



# Department of Justice

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## **FIVE DEFENDANTS INDICTED IN CASE INVOLVING BRIBERY, FRAUD AND MONEY LAUNDERING SCHEME IN AL-HILLAH, IRAQ**

WASHINGTON – A federal grand jury in Trenton, N.J. has indicted three former U.S. Army officers and two U.S. civilians for their role in a bribery, fraud and money laundering scheme involving the theft of millions of dollars from the Coalition Provisional Authority (CPA) in Iraq, Deputy Attorney General Paul J. McNulty announced today.

The 25-count indictment unsealed today charges U.S. Army Colonel Curtis G. Whiteford, U.S. Army Lt. Colonels Debra M. Harrison and Michael B. Wheeler, and civilians Michael Morris and William Driver with various crimes related to a scheme to defraud the CPA - South Central Region (CPA-SC) in al-Hillah, Iraq. Whiteford, once the second-most senior official at CPA-SC, was charged with one count of conspiracy, one count of bribery, and 11 counts of honest services wire fraud. Harrison, at one time the acting Comptroller at CPA-SC who oversaw the expenditure of CPA-SC funds for reconstruction projects, was charged with one count of conspiracy, one count of bribery, 11 counts of honest services wire fraud, four counts of interstate transport of stolen property, one count of bulk cash smuggling, four counts of money laundering, and one count of preparing a false tax form. Wheeler, an advisor for CPA projects for the reconstruction of Iraq, was charged with one count of conspiracy, one count of bribery, 11 counts of honest services wire fraud, one count of interstate transport of stolen property, and one count of bulk cash smuggling.

Morris, a U.S. citizen in Romania who owns and operates a Cyprus-based financial services business, was charged with one count of conspiracy and 11 counts of honest services wire fraud. Morris was arrested by Romanian authorities on Feb. 6, 2007. The United States is seeking to have him extradited to New Jersey on these charges. Driver, Harrison's husband, was charged with four counts of money laundering. Harrison and Wheeler, who were previously charged in criminal complaints, remain released on bond.

"This indictment alleges that the defendants flagrantly enriched themselves at the expense of the Iraqi people – the very people they were there to help," said Deputy Attorney General McNulty. "U.S. government officials working in Iraq are not for sale. We will prosecute anyone who attempts to exploit the reconstruction efforts in Iraq for their personal gain."

According to the indictment, from December 2003 through December 2005, Whiteford, Harrison, Wheeler and Morris conspired with at least three others—Robert Stein, at the time the Comptroller and Funding Officer for the CPA-SC; Philip H. Bloom, a U.S. citizen who owned and operated several companies in Iraq and Romania; and U.S. Army Lt. Colonel Bruce

D. Hopfengardner—to rig the bids on contracts being awarded by the CPA-SC so that all of the contracts were awarded to Bloom. In total, Bloom received more than \$8.6 million in rigged contracts. The indictment alleges that Bloom, in return, provided Whiteford, Harrison, Wheeler, Stein, Hopfengardner and others with over \$1 million in cash, SUVs, sports cars, a motorcycle, jewelry, computers, business class airline tickets, liquor, promise of future employment with Bloom, and other items of value.

The indictment alleges that Bloom laundered over \$2 million in currency that Whiteford, Harrison, Wheeler, Hopfengardner, Stein and others stole from the CPA-SC that had been designated for the reconstruction of Iraq. Bloom then used his foreign bank accounts in Iraq, Romania and Switzerland to send some of the stolen money to Harrison, Stein, Hopfengardner, and other Army officials in return for them awarding contracts to Bloom and his companies. Morris allegedly assisted Bloom in making these wire transfers of stolen CPA funds and in funneling those monies to the co-conspirators. Harrison and her husband, William Driver, for example, allegedly received a Cadillac Escalade as a bribe and used tens of thousands of dollars for improvements to their home in Trenton. Whiteford allegedly received at least \$10,000 in cash, a \$3,200 watch, a job offer from Bloom, and other valuables.

The indictment further alleges that during the course of the conspiracy, Whiteford, Harrison, Wheeler, Stein and Hopfengardner used U.S. currency stolen from the CPA-SC to funnel funds to Bloom for the purchase of weapons which they converted to their own personal use in the United States, including machine guns, assault rifles, silencers and grenade launchers.

Stein was sentenced on Jan. 29, 2007, to nine years in prison. He previously pleaded guilty to conspiracy, bribery, money laundering, possession of machine guns, and being a felon in possession of a firearm for his role in the scheme to defraud the CPA-SC.

On March 10, 2006, Bloom pleaded guilty to related charges of conspiracy, bribery, and money laundering in connection with the same scheme as Stein. Bloom is scheduled to be sentenced on Feb. 16, 2007.

On Aug. 25, 2006, Hopfengardner, pleaded guilty to charges of conspiracy to commit wire fraud and money laundering in connection with the same scheme as Bloom and Stein. Hopfengardner is scheduled for a status conference on March 23, 2007.

These cases are being prosecuted by Trial Attorneys James A. Crowell IV and Ann C. Brickley of the Public Integrity Section, headed by Acting Section Chief Edward C. Nucci, and Trial Attorney Patrick Murphy of the Asset Forfeiture and Money Laundering Section, headed by Chief Richard Weber, of the Criminal Division. These cases are being investigated by the Special Inspector General for Iraq Reconstruction (SIGIR), Internal Revenue Service Criminal Investigations (IRS), the U.S. Immigration and Customs Enforcement at the Department of Homeland Security (ICE), Army Criminal Investigations Division, the U.S. Department of State Office of Inspector General, and the FBI's Washington Field Office in support of the Justice Department's National Procurement Fraud Task Force and the International Contract Corruption Initiative. The investigation has received substantial assistance from the ICE Cybercrimes Division.

“These indictments not only serve as a deterrent to future crimes of this nature, but also demonstrate the direct benefits of independent oversight and interagency cooperation in

guarding American tax dollars invested in Iraq,” said Special Inspector General for Iraq Stuart Bowen. “SIGIR’s investigative team, now in Baghdad for more than three years, should be proud of their significant contribution in bringing these individuals to justice.”

“No matter how complex the fraud scheme, the individuals indicted today illustrate that even military officers are not above the law and will be brought to justice if they engage in procurement fraud in the Iraqi reconstruction. The FBI, in support of the National Procurement Fraud Task Force and the International Corruption Initiative, stands ready to work with our partners to investigate, as appropriate, and to eliminate contract bid rigging, bribery, fraud, and money laundering schemes that hinder the rebuilding efforts in Iraq,” said Assistant Director Michael A. Mason, Criminal, Cyber, Response and Services Branch of the FBI.

“Criminals motivated by profit and greed don’t deserve to work alongside the brave men and women of our military serving in Iraq,” said Julie Myers, Assistant Secretary of Homeland Security for ICE. “These charges highlight the federal government’s commitment in targeting suspected bribery, fraud and money laundering involving Iraq reconstruction funds and the war in Iraq. ICE is proud to have contributed its financial investigative expertise to this important joint operation.”

“The IRS will use the tax code and money laundering authorities to go after corrupt officials and contractors,” said IRS Commissioner Mark W. Everson. “Sometimes this is the fastest and most direct way to hold accountable those who abuse the public trust, as is clearly the case in this instance.”

“We are committed to investigating and rooting out these types of crimes to the fullest, wherever the truth may lead us,” said Brig. Gen. Rodney Johnson, commanding general, U.S. Army Criminal Investigation Command and Provost General of the Army. “This goes against the very fabric of our values as an Army and we will continue to aggressively pursue individuals, in or out of uniform, and companies who commit crimes against the Army, the American taxpayer, and the people we serve.”

An indictment is merely an allegation. Defendants are presumed to be innocent until proven guilty.

Deputy Attorney General McNulty announced the creation of the National Procurement Fraud Initiative in October 2006, 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. As part of this initiative, the Deputy Attorney General has created the National Procurement Fraud Task Force ([www.usdoj.gov/criminal/npftf](http://www.usdoj.gov/criminal/npftf)), which includes federal prosecutors, the FBI, SIGIR, and the Offices of Inspectors General for key federal agencies, and is chaired by Assistant Attorney General Alice S. Fisher of the Criminal Division. The Task Force has formed regional working groups around the country and is addressing many important topics relating to procurement fraud, including international procurement fraud issues, training, potential legislation, and information sharing between agencies.

Since the formation of the Task Force, federal prosecutors have brought or resolved 15 different criminal cases involving procurement fraud and have recovered more than \$100 million through vigorous enforcement of civil remedies available in procurement fraud cases. Other examples of fraud and abuse cases prosecuted by the Department of Justice in recent months include the following:

- On Feb. 2, 2007, former U.S. Army civilian translator Faheem Salam of Michigan was sentenced to three years in prison for offering bribes to a senior Iraqi police official, in violation of the Foreign Corrupt Practices Act;
- On Jan. 30, 2007, Gheevarghese Pappen, a U.S. Army Corps of Engineers employee at Camp Arifjan in Kuwait, was sentenced to two years in prison for accepting \$50,000 in illegal gratuities from a Kuwaiti contractor;
- On Jan. 25, 2007, Peleti "Pete" Peleti Jr., a U.S. Army Chief Warrant Officer, was charged in the Central District of Illinois with receiving a \$50,000 bribe in exchange for influencing a food supplies services contract. Peleti served as Army's Theater Food Service Advisor and was stationed at Camp Arifjan in Kuwait;
- On Nov. 13, 2006, four members of the California Army National Guard pleaded guilty to conspiracy charges related to their embezzlement from the U.S. Army while deployed in Iraq.

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