing of hundreds of investigations, the Task Force has observed a dramatic increase in contractor employees performing a wide variety of Federal government functions. Unlike their Federal employee counterparts, however, service contractor employees are not subject to most Federal ethics requirements, nor are they subject to any direct discipline by the government. As a result, the government may be lacking some important tools to protect the integrity of its operations performed by service contractor employees.

Accordingly, in its letter, the Task Force has asked the FAR Council to publish a FAR Rule that would require service contractors to certify annually that they have: (1) trained their employees on the relevant responsibilities and restrictions to which they are subject while performing government work; and (2) collected from their employees the financial information necessary to identify and to screen out employees with personal conflicts of interest. The Task Force recommended that both training and the financial conflicts review be completed before a contractor assigns employees to perform work for the government under a service contract. Recently, the FAR Council announced its intention to publish in 2009 a proposed FAR Rule that addresses conflicts on the part of service contractor employees.

#### **c. FAR proposal requiring a written code of ethics and compliance training**

On November 23, 2007, the FAR Council published a final FAR Rule requiring that each contractor with contracts over \$5 million have a "written code of business ethics and conduct" and an "ethics compliance training program" for its employees. In a May 23, 2007, letter to the FAR Council, the Task Force filed comments supporting this mandatory compliance program

when it was proposed as a rule. The effective date of the new FAR provision was December 24, 2007.

### **3. IG Initiatives, Speeches and Training**

To further the mission of the Task Force, many IGs continue to reach out to the public and private sectors through presentations, sponsored conferences, and training initiatives. For example, NRO IG Eric Feldman recently made presentations to several NRO contractors, and he was the luncheon speaker at a meeting of the National Defense Industrial Association. The NRO IG has actively participated in intelligence community and IG community activities such as the NRO Industry Day and the Los Angeles Area Procurement Fraud Working Group. The NRO IG was instrumental in establishing the newly formed California chapter of the Association of IGs, which hosted its first National Association Conference in the Los Angeles area this fall. Additionally, the NRO IG and the Task Force Private Sector Outreach Committee submitted letters dated June 13 and 18, 2008, respectively, in support of the proposed FAR amendment requiring mandatory fraud reporting by contractors.

The NRO IG also sponsored the 3<sup>rd</sup> Annual Corporate Business Ethics and Compliance Officers Conference held in Redondo Beach, California in March 2008. The conference focused on fraud-related issues in U.S. government-funded contracts and collaborative efforts between the government and corporations to detect and investigate procurement fraud. More than 120 ethics officers, general counsels, contract officers (from several major defense contractors), investigators, auditors, inspectors, and acquisition professionals from the Federal IG community attended the conference.

In addition, the NRO IG has focused attention on improving the ability of the NRO workforce to identify the “red flags” of procurement fraud by providing training to various NRO components, “Messages from the IG,” and professional certifications. Beginning in October 2007, the IG offered a “Case Studies” course targeted to the NRO acquisition workforce. Additionally, NRO IG investigators provided over 26 customized “Procurement Fraud” training sessions to contracting officers, polygraphers, contracting officer technical representatives, and DCAA employees.

The Vice Chair of the Task Force, Brian Miller, and the Executive Director, Steve Linick, recently presented Task Force concepts and goals to a variety of audiences, including the American Bar Association, Association of Government Accountants, Board of Contract Appeals Judges Association, Coalition for Government Procurement, Industry Roundtable, Information Technology Association of America, Northern Virginia Technology Council, President's Council on Integrity and Efficiency (PCIE) Legislation Committee, PCIE/Executive Council on Integrity and Efficiency (ECIE) Training Conference, Association of Inspectors General, and the Second Regional Seminar on Good Governance for Southeast Asian Countries entitled *Corruption Control in Public Procurement*, hosted by the United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders (UNAFEI).

In April 2008, the DOD Procurement Fraud Working Group sponsored its annual procurement fraud training conference in Daytona Beach, Florida, for criminal investigators, auditors, and inspectors, as well as representatives from DOJ and U.S. Attorneys' Offices. Former Deputy Attorney General James Comey (and currently General Counsel of Lockheed Martin) was the keynote speaker.

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**Figure 2 - Task Force Vice Chair, Brian Miller, discusses Task Force concepts and goals with UNAFEI**



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In March 2008, the EPA and OMB sponsored a Suspension and Debarment conference honoring 25 years since the agency-wide suspension and debarment system began. The conference was held in South Carolina and featured a series of workshops on current issues confronting suspension and debarment officials. DOE IG Greg Friedman and GSA IG Brian Miller spoke at this conference.

Finally, on July 28 through 31, 2008, DOT OIG sponsored the Fifth Biennial National Fraud Awareness Conference in Chicago, Illinois. The goals of the conference were to sharpen awareness of fraud schemes, share best practices, and strengthen working relationships among procurement fraud investigators.

Task Force members also have participated in outreach activities to assist private sector participation in the detection of procurement and grant fraud. This outreach is described in more detail on pages 31 and 32 of this report.

## C. TASK FORCE WORKING COMMITTEES

In order to accomplish the objectives of the Task Force, working committees have been created to address particular issues relating to procurement fraud. Each committee is chaired by an IG with the exception of the International Committee, which is chaired by an Assistant Director of the FBI. These working committees include the following:

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**Figure 3 - Task Force Executive Director, Steve Linick, and Vice Chair, Brian Miller, at the April 12, 2007, Task Force Meeting**



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### 1. Steering Committee

When the creation of the Task Force was announced, a Steering Committee was formed to: (1) ensure coordination of Task Force activities across the IG, law enforcement, and prosecution communities; (2) promote the public communication of goals and achievements; (3) facilitate and serve as support for the Task Force working committees and regional working groups; and (4) serve as the principal vehicle for keeping the Assistant Attorney General and the Deputy Attorney General apprised of progress, problems, and opportunities to promote the initiative. The Steering Committee, chaired by Steve Linick, the Executive Director of the Task Force, and by Brian Miller, GSA IG, meets on a bi-monthly basis.

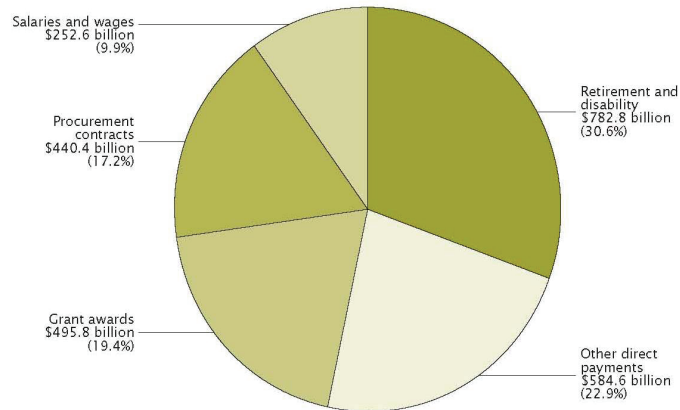
### 2. Grant Fraud Committee

DOJ IG Glenn Fine is chairing the Grant Fraud Committee of the Task Force, which also includes additional representatives from DOJ and other OIGs. The Grant Fraud Committee continues to focus on three key tasks: (1) examining information sharing on cases and issues

related to grant fraud; (2) coordinating efforts to train auditors, agents, and prosecutors on detecting, investigating, and prosecuting grant fraud; and (3) conducting outreach to agency program managers and grantees regarding the prevention, detection, and investigation of grant fraud.

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**Figure 4 - Federal Government Expenditures, Amounts and Percentages by Major Object Category: Fiscal Year 2007**



**Source: U.S. Census Bureau, Consolidated Federal Funds Report for Fiscal Year 2007**

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In the area of training, the Grant Fraud Committee worked closely with the Training Committee and FLETC to develop a weeklong Grant Fraud Investigation Training Program. The pilot session was held in St. Augustine, Florida, on May 19 through 23, 2008, with more than 20 agents and auditors from nine different agencies in attendance. FLETC plans to hold the next training session in Washington, D.C. in August 2008.

The Grant Fraud Committee supported the NSF OIG as it prepared to host its Seventh Annual Grant Fraud Workshop in the fall of 2008.

Additionally, the Grant Fraud Committee is finalizing a white paper, devoted to identifying the best practices in agency program grant management. The Grant Fraud Committee also continues to work closely with the Legislative Committee of the Task Force to ensure that grant fraud issues are addressed in any legislative proposals advanced by the Task Force.

Finally, the OIGs involved with the Grant Fraud Committee are reporting successful prosecutions of grant fraud cases. *United States v. Hayes*, described below, exemplifies the type of case that Grant Fraud Committee members are actively pursuing and encouraging other OIGs to pursue:



- On May 2, 2008, James Hayes, the former Mayor of Fairbanks, Alaska, and his wife, Murilda Hayes, were sentenced in the District of Alaska following their convictions for theft of government grant funds and other offenses. James Hayes was sentenced to five and one-half years incarceration and ordered to pay restitution of \$314,000 after he was convicted by a jury of 16 counts of theft of government funds, conspiracy, money laundering, and submitting false tax returns. Murilda Hayes was sentenced to three years incarceration and ordered to pay restitution of \$447,000, following her guilty plea to charges of money laundering and theft of government funds. An investigation by DOJ OIG, HUD OIG, the FBI and IRS-CI developed evidence that James and Murilda Hayes had misappropriated Federal grant funds from the DOJ and HUD, which had been designated to operate a tutoring and mentoring organization called Love Social Services Center. They used the funds instead to purchase a flat screen television and other items for their personal use and to partially fund the building of their church.

### 3. Information Sharing Committee

The Information Sharing Committee is chaired by Brian Miller, GSA IG and Vice Chair of the Task Force. The Committee’s mission is to improve the Federal government’s ability to detect, prevent and prosecute procurement fraud through improved collection, analysis and sharing of data.

To date, a principal accomplishment of the Information Sharing Committee has been to develop and maintain a website, <http://www.usdoj.gov/criminal/npftf/>, devoted to providing the most up-to-date bulletins and facts about the status of procurement fraud cases and initiatives. The website contains the following key categories of information:

Figure 5 - National Procurement Fraud Task Force Website Homepage



### ***NPFTF Overview***

Provides details on the circumstances leading to the establishment of the Task Force and offers answers to a series of Frequently Asked Questions (FAQs) designed to assist the user by providing a clear description of Task Force operations and objectives.

### ***NPFTF Press Room***

Provides a detailed listing of all notices to the press from DOJ, U.S. Attorneys, OIGs, and other agencies and law enforcement organizations regarding cases initiated and disposed. In addition, the Press Room provides links to speeches and testimony associated with the operations of the Task Force. Finally, the Press Room provides a very useful set of links to a wide variety of up-to-the-minute media articles on procurement fraud topics.

Approximately 400 press releases are available in the Press Room. Agency suspension and debarment officials report that they are better able to perform their duties now that there is a centralized location for this information. From January to May 2008, the website has been a resource to more than 8,000 users as measured by page views.

### ***NPFTF Resource Center***

Provides information about courses and training opportunities to support procurement fraud audits and investigations. In addition, the Resource Center identifies new training needs as they arise and promotes the design and formulation of courses addressing any identified gaps in the current training curricula.

### ***NPFTF Federal Acquisition Regulations (FAR) Information Center***

Provides a comprehensive collection of Federal Register notices seeking to amend FAR regulations and practices, and the public comments on those proposed amendments. In addition, relevant speeches and testimony as well as media and scholarly articles relating to FAR modifications are also provided.

### ***NPFTF Fraud Reporting Directories***

Provides links to 36 major fraud reporting hotlines and reporting procedures across the Federal government from USAID to the USPS. This component of the website assembles in one convenient location a portal for the public, contractor, grant, and Federal employees to report concerns they may have about fraud for further investigation by relevant agencies.

### ***NPFTF Contact Center***

Provides a comprehensive listing of all national and regional participants in the NPFTF as well as chairpersons of all Task Force committees.

### ***NPFTF Upcoming Events***

Provides a set of links to courses and training opportunities for the procurement fraud community. Listings of procurement fraud conferences and meetings are also found at this location on the website.

#### **4. Intelligence Committee**

The Intelligence Committee (IC), chaired by ODNI IG Ned Maguire and CIA OIG Assistant IG for Investigations Peter Usowski, was formed primarily to improve communication among OIGs operating in the intelligence community and to identify and remove impediments faced by investigators and prosecutors in pursuing procurement fraud cases involving classified information. The intelligence community includes agencies such as the CIA, NRO, ODNI, NSA, DIA, and NGA, among others. Cases involving the intelligence community are often unusually challenging to investigate and prosecute because relevant evidence is frequently classified and difficult to access and use at trial. To date, the IC has consulted with investigators and Federal prosecutors who have experience in prosecuting cases involving classified information. The IC also has held discussions with officials from various Offices of General Counsels within the intelligence community that are tasked with classifying agency information. The IC's goal is to produce a handbook that will assist investigators, prosecutors, and others in effectively investigating and prosecuting these cases in the future. This is the first time that the intelligence community has formally examined these issues.

#### **5. International Committee**

The International Committee, chaired by Kenneth Kaiser, Assistant Director of the FBI, functions as an advisory forum for investigative and intelligence agencies involved in combating procurement fraud and public corruption overseas. The International Committee has met periodically since its inception.

A number of law enforcement agencies participating on the International Committee are members of the ICCTF, which the International Committee supports and advises. The ICCTF was established in June 2006 as an information-sharing task force consisting of the following charter agencies: FBI, Army CID, DOD OIG, DCIS, DOS OIG, USAID OIG, USAF-OSI, NCIS and SIGIR. The mission of the ICCTF is that of a joint agency task force that coordinates and supports the deployment of criminal investigative and intelligence assets to detect and investigate corruption and contract fraud related to the GWOT. The ICCTF member agencies currently have special agents deployed to Iraq, Afghanistan, and Kuwait in support of this joint mission. This task force is led by a Board of Governors comprised of senior agency representatives who oversee the GWOT fraud and corruption program.

#### **6. Legislation Committee**

The Legislation Committee, which is chaired by GSA IG Brian Miller and DHS IG Richard Skinner, has considered a wide array of potential legislative and regulatory reforms that are described in more detail in the Committee's White Paper. Committee members include representatives from the DOJ Civil, Criminal, and Antitrust Divisions, OIGs, and agency procurement officials.

The Committee's White paper, entitled "Procurement Fraud: Legislative and Regulatory Reform Proposals," was distributed to Task Force members and member agencies on June 9, 2008. The report essentially targets three key areas for reform:

***Improving Ethics and Internal Control Among Contractors***

The report urges a continuation of the Task Force's effort to develop codes of conduct for service contractor employees and subcontractors that will largely mirror the Federal ethics requirements already applicable to Federal employees. The goal is to ensure that service contractor employees and subcontractors have explicit guidance about the need to avoid personal conflicts of interest with the government's mission and to encourage them to report instances of such conflicts or other acts of fraud or abuse.

***Improving the Prosecution and Adjudication of Procurement Fraud Defendants***

The report encourages enhanced quantitative measurement of taxpayer loss in the application of sentencing guidelines and expanded subpoena authority and case resolution authority, within enumerated thresholds, for IG offices. In addition, the report proposes greater use of IG staff in support of case litigation.

***Improving the Government's Ability to Prevent and Detect Procurement Fraud***

The report provides a wide variety of other proposals to help agencies better identify instances of fraud and encourages greater self-reporting by contractors of overpayments and conflicts of interest. In addition, the report urges improvements in background checks and performance reviews so as to ensure the accuracy of debarment and suspension databases.

The Committee is considering a number of other reform proposals, including issues relating to access to records needed for audits, the implementation of the provisions of the Procurement Integrity Act, expanded duration of false claims, and new ways to potentially link enhanced funding for investigations and audits to the magnitude of recoveries in procurement fraud cases.

**7. Private Sector Outreach Committee**

The Task Force's Private Sector Outreach Committee, chaired by NRO IG Eric Feldman and Treasury IG Eric Thorson, continues to enlist private sector participation in the prevention and detection of procurement fraud by encouraging early disclosure of fraudulent activity on government contracts to the OIG.

In October, the Task Force approved a Private Sector Outreach Committee briefing for use by all Task Force members. Some IGs have used the "Outreach" briefings as milestone events to institute a regular dialogue with the ethics and compliance officials of companies with which they interact.

Since the last Task Force Progress Report was published in 2007, members of the Task Force and the Private Sector Outreach Committee have made presentations to corporate officers and business ethics compliance organizations such as Northrop Grumman Corporation Senior Leadership, Policy Council and Business Ethics Sector Leads. The Task Force has addressed corporate counsels and professional organizations, namely, the Federal Bar Association's Annual Symposium (North Alabama Chapter), the American Bar Association Suspension and Debarment Committee, the National Contract Management Association (Los Angeles Chapter), the National Defense Industrial Association, Pricewaterhouse Coopers, LLP, and public interest groups such as Taxpayers Against Fraud, Washington, D.C. Chapter.

## **8. Suspension and Debarment Committee**

At its June 9, 2008, meeting, the Task Force formed a Suspension and Debarment Committee to examine ways that the administrative process can be more effectively deployed to assist in the government's efforts to combat fraud and corruption in Federal contracting. Tennessee Valley Authority IG Richard Moore agreed to chair the effort, which has been initiated by identifying the various ways agencies currently handle suspension and debarment matters, and the resources allocated to this important function. The Task Force has found some agencies have a very active suspension and debarment program, while others employ suspension and debarment only when DOJ obtains a conviction. The Suspension and Debarment Committee also is exploring, with selected OIGs, how they can be more active participants in the process within their respective agencies. Finally, the Suspension and Debarment Committee has been working closely with OMB's Interagency Suspension and Debarment Committee, which is preparing to publish a white paper describing best practices for suspension and debarment coordination with DOJ and the OIGs.

## **9. Training Committee**

The Training Committee, chaired by USPS IG David Williams, seeks to make available the most effective procurement fraud training to auditors, investigators, prosecutors, and procurement specialists.

In March 2007, the Federal Law Enforcement Training Center (FLETC) and the Training Committee distributed a needs assessment questionnaire to Task Force members to collect information necessary to design a new Basic Procurement Fraud Investigation Training Program. The questionnaire made it easy for Task Force members, including representatives from law enforcement agencies, to identify their training needs and inform FLETC staff about particular issues and lesson areas that should be covered in the course.

This outreach paved the way for an intensive three-day planning session that was hosted by the Training Committee and FLETC in late April 2007 with a smaller working group (17 individuals) to develop ideas for the future course. This group consisted of representatives from DOJ, DCAA, Defense Contract Management Agency, DCIS, DHS, Army CID, NCIS and

USAF-OSI, along with members of various OIGs, including the NRO, USPS, and others. After reviewing the needs assessment questionnaire, the group concluded that a two-week program (eight and one-half days) would be the most effective basic training option for criminal investigators, non-criminal investigators, auditors, and analysts involved in procurement fraud investigations. The Training Committee has worked with the Task Force to design and offer a variety of additional procurement fraud instruction as described on pages 21 and 22 of this report.

The Training Committee developed the procurement fraud training “Resource Center” on the Task Force website described on page 29 of this report.

## D. REGIONAL WORKING GROUPS

The Task Force also has formed numerous regional working groups to encourage the investigation and prosecution of procurement and grant fraud nationwide. To date, 36 U.S. Attorneys’ Offices are involved in the Task Force’s regional working groups. Contact information for the coordinators of these groups is listed on the Task Force website.

**Figure 6 -Regional Procurement Fraud Coordinator Map**



The regional working groups, which are chaired by U.S. Attorneys, have been implementing the Task Force's goals regionally by working with their local Federal law enforcement counterparts to bring about timely and effective procurement fraud prosecutions. These groups are facilitating the exchange of information among participant agencies and assisting them in developing new strategies to prevent, detect, investigate, and prosecute procurement fraud. Many of the groups meet regularly and have offered training on issues such as grand jury strategies when prosecuting procurement fraud cases, corporate criminal liability, and data mining, among others.

Regional Coordinators are working together to develop resources to assist in the prosecution of procurement fraud crimes. In addition, some of the working groups have reported an increase in civil and criminal procurement and grant fraud referrals since the formation of their groups and are rotating meetings among participant agencies. Coordinators are currently engaged in an effort to develop an expert witness directory containing individuals with expertise in subjects relevant to procurement fraud prosecution.

## **E. CONGRESSIONAL BRIEFINGS AND TESTIMONY**

Congress has expressed keen interest in the Task Force's progress, and its members have provided multiple briefings to congressional staff on the status of the Task Force. Members of the Task Force also have testified before Congress regarding the status of Task Force initiatives and the Department's efforts to combat procurement fraud. Specifically:

- On April 15, 2008, Barry Sabin, a former Deputy Assistant Attorney General in the Criminal Division, testified before the House of Representatives Committee on Oversight and Government Reform's Subcommittee on Government Management, Organization and Procurement, regarding the FAR proposal to require contractors to disclose fraud. Brian Miller, GSA IG and Vice Chair of the Task Force, provided written testimony supporting the "Close the Contractor Fraud Loophole Act," and the removal of the proposed exemptions in the FAR proposal.
- On June 19, 2007, Barry Sabin, Stuart Bowen, the Special IG for Iraq Reconstruction, and Thomas Gimble, the Principal Deputy IG for DOD, testified before the House of Representatives Committee on the Judiciary's Subcommittee on Crime, Terrorism, and Homeland Security, regarding procurement fraud and the War Profiteering Prevention Act. On March 19, 2007, these panelists also testified before the Senate Judiciary Committee on the same topics. On both occasions, the panelists provided a comprehensive report on the work of the Task Force.

### **III. CONCLUSION**

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The Task Force has achieved an unprecedented level of collaboration and coordination at all levels of government to combat procurement fraud. There has been an increase in joint investigations and prosecutions of civil and criminal procurement fraud cases among the various components of the Department of Justice. Similarly, IGs are pooling their resources to achieve better results in these cases. Additionally, all of the working committees enjoy high-level leadership and include energetic representatives from a wide spectrum of agencies. The Task Force is continuing its strong record of accomplishment this past year, and we look forward to continuing to improve upon this success. In the months to come, we intend to draw upon the creativity and expertise of our membership to develop new areas where the Task Force can make a dynamic difference and continue to serve as a driving force to combat procurement fraud.