



Department of Justice

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FORMER KBR EMPLOYEE ADMITS VIOLATION OF ANTI-KICKBACK ACT IN AWARDING MILITARY SUBCONTRACT

PEORIA, IL – A former employee of Kellogg, Brown & Root Services, Inc. (KBR) pleaded guilty today to violating the Anti-Kickback Act in awarding a \$4.67 million subcontract to a Kuwaiti company in 2003. Rodger A. Heaton, United States Attorney for the Central District of Illinois announced that Anthony J. Martin, age 58, of Houston, Texas, appeared in federal court in Peoria, Illinois, and admitted participating in a kickback scheme with the managing partner of a Kuwaiti company in awarding a subcontract related to U.S. military supply lines between Kuwait and Iraq, also known as the “Theater Transportation Mission.”

From February 2003 to February 2004, Martin, a U.S. citizen, worked for KBR in Kuwait as a subcontracts administrator and later as a subcontracts manager. Martin’s duties included solicitation of bids from prospective subcontractors and the negotiation and award of subcontracts on KBR’s behalf under its prime contract, known as LOGCAP III, with the U.S. Army.

LOGCAP (Logistics Civil Augmentation Program) is a U.S. Army program that uses civilian contractors to support the logistical needs of U.S. military forces. In December 2001, the LOGCAP III prime contract was awarded to KBR by the U.S. Army Operations Support Command, with headquarters at the Rock Island Arsenal in Rock Island, Illinois. The contract was administered by the Army Field Support Command, also at the Rock Island Arsenal.

In support of the “Theater Transportation Mission,” in mid-June 2003, KBR was required to provide the U.S. military with 50 semi-tractors and 50 refrigeration trailers for a six-month period. During today’s court proceeding, Martin admitted participating in a kickback scheme in which the Kuwaiti company agreed to pay Martin 50 Kuwaiti Dinars, or approximately \$170.00 in U.S. dollars, per semi-tractor, per month, under any government subcontract Martin awarded to the company.

On June 15, 2003, Martin solicited bids in an e-mail sent to a number of potential subcontractors, including the Kuwaiti company’s managing partner. Martin admitted that prior to the bid process he was paid the equivalent of approximately \$10,000 in U.S. dollars in Kuwaiti Dinars by the managing partner of the Kuwaiti company as an advance on their kickback agreement.

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After receiving four bids in response to his e-mail solicitation, on June 17, 2003, Martin awarded the \$4.67 million subcontract to the Kuwaiti company. Under the kickback agreement, Martin was to receive kickback payments of approximately \$50,240 in U.S. dollars including the \$10,000 Martin had already received. The amount of the kickback was incorporated into the price of the subcontract and ultimately paid by the U.S. military.

Martin admitted that prior to returning to the U.S. for R&R in July 2003 he transferred the \$10,000 advance to a third party who deposited the funds in a Kuwaiti bank account. The third party then provided Martin with an ATM card so Martin could access the bank account while on R&R in the U.S.

Martin returned to the U.S. on July 20, 2003. From July 20 to July 28, 2003, Martin used the third party's ATM card at various financial institutions in the U.S. to withdraw and spend approximately \$9,100.

According to the plea agreement, prior to returning to Kuwait, Martin felt guilty and after returning to Kuwait, told the managing partner that he was not going to take any additional money under the kickback agreement.

During the plea hearing, Martin further admitted to additional illegal conduct in his award of another subcontract to the same Kuwaiti company in July 2003. On July 11, 2003, Martin solicited bids in an e-mail sent to a number of potential subcontractors, including the managing partner of the Kuwaiti company, to supply 300 semi-tractors and 300 fuel tanker trailers for a six-month period. At that time, the managing partner and Martin were still parties to the kickback scheme under which the Kuwaiti company agreed to pay 50 Kuwaiti Dinars per semi-tractor per month.

On July 18, 2003, Martin informed the Kuwaiti company that he was awarding the company the subcontract for 150 of the 300 semi-tractors at the price of 2,950 Kuwaiti Dinars per semi-tractor, per month. Martin subsequently executed the subcontract in the amount of approximately \$8.87 million. Under the kickback agreement, Martin would have received approximately \$150,265 in kickbacks. This amount was incorporated into the price of the subcontract which the U.S. military ultimately paid.

Sentencing has been scheduled for November 16, 2007, in Peoria, Illinois, before U.S. District Judge Joe B. McDade. The maximum statutory penalty for the offense is 10 years in prison, a fine of \$250,000, or both. Under the terms of the plea agreement, the parties have not reached a determination on the issue of restitution; however, Martin has agreed that on the date of sentencing, he will deposit a \$5,000 money order payable to the U.S. District Court with the Clerk of the Court. This \$5,000 shall be applied to any order of restitution entered by the court at sentencing.

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In October 2006, Deputy Attorney General Paul J. McNulty announced the formation of a National Procurement Fraud Task Force designed to promote the early detection, identification, prevention and prosecution of procurement fraud associated with the increase in contracting activity for national security and other government programs. The Procurement Fraud Task Force, chaired by Assistant Attorney General Fisher, includes the Federal Bureau of Investigation, the U.S. Inspectors General community, the Executive Office for United States Attorneys and others.

Law enforcement agencies participating in this investigation include: the Federal Bureau of Investigation, Springfield Division; the Internal Revenue Service Criminal Investigation Division, Chicago Field Office; the Defense Criminal Investigative Service, Central Field Office, St. Louis, Missouri; and the U.S. Army Criminal Investigation Command, North Central Fraud Field Office, Detroit, Michigan.

The case is being prosecuted by Gregory R. Walters, Assistant U.S. Attorney, Peoria Division; Jeffrey B. Lang, Supervisory Assistant U.S. Attorney, Rock Island Division; and, John Michelich, Senior Trial Attorney, Criminal Division, Fraud Section, U.S. Department of Justice.

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