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NEWS

FOR IMMEDIATE RELEASE
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<http://www.justice.gov/usao/dc/index.html>**Former U.S. Army Corps of Engineers Manager
Pleads Guilty in Alleged \$20 Million Bribery and Kickback Scheme**
*Scam Involved Steering of Government Contracts;
Contractor Also Pleads Guilty to Charges Today*

WASHINGTON - Michael A. Alexander, 55, a former program manager for the U.S. Army Corps of Engineers, pled guilty today to federal charges of bribery and conspiracy to commit money laundering in a scheme that allegedly involved more than \$20 million in bribes and kickback payments and the planned steering of a \$780 million government contract.

The plea was announced by U.S. Attorney Ronald C. Machen Jr.; James W. McJunkin, Assistant Director in Charge of the FBI's Washington Field Office; Peggy E. Gustafson, Inspector General for the Small Business Administration (SBA); Robert E. Craig, Special Agent in Charge of the Mid-Atlantic Field Office of the Defense Criminal Investigative Service (DCIS); Eric Hylton, Acting Special Agent in Charge of the Washington Field Office of the Internal Revenue Service-Criminal Investigation (IRS-CI), and James K. Podolak, Director of the U.S. Army Criminal Investigation Command's (CID) Major Procurement Fraud Unit (MPFU).

Alexander, of Woodbridge, Va., pled guilty before the Honorable Emmet G. Sullivan in the U.S. District Court for the District of Columbia. A sentencing date has not been set. The bribery charge carries a statutory maximum of 15 years in prison and the conspiracy charge carries up to 20 years of incarceration. The charges also carry potential fines, an order of restitution, and forfeiture of a money judgment for \$1.25 million and specific property including cash, real property, bank account funds, and jewelry. As part of his plea agreement, Alexander agreed to cooperate in the government's ongoing investigation.

At a separate and related hearing earlier today, also before Judge Sullivan, Robert L. McKinney, 51, pled guilty to bribery. McKinney was the president of Alpha Technology Group, one of the companies involved in the contracting scam. Alpha Technology Group was not one of the companies referenced in the original indictment returned against Alexander and others on September 16, 2011. A sentencing date for McKinney also has not been set.

As part of his plea agreement, McKinney agreed to forfeit about \$245,000, representing the illegal proceeds he retained from the crime. He also agreed to cooperate in the government's ongoing investigation.

"Today's bribery and money laundering pleas relate to one of the largest procurement fraud scandals in our nation's history and demonstrate this Office's steadfast commitment to holding accountable unscrupulous government officials, as well as the contractors who entice them with bribes and kickbacks," said U.S. Attorney Machen. "Protecting the American taxpayer is one of our highest priorities and we will remain vigilant in the pursuit of those both inside and outside of the government who attempt to cheat the system and loot the public treasury."

"Bribery and kickbacks have no place in government contracting," said Assistant Director in Charge

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McJunkin. "The FBI and our partner agencies will continue to pursue those who engage in such criminal activity, as we work to protect federal funds and American taxpayers. We ask anyone with information about government fraud to contact the FBI."

"Today's announcement demonstrates the resolve of law enforcement to aggressively identify and prosecute individuals considering defrauding the federal government by deceit and bribery," said SBA Inspector General Gustafson. "There are severe consequences associated with this form of criminal conduct, as this case uniquely demonstrates. The SBA OIG will relentlessly pursue fraud in government contracting programs to eliminate corruption, promote fair competition, and serve the American taxpayer."

"Corruption of this nature recklessly deprives the hard-working men and women of the Defense Department of critical resources," said Special Agent in Charge Craig. "Moreover, it undermines the public's trust and confidence in Government. DCIS will continue to work tirelessly with our law enforcement partners to combat fraud and corruption within the procurement process and seek to ensure that those who engage in this type of criminal behavior are brought to justice."

"The United States Army will not tolerate fraud or corruption or tolerate those who do," said Director Podolak. "We will continue to diligently root out anyone involved in this type of illegal activity and our commitment to working shoulder to shoulder with other law enforcement agencies and the Department of Justice in this endeavor is stronger than ever. During the last 10 years alone, Army CID Special Agents have been instrumental in recovering and returning \$2.1 billion dollars to the United States Treasury and the Army from fraudulent practices involving contractors."

Alexander worked for the Army Corps of Engineers from 1979 until the time of his arrest, in October 2011. According to a statement of offense signed by Alexander, he was a program manager with the Directorate of Contingency Operations. In that position, Alexander had authority, among other things, to obtain funding for Army Corps of Engineers projects, including money for projects and programs placed through federal government contracts. He also was responsible for developing requirements for projects and programs. Alexander produced and actively managed a \$54 million budget.

The scheme involved the Army Corps of Engineers and two contracts: the Technology for Infrastructure, Geospatial, and Environmental Requirements (TIGER) contract and the Contingency Operations Readiness Engineering & Support (CORES) contract.

The TIGER contract was used by authorized federal government agencies and departments to purchase products and services. It is what is known as an Indefinite Delivery/Indefinite Quantity contract. Authorized agencies and departments are not required to obtain three separate bids or to compare the TIGER contract to another contract before submitting an invoice for products and services through the TIGER contract.

The CORES contract was a planned contract, envisioned as an alternative or potential replacement to the TIGER contract. As planned, the CORES contract would be a five-year contract with an award potential for all contracts placed under it of up to \$780 million. The CORES contract has not been issued for solicitation to potential prime contractors.

In his guilty plea, Alexander admitted to carrying out a bribery scheme with others. They included Kerry F. Khan, a colleague, who was then a program manager with the Army Corps of Engineers; Harold F. Babb, the former director of contracts at Eyak Technology LLC (EyakTek), an Alaska Native-owned small business; Alex N. Cho, the former chief technology officer of Nova Datacom, LLC, a provider of information assurance and security services to federal agencies and commercial companies, and McKinney, the president of Alpha Technology Group, Inc., a provider of program management services.

According to the statement of offense, in or around 2006, Alexander and Khan agreed to work together to obtain government contracts for corrupt contractors who would reward them with bribes. Khan had authority, among other things, to place orders for products and services for the Army Corps of Engineers through government contracts, including the TIGER contract, and to certify that the work on the contracts had been completed.

From May 2007 through October 2008, the Army Corps of Engineers awarded contracts and sub-contracts to Alpha Technology, totaling about \$1,877,000. McKinney paid Khan a portion of the money that was received, and Khan provided Alexander with \$99,100.

From May 2007 through October 2011, the Army Corps of Engineers awarded contracts and sub-contracts to Nova Datacom totaling more than \$45 million.

All told, Alexander admitted receiving directly and indirectly about \$1,150,000 of money and things of value from Nova Datacom and Cho. This included nearly \$300,000 in checks and cash; \$750,000 in wire transfers to an associate of Alexander's in South Korea for the purchase of, among other things, a coffee shop called Seven Monkeys in Seoul; about \$27,000 for the purchase of two designer watches for a member of Alexander's family; employment of a family member at Nova Datacom, and other miscellaneous payments. Cho also promised Alexander future employment at Nova Datacom and

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\$320,000 in additional payments. Indeed, on the morning of October 4, 2011, the date of his arrest, Alexander was expecting Cho to deliver a \$20,000 payment to him.

In addition to these activities involving the TIGER contract, according to the statement of offense, Khan, Alexander, Babb and Cho agreed to steer the award of the CORES contract to Nova Datacom. This scheme was thwarted by the arrests of Alexander and others last fall.

Khan, 54, formerly of Alexandria, Va., Khan's son, Lee Khan, 31, formerly of Fairfax, Va., and Babb, 60, formerly of Sterling, Va., were indicted along with Alexander on one count of conspiracy to commit bribery and wire fraud and aiding and abetting and causing an illegal act to be done, as well as one count of conspiracy to commit money laundering. Khan and Alexander also were indicted on one count of receipt of a bribe by a public official, and Babb was indicted on one count of unlawful kickbacks. Khan, Khan's son, and Babb have pleaded not guilty to all charges in the case and are awaiting trial. Khan, Lee Khan, Babb, and Alexander have been in custody since their arrests in October.

Cho, 40, of Great Falls, Va., pled guilty in September 2011 to one count of conspiracy to commit bribery, money laundering, and wire fraud, and to defraud the United States, and one count of bribery. Another former Nova Datacom employee, Theodoros Hallas, 40, of Potomac, Md., the company's former Executive Vice President, pled guilty to one count of conspiracy to commit wire fraud in October 2011. No sentencing date has been set for Cho or Hallas.

As part of his guilty plea today, McKinney signed a separate statement of offense that admitted that Alpha Technology had submitted fictitious and fraudulently inflated invoices that led to more than \$1.8 million of payments to the firm. Some materials and services were provided, but, McKinney admitted, more than \$850,000 of the expenses were fraudulent. Of this, he said, Alpha Technology kept about \$245,395, and the rest allegedly was passed on to Khan directly and through a company controlled by another one of Khan's family members.

To date, the United States has seized for forfeiture or recovered approximately \$7.2 million in bank account funds, cash, and repayments, 16 real properties, five luxury cars, and multiple pieces of fine jewelry.

In announcing today's developments, U.S. Attorney Machen, Assistant Director McJunkin, Inspector General Gustafson, Special Agent in Charge Craig, Acting Special Agent in Charge Hylton, and Director Podolak thanked those who investigated the case from the FBI's Washington Field Office; the Office of the Inspector General for the Small Business Administration; the Department of Defense's Defense Criminal Investigative Service; the Defense Contract Audit Agency; the Washington Field Office of the Internal Revenue Service-Criminal Investigation; and the Army Criminal Investigation Command. They also expressed thanks to the U.S. Marshals Service for its assistance on the forfeiture matter.

They also praised the efforts of those who worked on the case from the U.S. Attorney's Office, including Assistant U.S. Attorneys Michael K. Atkinson and Bryan Seeley of the Fraud and Public Corruption Section and Assistant U.S. Attorney Anthony Saler of the Asset Forfeiture and Money Laundering Section. Finally, they expressed thanks for assistance provided by former Special Assistant U.S. Attorney Christopher Dana; Forensic Accountant Maria Boodoo; Paralegal Specialists Tasha Harris, Shanna Hays, Taryn McLaughlin, Sarah Reis, Christopher Samson, and Nicole Wattlelet, and Legal Assistants Jared Forney and Krishawn Graham.

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